2023

Bank of Ireland Group plc
Annual Report

Bank of Ireland

'In 2023, the group performed well with strong financial results, tangible strategic progress and improved customer and employee outcomes. This represents an excellent start to our three year strategic cycle, underpinned by our differentiated business model, the attractive markets in which we operate, especially Ireland, and guided by our purpose to help customers, colleagues, shareholders and society to thrive.'

Myles O'Grady
Group Chief Executive

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www.bankofireland.com

The Group's forward looking statement can be found on page 354.

Strategic Report

2023 strong financial performance and strategic progress highlights

Step change in business performance

Strategic delivery

+23% Irish Loans

+8% Customers[1]

+18% AUM

Strong financial performance

€1.9bn PBT *(2022[2]: €1.0bn)*

42% CIR[3] *(2022[2,3,4]: 54%)*

17.3% RoTE adjusted *(2022[2,4]: 10.1%)*

Step change in distributions

340bps Net capital generation *(2018-22 average 100 bps)*

14.3% Fully loaded CET1 (2022[2]: 15.1%)

€1.15bn 72% total distribution[5] 13% of market capitalisation[6]

[1] New Irish bank channel customer relationships as a proportion of total customers at the start of the year.
[2] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact. As a result comparative figures have been restated to reflect the impact of the new standard.
[3] The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See non-core table on page 55 for further details. For calculation of underlying cost / income ratio (CIR) see page 362.
[4] Comparative figures have been restated to reflect a reallocation of €2 million from Retail Ireland business income to 'other valuation items'.
[5] Proposed ordinary dividend subject to shareholder approval.
[6] Based on market capitalisation of Bank of Ireland Group plc at 31 December 2023.

Further information on financial measures referred to above can be found in alternative performance measures on page 356.

Chairman's review

Related pages
CEO review *(page 6)*
Sustainability *(page 14)*
Risk Management Report *(page 134)*

The Group's scorecard, a third of the way through the 2023 – 2025 strategic plan, shows a positive performance, delivering for customers, colleagues, shareholders and society.

Patrick Kennedy *Chairman*

Introduction

Bank of Ireland performed strongly in 2023, financially and strategically.

Underlying profit before tax increased by 75% to €2.02 billion, the highest level of profitability in the Group's history. The Group also made further significant progress on its transformation journey, delivering on the refreshed strategy which it communicated last March.

The very strong financial performance reflects commercial delivery across all business lines, supported by a more favourable interest rate environment. The increase in interest rates over the last 18 months follows a fall in recent years to the lowest levels recorded.

Strategy and performance

The Group delivered on each pillar of its refreshed strategy. Some highlights include:

- Under Stronger Relationships, we helped c.14k people to buy a new home, achieving a 41% share of the new mortgage lending market in Ireland;
- Under Simpler Business, our ongoing focus on efficiency supported a significant reduction in our underlying cost / income ratio, to 42%;
- Under Sustainable Company, we maintained our position as the leading provider of green mortgages in Ireland, and published our United Nations Principles for Responsible Banking financial health and inclusion targets.

We also welcomed c.150,000 new customers to the Group last February when the acquisition of the KBC Bank Ireland (KBCI) portfolios was completed.

The Group's strategic plan runs to the end of 2025. The scorecard, a third of the way through, shows a positive start, delivering for all of our key stakeholders.

For customers, our Relationship Net Promoter Score (RNPS) strengthened to +5 from a 2022 baseline of +4, and complaints in Retail Ireland fell by a further 5% in 2023. For colleagues, our Culture Embedding Index increased by 4 points on 2022 to 80%, 5 points above the Global Financial Services benchmark. For shareholders, we are proposing an increased dividend and a substantial share buyback. We continued to make strong delivery against our Environmental, Social and Governance (ESG) ambitions, growing sustainability related finance to €11.1 billion.

We also delivered a RoTE of 17.3% in 2023, which is meaningfully above our c.15% medium-term target.

Capital and distributions

The Group delivered strong net organic capital generation in 2023, which maintained its robust capital base even after taking into account the acquisition of the KBCI portfolios, a meaningful step-up in distributions and growth in organic net lending in Ireland.

Through continual engagement with shareholders, your Board understands the importance of distributions. Today, I am pleased to announce a proposed 60 cent per share dividend in respect of 2023 performance, equating to a 40% ordinary dividend payout ratio, plus a share buyback of €520 million. Taken together, this distribution of €1.15 billion represents a material step-change from last year's total of €350 million.

This results in a fully loaded CET1 capital ratio of 14.3% at 31 December 2023, and is aligned to our ambition to distribute down towards our capital target of a CET1 greater than 14%. The total distribution, comprising the buyback and the ordinary dividend, equates to 13% of the Group's end-2023 market capitalisation of c. €8.7 billion.

In an update to the Group's distribution policy, we are going to commence capital distributions on a semi-annual basis.

Remuneration

In late 2022, the Irish Government announced that a number of crisis-era restrictions relating to remuneration were being lifted in respect of the Group.

We have responded to this in a careful and considered manner, with a focus on better linking remuneration to the achievement of our long term strategic and commercial goals, and delivery for our customers. In-line with best practice, the Group's profit share framework incorporates ESG and other metrics.

As an institution which is critically important to Ireland's economic progress and prosperity, both as a leading provider of lending to consumers, businesses and corporates and as a major employer, the Group will continue to engage with all stakeholders on the future development of the sector. This includes dialogue on the remaining restrictions applicable to the Group, which are not replicated in any market where it does business, creating an uneven playing field with other corporates, both banking and non-banking.

Board and senior management

The Board met in total on 10 occasions during the year. There were also 68 Board Committee meetings during the year. As in prior years, I would like to acknowledge the very strong commitment of all of my fellow directors to the Group in 2023.

In September, Fiona Muldoon retired as a Non-Executive Director, having served on the Board since June 2015. She also served as a Director of New Ireland Assurance Company (NIAC). We are grateful for the very meaningful contribution Fiona made to the Group across a wide range of roles held during her tenure.

Margaret Sweeney joined the Board last October, also joining the Group Audit and Remuneration Committees. Akshaya Bhargava joined last month, also joining the Group Risk and Transformation Oversight Committees. I am delighted to welcome both of them to the Group, and know that it will benefit from their extensive experience in the coming years.

There were also a number of changes to the Group Executive Committee (GEC) during the year. Gavin Kelly was appointed CEO of the Corporate and Commercial division. This division now includes Business Banking, which had previously been part of the Retail Ireland division. Áine McCleary was appointed to the newly created role of Chief Customer Officer, Susan Russell was appointed as Retail Ireland CEO, and last month, Ciarán Coyle joined us as Chief Operating Officer.

During the year, Ian McLaughlin stepped down as CEO of Bank of Ireland UK plc. We thank him for his commitment and success in this role, and wish him well for the future. Gail Goldie joined us last month as Ian's successor.

240 years

Since the Global Financial Crisis, the frame of reference for Irish banking has often felt limited to just 15 years, which is very understandable.

However, last June we marked the 240th anniversary since we first opened our doors to customers in 1783.

Since then, we've served many millions of customers, and have continuously evolved to meet their changing needs. On reaching this important date, it is appropriate to remind ourselves that, as well as growing as a commercial enterprise, we have also played a major role in Ireland's economic development throughout our history.

Our ambition is to continue to play a positive role for Ireland's economy and society, and especially for our customers and colleagues, for many years to come.

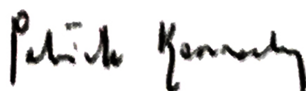
Conclusion

As referred to in recent Annual Reports, it is my intention to step down as Chairman later this year, after fourteen years on the board and six as Chairman.

My term as Chairman has spanned two strategy refreshes that have helped to reshape the Group, with better customer outcomes, increased colleague engagement, and improved culture. For shareholders, greater efficiency and higher returns have led to growing distributions including the return of buybacks for the first time since the Global Financial Crisis. In addition, we have completed the transformative acquisitions of Davy and the KBCI portfolios, and the Group has been returned to full private ownership.

It has been a great privilege for me to have been a Board member and Chairman and I have been fortunate to work alongside an outstanding group of professionals, both on the Board and throughout the Group. I would like to thank all the Directors and the management teams who I have worked with over the years. I would particularly like to acknowledge the three excellent Chief Executives the Group has had in that period: Richie Boucher, Francesca McDonagh and Myles O'Grady.

Finally, I would like to thank you, our shareholders, for your support. I firmly believe that the Group's strong leadership, clear strategy and attractive market positions gives it the platform to deliver its full potential for all of our stakeholders.



Patrick Kennedy
Chairman

Chief Executive's review

In 2023, the group performed well with strong financial results, tangible strategic progress and improved customer and employee outcomes. This represents an excellent start to our three year strategic cycle, underpinned by our differentiated business model, the attractive markets in which we operate, especially Ireland, and guided by our purpose to help customers, colleagues, shareholders and society to thrive.

Myles O'Grady *Group Chief Executive*

2023 was another year of significant progress for the Group. The financial performance reflects the Group's successful strategy execution, commercial delivery across all our businesses, and a favourable interest rate environment.

The Group's refreshed strategy, announced in March 2023, made clear our commitment to build further on the Group's progress in recent years and future-proof our business model. Our strategy is creating sustainable economic value and returns, increasing net loans, wealth assets and customer numbers. We continue to invest for the future, improve culture and deliver for our customers, colleagues, shareholders and society.

The strong financial performance in 2023 is reflected in:

- a profit before tax of €1.9 billion;
- a cost-income ratio of 42%[1];
- an adjusted RoTE of 17.3%; and
- 340 basis points net organic capital generation, supporting the distribution of €1.15 billion to shareholders, equivalent to 13% of market capitalisation.

Delivering on our Strategic Pillars

Last year saw clear strategic progress, including:

Stronger Relationships

- 8% increase in customers in 2023, reflecting our success in attracting new customers in our domestic Irish franchise.
- Improvements for customers, evidenced by our RNPS of +5 points, 1 point higher vs 2022, and a 5% reduction in complaints.
- 23% increase in Irish customer loans, with new mortgage lending of €4.9 billion in Ireland, +25% vs 2022, and our share of drawdowns increasing from 28% to 41% while maintaining our commercial focus and underwriting standards.
- Completion and successful migration of the KBCI portfolios in February 2023.
- Business income +10% vs 2022 predominately from our Wealth business.
- Assets under Management (AUM) increased €7 billion (c.18%) to c.€46 billion with strong net inflows reflecting the strength of our New Ireland and Davy franchises.

Simpler Business

- Ongoing focus on driving efficiency, resulting in a cost-income ratio[1] of 42% vs target of <50%.
- Customer effort score +3 points in 2023 to +53.
- For colleagues, +4% increase in colleague culture index and +5% in engagement with both at their highest level ever, combined with a reduction in attrition from 8% post pandemic to 6% in 2023.
- Expanding Corporate and Markets to include Business Banking, previously part of Retail Ireland.
- Established Davy as a centre of excellence for all of the Group's high net worth clients and successfully migrated c.2,000 customers from the Bank to Davy.

Sustainable Company

- Maintaining our #1 position for Financial Wellbeing.
- Further progress on our ESG strategy, with continued leadership in green lending in Ireland, including being the #1 provider for green mortgages. We have provided sustainable finance of c. €11.1 billion, which represents an increase vs 2022 of 35%. We are well on track to meet our c.€15 billion target for 2025 and c.€30 billion for 2030.
- Innovation in sustainable finance solutions, for example our Enviroflex Sustainability loan partnership with Kerry Dairy Ireland in the agri-sector.
- Inaugural science based targets emission reduction disclosures; 42% reduction in own operations from 2020 baseline and a c.10% emissions reduction in our RoI residential mortgage loan books.
- Further balance sheet de-risking with the NPE ratio reducing to 3.1% during 2023, a 50 basis point improvement from the prior year.
- RoTE of 17.3%, outperforming our c.15% target.

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

Economic Outlook

The overall macroeconomic outlook for Ireland, which represents the bulk of our revenue, profits and balance sheet, is positive, with clear signs of resilience, including total employment increasing to a record 2.7 million in Q3 2023, +13% since end-2019 (pre-COVID). Housing completions were 32,695 in 2023, a 15 year high and 10% above the outturn for the previous year.

That said, with imports and exports summing to 234% of nominal GDP, Ireland is among the world's most open economies. General global macro headwinds and some sector-specific weakness contributed to downwards revisions for headline Irish GDP forecasts in 2023. Therefore, international developments can have an outsized effect on economic metrics. Consequently, we remain alert to global macroeconomic developments, including evolving expectations about the trajectory of monetary policy across the geographies in which the Group operates.

In addition, last year, I noted that Ireland was relatively well positioned against a backdrop of elevated inflation and rising interest rates due to a combination of robust private sector balance sheets and the Irish State's strong fiscal position. Household finances remain strong with the ratio of household debt to disposable income at 88% in Q3 2023 compared to the peak of 210% in Q4 2009. The Irish Department of Finance forecasts that the State will run a third successive annual surplus in 2024. Ireland's structural qualities, including favourable demographics, underpin its economic resilience. Also, the annual headline rate of consumer price inflation has moderated from a multi-decade high of 9.2% in October 2022 to 4.6% in December 2023.

In the UK, which is our second largest market, continued tight labour market conditions and positive real earnings are helpful from an asset quality lens, particularly in the housing market. Mortgage rates have reduced from the previously elevated levels, further helping to improve affordability generally. It should be noted that we have been very disciplined regarding loan origination in the UK market for some years now with our loan book down 30% from 2019 levels. Our decision to exit the UK personal loan market is further evidence of this discipline.

Key outcomes for stakeholders

Customers

Putting customers first is a core value and integral to our purpose of helping customers thrive. We bring this to life by making it easier to interact, as evidenced through an increase in our customer effort score and continued reduction in customer complaints (down by 49% since 2018). In 2023, the Group delivered an increase in RNPS while increasing customer product holding by 75,000. We continue to protect our customers' Financial Wellbeing and support them when they need us most, including our response to the growing threat of fraud. We also continue to invest in our infrastructure, enhancing customer offerings and resilience.

Colleagues and Society

2023 was a year of stronger colleague engagement and further contributions to society. We underlined our commitment to sustainability by making it a core strategic pillar.

For our colleagues, we refined our values to better align with colleague feedback and this supported a tangible improvement in engagement and cultural embeddedness scores including a 7% increase in colleagues advocating BoI as a place to work. During 2023, the Group opened 3 new office hubs with 16 now available across Ireland, offering location flexibility to colleagues as part of our successful hybrid working model.

For society, we strengthened our commitment to the climate transition with sustainable finance targets set and our inaugural science based targets emission reduction disclosures. We were also just one of twenty banks globally to publish UN Principles for Responsible Banking Financial Health and Inclusion targets last June.

Shareholders

As outlined at the start of 2023, we expected 2023 to be a very strong year with targets being exceeded, and so it proved. In 2023, the Group delivered a 17.3% RoTE compared to our target of c.15%, a cost-income ratio of 42% compared to a target of <50%. There was a structural shift in capital generation, with 340 basis points of net organic capital generation in 2023, and distributions. On distributions, our ordinary dividend payout ratio of 40% in 2023 was achieved a year early. We are distributing a total of €1.15 billion to shareholders, equivalent to 13% of market capitalisation, comprising a cash dividend[1] of 60 cents per share (€634 million) and an approved share buyback of €520 million. Our CET1 ratio finished at 14.3% at year end, in-line with our guidance of >14%, reflecting prudent management of our balance sheet and the strategic allocation of our capital for our shareholders.

2023 Business and Financial Performance

Group

The Group reported profit before tax of €1.9 billion in 2023 (2022[2]: €1.0 billion). Net interest income of €3.7 billion, an increase of 48% compared to 2022, was supported by organic loan growth in Ireland, higher interest rates and customer balances, and the KBCI portfolio acquisition partially offset by higher wholesale funding and customer deposit costs. 2024 net interest income is expected to be 5-6% lower than the Q4 2023 annualised run rate of €3.65 billion primarily reflecting the anticipated lower interest rate environment.

The Group's loan book increased by €7.7 billion during 2023. This increase includes the €8 billion of loans acquired from KBCI in February 2023. On a constant currency basis, excluding the KBCI acquisition, a €2 billion increase in net lending in Irish non-property loan books has been offset by a €0.1 billion reduction in NPEs, a €0.8 billion reduction in Retail UK, in-line with our strategy, and against an uncertain geopolitical backdrop, a €1.6 billion reduction in net lending in property and international corporate reflecting prudent capital allocation.

Business income of €732 million, including share of associates and joint ventures, was 10% higher than 2022. This primarily reflected growth in Wealth and Insurance and the full year benefit of the Davy acquisition. Business income in 2024 is expected to be mid-single digit percent higher supported by continued growth in Wealth and Insurance and Retail Ireland.

Cost discipline is core to our strategy. Reported costs were 11% higher in 2023, primarily reflecting impacts of both acquisitions, lifting of variable pay

[1] Proposed ordinary dividend subject to shareholder approval.
[2] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact. As a result comparative figures have been restated to reflect the impact of the new standard.

restrictions and additional investment to drive future efficiencies. 2024 operating expenses are expected to be mid-single digit percent higher than 2023 reflecting inflation, business growth and additional investment to future proof our business, partially offset by efficiencies. We expect levies and regulatory charges to be €160 - €165 million in 2024.

An underlying net credit impairment charge of €403 million (49bps of gross customer loans) arose in 2023 compared to a charge of €187 million in 2022. This charge reflected loan loss experience in the period; and additional management adjustments to address potential risks, primarily in Commercial Real Estate. In 2024, subject to no material change in economic conditions or outlook, we expect an impairment charge in the low 30s basis points.

Our liquidity profile is very strong, supported by our retail franchise in Ireland. The Group's liquidity ratios reflect this strength. At December 2023, the Group's liquidity coverage ratio was 196% (2022: 221%), the loan to deposit ratio was 80% (2022: 73%), and the net stable funding ratio was 157% (2022: 163%). As expected, the changes in all three ratios in 2023 primarily reflect the impact of the KBCI transaction.

Our fully loaded and regulatory CET1 capital ratios were 14.3% and 14.5% respectively at December 2023. The Group's capital performance in 2023 benefitted from strong net organic capital generation of 340 basis points partially offset by the completion of the KBCI acquisition, investment in RWA and IFRS17 implementation. Capital ratios also reflect the full impact of the Group's announced capital distributions, including the accrual of our foreseeable cash dividend for 2023 of €634 million, achieving our ordinary dividend payout ratio target of 40% one year early, and the approved share buyback of €520 million. The Group expects 2024 distributions to comprise a combination of ordinary dividends and share buybacks, with interim distributions to commence.

Ireland

Our Retail Ireland business reported a 103% increase in income, supported by our strong commercial performance, continued pricing discipline, and higher interest rates. Our new lending in Ireland was particularly strong last year underpinned by €1.7 billion of net lending in mortgages. Irish customer balances of €80.1 billion increased by €2.5 billion in 2023, supported by the KBCI portfolio acquisition and organic growth across our franchise.

The acquisition of Davy now enables the Group to offer money market products from within the Group with transfers from Retail Ireland to Davy occurring during the year.

As the number of customers increases we see ongoing evidence of increased digitalisation with improved customer metrics. In 2023, active digital users increased 18%, our mobile app customer effort score increased 3 points and complaints about our mobile app reduced 35%.

Wealth and Insurance

Our Wealth and Insurance business had a strong performance with operating contribution 15% higher in 2023 vs 2022. Growth in AUM, with net inflows of €3.3 billion was an important driver of this strong performance.

Our strategic ambition to be the number one partner of choice for Wealth and Insurance in Ireland remains on track, underpinned by the attractive demographics and strong household balance sheets combined with the breadth of our propositions across retail, mass affluent and high net worth wealth segments.

UK

In 2023, we continued to successfully execute our strategy of value over volume in the UK. Reflecting this strategy, we increased our new lending by 22% in 2023 vs 2022 and since 2019 have delivered a 57% increase in underlying profit before tax. As part of our ongoing focus on capital allocation, in December 2023, we announced our decision to exit the UK personal loans business. Excluding the impact of exiting the personal loans business, we expect our loan book in the UK to stabilise in 2024. The Group's UK motor finance business is participating in the FCA's review of historical commission arrangements, with an update expected later in the year.

Corporate and Commercial

In 2023, we expanded Corporate and Markets to include Business Banking, previously part of Retail Ireland, offering business and corporate customers a one-stop shop for businesses at all stages of their development, while helping to build our own business at home and abroad. Profitability in Corporate and Commercial increased by 35% in 2023 supported by a 41% increase in net interest income. Reflecting our more cautious approach to property and international corporate, lending is 10% lower at end 2023 compared to 2022.

Outlook

2023 was a year of strategic progress and very strong financial performance, and we have delivered tangible evidence of better outcomes for our customers, colleagues, shareholders and society. We look to the future with continued confidence. While we are mindful of the risks presented by the external environment, the overall outlook for our core markets, and Ireland in particular, remains positive.

The combination of this positive outlook, the attractions of the markets in which we operate, our differentiated business model and our strategic clarity and focus supports this confidence in our prospects. We remain on track to deliver the financial and non-financial targets set over our FY23-25 strategic cycle.

Key highlights

+23% increase in Irish loans

#1 for green mortgages in Ireland

+8% new customer relationships

-5% reduction in customer complaints

+18% increase in AUM to €46bn

42% Cost income ratio

17.3% adjusted RoTE

€1.15bn of total distributions to shareholders

Myles O'Grady
Group Chief Executive

BoI Announces New Multi-Year Partnership with IRFU, **Myles O'Grady** *(CEO), pictured at the Aviva Stadium, with Ireland Rugby internationals,* **Deirbhile Nic a Bháird** *and* **Iain Henderson**.

Our strategy

Related pages
CEO review *(page 6)*
Sustainability *(page 14)*
Divisional review *(page 61)*
Risk Management Report *(page 134)*

Delivering stronger relationships with customers and colleagues, a simpler and more efficient business, and a Bank with sustainability at its core.

In March 2023, our refreshed Group Strategy for 2023-2025 was launched. This strategy builds on our 240 year heritage and is guided by our purpose, which is to help customers, colleagues, shareholders and society to thrive. Our values are central to how we work to deliver this strategy. At Bank of Ireland, we are customer first, better together, we take ownership and are decisive.

Our strategy is built on three strategic pillars: building stronger relationships with our customers and colleagues, continuing to simplify our business for customers and colleagues, and creating a culture of constant improvement in the sustainability of the company for the future. Customers continue to remain at the core of everything we do. We are deepening customer relationships through our market leading financial wellbeing programme and enhancing customer experiences through digital and data.

The Group's business model is in a strong and differentiated position as a result of key strategic actions executed, outcomes delivered and recent strategic acquisitions. The fundamentals underpinning our strategic plan remain supportive and we have clear plans in place to continue to deliver further progress. The highly attractive Irish market and demographics continue to support momentum in delivering against our 2025 strategy, in particular the growing Irish housing and mortgage market, strong labour market and household finances, and our Irish franchises driving profit growth. This is further supported by our complementary international footprint.

Notwithstanding the positive backdrop, we are mindful of the potential impact of global themes such as the higher interest rate environment, uncertainty around inflation and ongoing geo-political unrest, as the Group aims to support our customers and society to navigate these trends.

Year one saw strong progress made against our strategic plan and targeted outcomes and builds on the positive progress that we have made in recent years. For our retail customers and businesses, we are meeting more of their financial needs throughout their lifecycle, by enhancing functionality, simplifying customer experiences and delivering greater service capabilities.

For our colleagues, progress continues to be made on creating a differentiated colleague experience, with flexibility and wellbeing at its heart. For society, our focus remains on supporting the financial wellbeing of all customer segments in addition to supporting the green transition. We are also seeking to put in place a more diverse workforce that more closely represents society.

The Group also had a very strong year financially achieving the highest level of profitability in its 240 year history. We delivered strong net organic capital generation in 2023 and are delivering a material step-change in distributions compared to 2022. This strong performance strategically and financially provides positive momentum for the remaining two years of the current strategic cycle so that we can continue to deliver against our targeted outcomes for all our stakeholder groups.

Strategic progress in 2023

Completion of KBCI portfolios acquisition
Successfully completed in H1 2023

Increased new customer relationships by 8%[1] in 2023

c.35% increase in sustainability-related finance to €11.1 billion

240th Anniversary

Strategic delivery in our UK business
Delivering strong returns through a niche strategy

[1] *New Irish bank channel customer relationships as a proportion of total customers at the start of the year.*

Our strategy *(continued)*

Stronger relationships

Establish deeper, mutually value-adding customer relationships led by our colleagues through tailored engagement, and easier, joined-up services and products across customers' financial needs and life stages.

2025 target outcomes

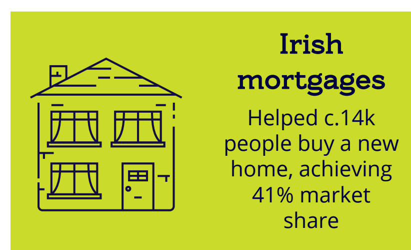
We remain on track to deliver:

- Growth in mortgage balances whilst maintaining risk and commercial discipline.
- 5% increase in financial needs met per customer[1], equivalent to 250,000 incremental products for existing customers over the 2023-25 period.
- +10 Relationship Net Promoter Score by 2025, up from +4 in 2022[2], demonstrating stronger

How we performed in 2023

After the first year of delivery under the 2023-2025 strategy, we remain on track to deliver against our 2025 target outcomes, with notable key achievements outlined below.

- **This year marked 240 years since Bank of Ireland first opened its doors to customers**. We've grown to be an organisation that serves more than four million customers in Ireland and abroad and employ over 10,000 people.
- **We welcomed Ulster Bank and KBCI customers to the Group**. Consolidation in our core market offered unique customer acquisition opportunities which created a foundation for developing stronger relationships and saw us increase our new customer relationships by 8%[3] in 2023.
- **The newly created role of Group Chief Customer Officer is** aligned to our customer first value and supports our continued focus on customers.
- **We have captured value in a growing mortgage market**, helping c.14k people to buy a new home and achieving a 41% share of the Irish mortgage market (up 13 points year on year).
- **We have continued to grow our Wealth and Insurance business** (18% growth in AUM year on year), by leading the market via clear brand propositions.
- **Enhanced product offerings have helped us to meet a broader range of customer needs**. New products and propositions launched for customers include a SuperSaver deposit account, a 1-year term deposit account for personal and business customers, and for Wealth and Insurance customers, a dual mortgage life protection offering, Employer PRSA and Dynamic Protected Bond.
- **Our brand and customer metrics have also improved** and our customer first approach is positively reflected by improvements in our Relationship Net Promoter Score to +5 (up 1 point year on year), as customers express positive experiences with colleagues.
- **Our mobile app customer engagement engine**, which provides customers with helpful insights, generated c.500k customer-led engagements supporting their day-to-day banking needs, up 21% year on year.



Irish mortgages

Helped c.14k people buy a new home, achieving 41% market share

New products and propositions

Launched SuperSaver deposit offering

Customer engagement

c.500k customer-led engagements via mobile app

[1] *Measured by average product holdings.*
[2] *6-month average at end of December 2022.*
[3] *New Irish bank channel customer relationships as a proportion of total customers at the start of the year.*

Our strategy *(continued)*

Simpler business

Simplify the day-to-day activities and interactions of our customers and colleagues, particularly leveraging digital and data, allowing them to do more, faster and more easily.

2025 target outcomes

We remain on track to deliver:

- Cost: income ratio <50% over the 2023-25 period.
- +10pts improvement in customer effort score by 2025, from 50 in 2022.
- +6pts improvement in colleague engagement score by 2025, from 68% in 2022.

How we performed in 2023

We have committed to delivering a better experience for our customers and colleagues by simplifying processes and leveraging digital and data.

- **Enhanced customer experience** supported by simplified customer journeys and ongoing digitisation has contributed to driving an increased Customer Effort Score of +53 (up 3 points year on year) in 2023.
- **Customer complaints have reduced** by 5% year on year supported by improved customer journeys.
- **Investment in digitisation** continues to benefit our customers with an 18% year on year increase in active digital users.
- **We rolled out over 60 enhancements to the mobile app in 2023** reducing customer effort and bringing new features to the market at a faster pace, including biometrics and additional fraud monitoring.
- **Continued digitisation progress in Wealth and Insurance** with the launch of a customer portal and strong adoption of Wealth and Insurance's digital advice platform and broker and agent portals.
- **The introduction of Conversational IVR**[1] in 2023 has improved routing of 100k customer calls per month, saving time and improving overall customer experience.
- **Simplified the Group's application estate** by decommissioning over 75 IT applications in 2023.
- **Strengthened enterprise-wide, colleague-led simplification** with the 2023 launch of 'Voice of Colleague', a framework to capture and respond to colleague ideas for simplification across the enterprise, and for identifying improvements for both customers and colleagues.
- **Continued to invest significantly in technology and strategic capabilities** across the Group's key customer groups.

Investment in digitalisation

18% increase in active digital users

Mobile app

Over 60 enhancements to our mobile app

Operating efficiency

42%[2] cost / income ratio, with operating expenses in line with market guidance

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

Our strategy *(continued)*

Sustainable company

Deliver impact on the most critical challenges facing our customers, colleagues and society and ensure ongoing focus on stability, risk management and operational risk resilience across the Group for our expanded customer base.

2025 target outcomes

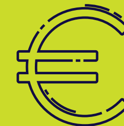
We remain on track to deliver:

- ✓ RoTE of c.15% over the 2023-25 period.
- ✓ No.1 rating for Financial Wellbeing maintained.
- ✓ €15 billion sustainable financing by 2025, from €8 billion in 2022.

How we performed in 2023

We continue to make progress against our sustainable company strategic pillar which is centred on enhancing customer financial wellbeing, supporting the green transition and enabling our colleagues to thrive.

- **First and only Irish bank** and one of 23 globally to set and publish our UN Principles for Responsible Banking commitments on financial health and inclusion.
- **Fostered financial resilience** by launching our 'Extra Help Hub' to support our customers in building financial literacy and capability. We also launched our financial wellbeing 'Money Worries Hub' which provides simpler supports, tools and guidance to customers with financial concerns.
- **Strengthened colleague engagement:** We delivered an uplift in our Colleague Engagement Index which is now 73% (up 5 points), with colleague enjoyment, advocacy of Bank of Ireland as a place to work and pride all increasing.
- **Supported our colleagues** through delivery of events such as the People Manager summit encompassing performance, career development and growth and wellbeing. We also launched the 'MyReward' flexible benefits platform for colleagues, supporting our people and their financial wellbeing.
- **Focused on Inclusion and Diversity (I&D)** by launching our refreshed three year I&D strategy, making strong progress on increasing diversity of our colleagues across gender, ethnicity, sexual orientation and disability, and achieving 'Investors in Diversity' Gold Employer and 'Investing in Ethnicity' accreditations.
- **Increased sustainability-related finance:** The level of sustainability-related finance on our balance sheet to households and businesses grew by c.35% in 2023, to €11.1 billion. We enabled customers to buy more sustainable homes with green mortgages accounting for over half of our new mortgage drawdowns.
- **Strong capital position:** In terms of capital and distributions, the Group delivered strong net organic capital generation in 2023 and is announcing distributions of €1.15 billion, equating to c.40% of statutory profits plus a share buyback of €520 million. This represents a material step-change from last year's total distributions of €350 million.



Financial Wellbeing

No.1 brand known for Financial Wellbeing in RoI

Green Transition

Sustainability-related finance to households and businesses grew by c.35% in 2023, to €11.1 billion

Enabling colleagues to thrive

Engagement Index grew +5% to 73%, compared to 2022

Sustainability

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Key highlights

Sustainability related finance

increased by 35% in 2023 to €11.1bn. Launched Enviroflex agri-business green loans in conjunction with Kerry Dairy Ireland

Science-based targets

achieved over 85% of our own operations 2030 target and over 90% of 2025 target for long-term corporate lending

Leaders in Financial Wellbeing in Ireland

first and only Irish bank and one of 23 banks globally to set and publish our UNPRB commitments on Financial Health & Inclusion

46% (2022: 40%)

female appointments to management & leadership positions

80% colleague score for culture embeddedness

+5 points vs global financial services benchmark

Green bond issuance

issued €2.25bn in bonds through Green Bond Framework bringing total issuances to date to c.€4.75bn

Our commitment to sustainability

Related pages
CEO review *(page 6)*
Our strategy *(page 10)*

As a business with a heritage spanning 240 years, we recognise the major role and responsibility that we have in delivering impact that matters on the most critical challenges facing our customers, colleagues, society and shareholders, today and into the future.

Laura O'Donovan *(Irish Centre for Diversity) with* **Myles O'Grady** *(CEO) as BoI awarded Gold Investors in Diversity EDI Mark*

Our world is changing

We continue to face unprecedented challenges at home and globally including economic uncertainty, wars across Europe and the Middle East, inflation worries and a cost-of-living crisis. Vulnerable groups are most affected. Coupled with this, the focus on climate change has intensified with extreme weather events and record-breaking temperatures putting greater urgency on the need to support the transition to a net zero economy. Aligned with this, the interlinkages with nature and the role protection of biodiversity plays in tackling climate change is a growing focus.

In December 2023, the United Nations (UN) held the 28th Conference of Parties (COP28) in Dubai which was the first 'Global Stocktake' of progress against the 2015 Paris Agreement. It ended with a pledge to transition away from fossil fuels in a just and equitable way, underpinned by deeper emissions cuts and scaled-up finance with the overarching aim to keep the global temperature limit to no greater than 1.5°C above pre-industrial levels.

Sustainability a core strategic pillar

In 2023, sustainability was embedded as one of the Group's three core strategic pillars, Sustainable Company, and we continued to turn our ambitions into action, delivering practical sustainability solutions that make a difference.

Sitting below the Group's Sustainable Company pillar is our 'Investing in Tomorrow' Sustainability strategy. Our focus is on our material Environmental, Social and Governance (ESG) impacts and opportunities aligning to science and best practice, starting with the UN Sustainable Development Goals (SDG), the blueprint for a more sustainable future for all. Our Sustainability strategy and approach centres on three pillars: supporting the green transition, enhancing financial wellbeing and enabling our colleagues to thrive, supported by a number of foundational topics.

Linking sustainability to value creation

Our commitment to 'Sustainable Company' is grounded in our central belief that supporting our customers, colleagues and society, whilst appropriately allocating our capital, and making the necessary investments in upskilling, capacity and risk management, will create long-term sustainable value for our shareholders.

Successfully executing our strategy means we will capture an appropriate share of the opportunities, potentially supporting Return on Tangible Equity (RoTE) over a longer period and the long-term growth rate of the franchise. It may also reduce our cost of funding and the cost of equity that investors seek to hold our shares. Overall these should drive a higher intrinsic value for the Group. In addition, by ensuring our economic value is underpinned by the creation of value for society, we will build trust and strengthen long-term relationships with our customers, motivate and inspire our colleagues and contribute to the prosperity of societies in which we operate.

The world of ESG is witnessing significant changes in regulation, reporting requirements, customer preferences and societal attitudes. Progress will not be linear, as is often assumed by financial models, but having a 'franchise value' mindset strengthens the long-term perspectives we will bring to our actions.

Translating ambition into action

In 2022, we became the first Irish retail bank with greenhouse gas (GHG) emission reduction targets validated by the global gold standard Science Based Targets initiative (SBTi). These Science Based Targets (SBTs) set GHG reduction targets across both our business operations and sustainable finance deployment to support the transition by our customers.

Our commitment to sustainability *(continued)*

Key financial sponsor for Re-turn, the government's new bottle deposit scheme; **Ossian Smyth** *(TD, Minister of State),)* **Nikki Canavan** *(Head of Origination at Corporate and Commercial Banking),* **Tony Keohane** *(Chair of Re-turn),* **Séamus Clancy** *(Interim CEO of Re-turn), &* **Darragh O'Neill** *(Director of New Business Origination at Corporate & Commercial Banking)*

Our targets are aligned with Irish, EU and UK climate change policies and law. In the 2023 Annual Report, we are making our inaugural reporting disclosures on progress against our SBTs. They show a 42% reduction in emissions in 2023 (from a 2020 baseline) from our own operations. The SBTs cover three quarters of the loan book. We recorded reductions (emission intensity from a 2020 baseline) of 6% across the residential mortgage loan book and an 11% reduction in the commercial real estate portfolio, in line with the Group's expectations.

Delivery on sustainable finance targets supports the transition to a low carbon economy for our customers. The Davy Decarbonisation white paper 'Investing in Tomorrow: Shaping a Net-Zero Future' sets out that €129 billion of investment is required across key sectors in order to meet Ireland's 2030 climate targets. We are supporting Ireland in reaching these targets and in early 2023, extended our Group sustainable finance loan target for customers to c.€15 billion by 2025 and c.€30 billion by 2030.

In 2023, the level of sustainability-related finance on our balance sheet to households and businesses grew by 35% to €11.1 billion. We enabled customers to buy more sustainable homes with green mortgages accounting for approximately half of our new mortgage drawdowns. We also issued €2.25 billion in bonds through our Green Bond framework, bringing total green issuances to date to c.€4.75 billion.

We made significant progress on our social commitments. Protecting our customers' and colleagues' financial wellbeing is a key focus for us and we continue to be the #1 bank for financial wellbeing in the Irish market. We strengthened our commitment even further by publishing our United Nations Principles for Responsible Banking (UNPRB) Financial Health and Inclusion targets, one of 23 banks globally to do this. On Inclusion and Diversity, we achieved the Gold Investors in Diversity EDI Mark. Through colleague feedback, we also refined our values to better align with our updated strategy. We have embedded our values across the Group and seen a year on year increase in our Culture Embedding and Engagement scores.

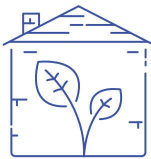
We have a risk management framework (RMF) and risk policies in place that support the embedding of ESG risk management in our business. During 2023, we expanded our sustainability-related disclosures which contributed to improved ESG rating agency scores. The EU's Corporate Sustainability Reporting Directive (CSRD) will bring a step change to our 2024 disclosures. The Group has undertaken its initial Double Materiality Assessment (DMA) exercise in 2023 which will continue to be refined over the course of 2024 as part of the CSRD implementation plan.

Looking ahead

While we have made notable progress on our ambitions, there is much more to do to support the generation of competitive long-term financial returns for shareholders whilst having a positive social and environmental impact, on a sustainable basis:

- for **customers**, we will continue to support transition with innovative financial solutions, seek to protect financial wellbeing and support customers when they need us most, including protection against the growing threat of fraud and helping those who find themselves in vulnerable situations.
- for **colleagues**, we will continue to invest in making their jobs more rewarding, attracting new talent and building an inclusive workforce that is reflective of our society.
- for **society**, we will continue to support our communities to prosper and seek to drive greater engagement; and
- for **shareholders**, we will continue to deliver long-term value creation with a resilient business model and improving our franchise value with a RoTE that is more sustainable.

Our Sustainability Report will provide a more detailed update on our progress and future plans which we expect to publish in Q2 of this year.



Supporting the green transition

Related pages
CEO review *(page 6)*
Our strategy *(page 10)*

Eoin Lowry *(Head of Agri Sector) BoI with* **James O'Connell**, *General Manager, Kerry Agribusiness at the launch of Enviroflex Sustainability-linked loans.*

As a signatory to the UNPRB, we have committed to aligning our strategy and practices with the Paris Climate Agreement. Our Five Point Climate Action Plan, first introduced in 2021, outlines the key role we play in facilitating Ireland's green transition to a low-carbon economy and our efforts to reduce our own impact on the environment. Since launching, we have made significant progress on supporting the move towards a net zero economy.

In early 2023, we extended our sustainable finance lending targets to c.€15 billion by 2025 and c.€30 billion by 2030. We have a suite of sustainable finance products covering a range of sectors from Home Buying and Everyday Banking through to Corporate and Commercial.

Each product is designed to fund and support our customers with innovations to help them transition towards a more sustainable business model and a low carbon future.

In 2022, we became the first Irish bank to have our GHG emission reduction targets validated by SBTi, covering all the Group’s operations and 76% of our FY2020 baseline loan book. This includes Scope 1 and 2 emissions present in our operations and Scope 3 emissions in our downstream value chain. Having our GHG targets validated by the global gold standard SBTi reinforces the credibility of our commitment to assisting Ireland in achieving its climate targets. This year we are reporting our progress against these targets for the first time.

To progress further action on nature, through 2023, we participated in several key initiatives to help us improve our understanding of our impacts, dependencies, risks and opportunities. This included participation in the Taskforce for Nature-Related Financial Disclosures (TNFD) Forum, the Partnership for Biodiversity Accounting Financials (PBAF), and the UNPRB Nature Target-setting working group. We were also one of six inaugural partner organisations that supported the development of the first Irish Business and Biodiversity Platform.

Key 2023 achievements

With the successful implementation of our Five Point Climate Action Plan, we have moved from a planning and execution phase into a delivery phase, or from ambition to action. Set out on the next page are our 2023 key achievements against our five point plan. In line with our 'comply or explain' obligations under the UK's Financial Conduct Authority's Listing Rules, we can confirm that we have made disclosures consistent with the Task Force for Climate-related Financial Disclosure (TCFD) recommendations and recommended disclosures, except for one area: we do not fully disclose Scope 3 GHG emissions as we are in the process of conducting a detailed analysis of our financed portfolio. Further details are set out in the metrics and targets section of the TCFD compliance statement on page 37. The table below sets out where you can find details of our progress in 2023 against each of the Five Point Climate Action Plan topics in the corresponding TCFD disclosure section of the report.

Bank of Ireland's Five Point Climate Action Plan *(TCFD Pillars)*

Governance *(page 24)*

Strategy *(page 25)*	Risk Management *(page 30)*	Metrics & Targets *(page 37)*		
(1) Providing sustainable finance	**(2) Manage climate related risks**	**(3) Science-based targets**	**(4) Decarbonise our own operations**	**(5) Transparently report our progress**
Support customers through core financing and advisory capabilities to enable them transition to net zero and develop and deploy low carbon technologies.	Build resilience by embedding climate-related impacts in our decision making processes for our own operations, in lending and investment decisions and the advice we give our customers.	Manage and track our lending practices to make progress against our emission reduction targets.	Make our own operations net zero by 2030.	Commit to transparently reporting on our progress towards our ambitions and reporting in line with the recommendations of the TCFD.

Supporting the green transition *(continued)*

Five point climate action plan	Objective	Key achievements in 2023	Targeted actions in 2024
Science based targets (SBT)	**Target outcome:** Alignment with decarbonisation goals of the Paris Agreement. **Success measured by:** Meeting our validated SBTs covering our own operations and 76% of our lending.	Progress is in line with the Group's expectations: • **Own operations:** By 2023 we achieved a 42% reduction[1] in absolute scope 1 and 2 GHG emissions in our own operations and continue to source c.100% renewable electricity for all our operations. • **Lending decarbonisation:** Emissions intensity reduced across: – Residential Mortgages (down 6%[1]) – Commercial Real Estate (CRE) (down 11%[1]) – Electricity Generation Project Finance (down 28%[1]) • **SBT lending coverage:** 23%[2] of our corporate customer base have now set SBTs with a further 20% in the target validation phase.	To report progress towards our SBTs as we execute our strategy to further decarbonise our customer lending during 2024.
Providing sustainable finance	**Target outcome:** Support the delivery of national climate plans in Ireland and the UK. **Success measured by:** Meeting our sustainability related finance targets of c.€15bn by 2025 and c.€30bn by 2030.	• **Sustainability related finance** increased by c.35% in 2023 from c.€8.2bn to c.€11.1bn with the Group on track to meet near-term lending target. • This lending was supported by the issuance of €2.25bn in **green bonds** in 2023, bringing total issuances to date to c.€4.75bn. • **Significant innovation** with continued expansion of our Sustainable Finance solutions for the key sectors in transition (Agriculture, Property, Business and Energy). • **Food-agri:** Enviroflex product launched in conjunction with Kerry Dairy Ireland to support farmers in implementing sustainable farm practices. • **Business:** Green CapEx product available for corporate banking customers for investments that meet Group sustainable finance and / or EU Green Taxonomy criteria.	Continue to increase sustainable financing on a linear path towards near-term 2025 strategic target of c.€15bn.
Decarbonise our own operations	**Target outcome:** Obligation to deliver our products and services in a sustainable manner. **Success measured by:** Make our own operations net zero by 2030.	• **Key initiatives** to drive energy efficiency and carbon reductions: – continued certification of the **ISO 50001 Energy Management Standard (EMS)** and transition from **fossil fuels to electric heating systems** in the branch network; – installation of **LED lighting** in 130 retail sites to reduce electrical consumption by 10% to 15%; – review conducted across retail/admin sites to eliminate wasteful use of hot water, air conditioning and heating systems; and – rolling out of **internal communications** for staff to encourage positive behaviours and habits to reduce energy use.	Implement new ISO standard to complement existing EMS; replace gas boilers with heat pumps, replacing kerosene with hydrotreated vegetable oil and additional solar panels.
Manage climate related risks	**Target outcome:** Build resilience by embedding climate risk impacts in our decision making processes. **Success measured by:** Implementation of ECB's guidance on the management of climate-related and environmental risks.	• Implementing the **Group's multi-year climate action plan** to embed climate risk management in line with regulatory guidance. • Embedded **climate related impacts** into our processes for our own operations, in lending and investment decisions and the advice we give our customers. • Enhanced disclosure on climate risk management as we progressed our **embedding of the European Central Bank's (ECB) guidance** on the management of climate-related and environmental risks.	Build on the infrastructure implemented for climate risk management to continually mature and to address the broader scope of ESG risk in the context of CSRD readiness.
Transparently report our progress	**Target outcome:** Need to report on progress in supporting the green transition to our stakeholders. **Success measured by:** Alignment of our disclosures with expectations of regulators, ESG rating agencies and our shareholders.	• **Strengthened alignment of our climate disclosures** with expectations of regulators across Ireland and the UK. • **Progress reporting** against climate targets following the setting of targets for GHG reduction (SBTi) and sustainable finance development. • **Increased disclosure** on key climate metrics, energy efficiency on property and alignment with the EU Taxonomy in line with Pillar 3 disclosures. • **Maturing the reporting framework,** with increased level of controls and assurance. • **Winner of the 'Sustainability ESG reporting (listed entities)' award** for our 2022 sustainability disclosures by Chartered Accountants Ireland. • **Expanded sustainability disclosures** and activities which supported ESG ratings upgrades.	Full implementation of Pillar 3 ESG reporting following 'phase in' period and enhanced disclosures required under CSRD.

[1] Reduction from 2020 baseline.
[2] Emissions weighted basis.

Enabling colleagues to thrive

Related pages
CEO review *(page 6)*
Our strategy *(page 10)*

Investing in Ethnicity Award
I&D Multicultural network members, **Matt Elliott** *&* **Kate Butler** *on accreditation of award*

In 2023, we refreshed our values to better align with our updated strategy and we have embedded our values across the Group. Our Culture Embedding Index, now 80% (+4 points year on year), is +5 points vs global financial services benchmark, clearly demonstrating our success in integrating our refreshed values into the organisation. We also experienced an uplift in our Engagement Index to 73% (+5 points year on year), with colleague enjoyment, advocacy of Bank of Ireland as a place to work and pride all increasing.

To capitalise on these achievements, our people agenda aims to further embed our values internally and focuses on three priorities; building a future ready workforce, creating a differentiated colleague experience, and simplifying our ways of working.

Build a future ready workforce

An essential part of our people strategy is developing growth skills and capabilities. 40% of colleagues are investing in our growth skills programmes at both foundational and advanced level. This is further supported through 'Thrive', our new colleague performance experience platform.

Our Emerging Careers programme continues to mature, providing people from all backgrounds with opportunities to enter the workforce. In 2023, we grew our community engagement initiatives in collaboration with Business in the Community Ireland. We also launched 11 new programmes with our Delivering Equality of Opportunity in Schools programme, specifically designed to enhance numeracy and literacy skills and aid in planning for future careers.

In 2023, we launched our refreshed three year I&D strategy and made strong progress against our gender, ethnicity, sexual orientation and disability diversity ambitions. We saw 46% female leadership appointments (40% in 2022) with an ongoing commitment to achieve a 50:50 ratio. 14% of new joiners self-declared as ethnic minority against the 2022 Irish CSO data of 7%. This progress is also evident through our 'Investors in Diversity' Gold Employer and 'Investing in Ethnicity' accreditations.

Create a differentiated colleague experience.

We continued our journey to be an employer of choice through leading edge colleague supports, flexibility and an enhanced reward proposition.

MyReward

The introduction of the reward and benefits platform 'MyReward' has increased colleague access, understanding and flexibility with their benefits and overall reward package. Almost 80% (or over 7,800 colleagues) accessed the platform within the first 10 days of launch and experienced a more personalised and holistic view of their total rewards package, including value of salary, pay, benefits, and other Group supports, products and rates.

Family Matters

We offered further enhanced supports to women and families through our Family Matters initiative including, Surrogacy and Adoptive leave, 6 weeks paid paternity leave, and paid provisions for early pregnancy loss. Additionally, we launched progressive policies covering domestic violence, fertility and menopause leave.

Inclusion and Diversity Initiatives

We progressed our inclusive education journey through targeted initiatives for the Board and Group executives focusing on unconscious bias training. We also introduced an Inclusion Passport allowing colleagues with health conditions, disabilities, and caring responsibilities to communicate their unique needs and preferences to colleagues and managers.

Neuroinclusion strategy

We aim to create a working environment where everyone can thrive. We partnered with Auticon, a social enterprise that supports organisations to become more neuroinclusive. In Q2 2023, we commenced delivery of our 3 year neuroinclusion strategy to create a better experience for neurodiverse colleagues and customers, which focuses on Neurodiversity education and improvements to processes, policies and accommodations.

Wellbeing

We are committed to being an employer that promotes opportunities to connect and improve social fitness, leveraging the flexibility of our hybrid working model. In 2023, colleagues participated in a number of social connection and engagement activities across the business including c.2,500 participants in Bank of Ireland's fittest teams, a 3 week fitness programme and further investment in mental health training for all colleagues.

Simplify our ways of working

Our hybrid work model recognises that one size does not fit all enabling teams and leaders to interpret hybrid working for their unique needs and purposes. Our aim is to reduce colleague toil and make it easier to get work done. Colleague positivity on our processes and efficient ways of working continues to increase, underpinned by the Group transformation journey.

Enhancing financial wellbeing

Related pages
CEO review *(page 6)*
Our strategy *(page 10)*

Myles O'Grady *(CEO) and* **Mairead McGuinness** *(European Commissioner) alongside all 16 teams competing in the Money Smarts Quiz Challenge Grand Final in Trinity College Exam Hall, 12 May 2023.*

We are committed to empowering people with the knowledge and skills needed to make the most of their finances, so they can be in control of their everyday spending, have a plan for the future and the resilience to withstand the financial impact of an unexpected expense or a major life event. We strive to leave no one behind on the journey to financial health.

Our 2023 research shows Ireland's Financial Wellbeing Index Score[1], which provides an insight into the financial wellbeing of the nation, decreased to 59 from 60 in July 2022. In addition, for the first time since research began in 2018, the nation has been classified as 'stretched[2]', albeit marginally down from having previously been in the 'managing[3]' category. This demonstrates the impact the changing economic environment is having on peoples' financial lives.

The Group's financial wellbeing strategy is driven by 3 key pillars:

- fostering financial inclusion;
- improving financial literacy and capability; and
- building a more financially resilient and confident Ireland.

Fostering financial inclusion

Our ambition is to ensure inclusive and effective access to products and services for priority groups, striving to leave no one behind on the journey to financial health.

Our Vulnerable Customer Unit (VCU) has supported c.33,000 customers since its establishment in 2019. It is fundamental to promoting financial inclusion amongst prioritised groups and provides enhanced expert banking support to customers in vulnerable circumstances or situations.

In 2023, we launched our 'Extra Help Hub' which centralizes information on our website on all the additional supports available to customers, families, carers and advocates across a range of topics e.g. safeguarding people, accessibility and assistance.

The Assisted Decision Making Capacity Act came into effect in Ireland in April 2023 ensuring that every person is treated individually and that certain groups of people are not automatically deemed to lack capacity. We are currently working with the Irish Alzheimer's Society and the HSE to build a training and education programme, so all branches can become 'Dementia Friendly' by the end of 2024.

Improving financial literacy and capability

Our ambition is to empower people (including colleagues) with the knowledge and skills to help improve their financial literacy and capability which are key building blocks on the journey to financial health.

Championing youth financial education is a key focus for us. Our award winning financial literacy programmes continue to grow year-on year with more than 100,000 students participating in the 2022/2023 school year. During 2023, we provided financial education to over 17,700 customers, colleagues and communities.

Through Mi365, our in-app money management tool, we have delivered over 133 million personalised insights and tailored nudges to customers since launch enabling them to understand and manage day-to-day spending, stay in control of their finances, and enhance their financial wellbeing.

Building a more financially resilient and confident Ireland

Our ambition is to increase the number of customers and colleagues who have the resilience to withstand the financial impact of an unexpected day-to-day expense or a major life event.

In July 2023, the UN published the commitments made by 23 banks globally (including the Group) to support universal financial inclusion and a banking sector that supports its customers' financial health. Our commitment focuses on supporting our customers' day-to-day and life event financial resilience.

In 2023, supporting customers with 'money worries' was an important focus area for us. We launched a 'Money Worries Hub' on our website and set up a dedicated helpline. This will continue to be a key focus area for 2024. We also continued to build awareness and protect customers against the growing threat of fraud, encouraging customers not to immediately react to potentially fraudulent texts or click on suspicious links but instead 'Stop, Think, Check'.

[1] *Source: Red C, Financial Wellbeing and Financial Literacy Survey September 2023. Base: all adults aged 18+ living in Republic of Ireland; n=1,023.*
[2] *Stretched - Index score range 40 – 59: 'Live within means from pay check to pay check with little ability to save/think about future'.*
[3] *Managing - Index score range: 60 – 79: 'Live within means, manage to pay bills and better ability to provide for future.*

Foundations to our Sustainable company framework

Related pages
CEO review *(page 6)*
Our strategy *(page 10)*

To operate successfully as a Sustainable company, it is crucial that we have solid foundations to underpin our strategy. Transparently managing, monitoring and disclosing against these foundational topics drives the trust we have with our key stakeholders.

In 2023, the Group committed €1m funding to organisations in immediate need due to cost of living pressures. Pictured is Hill Street Family Resource, an intercultural centre in Dublin's north east inner city, one of the groups that benefited from funding.

Culture

The Group is in a new phase of its strategic cycle and our culture is a critical enabler to its successful delivery. Our culture is rooted in our Purpose 'Helping you thrive' and brought to life by our four values of 'Customer First', 'Better Together', 'Take Ownership' and 'Be Decisive', co-created with colleagues in 2023.

The Culture Action Plan 2023/24 reflects planned strategic deliverables that will accelerate culture change and is aligned to our purpose and values.

The delivery of the Culture Action Plan is further driven by culture leader led enabler groups to tackle challenging impediments and promote shared accountability for culture across the Group.

Progress against this plan is measured on an ongoing basis through our Culture Embedding Index and Engagement Index in our Open View colleague surveys. In addition, specific metrics associated with each of our values are included in a Culture Transformation Dashboard which is reported to Board-level.

Business ethics

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

Community investment

We recognise our role in supporting the local communities where our customers live and work and it is an important part of our sustainable business activity. Our approach is focused on providing financial support to local not-for-profits, community groups and social enterprises who are working to address social issues and make a lasting change in their communities. We also enable each colleague to avail of one day of paid leave to volunteer for a charity or in their local community.

In 2023, we provided support to a range of local initiatives working to foster inclusion and build capability amongst underserved groups across the island of Ireland through our Begin Together platform. In 2023, the Community Fund in partnership with Community Foundation for Ireland distributed c.€500,000 to 20 organisations delivering initiatives spanning financial literacy and wellbeing, mental health, inclusion and diversity. In addition, the Begin Together Arts Fund, delivered in partnership with Business to Arts, provided c.€100,000 of funding to eight projects focused on engaging vulnerable artists or audiences. A further c.€300,000 was donated by colleagues to local causes and not-for-profit organisations from the Fund for Colleagues.

Our 2023 community activity brings our total community investment to c. €7.1 million since 2020.

We also recognise that sometimes there is a need for direct support. That is why in 2023 we provided a further c. €1.0 million of funding to support those most impacted by the cost-of-living crisis through a dedicated fund. This was fast tracked to organisations working directly with impacted groups.

Financial crime

Protecting the integrity of the financial system from financial crime risks including money laundering, terrorist financing, bribery and corruption is of paramount importance to us. We are committed to playing our part in safeguarding the financial systems and our customers from the impact of financial crime. The Group's Financial Crime Framework, including our policies and procedures support this objective. All colleagues complete mandatory training and assessments annually, so that the Group's policies and procedures are embedded in operational activities.

Foundations to our Sustainable company framework *(continued)*

Sourcing responsibly

It is important that our supply partners who deliver goods and services to the Group, share our values and ambition to create a sustainable future. For this reason, we continue to review and update our Code of Supplier Responsibility which sets out the responsible business practices we expect of all our suppliers. This Code is further supported by our Group Procurement and Group Environmental policies.

Health and safety

We aim to ensure the safety of our colleagues and customers at all times by carefully planning our operations, identifying potential hazards and managing the associated risks at every stage. Implementation of the Group's Health and Safety policy helps with this objective. Key components of our safety management systems are property specific risk assessments, an extensive auditing programme, as well as a robust health and safety training plan which includes role specific training and two mandatory training courses for all colleagues. Our Safety Management system is fully accredited to ISO 45001 which is the most reputable and recognised standard for health and safety management systems internationally.

The accreditation was achieved following 20 days of rigorous auditing by a certified external audit company. Recertification audits of the system are conducted annually over 4 days, which will provide ongoing confidence that safety is being managed in a compliant and effective manner, in line with the ISO 45001 standard.

Human rights

Several policies and initiatives, including our Code of Supplier Responsibility, Modern Slavery Statement and Vulnerable Customer Unit, guide our approach to ensure that modern slavery and human trafficking does not affect our business or our supply chain. We have put in place Human Trafficking Awareness training and all staff have a legal obligation to report any suspicious activities that may indicate possible human trafficking, including modern slavery and sexual exploitation. Through the work of our Financial Crime Compliance team, in partnership with global non-governmental organisation (NGO), 'Stop the Traffik' and An Garda Síochána Protective Services Bureau, we are active in helping to identify and disrupt money flows from human trafficking and in improving the accessibility of financial services to victims of human trafficking.

Cyber security

We continue to invest in our cyber capability across people, process and technology. We apply a 'security by design' approach to business and technology-driven change. We recognise the importance of a strong security culture within the Group, with annual mandatory web-based training for all colleagues coupled with a well-established and growing Cyber Community of Practice. The 'Security Zone' page on our website supports customer security awareness, including fraud alerts and information on how to report suspicious online activity, emails or phone calls.

Data Protection

Our customers, clients and colleagues trust us with their data, including giving them the control they need while being fully committed to keeping their information private. Our Data Privacy Notices explain how we hold and use personal information and outline people's rights in relation to the collection of personal information and how they can exercise those rights.

Reporting and ESG ratings

2023 ESG ratings

The Group participates in a number of ESG ratings and benchmarks with a focus on agencies that have a strong reputation for financial services industries based on market insight and investor feedback. In 2023, the Group participated with three key rating agencies, Sustainalytics, MSCI and S&P, and also reported to the CDP climate change questionnaire investor benchmark with scores below.

Agency	Rating Scale	2023	2022	
Sustainalytics	Scale of 0 - 100, with a lower score being positive	**17.9**	**20.0**	The Group's score was improved in the low risk category, placing the Group in the top 18th percentile of banks globally (2022: 23rd percentile).
MSCI	AAA to CC, AAA as a best possible score	**A**	**BBB**	The Group was upgraded to A in September 2023 continuing the momentum from the prior year.
CDP	A+ to F, with A+ as best possible score	**B**	**B**	The Group's overall CDP score remained unchanged at B, with improvements noted in risk management processes.
S&P Global	Scale of 0 - 100, with a higher score being positive	**50**	**56**	Decrease is consistent with a number of our peers.

Preparing for the Corporate Sustainability Reporting Directive (CSRD)

We seek the views of our internal and external stakeholders on the sustainability topics that matter most to them, to ensure our strategy aligns with stakeholder needs and to track our performance.

During 2023, as part of our preparation for our first CSRD compliance report for 2024, we undertook a Double Materiality (DMA) assessment with extensive stakeholder engagement. A DMA is the essential first step towards CSRD compliance that identifies which sustainability-related matters are most material to the Group and our stakeholders, taking both an “inside-out” approach (i.e. Impacts (I) that the Group has on sustainability matters) and an “outside-in” approach (i.e. Risks (R) and Opportunities (O) that may be generated by sustainability matters that can have financial effects on the Group). This process built on our previous Materiality Assessment updating our understanding of our material ESG risks and opportunities, and their financial effects on the Group. The results are informing our strategy and processes for managing our IROs. They are shaping our ESG data collection and form the basis of the Group’s CSRD reporting requirements expected in Q1 2025.

CSRD will be a significant input into our overall Sustainability strategy as we aim to support a deeper integration of sustainability across our operations and this includes influencing decision making at every level.

TCFD compliance statement

The following pages include our climate-related disclosures under our TCFD commitment and the EU Taxonomy. We will have more disclosures across our three sustainability pillars in our more extensive FY23 Sustainability report in Q2 2024. In November 2023, TCFD was succeeded by the International Sustainability Standards Board (ISSB). Going forward, we will align our disclosures with CSRD and the International Financial Reporting Standards (IFRS) for Climate and Sustainability disclosures, S1 and S2.

TCFD compliance statement

Related pages
CEO review *(page 6)*
Our strategy *(page 10)*
Risk Management Report *(page 134)*

Governance

Sustainability at Board-level

The Board is collectively responsible for the long-term sustainable success of the Group and for ensuring there is a strong corporate structure in place, which is aligned with the Group's strategy and purpose. It provides leadership of the Group, setting strategic aims, within the boundaries of the Group's risk appetite and a framework of prudent and effective controls. Responsibilities in respect of Sustainability and ESG strategy are delegated to the Group Sustainability Committee (GSC), which, jointly with the Board Risk Committee (BRC), is also responsible for ensuring ESG risks have been integrated into the Group Risk Management Framework.

Group Sustainability Committee (GSC)

On behalf of the Board, the GSC oversees the development and implementation of the Group's Sustainability strategy and, together with the BRC, oversees related risks, including monitoring the Climate Risk Implementation Plan. As part of that role, the GSC oversees progress against ESG targets, review of ESG-related commitments and the publication of the Sustainability Report.

Board Risk Committee (BRC)

On behalf of the Board, the BRC is responsible, jointly with the GSC, for inter alia ensuring that ESG risks are integrated into the Risk Management Framework.

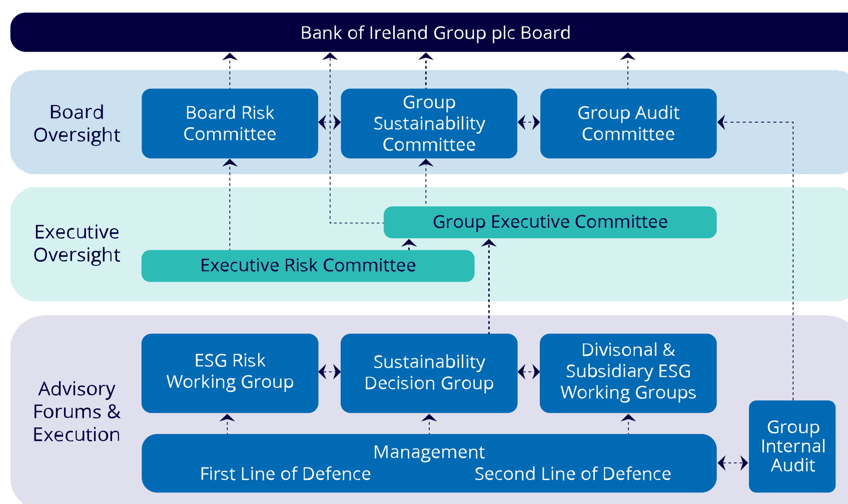
Group Audit Committee (GAC)

On behalf of the Board, the GAC is responsible for inter alia monitoring the quality and integrity of the financial statements, including sustainability disclosures. The level of GAC involvement in sustainability related matters is intended to increase over the course of 2024, given enhanced disclosure requirements under CSRD.

Group Executive Committee (GEC)

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. The GEC has overarching responsibility for delivery and operationalisation of the Group's Sustainability strategy, with specific executive responsibility for

Sustainability governance framework



sustainability (including climate change) delegated to the Chief Sustainability and Investor Relations Officer (CSIRO), who reports to the Group Chief Financial Officer (CFO). Members of the GEC include the CFO, Divisional CEOs and the Chief Risk Officer (CRO).

Executive Risk Committee (ERC)

The ERC supports both the GEC and the BRC, in overseeing the material risks of the Group, taking a holistic approach to overseeing the effective management of risk, including climate and environmental risks.

Sustainability Decision Group (SDG)

The SDG brings together senior business and functional management across the Group to enable a coordinated approach to sustainability objectives across the 3 pillars and to provide a discussion and decision-making forum to deliver on the Group's sustainability agenda. The SDG is chaired by the CSIRO and regularly updates the GEC on progress against key initiatives.

Divisional and Subsidiary ESG Working Groups

All materially impacted business divisions and businesses have in place dedicated ESG leads and ESG working groups to ensure ESG strategy and operational aspects are integrated into the Group's business model.

ESG Risk Working Group

The ESG Risk Management Framework sets out the approach to the management of ESG risk factors in the Group. Coordinated by Group Risk, the ESG risk working group brings together Second Line of Defence (2LOD) risk management from across the principal risk types (with representation from the First Line of Defence (1LOD) Sustainability team) to ensure there is a coordinated, cohesive and challenging approach to the management of ESG risks (including climate-related and wider ESG risks) within the Group.

Incorporating Sustainability into Performance Management

With 'Sustainable Company' now a core strategic pillar, ESG is mainstreamed into our performance management system. This puts it on every colleague's 'to do' list. The Group is introducing a performance-related profit share scheme which will see colleagues rewarded by April 2024 based on the company's financial, operating and sustainability performance, as well as individual performance considerations during 2023. The appropriateness of the final profit share will be assessed against a mix of financial and non-financial criteria.

TCFD compliance statement *(continued)*

Strategy

Emission reduction targets

SBTs set our portfolios and lending practices on a pathway that is aligned with the Paris Agreement goals. Achievement of SBTs will also contribute to fulfilling the Group's commitments as a signatory of the UNPRB. These independently validated targets guide our emission reduction plans and are contingent on the current Irish and UK government's Climate Plan ambitions and planned actions.

The majority of the Group's emissions stem from our economic lending activities. Achieving our ambitious Scope 3 SBTi targets necessitates significant progress in national climate action plans in both Ireland and the UK. Additionally, the successful realisation of these targets relies on the actions taken by our customers. Our ambition is to actively assist them in transitioning to more sustainable practices, both in their lifestyles and business operations. Given the integral role of the financial services sector in our economies, we recognise our potential as a key facilitator of the low-carbon transition. By setting SBTi emission reduction targets, we underscore our commitment to facilitating tangible change for our customers and society.

The SBTi validated our target of a 49% reduction in GHG emissions from our own operations (Scope 1 and 2), which supports our broader aim of net zero emissions in our own operations by 2030. Reduction targets have also been set for emissions arising from the Group's lending activities (Scope 3) which are consistent with levels required to meet the goals that are aligned to the Paris Agreement. Under the SBTi validated sector decarbonisation approach targets, we are committing to a 48% reduction in residential mortgage portfolio emissions intensity (Ireland and UK), a 56% reduction in commercial real estate portfolio emissions intensity and a 63% reduction in electricity generation project finance portfolio emissions intensity by 2030. The base year for the reduction targets is 2020. Under the SBTi validated portfolio coverage approach targets, 25% of the Group's corporate loan portfolio and corporate bonds will have SBTi validated targets by 2025.

The table below summarises our progress against the six SBT categories with further details included in the metrics and targets section of the TCFD compliance statement (see page 37).

Science Based Targets (SBT) Categories	2023 in-scope lending €bn	2023 in-scope lending % of customer lending	Science based targets vs. 2020 baseline	Progress to date by 2023	SBT pathway convergence required progress by 2023	RAG[1] status
Absolute emissions reduction			**Absolute emissions**			
Own operations	n/a	n/a	49% reduction by 2030	▼42%	▼35%	
Lending portfolios Sector Decarbonisation Approach			**Emissions intensity**			
Residential property[2]	39.9	49%	48% reduction by 2030	▼6%	▼15%	
RoI mortgages	*24.9*	*31%*		*▼10%*		
UK mortgages	*15.0*	*18%*		*▼2%*		
Commercial real estate	5.2	6%	56% reduction by 2030	▼11%	▼17%	
Electricity generation - Project Finance	0.3	0.3%	63% reduction by 2030[3]	▼28%	▼19%	
Lending portfolios Portfolio Coverage Approach			**SBT portfolio coverage**			
Corporate loans	7.8	10%	25% coverage by 2025[4]	▲23%	▲15%	
Corporate bonds	0.9	n/a	25% coverage by 2025[5]	▲7%	▲15%	

[1] *The Group has assigned a Red, Amber, Green (RAG) status to measure progress. Green means our progress to date is ahead or in line with the convergence pathways towards the respective SBTs for each portfolio. Amber rating means our progress is currently lagging the convergence pathway but we consider the lag to be recoverable by the target date.*
[2] *Does not include residential mortgages acquired from KBCI in 2023.*
[3] *Target reduction updated to 63% from 40% and notified to the SBTi following restatement of the volume of electricity generation financed in the 2020 baseline.*
[4] *Defined as 25% of Corporate Lending Customers with validated SBTs (weighted by company emissions).*
[5] *Defined as 25% of Corporate Bond Customers with validated SBTs (weighted by investment value).*

TCFD compliance statement *(continued)*

Strategy *(continued)*

Our key climate risks and opportunities

In the effort to mitigate the most severe consequences of climate change, there is a global push to reduce GHG emissions and limit the rise in global average temperatures to below 2°C, with the aim of mitigating the increase to 1.5°C. Businesses and communities will continue to be forced to adapt to physical changes as the world transitions to a low carbon economy, resulting in risks and opportunities in the short, medium and long-term. Our strategy execution is informed by our assessment of risks and opportunities.

Climate-related risks

We recognise that the climate-related risks we face need to be identified, assessed and managed on an ongoing basis to minimise negative impacts (see table on right hand side for risk drivers). We are committed to supporting our customers' green transition while building the Group's resilience against these negative impacts by embedding climate-related impacts in key decision making processes. In the Group's key planning process, the Internal Capital Adequacy Assessment Process (ICAAP) the potential impact of transition and physical risk drivers is assessed for each key risk type over the short (< 3 years), medium (3-5 years) and long-term (> 5 years).

The key climate-related risk impacts are:

- **Credit risk:** Increased costs associated with physical and transition risks may impact financial soundness of households and businesses reducing their ability to service debt and impairing asset values, resulting in financial loss to the Group through higher probability of default and higher losses given default.
- **Business and Strategic risk:** Long-term franchise impacts if strategic commitments are not achieved by the Group and the Group's product offering does not adapt to changing market dynamics.
- **Operational risk:** Physical risks could impact continuity of the Group's operations or operations of its material suppliers, resulting in sustained disruption of the supply chain and ultimately our ability to service customers.
- **Conduct risk:** Potential impact if failures in product design, market practice or customer engagement lead to greenwashing claims or poor customer outcomes.

Our assessment of climate risk drivers is informed by the use of climate change scenario analysis. For details please refer to the Scenario Analysis segment in this Strategy section of the TCFD compliance statement.

The Group has continued to embed the management of climate risk drivers into its risk management framework to mitigate the risk that climate change presents to our business strategy. For further details, please refer to the Risk Management section of the TCFD compliance statement.

Climate related risk drivers

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

TCFD compliance statement *(continued)*

Strategy *(continued)*

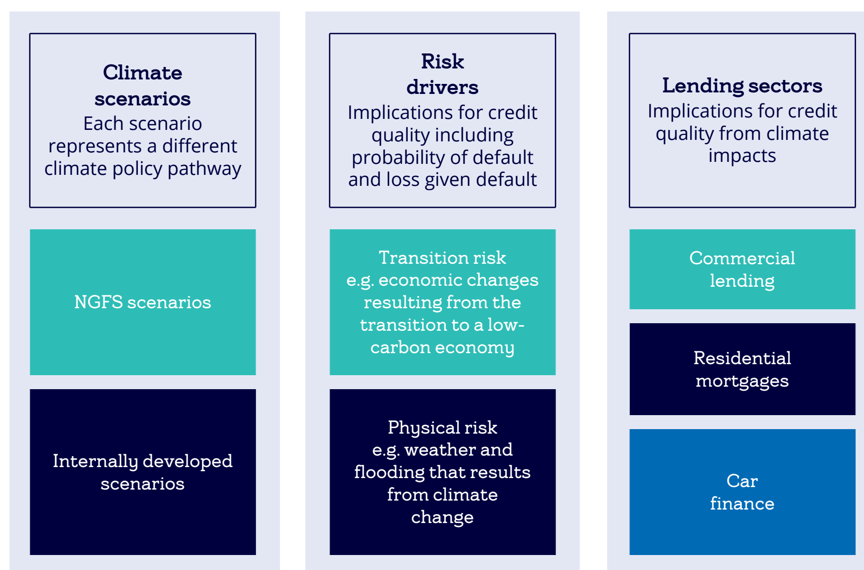
Our approach to climate scenario analysis

Supporting the green transition also requires the Group to assess its own resilience to climate change. To address this requirement, the Group has been continually developing its scenario analysis and stress testing capabilities in line with emerging industry methodologies and regulatory guidance.

The Group is developing scenario analysis capabilities on an iterative basis, leveraging improvements in climate data and methodologies as they become available. Given the long time horizon associated with climate change, scenario analysis is considered a key tool to inform strategic direction and risk management.

Our starting point for modelling climate-related risks are climate scenarios published by the Network of central banks and Supervisors for Greening the Financial System (NGFS). The NGFS has developed the scenarios, each of which reflects a different climate policy pathway to provide a common starting point for the financial sector to analyse physical and transition climate-related risks. During 2023, we developed internal scenarios and methodologies to quantify the potential impact of climate-related risks across our commercial and retail customer lending portfolios.

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



Climate scenario analysis is integrated within the ICAAP in order to increase our understanding and insights into the potential impacts of climate risk.

The ICAAP is a key planning process for the Group and facilitates the Board and senior management in identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile.

We have integrated climate into the ICAAP and its broader scenario analysis framework to assess the impacts of climate on different risk types (e.g. credit, business, operational, conduct and regulatory).

The potential impact of transition and physical risk drivers is assessed for each key risk type over the short (< 3 years), medium (3-5 years) and long-term (> 5 years).

This is a standalone analysis separate to the standard ICAAP Base and Stress analysis that focuses on longer term impacts out to 2050, beyond the standard three year time horizon of ICAAP. This scenario analysis informs climate risk materiality assessments to quantify the potential impacts across the Group's risk types that is being integrated into the Group's ICAAP.

Please refer to the Risk Management section of the TCFD compliance statement on page 30 for details on how scenario analysis is informing materiality assessments of potential climate impacts by risk type and climate drivers such as flood risk.

TCFD compliance statement *(continued)*

Strategy *(continued)*

Climate-related opportunities

We recognise that the most significant impact we can have on climate change is through the finance we provide to our customers. Our assessments highlight that given the anticipated investment requirements in our key markets, the transition to the 'green economy' could lead to substantial financing opportunities across sectors and business lines.

In November 2023, our Davy Decarbonization unit's white paper 'Investing in Tomorrow: Shaping a Net-Zero Future' showed that c.€129 billion expenditure is required by 2030 across the key sectors illustrated in order to meet Ireland's Climate Action Plan targets. This shows the investment opportunities that are arising from the transition.

At Bank of Ireland, we aim to be at the centre of a sustainability support system for the Green Transition which informs our approach to sustainable finance. By providing the right finance in the right place at the right time, we can support innovation and drive scaling. We are addressing these opportunities in our business planning and product development.

This focuses on our home and business customers in the sectors transitioning across electricity, transport, buildings, industry and agriculture. We expect the commercial realisation of the opportunities to materially increase in the medium to long-term.

Investment required for Ireland's green transition to 2030 (Davy, November 2023 estimates)

Sector	Total €bn	Public €bn	Private €bn	*of which;* Debt €bn	*of which;* Equity €bn
Electricity	43.0	–	43.0	32.0	11.0
Transport	43.0	4.0	39.0	39.0	–
Residential buildings	23.0	13.0	10.0	10.0	–
Commercial buildings	13.0	–	13.0	11.7	1.3
Industry	3.0	–	3.0	2.7	0.3
Agriculture	4.3	1.7	2.6	2.3	0.3
Total	**129.3**	**18.7**	**110.6**	**97.7**	**12.9**

Climate-related opportunities for the Group

Sector	Opportunities	Time frame
Renewables Finance	• The Group is a leading lender to the onshore wind sector and is expanding supports to the offshore wind and solar sectors.	Materially increasing in the medium to long-term (2024-30)
Home Buying and Everyday Banking	• Up to 500,000 homes to be retrofitted by 2030. • Ongoing support for buyers of energy efficient new homes. • Target of 845,000 Private Electric Vehicles on Irish roads by 2030.	
Corporate and Commercial	• Increasing market opportunities to finance green transition through investment in new equipment (e.g. low emission equipment/ infrastructure), productivity and property energy efficiency improvements.	
ESG Advisory	• Expert advisory is provided by our Davy Horizons sustainability consultancy to assist business customers improve their sustainability performance across climate and all ESG aspects.	

Increasing our sustainable finance products and support

We are at the heart of the movement towards sustainability in Ireland, particularly in supporting the green transition in line with Ireland's Climate Action Plan. Our goal is to help our customers adapt to this change. A key part of our commitment is to develop financial products that support the transition. This aligns with our dedication to the UNPRB.

Our range of sustainable finance products is carefully designed to help our customers make real, impactful changes. This includes green mortgages, loans for eco-friendly cars, and business loans for small and medium-sized enterprises (SMEs) and farmers, focusing on renewable energy, capital expenditure, and sustainability-linked lending. This year, we introduced the innovative Enviroflex loan, a new funding option for farmers to encourage sustainable farming practices. In our efforts to aid corporate clients in reducing their carbon footprint and enhancing their environmental strategies, we have been offering loans with sustainability-linked pricing since 2019.

Green mortgages are available to new customers who are buying or building a property with a BER of B3 or better as well as to customers who are retrofitting an existing property to a BER of B3 or better. In 2021, the Group extended the availability of its Green mortgage to include customers switching from another lender and to include B rated BER properties, previously applied to BER A rated properties.

TCFD compliance statement *(continued)*

Strategy *(continued)*

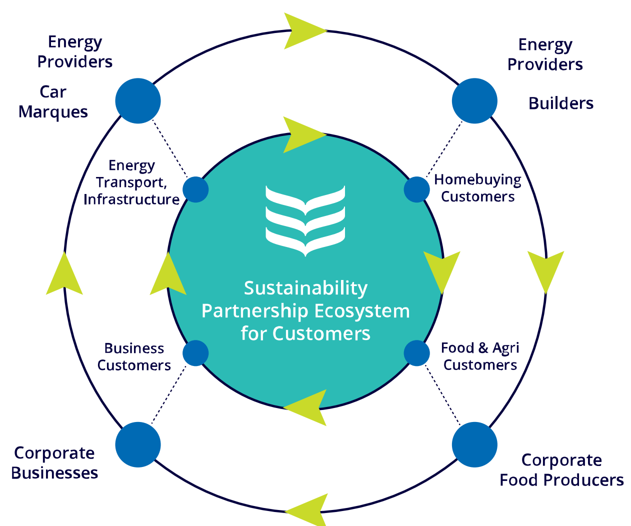
We are constantly developing and expanding our range of sustainable finance solutions. For the latest information on our product offerings and supports please see our range of dedicated Green Hub sites for each customer channel by using the hyperlinks below.

RoI home buying and everyday banking	RoI business banking (SME)	Corporate banking	New Ireland	Davy
Current home buying and everyday banking products: • Green Mortgage • Green Home Improvement Loan • Green Motor Loan • Motor Financing for Electric Vehicles (EVs)	Current business banking products: • Enviroflex: Sustainability-Linked Agri Lending • SBCI Growth and Sustainability Loan Scheme • Green Business Loan	Current corporate banking products: • Green Capex Loan • Sustainability-Linked Loans • CRE Green Loan • Project Finance • Woodland Nature Credit	New Ireland aim to be a sustainable insurer and a responsible investor and offers a range of investment funds to its clients that promote environmental and/ or social characteristics.	Davy offers a range of investment solutions to its wealth clients that are sustainable, and provides specialist sustainability supports to its corporate and institutional clients.
Link to the 'Personal Banking Green hub' for the latest product offering.	Link to the 'Business Green hub' for the latest product offering.	Link to the 'Corporate Banking Product and Services hub' for the latest product offering.	Link to the 'New Ireland Sustainable Investing hub' for the latest product offering.	Link to the 'Davy Sustainable Investing hub' for the latest product offering.

Bank of Ireland sustainable finance

Our approach supports meeting our SBTs by reducing the GHG emissions that our business finances. With this science and policy-based approach, we can focus our resources where it matters to support credible action. We offer a growing portfolio of sustainable financing products and services, including green residential mortgages, renewable energy project financing and electric vehicle financing, supported by our Green Bond programme. Through these offerings, we seek to not only align with the national climate action plans in both Ireland and the UK, as well as the Paris Agreement, but also to provide tangible benefits to our customer base in a more sustainable way.

Sustainability partnership for customers



TCFD compliance statement *(continued)*

Risk management

Climate change – managing climate-related risks

ESG risks are important considerations for financial institutions and stakeholders. The Group recognises ESG factors (including climate-related risks) represent a common risk driver across the Group's principal risk types. The Group ESG Risk Management Framework sets out the approach to the management of ESG risk factors in the Group. ESG risk management is relatively immature across the industry and continues to evolve. Implementation to date, in the Group and industry, has largely focused on climate-related risk drivers. During 2023, the focus of ESG risk management in the Group has expanded to include non-climate environmental risks.

Our strategic commitment to supporting our customers' green transition is underpinned by our management of the risks associated with climate change. We do this by embedding climate-related impacts in key decision making processes.

The Group has a detailed multi-year (2021-2024) Climate Risk Implementation Plan in place to address the ECB guidance on how banks should manage climate-related and environmental risks (November 2020). The guidance sets out expectations for institutions when formulating and implementing their climate business strategy, governance and risk management frameworks and disclosures. Execution of the plan has seen the Group progressively aligning to the ECB guidelines, embedding climate risk and ESG considerations in business and risk management processes in line with the Board approved plan.

Integration of climate risks at a Group level

The Group defines ESG factors as environmental, social or governance matters that may have a positive or negative impact on the Group and represent a common driver across the Group's Principal risk types. The Group defines ESG risks as risks that stem from the current or prospective impacts of ESG factors on the Group that, could cause an actual or potential material negative impact on:

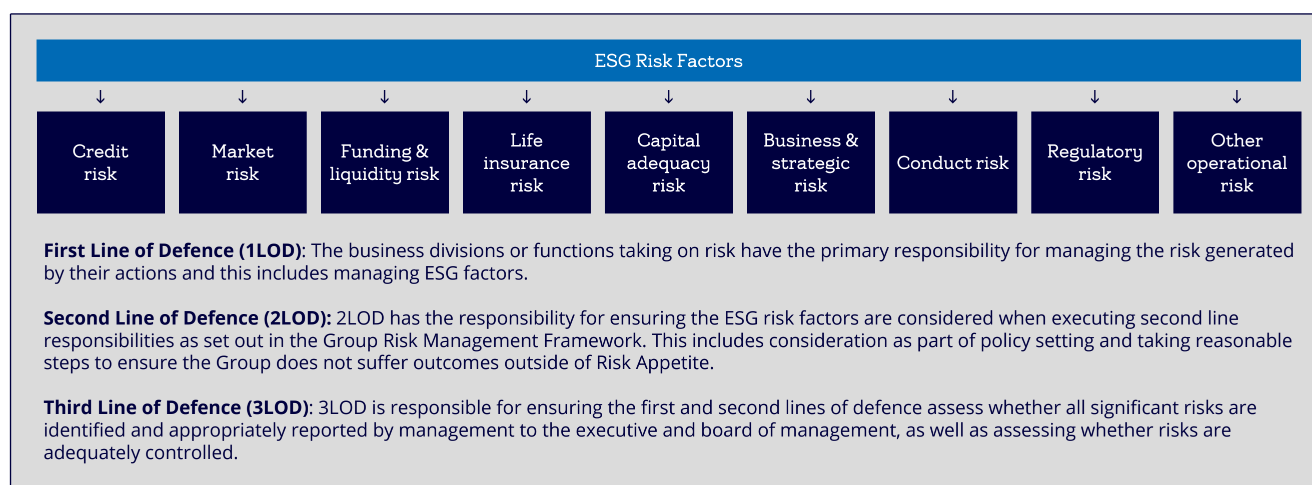
- the Group's earnings, franchise value or reputation;
- the Group's regulatory standing;
- the long-term sustainability of our customers' operations and financial wellbeing; and
- the communities and environment in which we and our customers operate.

Furthermore, in line with the ECB's guidelines on climate-related and environmental risks and the recommendations of the TCFD, the Group defines two key sub-categories of climate-related risks and environmental risks that impact our business. These are the risks associated with the transition to a low-carbon economy and from climate-related physical events. Further details on these climate-related risk drivers can be viewed on page 26.

Both transition and physical risks can affect the creditworthiness of our customers and the stability of our lending portfolios, as well as the value of assets in the medium to long-term. These climate risk drivers can intensify risks to the Group, impacting across existing key risk categories including, but not limited to Credit risk, Business and Strategic risk, Operational risk and Conduct risk. Climate risk can also have reputational impacts if the Group fails to meet investor, customer, community and regulatory expectations of its support of the green transition.

Per the Group's Risk Management Framework and its Group Risk Library, ESG risk factors such as climate-related risks are managed within the framework the Group has in place for its established risk types. Therefore, the Group is integrating the management of climate risk into its existing policies, controls, reporting and operating procedures, in accordance with the ECB guidelines on the management of climate and environmental-related risk.

The Group has dedicated resources to lead the coordination of the Group's approach to ESG risk management, both in 1LOD (Group Sustainability function in the Group Finance division) and in 2LOD (Business, Strategic and Sustainability Risk function in the Group Risk division).



TCFD compliance statement *(continued)*

Risk management *(continued)*

Identification and assessment of climate-related risks

Guided by the Group's ESG Risk Management Framework, we are progressively embedding climate risk into the Group's key risk processes. We continue to improve how we assess climate risk drivers taking into account potential impacts, our mitigating actions, and next steps for each risk type. The following table summarises the current position on the identification, assessment and mitigation of climate-related risks across the Group's Principal Risk types:

Principal risk types	Impacting climate risk drivers	Climate risk impacts	Quantified Potential Impacts[1]			What are we doing to mitigate climate risk drivers
			Short	Medium	Long	
Credit risk	**Transition risk:** • Policy & legal • Technology • Market • Reputation **Physical risk:** • Acute • Chronic	• Borrowers' ability to repay if operating in sensitive sectors. • Changes in emission regulation or in user sentiment could affect asset value (Stranded Assets). • Collateral depreciation leading to negative impacts on Loan To Value (LTV) (e.g. flooding, storms). • Borrowers' ability to repay in sectors more sensitive to weather impacts like floods and storms (e.g. agriculture).	●●	●●	●●●	• Credit Risk Policy: ESG risks form part of credit assessment. ESG reporting requirements included in collateral valuation; excluded sectors and risk limits. • Limits and controls: Limits on property energy ratings (Commercial Real Estate / Buy to Let); requirements for flood insurance. • ESG Risk Lending Fora established in Corporate and Business Banking to assess lending where ESG risk is elevated. • Quantitative risk metrics embedded in procedures for key portfolios in scope for SBTs. • Climate risk scenario analysis for Credit Risk integrated into the Group ICAAP.
Business & strategic risk	**Transition risk:** • Policy & legal • Technology • Market • Reputation **Physical risk :** • Acute • Chronic	• Long term franchise impacts if strategic commitments are not achieved and product offering does not adapt to changing market dynamics.	●●	●●	●●	• Group Strategy: Sustainable company is a key strategic pillar underpinned by Group Objectives and Key Results (OKRs) (including risk OKRs). • Business and Strategic Risk Policy requires ESG risk factors to be reflected in strategic planning and internal and external business environment assessments.
Operational risk	**Transition risk:** • Policy & legal • Technology • Market • Reputation **Physical risk:** • Acute • Chronic	• Climate driven impacts on operational processes include increasing levels of systems, data, models and sourcing risk to manage. • Extreme floods or storms at multiple locations impacting our Business Continuity Plans with consequent impact to services we provide to clients (e.g. transaction processing). • Potential need to increase resilience of our network, supply chain and production process where off-shore operations are more exposed to increasing physical climate risks.	●●	●●	●●	• Climate risk integrated into ICAAP scenario analysis for Operational Risk. • Business Continuity Mission Critical Services Scenario Analysis: climate-related scenario testing carried out. • Third Parties and Outsourcing: ESG (including climate change) is part of supplier due diligence assessment; ESG-related metrics and tolerance levels where ESG materially impacts supplier. • Data Risk: Standard group control framework applies to climate data. • Model Risk: Climate risk factors to be considered in models including assessing data collection requirements to enable inclusion in models.

[1] *An estimation of: (i) The time horizon at which each risk is likely to materialise: short term, within 3 years; medium term, between 3 and 5 years; or long-term, more than 5 years. (ii) The relative materiality of each risk: Negligible (-); Low (●); Moderate (●●); Significant (●●●).*

TCFD compliance statement *(continued)*

Risk management *(continued)*

Principal risk types	Impacting climate risk drivers	Climate risk impacts	Quantified Potential Impacts[1]			What are we doing to mitigate climate risk drivers
			Short	Medium	Long	
Conduct risk	**Transition risk:** • Policy & legal • Reputation **Physical risk:** • Acute • Chronic	• Failures in ESG/green product design, market practice or customer engagement could lead to regulatory sanctions and brand damage, if there is a lack of transparency and misleading classification (greenwashing), or if clients suffer an unexpected loss due to climate risks.	●	●	●	• ESG considerations are incorporated in new product approvals and ongoing product lifecycle reviews for all product / service / channel initiatives that are classified or marketed as a Green / ESG proposition to mitigate potential claims of 'Greenwashing'. • Group Customer Protection Risk Policy requires mitigation of greenwashing risk. • All colleague training on climate concepts and processes, as well as role specific training on sustainable finance and ESG risk management launched in 2023.
Regulatory risk	**Transition risk:** • Policy & legal • Technology • Market • Reputation **Physical risk:** • Acute • Chronic	• Failure to implement in a timely manner ongoing changes in climate regulation could affect the Group's profitability through regulatory sanctions. • Potential for regulatory sanctions if physical risks impact our services with consequent impact to services we provide to clients.	●	●●	●●	• Upstream Regulatory Change Monitoring: ongoing horizon scanning with quarterly 1LOD/2LOD meeting to review any developments captured in climate regulation applicable to the Group.
Funding & liquidity risk	• n/a	• Group liquidity risk profile does not include instruments where climate concerns may significantly impact funding and liquidity pools.	-	-	-	• Climate risk scenario analysis for funding & liquidity risk integrated into the Group's internal liquidity adequacy assessment process (ILAAP).
Market risk	• n/a	• The material trading instruments in the Group do not include equities and commodities where climate concerns may significantly impact the valuation.	-	-	-	• Policy controls on exposure to climate sensitive traded instruments. • Climate risk scenario analysis for market risk integrated into the Group ICAAP.
Life insurance risk	• n/a	• The potential for climate risk drivers to drive sudden increases in morbidity and mortality risk is assessed as minimal.	-	-	-	• Climate risk scenario analysis for life insurance risk is part of the ORSA (Own Risk & Solvency Assessment) process for the New Ireland entity which manages life insurance risk of the Group.
Capital adequacy risk	• Aggregate of the risk impacts above.	• The risk of increased capital depletion from the impact of climate risks across the Group's other principal risks.	●●●	●●●	●●●	• Aggregation into ICAAP 2023 quantitative Climate Risk Assessment across principal risk types.

[1] An estimation of: (i) The time horizon at which each risk is likely to materialise: short term, within 3 years; medium term, between 3 and 5 years; or long-term, more than 5 years. (ii) The relative materiality of each risk: Negligible (-); Low (●); Moderate (●●); Significant (●●●).

TCFD compliance statement *(continued)*

Risk management *(continued)*

Measurement and monitoring of climate-related risks

During 2023, methodologies were developed to allow climate risk to be actively measured and monitored by the Group in a similar manner to other key risk types:

- the Board Risk Report (BRR) is the report used by the Board to review and monitor the Group's risk profile across all Principal Risks, compliance with Risk Appetite and Risk Policies. ESG risk in the Group is reported on through the BRR on a minimum quarterly basis and is the primary source of reporting for the impact of ESG-related risks on the Group's risk profile; and
- key risk metrics on the lending portfolio aligned to Pillar 3 ESG Reporting are monitored by the GSC on a quarterly basis to ensure transparency and comparability. These include:
    1. Sectoral concentrations.
    2. The energy efficiency profile of property lending portfolios.
    3. Exposure to physical climate risks.

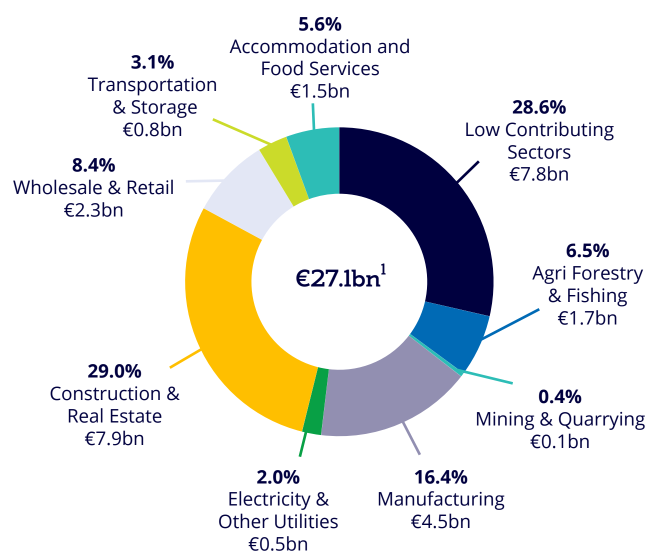
1. Sectoral Concentrations

We monitor sectors most sensitive to climate change on a quarterly basis. The Group loan book breakdown below shows the current composition of our commercial loan portfolio and the percentage of lending to sectors the Group considers most sensitive to climate change – in line with European Banking Authority (EBA) Pillar 3 ESG reporting standards. In terms of portfolio mix, the Group has no direct exposure to fossil fuels in energy and extraction, and as a predominantly retail lending bank, c.70% of our customer lending is in residential and commercial property and car finance. This assessment also highlights that the Group's direct exposure to fossil fuels is nil and to commercial lending segments with high emissions is relatively low (with the exception of the agricultural sector, which due to its specific challenges requires broader support in which we will play an active role).

Sectoral concentrations key risk indicators	2023 Gross Carrying Amount (GCA) €bn	2023 % Total	YoY Change
Exposure to high contributing sectors[1]	19.3	71.4%	▼(8%)
Exposure to top 20 global emitters[2]	–	–	–
Direct fossil fuel exposure[3]	–	–	–
Indirect fossil fuel exposure[4]	0.2	0.7%	▼(25%)

[1] Denotes exposure to commercial lending sectors that highly contribute to climate change as classified in Pillar 3 Reporting. The €27.1 billion in the pie chart denotes the total FY2023 exposure to commercial lending (non-financial counterparties).
[2] Denotes exposure to companies listed among the top 20 most carbon intensive firms globally.
[3] Denotes exposure classified in the following Pillar 3 Reporting sub-sectors in Mining & Quarrying: B.05 - Mining of coal and lignite; B.06 - Extraction of crude petroleum (oil) and natural gas.
[4] Denotes exposure classified in Pillar 3 to counterparties with revenue from non-direct fossil fuel activities (logistics and supply chain) – denoted in Pillar 3 as Excluded from EU Paris-aligned Benchmarks.

Commercial lending exposure to sectors that contribute to climate change



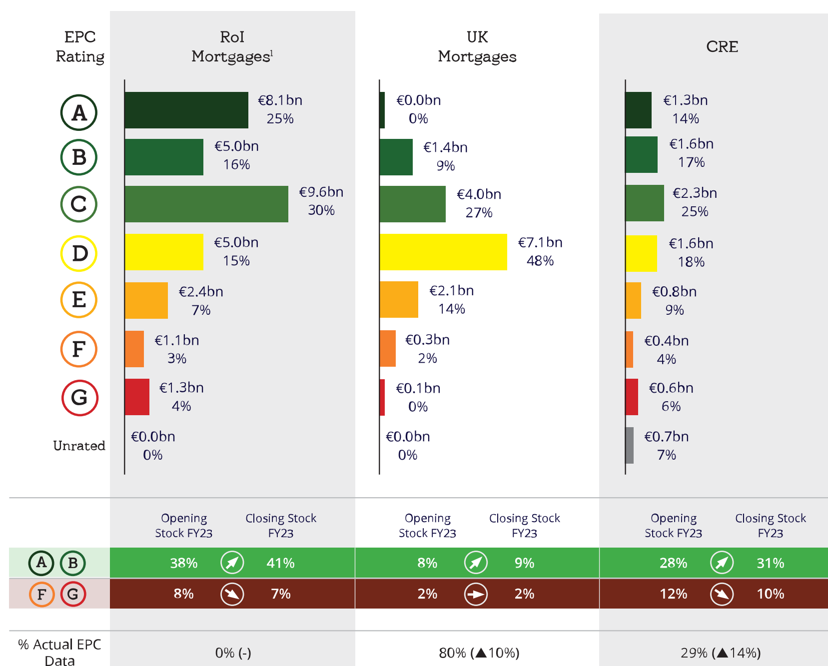
TCFD compliance statement *(continued)*

Risk management *(continued)*

2. Energy efficiency of property lending portfolios

The Group is committed as part of our sustainability ambitions to support our customers to increase their residential energy efficiency whilst encouraging the purchase of energy efficient properties. Energy efficiency is represented by Energy Performance Certificate (EPC) ratings, with A indicating the best and G the worst in terms of energy efficiency. The charts to the right summarise the energy efficiency of the Group's residential and commercial property portfolios in RoI and the UK, based on a combination of actual and estimated EPC ratings. Currently, c.41% of our RoI mortgage portfolio (and c.50% of new lending in the year) corresponds to properties in the A to B EPC categories. In the UK, c.9% of properties in our mortgage portfolio (and c.13% of new lending in the year) are A to B rated. The EPC profiles and pace of improvement reflect the differences in housing stocks across the two jurisdictions. The EPC profile of our commercial property portfolio is also improving reflecting initial progress made in our lending strategies to decarbonise our property lending portfolios.

Energy efficiency of property lending portfolios (FY2023)



[1] *100% of the BER / EPC data for RoI mortgages at FY2023 is estimated and not based on specific BER labels. Data based on specific BER certificates is being collected from the start of 2024 and embedded in future reports.*

Energy Performance Certificate (EPC) data

RoI Mortgages - exposure collateralised by residential immovable property (GCA of €32.5 billion):

- for the December 2023 disclosure, 100% of the BER / EPC data for RoI mortgages is estimated, and not based on specific BER labels. A national database maintained by the Sustainable Energy Authority of Ireland (SEAI) on domestic properties with recorded energy ratings has been used to provide an estimated view on the energy rating profile of RoI lending collateralised by residential property, based on key explanatory factors (namely year of build, property type and location); and
- during 2023, the Group has developed data capture capabilities within its RoI home buying customer journey, so that data based on specific BER certificates is being collected from the start of 2024.

UK Mortgages - exposure collateralised by residential immovable property (GCA of €15.0 billion)

- for UK mortgages, the Group has processes for the collection of EPC data in place since 2020. For this December 2023 disclosure, 80% of the EPC data for the stock of UK mortgages is based on specific EPC labels, with coverage above 91% for lending originated in 2023. For the residual UK located properties, EPC ratings have been estimated based on key explanatory factors (namely year of build, property type and location).

Commercial Real Estate (CRE) - exposure collateralised by commercial immovable property (GCA of €9.3 billion):

- during 2023, the Group has developed data capture capabilities within its CRE lending business to progressively expand and enhance the collection of data based on specific EPC certificates. Data collection is being progressed in phases and this has seen coverage of the portfolio where specific EPC ratings are available, double from 14% in FY2022 to 29% in FY2023. Further increases in coverage expected in 2024 as further phases of the data collection process are progressively rolled out across the CRE portfolio; and
- for the residual properties, national EPC ratings data on non-domestic properties is used to estimate the energy rating profile for those properties based on property type.

TCFD compliance statement *(continued)*

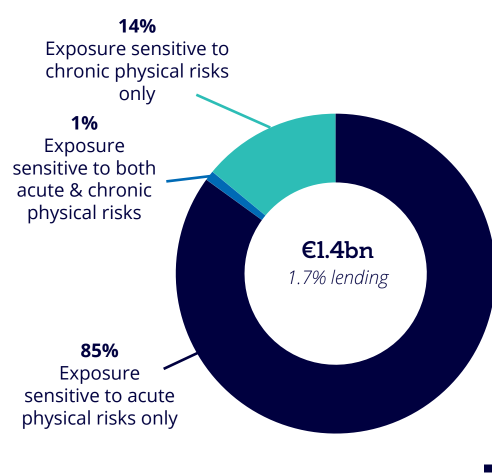
Risk management *(continued)*

3. Exposure to physical climate risks

During 2023, the Group has continued to develop and expand its capabilities to identify, measure and monitor the potential financial impacts emerging from climate-related physical risks. For this purpose, the Group has acquired data from Moody's to assess physical risks, at a Nomenclature of territorial units for statistic[1] (NUTS) 3 regional level across six sub-types of physical risk that have been categorised into acute and physical risk categories as follows:

Acute physical risks	Chronic physical risks
• Floods	• Heat Stress
• Hurricanes	• Sea Level Risk
• Wildfire	• Water Stress

Exposures sensitive to climate change: physical



	Exposure sensitive to physical risks (€m)	As a % of total exposure[2]	YoY change[3]
Group Total	1,149 / 192 / 11	1.67%	▲0.13%
UK Mortgages	357 / 183 / 11	3.67%	▲0.04%
RoI Mortgages	404	1.24%	▼(0.03%)
Commercial Lending	388 / 9	1.43%	▲0.47%

Acute only | Chronic only | Both

For exposures collateralised by immovable property (residential and commercial), in line with guidance the collateral location is used to assign exposures to the NUTS 3 regions level to assess the exposure to physical risk. Where the lending is not collateralised, the country of risk is used. If any of the six physical risks are classed as 'Highly Exposed' for that region, the exposure is classed as Sensitive to Impact from Chronic and Acute Physical Risks based on the categorisation of the risk factors above.

[1] *The Nomenclature of territorial units for statistics is a geographical nomenclature subdividing the economic territory of the European Union (EU) into regions at three different levels (NUTS 1, 2 and 3 respectively, moving from larger to smaller territorial units). Please see the flood risk map on the following page for a visual representation of the NUTS3 regions.*
[2] *Group total exposure is total gross carrying amounts for loans and advances to customers at amortised cost.*
[3] *Material driver of YoY change is increase in coverage of flood risk assessment across CRE portfolio.*

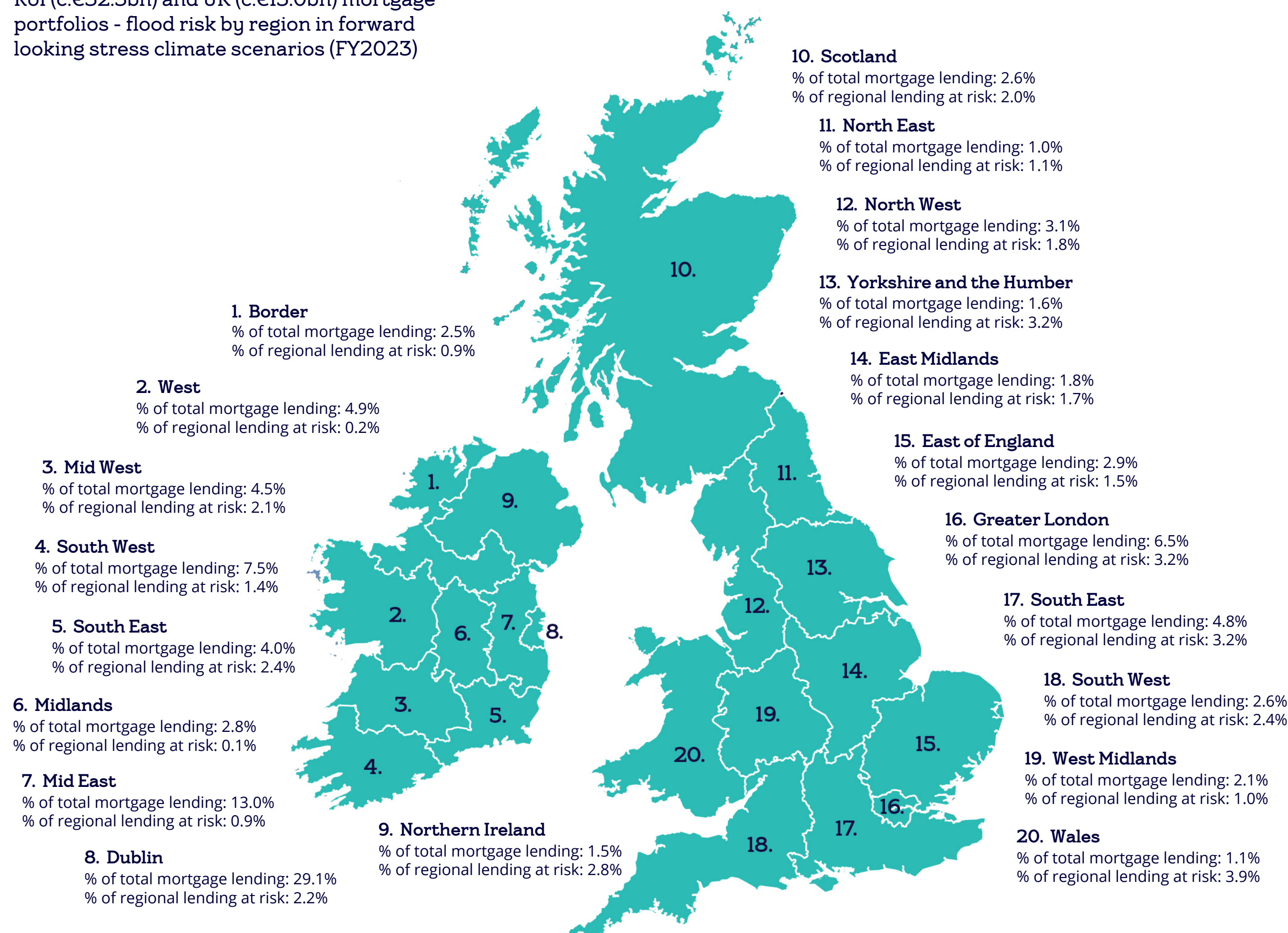
TCFD compliance statement *(continued)*

Risk management *(continued)*

Flood risk scenario analysis
As an additional lens to identify exposure sensitive to physical risks a more property specific physical risk assessment has been undertaken for properties in RoI and the UK that are residential or commercial property collateral for lending exposures. The locations of these properties have been geo-coded for flood risk assessment. Using latitude and longitude, properties are matched to building and street based on address data available. The map below represents the proportion of RoI and UK properties at high risk of flood as a percentage of the Group's mortgage lending under a forward looking climate scenario. The locations of these properties have been geo-coded for flood risk assessment using data and modelling from JBA Flood Risk Management, a leading provider of climate flood modelling in the Irish and UK market.

The JBA flood model for RoI and UK includes river (fluvial), surface water (pluvial) and coastal flood risk. It assigns flood risk per property based on the potential flood damage to the property dependent on the type, frequency and depth of flooding modelled. The scoring ranges from 0 to 53, with 0 being lowest and 53 being the highest risk. The flood scores are projected forward based on the RCP 8.5 Pathway[1] where emissions continue to rise throughout the 21st century and global temperatures increase by 2100 by 3.2 to 5.4 degrees. Properties classified at high risk of flooding are:

- properties in RoI with a score of 31 and above by 2050 on an undefended basis[2]; and
- properties in the UK with a probability of a flood event occurring by 2030 of >5%[3].



[1] *Representative Concentration Pathways for greenhouse gas concentration trajectories adopted by the IPCC (Intergovernmental Panel on Climate Change). The pathways describe different climate futures, all of which are considered possible depending on the volume of GHGs emitted in the years to come.*
[2] *Undefended denotes that flood mitigating defences are not taken into account. The flood data provided is on an undefended basis in the Republic of Ireland as the Office of Public Works currently only allows members of the Insurance Institute of Ireland access their defended areas data.*
[3] *Probability based on projected JBA Flood Scores.*

TCFD compliance statement *(continued)*

Metrics and targets

Science Based Targets progress reporting

We believe that progress towards our SBTs is a key metric in providing evidence of the Group's progress to decarbonise both our business and operations, contributing to the transition to a low carbon economy and meeting the goals of the Paris Agreement. Our SBTs are informing our commercial strategy, including the opportunities to further expand our range of sustainable products and services, all supported by our green bond programme.

The individual report cards below track our progress against the six target categories and provide details on metrics, progress to date, convergence pathways and data quality. Targets have been validated by SBTi with reference to convergence pathways that are denoted in the report cards as follows:

- **SBTi 1.5°C:** SBTi pathway designed to facilitate limiting warming to 1.5 degrees Celsius above pre-industrial levels.
- **ETP B2DS:** Beyond 2 Degrees Scenario (B2DS) aims to limit with a 50% chance global temperature rise to 1.75 degrees Celsius above pre-industrial levels.

Progress to date is in line with management's expectations and is reflective of progress at a national level in terms of decarbonisation and the early stage of the Group's Sustainability strategy implementation. Our progress is benchmarked against convergence pathways that in general reflect a linear progression to the targets. Where our progress to date is ahead or in line with the convergence pathway, we have assigned a green RAG rating. Where our progress is lagging the convergence pathway, we have assigned an amber RAG rating as we deem the lag to be recoverable by the target date. As property retrofit activity and the anticipated effect of our interventions increase, reductions are expected in the medium term, with the full impact of decarbonisation of the energy grid expected in the back end of the decade.

The achievement of these targets is informing our strategic interventions in terms of portfolio management, credit policy products and customer engagement and credit policy. By using these targets to align our lending portfolios to the Paris Agreement, the SBTs can help mitigate the climate-related credit risks associated with the green transition and ensure that we can address the opportunities to support the transition with measurable impact.

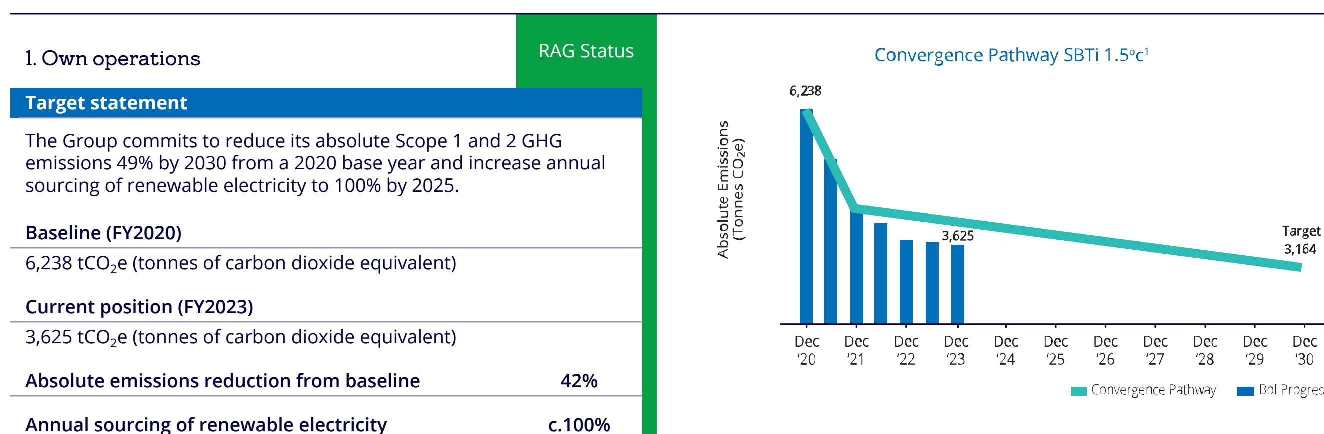
Partnership for Carbon Accounting Financials (PCAF)

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

Data quality - focus on continuous improvement

To ensure progress and achievement of its Science Based targets, the Group is implementing sectoral strategies with a continuous focus on improving data quality and availability. Informed by PCAF guidance, we are developing customer engagement processes and partnerships with third parties to enhance data quality across all portfolios and will continually report on our progress with reference to the PCAF Data Quality Scale.

Science Based Targets Progress Reporting by Category



1. Own operations	RAG Status
Target statement	
The Group commits to reduce its absolute Scope 1 and 2 GHG emissions 49% by 2030 from a 2020 base year and increase annual sourcing of renewable electricity to 100% by 2025.	
Baseline (FY2020)	
6,238 tCO_2e (tonnes of carbon dioxide equivalent)	
Current position (FY2023)	
3,625 tCO_2e (tonnes of carbon dioxide equivalent)	
Absolute emissions reduction from baseline	42%
Annual sourcing of renewable electricity	c.100%

Notes

- Progress achieved by FY2023 (from a 2020 baseline) has reduced absolute emissions from own operations by c.42% (from 6,238 to 3,625 tCO_2e). This supports our broader objective of net zero emissions by 2030. The drivers of change in emissions year on year are covered in more detail in the 'climate related targets and metrics in our own operations' section on page 41.
- In addition, there is a secondary target to increase annual sourcing of renewable electricity to 100% by 2025 that the Group substantially achieved in 2022 with full coverage expected in 2024.

[1] *SBTi pathway designed to facilitate limiting warming to 1.5 degrees Celsius above pre-industrial levels. The Group's portfolio is largely renewable and very low emissions intensity at 2020 reflected in the 49% reduction target to 2030 to align with this 2050 pathway.*

TCFD compliance statement *(continued)*

Metrics and targets *(continued)*

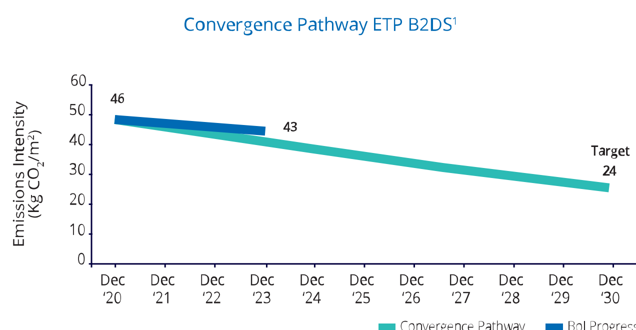
2. Residential property

RAG Status

Target statement

Bank of Ireland commits to reduce residential mortgage portfolio GHG emissions 48% per square metre by 2030 from a base 2020 year.

Baseline (FY2020)	
46 $kgCO_2/m^2$ (weight of carbon dioxide equivalent emitted per square meter)	
Current position (FY2023)	**PCAF data quality score[2]**
43 $kgCO_2/m^2$	3.8 (-)
Reduction from baseline	**6%**



Notes
- The residential property category is seeing the RoI and UK mortgage portfolios decarbonising at different speeds, with the emissions of the RoI portfolio down c.10% since FY2020, driven by new lending which has an emissions intensity that is c.20% lower than the opening stock as at 1 January 2023.
- This reduction is partially offset by relatively muted progress in the UK mortgage portfolio (down c.2% since FY2020) which is aligned to reported progress by other lenders in the UK market.
- As retrofit activity and the anticipated effect of our interventions increases, accelerating reductions are expected in the medium term, with the full impact of decarbonisation of the energy grid expected in the back end of the decade.
- Amber rating reflects strong progress to date driven by profile of new lending but is lagging convergence pathway. However, this lag is being mitigated and considered recoverable by the target date of 2030 at this stage of strategy execution by (i) increasing the focus on retrofitting of existing property stock and (ii) the impact of the decarbonisation of the electricity grid expected in the longer term.

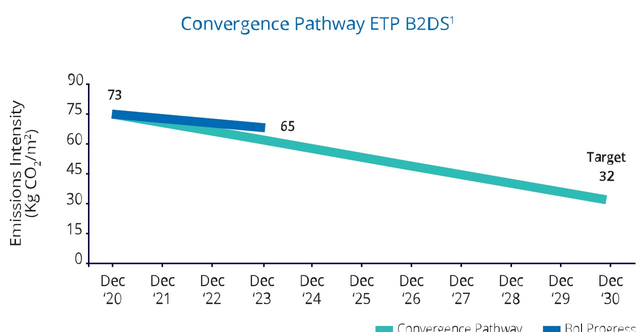
3. Commercial real estate

RAG Status

Target statement

The Group commits to reduce commercial real estate portfolio GHG emissions 56% per square metre by 2030 from a base 2020 year.

Baseline (FY2020)	
73 $kgCO_2/m^2$ (weight of carbon dioxide equivalent emitted per square meter)	
Current position (FY2023)	**PCAF data quality score[2]**
65 $kgCO_2/m^2$	3.5 (-)
Reduction from baseline	**11%**

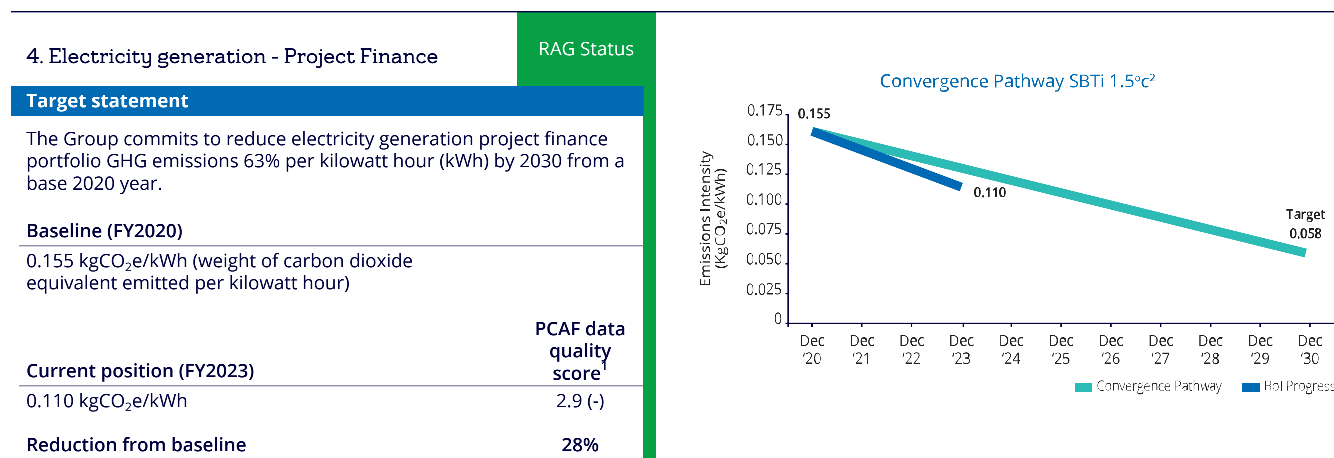


Notes
- Amber rating reflects strong progress to date driven by profile of new lending which has an emissions intensity that is c.20% lower than the opening stock as at 1 January 2023 but with a lag to the SBT convergence pathway.
- However, this lag is being mitigated and considered recoverable by 2030 at this stage of strategy execution by (i) credit policy amendments in 2023 to support the retrofitting of existing property stock and (ii) the impact of the decarbonisation of the electricity grid expected in the longer term.

[1] Beyond 2 Degrees Scenario (B2DS) aims to limit with a 50% chance global temperature rise to 1.75 degrees Celsius above pre-industrial levels.
[2] Reflects PCAF data quality score as at FY2023 with changes in score from baselines FY2020 position shown in brackets.

TCFD compliance statement *(continued)*

Metrics and targets *(continued)*



4. Electricity generation - Project Finance

RAG Status

Target statement

The Group commits to reduce electricity generation project finance portfolio GHG emissions 63% per kilowatt hour (kWh) by 2030 from a base 2020 year.

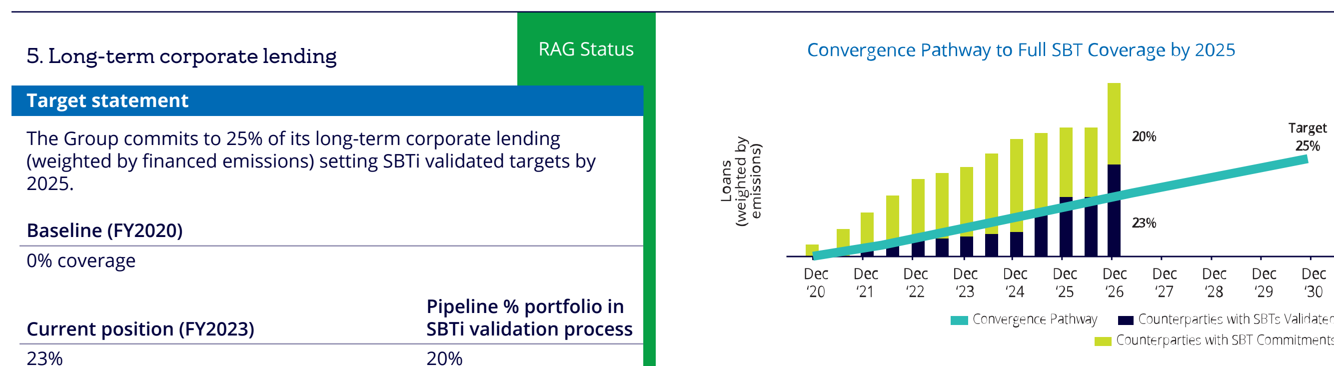
Baseline (FY2020)

0.155 $kgCO_2e/kWh$ (weight of carbon dioxide equivalent emitted per kilowatt hour)

Current position (FY2023)	PCAF data quality score[1]
0.110 $kgCO_2e/kWh$	2.9 (-)
Reduction from baseline	**28%**

Notes

- This portfolio consists of a small number of projects (c.25) and during 2023 the financed power generation attributed to two projects in the baseline was found to have been overstated. This has resulted in a restatement of the 2022 baseline for the portfolio from 0.097 to 0.155 $kgCO_2/kWh$ – an increase of 60% (the size of the aggregate impact being due to the small sample size).
- Given consideration of this change in starting point and acknowledging the Group's objective to align with the SBT 1.5 pathway by 2030, the targeted 2030 intensity of 0.058 $kgCO_2/kWh$ is maintained and the target reduction from 2020 is increased to 63%[3] to reflect the reset 2020 baseline of 0.155 $kgCO_2/kWh$.
- Green rating reflects progress towards the 2030 target is progressing in line with business planning as the Group expanded its renewables portfolio from onshore wind to include offshore in 2023. This sees decarbonisation of c.28% to date versus the 2020 baseline.



5. Long-term corporate lending

RAG Status

Target statement

The Group commits to 25% of its long-term corporate lending (weighted by financed emissions) setting SBTi validated targets by 2025.

Baseline (FY2020)

0% coverage

Current position (FY2023)	Pipeline % portfolio in SBTi validation process
23%	20%

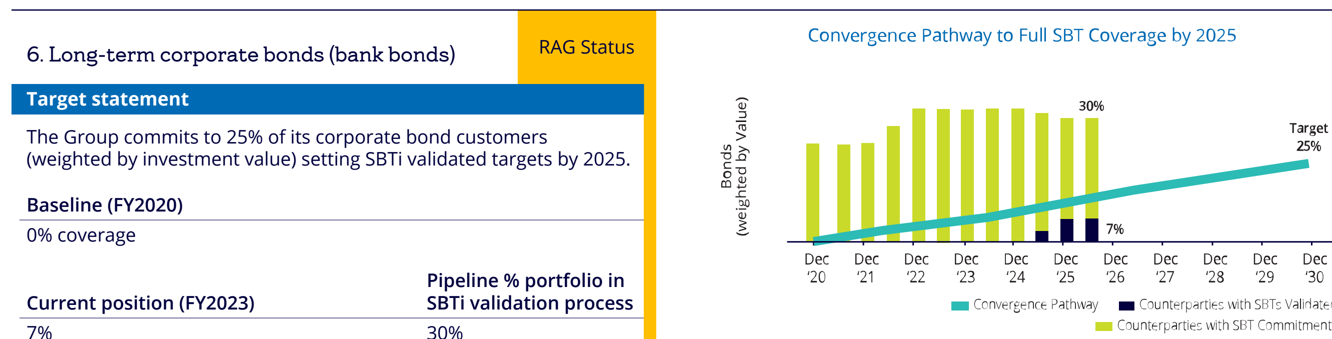
Notes

- Green rating reflects (i) strong adoption of SBTs among larger corporate clients (in line with convergence pathway to 100% coverage by 2040) and (ii) a strong pipeline, with a further 20% of the portfolio in the process of having SBTs validated.
- Validation status of corporate customers based on SBTi reporting, with emissions data for portfolio weightings provided by ICE Urgentem.

[1] *Reflects PCAF data quality score as at FY2023 with changes in score from baselines FY2020 position shown in brackets.*
[2] *SBTi pathway designed to facilitate limiting warming to 1.5 degrees Celsius above pre-industrial levels. The Group's portfolio is largely renewable and very low emissions intensity at 2020 reflected in the 63% reduction target to 2030 to align with this 2050 pathway.*
[3] *Target reduction updated to 63% from 40% and notified to the SBTi following restatement of the volume of electricity generation financed in the 2020 baseline.*

TCFD compliance statement *(continued)*

Metrics and targets *(continued)*



6. Long-term corporate bonds (bank bonds)	RAG Status
Target statement	
The Group commits to 25% of its corporate bond customers (weighted by investment value) setting SBTi validated targets by 2025.	
Baseline (FY2020)	
0% coverage	
Current position (FY2023)	**Pipeline % portfolio in SBTi validation process**
7%	30%

Notes

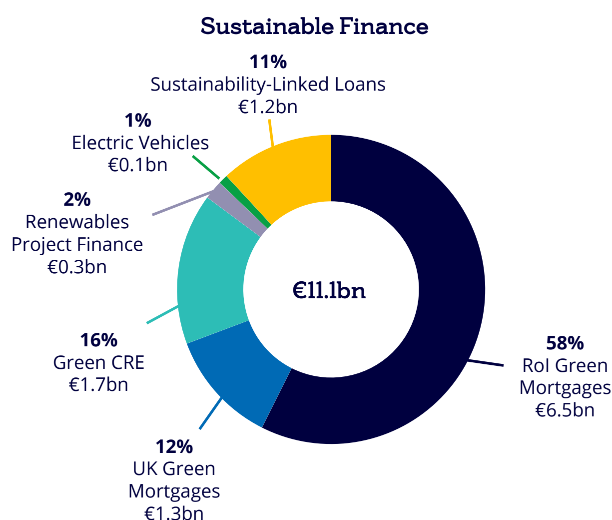
- Amber rating reflects a lag to the linear SBT convergence pathway, which is due to the bonds in the portfolio being issued by financial institutions. Due to the later publication of SBT methodologies for the financial services sector, financial institutions have lagged other sectors in having SBTs validated, with the Group among the first to have their targets validated in December 2022. The lag is currently considered recoverable and mitigated by a strong pipeline of institutions in the process of having SBTs validated (30% of portfolio) with further approvals expected in H1 2024.

Sustainable finance products

In line with our ambitions for 2023, we have set targets for sustainable financing: c.€15 billion by 2025 and c.€30 billion by 2030. We've made significant strides towards these goals.

By the end of 2023, our sustainable finance portfolio grew by c.35%, reaching about €11.1 billion. We are on track to meet our targets, thanks in part to the popularity of our green mortgages, which represented c.50% of all new mortgage lending in the Republic of Ireland this year. Additionally, we have seen considerable annual growth in financing for renewable energy projects and electric vehicles in Ireland.

The Sustainability-Linked Loan amounts disclosed in the table below are the drawn figures. The Group also monitors the commitments which has increased from €1.4 billion in 2022 to €2.7 billion in 2023 demonstrating customers' increased appetite for such products.



Sustainable finance[1]	2023 GCA €bn	2022 GCA €bn	YoY increase %[2]	2025 target GCA €bn	2030 target GCA €bn	RAG status
Customer lending	11.1	8.2	35%	15.0	30.0	
of which:						
RoI Green Mortgages	*6.5*	*4.0*	*59%*			
UK Green Mortgages	*1.3*	*1.1*	*21%*			
Green CRE	*1.7*	*1.7*	*2%*			
Renewables Project Finance	*0.3*	*0.2*	*46%*			
Electric Vehicles	*0.1*	*0.1*	*73%*			
Sustainability-Linked Loans	*1.2*	*1.1*	*10%*			

[1] Exposures of c.€11.1 billion disclosed in this table comprise loans within the Group's Green Bond eligible assets portfolio, UK residential mortgages to EPC A and B rated properties and Sustainability-Linked loans.
[2] Percentages are based on underlying calculation of amounts not rounded.

TCFD compliance statement *(continued)*

Metrics and targets *(continued)*

Climate related metrics and targets in our own operations

In 2023, the Group demonstrated its commitment to GHG emission reduction within its own operations by achieving over 85% of its SBTi 2030 target reduction in GHG emissions from its own operations (Scope 1 and 2).

The following principles and methodology were applied in determining the emissions:

CO_2e emissions Scope 1

Scope 1 covers CO_2e emissions from heating using oil, natural gas, refrigerants and from the usage of the Group's controlled company cars. The emissions from heating are calculated on the basis of heating consumption, using specific emission factors from the Department of Environment, Food and Rural Affairs (DEFRA) and in accordance with the Greenhouse Gas Protocol Guidance. For company cars, the emissions are calculated on the basis of the fuel type (diesel, petrol, hybrid, plug-in hybrid and electric), estimated mileage and emission factors from DEFRA.

Over the course of 2023, we have made enhancements to our reporting methodology due to improved data availability from our fleet providers. The impact of this methodology change resulted in an increase in the quantum measurement of our fleet emissions of c.380tCO_2e. We note that on a like for like methodology basis, emissions generated by the fleet would be broadly flat year on year. Excluding this change, our underlying emissions continued to decrease by c.450tCO_2e as a result of the initiatives detailed in the 'Supporting the green transition' section on page 17. As we aim for continual improvement in emissions data quality, we will use the same methodology during 2024 while continuing to identify opportunities to enhance emissions data quality.

CO_2e emissions Scope 2

Scope 2 covers emissions from electricity supplied by external suppliers. For the RoI, conversion factors for electricity were sourced from the Commission for Regulation of Utilities (CRU) and DEFRA, and for the UK conversion factors were sourced from DEFRA. Scope 2 emissions are reported in accordance with the market-based and location-based methodology from the Greenhouse Gas Protocol Guidance. For the location-based approach, the emission factors from electricity consumption are calculated using average country specific emission factors. For the market-based methodology, supplier specific emission factors were used to calculate emissions.

CO_2e emissions Scope 3

Scope 3 covers CO_2e emissions from:

- scope 3.1: purchased goods and services (limited to water supply and treatment);
- scope 3.5: covering waste (including waste treatment, recycling, energy and paper); and
- scope 3.6: business travel (air, road and rail) and downstream leased assets.

Emissions from our financed emissions under 3.15 are not included in these figures.

- **Scope 3.1**: The emissions from water supply and treatment were calculated on the basis of actual consumption provided by the suppliers and emission factors from DEFRA.
- **Scope 3.5:** The emissions from waste were calculated based on actual consumption and emission factors from DEFRA.
- **Scope 3.6:** The emissions from business travel were based on actual spend data on air, car hire, taxi, travel mileage and railway fares. For business travel by road, the emissions were calculated on the basis of the mileage and fuel specific emission factors from DEFRA as per fuel type. For business travel by air, the emissions were calculated based on the total spend, average cost of flights and distance travelled based on airline information. For downstream leased assets, DEFRA natural gas and electricity conversion factor for leased building was used to quantify the emissions.

Scope 3 emissions were higher than in 2022 reflecting ongoing normalisation of business travel post-pandemic.

Metric	**2023 tCO_2e**	**2022 tCO_2e**
Scope 1 fuel consumption	3,615	3,682
Scope 2 purchased electricity (market based)	10	12
Scope 3 (material for own operations as set out below)	5,141	3,261
Business travel	*4,348*	*2,947*
Waste	*23*	*22*
Purchased goods & services	*122*	*33*
Downstream leased assets (market based)[1]	*648*	*259*
% of electricity from renewable sources[2]	**c.100%**	**c.100%**

[1] Downstream leased asset Gas 259 tCO2e, Electricity 493 tCO2e.
[2] Percentage is 99.83% (2022: 99.83%) with full coverage expected in 2024.

Financed emissions

The Group will commence reporting of financed emissions from H2 2024 in line with Pillar 3 ESG Reporting timelines.

EU Taxonomy compliance statement

The preparation of the EU Taxonomy reporting is based on prudential consolidation of the Group, excluding NIAC. The consolidation is in accordance with the supervisory reporting of financial institutions as defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council, and the Commission Implementing Regulation (EU) 2021/451 (FINREP). The EU Taxonomy is a classification system of economic activities that make a substantial contribution to environmental sustainability under Taxonomy Regulation (EU) 2020/852. In addition, the preparation of reporting is based on the Delegated Act supplementing Article 8 of the Taxonomy Regulation (Disclosures Delegated Act 2021/2178). Article 3 of the EU Taxonomy Regulation sets out the criteria that an economic activity must meet to qualify as environmentally sustainable. This includes economic activity that is carried out in compliance with the minimum safeguards and contributes substantially to one or more of the environmental objectives.

The EU Taxonomy has six environmental objectives namely:

- climate change mitigation (CCM);
- climate change adaptation (CCA);
- sustainable use and protection of water and marine resources (WTR);
- transition to a circular economy (CE);
- pollution prevention and control (PPC); and
- protection and restoration of biodiversity and ecosystems (BIO).

Minimum Safeguards

As part of the assessment of environmentally sustainable economic activities, it is required that economic activity is carried out in compliance with minimum safeguards as part of Article 18 of the EU Taxonomy Regulation. The purpose of the minimum safeguards is to ensure compliance with minimum human and labour rights standards, preventing activities that breach key social principles by aligning with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. In the Taxonomy reporting, compliance with minimum safeguards is an integral part of the non-financial undertakings' Taxonomy KPIs that the Group applies to exposures.

Substantial contribution to the EU environmental objectives

Through its financing of large undertakings subject to the Non-Financial Reporting Directive (NFRD) and investments in securities, the Group supports a variety of economic activities that contribute substantially to the EU environmental objectives. In addition, the Group's sustainable finance products including green mortgages, green home improvement loans, green motor loans and motor financing for EVs contributes to the EU environmental objective of climate change mitigation.

Taxonomy KPIs

For the first time, the Group is reporting on Taxonomy KPIs and green asset ratios (GAR). Reporting includes input on turnover and CapEx from Taxonomy KPIs. The total GAR covers the two climate-related (CCM and CCA) EU environmental objectives.

The Group's total GAR based on turnover amounted to 2.4% of total covered assets, with the total GAR based on CapEx equivalent to c.2.4% of total covered assets as at year end 2023. The Taxonomy-aligned activities amounted to €2.3 billion at year end 2023. Gross carrying amount of total covered assets amounted to €94.2 billion as at year end 2023 (2022: €86.7 billion).

Total green asset ratio: Taxonomy-aligned activities as a proportion of total covered assets.

Total covered assets: Total assets excluding exposures to sovereigns and trading book. Total assets are defined according to the prudential consolidation of the Group per FINREP.

Climate Delegated Act

The Complementary Climate Delegated Act 2022/1214 including specific nuclear and gas energy activities published in July 2022, requires the Group to assess and disclose taxonomy-eligibility and non-eligibility of nuclear and fossil gas-related activities at 31 December 2023. Whilst the Group has no direct exposure through lending to customers that have economic activities related to the production of electricity or heating using nuclear installations or electricity generation facilities that produce electricity from nuclear processes, it has exposure to nuclear activities through its AUM. The Group also has exposure to customers involved in the operation of electricity generation facilities that produce electricity using fossil gaseous fuels. See supplementary information on the Group's website for template related to nuclear and fossil gas activities which are reported under Annex XII of the Delegated Act. This is published on our website, 'Financial information'.

Enhancing our EU Taxonomy Disclosures

As companies' transparency in line with the EU Taxonomy increases, it will enable expanded reporting against the Taxonomy. The adoption of CSRD and European Sustainability Reporting Standards (ESRS) will support the further implementation of the EU Taxonomy Regulation into our business strategy, systems, and investment and lending processes.

Limitations in Data

When assessing Taxonomy-eligible and Taxonomy-aligned activities for financial and non-financial undertakings, actual published information provided by counterparties is required. However, a complete data collection has been limited as published reporting on Taxonomy-alignment KPIs from financial and non-financial undertakings is not yet available at the reporting date. In addition, Taxonomy-eligible and non-eligible activities related to the additional four EU environmental objectives (WTR, CE, PPC, and BIO)[1] are not reported for the year end 2023 due to lack of data.

[1] *WTR – Water and marine resources, CE – Circular Economy, PPC – Pollution, BIO – Biodiversity and Ecosystems.*

EU taxonomy compliance statement *(continued)*

Summary of KPIs

The following table is a summary of KPIs to be disclosed by credit institutions under Article 8 of the EU Taxonomy Regulation. See supplementary information on the Group's website for additional EU Taxonomy tables reported under Annex VI of the Disclosures Delegated Act and taxonomy aligned activities. This is published on our website, 'Financial information'.

		Total environmentally sustainable assets €m	KPI turnover[1] %	KPI CapEx[2] %	% coverage (over total assets)[3]	% of assets excluded from the numerator of the GAR[4]	% of assets excluded from denominator of the GAR[5]
Main KPI	**Green asset ratio (GAR) stock**	**2,289**	**2.43%**	**2.43%**	**1.70%**	**26.94%**	**29.93%**
Additional KPIs	GAR (flow)	139	0.92%	0.92%	0.89%	51.37%	3.09%
	Trading book[6]	n/a	n/a	n/a			
	Financial guarantees	–	–	–			
	Assets under management[7]	–	–	–			
	Fee and commission income[6]	n/a	n/a	n/a			

[1] *Based on the Turnover KPI of the counterparty.*
[2] *Based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used.*
[3] *Percentage of assets covered by the KPI over banks' total assets.*
[4] *Article 7 (2) and (3) and Section 1.1.2 of Annex V*
[5] *Article 7 (1) and Section 1.2.4 of Annex V*
[6] *Trading Book and Fees and Commissions KPIs only apply starting 2026.*
[7] *Assets under management (AUM) KPIs are not material for the year end 2023. The calculations relate to Davy and are based on the following assumptions: AUM is based on Article 8 offerings, the Article 8 offerings do not have specific EU Taxonomy targets, AUM and offerings are based on data from 31 December 2023, and calculation is based on data provided by MSCI.*

Limitations in data

Reporting on Taxonomy-aligned activities for FY 2023 has been constrained due to current limitations on the availability of relevant information across key categories:

- When assessing Taxonomy-eligible and Taxonomy-aligned activities for financial and non-financial counterparties, actual information published by counterparties is required:
  - published reporting on Taxonomy-alignment KPIs from financial undertakings is not available at the reporting date;
  - non-financial undertakings have not yet published data for FY2023; consequently, the Taxonomy reporting of eligibility and alignment for non-financial undertakings is based on published data from FY2022;
  - furthermore, reporting on Taxonomy-eligibility for the four additional environmental objectives implemented in 2023 is not possible for FY2023 as non-financial undertakings are only reporting on these objectives from FY2023, with financial undertakings reporting on these objectives from FY2024; and
  - exposure to non-financial counterparties in the Group’s corporate lending portfolio currently considered taxonomy eligible is limited at c.€155 million due to the eligibility criteria requiring counterparties to be large companies publicly listed in the EU. The alignment of this exposure is <€1 million based on the data reported by the eligible counterparties at FY2022.
- One renewable energy project finance exposure has been included as aligned in the GAR as it meets Local Government Financing eligibility criteria. Further cases will be under future consideration as reporting criteria regarding public-private joint ventures becomes more established.
- When assessing Taxonomy-eligible and Taxonomy-aligned activities for lending to households, other data limitations impact reporting:
  - Residential mortgage exposures have been included in the GAR only where they are not subject to high physical risk of flood and have been built before 31 December 2020. These exposures are aligned if collateralised by properties with an A EPC rating if RoI based and an A or B rating if UK based. This set of criteria reflects current limitations on data availability on our lending stock and as such will not be fully reflective of underlying alignment. Newly implemented data collection processes are expected to have a positive impact on data availability in future reporting periods; and
  - Electric Vehicle (EV) lending exposures originated since the beginning of FY2023 of c.€50 million are considered eligible per taxonomy criteria. However they are not classified as aligned due to the lack of available information in the industry to assess the vehicles against the Taxonomy DNSH (Do No Significant Harm) criteria.

EU taxonomy compliance statement *(continued)*

Green Asset Ratio (GAR)

The table below provides a breakdown of the Taxonomy-aligned exposure within the GAR. It should be noted that for this first round of disclosures we have taken a conservative application of the qualifying criteria underpinning the GAR based on the guidance provided to date and currently available data. Due to these current limitations across the industry changes in this ratio in future reporting periods will be driven in part by increased data availability.

	Taxonomy-aligned exposures based on turnover €m	GAR based on turnover %	Taxonomy-aligned exposures based on CapEx €m	GAR based on CapEx %
GAR on financial undertakings *(total of CCM and CCA)*	–	–	–	–
GAR on non-financial undertakings *(total of CCM and CCA)*	–	–	–	–
GAR for residential mortgages *(CCM)*	2,245	2.38%	2,245	2.38%
GAR for electric vehicle loans *(CCM)*	–	–	–	–
GAR for loans to local governments for house financing and other specialised lending	44	0.05%	44	0.05%
Total	2,289	2.43%	2,289	2.43%

Non-financial information statement

Related pages
CEO review *(page 6)*
Our strategy *(page 10)*
Risk Management Report (page 134)

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

The purpose of this table is to assist stakeholders in understanding our policies and management of key non-financial matters. We are in the process of preparing for alignment of our non-financial reporting with CSRD by 2026. In the interim, alignment is to the current non-financial reporting regulations.

Our overarching Sustainability strategy is 'Investing in Tomorrow' 2021 to 2024. Our sustainability agenda is guided by a range of policies, statements and reports which are listed below.

Reporting Requirement	Policies	Risk & management
Environmental matters	• Group environment policy[1] • Group energy policy[1] • Responsible and sustainable sector statement[1]	• Environment and energy *(page 30)*
Non-financial key performance indicators	• n/a	• Key highlights *(page 3)*
Business model	• n/a	• Divisional review *(page 61)*
Diversity report	• Board diversity policy	• Corporate Governance statement *(page 76)*
Bribery and corruption	• Group code of conduct[1] • Speak up policy[1] • Group anti-money laundering policy • Group anti-bribery and corruption policy • Social and financial inclusion policy[1] • Respect at work policy[1] • Recruitment policy[1] • Corporate affairs statement[1] • Financial crime compliance statement[1]	• Code of conduct *(page 21)* • Anti-bribery and corruption *(page 21)* • Group anti-money laundering *(page 21)* • Conduct risk *(page 154)*
Due diligence and outcome	• n/a	• Risk management framework *(page 143)*
Description of business risks and impact of business activity	• n/a	• Principal risks and uncertainties *(page 135)*
Social and employee matters	• Inclusion and diversity policy • Group code of conduct[1] • Equal opportunities policy • Group health and safety policy[1] • Employee data privacy • Group vulnerable customers policy • Group learning policy • Third party policy[1] • Responsible and sustainable sector statement[1]	• Vulnerable customers *(page 20)* • Inclusion and diversity *(page 19)* • Learning *(page 19)* • Wellbeing *(page 19)* • Communities *(page 21)* • People risk *(page 181)*
Respect for human rights	• Modern slavery and human trafficking statement • Code of supplier responsibility • Group procurement policy • Group data protection and privacy policy	• Information security *(page 22)* • Human rights *(page 22)* • Operational risk *(page 181)* • Human trafficking *(page 22)*

[1] *These policies are available on the Group's website* 'Our Reports and Policies - Bank of Ireland'*. All other policies listed are not published externally.*

Governance in action

Leadership and company purpose

Susan Russell *(Bank of Ireland CEO Retail Ireland) with* **Jack O'Keeffe** *(9) and* **Farrah Culhane** *(8) at Bank of Ireland College Green to commemorate the Group's 240th anniversary.*

Through a year which has proved to be highly productive for the Group, against the backdrop of a challenging global environment, the role of corporate governance in ensuring effective decision-making has continued to be of paramount importance.

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

The Group's purpose and its values are the cornerstone of its culture, providing the Board and GEC with a clear foundation upon which key decisions are taken. 2023 was a year of significant progress for the Group and our purpose, of enabling our customers, colleagues, society and shareholders to thrive, remained at the forefront of all our actions. The Group announced the launch, in March 2023, of the Group's refreshed Strategy for 2023-2025, which continues to build on our purpose and values.

The Board is collectively responsible for the long-term sustainable success of the Group and ensuring there is a strong corporate structure in place. The CEO is supported by the GEC, which is composed of the Executive Directors and other senior executives, which assists the CEO in leading the Group's day to day operations and in the execution of the Board-approved Group Strategy, in line with the Group's purpose. Details of the GEC can be found on page 79.

The Group's ability to continue to operate effectively in the current environment is supported strongly by the Group's robust corporate governance framework, which the Board continually seeks to enhance through regular reviews and challenges. In the Governance Section on page 89, our Chairman reports on the key areas of Board focus during 2023.

The Board is committed to upholding high standards and seeking continual enhancements, and its corporate governance standards are overseen by the Group Nomination and Governance Committee, which continues to play a central role in the review and selection of directors, their development, and their continued individual and collective suitability for the Board.

The Board is supported by a number of committees:

Group Nomination and Governance Committee (N&G)
Patrick Kennedy *(Chair)*
Responsible for leading the process for Board appointments and succession planning, considering the appointment of Key Function Holders and overseeing subsidiary governance. It is also responsible for corporate governance policies and practice.

Group Sustainability Committee
Eileen Fitzpatrick (Chair)
Responsible for providing oversight of the Group's Responsible and Sustainable Business Strategy, ESG targets and objectives, including monitoring of the Group's implementation of the UN Principles for Responsible Banking.

Group Remuneration Committee
Ian Buchanan *(Chair)*
Responsible for overseeing the Group's remuneration policy and approving the policy and terms for the Chairman, the Executive Directors, the GEC and certain other designated officers.

Group Audit Committee
Evelyn Bourke *(Chair)*
Responsible for monitoring the quality and integrity of the financial statements and, in partnership with the Board Risk Committee, monitoring the effectiveness of the Group's internal controls, including accounting, financial reporting and risk management systems. Responsible for monitoring the independence and performance of the internal and external auditors.

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

Group Transformation Oversight Committee
Giles Andrews *(Chair)*
Responsible for overseeing, supporting and challenging the delivery and execution of the Group's major strategic systems transformation and programmes, with high dependency on technology related change.

Disclosures
As a company listed on both the London and Euronext Dublin (formerly the Irish Stock Exchange) stock exchanges, the Group is required to report to shareholders on how it applies the main principles of the UK Corporate Governance Code (UK Code).

Governance in action *(continued)*

The table below outlines where you can find the relevant disclosures throughout this Report.

Board Leadership and Company Purpose

UK Code Principles	Section
A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	• Chairman's introduction *(page 75)* • Your Board *(page 79)* • Role of the Board *(page 90)* • Strategic Report *(page 3)*
The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	• Chairman's introduction *(page 75)* • Strategic Report – Chairman's review *(page 4)* • Governance in action *(page 46)* • Assessing the effectiveness of the Board *(page 88)*
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	• Chairman's introduction *(page 75)* • Strategic Report – Chairman's review *(page 4)* • Governance in action *(page 46)* • Assessing the effectiveness of the Board *(page 88)* • Report of the Board Risk Committee (page *114)*
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	• Stakeholder engagement *(page 91)* • Strategic Report (enabling colleagues to thrive) *(page 19)*
The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	• Stakeholder engagement – colleagues *(page 91)* • Strategic Report (enabling colleagues to thrive) *(page 19)* • Report of the N&G *(page 98)*

Division of Responsibilities

UK Code Principles	Section
The Chairman leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors (NEDs), and ensures that directors receive accurate, timely and clear information.	• Roles and responsibilities *(page 90)* • Chairman's tenure *(page 85)* • Board Committees *(page 85)* • Chairman *(page 88)* • Individual Directors *(page 88)*
The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, Independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.	• Board composition changes *(page 77)* • Board composition and succession *(page 85)* • Roles and responsibilities *(page 90)*
NEDs should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	• Assessing the effectiveness of the Board *(page 88)* • Roles and responsibilities *(page 90)* • Board governance *(page 94)*
The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	• Roles and responsibilities *(page 90)* • Role of the Board *(page 90)* • Report of the N&G *(page 98)*

Governance in action *(continued)*

Composition, Succession and Evaluation

UK Code Principles	
Appointments to the Board should be subject to a formal, rigorous and transparent procedure and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	• Board composition changes *(page 77)* • Board composition and succession *(page 85)* • Diversity *(page 87)* • Report of the N&G *(page 98)*
The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	• Your Board (Directors' Bios) *(page 81)* • Chairman’s introduction *(page 75)* • Chairman's tenure *(page 85)* • Board composition and succession *(page 85)* • Report of the N&G *(page 98)* • Diversity *(page 87)*
Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	• Assessing the effectiveness of the Board *(page 88)* • Diversity *(page 98)*

Audit, Risk & Internal Control

UK Code Principles	
The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	• Board oversight of risk management and internal control systems *(page 93)* • Report of the Group Audit Committee *(page 108)*
The Board should present a fair, balanced and understandable assessment of the company’s position and prospects.	• Strategic Report - Chairman's review *(page 4)* • Role of the Board *(page 90)* • Board oversight and risk management and internal control systems *(page 93)*
The Board should establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	• Board oversight and risk management and internal control systems *(page 93)* • Report of the Board Risk Committee *(page 114)*

Remuneration

UK Code Principles	
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company’s long-term strategy.	• Report of the Group Remuneration Committee *(page 102)* • Remuneration report *(page 125)*
A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.	• Report of the Group Remuneration Committee *(page 102)* • Remuneration report *(page 125)*
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.	• Report of the Group Remuneration Committee *(page 102)* • Remuneration report *(page 125)*

Risk review

Related pages
Risk Management Report *(page 134)*

In 2023, the Group continued to focus on the implementation of a strengthened Risk Management Framework, including embedding of process led operational risk management, and delivery of strategic requirements to improve operational resilience.

Nicola Sadlier *(Head of Fraud, Bank of Ireland), along with* **Baz Ashmawy** *and members of the BoI Fraud team in masks.*

The Group RMF is the foundation stone for how we manage risk.

Good risk management aligns with our strategic objectives, code of conduct and stakeholder priorities. Risk management is central to the financial and operational management of financial services companies and is fundamental to the Group's strategic pillars of:

- stronger relationships;
- simple business; and
- sustainable company.

Group Risk Management Framework

The RMF sets out our Group-wide approach to risk management and reflects our Risk Culture.

The RMF establishes:

- common principles for the risk management process of identifying, assessing, monitoring, mitigating, and controlling risks to the Group;
- standard definitions of risk terms and classifications to ensure consistent application across the Group;
- clear roles and accountabilities for the management of risk across the Group;
- governance mechanisms by which risk oversight is exercised and risk decisions taken;
- Group standards on risk policies, committee papers and reporting to ensure consistent application across the Group;
- standard methods to identify and classify risks faced by the Group;
- principles for setting risk appetite to articulate tolerances for the adverse outcomes of taking risk, and setting risk exposure limits designed to ensure a low probability of exceeding those tolerances;
- risk policies and procedures as the foundation for risk mitigation in implementing the RMF; and
- a framework for forward looking monitoring and reporting on risk as part of risk management information in the Group.

Risk management is the set of activities and mechanisms through which we make risk taking decisions. It is how we control and optimise the risk-return profile of the Group. This is a Group-wide activity, and it is structured across the following five Risk Management activities:

- Risk Identification and Assessment.
- Risk Appetite.
- Risk Policies.
- Stress Testing and Scenario Analysis.
- Risk Monitoring and Reporting.

Within each category we maintain risk management standards and collectively these represent our risk management approach.

The Group's overarching risk strategy is to set and maintain the RMF to ensure that the Group has clearly identified and classified the risks it faces, set its risk appetite through statements of risk tolerance and quantitative limits, and through adherence with risk policy, has observed these tolerances and limits as boundaries to its business strategy. This is achieved through appropriate processes, controls, reporting, and governance which enable the Group to:

- address its target market with confidence;
- protect its balance sheet; and
- deliver sustainable profitability.

Risk culture within the Group requires all colleagues to have a holistic understanding of the risks posed by the activities they undertake. It is underpinned by the Group's purpose and values that should act as a behavioural compass.

Risk Governance is exercised through the decision-making authority vested in Risk Committees and accountable officers. The Board sets, approves and oversees the high-level policy and strategic direction on the risk the Group is prepared to assume. It approves key risk documents on which it has reserved authority including the Group's Risk Appetite, RMF, and certain risk policies.

Principal risks and uncertainties

Principal risks and uncertainties could impact on our ability to deliver our strategic plans and ambitions. We consider risks that arise from the impact of external market shocks, geopolitical event risks or emerging risks as well as primary categories of risk identified as principal risks which could have a material impact on earnings, capital adequacy and / or on our ability to trade in the future. See pages 135 to 142 for further detail.

Operating and financial review

Profit before tax €1,938m
(2022[1]: €1,011m)

Underlying profit before tax €2,023m
(2022[1]: €1,153m)

RoTE (adjusted) 17.3%
(2022[1]: 10.1%%)

Underlying cost income ratio 42%
(2022[1]: 54%)

Basis of presentation

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 operating and financial review (OFR) is found in Alternative performance measures on page 356. Percentages presented throughout this document 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

	Table	2023 €m	*Restated*[1] 2022 €m
Net interest income	1	3,682	2,482
Net other income	2	746	635
Operating income		**4,428**	**3,117**
Operating expenses (before levies and regulatory charges)	3	(1,857)	(1,675)
Levies and regulatory charges	3	(170)	(142)
Operating profit before net impairment losses on financial instruments		**2,401**	**1,300**
Net impairment losses on financial instruments	4	(403)	(187)
Share of results of associates and joint ventures (after tax)		25	40
Underlying profit before tax		**2,023**	**1,153**
Non-core items	5	(85)	(142)
Profit before tax		**1,938**	**1,011**
Tax charge		(337)	(153)
Profit for the year		**1,601**	**858**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.

Profit before tax of €1,938 million was reported by the Group for 2023, €927 million higher compared to 2022.

Underlying profit before tax of €2,023 million was €870 million higher than 2022 which was primarily attributable to the following:

- an increase of €1,311 million or 42% in operating income due to:
  - a €1,200 million increase in **net interest income** primarily driven by higher liquid asset income, supported by higher Irish deposit rates and volumes, higher lending income and the KBCI portfolio acquisition, partially offset by the higher cost of funds; and
  - a €111 million increase in **net other income** driven by a €83 million increase in business income, primarily due to an increase in Davy income (12 months income in 2023 compared to 7 months in 2022) and positive impacts from valuation items / other expenses of €28 million.
- an increase of €182 million or 11% in **operating expenses (before levies and regulatory charges)** was largely due to an increase of €81 million relating to acquisitions of Davy and KBCI portfolios, €62 million relating to the reintroduction of variable pay and additional investment to deliver sustainable benefits, including efficiencies. Excluding these costs, operating expenses (before levies and regulatory charges) increased by €39 million or 2.3%.
- an increase of €28 million or 20% in **levies and regulatory charges** was primarily due to the increase in the Deposit Guarantee Scheme (DGS) fees.
- an increase of €216 million in **net impairment losses on financial instruments** reflects actual loan loss experience in the year; movement in management adjustments; impact on IFRS 9 models of Forward Looking Information (FLI) from the Group's latest macro-economic outlook; and impairment model changes.

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

- a decrease of €15 million in **share of results of associates and joint ventures (after tax)** primarily due to recognition of losses on investment during the year.

The Group's **non-core charges** decreased by €57 million or 40% compared to 2022, primarily due to receipt of a refund of €18 million for other transformation costs in Retail UK (2022: €33 million charge) and no customer redress charges in 2023 (2022: €29 million charge).

Tax charge for 2023 of €337 million (2022[1]: €153 million) reflects an effective statutory taxation rate of 17% (2022: 15%) for the Group. On an underlying basis, the effective taxation rate for 2023 was 16% (2022: 15%). 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 in the prior year.

Key ratios	2023	*Restated*[1,2] 2022
Statutory cost income ratio (%)	47	63
Underlying cost income ratio (%)[2]	42	54
Return on Tangible Equity (%)	15.5	8.2
Return on Tangible Equity (adjusted) (%)[2]	17.3	10.1
Return on assets (bps)	103	57
Per ordinary share		
Basic earnings per share (€ cent)	140.1	72.9
Underlying earnings per share (€ cent)	149.6	83.4
Tangible Net Asset Value per share (€ cent)	965	863
Dividend per share (€ cent)[3]	60	21

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.
[2] Comparative figures have been restated to reflect a reallocation of €2 million from Retail Ireland business income to 'other valuation items'.
[3] The 2023 dividend is a proposed dividend, subject to shareholder approval.

Net interest income

Table: 1 Net interest income / net interest margin	2023 €m	2022 €m	Change %
Net interest income	**3,682**	**2,482**	**48%**
Average interest earning assets (€bn)			
Loans and advances to customers	79	76	4%
Other interest earning assets	43	50	(14%)
Total average interest earning assets	**122**	**126**	**(3%)**
Net interest margin	**3.01%**	**1.96%**	
Gross yield - customer lending	4.13%	3.42%	
Gross yield - liquid assets	3.53%	0.34%	
Average cost of funds - interest bearing liabilities and current accounts	(0.90%)	(0.22%)	

Net interest income of €3,682 million for 2023 was €1,200 million higher than 2022 primarily driven by increased liquid asset income, supported by higher Irish deposit rates and volumes, higher lending income and the KBCI portfolio acquisition, partially offset by the impact of higher wholesale funding and deposit costs from the cessation of negative interest rates and the pass through of higher interest rates.

The Group net interest margin (NIM) was 3.01% (2022: 1.96%).

Average cost of funds and gross yield represent the interest income or expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability.

The gross customer yield increased by 71 basis points (bps) to 4.13% from 2022, with higher interest rates increasing all divisional lending yields.

The liquid asset yield increased by 319 bps to 3.53% from 2022, with higher interest rates increasing the yield.

Further information on financial measures referred to in our 2023 key performance highlights can be found in Alternative performance measures on page 356.

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

Net other income

Table: 2 Net other income	2023 €m	*Restated*[1,2,3] 2022 €m	Change %
Net other income	**746**	**635**	**17%**
Analysed as:			
Business income			
Wealth and Insurance[1]	332	234	42%
Corporate and Commercial[2]	281	297	(5%)
Retail Ireland[2,3]	146	144	1%
Retail UK	(34)	(36)	(6%)
Group Centre and other	(18)	(15)	20%
Total business income	**707**	**624**	**13%**
Other (expenses) / income			
Loan sale expenses	(6)	–	n/m
Gain on disposal and revaluation of investment properties	2	2	–
Transfers from debt instruments at fair value through other comprehensive income reserve	–	98	(100%)
Total other (expenses) / income	**(4)**	**100**	**n/m**
Other valuation items			
Investment valuation movement[1]	36	(97)	n/m
Financial instrument valuation adjustments (CVA, DVA, FVA)[4]	7	6	17%
Other[3]	–	2	(100%)
Total other valuation items	**43**	**(89)**	**n/m**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*
[2] *Comparative figures have been restated to reflect the Business Banking transfer from Retail Ireland to Corporate and Commercial (formerly Corporate and Markets).*
[3] *Comparative figures have been restated to reflect a reallocation of €2 million from Retail Ireland business income to 'other valuation items'.*
[4] *Credit Valuation Adjustment; Debit Valuation Adjustment; Funding Valuation Adjustment.*

Net other income of €746 million for 2023 was 17% higher than 2022.

In 2023, Global Markets and Corporate Banking (together formerly known as Corporate and Markets) were consolidated with Business Banking into a single 'Corporate and Commercial' division, bringing together extensive expertise to efficiently and consistently deliver the highest service levels to all of the Group's Corporate and Commercial customers. As a result, total net other income of €154 million (2022: €128 million) has been reallocated from Retail Ireland to Corporate and Commercial.

Business income increased by €83 million or 13% compared to 2022 primarily due to:

- Wealth and Insurance including Davy which increased by €98 million or 42% due to the inclusion of Davy income for a full year compared to seven months in 2022 (€79 million) and a €19 million increase in business income in NIAC, reflecting earnings on business written in prior years and increased returns on New Ireland shareholder funds, following a change in strategic asset allocation in 2022; offset by;
- Corporate and Commercial which decreased by €16 million or 5% reflecting the impact of cessation of business activity, partially offset by €24 million growth in business banking income;
- Retail Ireland income which increased by €2 million, reflecting higher current account fee income, offset by lower ATM income; and
- Retail UK which primarily reflects profit sharing partnership arrangements with the benefits reflected in net interest income.

Other expenses / income of €4 million decreased by €104 million, mainly due to non-recurrence of gains realised on c.€4 billion of bond sales completed in 2022. Bond disposals arose from a decision to reduce credit risk exposure in the Group's liquid asset portfolio during 2022.

Other valuation items were a gain of €43 million for 2023, compared to a €89 million loss in 2022. These movements have resulted from positive derivative related valuation adjustments across divisions and a positive investment variance in Wealth and Insurance.

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

Operating expenses

Table: 3 Operating expenses	2023 €m	*Restated*[1] 2022 €m	Change %
Staff costs (excluding pension costs)	814	688	18%
Pension costs	66	94	(30%)
Retirement benefit costs (defined benefit plans)	*17*	*54*	*(69%)*
Retirement benefit costs (defined contribution plans)	*49*	*40*	*23%*
Depreciation and amortisation	227	225	1%
Other costs	750	668	12%
Operating expenses (before levies and regulatory charges)	**1,857**	**1,675**	**11%**
Levies and regulatory charges	170	142	20%
Total operating expenses	**2,027**	**1,817**	**12%**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

Staff numbers (including Davy)	2023	2022	Change %
Staff numbers at year end (full time equivalents)	10,845	10,153	7%
Average staff numbers during the year	10,562	9,894	7%

Operating expenses (before levies and regulatory charges) were €182 million or 11% higher than 2022. This was largely due to an increase of €72 million in Davy operating expenses (12 months expenses in 2023 compared to 7 months in 2022), additional investment to drive sustainable benefits, including efficiencies, an increase related to the KBCI portfolio acquisition and an accrual for variable pay.

Excluding these costs, operating expenses (before levies and regulatory charges) increased by €39 million or 2.3%, reflecting pay awards (excluding variable pay), cost of living supports for staff, increased investment to deliver regulatory and risk programmes, and other cost increases partially offset by efficiencies and lower pension charges. The Group continues to focus on efficiency and strategic cost reduction while maintaining investment in regulatory compliance, technology and growth in the existing business.

Staff costs (excluding pension costs) of €814 million were €126 million higher than 2022 reflecting the acquisition of Davy and the KBCI portfolios and salary increases averaging 4% which were effective from 1 January 2023. Staff costs also reflect increased resources required to support market growth and accruals for performance related variable pay.

At 31 December 2023, the number of staff (full time equivalents) was 10,845, an increase of 692 compared to 10,153 at 31 December 2022. The increase in full time equivalents was largely in response to market growth, insourcing of key skills and increased volumes driven by the KBCI portfolio acquisition and Ulster Bank exit from the Irish market.

Average staff numbers employed by the Group in 2023 of 10,562 were 7% higher compared to 9,894 in 2022. The increase in average staff numbers was predominantly due to employees who joined the Group following the acquisition of Davy on 1 June 2022, additional resources required to support market growth and the KBCI portfolio acquisition.

Pension costs of €66 million for 2023 were €28 million or 30% lower than 2022. Defined benefit pension costs have decreased by €37 million. Following a review of the Life Balance defined benefit pension scheme with the Trustee Board, staff representatives and members, an agreement was reached to cease discretionary contribution increases effective from 1 April 2023 and replace them with annual contributions into a defined contribution scheme. This resulted in a negative past service cost of €17 million. New joiners to the Group are added to the defined contribution plan, the cost of which has increased by €9 million compared to 2022.

Other costs which include technology, property, outsourced services and other non-staff costs were €82 million or 12% higher than 2022. The increase reflects costs associated with opening accounts for former Ulster Bank and KBCI customers following their exit from the Irish market, Davy operational costs, as well as higher IT change and operating costs.

Levies and regulatory charges of €170 million increased by €28 million, reflecting increases in the DGS fees as a result of increased deposits.

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

Net impairment (losses) / gains on financial instruments

Table: 4 Net impairment (losses) / gains on financial instruments	2023 €m	2022 €m	Change %
Net impairment (losses) / gains on loans and advances to customers at amortised cost			
Residential mortgages	(108)	(22)	n/m
Retail Ireland	*(71)*	*40*	*n/m*
Retail UK	*(37)*	*(62)*	*(40%)*
Non-property SME and corporate	(29)	(124)	(77%)
Republic of Ireland SME	*10*	*28*	*(64%)*
UK SME	*1*	*(13)*	*n/m*
Corporate	*(40)*	*(139)*	*(71%)*
Property and construction	(173)	(18)	n/m
Investment	*(168)*	*(23)*	*n/m*
Development	*(5)*	*5*	*n/m*
Consumer	(87)	(24)	n/m
Total net impairment losses on loans and advances to customers at amortised cost	**(397)**	**(188)**	**n/m**
Net impairment (losses) / gains on other financial instruments (excluding loans and advances to customers at amortised cost)	(6)	1	n/m
Total net impairment losses on financial instruments	**(403)**	**(187)**	**n/m**
Underlying net impairment losses on loans and advances to customers (bps)[1]	**(49)**	**(25)**	**96%**
Net impairment losses on loans and advances to customers (bps)[1]	**(52)**	**(25)**	**n/m**

[1] *For calculation see Alternative Performance Measures on page 358.*

The Group recognised an underlying net impairment loss of €403 million for 2023, with a further €22 million impairment loss being recognised as non-core relating to UK personal loans (see page 56 for further details on non-core).

Including the €22 million impairment loss being recognised in non-core, the **total net impairment loss** for 2023 was €425 million and reflects a number of impairment dynamics:

- net impairment losses associated with portfolio activities including credit risk assessments, recoveries, case specific loss emergence, and Non-Performing Exposure (NPE) resolution activity including portfolio disposals (c.€283 million net loss includes other financial instruments);
- impairment model updates incorporating the current macroeconomic outlook (c.€82 million net loss includes other financial instruments); and
- the application of Group management adjustments at 31 December 2023 (c.€60 million net loss in the year), which reflect a number of potential risks not included in modelled impairment loss allowances, including the potential for latent risk within certain cohorts of the Investment Property portfolio, offset by the utilisation of the management adjustment recognised at 31 December 2022 (see page 227 for further details).

The net loss of €108 million in the **residential mortgages portfolio** in 2023 reflects a combination of the once-off impairment loss in Q1 2023 on the acquired KBCI portfolio; loss emergence including losses on defaulted assets; the impact of impairment model parameter updates; and the credit risk associated with elevated inflation and interest rates. Model parameter updates for residential mortgages in 2023 included a number of changes to the residential mortgage LGD models resulting in a net increase in impairment loss allowance of c.€42 million at the reporting date (details on the LGD model changes are outlined on page 161 of the Credit Risk section). The net loss also reflects the application of a Group management adjustment to recognise estimated losses related to enhancements to the Retail Ireland mortgage loss given default impairment models planned in 2024.

- A net impairment loss on the **Retail Ireland mortgage portfolio** of €71 million for 2023 was €111 million adverse to the gain of €40 million in 2022, and includes a net impairment loss of €33 million on credit-impaired assets (Stage 3 and purchased or originated credit-impaired assets or 'POCIs'). The net charge also includes a c.€17 million loss associated with loans acquired from KBCI in the first quarter of 2023.
- A net impairment loss on the **Retail UK mortgage portfolio** of €37 million for 2023, includes a net impairment loss of €22 million on Stage 3 assets, and compares to a net loss of €62 million in 2022.

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

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

A net €29 million impairment loss on the **non-property SME and corporate loan portfolio** for 2023 compares to a €124 million impairment loss for 2022 and includes a net impairment loss of €41 million on credit-impaired assets. The net impairment loss in 2023 primarily reflects the impact of impairment model parameter updates, specific loss emergence primarily on defaulted cases in the Corporate portfolio, and impairment increases recognised for changes in macroeconomic outlook. The non-property SME and corporate loan portfolio net loss also reflects the completion of the sale of a portfolio of NPEs in the second half of the year, incorporating utilisation of an associated NPE post model adjustment (€36 million at 31 December 2022 reducing to €18 million at 30 June 2023) which has been partially offset by the application of a new post model adjustment to recognise losses associated with potential portfolio disposals for business banking NPE resolution in 2024.

A net impairment loss of €173 million on the **property and construction loan portfolio** for 2023 includes a net impairment loss of €58 million on credit-impaired assets and was €155 million adverse to the loss of €18 million in 2022. The net loss also reflects impairment increases arising from the change in the macro-economic outlook and model updates. The net loss includes the application of a Group management adjustment to reflect latent risk within certain cohorts of the Investment Property portfolio, including the potential impact of prevailing interest rates.

A net impairment loss of €109 million on the **consumer loans portfolio** includes €87 million on an underlying basis (per table above) with a further €22 million recognised as non-core relating to UK personal loans. See page 56 for further details on non-core. The €109 million net impairment loss (€62 million loss in Retail UK, €38 million loss in Retail Ireland and €9 million loss in Corporate and Commercial), includes a loss on Stage 3 assets of €68 million and was €85 million adverse to the loss of €24 million in 2022. The net loss primarily reflects loss emergence on defaulted assets as well as credit risk associated with elevated inflation and interest rates. The net loss also reflects a new post model adjustment to recognise losses associated with potential portfolio disposals for NPE resolution within the Consumer portfolio.

Non-core items

Table: 5 **Non-core items**	**2023** **€m**	**2022** **€m**	**Change** **%**
Acquisition costs	(61)	(54)	13%
Gross-up for policyholder tax in the Wealth and Insurance business	26	(2)	n/m
Liability management exercises	(22)	–	n/m
Portfolio divestments (net)	(18)	1	n/m
Loss on disposal / liquidation of business activities	(8)	–	n/m
Transformation programme costs	(2)	(50)	(96%)
Cost of restructuring programme	*(20)*	*(17)*	*18%*
Other transformation refund / (costs)	*18*	*(33)*	*n/m*
Customer redress charges	–	(29)	(100%)
Investment return on treasury shares held for policyholders	–	(8)	(100%)
Total non-core items	**(85)**	**(142)**	**(40%)**

Acquisition costs
The Group acquired Davy in 2022 as a business combination in line with IFRS 3. In 2023, the following costs associated with the acquisition were expensed to the income statement:

- integration costs of €21 million (2022: €33 million) include external costs relating to project management, professional advice and support; and internal integration costs related to an internal dedicated team to deliver the acquisition and integration of Davy;
- deferred remuneration expense of €25 million (2022: €11 million) was accrued and includes the incurred portion of deferred remuneration noted in the enterprise value, as well as remuneration related to a Special Incentive and Retention Plan (SIRP). The costs were payable to some Davy employees on the fulfilment of certain conditions. See note 49 for further details; and
- amortisation of €6 million (2022: €nil) related to the acquired intangible assets (customer relationships and brand).

The Group completed a loan book acquisition of KBCI on 3 February 2023. Included within non-core charges were internally generated costs related to the acquisition totalling €9 million (2022: €10 million).

Gross-up for policyholder tax in the Wealth and Insurance business
IFRS requires the income statement to be grossed up for the total tax payable by Wealth and Insurance, comprising policyholder and shareholder tax. In 2023, this was a non-core gain of €26 million (2022: €2 million charge). The movement was mainly due to higher investment returns in 2023.

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

Non-core items *(continued)*

Liability management exercises
In 2023, a loss of €22 million (2022: €nil) on liability management exercises was recognised, reflecting the repurchase of certain Group perpetual non-call instruments. Further details are disclosed in note 9 other operating income and note 42 subordinated liabilities.

Portfolio divestments
In December 2023, in line with the Group's transformation strategy to be the leading multi-niche bank in the UK, the Group announced the conclusion of its financial services partnership with the Automobile Association (AA) and ceased the provision of unsecured personal loan products under the Bank of Ireland UK and UK Post Office brand.

As a result, included within the portfolio divestment net charge of €18 million (2022: €1 million gain) was income of €28 million (2022: €2 million), expenditure of €24 million (2022: €1 million) and impairment charges of €22 million (2022: €nil).

Loss on disposal / liquidation of business activities
The Group recognised a €8 million loss (2022: €nil) relating to the recycling of cumulative unrealised foreign exchange (FX) gains and losses through the income statement following the liquidation of foreign denominated subsidiaries.

Transformation programme costs
During 2023, the Group recognised a net transformation programme charge of €2 million (2022: €50 million):

- Other transformation programme amounts were associated with the implementation of key business initiatives in the Group's Retail UK future state operating and business model. In 2023, the Group recognised a €18 million refund related to costs incurred in prior years on a project in Retail UK that did not proceed (2022: €33 million charge); and
- In 2023, the Group recognised €20 million (2022: €17 million) of restructuring charges which relate to the implementation of the Group's RoI and UK property and branch strategy, voluntary redundancy scheme and external programme management costs.

Customer redress charges
There were no customer redress charges in 2023. The 2022 charge of €29 million relates to the Tracker Mortgage Examination Review (€36 million), offset by provision releases relating to the interest rate implementation review (€5 million) and other customer redress items (€2 million).

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 2023, this was €nil (2022: €8 million loss). At 31 December 2023, there were 0.8 million shares (2022: 1.3 million shares) held for the benefit of policyholders.

Summary consolidated balance sheet

Summary consolidated balance sheet	Table	2023 €bn	Restated[1] 2022 €bn
Assets			
Loans and advances to customers	6	80	72
Liquid assets	7	44	49
Wealth and Insurance assets[1]		25	22
Other assets	8	7	8
Total assets		**156**	**151**
Liabilities			
Customer deposits	9	100	99
Wholesale funding	10	12	11
Wealth and Insurance liabilities[1]		24	21
Other liabilities[1]	8	5	6
Subordinated liabilities		2	2
Total liabilities		**143**	**139**
Shareholders' equity		12	11
Other equity instruments - Additional tier 1		1	1
Total liabilities and shareholders' equity		**156**	**151**

The Group's **loans and advances to customers (after impairment loss allowances)** of €79.7 billion were €7.7 billion higher than 31 December 2022. In February 2023, the Group completed a loan book acquisition from KBCI of €8.0 billion, consisting of €7.9 billion of mortgages and €0.1 billion of commercial and consumer loans. On a constant currency basis, excluding the KBCI portfolio acquisition, the loan book remained broadly stable following the impact of net redemptions and a higher impairment charge.

The Group's portfolio of **liquid assets** at 31 December 2023 decreased by €5.1 billion to €43.6 billion, primarily due to the loan and deposit acquisitions from KBCI (€6.5 billion) and lower deposit volumes of €1.1 billion (constant currency basis excluding the KBCI deposit acquisition), partially offset by higher wholesale funding volumes of €0.6 billion, lower loan volumes of €0.6 billion (constant currency basis excluding the KBCI loan acquisition), other items (includes retained earnings) and FX movements on liquid assets.

The Group's **asset quality** remains robust despite the impact of geopolitical risk, elevated inflation and interest rates, with limited evidence to date of adverse impacts on credit quality. NPEs reduced by €0.1 billion to €2.5 billion, representing 3.1% of gross loans at 31 December 2023 (2022: 3.6%). In 2023, the Group completed the disposal of a pool of non-performing assets in the business banking and residential mortgages portfolios, with a gross carrying value of €0.3 billion and an associated €6 million impairment loss.

At 31 December 2023, **customer deposit** volumes of €100.2 billion were €1.0 billion higher, the increase was predominantly driven by the acquisition of the KBCI deposit portfolio of €1.8 billion, partially offset by lower RoI deposits of €0.6 billion and lower Retail UK deposits of €0.2 billion.

Wholesale funding balances of €11.8 billion at 31 December 2023 were €0.6 billion higher compared to 31 December 2022. The increase was primarily due to minimum requirement for own funds and eligible liabilities (MREL) senior bond issuances of €2.3 billion, partially offset by senior bond maturities of €1.7 billion.

The Group's fully loaded **common equity tier 1 (CET1)** ratio decreased by c.80 basis points during 2023 to 14.3%, primarily due to a foreseeable distribution deduction (c.-240 basis points), acquisition of KBCI loans (c.-110 basis points) and Risk Weighted Asset (RWA) growth (c.-70 basis points), offset by the benefit of organic capital generation (c.+340 basis points). For further information see Capital Adequacy section from page 150.

Key balance sheet ratios	2023	Restated[1] 2022
Liquidity coverage ratio (%)	196	221
Net stable funding ratio (%)	157	163
Loan to deposit ratio (%)	80	73
Gross new lending volumes (€bn)	15.8	15.6
Average interest earning assets (€bn)	122	126
CET1 ratio - fully loaded[1] (%)	14.3	15.1
CET1 ratio - regulatory[1] (%)	14.5	15.6
Total capital ratio - regulatory[1] (%)	19.2	20.8

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

Summary consolidated balance sheet *(continued)*

Loans and advances to customers

Table: 6 Loans and advances to customers - Composition	2023 €bn	2023 %	2022 €bn	2022 %
Residential mortgages	47	58%	38	52%
Retail Ireland	*32*	*40%*	*22*	*30%*
Retail UK	*15*	*18%*	*16*	*22%*
Non-property SME and corporate	20	25%	22	30%
Republic of Ireland SME	*7*	*9%*	*7*	*10%*
UK SME	*1*	*1%*	*2*	*3%*
Corporate	*12*	*15%*	*13*	*17%*
Property and construction	8	10%	8	11%
Investment	*7*	*9%*	*7*	*10%*
Development	*1*	*1%*	*1*	*1%*
Consumer	6	7%	5	7%
Total loans and advances to customers at amortised cost	**81**	**100%**	**73**	**100%**
Less impairment loss allowance on loans and advances to customers at amortised cost	(1)		(1)	
Net loans and advances to customers at amortised cost	**80**		**72**	
Loans and advances to customers at FVTPL	–		–	
Total loans and advances to customers	**80**		**72**	

The Group's **loans and advances to customers (after impairment loss allowances)** of €79.7 billion were €7.7 billion higher than 31 December 2022. In February 2023, the Group completed a loan book acquisition from KBCI of €8.0 billion, consisting of €7.9 billion of mortgages and €0.1 billion of commercial and consumer loans. On a constant currency basis, excluding the KBCI portfolio acquisition, the loan book remained broadly stable following the impact of net redemptions and a higher impairment charge.

Gross new lending of €15.8 billion was €0.2 billion higher than 31 December 2022, reflecting increased lending of 24% in Retail Ireland due to strong growth in mortgage lending and 22% in Retail UK, partially offset by a 22% reduction in Corporate and Commercial, concentrated in Property and International lending.

Redemptions and repayments of €16.2 billion were €1.7 billion lower than 31 December 2022, primarily due to lower redemptions in Retail UK, partially offset by higher redemption activity in Retail Ireland and Corporate and Commercial.

The Group's IFRS 9 staging profile has improved reflecting a number of dynamics in the loan book. There was a net increase of €7.9 billion of loans in Stage 1 primarily reflecting the acquisition of KBCI assets in Q1 2023, which was partly offset by reductions in the Non-property SME and Corporate portfolio. There was a net decrease of €0.1 billion of loans in Stage 2 (i.e. assets identified as having experienced a significant increase in credit risk) in the year to €12.5 billion (31 December 2022: €12.6 billion). This reflects the impact of model updates in the year (see page 227 for further details) and portfolio activity (including net repayments / redemptions in the year) partly offset by the impact of elevated inflation rates and interest rates on credit risk in the loan book and the application of an updated approach to identifying significant increase in credit risk for relationship managed commercial portfolios during 2023.

Stage 3 balances decreased by €0.1 billion to €2.4 billion (2022: €2.5 billion) reflecting resolution activities in the year, partly offset by the emergence of new defaults.

During 2023, the stock of impairment loss allowances decreased by €0.1 billion to €1.2 billion. This was primarily due to impairment loss allowance utilisation of €0.6 billion, including c.€0.2 billion associated with NPE portfolio disposals, partly offset by the net impairment loss on loans and advances to customers of €0.4 billion, as well as the impact of currency translation and other movements.

Group NPEs decreased by €0.1 billion to €2.5 billion at 31 December 2023 and represent 3.1% of gross loans to customers. The NPE portfolio disposals of €0.3 billion had an associated €6 million impairment loss in 2023, net of impairment loss allowance utilisation of c.€0.2 billion. In addition, NPE reductions were delivered through case specific resolution strategies, particularly in relation to a small number of large defaulted cases in the Corporate non-property portfolio. NPE decreases were partly offset by the acquisition of €0.1 billion of NPEs from KBCI and flows into NPE from the emergence of new defaults in the year.

NPEs	2023 €bn	2022 €bn
Credit-impaired loans	2.5	2.6
NPEs	2.5	2.6
NPE ratio (%)	3.1	3.6

Summary consolidated balance sheet *(continued)*

Liquid assets (after impairment loss allowance)

Table: 7 **Liquid assets (after impairment loss allowance)**	**2023** **€bn**	**2022** **€bn**
Cash at banks	2	3
Cash and balances at central banks	32	37
Central Bank of Ireland	*28*	*33*
Bank of England	*3*	*3*
Other (including Federal Reserve)	*1*	*1*
Government bonds	5	6
Debt securities at amortised cost	*4*	*5*
Financial assets at FVOCI	*1*	*1*
Covered bonds	3	2
Senior bank bonds and other	2	1
Total liquid assets	**44**	**49**

The Group's portfolio of **liquid assets** at 31 December 2023 has decreased by €5.1 billion to €43.6 billion, primarily due to the loan and deposit acquisitions from KBCI (€6.5 billion) and lower deposit volumes of €1.1 billion (constant currency basis excluding the KBCI deposit acquisition), partially offset by higher wholesale funding volumes of €0.6 billion, lower loan volumes of €0.6 billion (constant currency basis excluding the KBCI loan acquisition), other items (includes retained earnings) and FX movements on liquid assets.

Other assets and other liabilities

Table: 8 **Other assets and other liabilities**	**2023** **€bn**	*Restated*[1] **2022** **€bn**
Other assets	**7.4**	**8.4**
Derivative financial instruments	*4.3*	*5.1*
Deferred tax asset	*0.8*	*1.0*
Pension surplus (net)	*0.7*	*0.7*
Fair value changes due to interest rate risk of the hedged items in portfolio hedges	*(0.1)*	*(0.7)*
Other assets	*1.7*	*2.3*
Other liabilities	**5.4**	**6.2**
Derivative financial instruments	*4.5*	*6.5*
Fair value changes due to interest rate risk of the hedged items in portfolio hedges	*(1.1)*	*(2.8)*
Notes in circulation	*0.9*	*0.9*
Other liabilities[1]	*1.1*	*1.6*

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

Fair value movements of derivative assets and derivative liabilities were impacted by changes in equity markets, interest rates, FX and maturity of transactions during 2023. The movement in fair value changes due to interest rate risk of the hedged items in portfolio hedges was attributable to interest rate moves between 2022 and 2023.

The deferred tax asset (DTA) primarily relates to unused historic tax losses and has decreased in the year due to utilisation against current year profits. See note 31 for further details.

The net pension position was a surplus of €0.7 billion at 31 December 2023 (2022: €0.7 billion surplus). The primary drivers of the movement in the pension surplus were experience losses resulting in higher liabilities offset by positive asset returns.

Summary consolidated balance sheet *(continued)*

Customer deposits

Table: 9 Customer deposits	2023 €bn	*Restated*[1] 2022 €bn
Retail Ireland[1]	44	42
Deposits	*20*	*19*
Current account credit balances	*24*	*23*
Corporate and Commercial[1]	43	43
Deposits	*12*	*11*
Current account credit balances	*31*	*32*
Retail UK	13	14
Retail UK (£bn equivalent)	12	12
UK Post Office	*6*	*6*
Other Retail UK	*6*	*6*
Total customer deposits	**100**	**99**

[1] Comparative figures have been restated to reflect the Business Banking transfer from Retail Ireland to Corporate and Commercial (formerly Corporate and Markets).

At 31 December 2023, overall Group customer deposit volumes of €100.2 billion were €1.0 billion higher predominantly driven by the acquisition of the KBCI deposit portfolio of €1.8 billion, partially offset by lower RoI deposits of €0.6 billion and lower Retail UK deposits of €0.2 billion.

In 2023, Global Markets and Corporate Banking (together formerly known as Corporate and Markets) were consolidated with Business Banking into a single 'Corporate and Commercial' division, bringing together extensive expertise to efficiently and consistently deliver the highest service levels to all of the Group's Corporate and Commercial customers. As a result, comparative figures have been restated to reflect a €33.8 billion increase in the customer deposits in Corporate and Commercial and the corresponding decrease in Retail Ireland.

Wholesale funding

Table: 10 Wholesale funding	2023 €bn	2022 €bn
Secured funding	4	4
Monetary Authority	*2*	*2*
Covered bonds	*1*	*1*
Securitisations	*1*	*1*
Unsecured funding	8	7
Senior debt	*7*	*6*
Bank deposits	*1*	*1*
Total wholesale funding	**12**	**11**
Wholesale market funding < 1 year to maturity	1	2
Wholesale market funding > 1 year to maturity	9	7
Monetary Authority funding < 1 year to maturity	1	–
Monetary Authority funding > 1 year to maturity	1	2

Wholesale funding balances of €11.8 billion at 31 December 2023 were €0.6 billion higher compared to 31 December 2022. The increase was primarily due to MREL senior bond issuances of €2.3 billion, partially offset by senior bond maturities of €1.7 billion.

Divisional review

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

Retail Ireland

Retail Ireland serves its customers delivering 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

Wealth and Insurance includes the Group's life assurance subsidiary NIAC and Davy, Ireland's leading provider of wealth management and capital markets services. NIAC 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. Wealth and Insurance 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 and business banking business in Northern Ireland, as well as asset finance and contract hire, incorporating Northridge Finance. It also includes the financial services partnership and FX joint venture with the UK Post Office. In December 2023, Retail UK announced the conclusion of its financial services partnership with the AA and ceased the provision of unsecured personal loan products under the Bank of Ireland UK and Post Office brand. The Retail UK division includes the activities of BoI (UK) plc, the Group's wholly owned UK licenced banking subsidiary.

Corporate and Commercial

In 2023, Global Markets and Corporate Banking (together formerly known as Corporate and Markets division) were consolidated with Business Banking into a single 'Corporate and Commercial' division, bringing together extensive expertise to efficiently and consistently deliver the highest service levels to all of the Group's Corporate and Commercial customers. The combined division provides a full range of lending, banking and treasury risk management services to the Group's national and international Corporate and Business customers, many of which are at the heart of the Irish economy. Our relationship teams are based in offices in Ireland and the UK with niche international businesses across Europe and in the US. These teams have a wealth of experience across a broad range of segments and sectors, including corporate and business banking, commercial real estate, acquisition finance, foreign direct investment and treasury solutions.

Group Centre

Group Centre incorporates the Group's central support and control functions. Core responsibilities of the function include overseeing the Group wide Customer Strategy, establishing clear governance and control frameworks with appropriate oversight, providing management services to the Group, and managing the key processes and IT delivery platforms for the trading divisions.

The following pages provide further information on the financial performance of the Group's divisions during 2023 as well as some key performance metrics.

Other reconciling items represent transactions between operating segments which are eliminated upon consolidation and the application of hedge accounting at Group level.

	2023 €m	*Restated*[1,2,3] 2022 €m
Underlying divisional contribution		
Retail Ireland[1,2]	954	346
Wealth and Insurance[3]	133	(13)
Retail UK	275	305
Corporate and Commercial[1,2]	1,213	901
Group Centre[2]	(577)	(382)
Other reconciling items	25	(4)
Group underlying profit before tax	**2,023**	**1,153**
Non-core items by division		
Retail Ireland[1]	(6)	(41)
Wealth and Insurance	10	(5)
Retail UK	(4)	(29)
Corporate and Commercial[1]	–	5
Group Centre	(46)	(62)
Other reconciling items	(39)	(10)
Group non-core items	**(85)**	**(142)**
Profit / (loss) before tax by division		
Retail Ireland[1,2]	948	305
Wealth and Insurance[3]	143	(18)
Retail UK	271	276
Corporate and Commercial[1,2]	1,213	906
Group Centre[2]	(623)	(444)
Other reconciling items	(14)	(14)
Group profit before tax	**1,938**	**1,011**

[1] *Comparative figures have been restated to reflect the Business Banking transfer to Corporate and Commercial (formerly Corporate and Markets), resulting in a €470 million increase in the underlying divisional contribution, a €5 million increase in non-core and a €475 million increase in profit before tax in Corporate and Commercial, with the corresponding decrease in Retail Ireland.*

[2] *Comparative figures have been restated to reflect the reallocation of intangible assets and associated amortisation from Group Centre to the division deriving the economic benefits, as a result operating expenses have decreased by €48 million in Group Centre, with a corresponding increase of €30 million in Retail Ireland and €18 million in Corporate and Commercial.*

[3] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

Further information on our alternative performance metrics referred to in the divisional review can be found on page 356.

Divisional review *(continued)*

Retail Ireland

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

Money Smarts challenge with almost 2,000 pupils participating

New financial wellbeing initiatives launched

The Group notes the following achievements under our three strategic pillars for 2023:

Stronger relationships

- Successfully completed the acquisition of KBCI portfolios in H1, welcoming c.150,000 new customers to the Group.
- Our mobile app customer engagement engine, which provides customers with helpful insights, generated c.500k customer lead engagements supporting their day-to-day banking needs, up 21% year on year.
- Retail Ireland's active personal customer base remains strong and continues to grow with 2.2 million active customers at the end of 2023, c.4% higher year on year.
- Our Customer Effort Score (+53, up 3 points) and Relationship Net Promoter Score (+6, up 1 point) have increased year on year, a positive reflection of day-to-day customer service and brand loyalty.
- Convenient on-site banking services were provided to more than 300k employees (1% higher year on year) at c.400 companies (c.5% higher year on year), making banking simpler for them through our Bank at Work proposition.

Simpler business

- Continuing to invest in our mobile app and digitising customer journeys, resulting in an increase in digitally active customers. Average monthly digital log-ins has increased to 1.7 million in 2023 from 1.4 million in 2022.
- The Brilliant Basics programme gives front line colleagues the opportunity to highlight customer service inefficiencies, which enables continuous improvements and reduces customer and colleague toil.
- In 2023, Retail Ireland launched a digital servicing hub for existing mortgage customers, which allows customers to self-serve 24/7, resulting in over 15,000 such requests being completed.
- Customer complaints have continued their downward trend, reducing a further 5% in 2023 versus 2022.

Sustainable company

- Supporting our customers' financial wellbeing with initiatives including:
  - 'Money Worries' and 'Mortgages Fresh Start' initiatives;
  - fraud awareness campaigns;
  - 'How to Invest for your Future' webinar series;
  - 'Youth Financial Literacy Programme';
  - 'Money Smarts' challenge with almost 2,000 pupils across Ireland participating;
  - dedicated cost of living advice; and
  - a fund which has provided €1 million in support to those most at risk from cost of living pressures.
- In 2023, more than 50% of Retail Ireland's new Irish home loans were green mortgages.
- During 2023, we continued to invest in our branch network, upgrading branch lighting with the installation of LED lights to 133 branches across Ireland.

Divisional review *(continued)*

Retail Ireland financial results

In 2023, Global Markets and Corporate Banking (together formerly known as Corporate and Markets) were consolidated with Business Banking into a single 'Corporate and Commercial' division, bringing together extensive expertise to efficiently and consistently deliver the highest service levels to all of the Group's Corporate and Commercial customers. As a result comparative figures have been restated to reflect a decrease of €470 million in underlying contribution, €9.0 billion in loans and advances to customers and €33.8 billion in customer deposits.

Compared to 2022:
- operating income was €788 million higher reflecting the improving interest rate environment with higher earnings on deposits, the KBCI portfolio acquisition and increased core fee and transaction income;
- operating expenses were 5% higher, largely due to additional KBCI resources, higher depreciation and higher processing, printing and correspondence items in respect of rate changes; and
- the net impairment loss of €109 million, was €152 million higher than 2022, driven by an impairment gain in prior year from the release of a Group Management adjustment. The 2023 net impairment loss reflects the impact of the acquisition of the KBCI book and model updates for NPE portfolio sales, mortgage cure rates and a LGD model review.

Compared to 31 December 2022:
- 2023 reflects strong new lending, with increases across all lending portfolios, supplemented by the KBCI portfolio acquisition in H1, resulting in an overall net increase of €10.0 billion in the lending book; and
- customer deposits of €43.9 billion were €1.7 billion higher, reflecting the KBCI portfolio acquisition and onboarding of former Ulster Bank and KBCI customers.

Retail Ireland **Income statement on an underlying basis**	**2023** **€m**	*Restated*[1,2] **2022** **€m**	**Change** **%**
Net interest income	1,409	619	n/m
Net other income	146	148	(1%)
Operating income	**1,555**	**767**	**n/m**
Operating expenses[2]	(485)	(464)	5%
Operating contribution before net impairment losses on financial instruments	**1,070**	**303**	**n/m**
Net impairment (losses) / gains on financial instruments	(109)	43	n/m
Share of results of associates and joint ventures (after tax)	(7)	–	n/m
Underlying contribution	**954**	**346**	**n/m**
Net impairment (losses) / gains on financial instruments			
Loans and advances to customers at amortised cost	(109)	43	n/m
Residential mortgages	*(71)*	*40*	*n/m*
Consumer	*(38)*	*3*	*n/m*
Net impairment (losses) / gains on financial instruments	**(109)**	**43**	**n/m**
Summary Balance sheet			
Loans and advances to customers (net) (€bn)			
At 31 December	33.8	23.8	42%
Average in year	32.1	23.4	37%
Customer deposits (€bn)			
At 31 December	43.9	42.2	4%
Average in year	44.1	39.4	12%

[1] *Comparative figures have been restated to reflect the Business Banking transfer from Retail Ireland to Corporate and Commercial (formerly Corporate and Markets).*
[2] *Comparative figures have been restated to reflect the reallocation of intangible assets and associated amortisation from Group Centre to the division deriving the economic benefits, as a result operating expenses have decreased by €48 million in Group Centre, with a corresponding increase of €30 million in Retail Ireland and €18 million in Corporate and Commercial.*

Divisional review *(continued)*

Wealth and Insurance

Wealth and Insurance is a market leading life, pensions, investments and general insurance provider in Ireland and includes New Ireland Assurance and Davy.

€507m New Ireland Life and Pension APE, 17% increase from 2022

+18% increase in AUM to €46bn

The Group notes the following achievements under our three strategic pillars for 2023:

Stronger relationships

- New Ireland continues to focus on delivery for customers with provision of low risk propositions including Dynamic100 and PruFunds, and protection propositions such as General Insurance panel and Dual Life Mortgage Protection.
- New Ireland market share grew from 19.2% in November 2022 to 19.5% in November 2023.
- Only bank in Ireland to compare two home insurance quotes for customers through our General Insurance panel, in order to provide better choice, value and competitive pricing for all customers.
- Weather events and storms gave us the opportunity to be there for our customers with over 70k texts issued with emergency contact details, home emergency assist and vehicle breakdown / recovery.
- Financial Wellbeing programme in New Ireland supporting c.36k customer meetings with quality wealth advice, which is up 20% versus prior year.
- Introduction of a 'right to be forgotten' for cancer survivors applying for mortgage protection insurance.
- Significant growth in the Davy private client business, as Funds Under Management grew by €6.5 billion, leading to 35% growth in 2023 of which €2.8 billion were net client inflows, €1.7 billion of equity market movements and €2.0 billion related to high net-worth (HNW) client migration of c.1,700 clients from Bank of Ireland Private.
- Davy Capital Markets continues to lead in Irish equities while building out in UK's mid-cap companies.

Simpler business

- New Ireland won 'Best Consumer Innovation and Transformation in Ireland' at the 2023 Global Finance Awards.
- Strong adoption of New Ireland digital advice platform continues resulting in a greatly improved customer experience. AUM on MP365 platform grew to c.€1.4 billion at Dec 2023 from c.€0.4 billion at Dec 2022.
- Enhancement of Broker and Agent Portal digital journeys across channels and products benefiting both customers and colleagues. The New Ireland broker portal enables brokers and advisors to access products and services via a single source, with strategic products available digitally to customers including protection, pensions, savings and investment products.
- New Ireland is continuing to invest in its technology platforms with a new customer portal launched with seamless log-in, digital capture forms, self-serve customer actions and direct to print triggers for customer documentation.
- Significant increase in adoption of New Ireland Corporate Pensions Platform, MyPension365, which provides customers with a modern, digital and customer friendly experience.
- Davy invested significantly in the technology capabilities of its support functions in 2023, with focus through 2024 on simplifying critical wealth processes.

Sustainable company

- Supporting our customers' financial wellbeing with initiatives including our InvestEd campaign in New Ireland. The customer webinar series educated customers on the topics of Pension pot optimization, additional voluntary contributions, auto-enrolment, coming close to retirement and women in pensions.
- Sustainability is at the core of New Ireland's investment offerings. At 31 December 2023, under Sustainable Financial Regulatory Disclosures (SFDR), New Ireland had greater than a third of its AUM in Article 8 classified funds (products claimed to promote positive environmental and social characteristics).
- Davy continues to invest in its sustainability agenda, under the stewardship of a dedicated Sustainability Executive Committee. Through 2023, Davy effected significant improvements across our internal operations, expanded our sustainable investment offering and continued to invest in services to support Irish corporates define and execute their sustainability strategies.

Divisional review *(continued)*

Wealth and Insurance financial results

On 1 January 2023, the new insurance accounting standard, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. This has a material impact on the recognition, measurement, presentation and disclosure of the insurance business in the Group's financial statements. There are, however, no changes to the underlying business and operations of the Wealth and Insurance segment. See notes 1 and 18 for further details.

IFRS 17 has introduced contractual service margin (CSM) which represents the unearned profit of a group of insurance and reinsurance contracts which is released in line with the insurance service provided. The CSM of the Group increased by €36 million to €589 million during 2023 (2022: €553 million) driven mainly by new business and positive market movements. €76 million CSM was released to the income statement for insurance services provided reflecting the quality of business previously written. See note 18 for further details.

Compared to 2022:
- operating income was €95 million or 41% higher than 2022, reflecting growth in overall business performance in New Ireland, in addition to the inclusion of 12 months Davy income compared to 7 months post acquisition in 2022;
- operating expenses were €82 million or 56% higher primarily due to the inclusion of 12 months Davy expenses in 2023 compared to seven months in 2022;
- AUM have grown from €39.2 billion at 31 December 2022 to €46.1 billion at 31 December 2023; and
- the impact of markets has resulted in a positive investment valuation movement of €36 million in New Ireland for 2023 (2022: €97 million investment loss).

Wealth and Insurance **Income statement on an underlying basis**	**2023** **€m**	*Restated*[1] **2022** **€m**	**Change** **%**
Net interest expense	(7)	(8)	(13%)
Net other income	332	238	39%
Operating income	**325**	**230**	**41%**
Operating expenses	(228)	(146)	56%
Operating contribution	**97**	**84**	**15%**
Investment valuation movement	36	(97)	n/m
Underlying contribution	**133**	**(13)**	**n/m**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

Embedded value

The table opposite outlines the Market Consistent Embedded Value (MCEV) performance using market consistent assumptions. The calculation of the MCEV company value is closely aligned to Solvency II and follows MCEV principles. IFRS 17 does not change the economic value of the business, which MCEV represents, but does change the timing of accounting profit recognition through deferral of profits captured in the CSM. As a result, the amounts in the MCEV tables are not directly comparable to IFRS 17 results. Please refer to note 1 and 18 for further detail relating to the transition to IFRS 17.

The table opposite summarises the overall balance sheet of Wealth and Insurance on an MCEV basis, which increased to €1,299 million at 31 December 2023 (31 December 2022: €1,169 million). The Value of in Force (VIF) asset represents the after tax value of future income from the existing book.

Operating profit of €102 million for 2023 was €89 million lower than 2022, primarily due to lower assumption changes, lower persistency and higher costs. This was partially offset by higher expected returns on shareholder main fund holdings, higher new business and higher mortality/morbidity profits.

Embedded value profit before tax of €155 million profit (2022: €42 million) was €113 million higher than 2022 due to the impact of investment valuation market movements which resulted in a positive valuation movement of €53 million in New Ireland (2022: €149 million investment loss).

W&I (excluding Davy) **Summary balance sheet (MCEV)**	**2023** **€m**	**2022** **€m**
Net assets	575	534
ViF	886	806
Less Tier 2 subordinated capital / debt	(162)	(162)
Less pension scheme deficit	–	(9)
Total embedded value	**1,299**	**1,169**

W&I (excluding Davy) **Income statement (MCEV)**	**2023** **€m**	**2022** **€m**
New business profits	18	15
Existing business profits	92	182
Expected return	*58*	*69*
Experience variance	*(5)*	*14*
Assumption changes	*39*	*99*
Interest payments	(8)	(6)
Operating profit	**102**	**191**
Investment valuation movement	53	(149)
Embedded value profit before tax	**155**	**42**

Divisional review *(continued)*

Retail UK

Retail UK provides banking services to customers in the UK, including mortgages, savings, foreign exchange, asset finance and contract hire; incorporating Northridge Finance and a partnership with the Post Office which includes FRES[1].

Multi-million pound investment in UK Mortgages to improve customer journeys.

£9 million reduction in operating expenses compared to 2022.

The Group notes the following achievements under our three strategic pillars for 2023:

Stronger relationships

- To support our residential mortgage customers experiencing the financial pressure of increasing mortgage repayments, the Mortgage Business signed up to the UK Mortgage Charter (initiated by the UK government), which formalises the provision of temporary concessions to residential mortgage customers experiencing financial difficulties.
- Northridge Finance had strong new lending in 2023 (£335 million higher than 2022), with the contact hire division benefiting from higher resale values in the second hand car market.
- The first phase of the Consumer Duty programme was delivered by the Financial Conduct Authority (FCA) compliance date of 31 July 2023, by way of a Board approved implementation plan. Phase two which includes key priorities such as enhancement of customer insights and customer understanding review is now underway. The Programme will continue to embed all changes into every day operations, in line with the FCA compliance date for closed book products (31 July 2024).
- In December 2023, as part of the Group's strategy, the UK announced the conclusion of its financial services partnership with the AA and ceased the provision of unsecured personal loan products under the BoI (UK) and Post Office brands.

Simpler business

- Adoption of a continuous innovation approach to identify pain points on customer journeys and increase efficiency driving the best outcomes for our customers and our colleagues with 32 improvements to the Mortgage Application Processing system, made during 2023. Further improvements are planned during 2024.
- During 2023, a multi-million pound investment in the UK mortgage business commenced, to improve customer journeys and operational efficiency, including automated redemptions process, improvement in customer refund times from 10 days down to 3 days and automated account processing which has seen 1,400 accounts automatically processed since launch.
- Our new Customer Hub launched in November 2023, allowing improved registration process for new customers and more simplified services to all customers. Additionally, Web Chat was rolled out during H2 which has reduced customer wait times with the average response time now less than 90 seconds.
- Refreshed UK website launched in 2023, addressing the two main customer challenges, ease of locating relevant content and ease of navigation. As result of the improvements made there has been a 15% increase compared to 2022 of website 'click-throughs' to product application forms.

Sustainable company

- During 2023, Retail UK agreed a three year Group aligned Sustainability strategy. Governance was enhanced through the creation of a UK Sustainability Committee and working groups across the three sustainability pillars.
- UK Mortgage business have a defined Green Strategy supporting the management of its targets, developing new sustainable products and supporting customers through education. In H2, the business offered new retention products for those customers soon to be maturing from green products.
- 2023 has seen a rapidly increasing interest rate environment in the UK. In response to this and to meet regulatory obligations, to ensure responsible lending through a robust and risk conscious origination strategy, a series of changes to stress rate parameters were delivered which underpin the customer affordability assessment.

[1] *FRES is a joint venture between Bank of Ireland UK and the UK Post Office.*

Divisional review *(continued)*

Retail UK financial results

Compared to 2022:
- operating income has decreased by £47 million, due to lower net interest income driven by lower lending volumes offset by the higher interest rate environment and gains within our asset finance business on used cars;
- operating expenses were £9 million lower as a result of maintaining a strong cost discipline while still creating new resource to support emerging requirements across the business such as vulnerable customer teams, control and assurance roles, and continued investment in improving product offerings; and
- the underlying impairment loss of £73 million (which excludes €22 million impairment loss being recognised as non-core relating to UK personal loans), decreased by £19 million driven by one-off charges during 2022 for the NPE sales, offset somewhat by provisions for default within the mortgage and personal lending businesses.

Compared to 31 December 2022:
- Loans and advances to customers (after impairment loss allowances) were £0.8 billion lower, reflecting the UK strategy of value rather than volume.
- Customer deposits were £0.5 billion lower as a result of further optimisation of the balance sheet and funding positions.

Retail UK **Income statement on an underlying basis**	**2023 £m**	**2022 £m**	**Change %**
Net interest income	538	590	(9%)
Net other income	(16)	(21)	(24%)
Operating income	**522**	**569**	**(8%)**
Operating expenses (before impairment of goodwill)	(235)	(244)	(4%)
Operating contribution before impairment losses on financial instruments	**287**	**325**	**(12%)**
Net impairment losses on financial instruments	(73)	(92)	(21%)
Share of results of associates and joint ventures (after tax)	25	28	(11%)
Underlying contribution	**239**	**261**	**(8%)**
Underlying contribution (€m equivalent)	**275**	**305**	**(10%)**
Underlying net impairment (losses) / gains on financial instruments			
Loans and advances to customers at amortised cost	(75)	(91)	(18%)
Residential mortgages	*(32)*	*(53)*	*(40%)*
Non-property SME and corporate	*1*	*(11)*	*n/m*
Property and construction	*(9)*	*–*	*n/m*
Consumer	*(35)*	*(27)*	*30%*
Other financial instruments: loan commitments and guarantees	2	(1)	n/m
Underlying net impairment losses on financial instruments	**(73)**	**(92)**	**(21%)**
Summary Balance sheet			
Loans and advances to customers (net) (£bn)			
At 31 December	17.4	18.2	(4%)
Average in year	17.8	20.9	(15%)
Customer deposits (£bn)			
At 31 December	11.8	12.3	(4%)
Average in year	11.9	13.6	(13%)

Divisional review *(continued)*

Corporate and Commercial

Provides full range of lending, banking services and operating products focused on the Group's Corporate and Commercial Banking customers, along with the provision of treasury risk management services to all customer segments.

New Green Capex product supporting corporate banking customers with green initiatives

Launched Enviroflex, an innovative sustainability-linked loan encouraging sustainable farming practices

The Group notes the following achievements under our three strategic pillars for 2023:

Stronger relationships

- Strong Relationship Net Promoter Score (RNPS) scores, Corporate Bank and Global Markets combined score of +3 points in 2023, versus 2022. Strong customer satisfaction levels reflecting quality and accessibility of relationship managers, and strong knowledge and understanding of customers business. RoI Business RNPS also performed strongly +4 points above baseline to year end.
- Proactively supporting customers as they navigate a challenging global economic environment, with vibrant thought leadership programme in place and data driven commercial and sectoral insights. Strong increase in the levels of interest rate hedging solutions.
- Loan approvals of €925 million in place to fund development of c.21k residential units across c.170 sites in RoI (19 of 26 counties) which include more than 3.2k units for social housing (including part V). The majority of these new homes to be delivered 2024-2027.
- Delivering on customer focused programmes, including Benchmark Reform (US Dollar) which successfully delivered transition to alternative rates.
- No. 1 bank for international companies establishing in Ireland again in 2023.

Simpler business

- In 2023, Global Markets, Business Banking and Corporate Banking franchises were consolidated into a single 'Corporate and Commercial' division, bringing together extensive expertise to efficiently and consistently deliver the highest service levels to all of the Group's Corporate and Commercial customers.
- Continued simplification of our day-to-day activities for customers and colleagues, allowing them to do more, faster and more easily.
- Business current account penetration performed strongly ahead of baseline, +14% Q4 2023 versus Q4 2022, while deposit and savings accounts are +6% in 2023 versus 2022.
- Meeting customers' changing behaviours and expectations. Continued investment in digital enhancements and operational excellence across key products and customer journeys, backend and customer-facing systems.
- FXpay, our digital FX channel, achieved active customer dealing growth during 2023 of +10% versus 2022, while DocuSign customer onboarding increased over 20%.

Sustainable company

- Progressive delivery of ESG strategy, extensive customer engagement focused on how best to support their ESG ambitions and providing thought leadership.
- Enviroflex an innovative sustainability-linked loan was launched in conjunction with Kerry Dairy, to support and enable farmers to improve the environmental footprint of their farms.
- New green capex product launched, to support Corporate Banking customers with their green initiatives.
- First to market with launch of Strategic Banking Corporation Ireland (SBCI) Growth and Sustainability Loan Scheme, a long-term low cost scheme to support eligible businesses, when investing in climate action and environmental sustainability.
- Expansion of offshore wind portfolio burnishes our ESG credentials.
- Growth in sustainability-linked loans (€2.7 billion of Corporate commitments as at Dec 2023), lending on renewable energy projects and increased Green Bond eligible lending.

Divisional review *(continued)*

In 2023, as a result of Global Markets and Corporate Banking being consolidated with Business Banking into a single 'Corporate and Commercial' division, comparative figures have been restated to reflect an increase of €470 million in underlying contribution, €9.0 billion in loans and advances to customers and €33.8 billion in customer deposits.

Compared to 2022:
- operating income was €426 million higher, reflecting the improved interest rate environment;
- operating expenses were €30 million higher due to continued investment in IT systems, with inflationary pressure largely contained through strong cost discipline; and
- the net impairment loss of €210 million (2022: €130 million loss), reflects the current macro environment, including the potential impact of inflation and rising interest rates on loan valuations. The prior year also recognised an impairment gain relating to the recognition of cash recoveries from customers.

Compared to 31 December 2022:
- the loan book was €1.7 billion or 6% lower, reflecting redemption and NPE resolution activity, along with a cautious approach to international corporate and property lending.

Corporate and Commercial **Income statement on an underlying basis**	**2023** **€m**	*Restated*[1,2] **2022** **€m**	**Change** **%**
Net interest income	1,667	1,185	41%
Net other income	257	313	(18%)
Operating income	**1,924**	**1,498**	**28%**
Operating expenses[2]	(505)	(475)	6%
Operating contribution before impairment losses on financial instruments	**1,419**	**1,023**	**39%**
Net impairment losses on financial instruments	(210)	(130)	62%
Share of results of associates and joint ventures (after tax)	4	8	(50%)
Underlying contribution	**1,213**	**901**	**35%**
Net impairment (losses) / gains on financial instruments			
Loans and advances to customers at amortised cost	(202)	(126)	60%
Non-property SME and corporate	*(30)*	*(111)*	*(73%)*
Property and construction	*(163)*	*(19)*	*n/m*
Consumer	*(9)*	*4*	*n/m*
Other financial instruments: loan commitments and guarantees	(8)	(4)	100%
Net impairment losses on financial instruments	**(210)**	**(130)**	**62%**
Summary Balance sheet			
Loans and advances to customers (net) (€bn)			
At 31 December	25.9	27.6	(6%)
Average in year	26.7	27.2	(2%)
Customer deposits (€bn)			
At 31 December	42.9	43.1	–
Average in year	43.0	39.8	8%
Euro liquid asset bond portfolio (€bn)			
At 31 December	8.9	7.8	14%
Average in year	8.3	11.0	(25%)

[1] *Comparative figures have been restated to reflect the Business Banking transfer from Retail Ireland to Corporate and Commercial (formerly Corporate and Markets).*
[2] *Comparative figures have been restated to reflect the reallocation of intangible assets and associated amortisation from Group Centre to the division deriving the economic benefits, as a result operating expenses have decreased by €48 million in Group Centre, with a corresponding increase of €30 million in Retail Ireland and €18 million in Corporate and Commercial.*

Divisional review *(continued)*

Group Centre

Group Centre incorporates the Group's central support and control functions, overseeing the Group customer strategy, establishing clear governance and control frameworks as well as providing management services to the Group.

Establishment of Group Customer Office supporting the Group's customer vision and priorities.

Awarded the gold 'Investors in Diversity' EDI mark

The Group notes the following achievements under our three strategic pillars for 2023:

Stronger relationships
- Following the establishment of the Group Customer Office, a step back review of customer expectations, in-flight customer initiatives and target customer outcomes associated with the Group's Strategy was completed, supporting the Group's customer vision, setting out new initiatives to accelerate delivery of target customer outcomes to meet customers' expectations.
- First Irish bank and one of 23 globally to communicate our UNPRB commitments on financial health and inclusion.
- Expanded our range of sustainable finance solutions across key sectors launching Enviroflex, which provides an additional funding option for farmers implementing sustainable farming practices.
- A number of Mobile App Enhancements bringing new features to the market at a faster pace including; biometrics, enhanced narrative for pending transactions, and additional fraud monitoring.
- Awarded the gold 'Investors in Diversity' EDI mark.
- Launch of 'Extra Help' and 'Money Worries' hubs providing guidance for customers who may be experiencing vulnerabilities.
- Supporting our colleagues through delivery of events such as the People Manager summit enabling colleagues to have better quality conversations, encompassing performance, career development and growth and wellbeing and the launch of the 'MyReward' flexible benefits platform for colleagues, supporting our people and their financial wellbeing.

Simpler business
- Enterprise Simplification function established to improve customer and colleague experience, removing process inefficiencies, embedding colleague led continuous improvement and building colleague capabilities for the future.
- Improvement in end-to-end delivery & oversight to the change environment, increasing transparency, driving efficiency, productivity and stability through the launch of the Data Solutions and Homebuying value streams, Lean Agile Centre of Excellence and the Transformation Risk Reduction Plan.
- Our annual Engagement Survey headlines show that we are making strong progress on colleague engagement and culture through further increases in our Engagement Index +5 points and the Culture Embedding Index +4 points, with both at their highest level yet.
- Technology deployments including an Enterprise Data Warehouse update, a successful transition to real time gross payments system and releases reducing Fraud risk.
- Digital application journeys developed to support enhanced Family Matters policies and development of hybrid working model, supporting the Group and its colleagues.

Sustainable company
- In our 2023-25 Strategy we set sustainability related finance lending targets of c.€15 billion by 2025 and c.€30 billion by 2030. By the end of 2023, we reached €11.1 billion, up from €8.2 billion at the end of 2022.
- Launched 'Green Hub', a new sustainability one stop shop information hub for retail and business customers.
- Rolled out ESG trainings and workshops internally including; in-person senior leaders training, all colleagues training and divisional sustainability training.
- Awarded 'Sustainability and ESG reporting (listed entities)' for our Annual Report sustainability disclosures at the Chartered Accountants Ireland Leinster Society Published Accounts Awards.
- Our MSCI and Sustainalytics rating continued to improve (from BBB to A and Medium to low risk respectively) reflecting management actions taken over the last 18 months.

Divisional review *(continued)*

Group Centre financial results

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

Compared to 2022:

- net operating expense was €81 million higher compared to €55 million income in the prior year. In 2022, the Group benefitted from gains on disposal of government bonds of €96 million;
- operating expenses were €80 million or 26% higher primarily due to the introduction of variable pay, additional investment to deliver sustainable benefits, including efficiencies and defined benefit pension movements; and
- levies and regulatory charges were €26 million higher year on year. This was primarily due to an increase in the DGS levy which was driven by both covered deposit volume growth of 12% year on year together with an increase in Group contribution rate, due to the departure of other financial institutions from the market, partially offset by a reduction in the risk profile for the Group.

Group Centre **Income statement on an underlying basis**	**2023 €m**	*Restated*[1] **2022 €m**	**Change %**
Net operating (expense) / income	(26)	55	n/m
Operating expenses (before levies and regulatory charges)[1]	(389)	(309)	26%
Levies and regulatory charges	(162)	(136)	19%
Net impairment gains on financial instruments	–	7	(100%)
Gain on disposal / liquidation of business activities and property	–	1	(100%)
Underlying contribution	**(577)**	**(382)**	**(51%)**

[1] Comparative figures have been restated to reflect the reallocation of intangible assets and associated amortisation from Group Centre to the division deriving the economic benefits, as a result operating expenses have decreased by €48 million in Group Centre, with a corresponding increase of €30 million in Retail Ireland and €18 million in Corporate and Commercial.

Divisional review *(continued)*

Income statement on an underlying basis - operating segments

In the tables below, 'underlying' excludes the impact of non-core items (page 55). The tables provides a reconciliation of the income statement on an underlying basis to the Group Statutory profit / loss before tax.

2023	Net interest income / (expense) €m	Net other income: Insurance service result €m	Net other income: Insurance investment & finance result €m	Net other income: Other income / (expense) €m	Total operating income / (expense) €m	Operating expenses €m	Operating profit / (loss) before net impairment losses on financial instruments €m	Net impairment (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Loss on disposal / liquidation of business activities €m	Profit / (loss) before taxation €m
Divisional underlying contribution											
Retail Ireland	1,409	–	–	146	**1,555**	(485)	**1,070**	(109)	(7)	–	**954**
Wealth and Insurance	(7)	51	110	207	**361**	(228)	**133**	–	–	–	**133**
Retail UK	619	–	–	(18)	**601**	(270)	**331**	(84)	28	–	**275**
Corporate and Commercial	1,667	–	–	257	**1,924**	(505)	**1,419**	(210)	4	–	**1,213**
Group Centre	(7)	–	–	(19)	**(26)**	(551)	**(577)**	–	–	–	**(577)**
Other reconciling items	1	–	–	12	**13**	12	**25**	–	–	–	**25**
Group - underlying	**3,682**	**51**	**110**	**585**	**4,428**	**(2,027)**	**2,401**	**(403)**	**25**	**–**	**2,023**
Total non-core items											
Acquisition costs	–	–	–	–	**–**	(61)	**(61)**	–	–	–	**(61)**
Gross-up for policyholder tax in the Wealth and Insurance business	–	–	–	26	**26**	–	**26**	–	–	–	**26**
Liability management exercises	–	–	–	(22)	**(22)**	–	**(22)**	–	–	–	**(22)**
Portfolio divestments	25	–	–	3	**28**	(24)	**4**	(22)	–	–	**(18)**
Loss on liquidation of business activities	–	–	–	–	**–**	–	**–**	–	–	(8)	**(8)**
Transformation programme costs	–	–	–	–	**–**	(2)	**(2)**	–	–	–	**(2)**
Customer redress charges	–	–	–	–	**–**	–	**–**	–	–	–	**–**
Investment return on treasury stock held for policyholders	–	–	–	–	**–**	–	**–**	–	–	–	**–**
Group total	**3,707**	**51**	**110**	**592**	**4,460**	**(2,114)**	**2,346**	**(425)**	**25**	**(8)**	**1,938**

Divisional review *(continued)*

Income statement on an underlying basis- operating segments *(continued)*

Restated[1,2,3] 2022	Net interest income / (expense) €m	Net other income: Insurance service result €m	Net other income: Insurance investment & finance result €m	Other income / (expense) €m	Total operating income / (expense) €m	Operating expenses €m	Operating profit / (loss) before net impairment 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 €m	Profit / (loss) before taxation €m
Divisional underlying contribution											
Retail Ireland[2,3]	619	–	–	148	**767**	(464)	**303**	43	–	–	**346**
Wealth and Insurance[1]	(8)	60	(19)	100	**133**	(146)	**(13)**	–	–	–	**(13)**
Retail UK	691	–	–	(25)	**666**	(286)	**380**	(107)	32	–	**305**
Corporate and Commercial[2,3]	1,185	–	–	313	**1,498**	(475)	**1,023**	(130)	8	–	**901**
Group Centre[3]	(5)	–	–	60	**55**	(445)	**(390)**	7	–	1	**(382)**
Other reconciling items	–	–	–	(2)	**(2)**	(2)	**(4)**	–	–	–	**(4)**
Group - underlying	**2,482**	**60**	**(19)**	**594**	**3,117**	**(1,818)**	**1,299**	**(187)**	**40**	**1**	**1,153**
Total non-core items											
Acquisition costs	–	–	–	–	**–**	(54)	**(54)**	–	–	–	**(54)**
Gross-up for policyholder tax in the Wealth and Insurance business	–	–	–	(2)	**(2)**	–	**(2)**	–	–	–	**(2)**
Liability management exercises	–	–	–	–	**–**	–	**–**	–	–	–	**–**
Portfolio divestments	–	–	–	2	**2**	(1)	**1**	–	–	–	**1**
Loss on liquidation of business activities	–	–	–	–	**–**	–	**–**	–	–	–	**–**
Transformation programme costs	–	–	–	–	**–**	(50)	**(50)**	–	–	–	**(50)**
Customer redress charges	5	–	–	–	**5**	(34)	**(29)**	–	–	–	**(29)**
Investment return on treasury stock held for policyholders	–	–	–	(8)	**(8)**	–	**(8)**	–	–	–	**(8)**
Group total	**2,487**	**60**	**(19)**	**586**	**3,114**	**(1,957)**	**1,157**	**(187)**	**40**	**1**	**1,011**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.
[2] Comparative figures have been restated to reflect the Business Banking transfer from Retail Ireland to Corporate and Commercial (formerly Corporate and Markets).
[3] Comparative figures have been restated to reflect the reallocation of intangible assets and associated amortisation from Group Centre to the division deriving the economic benefits, as a result operating expenses have decreased by €48 million in Group Centre, with a corresponding increase of €30 million in Retail Ireland and €18 million in Corporate and Commercial.

Governance

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Corporate Governance Statement

Chairman’s introduction

Patrick **Kennedy**
Chairman

Dear Shareholders,

I am pleased to present our Corporate Governance Report for 2023. The Report explains how corporate governance standards are applied across the Group, how they are overseen by the Board, how the Board operates, and how the Board evaluated its effectiveness during 2023. It includes reports from the four mandatory Board Committees which further illustrate how the principles of good governance are embedded.

The Board is cognisant of its role in creating sustainable, long-term value for our shareholders and in contributing to wider society. The Group’s role in wider society and our purpose of enabling our customers, colleagues, society and shareholders to thrive was at the top of all of our minds as we faced the many challenges brought about by high inflation and the impact of the conflicts in Ukraine and the Middle East. The Group’s ability to continue to operate effectively in the current environment is supported strongly by the Group’s robust corporate governance framework which the Board continually seeks to enhance through regular reviews and challenge.

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

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

Corporate governance requirements

A key objective of the Group’s governance framework is to ensure compliance with applicable corporate governance requirements. During 2023, 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 Unlimited Company (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 101;
- Statutory Instruments 158/2014 European Union (Capital Requirements) Regulations 2014 and 159/2014 European Union (Capital Requirements) (No.2) Regulations 2014, both as amended;
- EBA Guidelines on internal governance under Directive 2013/36/EU, as amended; and
- 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 2023, 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 85 and Section 5: Remuneration, in particular principle R and provisions 36, 37 and 41. 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, due to remaining remuneration restrictions from certain agreements in place with the Irish State, the Group Remuneration Committee and the Board were restricted in their ability to fully comply with principle R and associated provisions;

Chairman's introduction *(continued)*

- under such agreements, the implementation of variable remuneration structures remains limited, capped at €20,000. The Board's discretion remains limited and, as such, the Board could not be in full compliance with the recommendation to exercise independent judgement, as such discretion regarding variable remuneration is capped;
- following the removal of a number of restrictions, the Group has adhered to these principles and provisions to the extent permitted, in the design, implementation and operation of any variable remuneration structures which have been created in 2023; and
- the pension contribution rates for Executive Directors, where provided, were and are aligned with those available to the workforce. Action is planned to enhance engagement with the workforce on remuneration matters during 2024, to include how executive remuneration aligns with wider company pay policy.

People and culture

2023 has been another highly productive year for the Group as we embedded the Davy Group and refreshed the Group's strategy, purpose and values under the leadership of a new CEO.

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 to support one another and our customers. The Board has worked with the Executive team to ensure a continued focus on the Group's culture during 2023. The Board is satisfied that the Group's culture, its purpose, values and strategic priorities are aligned.

The Board appreciates that the level of productivity and transformation being experienced is a result of significant effort from all colleagues and the leadership of the Executive team. The Board has been focused, with the Executive, on ways to assess and ameliorate organisational bandwidth, reduce complexity and enhance efficiency through a number of initiatives.

For this reason, the Group's Open View colleague survey, conducted in Q4 2023, 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 2023, colleague participation reached its highest level to date (82%), with colleagues clearly welcoming the opportunity to share their views and opinions.

Survey results show strong increases in our Engagement Index which is now 73% (+5 points YoY) and our Culture Embedding Index of 80% (+4 points YoY). These headlines show that we are making strong progress on colleague engagement and culture. The increase in Engagement has been driven by uplift across three constituents during 2023, with job enjoyment (+7 points), advocacy/recommending the Group as a place to work (+7 points), and pride in working here (+3 points). The increase in the Culture Embedding Index means that the Group is now 5 points higher than the external benchmark. All four constituents regarding our purpose and values Index increased in 2023 with Awareness +2 points, Understanding +4 points, Belief +6 points, and Demonstration +3 points. There was also a significant uplift in the statement which measures whether the Group's culture is changing for the better (+5 points).

The survey results are largely positive with colleagues feeling more supported and connected, and, importantly, the sentiment on several key topics, including psychological safety, inclusion, hybrid working, and the levels of strain being experienced across the Group, has improved.

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

As the Board's Workforce Engagement Director (WED), Eileen Fitzpatrick continued to provide a positive additional point of connection between the Board and the workforce during 2023. Later in the Report, we share some activities undertaken by Eileen in 2023. Eileen's activities, coupled with the Board's direct engagement with senior colleagues during regular 'visibility sessions' (held in the absence of the CEO, CFO and wider Executive team), complements the pre-existing mechanisms through which the Board gains valuable insights into how colleagues experience the work environment and, importantly, the leadership and culture of the Group.

Having served in the role since its creation in 2019, Eileen will hand the WED role to Evelyn Bourke at the end of February 2024. Evelyn will leverage and build upon the great work undertaken by Eileen as the Group's first WED. On behalf of the Board, I would like to thank Eileen for her dedication to the role, the insights she provided the Board as to colleague sentiment 'on the ground' and her open engagement with colleagues.

Another important aspect of our culture is embedding diversity and inclusion throughout the organisation. Gender and ethnic diversity have been an area of focus for the Group at both workforce and Board-level. The Board has set a target of a minimum of 40% female representation on the Board, with a medium-term aspiration to have broadly equal gender representation and the inclusion of at least one Director from an ethnic minority. It is also the Board's intention over the medium-term to have at least one of the senior Board positions of Chair, CEO, CFO and Senior Independent Director (SID) held by a female.

The representation of females on our Board is currently 33% and none of those senior Board roles are held by females. Our target to have at least one Director from an ethnic minority has been met. While we have not yet achieved our targets fully, our recruitment of Directors remains focused on increasing the diversity of our Board and we will take into account the need for greater diversity when considering candidates for future appointment to these roles.

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

The Group remains committed to the Race at Work Charter and meeting, and in certain cases exceeding, the standards set out in that Charter, which comprises five principal calls to action for leaders and organisations to ensure their workplaces are tackling barriers that ethnic minorities face in recruitment and progression.

Chairman's introduction *(continued)*

Recently, the Group has been accredited as an Investing in Ethnicity Employer in recognition of our progress in developing an inclusive and ethnically diverse workforce that is reflective of the population. Supporting equality in the workplace is the responsibility of all leaders and the Board has pledged its commitment to zero tolerance for any form of racial harassment, bullying or inappropriate behaviours from any source, be it management, colleagues, customers or contractors.

Board composition changes

The Group Nomination and Governance Committee (N&G) is responsible, on behalf of the Board, for reviewing the composition of the Board and its Committees and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable them to operate effectively.

The composition of the Board remains under continuous review and the N&G maintains a constant focus on succession planning, to ensure the continuation of a strong and diverse Board and the orderly succession of Board members, which is appropriate to the Group's purpose and the industry within which it operates. The N&G oversaw a number of changes to the Board and its Committees during 2023.

Margaret Sweeney joined the Board on 1 October 2023. On appointment, Margaret joined the Board's Remuneration and Audit Committees.

Margaret has extensive board and executive experience across a number of sectors including financial services, with a clear focus on strategy and corporate development, delivering transformational change, audit and accounting.

Akshaya Bhargava joined the Board on 12 January 2024. Following his appointment, Akshaya joined the Board's Risk and Transformation Oversight Committees. Akshaya has extensive experience across FinTech, wealth management, broader international financial services, and transformation and change.

The appointments of Margaret and Akshaya further strengthen the Board's collective skills, experience, and diversity profile.

Fiona Muldoon retired from the Board on 30 September 2023, after eight years on the Board. On behalf of the Board, I wish to thank Fiona for her dedication and the meaningful contribution she made to the success of the Group.

Details of further Board Committee changes are outlined in the N&G Report on page 99.

The Board succession plan continued to be reviewed during 2023 and a number of decisions regarding the tenure of Directors and actions required to ensure the orderly succession of Directors over the coming years have been identified.

A bank board position is undeniably an increasingly demanding role, including the level of scrutiny, expectation and risk associated with such positions in the current environment.

Nevertheless, there are exciting opportunities for high calibre individuals on bank boards.

Board and individual effectiveness evaluation

The Board, its committees and individual Directors are committed to regular, independent evaluation of their effectiveness at least once every three years. Having concluded an independent evaluation in 2022, the annual review of the effectiveness of the Committee was internally facilitated in 2023.

The N&G led the process, approving the questionnaires, designed by the Group Company Secretary, which were completed by the Board, Committee Members and regular attendees at Committee meetings.

The N&G enhanced the process in 2023 by adding a new Board Perception Review, which sought views on the Board and its operations from a wider cohort of senior Group colleagues. To gather qualitative feedback on the Board, for the Board Perception Review, the Group Company Secretary, together with the Deputy Group Secretary, held a number of round table discussions with senior colleagues. The final effectiveness review report to the Board incorporated the feedback from the Board Perception Review.

At its January 2024 meeting, the Board considered the findings of the reviews. Overall, the work of the Board continues to be rated highly and it is viewed as operating effectively. In general, there were consistent findings across the Board and committee reviews. These included:

- a positive view of the effectiveness of the Chairs of the Board and committees and the participation of their members;
- a greater desire to be even more forward looking; and
- a need for continued focus on the quality of meeting materials to ensure that content remains focused, clear and precise.

Similar discussions were led by each of the committee chairs in their respective meetings. The Board and each committee agreed on a number of areas of focus and enhancement for 2024, actions in response to which will be monitored and addressed on an ongoing basis. Progress against these actions will be included in the 2024 Annual Report.

As part of the formal annual review process, I carry out individual Director reviews. All Directors are experienced and knowledgeable, and I am confident that they each bring valuable skills to the Board and provide an objective perspective.

The Board considers that the effective contribution of each of the individual Directors and the Board as a whole is, and continues to be, important to the long-term sustainable success of the Group.

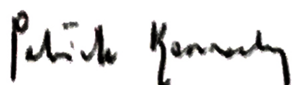
The Board met on 10 occasions during 2023, the majority of which were in person as the organisation embraces post-pandemic ways of working, including hybrid working. Directors' attendance at and contribution during meetings of the Board and its Committees has continued to demonstrate the Directors' commitment to the Group.

Chairman's introduction *(continued)*

A summary of the 2023 Board effectiveness review can be found on page 88. The outcome of the review of my effectiveness as Board Chairman and details on plans for succession to the Board Chairman role, each led by the SID in consultation with the other Directors, can be found on page 88.

Looking ahead

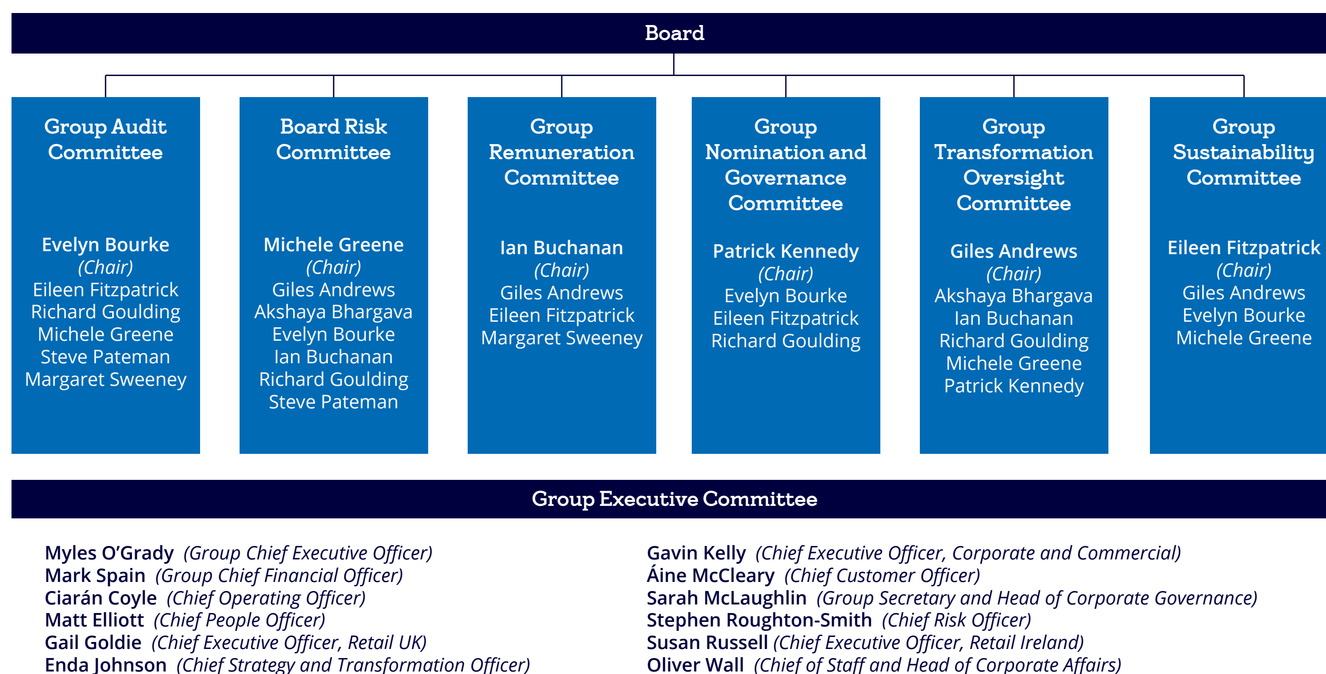
The Board will continue to work effectively with the Executive team in 2023 to ensure continued challenge to and delivery of the Group's strategy to create sustainable long-term value for our shareholders. The Group's governance framework will be subject to continuous review to ensure it remains robust and facilitates effective decision making and appropriate Board oversight. Alongside the Group's transformation agenda, building strong relationships, simplifying our business, and growing a Sustainable company, will be our focus in 2024.



Patrick Kennedy
Chairman

23 February 2024

Your Board



Group Executive Committee

Myles O'Grady *(Group Chief Executive Officer)*
Mark Spain *(Group Chief Financial Officer)*
Ciarán Coyle *(Chief Operating Officer)*
Matt Elliott *(Chief People Officer)*
Gail Goldie *(Chief Executive Officer, Retail UK)*
Enda Johnson *(Chief Strategy and Transformation Officer)*
Gavin Kelly *(Chief Executive Officer, Corporate and Commercial)*
Áine McCleary *(Chief Customer Officer)*
Sarah McLaughlin *(Group Secretary and Head of Corporate Governance)*
Stephen Roughton-Smith *(Chief Risk Officer)*
Susan Russell *(Chief Executive Officer, Retail Ireland)*
Oliver Wall *(Chief of Staff and Head of Corporate Affairs)*

The above list reflects GEC membership on 23 February 2024, including new appointments during 2023 and early 2024.

Your Board *(continued)*

Abbreviations:

GAC Group Audit Committee I **BRC** Board Risk Committee I **GTOC** Group Transformation Oversight Committee I **N&G** Nomination & Governance Committee
GRC Group Remuneration Committee i **GSC** Group Sustainability Committee

Your Board *(continued)*

Patrick **Kennedy**

Chairman and Non-Executive Director

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

Committee and other Group Roles

Chair of the Nomination & Governance Committee.

Member of 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 and ASOS plc. He is currently Chair and Non-Executive Director of CarTrawler. Patrick holds the role of Honorary Treasurer of the Irish Rugby Football Union and is a Patron of Chapter Zero Ireland.

Richard **Goulding**

Deputy Chair and Senior Independent Director

Appointed Independent Non-Executive Director in July 2017. Appointed Deputy Chair and Senior Independent Director in January 2021.

Committee and other Group Roles

Member of the Audit Committee, the Nomination & Governance Committee, the Risk 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

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 Board *(continued)*

Giles **Andrews**

Independent Non-Executive Director

Appointed Independent Non-Executive Director in November 2020.

Committee and other Group Roles

Chair of the Group Transformation Oversight Committee.

Member of the Remuneration Committee, the Risk 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.

Akshaya **Bhargava**

Independent Non-Executive Director

Appointed Independent Non-Executive Director in January 2024.

Committee and other Group Roles

Member of the Risk Committee and Group Transformation Oversight Committee.

Experience

Akshaya is a Banking and Wealth Management professional, with extensive experience across fintech, wealth management, broader international financial services, technology innovation and change. Akshaya spent 22 years at Citibank in a variety of senior roles in different countries and more recently, was Global CEO for Barclays Wealth and Investments. He was previously the founding CEO of Infosys BPO (formerly known as Progeon Ltd.) and has founded a number of companies, including Bridgeweave, a fintech firm that uses AI models to provide institutional quality investment ideas to self-directed equity investors, where he currently serves as Executive Chair. Akshaya has previously served as a director on the boards of Wealthify Group Limited, Mindtree Limited, Barclays Asset Management Limited, Vahanna LLC, and Avendus Wealth Management. Akshaya holds an MBA in Finance and Marketing from the Indian Institute of Management Calcutta and BA (Hons) in Economics from Pune University in India.

Evelyn **Bourke**

Independent Non-Executive Director

Appointed Independent Non-Executive Director in May 2018.

Committee and other Group Roles

Chair of the Audit Committee.

Member of the Nomination & Governance Committee, 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 and Risk Committee Chair with IFG plc, Dublin. 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, Audit Chair, and a member of the Nomination Committee with Marks and Spencer Group plc. Evelyn is a Non-Executive Director and Remuneration Committee Chair of Admiral Group plc. She is a member of The Investment Committee of The Athenaeum Club and served as a director on the board of The Ireland Fund of Great Britain.

Your Board *(continued)*

Ian **Buchanan**

Independent Non-Executive Director

Appointed Independent Non-Executive Director in May 2018.

Committee and other Group Roles

Chair of the Group Remuneration Committee.

Member of the Group Transformation Oversight Committee and Risk Committee.

Non-Executive Director and Member of the Risk 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 and 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.

Eileen **Fitzpatrick**

Independent Non-Executive Director

Appointed Independent Non-Executive Director in May 2019.

Committee and other Group Roles

Chair of the Group Sustainability Committee.

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

Workforce Engagement Director

Non-Executive Director and 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 is a graduate of University College Dublin where she received a PhD in Science. 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 which provides financial advice to Government on the Commercial State sector. In her early career, Eileen held a number of senior roles in stockbroking including Goodbody Stockbrokers. She is a Non-Executive Director with a number of KKR companies in Ireland and serves as Chair of the Remuneration Committee for KKR Credit Advisors (Ireland). She is a Non-Executive on the board of Sherry FitzGerald Group Ireland Holdings where she is Chair of the People and Culture Committee. Eileen previously served as the Chair of the Outside Appointments Board, Department of Public Expenditure and Reform.

Michele **Greene**

Independent Non-Executive Director

Appointed Non-Executive Director in December 2019.

Committee and other Group Roles

Chair of the Risk Committee.

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

Non-Executive Director and 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 and Vanquis Banking Group plc.

Your Board *(continued)*

Steve **Pateman**

Independent Non-Executive Director

Appointed Independent Non-Executive Director in September 2018.

Committee and other Group Roles

Member of the Audit Committee and Risk Committee.

Non-Executive Director of Bank of Ireland Mortgage Bank u.c.

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. Steve previously served as Chief Executive Officer and Executive Director of StreamBank plc. He is currently a Non-Executive Director for Affordable Housing & Healthcare Investment Management Limited.

Mark **Spain**

Group Chief Financial Officer and Executive Director

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

Committee and other Group Roles

Group Non-Executive Director of Bank of Ireland (UK) plc.

Experience

Mark has over 25 years of experience as a finance professional, having qualified as a Chartered Accountant in 1994. He received a Bachelor of Commerce (Accounting) Degree and a Diploma in Professional Accounting from University College Dublin. Mark is a strategically adept leader, with a track record of leading multi-functional teams to successfully deliver significant and positive commercial outcomes. 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.

Margaret **Sweeney**

Independent Non-Executive Director

Appointed Independent Non-Executive Director in October 2023.

Committee and other Group Roles

Member of the Audit Committee and Remuneration Committee.

Experience

Margaret is a Fellow of Chartered Accountants Ireland and a Chartered Director with Institute of Directors. She is an experienced CEO and has held many Board Director roles across listed and non listed companies operating in different industry sectors in Ireland and internationally, including financial services. She is currently CEO and an Executive board director of Irish Residential Properties REIT plc since 2017, having joined the board as a Non-Executive director in 2016. She is Chair of Dublin City University Business School Industry Advisory Board. Margaret previously served on the Board of Dalata Hotel Group plc for nine years to 2023, was Senior Independent Director and Chair of the Remuneration Committee. She was Chair of the Board of Irish Institutional Property as well as the boards of HSBC Institutional Trust Services (Ireland) DAC, Bramshott Capital Funds, Invention Investment Ireland Funds, and Galway University Foundation, among other board positions. She also served as the President of the Dublin Chamber of Commerce. Margaret has a degree in Commerce from University College Galway (now NUIG) and was awarded the National University of Ireland Galway 2009 Alumni Award for Business, Public Policy and Law.

Your Board *(continued)*

Chairman's tenure

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

As set out in the Annual Reports for 2019-2022, the Board's consideration of Patrick's continued strength of leadership was outlined against the backdrop of the UK Code recommendations, along with details of shareholder consultation on his continued tenure and the positive outcome of shareholder votes on his recommended re-election at each Annual General Meeting (AGM).

In the 2022 Annual Report, we reported on the Board's careful consideration of the implications of the UK Code and its 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 AGM.

The Board established a sub-committee, chaired by the SID, to lead the process through which an appropriate successor to Patrick would be identified. Given the nature and importance of the role to the Group, and to ensure an extensive and robust process, two external third-party firms have been engaged in that work during 2023 and the process continues into 2024. A further update on the process will be made at the appropriate juncture.

The two firms that have been engaged in the process are Egon Zehnder and Spencer Stuart, each of whom are global search and leadership consulting firms who are used by the Group on occasion for Board or executive searches. Neither firm has any connection with the Company other than in a recruitment capacity.

The Board considers that Patrick continues to be a committed and highly effective Chairman, who provides strong leadership to the Board. He continues to promote diversity and constructive challenge amongst Board members and has reinforced relationships with the Group's stakeholders. 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. 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 and his continued effectiveness has once again been affirmed through the annual effectiveness review process, the outcome of which was considered by the Board in January 2024.

As such, the Board considers it appropriate for Patrick to remain in role for a further period and will be recommending his re-election at the 2024 AGM to allow his services to be retained in the best interests of the Company and its shareholders, pending the appointment of a successor via the active process and a reasonable handover period. A market notation via Regulatory News Services (RNS) will issue at the appropriate juncture in the process.

Board Committees

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

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

The terms of reference of the GAC, the BRC, the N&G, the GRC, the GTOC and the GSC are available on the Group's website: www.bankofireland.com/about-bank-of-ireland/corporate-governance/court-committees.

The GTOC has a mandate to support the Board in overseeing, supporting, and challenging the actions being taken by management in relation to the execution of the Group's strategic transformation, focused on technology related change.

As the Group pivots towards a more customer-focused, digital banking model, with greater levels of customer digital engagement and automation of servicing and processes, the Committee oversees the step change required in the Group's business and technology practices alongside changes required to optimise digital skills, organisational models and ways of working in order to deliver the right customer experience, systems, and processes to deliver the desired outcomes.

The GSC has a mandate to support the Board in overseeing the Group's performance as a responsible and sustainable business and in delivering the Group's Sustainability strategy, in order to achieve the Group's purpose.

Both GTOC and GSC have appropriate common membership in place with each of BRC and GAC. In carrying out their duties, Board Committees are entitled to take independent professional advice, at the Group's expense, where deemed necessary or desirable by the Committee Members.

Reports from the GAC, the BRC, the N&G and the GRC are presented on pages 98 to 118.

Board composition and succession

The Board comprises twelve Directors: two Executive Directors, the Chairman, who was independent on appointment, and nine independent NEDs. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pages 81 to 84.

Your Board *(continued)*

The Board considers that a board size of ten to twelve Directors allows for a good balance between having the full range of skills necessary on the Board and to populate its Committees and retaining a sense of accountability by each Director for Board decisions.

The Board acknowledges that this number may go below ten or beyond twelve for a short term as may be required to accommodate succession planning activities and to ensure the timely induction and development of new Directors.

The N&G ensures a formal, rigorous and transparent procedure when considering candidates for appointment to the Board and maintains continuous oversight of the Board's composition to ensure it remains appropriate and has regard for its purpose, culture, major business lines, geographies, risk profile and governance requirements.

Both on an individual and a collective basis, the Directors are considered to have the range of skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group and that high corporate governance standards are maintained. The N&G leads the process for appointments to the Board and ensures plans are in place for orderly succession to both the Board and Executive positions. In 2023, the Board reviewed its skills, knowledge and experience and found it to be collectively suitable. The Board reviews its collective suitability at least annually, and with each change in membership.

The process has regard for the impact of expected retirements of Directors and the Group's 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 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 Board. Regulatory assessment and formal approval is required and received for all Board appointments.

A Board-approved Policy for the Assessment of Directors, which outlines the Board appointment process, is in place, and is in accordance with applicable joint guidelines issued by ESMA and the EBA. With the introduction of the Central Bank (Individual Accountability Framework) Act 2023, the Board received a briefing on the Framework, including the Common and Additional Conduct Standards that came into effect on 29 December 2023 and approved a number of new and refreshed policies to ensure adherence to the Framework and the Common and Additional Conduct Standards by the Board and the wider Group.

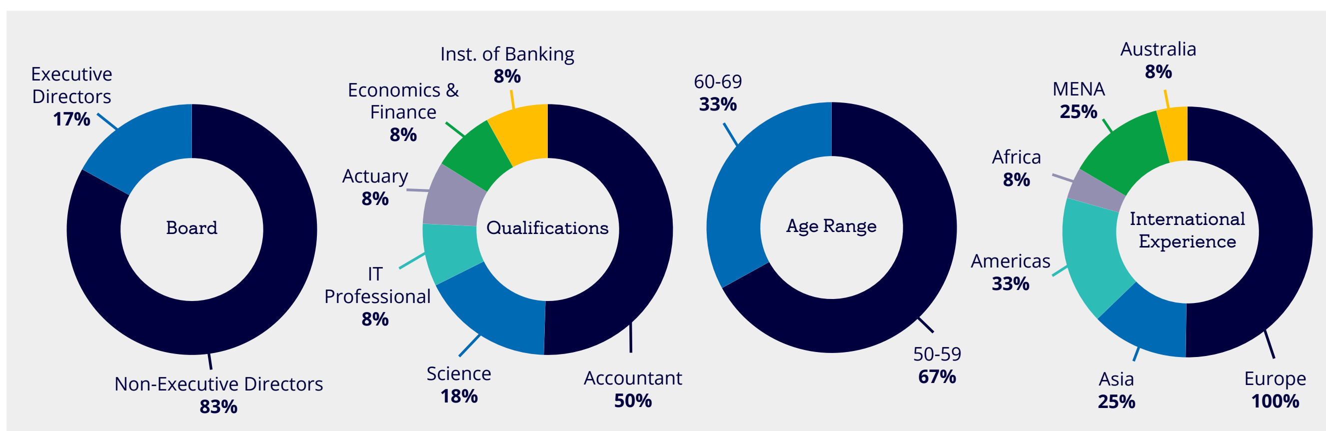
Throughout 2023, the Board provided oversight of the implementation of the Framework in the Group to ensure good governance of the process. The Board and its Committees perform their duties in alignment with the Framework and the Common and Additional Conduct Standards.

Your Board *(continued)*

Diversity

The Board is fully committed to diversity in all forms and believes that diversity is an essential ingredient of sound decision-making. The Board's approach to diversity in all its forms is set out in the Board Diversity Policy which has retained the specific gender target of maintaining a minimum of 40% female representation on the Board. The Policy was enhanced to reflect the commitment to ensure the inclusion of at least one Director that is from an ethnic minority, which has been met, and the appointment of a female to one of the four senior Board roles of CEO, CFO, Chairman and SID.

While not yet achieving all diversity targets, the Board's *searches for new* Independent Non-Executive Directors (*INEDs*) *has included a focus on growing the* Board's profile in relation to all aspects of diversity. We intend to make further progress on our diversity targets through our current INED and Chair searches. The Board is committed to the application of recruitment and selection criteria that are explicitly informed by the relevant targets for ethnic minority and female representation.



	No. of Board members	% of the Board	No. of senior positions on the Board	No. in Executive management	% of Executive management
Men	8	67%	4	8	67%
Women	4	33%	-	4	33%
White British or other white (incl. minority white groups)	11	92%	4	12	100%
Asian/Asian Irish	1	8%	-	-	-

Your Board *(continued)*

Education and Development Session delivered in 2023
The following were in focus during development and education sessions facilitated during the year. These sessions were facilitated, as appropriate, by internal and / or external subject matter experts and advisors:
- Remuneration trends,
- Wealth and Insurance,
- Irish Mortgage Market,
- Economic Outlook,
- Culture, Inclusion and Diversity,
- Model Risk,
- Anti-Money Laundering and Counter Terrorism Financing,
- Chat GPT / Artificial Intelligence,
- Environmental, Social and Governance,
- Market and Regulatory Developments,
- RAROC,
- The capital adequacy assessment process,
- External / Competitive Landscape,
- Cyber Security,
- Corporate Governance requirements,
- Individual Accountability Framework, including the Common and Additional Conduct Standards,

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, governance and remuneration.

The Board's Professional Development and Continuous Education Programme

On appointment, new Directors are provided with tailored and comprehensive induction programmes to fit with their individual experiences and needs, including the process for avoiding or managing conflicts. Thereafter, we seek to ensure that all Board members receive appropriate training, both individually and collectively, throughout their time on the Board. The approach taken to the Board's Professional Development and Continuous Education Programme is as follows:

- 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 is arranged on matters such as Group and Divisional strategy, the Group's Risk Appetite and Group Risk Framework, the regulatory environment, people strategies, technology and operations, capital and liquidity management and the Group's financial position. The induction programme is supplemented with an additional bespoke programme, developed in conjunction with the incoming Director to address any specific requirements;
- continuous Education Programme: The continuous development requirements of the Board and individual Directors are informed by the outcome of annual effectiveness reviews, the annual review of the collective skillset of the Board, emerging external developments and areas the Board has identified for further focus. The Continuous Education Programme is delivered through varying means and facilitated by internal and external experts where appropriate. The approach to Directors' induction and continuous development is set out in a Board-approved Director Induction, Training and Development Policy which is reviewed annually by the N&G; and
- site visits across the Group including meetings with colleagues and customers.

Assessing the effectiveness of the Board

The Board seeks to continually enhance its operations and, each year, conducts a formal effectiveness evaluation of the Board, Board Committees and individual Directors. In addition to reviewing the Board's operations, composition and overall effectiveness, the evaluation reviews past performance with the aim of identifying possible opportunities for improvement, determines whether the Board and its Committees are, as a whole, effective in discharging their responsibilities and, in the case of individual Directors, determines whether each Director continues to contribute effectively and to demonstrate commitment to their role. The Board is required to have an external evaluation conducted once every three years. During 2023, an internal effectiveness review was conducted with positive conclusions regarding the effectiveness of the Board. An external evaluation was carried out the previous year and will continue to be conducted every three years. The internal review included effectiveness questionnaires in relation to the Board and its Committees, which were completed by members and standing attendees, and was complemented during 2023 with a wider Board Perception Review process involving senior Group colleagues. The outcome of the 2022 review was reported in the 2022 Annual Report and a report on progress against opportunities identified for improvement in 2022 is set out below. Further details on the 2023 review can be found on page 77.

Chairman

The performance of the Chairman was also assessed through the internal evaluation process. Led by the SID, the Board met to discuss the Chairman's performance, in his absence. The SID subsequently provided an update on the positive outcome of the review to the Chairman. Patrick Kennedy is considered to continue to be a highly effective Chairman and to provide very strong leadership to the Board. The Board confirmed its continued support for Patrick Kennedy and his continuation in office, pending the appointment of a successor, including his proposal for re-election at the 2024 AGM. Further details on the Chairman's tenure can be found on page 85.

Individual Directors

In addition to the internal evaluation process, the Chairman met with Directors on a one to one basis to discuss their individual performance, taking account of their feedback submitted in advance of the meetings on a number of topics including, their individual contributions and performance at the Board.

Your Board *(continued)*

The Chairman assessed each Director as being fully effective, with all Directors demonstrating strong commitment to their role, noting that during 2023 their contributions continued to be important to the company's long-term sustainable success.

2023 Conclusion

A consolidated report on the findings of the full evaluation process was presented to the Board in January 2024. The outcome of the evaluation was positive. Overall, the effectiveness of the Board and its Committees continued to be enhanced year on year. The key themes identified through the Board evaluation as having contributed to the Board's effectiveness in 2023 include the strong leadership of the Chairman, the Board's diligence and commitment, open dialogue, the strength and breadth of the Board's collective skillset and expertise. The Board evaluation also identified the following areas for focus and continued enhancement:

- the incorporation on the Board agenda of even more forward-looking matters, including market and competitive evolution and related threats;
- the quality of meeting materials to ensure that content remains focused, clear and precise; and
- opportunities for NEDs to engage with a wider cohort of senior colleagues outside formal meetings.

Progress against the 2022 Board Effectiveness Evaluation

The Board continued to monitor and make progress across the following areas identified for enhancement arising from the 2022 effectiveness review:

- finding the right balance of challenge and support;
- simplifying the operating mechanism;
- bringing further external and customer focus to bear; and
- further focus on a longer time horizon.

The Board is cognisant of ensuring continued focus on these areas into 2024, with enhanced focus on those aforementioned areas identified following the 2023 review.

Board Focus in 2023

The Board held 10 meetings during the year ended 31 December 2023. Further details on the number of Board and Committee meetings and attendance by individual Directors are set out on page 119.

While not intended to be exhaustive, below is a high-level overview of a number of matters considered by the Board and Board Committees during 2023:

Regular updates
- Chairman's activities.
- CEO's activities and key areas of focus.
- Business and financial performance.
- Organisational Scorecard Performance.
- Risk Management.
- Regulatory and legal matters.
- Board Committee activities.

Financial
- Results and Accounts.
- Distribution Policy.
- Impairments.
- Funding and Liquidity Policy.
- Capital and Liquidity Policy.
- Financial and investment plans.
- Cost and Efficiency.

Risk management
- Regulatory interactions.
- Group Risk Appetite Statement.
- Risk Policies and Frameworks.
- Group Risk Framework. and associated policies and standards.
- Group's Remuneration Policy.
- Group Recovery Plan.
- Geopolitical events and the wider macro economy.
- Non-financial risk.
- AML and combating of financing of terrorism.
- The Group Control environment and conduct risk.
- The high inflation rate environment.
- Risk Mitigation Plan action progress updates and approval requests.
- Process improvement / operational risk.
- Technology, including lessons learned from the August 2023 ATM IT incident.

Environment / External Insights
- External / competitive landscape.
- Investor relations.
- Macroeconomic environment.
- Stakeholder engagements.
- Environmental, social and governance, including Group's Sustainability Strategy, Financial Wellbeing, and progress relative to UNPRB Commitments.

Strategy
- 2023 - 2025 Group Strategy.
- External and internal assumptions underpinning the 2023 - 2025 Group Strategy.
- Technology and Digitisation.
- Emerging threats.
- Transformation.

Governance
- Key Board Governance policies and terms of reference.
- Subsidiary Governance framework.
- CEO and CFO performance and succession.
- Board renewals, appointments and succession.
- Board, Committee and Individual Directors Effectiveness.
- Appointments / Endorsements of Material Risk Takers (MRTs) and Key Function Holders (KFHs).
- Subsidiary oversight.
- Tracking of agreed actions.
- AGM and resolutions.

Culture and values
- The Group's Culture Programme.
- Colleague engagement.
- Talent and capability.
- Customer efforts scores and net promoter score.
- Financial wellbeing.

Your Board *(continued)*

Roles and Responsibilities

Role of the Board

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

The Board's role is to provide leadership of the Group within the boundaries of risk appetite and a framework of prudent and effective controls which enable risk to be identified, assessed, measured and controlled.

The Board sets the Group's strategic aims and risk appetite to support the strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.

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

The Board is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group and monitoring on an ongoing basis their appropriateness for the role. The removal from office of the head of a 'control function', as defined in the Irish Code, is also subject to Board approval.

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

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

The Board approves the Group's Risk Management Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types. Further information on risk management and the Board's role in the risk governance of the Group is set out in the Risk Management Report on pages 134 to 182.

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

Role of the Chairman

The Chairman oversees the operation and effectiveness of the Board, including ensuring that agendas cover the key strategic items confronting the Group and encouraging all Directors to participate fully in the discussions and activities of the Board. He also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards. The Chairman commits a substantial amount of time to the Group and his role has priority over any other business commitment.

Role of the Deputy Chair and Senior Independent Director

The Deputy Chair has adopted the role of SID and deputises for the Chairman as required. The SID provides a sounding board for the Chairman and serves as an intermediary for the other Directors and shareholders if they have concerns that contact through the normal channels of Chairman, Group CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate.

As appropriate and when required, the SID meets a range of major shareholders in order to develop a balanced understanding of their views. The SID leads the evaluation of the Chairman in conjunction with the other Directors and would normally take responsibility for an orderly succession process for the Chairman working closely with the other Directors.

Role of the Independent Non-Executive Director

During the year the Chairman and the NEDs met without the Executive Directors present, to discuss a range of business matters.

The NEDs (including the Chairman and the Deputy Chairman) bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity.

Executive Directors

Executive Directors have executive functions in the Group in addition to their Board duties. The role of Executive Directors, led by the Group CEO, is to propose strategies to the Board and, following challenging Board scrutiny, to execute the agreed strategies to the highest possible standards.

Role of the Group CEO

The Group CEO is responsible for execution of the approved strategy, holds delegated authority from the Board for the day-to-day management of the business and has ultimate executive responsibility for the Group's operations, compliance and performance. Procedures are in place to review the Group CEO's contract at least every five years.

Matters Reserved for the Board

While arrangements have been made by the Directors for the delegation of the management, organisation and administration of the Group's affairs, certain matters are reserved specifically for decision by the Board. The schedule of matters reserved for the Board is reviewed at least annually to ensure that it remains relevant and to reflect any enhancements required under evolving corporate governance requirements and industry best practice.

The Directors have access to the advice and services of the Group Secretary, who advises the Board on matters relating to governance, ensuring good information flows and comprehensive practical support for Directors. She maintains the Group's Corporate Governance Framework and communicates with shareholders as appropriate, ensuring due regard is paid to their interests.

The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separate from or additional to that available in the normal Board process. Both the appointment and removal of the Group Secretary is a matter for the Board as a whole.

The Directors also have access to the advice of the Group General Counsel and to independent professional advice, at the Group's expense, if and when required.

Committees of the Board have similar access and are provided with sufficient resources to undertake their duties.

The Group has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors.

Your Board *(continued)*

Stakeholder Engagement

Board understanding of views of major shareholders

To facilitate the Board's understanding of the views of major shareholders, Directors receive an investor relations update from management at all scheduled Board meetings. The content of this update is varied, based on recent investor activities, but typically includes market updates, details of recent equity and debt investor interactions, share price and valuation analysis, analyst updates, and share register analysis. All Directors are facilitated to ensure that they are informed of the views of investors and analysts. The Chairman meets at least annually with a number of major shareholders to discuss governance matters, delivery of strategic priorities and progress in delivering transformation.

The Chairman and / or the SID are available to all shareholders if they have concerns that cannot be resolved through the normal channels.

Institutional equity investors and analysts

Communication with shareholders is given high priority. One of the responsibilities of the Chairman is to ensure effective communication with shareholders and to ensure that Directors develop an understanding of the views of major investors. Group Investor Relations has primary responsibility for managing and developing the Group's external relationships with existing and potential institutional 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 Group Investor Relations and other authorised officers with the Group's principal institutional shareholders, other investors, financial analysts and brokers. During 2023, c.500 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 Secretariat and Corporate Governance team, supported by the Group's Registrar, Computershare Investor Services (Ireland) Limited ('Computershare'), maintains the Group's share register, engages with retail shareholders and delivers the Group's AGM and Extraordinary General Meetings (EGMs) as required. With the assistance of Computershare, the Group addresses shareholder queries and, through its online facilities, enables shareholders to view their portfolio and amend their information securely.

Annual and Extraordinary General Meeting

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

Questions are invited from shareholders in advance of the AGM, and a substantial part of the agenda of the AGM 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 2023 AGM was held on 23 May 2023 in the O'Reilly Hall, UCD, Belfield, Dublin 4.

At the 2023 AGM, 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 (formerly the Irish Stock Exchange) and the London Stock Exchange. As soon as the results of the 2023 AGM 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 2023 AGM all resolutions passed, with all resolutions receiving between 86.98% and 100% approval.

In line with the Group's policy to issue notice of the AGM 20 working days before the meeting, notice of the 2023 AGM was circulated to shareholders on 19 April 2023. It is usual for all Directors at the time of the AGM and any EGM to attend. All members of the Board attended the 2023 AGM.

The 2024 AGM is scheduled to be held on 23 May 2024. 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 Board consistently reviews the strategy, receives updates on implementation and reviews progress as part of the governance process.

The emphasis the Board and the Group places on the customer is further demonstrated by the creation during 2023 of a new GEC role of Chief Customer Officer. The role holder is an advocate for the customer across the entire Group and is responsible for developing a Group-wide customer strategy to help improve customer attraction, retention, and satisfaction. Enhancements to training and development, user and customer experience, and investment in technology will all be considered as part of the strategy.

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 required to be a key area of focus for all formal governance across the Group. The Board receives regular updates on progress against customer metrics and reports from the Group CEO, the respective business CEOs, and, more recently, the Chief Customer Officer. In addition, its understanding of customers' perspectives is informed by deep dives on customer themes and customer complaints, site visits by Directors to customer call centres and branches, meetings directly with customers and other customer focused tools to enable the Board to hear customer voices at first hand.

The Board is acutely aware of the impact of the significant technology outage experienced in August 2023, which saw many of the online services unavailable to customers. While the Board commends colleagues and the Executive for its resolution and the efforts taken to support customers during and after the outage, focus has been applied to assessing learnings from the outage and taking the actions required to reduce the risk of such outages recurring in the future.

Your Board *(continued)*

Stakeholder Engagement *(continued)*

Colleagues

The Board receives regular updates on the progress of the Group Culture Programme and reviews the outputs from the Group's Open View staff surveys and receives updates on progress in implementing actions in response to staff feedback. The Board pays particular attention to the Group Code of Conduct and Speak Up Policy, the effectiveness of which are reviewed by Board Committees annually. The Board strives to create an environment in which staff are encouraged to speak up where they have any concerns. During 2023, Evelyn Bourke, on behalf of the Board, actively sponsored the Speak Up Policy.

During 2023, the Board met with senior colleagues from across the Group in 'Visibility Sessions', which form part of the annual Board programme of work which is considered and approved each year. Matters discussed with colleagues during the visibility sessions held in 2023 included the Group's hybrid working arrangements, organisational bandwidth, the senior executive accountability regime, and cost of living measures, and the external operating and competitive environment.

The Board returned to site visits during 2023; site visits provide the Board with a first-hand view of the work of colleagues and the supports they provide to our customers. The 2024 Board programme of work continues to incorporate and prioritise engagement with colleagues.

The Board-designated WED role enhances engagement and feedback mechanisms between the Board and the workforce and strengthens the 'employee voice' at the Board. The WED role operates under formal terms of reference and reports regularly to the Board on direct feedback from colleagues across the Group. This direct colleague connection supplements various existing regular feedback and reporting mechanisms on culture and behaviour to the Board and is intended to further assist the Board in understanding colleague experiences and inform its decision making.

During 2023, as the WED, Eileen Fitzpatrick undertook a number of activities which provided valuable insights for the Board and facilitated further consideration of the workforce in Board decisions. These activities included, but were not limited to:

- regular 'Open Door' sessions with groups of colleagues drawn from various businesses and divisional teams, and branch visits during which a number of items were discussed including resourcing, remuneration, hybrid working and colleague wellbeing;
- listening sessions with various representative groups;
- engagements with Industrial Relations and the UK Partner's Council, including on remuneration;
- deep dives into the Irish Banking Culture Board reports; and
- deep dives on the Open View survey results and Speak Up and Wellbeing surveys.

With the planned change in the WED role during Q1 2024, the terms of reference, operations and future areas of focus of the role will be reviewed, in conjunction with Eileen, to leverage Eileen's experiences and to ensure continued evolution of the role and that the right insight continues to be gained from colleagues to support and better inform the Board when taking decisions.

Regulators and Government

The Chairman and members of the Board regularly meet with representatives from the regulators and government bodies, including the Joint Supervisory Team (JST), the CBI, Bank of England (BoE), 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, business performance, and culture. The Chairman and Group CEO update the Board on their meetings with regulators and government representatives at each Board meeting. Management provide regular briefings to the Board on regulatory engagement and correspondence which ensures that the Board remains aware of regulatory expectations and areas of focus.

Society

The communities where the Group has a physical presence, where colleagues live and work, as well as other local and global groups and partners are the places where the Group's work touches the wider society.

The Group delivers positive societal impact in a number of different ways. Through investment in Financial Literacy programmes, our United Nations Principles of Responsible Banking commitments and our support for sport through wide-ranging rugby sponsorship, the Group works continuously to enable society to thrive. The Group channels philanthropic societal investment through the Begin Together initiative to deliver direct impact to the communities where we live and work.

Begin Together supports future-facing projects that engender positive change for society with a specific focus on vulnerable groups. Working with partners Community Foundation Ireland the Group funded 20 community projects in 2023. Initiatives received up to €45,000 each for projects that ranged from financial literacy and wellbeing, mental health, inclusion and diversity, to helping people with disabilities, migrants and refugees, the Travelling community and more.

In collaboration with Business to Arts, the Bank of Ireland Begin Together Arts Fund continued the Group's legacy of supporting the arts community by investing in a number of important community projects bringing the arts to vulnerable groups.

In addition, over 600 donations were made on behalf of colleagues across the Group to charitable causes and not for profit organisations that matter to them, bringing Bank of Ireland's investment in wider society closer to home for our colleagues.

Your Board *(continued)*

Board's oversight of risk management and internal control systems

Accountability and audit

The Report of the Directors, including a Going Concern Statement and a Viability Statement, is set out on pages 120 to 124. This Corporate Governance Statement forms part of the Report of the Directors.

Board Responsibility

The Board is responsible for overseeing the Group's risk management and internal control systems, which are designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations, and to review the effectiveness of same.

In establishing and reviewing the risk management and internal control systems, the Directors carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity, the likelihood of a risk event occurring and the costs of control. The principal risks are detailed at pages 135 to 142. 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 and has been in place for the year under review and up to the date of approval of the Annual Report.

The Group is forward-looking in its risk identification processes to ensure emerging risks are identified. The risk identification, evaluation and management process also identifies whether the controls in place result in an acceptable level of risk.

At Group level, a consolidated risk report and risk appetite dashboard is reviewed and regularly debated by the BRC and the Board to ensure satisfaction with the overall risk profile, risk accountabilities and mitigating actions. The report and dashboard provide a monthly view of the Group's overall risk profile, key risks and management actions, together with performance against risk appetite and an assessment of emerging risks which could affect the Group's performance over the life of the operating plan. Information regarding the main features of the internal control and risk management systems is provided within the risk management report on pages 134 to 182.

The Board concluded that the Group's risk management arrangements are adequate to provide assurance that the risk management systems put in place are suitable with regard to the Group's profile and strategy.

Control systems

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms;
- three lines of defence approach to the management of risk across the Group: line management in individual businesses and relevant Group functions, central risk management functions, and Group Internal Audit (GIA);
- Board and Management Committees with responsibility for core policy areas;
- a set of policies and processes relating to key risks;
- reconciliation of data consolidated into the Group's financial statements to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the financial position and results of the Group are appropriately reflected, through compliance with approved accounting policies and the appropriate accounting for non-routine transactions;
- Codes of Conduct setting out the standards expected of all Directors, officers and employees in driving an appropriate, transparent risk culture;
- a Risk Control Self-Assessment framework, where risks are logged, managed and mitigated across the first line, with clear reporting, escalation and second-line oversight. Action plans are developed and implemented to address any control deficiencies;
- a comprehensive set of accounting policies; and
- a compliance framework incorporating the design and testing of specific controls over key financial processes.

The Group operates a comprehensive internal control framework over financial reporting with documented procedures and guidelines to support the preparation of the consolidated financial statements.

The main features are as follows:

- a comprehensive set of accounting policies relating to the preparation of the annual and interim financial statements in line with IFRS as adopted by the EU;
- an independent internal audit function with responsibility for providing independent, reasonable assurance to key internal (Board, Group and Subsidiary Audit and Risk Committees and Senior Management) and external (Regulators and external auditor) stakeholders on the effectiveness of the Group's risk management and internal control framework;
- a compliance framework incorporating the design and testing of specific controls over key financial processes to confirm that the Group's key controls are appropriate to mitigate the financial reporting risks;
- a robust control process is followed as part of interim and annual financial statements preparation, involving the appropriate level of management review and attestation of the significant account line items, and where judgements and estimates are made, they are independently reviewed to ensure that they are reasonable and appropriate. This ensures that the consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;
- the Annual Report and Interim Report are also subject to detailed review and approval through a structured governance process involving Senior and Executive finance personnel;
- summary and detailed papers are prepared for review and approval by the GAC covering all significant judgemental and technical accounting issues, together with any significant presentation and disclosure matters; and
- user access to the financial reporting system is restricted to those individuals that require it for their assigned roles and responsibilities.

Reviews by the Board

The effectiveness of the risk management and internal control systems are regularly reviewed by the Board, along with the GAC and the BRC, which also receive reports of reviews undertaken by Group Risk and GIA. The GAC receives reports from the Group's external auditor (which include details of significant internal control matters that they have identified) and has separate discussions with the external and internal auditors at least once a year without Executives present, to ensure that there are no unresolved issues of concern.

Your Board *(continued)*

Continuous improvement
The Group's risk management and internal control systems are regularly reviewed by the Board and are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council and compliant with the requirements of the CRD V. They have been in place for the year under review and up to the date of approval of the annual report. The Group continues to work towards compliance with the Basel Committee on Banking Supervision 239 (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 2023 internal control assessment provides reasonable assurance that the Group's controls are effective, or that, where control weaknesses are identified, they are subject to management oversight and action plans. The GAC, in conjunction with the BRC, following an assessment of whether the significant challenges facing the Group are understood and are being addressed, concluded that the assessment process was effective and made a positive recommendation to the Board in that regard.

Board Governance

Conflicts of interest
The Board has an approved Conflicts of Interest Policy which sets out how actual, potential or perceived conflicts of interest are to be identified, reported and managed to ensure that Directors act at all times in the best interests of the Group. This policy is reviewed on an annual basis.

The Group Code of Conduct, which applies to all employees and Directors of the Group, clarifies the duty on all employees to avoid conflicts of interests. The Code of Conduct is reviewed on an annual basis and communicated throughout the Group.

Both the Conflicts of Interest Policy and Group Code of Conduct were reviewed in 2023 to align fully with the Individual Accountability Regime, including the Common and Additional Conduct Standards.

Time commitment
The Group ensures that individual Board Directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Company and the Bank have each been classified as 'significant institutions' under CRD. During the year ended 31 December 2023, all Directors were within the Directorship limits set out for significant institutions under CRD.

During 2023, the time commitments for Committee chairing roles were reviewed and specific time commitments were allocated to each role to ensure that Directors holding those roles have sufficient time to fulfil the duties of the role.

All newly-appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointment and the expected time commitment for the role.

A copy of the standard terms and conditions of appointment of NEDs can be inspected during normal business hours by contacting the Group Secretary. Directors are required to devote adequate time to the business of the Group, which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units. In addition, NEDs are normally required to sit on at least one Board Committee. Certain NEDs, such as the Deputy Chairman, SID and Committee Chairs, are required to allocate additional time in fulfilling those roles.

Before being appointed, Directors disclose details of their other significant commitments along with a broad indication of the time absorbed by such commitments. Before accepting any additional external commitments, including other Directorships that might impact on the time available to devote to their role, the agreement of the Chairman and the Group Secretary, or, depending on the nature of the proposed commitment, the full Board, must be sought. In certain cases, advanced CBI approval must also be sought.

Proposed new external commitments are assessed against conflicts of interest, over-boarding and time commitment considerations. Any new external commitments proposed by the Chairman require SID and Group Secretary approval in the first instance and, depending on the nature of the proposed commitment, the Board and CBI approval in advance.

A number of Directors took additional external roles during 2023 following receipt of the requisite approvals. Details of Directors external roles can be found on pages 81 to 84.

The Group has an obligation to report the reasons for permitting significant appointments. The following appointments which took place in 2023 are considered significant in terms of additional external appointments and were duly considered by the Board.
- **Michele Greene:** appointment as NED of Vanquis Banking Group plc (formerly Provident Financial Plc) (March 2023); and
- **Fiona Muldoon:** appointment as Non-Executive Director and Chair of Sretaw Unlimited Company (Sretaw 1) (May 2023); appointment as NED and Chair of Sretaw 3 Unlimited Company.

In considering whether to approve these external roles, the N&G and the Board gave due and careful consideration to actual, potential or perceived conflicts of interest, the risk of 'over boarding', whether the additional roles would impact the Director's ability to commit the requisite time to his or her Group duties and CRD Directorship limitations. In each case, the Board 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 Board approved policy.

All Directors are reminded of their obligations under the Board's Conflicts of Interest Policy when approved for any external roles and such roles remain under regular review. In accordance with the Group's listing obligations, an RNS was issued to the market to advise of Michele and Fiona's appointments.

Your Board *(continued)*

Balance and Independence
The Board determined that all NEDs in office on 31 December 2023 were independent in character and judgement and free from any business or other relationships with the Group which could affect their judgement.

Term of Appointment and Re-election of Directors
NEDs are normally appointed for an initial three-year term, with an expectation of a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing fitness and probity. Any continuation in term beyond two three-year terms is considered on an annual basis and will have regard for a number of factors including performance, independence, the Board's succession planning needs over the medium to long term, and the best interests of the shareholders.

A NED's term of office will generally not extend beyond nine years in total unless the Board, on the recommendation of the N&G, concludes that such extension is necessary due to exceptional circumstances. In such a situation, the Board will document its rationale for any continuance and so advise the CBI in writing as required under the Irish Code.

In respect of Executive Directors, no service contract exists between the Company and any Director which provides for a notice period from the Group of greater than one year. None of the NEDs have a contract of service with the Group.

It is Group practice that, following evaluation, all Board Directors are subject to annual re-election by shareholders. All Directors retired at the AGM held on 23 May 2023. The following Directors, being eligible, offered themselves for election and were elected at the AGM in 2023:
- Giles Andrews
- Evelyn Bourke
- Ian Buchanan
- Eileen Fitzpatrick
- Richard Goulding
- Michele Greene
- Patrick Kennedy
- Fiona Muldoon
- Myles O'Grady
- 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 AGM documentation to enable shareholders to take an informed decision on their election. The 2024 AGM is scheduled to be held on 23 May 2024 and, in line with previous AGMs, all Directors will retire from office at the date of the AGM and may choose to offer themselves for re-election.

Organisational structure
The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, and appropriate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review. These governance arrangements provide systems of checks and controls to ensure accountability and drive better decision-making, and also include policies and practices which ensure that the Board and its Committees operate effectively.

The Group's overall control systems include a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Board, which support the maintenance of a strong control environment. Corporate and capital structure is a matter requiring Board approval. In accordance with section 225(2) of the Companies Act 2014, the Directors acknowledge that appropriate structures that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations (as defined in section 225(1)) have been put in place. The Board reviews annually the corporate legal structure of the Group and any changes to the structure of the Group effected since the Board's previous review.

Group Executive Committee
The most senior executive committee in the Group, the GEC, acts in an advisory capacity to the CEO and assists the CEO in the management and leadership of the Group on a day-to-day basis, making decisions on matters affecting the operations and performance of the Group's business and the delivery of the Board-approved strategy. It is supported by a number of senior executive committees, encompassing:
- Executive Risk Committee, which supports the GEC and Board in, inter alia, overseeing the material risks of the Group, taking a holistic approach to overseeing the effective management of risk (financial and non-financial) and monitoring the overall risk profile of the Group, as well as compliance with risk appetite and other approved policy limits;
- Group Asset and Liability Committee, which oversees the strategic direction of the Group's assets and liabilities and the profit and loss implications of balance sheet management actions and considers the appropriate allocation of capital, funding and liquidity and market risk resources;
- Group Transformation Committee, which monitors progress on the Group's strategic transformation agenda, encompassing culture, systems and business model initiatives, ensuring they are fully aligned with the Group's Strategy, Purpose and Values and that all strategic transformation initiatives have clearly defined business and customer outcomes, along with appropriate mechanisms to track and report progress;
- Group Data Management Board, which oversees the development of standards, metrics and tolerances for data quality with the application of an adequate data control environment to support effective management within the Group's risk appetite; and
- Announcements Committee, which, oversees compliance with the Group's Market Abuse Regulation obligations.

Summary biographical details on each of the GEC members are set out on the following page.

The Committee's purpose is to assist the Group 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. The two Executive Directors, Myles O'Grady, CEO, and Mark Spain, CFO, are members of the GEC.

In addition to the Group CEO and Group CFO, whose biographical details can be found on pages 81 to 84, the GEC is currently composed of the following Members:

Your Board *(continued)*

Ciarán Coyle
Chief Operating Officer

Ciarán was appointed Group Chief Operating Officer in January 2024 to lead the Group's technology, digital, data, payments and change delivery. He joined Bank of Ireland from Ulster Bank / NatWest Group where he held the position of Managing Director, Retail Banking and previously served as Chief Operating Officer.

Ciarán is a certified Bank Director (Institute of Bankers) and holds a Diploma in Company Direction (Institute of Directors). He is a University of Limerick graduate (BSc in Technology and Communications) and has also completed the University of Cambridge Sustainability Leadership Programme.

Matt Elliott
Chief People Officer

Matt Elliott was appointed to the role of Chief People Officer for the Group in February 2019. He is responsible for transforming the culture of the Bank and developing a company where colleagues thrive. Prior to that he was Group People Director with Virgin Money. Under Matt's leadership, Virgin Money successfully acquired and integrated Northern Rock. Matt was part of the executive team who successfully listed the company on the London Stock Exchange, and created a company widely acknowledged to be a cultural leader in the UK.

A passionate advocate for inclusion and diversity, Matt appeared as a leading ally in the Financial Times lists for gender, ethnicity and LGBT+, the first leader to appear in all three lists.

Gail Goldie
Chief Executive Officer, Bank of Ireland (UK)

Gail was appointed Bank of Ireland (UK) CEO in January 2024 to lead the delivery of the next phase of Bank of Ireland's UK strategy. She joined bank of Ireland from Tesco Bank where she served as Chief Banking Officer, prior to which she held senior management positions in Barclays (UK) including Managing Director, Unsecured Lending and Managing Director, Premier Banking. Gail also previously held leadership roles in Santander (UK) and American Express. Gail is a graduate of the University of Warwick (BSc Management Science).

Enda Johnson
Chief Strategy and 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. Enda is also a Group NED of BoI (UK) plc. 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.

Gavin Kelly
Chief Executive Officer, Corporate and Commercial

Gavin was appointed Corporate and Commercial CEO in March 2023. He has held a number of senior management positions in BoI since joining in 2007, including interim Group CEO from September to November 2022, and CEO Retail Ireland prior to that. He oversees the provision of banking products and services to all corporate and commercial customers, including wholesale financial services, property, project and asset-backed finance, and specialised acquisition finance. the division focuses on core markets across Ireland, the UK, France, Germany, Spain and the US.

He is a Certified Bank Director and a Fellow of the Institute of Banking, and is currently director of New Ireland Assurance Company. Gavin was President of the Banking and payments Federation, Ireland from January 2019 to December 2020.

Áine McCleary
Chief Customer Officer

Áine McCleary was appointed to the role of Chief Customer Officer in May 2023 as an advocate for the customer across the entire Group. She joined Bank of Ireland in 2000 and has held a wide variety of senior roles in Global Markets and Retail Banking since then. Between 2018 and 2021, she was Director of Distribution Channels, leading a team of 3,000 colleagues serving personal and business customers across the branch, contact centre and digital channels. Most recently, Áine played a leadership role in the Group's acquisition strategy.

Áine served as President of the Institute of Banking from 2018 to 2019. A business graduate of University College Dublin, she holds a Master's Degree in Business Studies from the Smurfit School of Business. She is a Certified Bank Director, a Fellow of the Institute of Banking and a NED of BoIMB.

Sarah McLaughlin
Group Secretary and Head of Corporate Governance

Sarah joined Bank of Ireland as Group Secretary and Head of Corporate Governance in September 2019. Sarah is responsible for assisting the Chairman in establishing the policies and processes the Board needs in order to function properly, in ensuring that these are complied with, and advising the Board on all governance matters. Sarah previously held the role of Group Secretary and Head of Corporate Governance at AIB Group plc, having held a variety of roles across corporate governance, finance and private banking.

Stephen Roughton-Smith
Chief Risk Officer

Stephen Roughton-Smith joined Bank of Ireland in December 2021 as Group CRO from Belmont Green, a FinTech-orientated mortgage lender where he was CRO. Previously he was part of the senior team which set up the risk management function at ADIA, Abu Dhabi's main sovereign wealth fund, Deputy Group CRO at Lloyds Bank, UK CRO at ABN AMRO, and Co-Head of EMEA Structured Finance at Moody's. Stephen started his banking career in front office roles at Bankers Trust, Merrill Lynch and Barclays Capital in trading and structured products. He has a BSc in Physics from Imperial College London, an MPhil in Physics from Cambridge University, and qualified as a Chartered Accountant with Price Waterhouse.

Your Board *(continued)*

Susan Russell
Chief Executive Officer, Retail Ireland

Susan has more than 20 years' experience in Financial Services both in Ireland and the UK. As CEO of Retail Ireland, Susan is responsible for over 2.2 million active customers across all segments including mass market, premier, youth and vulnerable customers. Retail Ireland's distribution channels encompass the branch network and contact centres along with a wide range of digital banking options. A full suite of retail banking products and services are offered through these channels including mortgages, loans, everyday banking, and wealth and insurance. Susan holds a Bachelor of Commerce degree and Masters in Business Studies from University College Dublin.

Susan is a Group NED of New Ireland Assurance Company and a Director of the Banking and Payments Federation of Ireland.

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.

Subsidiary governance

The interaction between the Group Board and the boards of our strategically significant subsidiaries is closely monitored. The Chairman meets regularly with the Chairs of these subsidiaries to ensure good communication and alignment and attends a number of subsidiary board meetings during the year. The Group Board receives reports conducted on the effectiveness of these significant subsidiaries.

In accordance with the Group's Subsidiary Governance Policy, a number of the Group's Independent NEDs serve on subsidiary boards. This enhances information flows and, where appropriate, the escalation of matters requiring Group Board attention.

- Ian Buchanan is a NED on the Board of BoI (UK) plc and a member of its Risk Committee.
- Eileen Fitzpatrick, Richard Goulding, and Michele Greene are Independent NEDs on the Davy Board. Eileen is the Chair of Davy's Board Risk and Compliance Committee and a member of its Audit Committee. Richard is the Chair of the Remuneration Committee and a member of the Board Audit and Nominations Committees. Michele is the chair of the Nominations Committee and a member of the Board Risk and Compliance and Remuneration Committees.
- Steve Pateman is an Independent NED on the Board of BoIMB.
- Fiona Muldoon acted as an Independent NED on the Board of New Ireland Assurance Company and Chair of its Audit Committee until her retirement on 30 September 2023.

Subsidiary Committee Chairs and the equivalent Group Committee Chairs also engage on their respective areas of responsibility, as appropriate. The Chairs of the established Board Audit and Risk Committees of the material subsidiaries attend and present at the Group Audit and Board Risk Committees annually to provide an account of the subsidiary Board Committees' activities in these key areas and to engage in private session with the Group Board NEDs in the absence of management.

The Group Subsidiary Governance Policy is reviewed annually by the Group Secretary and triennially by the N&G and Board, with material amendments proposed by the Group Secretary following her annual review to be proposed to the N&G and Board for approval. The Policy sets out the key aspects of the Group's governance and oversight mechanisms, clear escalation routes where issues may arise to ensure they are addressed, and governance standards required of subsidiary entities. It also includes the required procedure should any party in the Group wish to set up a new Group subsidiary or entity in which the Group will have a controlling interest.

The Group's corporate simplification programme was established to remove a number of subsidiaries from the Group, thereby simplifying the corporate structure with a view to generating efficiencies, and cost savings and reducing risk. Since its inception six years ago, this programme has enabled the Group to dissolve forty-five entities.

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 and continued through 2023, culminating in the appointments of Kevin Kingston as an INED and Audit Chair and Steve Pateman as an INED. While the BoIMB Board is now compliant with the Irish Code board composition requirements, further action is underway to address the composition of its Audit Committee, with a third INED candidate progressing through the requisite approvals processes.

During 2023, the GAC ensured enhanced focus on BoIMB audit matters in the absence of a BoIMB level committee, pending restoration of compliance with the Audit Committee requirements of the Irish Code. These matters of non-compliance were reported promptly to the CBI, including the steps being taken to rectify the position.

On behalf of the Board, the N&G considered the outcome of a review undertaken as to the root cause of the issues of non-compliance and agreed a number of actions for management to mitigate the risk of future non-compliance.

Report of the Group Nomination & Governance Committee

Patrick **Kennedy**
Chair

Dear Shareholders,

On behalf of the Group Nomination & Governance Committee (the 'Committee' or the 'N&G') I am pleased to introduce the Committee report on its activities for the year ended 31 December 2023.

Committee responsibilities

The Committee's key responsibilities include:

- leading the process for nominations and renewals for Board and Board Committees as appropriate, and making recommendations in this regard to the Board for its approval;
- ensuring plans are in place for orderly succession to both the Board and GEC, and overseeing the development of a diverse pipeline for succession;
- considering and making recommendations to the Board in respect of the appointment of KFHs;
- keeping Board governance arrangements under review and making appropriate recommendations to the Board to ensure corporate governance practices are consistent with best practice standards; and
- overseeing subsidiary governance arrangements to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries, including in relation to the composition of the Boards of the Group's material subsidiaries.

Committee membership and meeting attendance

Details on Committee Members, Committee meetings and attendance at meetings during 2023 are outlined below.

In addition to the six scheduled meetings, the Committee also held two ad hoc meetings to consider proposals for GEC appointments.

Committee Meetings	Eligible to attend	Attended
Patrick Kennedy	8	8
Eileen Fitzpatrick	8	8
Richard Goulding	8	7[1]
Fiona Muldoon[2]	7	7
Evelyn Bourke[3]	6	6

[1] Richard Goulding was unable to attend an ad hoc meeting due to a prior commitment.
[2] Fiona Muldoon retired from the Board and the Committee on 30 September 2023.
[3] Evelyn Bourke joined the Committee on 7 March 2023.

Committee activities in 2023

While not intending to be an exhaustive list of the Committee's considerations and activities in 2023, 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 2023

Board Composition, renewal, succession and effectiveness

Committee considerations

The Committee continued its focus on ensuring that the Board and its members, both collectively and individually, possess the skills, knowledge and experience necessary to oversee, challenge and support management in the achievement of the Group's strategic and business objectives. NEDs serve two three-year terms, with any appointments beyond this to be determined on an annual basis with reference to the needs of the Board and the performance and contribution of the individual.

On behalf of the Board, the Committee oversaw a number of changes to Board composition, including the retirement of Fiona Muldoon and the appointments to the Board and certain of the Board Committees of Margaret Sweeney and Akshaya Bhargava. Further details on the board changes during 2023 can be found on page 77.

The Committee also spent time considering other individual profiles for potential future appointment having due regard for the Board Succession Plan and the required evolution of the Board over the medium term, the Group's strategy and the environment within which it operates.

The Committee will continue to monitor the market for potential candidates for appointment to the Board in both the short and medium term, to ensure that the Board has a pipeline of credible successors and continues to be equipped to discharge its responsibilities effectively.

External search firms are leveraged for Board appointments. During 2023, Board Works Ltd and MWM Consulting were engaged to facilitate board-level searches.

The Committee also oversaw a number of changes to the Board Committees, including the rotation of key board roles:

- during 2023, Eileen Fitzpatrick was appointed as the Chair of the Group Sustainability Committee, succeeding Fiona Muldoon on her retirement from the Board, and Giles Andrews was appointed as the Chair of the Group Transformation Oversight Committee, succeeding Ian Buchanan;
- with effect from 1 January 2024, Ian Buchanan was appointed as the Remuneration Committee Chair, succeeding Steve Pateman, and Michele Greene was appointed as the Board Risk Committee Chair, succeeding Richard Goulding; and
- with effect from 28 February 2024 Richard Goulding will become Group Audit Committee Chair, succeeding Evelyn Bourke and Evelyn Bourke will take up the role of WED.

The Committee leads the process by which the Directors are assessed initially on appointment and thereafter to ensure continued suitability for their roles on the Board. The Committee makes a recommendation to the Board as to the continued suitability of each Director, and the Board as a collective, on the basis of the outcome of certain due diligence checks and skills assessments. This process is considered alongside the annual independence assessment and outcome of the annual effectiveness process and forms the basis on which each Director is proposed to shareholders for election or re-election each year.

The Board recognises the importance of diversity, and the strengths diversity brings to Board effectiveness. Diversity is taken into account in its broadest sense when considering succession plans and appointments at both Board and senior management level, as well as more broadly across the Group. The focus on diversity at Board level continued during 2023, including as a result of the UK Listing Authority Rules.

In line with the Board's Diversity Policy, the Board remains committed to appropriate diversity at Board and senior levels to ensure we reflect the markets and societies we serve. The Board Diversity Policy is available at www.bankofireland.com/about-bank-of-ireland/corporate-governance.

On behalf of the Board, the Board is committed to having a diverse Board, to achieving the targets set and to ensuring an open and fair recruitment and selection process. The Committee has regard for the targets set by the Board to (1) have a minimum of 40% female representation on the Board, with a medium-term aspiration to have broadly equal gender representation; and (2) achieve minority ethnic representation. At the end of 2023, the Board was comprised of four females and seven males, equating to 36% female representation. The appointment of Akshaya Bhargava on 12 January 2024 enhances the Board's minor ethnic minority representation. Further information on the Board's profile can be found on page 87.

The Committee is also mindful of the expectation that a woman holds at least one of the senior Board positions of Chairman, CEO, SID or CFO. The Chairman succession process is underway, and the Committee considers succession for the other key Board roles on an ongoing basis. At the end of 2023, all those holding these senior Board positions at the Group were male. The Committee will take into account the need for greater diversity when considering candidates for appointment to these roles. The Board is committed to achieving this target over the medium term. Further details on activities to improve diversity across senior management and the wider workforce, together with representation statistics, can be found on page 76.

In December 2022, the Board established a special purpose committee to oversee the Chairman succession process, under the leadership of the SID. A separate report on the Chairman's tenure and succession can be found on page 85.

Committee conclusion

The composition of the Board remains compliant with applicable regulations and is appropriate in the context of the nature, scale and complexity of the Group and the locations and the sectors in which it operates. Appropriate plans are in place for orderly succession to the Board.

Each Director continues to be suitable to perform their roles on the Board and to bring the requisite knowledge, skills and experience, and integrity, ensuring the collective suitability of the Board.

The Committee is satisfied with the appropriateness of the continued retention of Board Works Ltd MWM Consulting for Board searches in 2023 and 2024. MWM Consulting is based in London with a team who have extensive internal reach and provides board search services to the UK market. MWM Consulting has no connection with the Company other than in a recruitment capacity. 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.

A further update on the outcome of active search and succession processes will be provided to the market at the appropriate juncture.

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

Matters considered and action taken by the Committee in 2023 *(continued)*

Effectiveness Evaluation

Committee considerations

The Committee oversaw the design of and approach to the 2023 Board evaluation process, which considers the Board's composition, diversity and how effectively members work together to achieve objectives. The process incorporates a review of each the Board, the board committees and individual directors.

Having completed a positive external process in 2022, the 2023 process was internal, and the Committee supplemented it with a wider Board Perception Survey, gaining insights from a wider population of senior leaders to ensure the continued enhancement of the Board and its operations.

The Directors are cognisant of the importance of acting with integrity, leading by example and promoting the desired culture; the addition to the process of the Board Perception Survey is intended to bring further insights into the tone being set by and the impact of the Board and will ensure its continued enhancements. A separate report on the outcome of the board evaluation can be found on page 88.

Committee conclusion

The Committee is satisfied with the approach to and outcome of the annual effectiveness process for 2023 and intends to continue the supplemental Perception Survey which added value to the Board and was received well by colleague participants.

Executive level appointments, succession and diversity profile

Committee considerations

On behalf of the Board, the Committee considered a number of GEC and KFH appointments during 2023, satisfying itself as to the outcome of suitability and fitness and probity assessments, and with due regard to succession planning.

The Committee also continued to monitor the gender and ethnic diversity profile of the Group and to challenge the Executive on data, progress and enhancement activities in that regard. Significant progress was made in 2023 with the Group receiving accreditation as an Investing in Ethnicity Employer, in recognition of our progress in developing an inclusive and ethnically diverse workforce.

Committee conclusion

The Committee supported the appointment of:

- the Head of Operational Risk, who took up this role alongside an existing role in January 2023;
- the CEO of Corporate and Commercial Banking, who took up his role in March 2023;
- the CEO of Retail Ireland, who took up her role in July 2023;
- the Chief Customer Officer, who took up her role in May 2023;
- the Interim CEO of Retail UK and BoI (UK) plc, who took up his role in October 2023, pending appointment of a permanent role-holder;
- the CEO of Retail UK and BoI (UK) plc, who took up her role in January 2024; and
- the Chief Operating Officer, who took up his role in January 2024.

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 Chief People Officer to ensure the Group is positioned to respond to departures by maintaining access to and awareness of the external market and through the focused development of internal talent.

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 Board in that regard.

In terms of the wider Group diversity profile, 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 31% female representation, which is an improvement from the 25% female representation in 2022. The direct reports of the GEC have 51% female representation, which is an increase from 44% in 2022. Whilst not reaching the target of 50:50 gender appointments in managerial roles, female representation in managerial bands has increased slightly to 39%, against 38% in 2022, with the total senior female population having grown by 5% since November 2022, from 732 to 767. The Board recognises that progress is being made and that more is required, and the Committee will continue to oversee the Group's activities to ensure progress is made in diversity and inclusion at Bank of Ireland.

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

Matters considered and action taken by the Committee in 2023 *(continued)*

Group and Board level Governance

Committee considerations

The Committee continued to assess the Group and Board governance arrangements to ensure that they operated in line with corporate governance best practice, and, during 2023, considered and approved, where relevant:

- a new Individual Accountability Framework Policy to ensure compliance with and preparedness for the newly introduced executive accountability regime;
- 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;
- the Capital Requirements Directive Compliance Statement;
- Corporate Governance disclosures;
- the Group's Fitness and Probity and Suitability Assessment Policy;
- the Board terms of reference and Matters Reserved for the Board;
- the Committee Terms of Reference and annual calendar;
- the Board Conflicts of Interest Policy;
- the Director Assessment Policy;
- the Board Training, Development and Induction Policy;
- the Group Subsidiary Governance Policy;
- the Group's corporate structure; and
- the Board Diversity Policy and progress against targets set out therein.

The Committee approved changes to internal policies to ensure continued compliance with all applicable Corporate Governance requirements and best practice governance standards, including enhancements required to ensure compliance with the Individual Accountability Framework.

More detail on the Group's compliance with corporate governance requirements and practices can be found on pages 120 to 124.

Subsidiary Governance

Committee Considerations

Subsidiary governance remained a key feature of the Committee's agenda during 2023 and the Committee:

- oversaw all appointments to the board of directors of each of the boards of the Group's Tier 1 material subsidiaries;
- received updates on the succession plans for each of the Group's Tier 1 material subsidiaries;
- considered the outcome of effectiveness evaluations conducted in relation to the boards of the Group's Tier 1 material subsidiaries;
- received updates on the activities of established nomination committees of the Group's Tier 1 material subsidiaries via minutes of their committee meetings;
- received updates on the status of compliance with the Irish Code for each of the Irish Tier 1 material subsidiaries, including updates as to the various matters leading to the non-compliance with the Irish Code requirements on board composition by BoIMB, following which a number of actions were requested by the Committee to mitigate future recurrence;
- reviewed the Group's Tier 1 material subsidiary boards' terms of reference and matters reserved for the Board and Shareholder; and
- approved updates to the Group Subsidiary Governance Policy, to provide greater clarity to all stakeholders as to the approach to and requirements of applicable regulations and best practice guidelines on both the Group and the subsidiaries.

Committee conclusion

The Committee is satisfied that the actions taken in response to BoIMB Board composition challenges will mitigate future recurrence of non-compliance with the Irish Code and that the Group's subsidiary boards comprise suitable directors and have sound governance structures. The Committee's subsidiary governance oversight activities complement the Board and Committee Chair's regular engagements with the Tier 1 material subsidiary boards' respective chairs, details of which are reported to the Board.

For more information on the Committee's responsibilities go to: bankofireland.com/about-bank-of-ireland/corporate-governance.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. A Committee effectiveness review was conducted during 2023 as part of the wider annual Board effectiveness evaluation process and found that the Committee continued to operate effectively. For more information on the annual effectiveness review, see page 88.

Patrick Kennedy

Chair of the Nomination & Governance Committee

23 February 2024

Report of the Group Remuneration Committee

Ian
Buchanan
Chair

Dear Shareholders,

On behalf of the Group Remuneration Committee (the 'Committee'), I am delighted to introduce the report on the Committee's activities for the year ended 31 December 2023.

Having served on the Committee since 2018, and as Chair of the Committee since 2020, Steve Pateman completed five years on the Committee and stepped down as the Committee Chair on 31 December 2023. During his tenure, the Group passed a number of significant milestones, including the partial lifting of the remuneration restrictions, the re-introduction of variable remuneration (capped at €20,000), the introduction of gender pay gap reporting, and the oversight of a new material regulated subsidiary upon the acquisition of J&E Davy (Davy). The Committee thanks Steve for his dedication and thoughtful leadership. Having served on the committee since 1 January 2022, I am pleased to be able to succeed Steve in the role of Committee Chair, effective 1 January 2024.

Committee responsibilities

At a high level, the Committee is established by the Board to ensure that the Group's remuneration policies and practices are designed to support the Group's strategy and promote long-term sustainable success.

The Committee is responsible for the oversight of Group-wide remuneration policy and has responsibility for:

- 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;
- 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 MRTs; and
- performing any other functions appropriate to a Remuneration Committee or assigned to it by the Board.

The partial release of the remuneration restrictions in November 2022 afforded the Board, 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.

In that context, I was pleased that our Directors' remuneration policy received strong support at the 2023 AGM, with more than 98% of the votes cast in favour of the policy.

The Group continues to engage with the Department of Finance regarding the continuing constraint on the Board's autonomy with regard to the Group's remuneration policies and, if the remaining restrictions were lifted, the Group would consider such changes and seek shareholder approval to update the existing 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 2023 are outlined below:

Committee Meetings	Eligible to attend	Attended
Steve Pateman	11	11
Giles Andrews	11	11
Ian Buchanan	11	11
Eileen Fitzpatrick	11	11
Fiona Muldoon	8	8
Margaret Sweeney	3	3

Report of the Group Remuneration Committee *(continued)*

During 2023, there were a number of Committee membership changes. Fiona Muldoon retired from the Board and the Committee on 30 September 2023. She had been a member of this Committee since 2020 and we thank Fiona for her well-considered contributions to its work over the years. On 1 October 2023, the Committee welcomed Margaret Sweeney as a new member and we look forward to working with her.

In terms of planned changes in 2024, Eileen Fitzpatrick, who has been a member of this Committee since 2019, will step down from the Committee, and as WED, on 28 February 2024, when Evelyn Bourke will join the Committee and take up the duties of the WED. The Committee thanks Eileen for her contribution, considered focus on the wellbeing of colleagues throughout the Group, and dedication during a time which involved changes to the remuneration policy for our colleagues across the Group.

The Committee acts independently of the Executive and is comprised of independent NEDs. On 31 December 2023, 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 this Committee and the BRC via Giles Andrews, Steve Pateman and the Committee Chair, who were members of both Committees in 2023. In addition, Eileen Fitzpatrick, who serves as WED, is a member of this Committee.

The Chairman, the Group CEO, Chief People Officer, Group CRO and the Head of Reward also attend meetings, as appropriate, and at the invitation of the 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. In 2023, the Committee completed the annual review of its performance, which included an assessment of the quality of information provided to the Committee to discharge its responsibilities. The remuneration advisors serve as a key source of such information. The Committee confirmed that the information and support received enabled its work and agreed to retain the service of PwC UK into 2024. 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 the Group.

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.

Key decisions by the Committee during 2023

In November 2022, the Irish Government announced a change to the remuneration restrictions, resulting in the removal of the cap on fixed remuneration and the re-introduction of variable remuneration, capped at €20,000, which applies to all colleagues in the Group (excluding Davy, which operates under a separate remuneration model in line with the terms of the acquisition).

During 2023, the Committee focused its work on providing oversight of:

- the design of the Group Profit Share (GPS) scheme, which provides all employees an opportunity to share in the success of the business based on Group and individual performance, capped at €20,000 for all employees across the Group, including Executive Directors (Davy colleagues do not participate in the GPS);
- the overall annual salary review budget for 2023 which was set at 3.5% with additional cost of living support;
- enhancements to colleagues benefits, including a personal benefit pot for junior colleagues, the ability to buy and sell annual leave, and a new health insurance benefit for all colleagues that will be provided in 2024 to Ireland (RoI) and Northern Ireland (NI) colleagues (colleagues in other jurisdictions already have access to health insurance benefits);
- the completion of key regulatory requirements, including approval of policies and remuneration disclosures, MRT identification, remuneration and suitability, and other regulatory matters; and
- the fees for the Chairman (currently €394,000 per annum) as part of the Board's process for identifying an appropriate successor to Patrick Kennedy. As part of this review, the Committee noted that the current fee, which was reduced in 2009, has remained unchanged since then. As a result, the Chairman fee level is currently towards the lower quartile of fees paid for equivalent roles in the market. The Committee also noted that over the past 15 years there has been an increase in the demands and expectations of the role, including regulatory and corporate governance expectations. Noting the time commitment, experience and skills required for the role, the Committee concluded that the fee for the Chairman may need to be increased to help ensure the Group can attract a candidate with the appropriate experience and expertise.

Whilst the partial lifting of some of the remuneration restrictions is welcomed, the cap on variable pay continues to significantly constrain the Group's ability to structure and position remuneration for all colleagues that creates a strong link between individual colleague's behaviour, performance, and their compensation outcomes.

Company performance and the Group Profit Share Scheme

The Committee reviewed and agreed the GPS pool based on an assessment of the Group's profit performance relative to expectations set at the start of the financial year and taking into account performance against a range of financial and non-financial measures. In making this assessment, the Committee took into consideration the following:

Report of the Group Remuneration Committee *(continued)*

- improvement in the Group's financial performance, in particular noting profit before tax increased to €1.9 billion (2022 restated for IFRS 17: €1.0 billion);
- the strong capital position with fully loaded CET1 ratio of 14.3%;
- good progress on improving customer satisfaction;
- improvements in the employee engagement metric, increasing to 73% (68% in 2022);
- strong progress against our climate initiatives of increasing green / sustainable financing; and
- the Group's performance against financial and non-financial measures, including the performance of the Group's risk management.

Based on the above assessment, the Committee approved a profit share pool for 2023. In setting this pool, the Committee applied a risk related reduction, relating to risk profile and risk events during 2023. Approximately 10,000 eligible employees, including Executive Directors, are participating in the profit share pool with individual awards dependent on individual performance ratings.

Executive Director Remuneration in 2023

In line with the variable pay restrictions applicable to the Group, the maximum award for the Group CEO and Group CFO for 2023 was capped at €20,000. Taking into account the Group performance versus a mix of financial and non-financial criteria, including profit and risk assessment, the risk reduction applied to the 2023 profit share pool (as noted above) and their individual performance, the Committee has determined that they both should receive a GPS award of €16,500. A summary of their personal performance is provided in the Directors' Remuneration Report on page 127.

During the year, the Group engaged and met with a number of our significant shareholders. As part of this engagement, we also discussed their views on the implementation of our new remuneration policy. We found this engagement useful. Noting the Group's unique circumstances, a number of our larger shareholders expressed the view that Executive Director pay is positioned below benchmarks and that this gap should be reviewed, with consideration also given to strengthening alignment of interests between the Executive Directors and shareholders.

The Committee will undertake to review the current approach to Executive Director remuneration during 2024. As part of this review, the Committee will also engage with our shareholders and proxy advisory bodies to discuss and understand their perspective on Executive Director remuneration. If considered appropriate, the Committee may look to bring a revised Directors' remuneration policy for shareholders' approvals at the 2025 AGM.

Workforce Engagement

The Group continues to prioritise workforce engagement to good effect. The colleague engagement metric is up 22 points since it was first measured in 2017, to 73%. This is due to a number of initiatives including those undertaken by the WED, who is a member of the Committee and during 2023 undertook the following:

- 'Open Door' sessions with groups of colleagues drawn from various businesses and divisional teams during which a number of items were discussed including resourcing, remuneration, hybrid working and colleague wellbeing.
- Deep dive listening sessions with the Industrial Relations team and UK Partners Council, including on remuneration.
- Branch visits with staff across Dublin and Mayo.

Colleagues discussed a variety of issues with the WED, which were shared with the Board during 2023, including the positive impact of hybrid working; the increase to UK entry level salaries; the introduction of a suite of family friendly policies and wellbeing initiatives; the 2023 salary review; and the cost of living measures that had been introduced to support the financial wellbeing of colleagues.

Report of the Group Remuneration Committee *(continued)*

Matters considered and action taken by the Committee in 2023

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

Committee considerations

- Approval of Group Remuneration Policy, including the approach to MRT identification, and of governance and monitoring of that policy.
- Review of the Group risk profile and implications of remuneration policies for risk and risk management, including the GPS scheme.
- Review of the remuneration approach for the workforce in the context of 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. Davy colleagues do not participate in the GPS scheme but have their own variable pay schemes.

Committee conclusion

- Current Remuneration Policy, including the approach to MRT identification, is properly governed and implemented and does not lead to inappropriate risk taking.
- The Committee reviewed and agreed the GPS pool based on an assessment of the Group's profit performance relative to expectations set at the start of the financial year and taking into account performance against a range of financial & non-financial measures. The GPS scheme is subject to the €20,000 cap on variable remuneration.
- The Committee reviewed workforce remuneration trends and provided oversight of the cost of living challenges experienced by the workforce and management's considered response.
- 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 2023, due to the remaining remuneration restrictions, this has yet to be fully achieved.
- In 2023, the Committee continued to provide oversight of remuneration governance of its subsidiaries, with particular focus on variable remuneration in Davy and its remuneration policy and practices.

Remuneration Disclosure

Committee considerations

- Approval of the Pillar 3 disclosures and the Remuneration Report.
- Approval of the publication of the Gender Pay Gap Report.
- Consideration of remuneration disclosures for variable remuneration and fixed share allowances (FSAs) for Persons Discharging Managerial Responsibility.

Committee conclusion

- Current disclosures are appropriate.
- The Committee approved the publication of the Gender Pay Gap Report.
- Disclosures continue to reflect good remuneration practice, strong governance and shareholder expectations.

Governance and review of remuneration practice

Committee considerations

- Approval of the Group Remuneration Policy.
- Approval of the approach to the identification of MRTs, which forms part of the Group Remuneration Policy.
- Approval of Group MRT list and the review of MRT suitability.
- Review of workforce remuneration, top earners, and compliance with the remaining 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, senior officers in independent control functions and those who could materially impact the Group's risk profile (MRTs).
- The Committee has responsibility for MRTs, including oversight of their remuneration and ongoing suitability in role.
- There is good governance around reviewing regulatory developments. The outcome of internal audits relevant to the remuneration policy and practice are reviewed annually.
- Compliance 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, is based on operating within the relevant terms of the agreement in place with the Irish State. Specifically, under the terms of this agreement and a partial release, a very limited variable remuneration scheme has been designed, but it remains capped at €20,000 under the remaining restrictions of this agreement. The Group fully adheres 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 Chairman, Executive Directors, senior management (i.e. 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 Group takes place with the Group's Staff Representative Bodies.

Report of the Group Remuneration Committee *(continued)*

Matters considered and action taken by the Committee in 2023 *(continued)*

Performance and Remuneration of senior management

Committee considerations

- Oversee 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 MRTs.
- Approve the Group Chief Executive Officer's annual performance assessment, performance objectives, and remuneration terms.
- As part of the annual performance review process, assess whether the GEC's collective knowledge and expertise remains appropriate given the Group's risk profile.
- Review of the approach to remuneration of Senior Officers in independent control functions.
- Benchmarking and approval of changes to remuneration of senior management (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 remaining remuneration restrictions.

Committee conclusion

- There is an appropriate process in place to assess the performance of senior management, which was enhanced in 2023 with the introduction of Thrive, the Group's performance appraisal process. This includes the review of the Group CEO's annual performance assessment, performance objectives and remuneration terms.
- Changes to senior management remuneration are properly assessed and approved, in line with the Remuneration Policy and regulatory requirements, including the performance and remuneration of Executive Directors.
- Through the performance review process, there is an appropriate process in place to annually assess that the GEC's collective knowledge and expertise remains appropriate given the Group's risk profile.
- The Committee provides oversight of the remuneration of Senior Officers in independent control functions at the time of appointment and at least annually thereafter.
- Workforce remuneration and appropriate benchmarking trends are reviewed in advance of reviewing and setting Executive Director and senior management remuneration.
- An appropriate process is in place to review the Remuneration Policy and practice in relation to Executive Directors and all colleagues. Oversight of the Remuneration Policy includes particular focus on clarity, simplicity, risk predictability, proportionality and alignment to culture for Executive Directors.
- The Committee approved the design of the GPS for all colleagues in the Group.
- The Committee supported the Group's ongoing dialogue with the Department of Finance in relation to the remaining remuneration restrictions.

Group Chairman and subsidiary NED fees

Committee considerations

- Review of the fees paid to the Chairman and NEDs of subsidiary boards.

Committee conclusion

- The Chairman's fee remained unchanged during 2023.
- The Committee reviewed and agreed that an increase in the all-inclusive fees for the Chairman role is required to attract a candidate with the appropriate experience and skills, and to reflect the time commitment required.
- The review of subsidiary NED fees considered the time since the fees were last changed, market benchmarking, and workforce remuneration trends during the same time period. Subsidiary NED fees are kept under review, with a view to attracting and retaining NEDs with the necessary knowledge, skills and experience required for each major regulated subsidiary.
- The remuneration of Group NEDs is not a matter for the Committee and is instead reviewed by the Chairman of the Board in consultation with the Group CEO, the Chief People Officer and the Group Company Secretary. Group NED fees are determined by the non-conflicted members of the Board within the limits set by shareholders in accordance with the Constitution. Remuneration for all Group NEDs does not include share options or other performance-related elements. No director is involved in deciding their own remuneration outcome.

Report of the Group Remuneration Committee *(continued)*

For more information on the Committee's responsibilities, go to: bankofireland.com/about-bank-of-ireland/corporate-governance.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. An internal effectiveness evaluation of the Board and its Committees was conducted during 2023, and that evaluation was reviewed by the Board and its Committees in January 2024. The Committee continuously highlights the challenge faced, as a result of the remuneration restrictions, 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.

Whilst the partial release of the remuneration restrictions during 2023 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.

Ian Buchanan

Chair of the Group Remuneration Committee

23 February 2024

Report of the Group Audit Committee

Evelyn **Bourke**
Chair

Dear Shareholders,

On behalf of the Group Audit Committee (the 'Committee' or 'GAC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2023.

Committee responsibilities

The Committee is responsible for monitoring the quality and integrity of the financial statements, and, in partnership with the BRC, monitoring the effectiveness of the Group's internal control, including accounting, financial reporting and risk management systems. The Committee also monitors the independence and performance of the internal and external auditors. Based on the oversight activities of the GAC and the oversight activities of the BRC, the Committee is satisfied that a strong financial risk management and control environment is in place and that internal controls over financial reporting were appropriately designed and operating effectively during the year. The Committee maintains 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 GIA and the external auditor, KPMG, and considers and recommends the interim and annual financial statements to the Board for approval.

During 2023, 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 meeting attendance

Details on Committee Members, Committee meetings and attendance at meetings during 2023 are outlined below.

Committee Meetings	Eligible to attend[1]	Attended
Evelyn Bourke	13	13
Eileen Fitzpatrick	13	13
Richard Goulding	13	13
Fiona Muldoon	10	10
Steve Pateman	13	13
Michele Greene[2]	10	9
Margaret Sweeney[3]	3	2

[1] *These included four meetings held in conjunction with the BRC to consider the impairment charges being applied to the 2022 financial statements and the 30 June 2023 interim financial statements and to receive specific internal control updates relevant to both committees.*
[2] *Michele Greene was unable to attend an ad hoc meeting shortly after joining due to prior commitments.*
[3] *Margaret Sweeney was unable to attend an ad hoc meeting shortly after joining due to prior commitments.*

The composition of the Committee changed during 2023, with the appointment to the Committee of Michele Greene, on 7 March 2023, and Margaret Sweeney, on 1 October 2023. Fiona Muldoon stepped down from the Committee on her retirement from the Board of BoIG plc and the Court of Directors on 30 September 2023. I would like to welcome Michele and Margaret to the Committee and thank Fiona for her support and contribution to the effective work of the Committee during her tenure.

Common membership between the Committee and the BRC was maintained during 2023 through the membership of both committees of Richard Goulding, Steve Pateman, Michele Greene and I; this facilitates appropriate co-ordination and effective governance across key areas of internal control.

The Committee acts independently of the Executive. All members of the Committee are INEDs with relevant financial experience and their biographies can be found on pages 81 to 84. 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.

Report of the Group Audit Committee *(continued)*

Members maintain their knowledge base on relevant Committee matters through continuous development opportunities, Board deep dives and training.

The Group CFO, Group Financial Controller, the Group Chief Internal Auditor (GCIA), the Group CEO, the Group Chief Compliance Officer and the Group CRO each attend meetings of the Committee, when appropriate and at the Committee's request.

The Committee also holds private sessions with members of senior management. During 2023, 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.

Committee Activities in 2023

While not intending to be an exhaustive list of the Committee's considerations and activities in 2023, 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 subsequent changes thereto), the skills and capabilities assessment 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. The Committee also considered the Quality Assurance Review Report from GIA.

An independent External Quality Assessment of GIA concluded in January 2024. The review found GIA to be mature, independent, agile and respected across the Group. Areas for improvement were also noted and, together with actions agreed as part of the 2023 Supervisory Review and Evaluation Process, will be subject to Committee oversight and challenge through to closure.

I continued to act as Sponsor of the Speak Up Policy, which is owned by GIA and was reviewed and approved by the Committee during 2023. The Group's Speak Up Policy, processes and procedures remain under regular review to ensure their continued appropriateness and alignment with the Protected Disclosures Act and to monitor actions being taken to increase awareness of Speak Up across the Group. The Speak Up and Investigations unit was subject to external audit by Grant Thornton during 2023. The Committee considered the final report, which was rated Satisfactory, in December 2023.

In consideration of the Committee's oversight activities of GIA and the aforementioned actions underway and plans regarding the continued enhancement of GIA, the Committee is satisfied that the quality, experience and expertise of GIA is appropriate for the business.

External audit

KPMG was appointed as the Group's external auditor on 19 April 2018, following an external tender process and has since been re-appointed as external auditor on an annual basis. The Committee oversees the Group's relationship with KPMG, and KPMG's lead audit partner for the Group attends Committee meetings.

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 Standard for Auditors (Ireland) 2020 from the Irish Auditing Accounting Supervisory Authority (IAASA), the Financial Reporting Council's revised Ethical Standard 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 paid to KPMG for the year ended 31 December 2023 amounted to €7.4 million (2022: €7.2 million), of which €1.2 million (2022: €1.4 million) was payable in respect of assurance services. Assurance services represented 19% of the statutory audit fee (2022: 24%). Further information on fees paid and details in respect of audit and assurance services provided during the year are set out in note 12 to the consolidated financial statements 'auditor's remuneration'. The interim review 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 2023 and recommended that the Board propose KPMG for re-appointment approval at the 2024 AGM.

Report of the Group Audit Committee *(continued)*

Financial reporting

A key activity for the Committee is the consideration of significant matters relating to the annual and interim financial report, with key accounting judgements and disclosures subject to in-depth discussion with management and KPMG. The Committee provides robust challenge to key judgements in advance of making a recommendation to the Board that all financial reports are considered to be a fair, balanced and understandable assessment of the Group's financial position.

The GAC and BRC continued their specific focus on the approach to and implementation of management judgement (including overlays) for the Expected Credit Loss (ECL) model to account for the expected impairment arising from the relatively high inflationary environment, elevated interest rates, geopolitical events and other risks, prior to the publication of the interim and year-end financial statements.

Much of this consideration took place in conjunction with the BRC, following which the Committees made recommendations to the Board regarding the approach and quantum of the proposed net impairment loss applied to the Group's financial statements.

The Committee also considers, provides challenge to and ultimately recommends, the annual and semi-annual Pillar III Disclosures to the Board for approval. It also considers and approves the Country-by-Country report required under the CRD.

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 2023 annual report, including the financial statements, is fair, balanced and understandable.

Matters considered and action taken by the Committee in 2023

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 (NPEs).

The Group's approach to the measurement of impairment is set out at high level in the Board-approved Group Credit Risk Policy and in more detail in the Group Impairment Policy. The Group Impairment Policy is approved by the Group Credit Risk Committee and 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 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 year.

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 BRC, considered and made recommendations to the Board regarding the approach to and measurement of the proposed net impairment loss applied to the Group's 2023 financial statements.

Report of the Group Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2023 *(continued)*

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, 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.

Deferred taxation

Committee considerations

The Committee considered the extent of DTAs 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 ICAAP. The financial projections are prepared for the purpose of the Group's assessment of its capital adequacy. They are subjected to considerable internal governance at a divisional and Group level and are reviewed and approved by Executive management and the Board. Management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the DTA recognised arising from unused tax losses.

In relation to 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;
- The disclosure impact of the minimum rate of Corporation tax of 15% enacted into Irish legislation in December 2023 and the related amendments to IAS 12.

The most recent financial projections indicate a recovery period of 5 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 2023.

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'.

IFRS 17 and Life assurance accounting

Committee considerations

The Committee considered management's key assumptions and judgements used in determining the value of the insurance contract liabilities. The key assumptions underlying the insurance contract liabilities 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 including an allowance for illiquidity premium. Interest rates are based on market information and are determined using the top-down approach for the annuity portfolios and the bottom-up approach for other contracts, as permitted under IFRS 17.

Committee conclusion

The Committee approved the IFRS 17 Transition assumptions and judgements required for calculation of the opening IFRS 17 liabilities at 1 January 2023, and concluded that that related disclosure was as required by IAS 8.

The Committee is satisfied that the significant assumptions are appropriately applied and that the accounting for the Group's 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 intangible assets. 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 2023, as reasonable and in line with the requirements of IFRS.

Report of the Group Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2023 *(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 Board in that regard. This required a robust assessment of the principal risks facing the Group, including those that would threaten its business model and future performance, solvency and liquidity.

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 2023 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 a range of other factors such as the economic outlook for the Irish economy and the current global macroeconomic and geopolitical environment. The considerations assessed by the Committee are set out on page 203 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 203) was subsequently approved by the Board.

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.

Davy Goodwill Impairment Assessment

Committee considerations

The Committee considered management's assessment of impairment indicators in relation to the goodwill recognised following the Group's acquisition of J&E Davy (Davy) in June 2022. The Committee reviewed and challenged management's key assumptions and judgements in relation the calculation of the recoverable amount. These assumptions included cash flow projections, the discount rate and the growth rate.

Cash flow projections are based on internal management information for a period of up to 5 years, after which a long-term growth rate appropriate to the business is applied. The initial 5 years' cash flows are consistent with approved plans for the business prepared under the Group's ICAAP process.

Committee conclusion

The Committee is satisfied that the key assumptions are appropriate and no impairment of Goodwill is required at 31 December 2023.

Report of the Group Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2023 *(continued)*

Northridge Commissions

Committee considerations
The UK motor finance industry continues to experience an increase in the volume of complaints and court claims in relation to historical commission arrangements. The Financial Conduct Authority (FCA) announced in January 2024 that they are using their powers under Section 166 (s166) of the Financial Services and Markets Act 2000 to review historical motor finance commission arrangements and sales across several firms. The FCA has indicated that if they find there has been widespread misconduct and customer harm, they will identify how best to remediate consumers through an appropriate settlement arrangement in an orderly, consistent and efficient way and, if necessary, resolve any contested legal issues of general importance. Management considers that a possible obligation in this regard exists in the Group's UK Northridge motor finance business, pending the outcome of the s166 review.

Committee conclusion
On the basis of the review performed and discussions with management, particularly considering the requirements of IAS 37, the Committee is satisfied with management's recommendation that it is not considered that a legal or constructive obligation has been incurred in relation to these matters that would require a provision to be recognised at this stage. Furthermore, given the inherent uncertainties relating to the scope and timing of any possible outflow, it is not currently practicable to estimate the extent of any financial impact. The Committee is also satisfied that a contingent liability exists, as an outflow of resources is possible, and that the disclosure of this matter included in note 39 contingent liabilities and commitments is appropriate.

The Committee also:
- sought updates from senior management on key audit findings;
- dedicated time to the consideration of semi-annual Regulatory Reporting updates;
- considered updates from the Audit Committee Chairs and Head of Audit for each of the BoI (UK) plc, Davy and NIAC subsidiary Audit Committees, as well as minutes of each Committee meeting. GAC also ensured enhanced focus on BoIMB pending the approval of new BoIMB directors and the associated reinstatement of the BoIMB Audit Committee; and
- reviewed talent development in and succession planning for the Finance function

A full list of responsibilities is detailed in the Committee's terms of reference, which can be found in Board / Court Committees on the Group Website: bankofireland.com/about-bank-of-ireland/corporate-governance.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. A Committee effectiveness evaluation review is completed on an annual basis and the 2023 review found that the GAC continued to operate effectively.

I stand down as the Committee Chair and as a member of the Audit Committee on 27 February 2024 and Richard Goulding will take on the role as Committee Chair. I would like to wish Richard well in his new role and to thank the Committee Members for their support and contribution to the effective functioning of the Committee since I commenced in the Chair role in January 2021.

Evelyn Bourke
Chair of the Group Audit Committee

23 February 2024

Report of the Board Risk Committee

Michele **Greene**
Chair

Dear Shareholders,

On behalf of the Board Risk Committee (the 'Committee' or the 'BRC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2023.

I joined the Committee in December 2019 and became the Committee Chair on 1 January 2024, having engaged in a detailed handover process with the previous Committee Chair, Richard Goulding, during 2023. Richard served as Committee Chair for just over 5 years, from August 2018, and committed a significant amount of time to supporting and challenging Management and leading the Committee in order to ensure the continued enhancement of the Committee's operations and the Group's approach to Risk Management. On behalf of the Committee, I would like to thank him for his strong leadership of the Committee and his contribution to the wider Group during his tenure as Committee Chair. Richard remains as a member of the Committee and we will continue to benefit from his relevant expertise.

Committee purpose and responsibilities

The Committee was established to advise and support the Board 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 Board, 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 2023 are outlined below:

Committee Meetings	Eligible to attend[1]	Attended
Giles Andrews	21	21
Evelyn Bourke	21	21
Ian Buchanan	21	20[2]
Richard Goulding	21	21
Michele Greene	21	21
Steve Pateman	21	21

[1] *Including 5 joint meetings with the GAC to consider the impairment charges being applied to the 2022 financial statements and the 30 June 2023 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.*
[2] *Ian Buchanan was unable to attend an ad hoc meeting due to a pre-existing engagement.*

The Committee met a total of thirteen times on a standalone basis in 2023, driven by oversight of implementation of the Group Risk Management Framework, together with oversight of regulatory requirements. The Committee also met in four joint sessions with the GAC to discuss impairment, twice with the GTOC to discuss the risk aspects of investment allocation given the Group's investment in digital capabilities, and twice with the Group Sustainability Committee to consider ESG matters.

Akshaya Bhargava joined the committee on appointment to the Board of BoIG plc and the Court of Directors on 12 January 2024. The Committee acts independently of the Executive and comprises seven NEDs. 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. Members' biographies can be found on pages 81 to 84.

Report of the Board Risk Committee *(continued)*

Board consideration of risk-related issues is considered to be enhanced by Members serving on more than one Board sub-committee. The BRC is required under regulation to have one shared member with each of the GAC and the GRC. Given the Group's ongoing focus on transformation activities and related risk considerations, the Group has determined that shared membership of the GTOC is also appropriate. The Responsible and Sustainable Business (RSB) Committee was renamed in 2023 to the GSC and shared membership between the BRC and the GSC is also considered appropriate in the context of risk management in respect of ESG particularly climate-related activities.

Shared membership between the BRC and each of the GAC, GRC, GTOC and GSC is currently maintained as follows:

Committee	Shared Members with the BRC
GAC	Evelyn Bourke[1], Richard Goulding, Steve Pateman and Michele Greene
GRC	Giles Andrews and Ian Buchanan
GTOC	Giles Andrews, Ian Buchanan, Richard Goulding, Michele Greene and Akshaya Bhargava
GSC	Giles Andrews, Evelyn Bourke and Michele Greene

[1] *Evelyn stands down from the Audit Committee on 27 February 2024.*

The Committee holds private sessions with senior management. During 2023, 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 GCIA and members of the wider Executive also attend meetings as appropriate and at the invitation of the Committee Chair.

During December 2023, the Group CRO, Stephen Roughton-Smith, announced his intention to depart from the Group in 2024, following the design and implementation of a new structure for the second line of defence and initiation of a new Group Risk Management Framework. Stephen will remain in role until a successor is appointed. The Committee would like to thank Stephen for his commitment to the role and the aforementioned risk management change since joining the Group in December 2021.

Committee activities in 2023

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

Risk Management Framework, library and organisation

The Committee sharpened its focus during 2023 on the implementation of a strengthened Risk Management Framework and the embedding of a process-led operational risk management. As part of this focus, the committee approved refreshed risk policies for Level 1 risks which digitise risk mitigation requirements in a format which enables their management via respective controls to be monitored across the Group's mapped process universe.

Amendments to the Risk Management Framework and Risk Library were also approved by the committee to reflect additions, amendments and revisions made to Level 2 and 3 risks as part of the Level 1 risk review, and the articulation in Risk Appetite Statements of Financial and Non-Financial Risks was enhanced to ensure full alignment.

The Committee provided formal approval for the Operational Risk Reduction Plan, which provides a clear link between Risk Issues and the related investment and organisational capacity required to reduce Operational Risk. The Operational Risk Reduction Plan also forms an intrinsic part of the Group's Strategic Demand Plan.

In the context of enhancing the control environment, Credit Reviews across the Corporate Banking RoI and UK non-property portfolios were reviewed and challenged by the committee. Deep Dives on the risk and control adequacy pertaining to the Property and Construction portfolio as well as to the control environment for certain risk types, including Model Risk, Regulatory Risk and ESG Risk were also reviewed by the committee.

The Committee also reviewed the adequacy of resourcing in the Risk Function with a focus on ensuring that an effective and efficient second line of defence is in place.

Risk Assessments

In 2023, the Committee recommended to the Group Remuneration Committee a Risk Adjustment Process for Variable pay which applies to the Group Profit Share Scheme. The Committee also held detailed discussions with the Board Risk Committee Chairs and CROs of the respective material subsidiary entities, covering 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.

In October 2023 the Committee recommended two securitisation transactions to the Board in the form of an NPE disposal and a Credit Risk Transfer. These transactions facilitate the Group achieving its NPE target, reduce credit risk and increase the Group's transitional CET1 and Total Capital ratios.

The Group has also set out its approach to the CSRD and assessed final results from the aligned Double Materiality Assessment as approved jointly by the Group Sustainability and Board Risk Committees. This signifies a pivotal step forward in the Group's journey towards aligning financial success with environmental and societal wellbeing.

Report of the Board Risk Committee *(continued)*

Operational Resilience

In 2023, the Group continued its implementation of strategic requirements to improve operational resilience. The process required to map out each of the Group's important business services, to establish baseline information required to identify potential vulnerabilities, was recommended by the Committee to the Board in Q4 2023. Resilience mapping enables the Group to identify resources that enable an important business service, and it is therefore an important tool in the assessment of these resources for potential vulnerabilities.

The mapping methodology leveraged the process maps required as part of the Risk Management Framework implementation, recorded Risk Issues, Business Impact Assessments and Business Continuity Plans. This work is a logical extension of the Risk Management Framework elements put in place and approved by the Committee in recent years.

The Committee also considered events in 2023 that led to the collapse of Silicon Valley Bank and Credit Suisse to identify any learnings for the Group arising from these events. Lessons learnt for the Group include the growing impact and pace of social media and actions required in the context of communications strategy, frameworks and planning. The Committee noted the positive introduction of the Group Social Media Framework as part of the Crisis Management Framework which was recommended to and subsequently approved by the Board in the latter part of 2023.

The monitoring and response management to adverse social media driven activity will be an increasing area of focus for the Committee in 2024.

Risk Appetite Events

Other significant matters considered by the committee include the event on Tuesday 15 August 2023 in which the Group experienced a significant central mainframe incident which impacted multiple services, and which constituted a breach of the Group's Risk Appetite. Root cause analysis, lessons learned, and critical customer impact were also reviewed by the committee in conjunction with the GTOC.

Matters considered and action taken by the Committee in 2023

Credit risk

Committee considerations
- Inflation and interest rate risks continue to impact the macro-economic outlook and consumer affordability which contributes to NPE percentage of total loans.
- Falling collateral values and reduced liquidity in commercial property impact recovery and resolution on NPEs.

Committee conclusion
- 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 BRC 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 Board Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2023 *(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 ILAAP.
- During the period of heightened market uncertainty, the Group convened the Group's Crisis and Liquidity Management Committee commencing on 15 March which monitored market and Group idiosyncratic market and funding dynamics on an intraday basis. The Group's Recovery Plan Status was also increased to Business As Usual (BAU) elevated from BAU as a precautionary step. The Group's recovery status reverted to BAU on 21 April as markets stabilised.

Committee conclusion

- The Group continues to be fully compliant and has no issues with market access or pricing.
- The Group remains vigilant to macro events where potential triggers specific to the Group's business model (e.g., decline in Irish housing market) or Group specific (e.g., regulatory fine for past misconduct) could lead to negative market reaction, impact on financials or further regulatory impact. The Group has mitigating actions in place for such events including monitoring of social media activity, volatility in the wider sector, communication plans and recovery and resolution planning.

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.

Committee conclusion

- The Group continues to be fully compliant with risk appetite.

Operational risk

Committee considerations

- Inflation and interest rate risks continue to impact the macro-economic outlook and consumer affordability which contributes to NPE percentage of total loans.
- Falling collateral values and reduced liquidity in commercial property impact recovery and resolution on NPEs.

Committee conclusion

- Inflation and interest rate risks continue to impact the macro-economic outlook and consumer affordability which contributes to NPE percentage of total loans.
- Falling collateral values and reduced liquidity in commercial property impact recovery and resolution on NPEs.
- Early Warning Indicators are reviewed regularly to monitor trends in key portfolios and challenge management on actions underway.

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 BRC continued to experience a busy regulatory and compliance agenda in 2023, as the Group underwent digital and compliance on-site inspections.

Committee conclusion

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

Conduct risk

Committee considerations

- The effective management of Conduct risk is essential to serving our customers and creating the right culture. In 2023, the BRC considered frequent reports on the resolution of customer conduct issues, in particular in relation to potential customer detriment from the IT outage event of August 15, consumer errors, Financial Crime Events, persistent Central Credit Register errors, commissions within automotive finance and BoI (UK) plc customer complaint resolution.

Committee conclusion

- The Group continues to prioritise Conduct risk matters and seeks to minimise any forms of customer harm or detriment, particularly in relation to Market Integrity, Customer Protection, Financial Crime and Data Privacy.

Report of the Board Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2023 *(continued)*

Business and strategic risk

Committee considerations

- The BRC recognises the risks in delivering the approved strategy, particularly in the context of geopolitical conflict and the knock-on impact of this on supply chains and 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

- Group focus in 2023 continues in respect of addressing people strain and supporting colleague wellbeing. The Committee monitors appointments to meet the Gender Target, attrition and engagement and culture embedding as part of its oversight.

Committee conclusion

- In 2023 attrition remained more than 2% below the Irish Business and Employers Confederation Financial Services Benchmark with good engagement and culture embedding scores.

A full list of responsibilities is detailed in the Committee's terms of reference, which can be found in Board / Court Committees on the Group Website: bankofireland.com/about-bank-of-ireland/corporate-governance.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. A Committee effectiveness evaluation survey is completed on an annual basis and the 2023 review found that the committee continued to operate effectively. For more information on the annual effectiveness review, see page 88.

Michele Greene
Chair of the Board Risk Committee

23 February 2024

Attendance table

The table below reports Directors' attendance at scheduled and out of course Board and Committee meetings in 2023.

	Board		Audit Committee		Nomination & Governance Committee		Remuneration Committee		Risk Committee		Group Transformation Oversight Committee		Group Sustainability Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Giles Andrews	10	9					11	11	21	21	6	6	9	9
Evelyn Bourke	10	9	13	13	6	6			21	21			9	9
Ian Buchanan	10	9					11	11	21	20	6	6		
Eileen Fitzpatrick	10	10	13	13	8	8	11	11					7	6
Richard Goulding	10	9	13	13	8	7			21	21	6	6		
Michele Greene	10	10	10	9					21	21	6	6	9	9
Patrick Kennedy	10	10			8	8					6	6		
Fiona Muldoon *(resigned 30 September 2023)*	8	7	10	10	7	6	8	8					7	6
Myles O'Grady	10	10												
Steve Pateman	10	10	13	13			11	11	21	21				
Mark Spain	10	10												
Margaret Sweeney *(appointed 1 October 2023)*	2	2	3	2			3	3						

Column A: Indicates the number of meetings held during the year the Director was a member of the Board and / or the Committee and was eligible to attend.
Column B: Indicates the number of meetings attended.

Report of the Directors

Results

In 2023, the Group made a profit before tax of €1,938 million (2022 restated for IFRS 17: €1,011 million) and a profit after tax of €1,601 million (2022 restated for IFRS 17: €858 million). €1,595 million (2022 restated for IFRS 17: €850 million) of profit after tax is attributable to ordinary shareholders and €6 million of profit after tax (2022: €8 million) is attributable to non-controlling interests (NCI).

Distributions

In respect of the 2023 financial year, the Board proposed a distribution of €1,154 million including an ordinary dividend of €634 million, equivalent to 60 cents per share, and representing c.40% of profits after tax subject to ordinary shareholder approval and a share buyback of €520 million which has been approved by the ECB. The ordinary dividend of 60 cents per share will be paid on 11 June 2024 to ordinary shareholders who appear on the Company's register on 10 May 2024, the record date for the dividend, subject to shareholder approval.

The Group's policy is to distribute ordinary dividends of c.40-60% of statutory profits. The Board will also consider the distribution of surplus capital on at least an annual basis. The distribution level will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties (e.g. related to the economic outlook) and any impact from the evolving regulatory and accounting environments.

Group activities

The Group provides a range of banking and other financial services. The Strategic Report on pages 3 to 49 and Financial Review on pages 50 to 73 contains a review of the results and operations of the Group, of most recent events, and of likely future developments.

In relation to the Group's business, no contracts of significance to the Group within the meaning of LR 6.1.77(10) of the Euronext Dublin (formerly the Irish Stock Exchange) Listing Rules existed at any time during the year ended 31 December 2023.

Principal Risks and Uncertainties

Information concerning the Principal Risks and Uncertainties facing the Group is set out on pages 135 to 142 in the Risk Management Report.

Financial risk management objectives and policies

Information regarding the financial risk management objectives and policies of the Group, in relation to the use of financial instruments, is set out in the Risk Management Report on pages 134 to 182.

Share capital

At 31 December 2023, the Group had 1,056,636,305 ordinary shares of €1.00 each in issue, of which 797,735 were treasury shares. Further detail on the structure of the Group's capital is set out in note 43.

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 123.

Directors

The names of the members of the Board of Directors of the Company at 31 December 2023, together with a short biographical note on each Director appear on pages 81 to 84.

At the AGM held on 23 May 2023, Myles O'Grady was elected following his appointment to the Board on 17 November 2022; Giles Andrews, Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Richard Goulding, Michele Greene, Patrick Kennedy, Fiona Muldoon, Steve Pateman, and Mark Spain were re-elected.

Remuneration

See Remuneration Report on pages 125 to 133.

Directors' and Secretary's interests

The interests of the Directors and Secretary in office at 31 December 2023 in the shares issued by the Company as disclosed to the Company are shown in the Remuneration Report on page 132.

Listing rules disclosures

Information required under UK Listing Rule LR 9.8.4C can be found on pages 126 to 127 for Directors' Emoluments and above under 'Group activities' for Contracts of Significance.

Substantial shareholdings

There were 80,452 registered holders of ordinary shares of the Company at 31 December 2023. In accordance with LR 6.1.82 (2) of the Euronext Dublin Listing Rules, details of notifications received by the Company in respect of substantial interests in its ordinary shares are provided in Table 1 below at 31 December 2023 and 23 February 2024. Other than the Directors' interests set out on page 132 there were no other interests disclosed to the Company in accordance with the Market Abuse Regulation and Part 5 of the Transparency Regulations and the related transparency rules during the period from 31 December 2023 to 23 February 2024. For information on acquisition or disposal of own shares, refer to note 43.

Table: 1	31 December 2023 %	23 February 2024 %
Blackrock, Inc.	10.03%	10.03%
Massachusetts Financial Services Company	6.01%	7.09%
Norges Bank	4.81%	4.81%
Orbis Investment Management Limited	3.99%	3.99%
FMR LLC	3.03%	3.03%

Authority to purchase own ordinary shares

At the AGM held on 23 May 2023, the members gave the Company, and any of its subsidiaries, the authority to make market purchases up to c.10% of its own ordinary shares. This authority will expire on close of business on the date of the AGM of the Company in 2024 or on 23 August 2024, whichever is earlier.

Report of the Directors *(continued)*

Any such purchases would be made only at a price level that the Directors considered to be in the best interest of shareholders generally, after taking into account the Company's overall financial position and regulatory capital obligations and requirements. In addition, the authority provides that the minimum price which may be paid for such shares shall not be less than the nominal value of the shares and the maximum price shall be the higher of 105% of the average market price of such ordinary shares and the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052.

Corporate governance

The Group 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 Group'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 75 to 122.

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 2023.

Branches outside the State

The Company has no branches established outside the State. The Bank has branches in the UK, France, Germany, the US and Spain.

Going concern

The Directors have considered the appropriateness of the going concern basis in preparing the financial statements for 2023 on page 203, which forms part of the Report of the Directors and on page 112, in the Corporate Governance Statement.

Viability Statement

In accordance with the requirements of the UK Code, the Directors have assessed the viability of the Group, taking account of the Group's current position and the potential impact of the principal risks facing the Group.

The Directors have selected a three-year period for this assessment, reflecting the time horizon that they consider fits with the various risk and planning frameworks taken into account in arriving at the viability statement.

The Directors have assessed the prospects of the Group through a number of frameworks, including the ICAAP, the ILAAP, each of which include an assessment of the uncertain geopolitical environment and the macro-economic outlook, the monitoring of key risks identified under the Group's risk identification process by the Executive Risk Committee (ERC), the BRC and the Board (see page 143 of the Risk Management Report), and the assessment of Principal Risks and Uncertainties (pages 135 to 142) together with the Group's strategic direction as set out in the Strategic report (pages 3 to 49). 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 (including climate risk), Operational risk and Digital to be the most relevant to the viability assessment.

The ICAAP facilitates the Board and senior management in adequately identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile. ICAAP is subject to review by the Group's prudential regulator, the ECB Single Supervisory Mechanism (SSM). Underpinning the ICAAP, the Group prepares detailed financial projections under both a base case and a stress case. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions, and the stress case is prepared based on a severe but plausible stress economic scenario, (Risk Management Report sections 3.2). The ICAAP demonstrates that the Group has sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives, having regard to Board approved risk appetite and strategy, and to meet its CRD IV regulatory capital, leverage and liquidity requirements.

The economic impact of 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 Baggot Plaza, 27-33 Upper Baggot Street, Dublin 4, D04 VX58, 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.

Report of the Directors *(continued)*

Auditor

KPMG, Chartered Accountants, were appointed statutory auditor on 19 April 2018. They have been re-appointed annually since that date and will continue in office in accordance with section 383(2) of the Companies Act 2014.

Relevant audit information

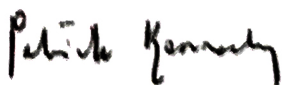
The Directors in office at the date of this report have each confirmed that as far as they are aware, there is no relevant audit information of which the Group's Auditor is unaware; and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Non-financial information

Information required in accordance with the EU (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 can be found in the Strategic Report on page 45. The strategic report also includes information on topics such as the Environment and Employee matters.

Post balance sheet events

These are described in note 60 to the financial statements.



Patrick Kennedy
Chairman

Richard Goulding
Deputy Chairman

Bank of Ireland Group plc
Registered Office
2 College Green,
Dublin 2

23 February 2024

Schedule to the Report of the Directors

Information required under the European Communities (Takeover Bids (Directive 2004/ 25/EC)) Regulations 2006.

As required by these Regulations, the information contained below represents the position at 31 December 2023.

Structure of the Company's capital

The capital of the Company is divided into ordinary shares and preference shares. At 31 December 2023, there were 1,056,636,305 ordinary shares in issue. At 31 December 2023, there were no preference shares in issue. Further detail on the structure of the Company's capital is set out in note h to the financial statements.

Rights and Obligations attaching to the classes of shares

Ordinary shares

Dividend rights

Under Irish law, dividends are payable on the ordinary shares of the Company only out of profits available for distribution. Subject to the provisions of the Companies Act 2014 (the 'Companies Act'), holders of the ordinary shares of the Company are entitled to receive such dividends as may be declared by the Company by ordinary resolution, provided that the dividend cannot exceed the amount recommended by the Directors. The Company may pay shareholders interim dividends if it appears to the Directors that they are justified by the profits of the Company available for distribution. Any dividend which has remained unclaimed for twelve years from the date of its declaration may be forfeited and cease to remain owing by the Company.

Voting rights

Voting at any general meeting is by a show of hands or by poll. On a show of hands, every shareholder who is present in person or by proxy has one vote regardless of the number of ordinary shares held by him or her. On a poll, every shareholder who is present in person or by proxy has one vote for every ordinary share of €1.00 each. A poll may be demanded by:

- the Chair of the meeting;
- at least three members of the Company present in person or by proxy having the right to vote at the meeting;
- any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- a member or members present in person or by proxy holding shares in the Company conferring the right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The necessary quorum for a general meeting is two persons present in person or by proxy and entitled to vote. All business is considered to be special business if it is transacted at an EGM as is all business transacted at an AGM other than the declaration of a dividend, the consideration of the Company's statutory financial statements and reports of the Directors and Auditors on those statements, the review by the members of the Company's affairs, the election of Directors in the place of those retiring, the reappointment of the retiring Auditors (subject to Sections 380 and 382 to 385 of the Companies Act), the fixing of the remuneration of the Auditors and the consideration of a special resolution for the purpose of Section 1102(2)(b) of the Companies Act. Any business that is required to be dealt with by way of special resolution must be passed by not less than 75 per cent of the votes cast by such members as, being entitled to do so, vote in person or by proxy at a general meeting at which not less than twenty one clear days' notice specifying the text or substance of the proposed resolution has been duly given.

Any business that is required to be dealt with by way of ordinary resolution must be passed by a simple majority of the votes cast by the members as, being entitled to do so, vote in person or by proxy at a general meeting.

An EGM (other than an EGM called for the passing of a special resolution) may be called on at least 14 days' notice where:

- the Company offers the facility for members to vote by electronic means accessible to all members who hold shares that carry rights to vote at general meetings; and
- a special resolution reducing the period of notice to fourteen days has been passed at the immediately preceding AGM or at an EGM held since the immediately preceding AGM.

Liquidation rights

In the event of any surplus arising on the occasion of the liquidation of the Company, the ordinary shareholders would be entitled to a share in that surplus in proportion to the capital at the commencement of the liquidation paid up or credited as paid up on the ordinary shares held by them respectively.

Preference shares

At 31 December 2023, there were no preference shares in issue. Where authorised to issue authorised but unissued shares in the capital of the Company (including where relevant, by shareholder approval under Section 1021 of the Companies Act), and subject to the scope of any such authority, in accordance with the Company's articles of association (the 'Articles'), the Directors are authorised to issue all or any of the authorised but unissued preference shares from time to time in one or more classes or series, and to fix for each such class or series such voting power, full or limited or no voting power, and such designations, preferences or special rights and qualifications, limitations or restrictions thereof in any resolution adopted by the Directors providing for the issuance of such class or series of preference shares.

Variation of class rights

Whenever the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, either while the Company is a going concern or during or in contemplation of a winding-up.

Percentage of the Company's capital represented by class of share

The ordinary shares represent 99.9% of the authorised share capital and 100% of the issued share capital. The preference shares represent 0.1% of the authorised share capital and 0% of the issued share capital.

Restrictions on the transfer of shares in the Company

There are no restrictions imposed by the Company on the transfer of shares, nor are there any requirements to obtain the approval of the Company or other shareholders for a transfer of shares, save in certain limited circumstances set out in the Articles.

Schedule to the Report of the Directors *(continued)*

A copy of the Articles may be found on the Group website: www.bankofireland.com.

Persons with a significant direct or indirect holding of stock in the Company.
Details of significant shareholdings may be found on page 120 of the Report of the Directors.

Special rights with regard to the control of the Company
There are no special rights with regard to control of the Company.

Shares relating to an employee share scheme that carry rights with regards to the control of the Company that are not exercisable directly by employees.
The Bank of Ireland Inland Revenue Approved UK Stock Incentive Plan (SIP) provides that in respect of resolutions proposed at general meetings of the Company, voting rights in respect of shares held in trust for employees who are participants in the SIP are to be exercised in accordance with the employees' written instructions to the trustees of the SIP. In the case of 'any other business' at an AGM of the Company, the SIP trustees are entitled to vote (or refrain from voting) as they think fit.

The Group's 2023 FSA Plan provides for the granting of awards of shares to Executive Directors and certain employees of the Group. In the case of any shares held in trust for participants pursuant to any award under the FSA, the trustee shall confer a proxy on each participant in whom the beneficial interest in such shares are vested so that such shares may be voted by such participants at any vote or meeting of shareholders.

Restrictions on voting rights
There are no unusual restrictions on voting rights.

Agreements between shareholders that are known to the Company and may result in restrictions on the transfer of securities or voting rights.
There are no arrangements between shareholders, known to the Company, which may result in restrictions on the transfer of securities or voting rights.

Rules of the Company concerning the:

Appointment and replacement of Directors
All Directors appointed between AGMs are submitted to shareholders for re-election at the first AGM following their appointment. In accordance with the UK Code, all Directors retire by rotation every year and, if eligible, may offer themselves for re-election, subject to satisfactory performance evaluation. In proposing the election or re-election of any individual Director to the AGM, the reasons why the Board believes that the individual should be elected or re-elected are provided in the Chairman's Letter to shareholders.

Amendment of the Company's Constitution
The Company's Constitution may be amended by special resolution passed at an AGM or EGM. An AGM and a Meeting called for the passing of a special resolution shall be called by at least twenty one clear days' notice. Special resolutions must be approved by not less than 75 per cent of the votes cast by such members as, being entitled to do so, vote in person or by proxy.

No business may be transacted at any General Meeting unless a quorum of members is present at the time when the Meeting proceeds to business. Two persons present in person or by proxy and entitled to vote shall constitute a quorum.

Powers of the Company's Directors, including powers in relation to issuing or buying back by the Company of its shares
Under its Articles, the business of the Company is managed by the Directors, who exercise all powers of the Company as are not, by the Articles or by the Companies Act, required to be exercised by the Company in General Meeting. The Directors may exercise all the borrowing powers of the Company and may give security in connection therewith. These borrowing powers may be amended or restricted only by the shareholders in General Meeting. The members of the Company in General Meeting may at any time and from time to time by resolution increase the share capital of the Company by such amount as they think proper. Whenever the share capital of the Company is so increased, the Directors may, subject to various provisions of the Articles, issue shares to such amount not exceeding the amount of such enlargement as they think proper. All ordinary shares so issued shall rank in equal priority with existing ordinary shares.

Subject to provisions of the Companies Act, to any rights conferred on any class of shares in the Company and to the Articles, the Company may purchase any of its shares of any class and may cancel any shares so purchased or hold such shares as treasury shares (the 'treasury shares') with liberty to re-issue any such treasury shares in accordance with Section 109 of the Companies Act 2014. The Company shall not make market purchases of its own shares unless such purchases shall have been authorised by a special resolution of the Company and by a special resolution passed at a separate general meeting of the holders of each class of shares.

Significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a bid and the effects of any such agreements.
There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a bid, however, certain Group agreements may be altered or terminated upon a change of control of the Bank or BoI (UK) plc following a takeover. Those that may be deemed to be significant in terms of their potential impact on the business of the Group as a whole are the joint venture agreements between BoI (UK) plc and Post Office Limited in the UK (in respect of FX and Post Office branded retail financial services products).

Agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a bid.
There are no agreements between the Company and its Executive Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a bid.

The service contracts for NEDs do not make provision for benefits on termination in the event of bid.

Remuneration Report

At a glance

2023 changes to Remuneration

Executive Directors
In line with the changes to the Directors' Remuneration Policy confirmed in an advisory vote at the 2023 AGM, and as outlined in the Group's 2022 Annual Report, the following changes were made to the remuneration of the Executive Directors in 2023:
- **Salary:** An increase in the salary of the Group Chief Financial Officer (CFO) to €550,000, implemented from the date of the AGM.
- **Pension:** Inclusion of the Group Chief Executive Officer (CEO) in the Group's pension scheme, implemented from the date of the AGM.
- **Variable pay:** Participation in the new Group Profit Share (GPS) scheme on the same basis as all eligible employees. Payments are capped at €20,000.

Group Profit Share
The Group introduced a GPS variable pay scheme in 2023 which is capped at €20,000 for all employees across the Group, including Executive Directors (Davy colleagues do not participate in the GPS).

Other Remuneration Changes for the wider workforce
- An annual salary review budget for 2023 of 3.5% was applied with effect from 1 January 2023. The actual colleague level of salary increase was based on each colleague's 2022 individual performance evaluation.
- Enhancements were made to colleague benefits including the implementation of a personal benefit pot of €200 / £175 for junior colleagues and the ability to buy and sell annual leave, for all colleagues. In addition, a new health insurance benefit, was announced in 2023, which will be provided in 2024 to the wider workforce, not already in receipt of same.
- Additional cost of living supports were provided to colleagues, including an additional 1.5% salary increase on 1 June 2023 for junior colleagues and provision of a once off cost-of-living voucher of €750 (£940) to all colleagues below senior manager level.

Remuneration restrictions
- In November 2022, the Irish Government announced a change to the remuneration restrictions following the sell down of their shareholding in Bank of Ireland, including:
  - removal of the €500,000 cap on total remuneration;
  - the ability to operate variable schemes, subject to a cap on variable remuneration of €20,000 which applies to all colleagues, Group wide (excluding Davy); and
  - the ability to implement new benefits.
- The cap on variable pay of €20,000 significantly constrains the Group's ability to structure and position senior role holder's compensation packages competitively against the market. This causes significant risk for the Group for the recruitment and retention of senior high calibre employees with appropriate skills and also constrains our ability to create a strong link between their individual behaviour and their compensation outcomes.
- The Group maintains an ongoing dialogue with the Department of Finance in relation to the remaining remuneration restrictions and if these were to be lifted, the Group would consider these changes and seek shareholder approval to update the existing remuneration policy, as appropriate, including the possible introduction of a market competitive variable pay scheme for Executive Directors.

Shareholders' statement on remuneration
Shareholders in an advisory vote approved the 2022 Directors' Remuneration Report and the 2023 Directors' Remuneration policy for three years at the AGM held on 23 May 2023.

Directors' Remuneration Report: Vote	No of shares	Percentage
For	235,964,200	99.57
Against	1,014,520	0.43

Directors' Remuneration Policy: Vote	No of shares	Percentage
For	228,924,498	98.64
Against	3,152,953	1.36

2023 summary of Group performance

73%
employee engagement score

46% female
appointments to management & leadership positions

€1,938m
Profit before tax

Green bond issuance
Issued €2.25bn in bonds through Green Bond Framework bringing total issuances to date to c.€4.75bn

14.3%
CET1 Ratio

17.3%
RoTE[1] (adjusted) in 2023
(2022 restated: 10.1%)

€1.15bn
Capital distributions

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact. As a result comparative figures have been restated to reflect the impact of the new standard*

Remuneration Report *(continued)*

Summary Executive Directors' remuneration and alignment to wider workforce

A summary of the remuneration structures for the Executive Directors, including how this aligns with the approach for all colleagues, is set out below and is provided for information only. The full policy, including recruitment and leaver provisions, can be found on pages 119 to 131 of the 2022 Annual Report and on the Group website at https://investorrelations.bankofireland.com/app/uploads/Bank-of-Ireland-Annual-Report-2022.pdf.

Fixed Remuneration	Operation	Executive Directors	Alignment with Wider Workforce
Salary reflecting skills and experience required for role, with reference to market benchmarking.	Base salaries are set at a level to reflect the skills and experience required supporting recruitment and retention. Salary levels are reviewed on an annual basis and may increase with reference to a number of factors including individual performance, market rates of pay and Group Performance.	Paid 100% in cash. Reviewed on a regular basis versus market information.	
Fixed Share allowance (FSA) Enabling the Group to align total pay, closer to market, reflecting the cap on variable pay, without the need to increase salary.	Paid in BoI Group shares four times a year. A retention period applies with shares released annually on a pro-rata basis over three years from the date of payment of the allowance. The allowance is not subject to any performance conditions.	To be introduced from 2024 onwards for Executive Directors at 25% of salary for 2024. increasing to 50% of salary from 2025. Allowances are delivered over a multi-year period aligning to longer term shareholder interests.	A number of senior colleagues are eligible for a FSA under the same terms and conditions as the Executive Directors with the allowance level set for each participant based on a number of factors, including the external market.
Pension To encourage planning for retirement and provide retirement benefits that are appropriately competitive in the market.	The Group operates a Defined Contribution (DC) scheme (RetireWell) for all new hires. Employees hired prior to September 2014 are members of the Group's legacy Defined Benefit (DB) or hybrid pension schemes, with terms consistent across the eligible populations.	Paid as an employer contribution to the relevant pension scheme, on the same basis as other colleagues participating in the relevant pension scheme. A pension cash alternative is available to colleagues who meet certain Revenue thresholds.	
Benefits Provision of market competitive benefits that support colleagues in carrying out their duties.	Access to benefits and benefit levels can vary based on seniority. Benefit provision is kept under regular review to ensure the benefits provided are valued by employees, competitive versus the market and cost effective.	Life assurance is provided to all eligible employees. Other benefits are typically dependent on role and may include mobile phone; car; cash allowance; and relocation costs. A new health insurance benefit will be provided in 2024 to the wider workforce, not already in receipt of same.	
All employee share plans	Not currently in place, but if implemented, will be designed to promote share ownership.	If implemented, all Directors and employees will participate on the same basis.	
Group profit share To provide all employees an opportunity to share in the success of the business based on Group and individual performance.	All employees of participating Group entities, who meet certain criteria will be eligible for a GPS award. The award will consider individual and Group performance over the year.	Consistent terms for all employees including Executive Directors. Award levels, as a percentage of salary, are consistent for all employees, based on their individual performance rating and subject to overall Group performance. The appropriateness of the final profit share is assessed against a mix of financial and non-financial criteria, including profit. Awards are subject to the relevant regulatory requirements, including risk adjustment. Awards are limited to €20,000 in line with current remuneration restrictions, or tax rules. A standard individual performance assessment process applies to all colleagues across the Group, including Executive Directors, with Colleagues' personal performance rating determining the award, subject to available funding.	

Remuneration Report *(continued)*

Variable remuneration	Operation	Executive Directors	Alignment with wider workforce
Shareholding requirement To provide long term alignment between the experience of Executive Directors and Bank of Ireland shareholders during and post-employment.	In-employment of 100% of salary. Post-employment of the minimum of the in-employment level or actual shareholding at time of departure. Shares are to be held for 2 years post departure from the Group.	Applied to Executive Directors from 1 January 2024, upon implementation of the Fixed Share Allowance.	Not applicable.

2023 Group Profit Share Outcome

The Committee reviewed and agreed the GPS pool based on an assessment of the Group's profit performance relative to expectations set at the start of the financial year and taking into account performance against a range of financial and non-financial measures. In making this assessment, the Committee took into consideration the following:

- improvement in the Group's financial performance, in particular noting profit before tax increased to €1.9 billion (2022 restated for IFRS 17: €1.0 billion);
- the strong capital position with fully loaded CET1 ratio of 14.3%;
- good progress on improving customer satisfaction;
- improvements in the employee engagement metric increasing to 73% (2022: 68%);
- strong progress against our climate initiatives of increasing green / sustainable financing; and
- the Group's performance against financial and non-financial measures, including the performance of the Group in terms of risk management.

Based on the above assessment, the Committee approved a profit share pool for 2023. In setting this pool, the Committee applied a risk related reduction relating to risk profile and risk events during 2023. Approximately 10,000 eligible employees, including Executive Directors participating in the profit share pool with individual awards dependent on individual performance ratings.

Remuneration outcomes in 2023 for the Executive Directors

Single total figure of Remuneration for Executive Directors in 2023

The information below forms an integral part of the audited financial statements as described in the basis of preparation in note 1 to the financial statements.

Executive Directors	Reported Year	Gross Salary €'000	Benefits[1] €'000	Pension[2] €'000	Total fixed pay €'000	Annual Bonus €'000	Total €'000
M O'Grady[3]	2023	950	9	95	1,054	17	1,071
	2022	249	7	13	269	–	269
M Spain[4]	2023	530	–	94	624	17	641
	2022	375	2	90	467	–	467
F McDonagh	2023	–	–	–	–	–	–
	2022	663	4	–	667	–	667
G Kelly	2023	–	–	–	–	–	–
	2022	176	2	20	198	–	198

[1] The figure includes car allowances and, where applicable, benefits in kind.
[2] All pension amounts have been determined by Willis Towers Watson, the Group's actuarial advisors.
[3] M O'Grady held the role of CFO until 31 March 2022 and was appointed CEO on 17 November 2022.
[4] M Spain was appointed CFO on 31 March 2022.

Remuneration Report *(continued)*

In line with the variable pay restrictions applicable to the Group and maximum award for the Group CEO and Group CFO for 2023 was capped at €20,000. Taking into account the Group performance versus a mix of financial and non-financial criteria, including profit and risk assessment, the risk reduction applied to the 2023 profit share pool (as noted above) and their individual performance, the Committee has determined that they both should receive a Group Profit Share award of €16,500. A summary of their personal performance is provided below.

Myles O'Grady *(Group Chief Executive)*	**Mark Spain** *(Group Chief Financial Officer)*
Successfully completed a strategic review and launched the Group's strategy.	Successful financial management, delivering key financial measure outcomes (including PBT and RoTE).
Revised the Group's Purpose and Values, creating a framework to drive forward the Group's culture.	Managing cost base in highly inflationary environment.
Successful delivery of financial, commercial, ESG and colleague outcomes.	Effective balance sheet management with CET1 ratio of 14.3%.
Refreshed leadership team through a number of internal and external key appointments	Led implementation of ESG strategy.

Remuneration outcomes in 2023 for the Non-Executive Directors

Remuneration for Chair and Non-Executive Directors

Non-Executive Directors	Reported Year	Fees €'000	Benefits €'000	Total €'000
Chair: P Kennedy	2023	394	–	394
	2022	394	–	394
Deputy Chair: R Goulding	2023	206	–	206
	2022	180	–	180
G Andrews	2023	104	–	104
	2022	94	–	94
I Buchanan	2023	160	–	160
	2022	169	–	169
E Bourke	2023	117	–	117
	2022	110	–	110
E Fitzpatrick	2023	175	–	175
	2022	139	–	139
M Greene	2023	156	–	156
	2022	123	–	123
F Muldoon[1]	2023	132	–	132
	2022	174	–	174
S Pateman	2023	98	–	98
	2022	98	–	98
M Sweeney[1]	2023	20	–	20
	2022	–	–	–

[1] *F Muldoon held the role of Independent Non-Executive Director (NED) until 30 September 2023. M Sweeney was appointed independent NED on the 1 October 2023.*

The annual base fee of Directors and additional fees for committee membership and chairing roles was reviewed during 2023. The Directors' base fee had not been reviewed since the application of the remuneration restrictions in 2009. In accordance with the permissions granted by shareholders by resolution in 2017 and in the Constitution, an increase of €12,000 in the annual base fee payable to Directors was approved, effective on 1 January 2024. In accordance with the Constitution, fees for committee membership and chairing duties are approved in certain instances to reflect additional responsibilities outside the scope of the ordinary duties of a Director. The approach to these additional fees was also reviewed to ensure it remained appropriate and a 5% increase (equating to c.€5,250 per annum) was applied to areas of heightened activity levels, also effective from 1 January 2024. When reviewing the remuneration of Directors, consideration was given to the extended period since they were last reviewed, the nature and complexity of the role of Non-Executive Director of the Bank, and wider workforce remuneration and related changes over the extended period. The increases were broadly aligned to increases across the workforce during the same time period. No Director participated in deciding their own remuneration.

Remuneration Report *(continued)*

Wider workforce remuneration ethos and principles

Our approach to remuneration is consistent for all employees. Our ethos is to reward employees fairly and competitively for their contribution to the Group. Reward structures are reviewed on a regular basis to assess the competitiveness of the total reward arrangements against market norms and ensure compliance with the prevailing regulatory requirements and remuneration restrictions. The following principles apply, however, their application is impacted/negated for senior role holders by the €20,000 cap on variable pay.

Employee focused

Seeks to reward all employees fairly and transparently, promoting the concept of 'equal pay for equal work' by operating a consistent approach to remuneration for colleagues. Reward structures are designed to attract, retain, and engage high calibre employees.

Customer focused

Supporting and encouraging fair treatment of customers, whilst mitigating the potential for conflict between commercial, customer and public interests with pay practices. The reward structures are designed to avoid any conflict with an employee's duty to act in the best interests of customers or clients.

Inclusive basis

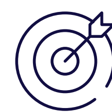
The Policy is designed and implemented on an inclusive basis, including gender-neutrality, with pay for male and female colleagues monitored on an annual basis.

Externally aligned

The Group uses recognised external benchmarks to understand the remuneration levels of industry peers and remuneration offered by other industries who compete with the Group for talent in each of the Group's geographical locations.

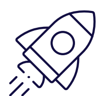
Performance aligned

Performance development plays a key role in aligning individual objectives with the Group's overall strategy, financial and non-financial goals and values. Performance outcomes, using a combination of 'what' objectives and 'how' behaviours, inform individual remuneration and provide a clear link between performance and remuneration.



ESG aligned

Reward is determined taking into account the Group's performance against its environmental objectives and its customer and employee goals.



Risk aligned

The Policy is designed to promote high performance and, a strong risk management culture where risk-taking is aligned to the Group Risk Appetite Statement. All employees are required to have a risk priority in their Thrive performance development plan. Increases in remuneration and the potential awarding of variable remuneration is subject to the Group's ability to pay and on maintaining strong capital and liquidity levels.

Workforce engagement

The Group continues to prioritise workforce engagement to good effect; the colleague engagement metric is up 22 points since it was first measured in 2017, to 73%. This is due to a number of initiatives including those undertaken by the Workforce Engagement Director (WED), who is a member of the Group Remuneration Committee and during 2023 undertook the following:

- 'open door' sessions with groups of colleagues drawn from various businesses and divisional teams;
- deep dive listening sessions with the industrial relations team and UK Partners' Council; and
- branch visits with staff across Dublin and Mayo.

Colleagues discussed a variety of issues with the WED which were shared with the Board during 2023, including the positive impact of hybrid working; the increase to UK entry level salaries; the introduction of a suite of family friendly policies and well-being initiatives; the 2023 salary review; and the cost of living measure that had been introduced to support the financial wellbeing of colleagues.

Remuneration Report *(continued)*

Implementation of the Remuneration Policy for 2024 (for the Executive Directors)

Salary: Group CEO salary remains unchanged, Group CFO salary will increase to €600,000 with effect from 1 January 2024 as per the planned increase previously set out in our 2022 Directors Remuneration Report.

Other fixed pay: A Fixed Share Allowance (FSA) of 25% of salary will be paid in 2024, (this will increase to 50% of salary in 2025). The FSA is awarded in four instalments during the year in BoI shares and delivered over a three-year period. There are no performance conditions attached to the FSA.

Maximum variable pay opportunity: No change from 2023. The Executive Directors participate in the Group Profit Share scheme on the same basis as all other eligible colleagues and the maximum award is the lower of 10% of salary or €20,000.

Group profit share: The 2024 Group profit share scheme will operate on a similar basis to the 2023 scheme, with awards subject to overall Group performance (assessed against a mix of financial and non-financial criteria, including profit and related metrics, affordability, customer and ESG, with the overall pool subject to risk assessment) and individual performance.

Other required disclosures

Role holder	Contract start date	Notice period from the Group and the role holder
Group CEO	17 November 2022	9 Months
Group CFO	31 March 2022	6 Months

Remuneration Report *(continued)*

SRD year on year change in remuneration

The table below is required under the Companies Regulations 2019 (Directors' Remuneration Policy and Directors' Remuneration Report), which implement Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive or SRD), the table below shows the year on year change and percentage change in Directors' remuneration and the year on year change and percentage change in the average remuneration of employees during the year ended 31 December 2023 compared to the year ended 31 December 2022, 31 December 2021 and 31 December 2020 and 31 December 2020 and 31 December 2019.

NED fees are annualised. Changes to NED fees reflect additional responsibilities associated with membership of additional committees or appointment as Chair of committees, or as a Workforce Director, or to boards of subsidiaries.

Unaudited:	2023 vs 2022		2022 vs 2021		2021 vs 2020		2020 vs 2019	
Year on year (YoY) change in remuneration of Directors compared to employee average	**YoY change €'000**	**YoY change %**	**YoY change €'000**	**YoY change %**	**YoY change €'000**	**YoY change %**	**YoY change €'000**	**YoY change %**
Executive Directors								
M O'Grady[1] *(appointed CEO in 2022)*	802	298%	(283)	(51%)	2	–	n/a	n/a
F McDonagh *(stood down as CEO in 2022)*	n/a	n/a	(293)	(31%)	(1)	–	2	–
Mark Spain *(appointed CFO in 2022)*	174	37%	467	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors								
P Kennedy	–	–	–	–	–	–	–	–
R Goulding	26	14%	35	24%	27	23%	20	21%
G Andrews *(appointed NED in 2020)*	10	11%	7	8%	–	–	n/a	n/a
I Buchanan	(9)	(5%)	3	2%	6	4%	19	14%
E Bourke	7	6%	8	7%	24	30%	–	–
E Fitzpatrick	36	26%	37	36%	16	18%	8	10%
M Greene	33	27%	44	55%	–	–	8	11%
F Muldoon *(stood down in September 2023)*	(42)	(24%)	38	28%	62	66%	16	20%
S Pateman	–	–	–	–	–	–	11	13%
M Sweeney *(appointed NED in October 2023)*	20	100%	n/a	n/a	n/a	n/a	n/a	n/a
P Haren *(stood down 2020)*	n/a	n/a	n/a	n/a	n/a	n/a	–	–
P Mulvihill *(stood down in 2020)*	n/a	n/a	n/a	n/a	n/a	n/a	8	7%
Change in average employee remuneration year on year	3	4 %	1	1%	1	1%	2	3%
Group profit after tax (€m)	1,601		897		1,055		(707)	
Percentage change in Group result after tax (%)		78%		(15%)		249%		(258%)

[1] *The level of increase reflects Myles O'Grady first year as CEO compared to a part year as CFO in 2022 and CEO for less than two months in 2022.*

Executive share options held by Directors and Secretary

No share options were granted or exercised during 2023 and there were no options to subscribe for ordinary shares outstanding in favour of the Executive Directors or Secretary at 31 December 2023.

Remuneration Report *(continued)*

Directors' pension benefits

Set out below are details of the change in accrued pension benefits for the Directors during the year ended 31 December 2023.

	(a) Additional inflation-adjusted accrued DB pension in the year €	(b) Increase/ (decrease) in DB transfer value €	(c) Accrued DB Pension Benefits at 31 December 2023 €	(d) Group DC contributions €
Executive Directors				
M Spain	16,772	312,922	198,404	17,085

Column (a) represents the inflation-adjusted increase in each individual's accrued DB pension during the year. Increases are shown after the opening position has been adjusted for statutory revaluation, and comprise allowance for additional pensionable service, any increases in pensionable earnings and any agreed adjustment in the individual's pension accrual. This is in line with the requirements of the Listing Rules and the related actuarial professional guidance.

Column (b) is the additional / (reduced) capital value, less each Director's contributions, of Column (a) which could arise if the DB pension were to be transferred to another pension plan on the Director leaving the Group and is calculated using factors supplied by the actuary in accordance with actuarial guidance notes ASP PEN-2, and is based on leaving service pension benefits becoming payable at normal retirement date, age 60.

Column (c) is the aggregate DB pension benefit payable at normal retirement age based on each Director's pensionable service with the Group at 31 December 2023.

Column (d) is the Group's contributions to the supplementary section of its RetireWell DC arrangement.

Directors' and Secretary's interests in shares

A shareholding of a minimum of 34 shares is required by each Director within two months of their appointment to the Board. The beneficial interests of the Directors and Secretary in shares issued by the Group as disclosed to the Group are detailed below in accordance with the Euronext Dublin Listing Rules.

The information below forms an integral part of the audited financial statements as described in the basis of preparation in note 1 to the financial statements.

	Number of €1.00 ordinary shares in BoIG plc at 31 December 2023	Number of €1.00 ordinary shares in BoIG plc at 1 January 2023 or at date of appointment
Directors		
M O'Grady	5,000	5,000
M Spain	4,000	4,000
G Andrews	20,000	20,000
E Bourke	18,339	18,339
I Buchanan	5,034	5,034
E Fitzpatrick	5,000	5,000
R Goulding	25,000	25,000
M Greene	4,000	4,000
P Kennedy	180,156	180,156
F Muldoon	4,033	4,033
S Pateman	4,000	4,000
M Sweeney	6,060	1,060
Secretary		
S McLaughlin	874	–
G Ryan	–	327

Remuneration Report *(continued)*

Apart from the interests set out above, the Directors and Secretary had no other interests in the shares / securities of the Company or its Group undertakings at 31 December 2023.

There has been no change in the interests of each Director disclosed to the Company under the provisions of article 19 of the Market Abuse Regulation occurring between the end of the period under review and 23 February 2024.

Advice to the Committee

The Committee was assisted in its considerations by PwC UK, who was formally appointed by the Committee as its remuneration adviser in 2020 following a review of potential advisors and the quality of advice received. In 2023 the Committee completed the annual review of its performance which included an assessment of the quality of information provided to the Committee to discharge their responsibility. The remuneration advisors serve as a key source of such information. The Committee confirmed that the information and support received enabled its work and 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 provide professional services in the ordinary course of business including assurance, advisory and tax advice to the Group. 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.

The Group Chairman, the Group CEO, Group Chief People Officer, Group CRO and the Head of Reward also attend meetings as appropriate at the invitation of the Committee Chair.

Risk Management Report

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The information in sections or paragraphs denoted as audited in sections 3.2, 3.4, 3.5, 3.6 and 3.7 and all the tables (except those denoted unaudited) in the Risk Management Report form an integral part of the audited financial statements as described in the basis of preparation in note 1 to the financial statements.

All other information, including charts and graphs, in the Risk Management Report is additional disclosure and does not form an integral part of the audited financial statements.

1 Principal Risks and Uncertainties

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. ESG factors (including climate-related risks) 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 Group continues to face a diverse set of challenges, including transformation agenda, higher inflationary and interest rate environment, and continuing volatile geopolitical environment.

Business and strategic risk *(Section 3.1)*

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.

Key points

- In March 2023, the Group published its refreshed three-year strategy. Its aim is to build on the Group's strong performance and strategic execution in recent years and future proof the business model for the medium term. The Group has also made significant progress with the integration of material strategic initiatives including the acquisitions of the KBCI portfolio and Davy.
- The evolving competitive landscape, accelerated digitisation, changing consumer and business behaviours impact on the Group's business model and strategic risk. The Group has a number of programmes underway delivering against its 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 with its multi-year transformation strategy and ambition to be the leading multi-niche bank in the UK. This will be achieved by retaining a focus on value over volume, targeting specific market segments where the Group has expertise, building sustainable competitive advantage and delivering improvements in the provision of products and services to customers. This approach will deliver improved performance against financial objectives, which in turn reduces risk in the UK business.
- There is ongoing caution relating to the higher inflationary and interest rate environment, and the associated cost of living impacts (customers' financial wellbeing and affordability, Group values, political risks), given that further pressures could impact consumers' appetite and ability to use Group products and services.
- The Group continues to monitor developments in the geopolitical environment. Conflict in the Middle East, coupled with the continued fallout from Russia's invasion of Ukraine, has the potential to create further inflationary pressures, in particular on oil prices, and create supply chain issues that could impact the global economy. The potential impacts of these macroeconomic and geopolitical dynamics represent a risk to the Group in its markets and this could manifest in adverse impacts to pricing, customer confidence and credit demand, collateral values, and customers' ability to meet their financial obligations.

Key mitigating considerations

- The Group has a Board approved Strategic Plan in place for the period 2023 - 2025 setting out a 3 year business plan with clear objectives to achieve, as well as Board 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 Board, the delivery of which will be monitored on an ongoing basis.
- On an annual basis, the Board reviews the Group's strategic objectives and key underlying assumptions to confirm that the strategic shape and focus of the Group remains appropriate.
- The Board 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 OKRs dashboard.
- The Board receives comprehensive reports setting out business and financial performance relative to plan, financial projections and capital and liquidity plans. The Board's business, financial and risk considerations are further informed by regular economic updates, together with updates on developments relevant to the Group's franchises, operations, customers, colleagues and other business activities.
- The Enterprise Portfolio Office provides Group-wide portfolio oversight capability that considers culture, business model and systems to support delivery execution and leverage enterprise wide opportunities.
- The current status of business and strategic risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis.

1 Principal Risks and Uncertainties *(continued)*

Capital adequacy risk *(Section 3.2)*

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 14.5% under regulatory rules and 14.3% on a fully loaded basis at 31 December 2023.
- The Group is required to maintain a minimum CET1 ratio of c.10.93% on a regulatory basis at 31 December 2023:
  - 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 1.16%;
  - Pillar 2 guidance (P2G) is not disclosed in accordance with regulatory preference.
- Total capital ratio of 19.2% under regulatory rules at 31 December 2023.
- Leverage ratio of 6.4% on a regulatory basis and 6.3% on a fully loaded basis at 31 December 2023.
- MREL ratio of 31.7% at 31 December 2023 is c.280bps above the Group's 1 January 2024 MREL requirement of c.28.9%.

Key mitigating considerations
- The Group closely monitors capital and leverage ratios to ensure all regulatory requirements and internal targets are met. In addition, these metrics are monitored against the Board approved Risk Appetite Statement and suite of Recovery Indicators.
- Comprehensive stress tests / forward-looking ICAAP financial projections are prepared, reviewed, and challenged by the Board to assess the adequacy of the Group's capital, liquidity and leverage positions.
- The Group has a contingency capital plan which sets out the framework and reporting process for identifying the emergence of capital concerns and potential options to remediate same.

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 41 Retirement benefit obligations.

Key mitigating considerations
- Board approved risk appetite limits.
- To help manage pension risk, defined benefit schemes were closed to new entrants in 2007 and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in 2014 and a new defined contribution scheme was introduced for new entrants to the Group from that date.
- In addition, the Group implemented two Pension Review programmes in 2010 and 2013 resulting in significant restructuring of defined benefit scheme benefits which were accepted by unions and by staff through individual staff member consent.
- In return for the deficit reduction achieved through these programmes, the Group also agreed to increase its support for the schemes, above existing arrangements, so as to broadly match the IAS 19 deficit reduction arising from the benefit changes and to facilitate a number of de-risking initiatives.
- The Group monitors on an ongoing basis the opportunities at an appropriate cost to increase the correlation between the assets and liabilities of the scheme.
  - Continued progress was made over the course of the year on the de-risking of the investment strategy of the Bank of Ireland staff pensions fund (BSPF), the Group's largest pension scheme.
  - De-risking over recent years has resulted in a reduction in the sensitivity of the Group's pension schemes to movements in interest rates, inflation and equities.
  - The Group's net defined benefit position is a surplus of €0.7 billion at 31 December 2023.

1 Principal Risks and Uncertainties *(continued)*

Conduct risk *(Section 3.3)*

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 products 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 2023, regulatory oversight by supervisory bodies focused on a number of the key conduct risk areas, including KBCI and Ulster Bank exits, Structural Retail Products, Benchmark Reform, Product Suitability and the CBI's continuing comprehensive review of the 2012 Consumer Protection Code.
- Engagement with the Group's regulators in 2023 included matters such as account switching, evolution of the interest rate environment (particularly in the context of deposit rates), the integration of Davy and the acquisition of the KBCI portfolio.
- The heavy regulatory agenda impacting conduct risk is expected to continue in 2024. 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
- Board approved Risk Appetite Statement is 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 are in place to identify, assess, plan, develop and implement key conduct requirements.
- Processes are 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 BRC and the Board.
- Processes in place to support the reporting, investigation, resolution and remediation of incidents of non-compliance.
- Culture strategy developed based on the outcomes we wish to deliver guided by the Group's values.
- Group-wide education and training are in place.

Credit risk *(Section 3.4)*

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions, or any other deterioration in a counterparty's creditworthiness.

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 remains uncertain in the Group's key markets, reflecting risks associated with geopolitics, elevated inflation, and interest rates.
- Total loans and advances to customers (before impairment loss allowance) at amortised cost increased to €80.7 billion at 31 December 2023 from €73.0 billion at 31 December 2022 reflecting the loan book acquisition from KBCI of €8.0 billion, partly offset by 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 geopolitical risk, elevated inflation and interest rates. NPEs have reduced in the year from €2.6 billion to €2.5 billion primarily due to resolution strategies including the disposal of non-performing exposures, partially offset by flows into NPE in residential mortgages reflecting the impact of the acquisition of €0.1 billion of NPEs from KBCI and new defaults in the year. The volume of assets in stage 2 reduced marginally from €12.6 billion to €12.5 billion.
- Total net impairment loss on financial instruments of €425 million (includes €22 million impairment loss being recognised as non-core relating to UK personal loans) compared to a prior year loss of €187 million. The net loss reflects a net loss of c.€283 million from portfolio activity; a c.€82 million net loss arising from impairment model updates incorporating the change in the macroeconomic outlook; and c.€60 million net loss from the application of management adjustments at 31 December 2023.

Key mitigating considerations
- Board approved Group Credit Risk 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 related credit risk 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 (as detailed on page 164 of the Risk Management Report).
- Dedicated structures focused on the management of customers in financial difficulty.

1 Principal Risks and Uncertainties *(continued)*

Funding and liquidity risk *(Section 3.5)*

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 deposit volumes of €100.2 billion are €1.0 billion higher predominantly driven by the acquisition of the KBCI deposit portfolio of €1.8 billion, partially offset by lower RoI deposits of €0.6 billion and lower Retail UK deposits of €0.2 billion. On a constant currency basis, Group customer deposits increased by €0.7 billion (see page 357 for further information on alternative performance measures).
- The Group's loan to deposit ratio (LDR) increased by 7% to 80% at 31 December 2023 (2022: 73%).
- The Group's LCR at 31 December 2023 was 196% (2022: 221%). The Group's NSFR at 31 December 2023 was 157% (2022: 163%).

Key mitigating considerations
- Board approved risk appetite limits.
- Group Funding and Liquidity Policy, procedures and methodologies.
- Comprehensive liquidity monitoring framework.
- Annual Board approved forward looking ILAAP.
- Strategic plan articulating and quantifying deposit projections, wholesale funding and lending projections for all divisions.
- Contingency Funding Plan and Recovery Plan in place with annual 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.

Life insurance risk *(Section 3.6)*

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 BoI 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 2023 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 2023 was reasonably stable and broadly in line with assumptions overall.

Key mitigating considerations
- Board approved risk appetite limits.
- Underwriting standards and limits are in place and apply throughout the policy lifecycle from risk acceptance to claim settlement.
- Reinsurance is used to manage the volatility from both individual claims and aggregate risk exposures. Coverage is placed with a diversified list of approved counterparties. High levels of reinsurance act as a significant mitigant if there were adverse mortality developments, together with the diversification effect of mortality and longevity risk.
- The sensitivity of the Group's exposure to life insurance risk is assessed regularly and appropriate levels of capital are held to meet ongoing capital adequacy requirements.
- A range of sensitivities and scenario tests are performed as part of the annual 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.

1 Principal Risks and Uncertainties *(continued)*

Market risk *(Section 3.7)*

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

Market risk includes market risk in the trading book, market risk in the banking book, and market risk in the life business and is made up of discretionary risk, structural interest rate risk in the banking book (IRRBB) risk, credit spread risk, risks from the transaction of financial instruments for customers, structural FX risk, and securities underwriting risk.

Market risk arises in the balance sheet which contains assets and liabilities linked to a benchmark market rate or an administered rate (structural basis risks), in the Group's business mix, predominantly retail and corporate lending activity, discretionary risk taking in interest rate, credit and equity markets and in the Group's bond portfolio, which is subject to the impact of changes in the spread between bond yields and swap rates. 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.

The Group permits discretionary risk taking activity in Davy's Capital Markets business. Discretionary risk arises 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 and residual gap risk remained at relatively low levels during 2023. 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
- Board approved risk appetite limits.
- Group Market Risk Policy.
- Comprehensive framework for monitoring compliance with the Board's market risk appetite limits, more granular market risk limits and other controls.
- The Group substantially reduces its market risk through hedging in external markets.
- VaR and extensive stress testing of market risks.

1 Principal Risks and Uncertainties *(continued)*

Operational risk *(Section 3.8)*

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, third party risk management (TPRM) and outsourcing, transaction processing, 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. Operational risk losses can also be driven by: major change and the failure to deliver on the Group's multi-year transformation agenda; model design, implementation errors or the inappropriate use of model outputs, data unavailability, poor quality, inadequate retention, misuse and destruction management, and failure to comply with legal and regulatory requirements. Operational risks can also arise from more complex and intense drivers such as the increasingly hostile and sophisticated cyber environment. Operational resilience works together with operational risk management to minimise operational disruptions and their effects. As the Group's resilience profile improves, it becomes less prone to incur untimely lapses in the provision of Important Business Services.

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.
- Progress continued on the enhancement and implementation of the revised Risk Library and on transitioning over time to a process driven risk and control assessment for operational risks. This is critical to enhance the effectiveness of the operational risk and resilience management throughout the Group.
- The Group is managing a significant amount of change across culture, its business and operating model. This is underpinned by the ongoing multi-year programme on which substantial investment in its IT systems is being made. Given the risk associated to any large transformation, there is continued focus to ensure the sustainability and integrity of the Group's operations.
- The Group continues to strengthen the operational resilience maturity profile. During 2023 the Board approved the Group's Operational Resilience Policy, the Important Business Services and relevant Impact Tolerances; reflecting the adoption of the CBI Guidance and industry best practices.
- On August 2023, the Group suffered a major IT incident impacting various Important Business Services. A thorough lessons learned exercise was conducted, in line with the Policy, to ensure a continuous improvement of the capabilities, to adapt and respond to future operational events.
- Natural (non-redundancy) attrition has reduced throughout the year, being somewhat below pre-pandemic levels, with voluntary redundancy levels significantly reduced compared to 2021 / 2022. While the employment market remains buoyant for certain specialist skillsets, progress continues to be made in developing such skills internally via career pathways, and natural attrition in these skillsets have also reduced.

Key mitigating considerations
- Board approved risk appetite limits.
- The RMF aims to embed adequate and effective risk management practices within business units throughout the Group. A number of policies, processes, technical standards and strategies, including an effective control environment and appropriate management actions, are employed to control the operational risk exposure.
- Processes to identify, assess, manage, monitor and report risks as well as controls to mitigate those risks are in place with regular internal audits and testing carried out to ensure adequacy of controls. The Group continues to substantially invest in the transformation of IT systems and processes to reduce the likelihood and impact of risk events and improve operational resilience.
- The people strategy provides 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 2023 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.

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 unaware of a tax liability.

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.

1 Principal Risks and Uncertainties *(continued)*

Regulatory risk *(Section 3.9)*

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 2023, regulatory oversight by supervisory bodies focused on a number of key areas including business model and profitability, internal governance and risk management, operational risks, credit risks, the evolving Irish financial sector, and the developing global economic outlook.
- Engagement with the Group's regulators in 2023 included matters such as the evolution of the interest rate environment, regulatory reporting, IT resilience and operational risk, the integration of the Davy entity and KBCI portfolio, ESG, structural interest rate risk, credit exposures and the macroeconomic outlook.
- The heavy regulatory and compliance agenda is expected to continue in 2024. 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
- Board approved Risk Appetite Statement set in conjunction with the Group's business strategy and supported by a set of key risk metrics.
- A suite of policies is 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 BRC and the Board.
- Processes in place to support the reporting, investigation, resolution, and remediation of incidents of non-compliance.

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.
- 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 Regulation on Instant Credit Transfers. 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 to increase the digital capabilities of the Group 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.

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 to help customers, colleagues, shareholders and society to thrive. Sustainability is embedded in the Group Strategy as one of the Group's core strategic pillars (Sustainable Company).
- How the Group will achieve this aim is set out in the Group Sustainability Strategy which supports the Group Strategy through its three ESG pillars: Enabling Colleagues to Thrive, Enhancing Financial Wellbeing and Supporting the Green Transition.
- The Group was 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 (including climate-related risks) 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 BRR is the primary source of reporting for the impact of ESG related risks on the Group's risk profile.

1 Principal Risks and Uncertainties *(continued)*

Key themes under focus *(continued)*

<table>
<tr><th colspan="2">Macroeconomic conditions and geopolitical uncertainty</th></tr>
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- The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in Ireland and the UK, 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.
- Conflict in the Middle East, coupled with the continued fallout from Russia's invasion of Ukraine, has the potential to create further inflationary pressures, in particular on oil prices, and create supply chain issues that could impact the global economy. There is also a risk of other countries being drawn into the conflict in the Middle East, further exacerbating the situation, potentially impacting Irish and UK economies (the Group's core markets), investment markets, and consumer sentiment. The potential impacts of these macroeconomic and geopolitical dynamics represent a risk to the Group in its markets and this could manifest in adverse impacts to pricing, customer confidence and credit demand, collateral values, and customers' ability to meet their financial obligations.

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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.

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<tr><th colspan="2">Transformation risk</th></tr>
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- The Group is undergoing significant transformation across culture, business model and systems which present challenges and risks and customer considerations. Failure to transform successfully could prevent the Group from realising its strategic priorities.

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Key mitigating considerations

- The Board has put in place the GTOC that oversees the delivery of the Group's Transformation agenda and meet on a monthly basis.
- The Group has also mobilised an Executive level forum: the Group Transformation Committee (GTC) which monitors the performance of the Group against the Transformation Plan. The Group has completed a Board approved plan for 2023 - 2025 setting out the Group's strategic priorities.
- Group has formulated a suite of transformation roadmaps that are underpinned by the Transformation Plan. A transformation focused management function co-ordinates and supports the safe delivery of this scale of change.
- The GTOC oversees the business and strategy aspects of the Transformation Plan for its duration including review of updates relating to risks associated with key transformational initiatives.

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2 Risk Management Framework

2.1 Risk statement

Risk appetite sets the boundaries the Group, including subsidiaries, is prepared to take in its risk taking and related business activities. The Group's approach to risk management ensures that the Group's overall business strategy and remuneration practices are aligned with its risk and capital management strategies.

The RMF is the foundation stone for how we manage risk in the Group. It sets out the Group-wide approach to risk management and reflects the Group's Risk Culture. At least annually, the RMF is reviewed by the Group CRO and approved by the Board following consideration and recommendation by the BRC. It establishes:
- common principles for the risk management process of identifying, assessing, monitoring, mitigating, and controlling risks to the Group;
- standard definitions of risk terms and classifications to ensure consistent application across the Group;
- clear roles and accountabilities for the management of risk across the Group;
- governance mechanisms by which risk oversight is exercised and risk decisions taken;
- Group standards on risk policies, committee papers and reporting to ensure consistent application across the Group;
- standard methods to identify and classify risks faced by the Group;
- principles for setting risk appetite to articulate tolerances for the adverse outcomes of taking risk, and setting risk exposure limits designed to ensure a low probability of exceeding those tolerances;
- risk policies and procedures as the foundation for risk mitigation in implementing the RMF; and
- a framework for forward looking monitoring and reporting on risk as part of risk management information in the Group.

2.2 Risk management

Risk management is the set of activities and mechanisms through which we make risk taking decisions and how we control and optimise the risk-return profile of the Group. Good risk management aligns with strategic objectives, code of conduct and stakeholder priorities.

Risk management is central to the financial and operational management of financial service companies and fundamental to the Group's strategic pillars of:
- stronger relationship;
- simple business; and
- sustainable company.

It is a Group-wide process of identifying, assessing, monitoring, and mitigating risks to the Group's earnings, solvency, and franchise and is structured across five activities:
- Risk Identification and Assessment.
- Risk Appetite.
- Risk Policies.
- Stress Testing and Scenario Analysis.
- Risk Monitoring and Reporting.

Within each category the Group maintains risk management standards. Collectively these standards represent the Group's risk management approach.

Risk Identification and Assessment

The Group ensures appropriate identification of risk through both top-down and bottom-up risk identification processes. A standard risk library is used to define all the Group's risk types in a consistent manner.

The Risk Library document outlines the Group's risk classification system. This system provides the structure through which accountability for risk management is assigned, and risk is reported. The Risk Library is used to define risk types and to cover the totality of gross risk types to which the Group is exposed.

Principal risk types are the highest level risk type used to assist with identifying, assessing, monitoring, and mitigating risks to which the Group is exposed. They guide the assignment of risk management resourcing and organisation of the Group Risk division.

The Group maintains and updates the Risk Library in two ways:
- Firstly, during the annual review of its RMF, Group Risk conducts a top-down risk identification process. This establishes risk management's view of the primary categories of types of risk facing the Group. These primary categories of risk are identified as the Group's principal risk types.
- Secondly, a bottom-up risk type assessment process is undertaken to identify the granular level risks that arise from all the activities that the Group engages in.

Financial risks originate in the Group's business and primarily reside in the financial balance sheet. Financial risks are generally identified in the lending and trading processes in the case of credit and market risks, with the risk types defined in the Risk Library and quantified in terms of potential financial impacts. Similarly, for funding and liquidity, capital adequacy, risk assessment processes such as the ICAAP and ILAAP are used to identify, categorise, quantify, and control the risks to the Group.

Operational risks originate in the activities the Group conducts. Once identified, the risk is assessed to determine the level of gross risk exposure and, after consideration of any mitigants, the residual risk exposure can be determined. These measurements (gross risk exposure and residual risk exposure) inform metrics used to monitor and control the Group's risk profile against risk appetite.

2 Risk Management Framework *(continued)*

2.2 Risk management *(continued)*

The nine principal risk types are outlined below:

Business & Strategic	Capital Adequacy	Conduct
Credit	Funding & Liquidity	Life Insurance
Market	Regulatory	Operational

ESG factors (including climate-related risks) represent a common risk driver across the Group's principal risk types.

Risk Appetite

The Group's overarching risk strategy is to set and maintain the RMF to ensure that the Group has clearly identified and classified the risks its faces, set its risk appetite through statements of risk tolerance and quantitative limits, and through adherence with risk policy has observed these tolerances and limits as boundaries to its business strategy. This is achieved through appropriate processes, controls, reporting, and governance in place which enable the Group to:

- address its target market with confidence;
- protect its balance sheet; and
- deliver sustainable profitability.

Risk appetite flows from the Group's risk identity. Risk identity is the broad risk profile the Group must necessarily run to successfully pursue the Group's chosen business strategy, within risk capacity. The elements are:

- the National Champion Bank in Ireland focused on having long-term relationships with our retail, commercial and corporate customers;
- our core franchise is in Ireland, with income and risk diversification through a meaningful presence in the UK and selected international activities where we have proven competencies; and
- the Group will pursue an appropriate return for risks taken, and on capital deployed while operating within prudent Board-approved risk appetite parameters to have and maintain a robust, standalone financial position.

Risk capacity defines the externally imposed constraints within which the Group must operate.

The Risk Appetite Statement articulates tolerances for the adverse outcomes of taking risk in order to determine how much exposure the Group can take. It is set in conjunction with the Group's business strategy and sets the outer boundaries of risk the Group, including its subsidiaries, is prepared to take. It flows from the risk identity of the organisation, which is linked to the capital adequacy, desired risk profile, reputation, and strategic business intent of the Group.

For financial risks, tolerances for negative outcomes are set for earnings and capital volatility, and for how long the Group can survive under liquidity stress. For operational risk, tolerances for negative outcomes are set at an overarching operational risk level for financial loss and customer impacts.

At least annually, the Board approves risk appetite limits which are the outer boundaries for the risks that can be taken in the execution of Board approved strategy.

The Group maintains a detailed risk appetite breach escalation process which ensures that breaches of risk appetite are escalated to senior management and the Board in a timely way. This facilitates timely consideration of the breach and any actions that may be required to remedy the breach.

Risk Policies

Risk policies set out detailed risk mitigation standards that are designed to ensure that there is only a low probability of the Group's Board-approved risk appetite being exceeded. These Risk policies are owned by Group Risk. 1LOD functions managing the risk are responsible for ensuring that they have appropriately proceduralised the risk mitigation standards specified for that risk type, and designed and implemented a reliable process incorporating these procedures.

Stress Testing and Scenario Analysis

Where predictable and probable events are factored into business as usual planning and budgeting, risk arises when less predictable or unanticipated events can materialise. These types of events may result in severe impacts to the Group and therefore it is important that they are considered, and that mitigating controls and actions are put in place to ensure that the Group can continue to operate within risk appetite in that event. Stress testing and scenario analysis is the activity that addresses this requirement.

Certain principal risks are measured, managed, and reported using risk models in line with the risk policies and management procedures which are in place for each risk type.

For credit, funding and liquidity, life insurance, market, operational, and pension risks, risk models are used to measure, manage, and report on these respective risk types. Risk limits and diversification, together with regular review processes, are in place to manage potential credit risk and funding and liquidity risk concentrations which in turn could lead to increased volatility in the Group's expected financial outcomes. Additionally, the Group's calculation of economic capital takes into consideration the extent to which credit concentration risk exists in respect of single name, sector, and geography.

At Group level, common measures for risk measurement have been adopted, to inform operational and strategic plans, and ensure the Group is managed within its tolerance for exposure to risk. These include one-year or multi-year forecasting / stress testing and a capital allocation framework which incorporates economic capital modelling and risk adjusted return analysis. The Group uses a suite of risk measurement models and systems to support decision making processes at transaction and portfolio levels, e.g. approving a loan facility to a borrower.

Forecasting and stress testing are risk management tools used by the Group to alert management to potential adverse outcomes related to a variety of risks and inform risk appetite and contingent mitigating action.

2 Risk Management Framework *(continued)*

2.2 Risk management *(continued)*

Scenario analysis and stress testing, in the context of operational risk, are used to understand the Group's ability to withstand operational disruption and the impact of potential operational risk events on capital.

The Group conducts:
- loan loss forecasting which informs senior management about potential outcomes related to loan loss evolution under chosen macroeconomic scenarios. This information is regularly used as an input into the Group's budget, strategic plan and ICAAP. Additionally, it can be used to forecast future provisioning needs and / or to understand, and therefore anticipate, earnings volatility and future capital utilisation, such as at portfolio / transaction level. Results of forecasting are used by the Group to enhance the understanding of potential vulnerabilities and to make decisions around risk appetite and capital adequacy or to help prepare mitigating actions;
- solvency stress testing to evaluate the Group's financial position under a 'severe but plausible' scenario or shock and provide an indication of how much capital might be needed to absorb losses should such a shock occur. Scenarios for solvency stress testing are approved by ALCO but regulators can also request that a mandated stress scenario be run to assess capital needs across banks in a particular jurisdiction. The approved scenarios are applied to the Group's balance sheet and risks as appropriate, in order to generate stressed loan loss forecasts and potential stressed impacts on the Group's financial and capital ratios. The outputs of the solvency stress testing are reviewed by the Group to inform risk appetite, strategy and capital planning and are an integral component of the Group's ICAAP. They are also used by regulators to assess the Group's ability to continue to meet its capital requirements under severe adverse conditions;
- earnings stress testing in respect of earnings volatility and tolerances in respect of required capital to withstand a severe but plausible stress; and
- reverse stress testing to evaluate the Group's ability to survive an unforeseen severe event or combination of events that would cause the Group's business model to become unviable. Reverse stress testing complements and builds on solvency stress testing by exploring more extreme scenarios / events beyond the likelihood thresholds looked at in solvency stress testing. This is achieved as reverse stress testing is developed in reverse, working back from an outcome of business failure to causal analysis, while the more typical solvency stress testing works towards defining a range of outcomes or probabilities given defined inputs.

A key focus of solvency stress testing activities during 2023 and into 2024 is the impact on the Group's key economies of potential adverse events such as rising geopolitical tensions, further supply chain or energy price induced shocks, or a slowdown in international trade, including how such shocks in aggregate impact the Group's profitability and solvency under different interest rate environments. In parallel the Group continued to develop its capabilities in the climate risk scenario modelling space (refer to page 31).

The Group also runs more frequent and / or ad hoc stress tests for general risk management purposes. These cover:

Funding and liquidity risk: The Group stresses its exposure to liquidity risk through liquidity stress testing which provides senior management with the ability to assess the degree to which the Group is vulnerable to extreme but plausible adverse liquidity conditions. It is used to identify the potential impact of a range of adverse shocks, including the impacts of rating downgrades and the reduction / withdrawal of certain funding markets such as customer deposits or wholesale markets on the Group's ability to fund its outflows (asset financing and / or contractual obligations) at the required time and at a reasonable cost.

Life insurance risk: Life insurance regulations require each life company to complete an annual ORSA. The ORSA process is intended to consider severe but plausible risks to the business and the capital or mitigating actions required to withstand those risks within the context of its business plans. This assessment considers a range of sensitivities and scenario tests, including deterioration in the insurance risk experience.

Market risk: The following market risks are subject to stress testing as part of its normal risk measurement and management process:
- market risk, consisting of trading book and banking book interest rate gap risk exposures in Global Markets and Group Treasury;
- structural IRRBB consisting of balance sheet basis risk; and
- structural FX, the sensitivity of Group capital ratios to exchange rate movement.

Interest rate risk and basis risk are stressed using empirically-based scenario analyses. In the case of interest rate risk, the stress test results are potential changes in the economic value of positions; in the case of basis risk, the results are potential changes in one year-ahead net interest income.

Operational risk: Potential operational risk stresses (loss impacts) are modelled using a scenario-based approach. Severe, yet plausible operational risk loss scenarios are applied on a Group-basis to assess the impact of the materialisation of key operational risk events at various likelihood and are used to inform the assessment of the Group's economic capital requirement.

Risk Monitoring and Reporting

Reporting of risk exposure is how we ensure management and governance forums can monitor the maintenance of the Group's risk profile within tolerances for exposure to risk. Furthermore, it is a means for bringing management attention to where significant changes in the risk profile bring into question whether the Group can remain within risk appetite in the future. It enables the Group to respond in an effective and timely manner and to take decisions such as whether to maintain current business activity.

The Group's risk monitoring and reporting process operates within Group Risk:
- it is the responsibility of the 2LOD to take reasonable steps to ensure that the Group does not suffer outcomes outside of risk appetite for each principal risk;
- the Office of the Chief Risk Officer is responsible for reporting on the Group's risk profile at an aggregate level by consolidating reporting from the 2LOD Group Risk Function;

2 Risk Management Framework *(continued)*

2.2 Risk management *(continued)*

- risk reports are designed to report against principal risks and sub risks in a structured and consistent way so that the usability of reports is consistent across risk types and risk committees;
- reports are designed with reference to regulatory principles for Effective Risk Data Aggregation and Risk Reporting (BCBS 239), addressing report accuracy, comprehensiveness, clarity, usefulness, frequency, and distribution;
- the specific processes for monitoring, reporting, and reviewing risks are set out in the relevant policy and procedural documents consistent with Financial and Regulatory Reporting Risk Policy; and
- at Group level, the risk monitoring, reporting, and review process is overseen by the ERC and its appointed committees. All the key identified risk types are reported monthly, with monthly reporting of risk dashboards including associated risk appetite metrics compliance.

Management and the Board also consider other themes that have an impact on the risk profiles of more than one risk type. The Group currently uses a coordinated approach in relation to risk driven by both ESG factors and Group Transformation related factors.

The Board Risk Report is the report used by the Group to review and monitor the Group's Risk Profile across all Principal Risks and monitor compliance with Risk Appetite and Risk Policies. The Report is subject to review by ERC prior to review by the Group's management body (Board and BRC).

This risk management approach is enabled by an operating model where responsibilities for each activity are clearly assigned and adequately resourced. The design, implementation and performance of this risk management approach is subject to risk governance.

2.3 Risk roles and responsibilities

Three Lines of Defence

Every colleague has a specific responsibility for ensuring the Group operates within its risk appetite. These responsibilities are defined in terms of the role of colleagues in the 'Three Lines of Defence' as set out below. The role of each of the Three Lines of Defence is:

First Line of Defence (1LOD): Primary responsibility for managing risk within risk appetite and pre-defined triggers.

Second Line of Defence (2LOD): Establishing the policies under which 1LOD activities shall be performed and taking reasonable steps to ensure that the Group does not suffer outcomes outside of risk appetite. This involves:

- setting and owning risk policy, establishing the policies and standards which must be implemented by the 1LOD in relevant activities;
- ensure that standards are reliably adhered to and thereby ensure a high level of confidence that there are unlikely to be outcomes outside of risk appetite;
- establishing limits and triggers, consistent with the risk appetite of the Group;
- establishing tolerances for exposure to risk to minimise the possibility of having an outcome outside risk appetite;
- using standard methods to conduct oversight of the risk types associated with activity and inadequate controls;
- independently review, oversee, and monitor the performance of the financial balance sheet and process universe against pre-defined control tolerances; and
- reporting and escalation obligations are adhered to.

Third Line of Defence (3LOD): Ensuring the 1LOD and 2LOD assess whether all significant risks are identified and appropriately reported by management to the executive and board of management, as well as assessing whether risks are adequately controlled. GIA provides independent, reasonable assurance to key stakeholders on the effectiveness of the Group's risk management and internal control framework. GIA conducts risk based assignments covering Group businesses and functions (including outsourcing providers - subject to the right to audit), with ratings assigned as appropriate. Findings are communicated to senior management and other key stakeholders, with remediation plans monitored for progress against agreed completion dates.

Group Risk Organisational Structure

Group Risk comprises of Group Risk functions and Group Compliance. A 2LOD Risk Officer is assigned for each principal risk type, and for each sub risk type for operational risk. This ensures that there is unambiguous 2LOD oversight responsibility for every principal risk type, and every operational risk sub risk type – with no gaps or duplication. In addition, for colleagues throughout the Group, the Board, and regulators, it is clear who they should approach within Group Risk regarding any given type of risk.

Group Risk is responsible for the Group's overall risk strategy and integrated risk reporting to the Board, the BRC and Group Executive team. The function is led by the Group CRO who is a member of the Group Executive team and reports directly to the Group CEO and may directly influence business decisions. The Group CRO is leaving the Group in 2024, and a recruitment process is underway.

2 Risk Management Framework *(continued)*

2.4 Risk culture

The Group Risk Appetite Statement articulates a tolerance for the inevitable outcomes of taking risk. The risk appetite is set in conjunction with the Group's business strategy and sets the risk the Group is prepared to take.

It guides the Group, including its subsidiaries, in its risk taking and related business activities. The culture of the Group reflects the balance between:
- risk management and financial return; and
- risk taking and incentives.

Risk culture within the Group requires all colleagues to have a holistic understanding of the risks posed by the activities they undertake. It is underpinned by the Group's Purpose and Values that should act as a behavioural compass.

The Group's risk culture is a key element of the Group's effective RMF, which enables decisions to be taken in a sound and informed manner.

Standards of behaviour are detailed in the Group Code of Conduct to which all management and staff must adhere and affirm annually. The Speak Up Policy sets out the steps staff can take to raise any concerns they might have of wrongdoing, risk, or malpractice in the Group.

2.5 Recovery and resolution planning

In line with the provisions of the Single Resolution Mechanism Regulation and the Bank Recovery and Resolution Directive (BRRD), the Group maintains a recovery plan which sets out options to restore financial stability and viability of the Group in the event of the relevant circumstances arising. The Group's recovery plan is approved by the Board on the recommendation of BRC and ALCO.

The Group resolution plan is prepared by the Single Resolution Board (the central resolution authority within the Banking Union) in cooperation with the Central Bank of Ireland, rather than by the Group itself.

The plan establishes how the resolution authorities intend to approach the Group's resolution and for the Group the Preferred Resolution Strategy is a single point of entry bail-in at BoIG plc level.

The Group works closely with the resolution authorities to support the preparation of the resolution plan, to identify and address any impediments to the execution of the resolution strategy and to demonstrate that it is resolvable and prepared for crisis management. The resolution authorities also determine the MREL corresponding to the loss absorbing capacity necessary to execute the resolution strategy.

2.6 Risk governance

Risk Governance

The Board has ultimate responsibility for the governance of risk at the Group. Oversight of risk activities is achieved through a risk governance structure designed to facilitate the risk identification, assessment, monitoring, mitigating and ultimate reporting on risk activities and material considerations to the Board.

The Board is assisted in its risk governance responsibilities by the delegated sub-committees of the Board, primarily the BRC and GAC respectively and at executive level by the ERC, ALCO and their supporting appointed executive committees, namely the Group Credit Risk Committee (GCRC), Group Regulatory and Conduct Risk Committee (GRCRC), Group Operational Risk Committee (GORC), Private Equity Risk Committee (PERC), Risk Measurement Committee (RMC), Balance Sheet and Structural Risk Committee, Market Risk Committee, Group Securitisation Committee and Group Liquidity / Capital Committee (if required).

The Board of Directors is ultimately accountable for the effective management of risks and for the system of internal controls in the Group.

The system of internal control is designed to ensure thorough and regular evaluation of the nature and extent of risks and the ability of the Group to react accordingly. The Board is supported by the BRC on risk oversight matters and the GAC in relation to the effectiveness of the system of internal controls.

Each of the Board committees and the executive committees that form part of the risk governance framework operate in accordance with clear terms of reference, approved by the

Board or parent executive committee, setting out their respective roles and responsibilities. Further detail outlining the key responsibilities of the Group's Board-level risk committees can be found on pages 114 to 118 within the Governance section.

The **ERC** and **ALCO** are the Group's most senior management risk committees and operate with delegated authority from the GEC, which monitors and oversees the performance of these committees. The BRC also exercises oversight of these committees, as outlined in their respective terms of reference.

The ERC is chaired by the Group CRO and ALCO is chaired by the Group CFO. The membership of these committees comprises members of the Group Executive team and Group-wide divisional and control function executives. The ERC met 24 times and the ALCO met 11 times, during 2023.

2 Risk Management Framework *(continued)*

2.6 Risk governance *(continued)*

The ERC is responsible for the oversight of all material risk types across the Group, with the exception of certain financial risks and outcomes including market risk, funding and liquidity risk, and capital adequacy risk. The ERC and ALCO delegate specific responsibility for oversight of major classes of risk to specific appointed committees and individuals that are accountable to them.

The Board, ERC, ALCO, and their appointed committees are subject to annual effectiveness reviews, which may result in further enhancement.

The relevant ERC appointed committees are set out in the following table.

Committee	Delegated responsibility
Group Credit Risk Committee	Oversight of credit risk.
Group Regulatory and Conduct Risk Committee	Oversight of conduct risk and regulatory risk.
Group Operational Risk Committee	Oversight of operational risk.
Private Equity Risk Committee	Oversight of private equity risk.
Risk Measurement Committee	Oversight of model risk.

The relevant ALCO appointed committees are set out in the following table.

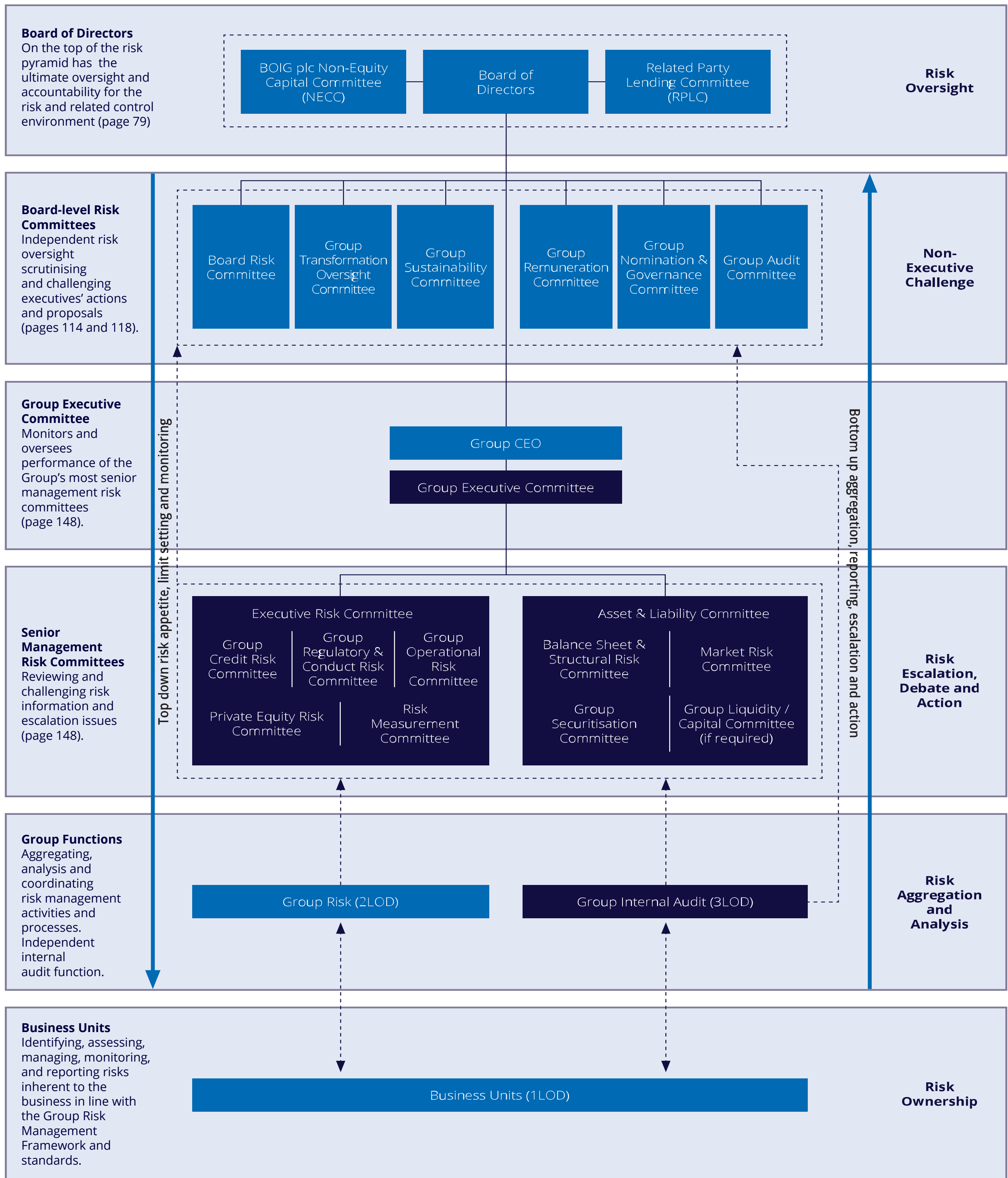
Committee	Delegated responsibility
Balance Sheet & Structural Risk Committee	Responsible for supporting ALCO in the areas of Funding Transfer Pricing and Structural Risk Management.
Market Risk Committee	Responsible for supporting ALCO in the governance, measurement and control of market risk and oversight of derivative activity.
Group Securitisation Committee	Supports ALCO in providing oversight of collateral management and asset encumbrance.
Group Liquidity / Capital Committee	May be established in line with the escalation process outlined in the Group's Recovery Plan to provide senior management oversight and direction in respect of the Group's liquidity / funding and capital positions during periods of market disruption.

Subsidiary Oversight

The Board has the overall responsibility for ensuring that there is an appropriate governance framework in place for the Group. The Board exercises oversight over Group subsidiaries, while respecting the independent legal and regulatory responsibilities that apply to the boards of such subsidiaries. The Group Subsidiary Governance Policy sets out how the Board exercises oversight of Group subsidiaries and the high-level governance standards that shall be applied across the Group in a proportionate manner.

2 Risk Management Framework *(continued)*

2.6 Risk governance *(continued)*



3 Management of principal risks

3.1 Business and strategic risk

Definition

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.

Risk management, measurement, and reporting

The Group's risk monitoring and reporting process operates within Group Risk. Business and strategic risk is a principal risk type in the RMF with a dedicated 2LOD owner in Group Risk. It is the responsibility of the Head of Business, Strategic and Sustainability Risk to take reasonable steps to ensure that the Group does not suffer outcomes outside of business and strategic risk appetite.

Divisions and business units are responsible for delivery of their business plans and management of such factors as pricing, sales and loan volumes, operating expenses and other factors that may introduce earnings volatility. Business, divisional and portfolio strategy is developed within the boundaries of the Group's strategy as well as the Group's Risk Appetite Statement.

The current status of business and strategic risk, including risk dashboards and risk appetite compliance is reported through the Board Risk Report on a monthly basis.

The key dimensions evaluated within business and strategic risk are:

- the strength of the Group's returns;
- the Group's performance against business plans including strength of returns;
- evaluation and risk assessment of the Group's strategy and implementation of the strategy;
- strength of the Group's competitive position; and
- impact of the economic and geopolitical environment on the Group's strategy.

The Group also reviews business and strategic risk as part of the annual risk identification process.

Risk mitigation

The Group mitigates business risk through business planning methods, such as the diversification of revenue streams, cost base management and oversight of business plans, which are informed by expectations of the external environment and the Group's strategic priorities.

At an operational level, the Group's annual budget process sets expectation at a business unit level for lending volumes, margins, and costs. The tracking of actual and regularly forecasted volumes, margins and costs against budgeted levels is a key financial management process in the mitigation of business risk. In the case of strategic risk, this risk is mitigated through regular updates to the Board on industry developments, the macroeconomic environment and associated trends which may impact the Group's activities, review of the competitive environment and strategies at a divisional and business unit level. On an annual basis, the Board reviews the Group's strategic objectives and key underlying assumptions to confirm that the strategic shape and focus of the Group remains appropriate.

3.2 Capital adequacy risk

Definition *(audited)*

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.

Capital management objectives and policies *(audited)*

The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy and, at all times, to comply with regulatory capital requirements. It seeks to minimise refinancing risk by managing the maturity profile of non-equity capital while the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. The capital adequacy requirements set by the regulatory authorities and economic capital based on internal models are used by the Group as the basis for its capital management. The Group seeks to maintain sufficient capital to ensure that these requirements are met. The current status of capital adequacy risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis.

ICAAP *(unaudited)*

The ICAAP facilitates the Board and senior management in adequately identifying, measuring, and monitoring the Group's risk profile to ensure the Group holds sufficient capital to cover these risks and support its strategy. Underpinning the ICAAP, the Group prepares detailed financial projections. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions and the stress case is prepared based on a severe but plausible stress economic scenario.

The ICAAP demonstrates that the Group has sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives having regard to Board approved risk appetite and strategy and to meet its regulatory capital, leverage, and liquidity requirements.

The Board approved ICAAP Report and supporting documentation is submitted to the ECB and CBI on an annual basis and is subject to regulatory review as part of the Supervisory Review and Evaluation Process (SREP).

3 Management of principal risks *(continued)*

3.2 Capital adequacy risk *(continued)*

Restated[1] CRD IV - 2022 *(unaudited)*			CRD IV - 2023 *(unaudited)*[2]	
Regulatory €m	**Fully loaded €m**		**Regulatory €m**	**Fully loaded €m**
		Capital Base		
11,522	11,522	Total equity[1]	12,561	12,561
(350)	(350)	less foreseeable distribution deduction[3]	(1,154)	(1,154)
(975)	(975)	less AT1 capital	(975)	(975)
10,197	**10,197**	**Total equity less foreseeable dividend deduction and equity instruments not qualifying as common equity tier 1**	**10,432**	**10,432**
(772)	**(1,002)**	**Regulatory adjustments being phased in / out under CRD IV**	**(699)**	**(818)**
(802)	*(1,002)*	*Deferred tax assets*[4]	*(736)*	*(818)*
–	–	*10% / 15% threshold deduction*[1]	–	–
30	–	*IFRS 9 transitional adjustment*	*37*	–
(2,147)	**(2,147)**	**Other regulatory adjustments**	**(2,097)**	**(2,097)**
(165)	*(165)*	*Expected loss deduction*	*(153)*	*(153)*
(981)	*(981)*	*Intangible assets and goodwill*	*(971)*	*(971)*
(625)	*(625)*	*Pension asset deduction*	*(583)*	*(583)*
(376)	*(376)*	*Other adjustments*[5]	*(390)*	*(390)*
7,278	**7,048**	**Common equity tier 1**	**7,636**	**7,517**
		Additional tier 1		
975	975	AT1 instruments (issued by parent entity BoIG plc)	975	975
8,253	**8,023**	**Total tier 1 capital**	**8,611**	**8,492**
		Tier 2		
1,632	1,632	Tier 2 instruments (issued by parent entity BoIG plc)	1,640	1,640
(160)	(160)	Regulatory adjustments	(160)	(160)
1,472	**1,472**	**Total tier 2 capital**	**1,480**	**1,480**
9,725	**9,495**	**Total capital**	**10,091**	**9,972**
46.8	**46.8**	**Total risk weighted assets (€bn)**[1]	**52.6**	**52.5**
		Capital ratios[1,2]		
15.6%	15.1%	Common equity tier 1	14.5%	14.3%
17.6%	17.1%	Tier 1	16.4%	16.2%
20.8%	20.3%	Total capital	19.2%	19.0%
6.4%	6.2%	Leverage ratio	6.4%	6.3%

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*
[2] *Capital ratios have been presented including the benefit of the retained profit in the year. Under Article 26 (2) of the Capital Requirements Regulation, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the ECB, and such permission has been obtained. The capital ratios are calculated using unrounded risk weighted asset amounts.*
[3] *A foreseeable distribution of €1,154 million representing ordinary dividend of €634 million (subject to ordinary shareholder approval) and share buyback of €520 million (31 December 2022: €350 million representing ordinary dividend of €225 million and share buyback of €125 million) has been deducted as required under Article 2 of European Union Regulation No. 241/2014.*
[4] *Deduction relates to deferred tax assets on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 90% in 2023, increasing to 100% in 2024.*
[5] *Includes technical items such as non-qualifying Common equity tier 1 items, prudential valuation adjustment, calendar provisioning, IFRS 9 addback adjustment to the deferred tax charge, cash flow hedge reserve, own credit spread adjustment (net of tax), coupon expected on AT1 instrument and securitisation deduction.*

3 Management of principal risks *(continued)*

3.2 Capital adequacy risk *(continued)*

Restated[1] **CRD IV - 2022** *(unaudited)*			**CRD IV - 2023** *(unaudited)*	
Regulatory €bn	**Fully loaded €bn**		**Regulatory €bn**	**Fully loaded €bn**
		Risk weighted assets		
35.9	35.9	Credit risk	39.3	39.3
0.8	0.8	Counterparty credit risk	0.8	0.8
1.4	1.4	Securitisation	1.7	1.7
0.4	0.4	Market risk	0.2	0.2
4.8	4.8	Operational risk	5.9	5.9
3.5	3.5	Other assets / 10% / 15% threshold deduction[1]	4.7	4.6
46.8	**46.8**	**Total RWA**	**52.6**	**52.5**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.

Risk weighted assets *(unaudited)*
RWAs on a regulatory basis were €52.6 billion at 31 December 2023 (2022[1]: €46.8 billion). The increase of €5.8 billion in RWA is primarily due to the acquisition of the KBCI loan portfolios, loan book movements and an increase in operational risk RWA as a result of higher operating income. RWAs in the table above reflect the application of certain CBI required Balance Sheet Assessment adjustments and the updated treatments of expected loss. Further details on RWA can be found in the Group's Pillar 3 disclosures which are available on the Group's website.

Capital Requirements Directive IV *(unaudited)*
The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent amendments, including EU Regulation 2019/876 Capital Requirements Regulation (CRR II) and EU Directive 2019/878 (CRD V) published on 7 June 2019 and EU Regulation 2020/873 published on 26 June 2020 (COVID-19 Quick Fix).

In line with the above regulations, the Group's regulatory capital ratios reflect the phased implementation of the DTAs (dependent on future profitability) deduction and the transitional implementation of IFRS 9. These items will be fully implemented in 2024 and 2025 respectively.

Regulatory Capital Developments *(unaudited)*
The CRD IV rules continue to evolve through amendments to current regulations, directives, and the adoption of new technical standards. There were no changes that materially impacted the capital ratios at 31 December 2023.

The revisions to the capital requirements for market risk, originally intended to apply in 2021, have been deferred until 2025.

The Basel Committee revisions to the Basel Framework focus on the standardised and internal ratings-based approaches to measuring credit risk. These include the introduction of an aggregate output floor to ensure banks' RWAs calculated via internal models are no lower than 72.5% of RWAs calculated under the standardised approach. The revised standards which were originally due to take effect from 1 January 2022, are now deferred to 1 January 2025 following a European Commission review in October 2021, with a phase-in period of five years for the aggregate output floor. The Group continues to monitor developments with any impact dependent on the implementation at EU level.

Regulatory ratio *(unaudited)*
The Group's regulatory CET1 ratio is 14.5% at 31 December 2023 (2022[1]: 15.6%). The decrease of c.110 basis points since 31 December 2022 is primarily due to a foreseeable distribution deduction (c.-240 basis points), the acquisition of the KBCI loan portfolio (c.-110 basis points), RWA growth (c.-70 basis points) and the impact of CRD phasing for 2023 (c.-30 basis points) offset by the benefit of organic capital generation (c.+340 basis points).

Fully loaded ratio *(unaudited)*
The Group's fully loaded CET1 ratio is 14.3% at 31 December 2023 (2022[1]: 15.1%). The decrease of c.80 basis points since 31 December 2022 is primarily due to a foreseeable distribution deduction (c.-240 basis points), the acquisition of KBCI loans (c.-110 basis points) and RWA growth (c.-70 basis points) partially offset by the benefit of organic capital generation (c. +340 basis points).

Leverage ratio *(unaudited)*
The leverage ratio at 31 December 2023 is 6.4% on a CRD IV regulatory basis (2022[1]: 6.4%) and 6.3% on a proforma fully loaded basis (2022[1]: 6.2%). A binding leverage requirement of 3% is applicable. The Group expects to remain well in excess of this requirement.

Capital requirements / buffers *(unaudited)*
The following table sets out the Group's CET1 capital requirements for 2023 and the authorities responsible for setting those requirements.

The Group is required to maintain a CET1 ratio of 10.93% on a regulatory basis at 31 December 2023. This includes a Pillar 1 requirement of 4.5%, a CET1 P2R of 1.27%, a CCB of 2.5%, an O-SII Buffer of 1.5% and a Countercyclical Buffer of 1.16%. P2G is not disclosed in accordance with regulatory preference.

3 Management of principal risks *(continued)*

3.2 Capital adequacy risk *(continued)*

The Group was notified of the ECB's final decision on the Group's Own Funds Requirements applicable from 1 January 2024 following the 2023 SREP on 1 December 2023. This will result in an increase of the P2R of 10bps to 2.35% for Total Capital with the CET1 P2R increasing to 1.32%.

Countercyclical Capital Buffers (CCyBs) are independently set in each country by the relevant designated authority.

In July 2022, the Bank of England confirmed the increase in the UK CCyB to 2%, effective from July 2023. This results in a UK CCyB requirement of c.0.50%.

In June 2022, the CBI announced the phased reintroduction of the RoI CCyB at 0.5% from June 2023. In November 2022, the CBI announced the further increase of the CCyB to 1% from November 2023. In June 2023, the CBI confirmed the further increase of the CCyB to 1.5% from June 2024. This will result in the Group's CCyB increasing to c.0.9% from June 2024.

The CBI has advised that the Group is required to maintain an O-SII buffer of 1.5% subject to annual review by the CBI.

The Group expects to maintain both regulatory and fully loaded capital ratios significantly in excess of minimum regulatory requirements.

Minimum Requirement for Own Funds and Eligible Liabilities *(unaudited)*

The Group's requirements, to be met from 1 January 2024, are c.28.9% on RWA basis and 7.59% on a leverage basis.

The MREL RWA requirement consists of a Single Resolution Board (SRB) requirement of 23.75% and the Group's Combined Buffer Requirement (CBR) of 5.16% on 1 January 2024 (comprising the Capital Conservation Buffer of 2.5%, and an O-SII buffer of 1.5% and a Countercyclical Buffer of 1.16%).

The SRB target is subject to annual review; while the CBR is dynamic, updating as changes in capital requirements become effective. The Group's expects the 2024 MREL requirement to increase to c.29.2% reflecting the phase-in of the CCyB requirements.

The Group's MREL position at 31 December 2023 is 31.7% on an RWA basis and 12.4% on a leverage basis. The Group expects to maintain a buffer over its MREL requirements. The Group issued €2,250 million of MREL eligible senior debt in 2023.

Pro forma CET1 Regulatory Capital Requirements *(unaudited)*	**Set by**	**2022**	**2023**	**2024**
Pillar 1 - CET1	CRR	4.50%	4.50%	4.50%
Pillar 2 Requirement	SSM	1.27%	1.27%	1.32%
Capital Conservation Buffer	CRD	2.50%	2.50%	2.50%
Countercyclical buffer				
Ireland (c.63% of RWA)	CBI	–	0.63%	0.94%
UK (c.25% of RWA)	BoE	0.26%	0.50%	0.50%
US and other (c.12% of RWA)	Fed / Various	0.01%	0.03%	0.03%
O-SII Buffer	CBI	1.50%	1.50%	1.50%
Pro forma Minimum CET1 Regulatory Requirements		**10.04%**	**10.93%**	**11.29%**
Pillar 2 Guidance	**Not disclosed in line with regulatory preference**			

Distribution policy *(unaudited)*

In respect of the 2023 financial year, the Board proposed a distribution of €1,154 million including an ordinary dividend of €634 million, equivalent to 60 cents per share, and representing c.40% of profits after tax subject to ordinary shareholder approval and a share buyback of €520 million which has been approved by the ECB. The ordinary dividend of 60 cents per share will be paid on 11 June 2024 to ordinary shareholders who appear on the Company's register on 10 May 2024, the record date for the dividend, subject to shareholder approval.

The Group's policy is to distribute ordinary dividends of c.40-60% of statutory profits. The Board will also consider the distribution of surplus capital on at least an annual basis. The distribution level will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties (e.g. related to the economic outlook) and any impact from the evolving regulatory and accounting environments.

3 Management of principal risks *(continued)*

3.2 Capital adequacy risk *(continued)*

Share buyback *(unaudited)*

The Group completed the €125 million buyback programme on 26 June 2023, repurchasing 13,690,346 ordinary shares for cancellation at a weighted average price of €9.131 per share.

Distributable items *(unaudited)*

At 31 December 2023, the Company had reserves available for distribution of €5.8 billion (2022: €6.1 billion). Further information on the Company's equity is provided on page 346.

Individual consolidation *(unaudited)*

The regulatory CET1 ratio of the Bank calculated on an individual consolidated basis as referred to in Article 9 of the CRR is 16.7% at 31 December 2023 (2022: 17.5%).

Impediments to the transfer of funds *(unaudited)*

There is a requirement to disclose any impediment to the prompt transfer of funds within the Group. In respect of the Group's licensed subsidiaries, the Group is obliged to meet certain license conditions in respect of capital and / or liquidity.

These requirements may include meeting or exceeding appropriate capital and liquidity ratios and obtaining appropriate regulatory approvals for the transfer of capital or, in certain circumstances, liquidity.

The Group's licensed subsidiaries would be unable to remit funds to the parent when to do so would result in such ratios or other regulatory permissions being breached. Apart from this requirement, there is no restriction on the prompt transfer of own funds or the repayment of liabilities between the subsidiary companies and the parent.

At 31 December 2023, own funds were in excess of the required minimum requirement.

3.3 Conduct risk

Definition

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 its 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 products and services and the various activities performed by staff, contractors and by third party suppliers.

The key conduct risk exposure areas managed by the Group include the following:

Market Integrity: The risk that the Group fails to ensure that business activities, and those carrying them out, are authorised and comply with regulatory requirements, manage conflicts of interest, observe proper standards of market conduct, and enable employees to raise concerns without fear of retaliation.

Customer Protection: The risk that Group sales (including advice), execution and remediation of our products and services fail to meet the expectations of our customers and regulators.

Financial Crime: The risk that the Group's associated persons (employees or third parties) commit or facilitate financial crime, and / or the Group's systems, products and / or services are used by customers, employees or third parties to facilitate or attempt to facilitate financial crime.

Data Privacy: The risk that Group does not comply with relevant data protection and privacy laws and regulations.

Risk management and measurement

From an ESG perspective, 'Green Washing', or misrepresenting the environmental benefits of green financial products or investments, is an emerging risk within conduct risk. The Group has updated its product approval policy and process to scrutinise green products with this risk in mind.

The Group manages conduct risk under the RMF. The framework establishes the common principles for the risk management process of identifying, assessing, monitoring, and mitigating risks to the Group.

This is implemented by accountable executives and monitored by the GRCRC, the ERC, the BRC and Board in line with the overall Group risk governance structure outlined on pages 147 to 149. The effective management of conduct risk is primarily the responsibility of business management and is supported by Group Compliance. The Group has no tolerance for knowingly causing harm to customers, clients, and markets, arising from the delivery of its products and services. However, we recognise that mistakes and errors of judgement or failures of processes can and do lead to customer harm which we have limited tolerance for. We mitigate this risk through our conduct risk policies.

3 Management of principal risks *(continued)*

3.3 Conduct risk *(continued)*

Risk mitigation

Risk mitigants include the early identification, appropriate assessment, measurement and reporting of risks. The primary risk mitigants for conduct risk are the establishment, through Group conduct policies, of standard mitigating requirements throughout the business. The standards of behaviour are detailed in the Group Code of Conduct Policy to which all management and staff must adhere and affirm annually. The Speak Up Policy sets out the steps staff can take to raise any concerns they might have of wrongdoing, risk, or malpractice in the Group. A training schedule is in place across the Group to support staff and management in this regard.

Risk reporting

The current status of conduct risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis. The Group Chief Compliance Officer reports on the status of conduct risk in the Group, including the status of the top conduct risks, assurance activity, the progress of risk mitigation plans, issues and breaches, and significant regulatory interactions to the ERC and BRC by way of the quarterly Group Chief Compliance Officer report.

3.4 Credit risk

Definition *(audited)*

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions, or any other deterioration in a counterparty's creditworthiness.

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 / clearing lines.

The manner in which the Group’s exposure to credit risk arises, its policies and processes for managing it and the methods used to measure and monitor it are set out below.

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 excessive exposures to a single entity, or group of entities with similar activities and similar economic characteristics, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Cross-border transfer risk

Cross-border transfer risk is the risk that sovereign or other counterparties within a country may be unable, unwilling, or precluded from fulfilling their cross-border obligations due to changing political, financial, or economic circumstances such that a loss to the Group may arise.

Credit quality deterioration risk

Credit quality deterioration risk is the risk for potential loss due to a ratings downgrade (e.g. Probability of Default (PD) or IFRS9 staging migration).

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 or enforceability of security held due to errors in the nature, quantity, pricing, or characteristics of security held in respect of a transaction with credit risk.

ESG factors, including climate change represent a common driver across the Group's principal risk types, including credit risk and its sub risks. ESG risk factors are managed as part of credit risk and its sub risks including in policies, risk appetite, risk monitoring and reporting.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

Credit risk management *(audited)*

Credit risk statement
The Group actively seeks opportunities to provide credit facilities to borrowers who are assessed as having the capacity to service and discharge their obligations and to allow growth in the volume of loan assets in line with the Group's risk appetite and to provide a solid foundation for sustained growth in earnings and shareholder value.

The Group's credit strategy is to underwrite credit risk within a clearly defined Board-approved risk appetite.

This is done 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 Board-approved risk parameters.

Credit risk management
Within the Group's lending divisions the approach to the management of credit risk is focused on a detailed credit analysis at origination followed by early intervention and active management of accounts where creditworthiness has deteriorated.

Through its ongoing credit review processes, the Group seeks early identification of deteriorating loans with a view to taking corrective action to prevent a loan becoming credit-impaired. Typically, loans that are at risk of becoming credit-impaired are managed by dedicated specialist units / debt collection teams focused on working out loans. A separate Customer Loan Solutions function provides experienced and dedicated management of challenged assets. For loans that become credit-impaired, the focus is to minimise the loss that the Group will incur. This may involve implementing forbearance solutions, entering into restructuring arrangements, action to enforce security, asset / portfolio disposals or securitisations.

The Group Credit Risk Function has responsibility for the independent oversight of credit risk and for overall risk reporting to the GCRC, ERC, the BRC and the Board on developments in credit risk and compliance with specific risk limits. It is led by the Chief Credit Officer who reports directly to the Group CRO. The function provides independent oversight of the Group's credit risk strategy, credit risk management information and credit risk underwriting.

Credit policy
The core values and principles governing the provision of credit are contained in the Group Credit Risk Policy which is approved by the Board. The Group Credit Risk Policy is supported by the following additional credit risk related policies; i) Group Impairment Policy; ii) Group Forbearance Policy; iii) Group Property Collateral Valuation Policy; iv) Group Country Risk Policy; v) Group Bank Risk Policy and vi) Group Policy on Definition of Default. Individual business unit loan origination standards set out key loan acceptance criteria at product, sector, or portfolio level. Business unit credit risk procedures are also required for each portfolio or business unit involved in lending and credit related activities. These documents describe the end-to-end credit risk lifecycle. These standards and procedures 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 underwriting 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 country risk exposure guide points to mitigate significant concentration risk. These limits and guide points are informed by the Group's Risk Appetite Statement which is approved annually by the Board. It includes specific long-term limits for each category and maximum exposure limits to a customer or a group of connected customers.

The Board approves a framework of country maximum exposure guide points which are used as benchmarks for the setting of country limits, with individual country limits approved by GCRC. A maximum exposure limit framework for exposures to banks is also approved by the GCRC for each rating category. Limits are set and monitored for countries, sovereign obligors, and banks in accordance with these frameworks.

Credit risk measurement *(audited)*
All credit transactions are assessed at origination for credit quality and the borrower is assigned a credit grade based on a predefined credit rating scale. The risk and consequently the credit grade, is reassessed periodically. The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

Loan impairment
Under IFRS 9, essentially all credit risk exposures not measured at fair value through profit or loss (FVTPL) are subject to recognition of an impairment loss allowance for 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 the ERC in advance of providing a recommendation to the GAC.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

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 beginning on page 159. An analysis of the Group's impairment loss allowances at 31 December 2023 is set out in note 25.

Credit risk mitigation *(audited)*

An assessment of the borrower's ability to service and repay the proposed level of debt (principal repayment source) is undertaken for credit requests and is a key element in the Group's approach to mitigating risk.

In addition, the Group mitigates credit risk through the adoption of both proactive preventative measures (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks should these materialise, including hedging, securitisation, the taking of collateral (which acts as a secondary repayment source) and selective asset / portfolio disposals.

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 PD. The Group's requirements around completion, valuation and management of collateral are set out in appropriate Group policies, business unit loan origination standards and credit risk procedures.

The extent to which collateral and other credit enhancements mitigate credit risk in respect of the Group's Residential mortgage portfolio are set out in the tables on pages 169 to 170.

Counterparty credit risk arising from derivatives

Trading in over-the-counter (OTC) derivatives is governed by the European Market Infrastructure Regulation. The Group has executed standard internationally recognised documents such as International Swaps and Derivatives Association (ISDA) agreements and Credit Support Annexes (CSAs) with all of its derivative financial counterparties.

In addition, the Group has Cleared Derivatives Execution Agreements (CDEAs) with its principal interbank derivative counterparties enabling the Group to clear eligible derivatives through an EU approved and regulated central counterparty. If a derivative contract cannot be cleared through a central counterparty, a CSA serves to limit the potential cost of replacing that contract at market price in the event of a default by the financial counterparty. All of the Group's financial counterparty 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 / quarterly basis to senior management. Reporting includes information on loan book composition and asset quality (credit grade, PD profiles, impairment loss allowances and RWAs).

The current status of credit risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis. A report on exceptions to credit policy is reviewed by GCRC members on a quarterly basis.

On a monthly / quarterly 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.

The Group maintains an independent Credit Review function which provides ongoing assessment of the Group's credit risk management processes. Using a risk based approach, the Credit Review function carries out periodic reviews of Group lending portfolios, lending units and credit underwriting units. The results of reviews carried out by the Credit Review function are communicated to the Board and senior management.

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 are 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 are intended to return the exposure to a sustainable repayment situation.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

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 actual or apparent financial difficulties. 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 estimated within the next 12 months.

- **Stage 2 - Lifetime expected credit losses (not credit-impaired)**
  Financial instruments which have experienced a 'significant increase in credit risk since initial recognition' and are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised, being the ECL resulting from all estimated default events over the expected life of the financial instrument. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument.

- **Stage 3 - Lifetime expected credit losses (credit-impaired)**
  Credit-impaired financial instruments, other than Purchased or Originated Credit-impaired (POCI) financial assets. An impairment loss allowance equal to lifetime ECL is recognised. The manner in which the Group identifies financial assets as credit-impaired results in the Group's population of credit-impaired financial assets being consistent with its population of defaulted financial assets (in accordance with regulatory guidelines including 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. POCI obligations remain outside of the normal stage allocation process for the lifetime of the obligation.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

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 following section on 'credit risk methodologies'.

The Group continue 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:
- 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.

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 (hybrid PD) of the following bases:
- Through-the-Cycle (TtC) estimates are estimates of annual default rate, averaged over an entire economic cycle. 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 input to 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 PDs on a TtC or cyclical basis depending on the portfolio. 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 annual 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 Ratings Based (IRB) approach for the majority of its retail exposures. Under this approach, the Group calculates its own estimates for PD, LGD and credit conversion factors. External ratings do not play a role within the Group's retail internal rating systems, however, external credit bureau data can play a role in assessing certain borrowers.

Under the Retail IRB approach, scorecards based on internal behavioural data and, where relevant, transaction-specific characteristics are developed for specific portfolios or product types. The output from the scorecard is used to determine the PD estimate.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

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 annual 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 losses 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. Some portfolios have a Best Estimate of Expected Loss (BEEL) LGD modelling component for stock default accounts. Estimates of credit conversion factors (which determine the extent to which a currently undrawn amount is expected to be drawn and outstanding at the point of default) are similarly derived based on historic experience from observed defaults and are calibrated to produce estimates of behaviour characteristic of an economic downturn if those are more conservative than the long run average. The assumption that the time periods and data used for the estimation of LGD and credit conversion factors remain representative of economic downturn conditions is subject to review and challenge on an ongoing basis

Other uses of internal estimates

Internal estimates play an essential role in risk management and decision making processes as well as the credit approval functions, the internal capital allocation function and the corporate governance functions of the Group. The specific uses of internal estimates differ from portfolio to portfolio, and for retail and non-retail approaches, but typically include:
- credit decisioning / automated credit decisioning and borrower credit approval;
- credit management;
- calculation of RAROC;
- internal reporting; and
- internal capital allocation between businesses of the Group.

For other purposes, the cyclical PD estimates are typically used, both the TtC and cyclical estimates feature within internal management reporting.

Control mechanisms for credit rating and impairment models

The Group Model Risk Policy, as approved by the BRC and ERC, sets out the Group's overall approach to model risk management. Supporting standards set out more detailed requirements with respect to development, monitoring and validation of credit rating and impairment models. These standards are approved by the RMC and / or the MRC. Model development and redevelopments for credit rating and impairment models are approved by the RMC and the results of model performance monitoring are reported to the MRC with onward reporting at the RMC on a regular basis.

The Group mitigates model risk for credit rating and impairment models as follows:
- **model development standards:** the Group adopts centralised standards and methodologies over the operation and development of models. This ensures a common approach in key areas such as documentation, data quality and management and model testing;
- **model governance:** the Group adopts a uniform approach to the governance of all risk rating model related activities and impairment model related activities, ensuring the appropriate involvement of relevant stakeholders;
- **model performance monitoring:** credit risk rating and impairment models are subject to testing on a quarterly basis which is reported to the relevant committees. This includes assessment of model performance against observed outcomes, including:
  - rank order of borrowers;
  - accuracy of parameter estimates;
  - the stability of the rating;
  - the quality of data; and
  - the appropriateness of model use.
- **independent validation:** 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 discounted cash flow (DCF) analysis and modelled loss rates, supplemented where necessary by Group management adjustments.

A loss allowance is recognised for all financial instruments in scope for the impairment requirements of IFRS 9. There have been no significant changes in the quality of collateral or credit enhancements as a result of changes in the Group's collateral policies during the year.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

The Group's methodologies for valuation of property collateral are set out on page 164, noting further that FLI (page 221) 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 of the consolidated financial statements.

An analysis of the Group's net impairment losses / gains on financial instruments and impairment loss allowance is set out in notes 13, 24 and 25 of the consolidated financial statements.

Impairment models
The Group has in place a suite of IFRS 9 compliant impairment models which are executed on a monthly basis. The ECL framework allocates financial instruments to Stage 1, 2 or 3 and measures the applicable 12 month or lifetime ECL. The characteristics of an exposure determine which impairment model is applied, with influencing factors including product type (e.g. residential mortgage, unsecured personal loan, business loan) and market segment (e.g. owner occupier, Buy to Let (BTL), general corporate lending, general business lending).

ECLs are calculated as the sum of the marginal losses for each time period from the reporting date. The key components of the ECL calculation are PD, EAD and LGD and are described below. Other components include discount rate and maturity. The current contractual interest rate is generally used as the discount rate as it is considered a suitable approximation of the effective interest rate determined at initial recognition. For term lending including committed RCFs, contractual maturity is used in the ECL calculation. For other revolving facilities, behavioural life is generally used.

IFRS 9 Probability of Default
Where available, the ratings or underlying scores from internal credit rating models are used as a starting point for IFRS 9 PD calibration. While calibration techniques are similar to those used for regulatory purposes, the IFRS 9 PD differs from through-the-cycle PDs as it is a point-in-time PD measure based on current conditions adjusted to reflect FLI under a range of scenarios. A current point-in-time IFRS 9 PD is calculated as the expected default rate over the next 12 months. This PD is used in the calculation of 12-month ECL and as a starting point in the calculation of lifetime PD. Future point-in-time IFRS 9 PDs are also calculated, being the expected default rates for each year from the start of year two to maturity of the financial instrument. Transition matrices are used to determine how an exposure moves between different PD bands over time.

Together, the current point-in-time IFRS 9 PD and future point-in-time IFRS 9 PDs are used to calculate an IFRS 9 lifetime PD expectation for each FLI scenario. The scenario-weighted averages are used to generate an overall IFRS 9 lifetime PD expectation. At origination of a new financial instrument, these expectations are stored, together with prepayment estimates where relevant and allow for comparison at future reporting dates as one of the key determinants as to whether a 'significant increase in credit risk' has occurred. As lifetime PD was not calculated historically, the Group used reasonable and supportable information available without undue cost or effort to approximate the residual IFRS 9 lifetime PD expectations at initial recognition for most financial instruments originating prior to the adoption of IFRS 9 on 1 January 2018.

The PD component utilised for certain Corporate and Property impairment models was updated in 2023. The PD calibrations for both Corporate and Property portfolios were enhanced to alleviate excessive sensitivity to a small change in the number of defaults and changes in asset quality ratings. The combined result of both of these changes was a c.€32 million increase in impairment loss allowance noting the management judgement utilised in the PD model calibration process for these portfolios at 30 June 2023 is no longer considered to be required.

The PD component of the model utilised for the Leverage Acquisition Finance segment of the Corporate portfolio was updated in 2023 to address a deterioration in the performance of the macroeconomic relationship in the PD model. The macro-economic model factors were reviewed and updated with UK interest rates now included as a model factor with UK unemployment. The impact of this change was a c.€23 million decrease in impairment loss allowance.

The calibration of the Lifetime PD at initial recognition for Retail Ireland residential mortgage impairment models was refined in 2023. This was required to address an unintended dynamic which resulted in a proportion of newly originated loans migrating to stage 2 due to differences in the PD calibration approach for newly originated loans (<6 months on book) versus seasoned loans (>=6 months on book). This resulted in loans migrating from stage 1 to stage 2 despite analysis demonstrating there was no underlying increase in credit risk. The impact of this change was a decrease in impairment loss allowance of c.€7 million.

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.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

The ECL model framework was updated in 2023 to reflect an enhanced approach to applying realisation rates and costs calculations 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, resulted in an increase in impairment loss allowance of c.€13 million.

The ECL model framework was also updated in 2023 with model factor updates to reflect recent observed information. This included the application of updated portfolio disposal data within the Retail Ireland residential mortgages LGD model, resulting in an increase in impairment loss allowance of c.€20 million. In addition the Retail Ireland and UK residential mortgage LGD models were updated in the year to reflect an updated approach to estimating cure rates to ensure these are representative of future borrower behaviour. The revised methodology applies a prudent approach to accounts that cured from default while availing of Covid related payment breaks. This change results in an increase in impairment loss allowance of c.€22 million.

An internal model validation review completed in 2022 incorporated observations on the estimation of LGD for a segment of the micro-SME portfolio. A new LGD model has been developed for this segment in 2023. The change has resulted in a reduction in impairment loss allowance of c.€10 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. The expected future cash flows are based on an assessment of future recoveries and include forecasted principal and interest payments (not necessarily contractual amounts due) and expected cash flows, if any, from the realisation of collateral / security held, less realisation costs.

Modelled loss rates

For some smaller and / or lower risk portfolios, (primarily UK unsecured consumer lending and RoI asset finance portfolios) impairment loss allowances are measured by applying modelled loss rates to exposure amounts. Modelled loss rates are generally determined on a component basis taking into account factors such as the nature and credit quality of the exposures and past default and recovery experience on the portfolio or on portfolios with similar risk characteristics. Generally, a number of different loss rates will be set for a portfolio to allow differentiation of individual financial instruments within the portfolio based on their credit quality.

Identifying a significant increase in credit risk

The Group's standard criteria to identify financial instruments which have had a 'significant increase in credit risk since initial recognition' are applied to the vast majority of loans and advances to customers. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument. Unless credit-impaired or a POCI, a financial instrument is generally allocated to Stage 2 if any of the following criteria are met at the reporting date:

- remaining lifetime PD is more than double and more than 50 basis points higher than the remaining lifetime PD at the reporting date as estimated based on facts and circumstances 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
- the exposure is a forborne loan or an 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 interest rates on asset quality. Credit risk assessments on the impact of higher inflation and interest rates on debt affordability were completed across the Group's loan 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 €2.8 billion of stage 1 residential mortgage and consumer assets as stage 2 at the reporting date, with an associated €33 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.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

Identifying defaulted assets and credit-impaired assets

The Group's population of credit-impaired financial assets are consistent with its population of defaulted financial assets and closely aligned with the Group's definition of NPEs. Where default criteria are no longer met, the credit facility (obligor for non-retail exposures) exits credit-impaired (Stage 3), subject to meeting defined probation criteria, in line with regulatory requirements.

Under the definition of default the Group considers certain events as resulting in mandatory default and credit-impaired classification without further assessment. These include:

- greater than or equal to 90 days past due and the past due amount is material;
- more than 3 full monthly payments past due (retail credit facilities only);
- a forbearance arrangement is put in place and that arrangement involves debt forgiveness or reduction in interest rate / margin;
- legal action is underway by the Group to enforce repayment or realise security;
- the Group or a receiver takes security into possession;
- the Group has formally sought an insolvency arrangement in respect of the borrower;
- the exposure is classified as non-performing forborne for supervisory reporting purposes; and
- residential mortgages where default has occurred on another credit facility secured on the same property collateral, or more than 20% of overall balance sheet exposure to the customer in the mortgage portfolio is in default.

Certain other events necessitate a lender assessment and, if the outcome of the lender assessment is that the contractual amount of principal and interest will not be fully repaid in what is assessed to be the most likely cash flow scenario or will be repaid only via recourse by the Group to actions such as realising security, default and credit-impaired classification is mandatory. For larger value commercial lending cases (typically greater than €1 million or £850,000), the lender assessment involves production of an individual discounted cash flow analysis. The events differ by portfolio and include those set out below.

All portfolios:

- a forbearance measure has been requested by a borrower and formally assessed;
- the non-payment of interest (e.g. via interest roll-up, arrears capitalisation etc.) as a result of the terms of modification of loans, including refinancing and renegotiation of facilities where during the renegotiation process, the lender becomes aware that the borrower is under actual or apparent financial distress;
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows;
- a borrower's sources of recurring income are no longer available to meet regular loan repayments;
- evidence of fraudulent activity by the borrower or another party connected with the loan;
- the contractual maturity date has passed without repayment in full;
- repayment of a credit obligation is suspended because of a law allowing this option or other legal restrictions; and
- 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);
- a fall in the assessed gross development value such that sale proceeds are no longer expected to fully repay debt (development exposures only); or
- 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.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

Methodologies for valuation of property collateral

The Group’s approach to the determination of the market value of property collateral is set out in the Group Property Collateral Valuation Policy, supported by related 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 2023 is set out in the 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 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 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 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 / £250,000.

Credit risk associated with geopolitical risk, inflation, and interest rates

In 2023, the Group conducted a number of assessments in relation to credit risk associated with the impact of elevated inflation and interest rates on asset quality.

As outlined previously, credit risk assessments were implemented 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 stage 1 assets as stage 2. These credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to classify €2.8 billion of stage 1 assets as stage 2 at the reporting date, (2022: €1.9 billion), with a corresponding €33 million increase in impairment loss allowance (2022: €12 million).

The impact of elevated inflation and interest rates have been taken into account within individual credit assessments in the relationship managed commercial portfolios.

All US Commercial Real Estate Office exposures have been downgraded to ensure all performing loans in this portfolio are classified as stage 2 or lower. The estimated impact of this judgement was a c.€10 million increase in impairment loss allowance. In addition to this an Investment Property post-model adjustment to the Group's impairment loss allowance of €48 million was recognised to reflect latent risk in the wider Investment Property portfolio including the impact of prevailing interest rates in the commercial property market.

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 geopolitical risk; elevated inflation and interest rates in the Group’s key economies. The estimated impact of this judgement was a c.€31 million increase in impairment loss allowance (2022: c.€37 million).

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 in note 25 Credit risk exposures.

Forward Looking Information

Changes in estimates

FLI refers to probability-weighted future macroeconomic scenarios used in the measurement of impairment loss allowances under IFRS 9, and is approved semi-annually by the ERC. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 31 December 2023, comprised of a central scenario, an upside scenario, and two downside scenarios, including one severe downside scenario.

All scenarios extend over a five year forecast period, with reversion to long run averages for property price growth for years beyond this. 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 2023 is based on internal and external information and management judgement and follows the same process as used in prior periods.

In order to incorporate available, reasonable and supportable information and apply meaningful upside and downside FLI scenarios, three alternative scenarios (one upside and two downside) were constructed by the Group's Economic Research Unit (ERU) and the Real Estate Advisory Unit (REAU) along specific scenario narratives to reflect different levels of geopolitical tensions, varying impacts of energy price disruption and inflation; the depth of downturn in the RoI, UK and global economies; and the pace of economic recovery.

The alternative scenarios were assessed relative to the historical distribution of key macroeconomic factors to derive an initial set of relative probabilities. The probability weightings attached to the scenarios are a function of their relative position on the distribution of historical outcomes, 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.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

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. FLI 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.

Composition and impairment

The tables below summarise the composition, credit-impaired volumes and related impairment loss allowance of the Group's loans and advances to customers at amortised cost at 31 December 2023. These tables exclude €205 million of loans and advances to customers at 31 December 2023 (2022: €217 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9.

In February 2023, the Group completed the acquisition of a €8.0 billion portfolio of loans (predominantly residential mortgages) from KBCI.

This resulted in a once-off impairment loss in the first quarter of c.€17 million. This acquisition represents a primary driver of the increase in the Group's loans and advances to customers in the year.

Credit-impaired includes Stage 3 and POCI assets of €118 million (2022: €79 million). €25 million of POCI assets (2022: €1 million) were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI loans until derecognition. The increase in POCI assets is due to the KBCI loan acquisition.

2023 **Credit-impaired loans and advances to customers - Composition and impairment** *(audited)*	**Advances (pre-impairment loss allowance)** **€m**	**Credit-impaired loans** **€m**	**Credit-impaired loans as % of advances** **%**	**Credit-impaired Impairment loss allowance** **€m**	**Impairment loss allowance as % of credit-impaired loans** **%**
Residential mortgages	47,130	770	1.6%	141	18%
Retail Ireland	*32,102*	*383*	*1.2%*	*89*	*23%*
Retail UK	*15,028*	*387*	*2.6%*	*52*	*13%*
Non-property SME and corporate	20,449	1,080	5.3%	330	31%
Republic of Ireland SME	*7,153*	*342*	*4.8%*	*161*	*47%*
UK SME	*1,547*	*80*	*5.2%*	*22*	*28%*
Corporate	*11,749*	*658*	*5.6%*	*147*	*22%*
Property and construction	7,223	369	5.1%	80	22%
Investment	*6,683*	*320*	*4.8%*	*69*	*22%*
Development	*540*	*49*	*9.1%*	*11*	*22%*
Consumer	5,801	130	2.2%	61	47%
Total	**80,603**	**2,349**	**2.9%**	**612**	**26%**
Purchased / originated credit-impaired	143	118	82.5%	12	10%
Total	**80,746**	**2,467**	**3.1%**	**624**	**25%**

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

2022 Credit-impaired loans and advances to customers - Composition and impairment *(audited)*	Advances (pre-impairment loss allowance) €m	Credit-impaired loans €m	Credit-impaired loans as % of advances %	Credit-impaired Impairment loss allowance €m	Impairment loss allowance as % of credit-impaired loans %
Residential mortgages	38,016	450	1.2%	89	20%
Retail Ireland	*22,468*	*251*	*1.1%*	*69*	*27%*
Retail UK	*15,548*	*199*	*1.3%*	*20*	*10%*
Non-property SME and corporate	21,452	1,534	7.2%	563	37%
Republic of Ireland SME	*7,175*	*561*	*7.8%*	*269*	*48%*
UK SME	*1,578*	*121*	*7.7%*	*45*	*37%*
Corporate	*12,699*	*852*	*6.7%*	*249*	*29%*
Property and construction	8,141	355	4.4%	102	29%
Investment	*7,024*	*339*	*4.8%*	*97*	*29%*
Development	*1,117*	*16*	*1.4%*	*5*	*31%*
Consumer	5,350	146	2.7%	81	55%
Total	**72,959**	**2,485**	**3.4%**	**835**	**34%**
Purchased / originated credit-impaired	80	79	98.8%	33	41%
Total	**73,039**	**2,564**	**3.5%**	**868**	**34%**

At 31 December 2023, loans and advances to customers (pre-impairment loss allowance) of €80.7 billion were €7.7 billion higher than 31 December 2022, reflecting the acquisition of the KBCI portfolio, the combined impacts of currency translation, NPE resolution activity (including portfolio disposals and utilisation of impairment loss allowances) and net redemptions in the year.

Credit-impaired loans decreased to €2.5 billion or 3.1% of customer loans at 31 December 2023 from €2.6 billion or 3.5% at 31 December 2022. This decrease reflected resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

Resolution strategies include the disposal of non-performing portfolios, realisation of cash proceeds from property sales activity and, where appropriate, have given rise to utilisation of impairment loss allowance against loan amounts for which there is no reasonable expectation of recovery. In the second half of the year the Group completed the disposal of a pool of non-performing business banking and residential mortgage loans with a gross carrying value of €0.3 billion in the year, with an associated €6 million net impairment loss (including the full utilisation of the €35 million post-model adjustment recognised at 30 June 2023).

The decrease from resolution strategies was partly offset by the acquisition of €0.1 billion of NPEs from KBCI in 2023 and from the emergence of new defaults in the year (primarily in the residential mortgage portfolio).

The application of updated FLI, individually assessed risk ratings, credit risk assessments and impairment methodology updates resulted in the net migration of €0.1 billion loans from Stage 2 to Stage 1 (i.e. cases that are no longer identified as having experienced a significant increase in credit risk) in the year.

This net migration reflects the impact of impairment methodology changes relating to the calibration of Lifetime PD at initial recognition for Retail Ireland residential mortgage impairment models (note 2), updates to FLI weightings and other portfolio activity (including net repayments / redemptions in the year) offset by the impact of elevated inflation and interest rates on the credit risk in the loan book, and the application of an updated approach to identifying significant increase in credit risk for relationship managed commercial portfolios.

The stock of impairment loss allowance on credit-impaired loans was €0.6 billion at 31 December 2023, which was €0.2 billion lower than the stock at 31 December 2022. The net decrease incorporates impairment loss allowance utilisation of €0.6 billion, including c.€0.3 billion associated with NPE portfolio disposals. This was partly offset by the impact of the impairment loss on credit-impaired loans of €0.2 billion and the impact of currency translation and other movements.

The total impairment loss allowance at 31 December 2023 includes a total Group management adjustment of €85 million (2022: €60 million), all of which was recognised against loans and advances to customers. Details on the Group management adjustment are provided in note 2 on pages 227 to 229.

ILA cover for credit-impaired loans decreased to 25% compared to 34% at 31 December 2022. This primarily reflects changes in the underlying asset / portfolio mix of the stage 3 population following the portfolio disposal of highly provisioned NPE exposures and other resolution activity with lower impairment requirements for assets migrating to stage 3 in the year as well as the impact of the acquisition of the KBCI portfolio.

3 Management of principal risks *(continued)*

3.4 Credit risk *(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 2023 of €80.7 billion (2022: €73.0 billion) is available in note 24. The tables below exclude €205 million of loans and advances to customers at 31 December 2023 (2022: €217 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9. Exposures are before impairment loss allowance.

2023 **Loans and advances to customers at amortised cost - Composition** *(audited)*	**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	42,781	3,371	542	118	46,812
Retail Ireland	*29,361*	*2,214*	*231*	*118*	*31,924*
Retail UK	*13,420*	*1,157*	*311*	*–*	*14,888*
Non-property SME and corporate	14,737	3,454	269	1	18,461
Republic of Ireland SME	*5,667*	*991*	*217*	*1*	*6,876*
UK SME	*1,154*	*218*	*49*	*–*	*1,421*
Corporate	*7,916*	*2,245*	*3*	*–*	*10,164*
Property and construction	3,336	2,573	145	–	6,054
Investment	*2,934*	*2,536*	*145*	*–*	*5,615*
Development	*402*	*37*	*–*	*–*	*439*
Consumer	4,870	800	128	–	5,798
Total non-forborne loans and advances to customers	**65,724**	**10,198**	**1,084**	**119**	**77,125**
Forborne loans and advances to customers					
Residential mortgages	5	203	228	24	460
Retail Ireland	*4*	*140*	*152*	*24*	*320*
Retail UK	*1*	*63*	*76*	*–*	*140*
Non-property SME and corporate	–	1,178	811	–	1,989
Republic of Ireland SME	*–*	*153*	*125*	*–*	*278*
UK SME	*–*	*95*	*31*	*–*	*126*
Corporate	*–*	*930*	*655*	*–*	*1,585*
Property and construction	–	945	224	–	1,169
Investment	*–*	*893*	*175*	*–*	*1,068*
Development	*–*	*52*	*49*	*–*	*101*
Consumer	–	1	2	–	3
Total forborne loans and advances to customers	**5**	**2,327**	**1,265**	**24**	**3,621**

At 31 December 2023, forborne POCI loans included €1 million (2022: €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.

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

2022 **Loans and advances to customers at amortised cost - Composition** *(audited)*	**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**

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

Loan to value profiles - total Retail Ireland mortgages *(audited)*
The tables below set out the weighted average indexed loan to value (LTV) for the total Retail Ireland mortgage loan book. The tables exclude POCI loans of €142 million (2022: €4 million). The increase in POCI assets is due to the KBCI loan acquisition.

2023 Loan to value ratio of total Retail Ireland mortgages *(audited)*	Owner occupied			Buy to let			Total		
	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%	13,042	138	13,180	940	31	971	13,982	169	14,151
51% to 70%	10,156	90	10,246	186	7	193	10,342	97	10,439
71% to 80%	3,504	25	3,529	30	3	33	3,534	28	3,562
81% to 90%	3,503	12	3,515	37	6	43	3,540	18	3,558
91% to 100%	258	11	269	11	2	13	269	13	282
Subtotal	**30,463**	**276**	**30,739**	**1,204**	**49**	**1,253**	**31,667**	**325**	**31,992**
101% to 120%	19	10	29	5	2	7	24	12	36
121% to 150%	14	5	19	2	5	7	16	10	26
Greater than 151%	6	13	19	6	23	29	12	36	48
Subtotal	**39**	**28**	**67**	**13**	**30**	**43**	**52**	**58**	**110**
Total	**30,502**	**304**	**30,806**	**1,217**	**79**	**1,296**	**31,719**	**383**	**32,102**
Weighted average LTV:									
Stock of Retail Ireland mortgages at year end			54%			42%			53%
New Retail Ireland mortgages during the year			75%			55%			74%

2022 Loan to value ratio of total Retail Ireland mortgages *(audited)*	Owner occupied			Buy to let			Total		
	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%

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

Weighted average loan to value ratios are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage. Property values are determined by reference to the property valuations held, indexed to the CSO RPPI. The indexed LTV profile of the Retail Ireland mortgage loan book is based on the CSO RPPI at October 2023.

The CSO RPPI for October 2023 reported that average national residential property prices were 5.1% above peak (2022: 2.9% above peak), with Dublin residential prices 6.3% below peak and outside of Dublin residential prices 6.1% above peak (2022: 5.7% below peak and 1.8% above peak respectively). In the 10 months to October 2023, residential property prices at a national level increased by 1.9%.

At 31 December 2023, €32.0 billion or 99.7% of Retail Ireland mortgages were classified as being in positive equity, 99.8% for Owner occupied mortgages and 96.7% for BTL mortgages.

Loan to value profiles - total Retail UK mortgages *(audited)*
The tables below set out the weighted average indexed LTV for the total Retail UK mortgage loan book. Weighted average loan to value ratios are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage. Property values are determined by reference to the original or latest property valuations held, indexed to the published 'Nationwide UK House Price Index'.

	Standard		Buy to let		Self certified		Total		
2023 Loan to value ratio of total Retail UK mortgages *(audited)*	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	1,996	37	1,967	67	383	23	4,346	127	4,473
51% to 70%	2,772	39	1,931	95	253	25	4,956	159	5,115
71% to 80%	1,507	15	312	14	22	4	1,841	33	1,874
81% to 90%	1,145	7	9	2	2	1	1,156	10	1,166
91% to 100%	411	2	2	1	1	1	414	4	418
Subtotal	**7,831**	**100**	**4,221**	**179**	**661**	**54**	**12,713**	**333**	**13,046**
101% to 120%	8	–	–	1	2	–	10	1	11
121% to 150%	1	1	–	–	–	–	1	1	2
Greater than 150%	–	–	–	–	–	1	–	1	1
Subtotal	**9**	**1**	**–**	**1**	**2**	**1**	**11**	**3**	**14**
Total	**7,840**	**101**	**4,221**	**180**	**663**	**55**	**12,724**	**336**	**13,060**
Weighted average LTV:									
Stock of Retail UK mortgages at year end	62%	56%	51%	55%	46%	56%	57%	55%	57%
New Retail UK mortgages during year	75%	68%	60%	57%	52%	–	73%	64%	73%

3 Management of principal risks *(continued)*

3.4 Credit risk *(continued)*

2022 Loan to value ratio of total Retail UK mortgages *(audited)*	Standard		Buy to let		Self certified		Total		
	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Total £m
Less than 50%	2,265	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%

3.5 Funding and liquidity risk

Definition *(audited)*

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. 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 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 *(audited)*

Funding and liquidity risk arises from a fundamental part of the Group's business model, the maturity transformation of primarily short-term deposits into longer-term loans. The Group's funding and liquidity strategy is to maintain a stable funding base with loan portfolios substantially funded by retail originated customer deposit portfolios.

Liquidity risk framework *(audited)*

The Group has established a Liquidity Risk Management Framework which encompasses the liquidity 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.

3 Management of principal risks *(continued)*

3.5 Funding and liquidity risk *(continued)*

Liquidity risk management *(audited)*
Liquidity risk management within the Group focuses on the control, within prudent limits, of risk arising from the mismatch in contracted maturities of assets and liabilities and the risks arising from undrawn commitments and other contingent liabilities. The Group manages its liquidity by jurisdiction with liquid assets predominantly held in the currency of each jurisdiction.

The Group's treasury function within Group Finance provides top down centralised management of the Group's funding and liquidity position including overall responsibility for the management of the Group's liquidity position and funding strategy. This ensures a coordinated approach to balance sheet management and is accomplished through the incorporation of funding and liquidity risk appetite metrics into risk appetite at a consolidated level, monitoring liquidity metrics for each jurisdiction and compliance by the business units with the Group's funds transfer pricing 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 2023 and at 31 December 2023 maintained a buffer significantly in excess of regulatory liquidity requirements.

BoI (UK) plc is authorised by the PRA and is subject to the regulatory liquidity regime of the PRA. BoI (UK) plc has remained in full compliance with the regulatory liquidity regime in the UK throughout 2023 and at 31 December 2023 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 to assess the stability of its funding sources and potential liquidity requirements in both business as usual and stressed scenarios. The stressed scenarios incorporate Group specific and systemic risks and are run at different levels of possible, even if unlikely, severity. Actions and strategies available to mitigate the impacts of the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, the BRC and the Board.

The Group also monitors a suite of Recovery Indicators and Early Warning Signals in order to identify the potential emergence of a liquidity stress.

As part of its contingency and recovery planning, the Group has identified a suite of potential funding and liquidity options, which could be exercised to help the Group to restore its liquidity position on the occurrence of a major stress event.

Liquidity risk reporting *(audited)*
The Group's liquidity risk appetite is defined by the Board to ensure that funding and liquidity are managed in a prudent manner. The current status of funding and liquidity risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis, including any significant changes.

The Board Risk Report includes the results of the Group's liquidity stress testing. This estimates the potential impact of a range of stress scenarios on the Group's liquidity position including its available liquid assets and contingent liquidity.

Management reviews funding and liquidity reports and stress testing results on a daily, weekly, and monthly basis against the Group's Risk Appetite Statement. It is the responsibility of ALCO to ensure that the measuring, monitoring, and reporting of funding and liquidity is adequately performed and complies with the governance framework.

Liquidity risk measurement *(audited)*
The Group's cash flow and liquidity reporting processes provide management with daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on-balance sheet and off-balance sheet transactions.

The tables 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 2023 and 31 December 2022. 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 €7,692 million and €15,113 million respectively (2022 restated for IFRS 17: €6,859 million and €13,410 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

3 Management of principal risks *(continued)*

3.5 Funding and liquidity risk *(continued)*

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 and trading securities exclude equity shares which have no contractual maturity (note 20).

2023 **Maturities of financial assets and liabilities** *(audited)*	**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	31,843	–	–	–	–	31,843
Trading securities	–	19	–	2	48	69
Derivative financial instruments	740	57	281	1,739	1,524	4,341
Other financial assets at FVTPL	1,647	38	37	394	3,766	5,882
Loans and advances to banks	294	1,504	109	–	–	1,907
Debt securities at amortised cost	–	28	75	2,934	2,678	5,715
Financial assets at FVOCI	–	44	354	2,717	853	3,968
Loans and advances to customers (before impairment loss allowance)	1,644	4,043	7,888	31,673	35,703	80,951
Total	**36,168**	**5,733**	**8,744**	**39,459**	**44,572**	**134,676**
Liabilities						
Deposits from banks	88	532	–	–	–	620
Monetary authorities secured funding	–	–	1,058	1,417	–	2,475
Customer accounts	92,325	4,747	2,354	757	–	100,183
Derivative financial instruments	596	49	240	2,734	871	4,490
Debt securities in issue	–	2	–	6,159	2,509	8,670
Subordinated liabilities	–	–	–	–	1,600	1,600
Lease liabilities	–	13	40	155	196	404
Short positions in trading securities	1	–	–	68	36	105
Total	**93,010**	**5,343**	**3,692**	**11,290**	**5,212**	**118,547**

3 Management of principal risks *(continued)*

3.5 Funding and liquidity risk *(continued)*

2022 Maturities of financial assets and liabilities *(audited)*	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 (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	92,197	4,889	1,377	581	156	99,200
Derivative financial instruments	268	416	338	3,085	2,419	6,526
Debt securities in issue	–	4	908	5,714	1,148	7,774
Subordinated liabilities	–	–	–	–	1,656	1,656
Lease liabilities	–	13	42	165	203	423
Short positions in trading securities	–	3	–	–	–	3
Total	**92,608**	**6,033**	**2,665**	**12,139**	**5,582**	**119,027**

Funding strategy *(unaudited)*

The Group seeks to maintain a stable funding base with loan portfolios funded substantially by granular retail originated deposits with any residual funding requirements principally met through term wholesale funding and equity.

Customer deposits *(unaudited)*

The Group’s customer deposit strategy is to:

- maintain and optimise its stable retail customer deposit base in line with balance sheet requirements;
- prudently manage deposit pricing and margins; and
- optimise stable funding levels in line with regulatory liquidity requirements.

As per the table on page 60 of the OFR, overall Group customer deposit volumes of €100.2 billion are €1.0 billion higher predominantly driven by the acquisition of the KBCI deposit portfolio of €1.8 billion, partially offset by lower RoI deposits of €0.6 billion and lower Retail UK deposits of €0.2 billion. The Group's LDR at 31 December 2023 was 80% (2022: 73%).

Customer deposits do not include €0.5 billion (2022: €0.3 billion) of savings and investment products sold by Wealth and Insurance.

These products have fixed terms (typically five to seven years) and consequently are an additional source of stable funding for the Group.

Wholesale funding *(unaudited)*

The Group in the normal course aims to maintain funding diversification, minimise concentrations across funding sources and minimise refinancing maturity concentrations.

The Group issued c.€2.3 billion of MREL eligible senior debt and down-streamed it to the Bank in 2023 (2022: €2 billion).

Foreign exchange funding mismatch *(unaudited)*

The Group’s strategy is to originate all new retail lending in the UK through BoI (UK) plc which is funded primarily via sterling deposits.

The Group also provides banking services in the UK through its UK branch. This comprises corporate and business banking activities and the management of certain residential mortgage contracts which have been retained by the UK branch and which are funded primarily via cross currency derivatives.

At 31 December 2023, the stock of sterling denominated assets funded by cross currency derivatives was c.£6.6 billion (2022: c. £6.7 billion) of which c.£0.9 million relates to funding provided to BoI (UK) plc.

3 Management of principal risks *(continued)*

3.5 Funding and liquidity risk *(continued)*

Wholesale funding expected maturity analysis *(unaudited)*	**2023** Unsecured funding €bn	**2023** Secured funding from Monetary Authorities €bn	**2023** Secured funding private sources €bn	**2023** Total wholesale funding €bn	**2022** Unsecured funding €bn	**2022** Secured funding from Monetary Authorities €bn	**2022** Secured funding private sources €bn	**2022** Total wholesale funding €bn
Less than three months	1	–	–	1	1	–	–	1
Three months to one year	–	1	–	1	1	–	–	1
One to five years	6	1	1	8	5	2	1	8
More than five years	1	–	1	2	–	–	1	1
Wholesale funding	**8**	**2**	**2**	**12**	**7**	**2**	**2**	**11**

Funding and liquidity position *(unaudited)*

During 2023, Standard & Poor's (S&P) upgraded the BoIG plc senior debt rating to BBB (from BBB-) and The Governor and Company of the Bank of Ireland (GovCo) senior debt rating to A (from A-). They also revised the outlook to Stable (from Positive). Moody's revised the outlook to Positive (from Stable) and affirmed the senior debt ratings of A3 for BoIG plc and A1 for GovCo. Fitch have upgraded the BoIG plc senior debt rating to BBB+ (from BBB) and GovCo senior debt rating to A- (from BBB+).

	2023	**2022**
BoIG plc - Senior debt *(unaudited)*		
Standard & Poor's	BBB (Stable)	BBB- (Positive)
Moody’s	A3 (Positive)	A3 (Stable)
Fitch	BBB+ (Stable)	BBB (Stable)
The Governor and Company of the Bank of Ireland (GovCo) - Senior debt *(unaudited)*		
Standard & Poor's	A (Stable)	A- (Positive)
Moody’s	A1 (Positive)	A1 (Stable)
Fitch	A- (Stable)	BBB+ (Stable)

Balance sheet encumbrance *(audited)*

It is Group policy to ensure that the level of encumbrance of the balance sheet is consistent and supportive of the Group’s unsecured funding issuance plans.

As part of managing its funding requirements, the Group from time to time encumbers assets as collateral to support wholesale funding initiatives. This would include covered bonds, asset backed securities, securities repurchase agreements, and other structures that are secured over customer loans. At 31 December 2023, €9 billion (2022: €14 billion) of the Group’s assets and collateral received were encumbered, primarily through these structures. The Group's overall encumbrance level was 6% (2022: 10%). The decrease in encumbered assets is primarily due to the withdrawal of assets previously encumbered within the Group's Special Mortgage-Backed euro Promissory Note (SMBPN) programmes.

The Group’s overall encumbrance is prepared on a regulatory group basis, in accordance with the CRD IV, which comprises banking and other relevant financial institutions within the BoI 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 BoIMB. BoIMB is registered as a designated mortgage credit institution to issue Irish Asset Covered Securities in accordance with relevant legislative requirements. BoIMB is required to maintain minimum contractual overcollateralisation of 5% and minimum legislative overcollateralisation of 3% (both on a prudent market value basis). This is monitored by the Covered Asset Monitor on behalf of the CBI.

3 Management of principal risks *(continued)*

3.6 Life insurance risk

Definition *(audited)*
Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits.

This variation, arising from changing customer mortality, life expectancy, health, or behavioural characteristics, may be short or long term in nature.

Risk management *(audited)*
The Group manages life insurance risk under its RMF. Life insurance risk is underwritten and managed by NIAC, a wholly owned subsidiary of the Group. The management of life insurance risk is the responsibility of the NIAC Board 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 RMF with responsibilities delegated through the Reinsurance Risk Policy. A review of the panel of reinsurers that may be used and the structure of reinsurance arrangements is carried out at least annually. Senior members of the management team with actuarial and underwriting expertise, contribute to the effective oversight of this risk.

Risk measurement *(audited)*
Risk experience is monitored regularly with actual claims experience being compared to the underlying risk assumptions. The results of this analysis are used to inform management of the appropriateness of those assumptions for use in pricing, capital management and new product design.

Exposure to life insurance risk is measured by means of sensitivity and scenario testing. Risk capital is calculated for each individual risk type by stressing the best estimate assumptions of future experience by extreme, but plausible, factors. The stress factors are pre-defined by regulation and are set at a level with an expected frequency of occurrence of one year in every 200. NIAC also carries out an ORSA annually which is overseen by the NIAC Board. Within the ORSA, NIAC's risk profile is considered, both quantitatively and qualitatively, in a holistic manner with potential areas of risk identified along with conclusions in respect of how those risks will be mitigated. Further details can be found in note 18.

Risk mitigation *(audited)*
The Group mitigates the potential impact of life insurance risk through a number of measures. Capital is held against exposure to life insurance risk. Exposure to this risk is also managed and controlled by the use of medical and financial underwriting, risk mitigating contract design features and reinsurance, as detailed in risk management policies.

Risk reporting *(audited)*
The current status of life insurance risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis. NIAC's ORSA report in respect of the NIAC annual assessment is also presented to the ERC on an annual basis.

3.7 Market risk

Definition and background *(audited)*
Market risk is the risk of loss arising from movements in interest rates, FX rates, equity, credit spreads or other market prices.

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 *(audited)*
The management of market risk in the Group is governed by the Group's Risk Appetite Statement and by the Group Market Risk Policy, 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 current status of market risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis.

3 Management of principal risks *(continued)*

3.7 Market risk *(continued)*

Group Market & Liquidity Risk (GM&LR) provides 2LOD 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. 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 NIAC in the matching assets portfolio. 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) or Group Treasury, the treasury execution arms of the Group. These market risks are hedged as a matter of course with the external market.

Similarly, market risks in the Group's life assurance business, NIAC, are managed within defined tolerances. However, certain residual risks are inherent in this business, notably exposure to credit spreads on assets held to match policyholder liabilities and indirect exposure to equity markets through changes in the discounted value of fees applied to equity assets held by policyholders in insurance contracts. This is outlined in greater detail below.

Classification of market risk *(unaudited)*

In accordance with regulatory requirements and guidance the Group classifies market risk as follows:

- **Market Risk in the Trading Book:** Market risk on positions which are required to be booked in the trading book as set out in the CRR. The risk arises primarily as a result of discretionary risk taking or underwriting business in Davy or through the transaction of customer derivative or FX transactions.
- **Market Risk in the Banking Book:** Market risk on positions which are booked in the banking book. This risk is predominately made up of Credit Spread risk which arises primarily from the Groups bond holdings in its Liquid Asset portfolio, structural IRRBB which is intrinsic to a bank's balance sheet or arises from its franchise or business mix and Structural FX risk which is the exposure of the Group's principal capital ratios to changes in exchange rates.
- **Market Risks in the Life Business:** Market risk on positions held in the life business. These risks arise naturally from the non unit-linked life business (interest rate risk), securities holdings (credit spread risk) and unit-linked business (equity risk and other market risks).

3 Management of principal risks *(continued)*

3.7 Market risk *(continued)*

Balance sheet linkage *(audited)*
The table below classifies the balance sheet in terms of Banking Book, Trading Book (as defined above) and Insurance assets and liabilities. The principal risk factors which drive changes in earnings or value in relation to each line item are also outlined.

Trading Book assets and liabilities were a small proportion of the balance sheet at 31 December 2023 and this is representative of the position throughout the year. Interest rates are the most significant risk factor.

Market risk linkage to the balance sheet 2023 *(audited)*	Total €m	Trading €m	Non-trading €m	Insurance €m	Primary Risk Sensitivity
Assets					
Cash and balances at central banks	31,843	–	31,843	–	Interest Rate
Trading securities	72	72	–	–	Interest Rate, Credit Spread, Equity
Derivative financial instruments	4,341	766	3,575	–	Interest Rate, FX, Credit Spread, Equity
Other financial assets at FVTPL	20,899	–	125	20,774	Interest Rate, FX, Credit Spread, Equity
Loans and advances to banks	1,907	–	1,807	100	Interest Rate
Loans and advances to customers	79,729	–	79,729	–	Interest Rate
Fair value changes due to interest rate risk of the hedged items in portfolio hedge	(124)	–	(124)	–	Interest Rate
Debt securities at amortised cost	5,715	–	5,715	–	Interest Rate
Financial assets at FVOCI	3,968	–	3,968	–	Interest Rate, FX, Credit Spread
Reinsurance contract assets	1,414	–	–	1,414	Interest Rate
Other assets	5,944	–	4,942	1,002	Interest Rate
Total assets	**155,708**	**838**	**131,580**	**23,290**	
Liabilities					
Deposits from banks	3,095	–	3,095	–	Interest Rate
Customer deposits	100,183	–	100,183	–	Interest Rate
Fair value changes due to interest rate risk of the hedged items in portfolio hedge	(1,115)	–	(1,115)	–	Interest Rate
Derivative financial instruments	4,490	684	3,806	–	Interest Rate, FX, Credit Spread, Equity
Debt securities in issue	8,670	–	8,670	–	Interest Rate
Liabilities to customers under investment contracts	7,692	–	–	7,692	Interest Rate, FX, Credit Spread, Equity
Insurance contract liabilities	15,113	–	–	15,113	Interest Rate, FX, Credit Spread, Equity
Allowance provision on loan commitments and financial guarantees	61	–	61	–	Interest Rate
Lease liabilities	404	–	404	–	Interest Rate, FX
Other liabilities	2,954	–	2,637	317	Interest Rate, FX
Subordinated liabilities	1,600	–	1,600	–	Interest Rate
Total liabilities	**143,147**	**684**	**119,341**	**23,122**	

Discretionary and residual market risk *(audited)*
Discretionary risk is a risk that is carried in the expectation of gain from near-term movements in liquid financial markets. Davy is the Group's only business unit permitted to run discretionary market risk.

Residual gap risk arises when hedging is completed on a portfolio basis rather than with back-to-back trades. It is Group practice to hedge IRRBB to de minimis levels wherever possible but as these hedges may not be perfectly matched this can result in small residual hedging gaps.

Discretionary and residual 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. These risks are managed by an approved framework of limits and controls, based on VaR (see below), scenario stress tests and sensitivities.

Equity risk, interest rate risk and credit spread risk arises within Davy Capital Markets market making business from the potential impact of changes in equity prices, interest rates and credit spreads. Davy Institutional Equities is responsible for the underwriting, distribution, and trading of Irish, UK and European equities. At 31 December 2023, Davy Capital Markets held a long position of €2 million in listed equities.

3 Management of principal risks *(continued)*

3.7 Market risk *(continued)*

Davy Fixed Income team is responsible for the underwriting, distribution and trading of Irish Sovereign Bonds and Irish Financial Bonds. At 31 December 2023, Davy Capital Markets held a short position of €34 million in Irish Bonds, which are funded via repurchase agreements.

Value at Risk (VaR) *(audited)*
The Group employs a VaR approach to measure and set limits on discretionary and residual market risk. The Group utilises a Monte-Carlo simulation model approach for the calculation of the interest rate risk component 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. Davy utilises historical simulation model for the calculation of equity risk, interest rate risk and credit spread risk at 99% confidence interval and based on one year of historic data.

For the nature of risks assumed by the Group, VaR remains a reliable basis of risk measurement, supplemented by stress testing. 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.

Total Davy VaR *(audited)*	**2023 €m**	**2022 €m**
Total	0.4	0.2

The Group's year-end VaR numbers for the Trading Book and Banking Book are shown in the 'VaR' table below at 31 December 2023 and 2022.

Total Interest Rate VaR *(audited)*	**2023 €m**	**2022 €m**
Trading book	0.1	0.3
Banking book	0.1	0.6
Group VaR	0.1	0.8

Structural and other risks *(audited)*
Notwithstanding the overriding objective of running minimal levels of market risk, certain structural market risks remain and are managed centrally as part of the Group's asset and liability management process.

Structural interest rate risk *(unaudited)*
Structural interest rate risk is predominantly the exposure of Group earnings to interest rate changes arising from the presence of non-interest bearing or behaviourally fixed-rate assets and liabilities on the balance sheet or variable rate deposits that are deemed insensitive to changes in market rates. The principal non-interest bearing liabilities are equity and non-interest bearing current accounts. It is Group policy to invest its net non-interest bearing liabilities (or free funds) in a portfolio of swaps with an average life of 3.5 years and a maximum life of seven years.

The Group also has in place a hedge of deposits that are deemed insensitive to changes in market rates. This has the effect of helping to mitigate the impact of the interest rate changes on interest income. The table outlines the Group's average volumes of structural hedges and contribution to interest income.

Structural hedge *(unaudited)*	**2023**	**2022**
Average structural hedge volume (€bn)	65.2	43.9
Interest income from structural hedge (€m)	972.0	199.0

Other structural risks arise from credit-impaired loans and floored loans and deposits. The Group also has a portfolio of swaps which hedge fixed rate assets (including fixed rate lending) on the Balance Sheet. These swaps partially offset the Group's structural hedge.

Net interest income sensitivity analysis *(unaudited)*
The Group uses net interest income sensitivity analysis to measure the responsiveness of earnings to scenarios for short and long-term rates.

The following table shows the estimated sensitivity of the Group's net interest income (before tax) to an instantaneous and sustained 1% parallel movement in interest rates. The estimates are based on management assumptions primarily related to the repricing of customer transactions; the relationship between key official interest rates set by Monetary Authorities and market determined interest rates; and the assumption of a constant balance sheet by size and composition. The sensitivities should not be considered a forecast of future performance in these rate scenarios as they do not capture potential management action in response to unexpected changes in the interest rate environment.

Estimated sensitivity of Group income (1 year horizon) *(unaudited)*	**2023 €m**	**2022 €m**
100bps higher	c.170	c.270
100bps lower	(c.315)	(c.380)

Basis risk *(unaudited)*
Basis risk is the exposure of the Group's earnings to sustained changes in the differentials between the floating market related benchmark rates to which the Group's assets, liabilities and derivative hedges are linked. In the Group's case, the principal rates used for product and derivative repricing are one, three and six month Euro Inter Bank Offered Rate (EURIBOR), Sterling Overnight Index Average, EUR short-term rate, the ECB refinancing rate, and the BoE base rate.

3 Management of principal risks *(continued)*

3.7 Market risk *(continued)*

In addition, the Group funds an element of its sterling balance sheet in part from euro which creates a structural exposure to the cost of this hedging. The Group applies notional limits and stress scenario analysis to its basis positions.

Credit spread risk *(unaudited)*
Credit spread risk arises from the potential impact of changes to the spread between the bond yield and swap rates. Bonds purchased primarily as liquid assets and classified as fair value through other comprehensive income (FVOCI) are held at fair value on the balance sheet and as such, movements in the credit spreads can result in adverse impacts on the fair value of these holdings.

At 31 December 2023, the Group held €4.0 billion in securities classified as FVOCI (2022: €4.3 billion). A 1% increase in the average credit spread of the book in 2023 would have reduced its value by €134 million (2022: €168 million).

An analogous economic risk exists in relation to securities held by NIAC to match policyholder liabilities and to invest its capital. At 31 December 2023, NIAC's bond portfolio had a market value of €1.7 billion (2022: €1.3 billion). At 31 December 2023, a 1% widening of all credit spreads (measured as bond yields minus the corresponding swap rate) would have had an impact on profit before tax of €90 million negative, while a 1% tightening would have a positive impact of €104 million (2022 restated for IFRS 17: €78 million negative and €91 million positive impact respectively).

The Group also models the spread risk for both the FVOCI and NIAC portfolios over a one-year horizon using a delta-normal VaR model and deterministic spread stress model respectively. They approximate a potential one-year loss in portfolio value due to changes in credit spreads.

Interest rate risk in New Ireland Assurance Company plc *(unaudited)*
In managing the interest rate risk in its business, NIAC has regard to the sensitivity of its capital position, as well as its profit before tax, to market movements. NIAC follows a policy of asset / liability matching to ensure that the exposure of its capital position to interest rate movements remains within tolerances, while also managing the impact on IFRS profits. At 31 December 2023, a 1% increase in swap and yield rates would have reduced its excess own funds (own funds less solvency capital requirement (SCR)) by €2 million and reduced its IFRS profit by €47 million (2022 restated for IFRS 17: €2 million negative and €38 million negative respectively).

Equity risk *(unaudited)*
NIAC's profit before tax are also indirectly exposed to changes in equity markets. This arises because a management fee is charged on the value of €7.1 billion of equities held for policyholders in insurance contracts in its unit-linked book. As equity markets move up and down, this gives rise to a change in current and discounted future streams of equity-related fees which is reflected in NIAC's profits. Every 1% fall in equity markets applied to positions at 31 December 2023 would have reduced its IFRS profit by €1 million (2022 restated for IFRS 17: €1 million reduction). Every 1% increase in equity markets would have had a broadly equal and opposite impact.

Structural FX *(unaudited)*
The Group defines structural FX risk as the exposure of its key capital ratios to changes in exchange rates. Changes in exchange rates can increase or decrease the overall euro equivalent level of RWAs.

It is Group policy to manage structural FX risk by ensuring that the currency composition of its RWAs and its structural net asset position by currency are broadly similar. This is designed to minimise the impact of exchange rate movements on the principal capital ratios.

At 31 December 2023, the estimated sensitivity of the Group's fully loaded CET1 ratio to a 10% depreciation of sterling and dollar combined against the euro was seven basis points.

Use of derivatives in the management of market risk
(audited)

The activities set out above involve, in many instances, transactions in a range of derivative instruments. The Group makes extensive use of derivatives to hedge its balance sheet and service its customer needs. The Group's participation in derivatives markets is subject to the requirements of the Group Market Risk Policy which is approved by the Board. 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 or Group Treasury. This exposure is, in turn, substantially eliminated through external hedges.

Structural risk is managed by way of selective and strategic hedging initiatives which are executed under ALCO's authority.

Policy requires that, where behavioural optionality hedging relies on assumptions about uncertain customer behaviour and where material, it is subject to limits or other controls.

3 Management of principal risks *(continued)*

3.8 Operational risk

Definition
Operational risk is the risk of loss resulting from suboptimal or failed internal processes, systems, human factors, or from external events.

This risk includes information technology, change management, information security and cyber, TPRM and outsourcing, transaction processing, people, physical infrastructure, legal (a component being litigation and regulatory proceedings), data, model, financial and regulatory reporting and tax risks.

Risk management
Operational risk, Resilience and ESG are intrinsically related. In order to ensure positive overarching ESG outcomes, operational risk management considers ESG more broadly within the relevant policies, crisis management framework, data, processes, risk indicators, monitoring and reporting.

The Group faces operational risks in the normal pursuit of its business objectives. The primary goals of operational risk management are ensuring the sustainability and integrity of the Group's operations and the protection of its reputation by controlling, mitigating, or transferring the impact of operational risk. Operational risk cannot be fully eliminated. The Group has established a formal approach to the management of operational risk in the form of the RMF which defines the Group's approach to identifying, assessing, managing, monitoring, and reporting the operational risks which may impact the achievement of the Group's business objectives.

This framework outlines, inter alia the following:
- formulation and dissemination of operational risk policies specifying the risk management obligations of management and staff within the Group;
- maintaining organisational structures for the oversight, monitoring and management of operational risk throughout the Group;
- setting aside capital and maintaining a suite of insurance policies;
- setting out the boundary conditions in which operational risks are to be managed, by way of Board approved Risk Appetite Statement; and
- embedding formal operational risk management processes and standards throughout the Group.

Operational risk policies and governance
The Group continues to maintain its ongoing oversight and control of its exposure to operational risk. A critical component of operational risk management are the operational risk policies which set out the Group's objectives and the obligations of management in respect of operational risk.

Governance and oversight of operational risk forms part of the RMF which aims to ensure that risk management activities are adequate and commensurate with the Board approved risk appetite. The GORC is appointed by the ERC and is responsible for the oversight and monitoring of operational risk within the Group and material subsidiaries. Business units hold primary responsibility for the management of operational risk and compliance with internal control requirements.

The Operational Risk function is accountable for the development and maintenance of operational risk policies to ensure a robust, consistent, and systematic approach is applied to managing operational risk exposures across the Group.

Operational risk appetite
The Board has set out its appetite for operational risk in terms of both qualitative factors and quantitative measures reflecting the nature of operational risks. As such, the monitoring of operational risk indicators is supplemented with qualitative review and discussion at senior management executive committees to ensure appropriate actions are taken to enhance controls.

Risk assessment
A systematic identification and assessment of the operational risks faced by the Group is a core component of the RMF. This is known as the Risk and Control Self Assessment (RCSA) and is a framework for capturing, measuring, and managing operational risk as well as providing a mechanism for consistent identification, monitoring, reviewing, updating, and reporting of risks throughout the Group. A key element of this process is the classification of risks in the Group's Risk Library.

Risk mitigation and transfer
In addition to business unit risk mitigation initiatives, the Group implements specific policies and risk mitigation measures for key operational risks including, but not limited to, information technology, information security and cyber, TPRM and outsourcing risks.

This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme, whereby selected risks are insured externally.

The Group Insurance programme is reviewed annually to ensure coverage remains appropriate to the Group's risk management objectives. The Group's capital requirements arising from operational risk are calculated for Pillar 1 using The Standardised Approach (TSA) and Pillar 2 as assessed under the Group's ICAAP.

Operating Resilience
Operating resilience is the ability of the Group to identify and prepare for, respond and adapt to, recover and learn from an operational disruption. Operational resilience involves having forward looking plans that proactively prepares the Group to withstand and adapt to disruptions that will inevitably occur.

Risk reporting
Regular reporting of operational risk is a key component of the RMF.

The current status of operational risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis.

At least four times a year, the Head of Operational Risk reports to GORC on the status of operational risk in the Group, including the status of the material operational risks, the progress of risk mitigation initiatives and programmes, significant loss events and the nature, scale, and frequency of overall losses.

In addition, specified operational risk information is collated for the purposes of reporting to regulatory supervisors in the jurisdictions in which the Group operates.

3 Management of principal risks *(continued)*

3.9 Regulatory risk

Definition
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 its 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.

Ineffective regulatory change governance is the risk that regulatory change is not identified and / or there is an inappropriate approach adopted to implement the regulatory changes required.

Ineffective regulatory engagement is the risk of inappropriate or unprofessional interaction with our regulators.

Risk management and measurement
The Group manages regulatory risk under the RMF. The framework establishes the common principles for the risk management process of identifying, assessing, monitoring, and mitigating risks to the Group. This is implemented by accountable executives and monitored by the GRCRC, the ERC, the BRC and Board in line with the overall Group risk governance structure outlined on pages 147 and 149.

The effective management of regulatory risk is primarily the responsibility of business management and is supported by Group Compliance. The Group has no tolerance for knowingly failing to meet regulatory expectations. However, we recognise that mistakes and errors of judgement or failures of processes can and do lead to regulatory failings which we have limited tolerance for.

Risk mitigation
Risk mitigants include the early identification, appropriate assessment and measurement and reporting of risks. The primary risk mitigants for regulatory risk are the existence of appropriate procedures in place throughout the business.

Risk reporting
The current status of regulatory risk, including risk dashboards and risk appetite compliance, is reported through the Board Risk Report on a monthly basis. The Group Chief Compliance Officer reports on the status of regulatory risk in the Group, including the status of the top regulatory risks, assurance activity, the progress of risk mitigation plans, issues and breaches, and significant regulatory interactions to ERC and BRC by way of the quarterly Group Chief Compliance Officer report.

BoI announced continued sponsorship of Irish golfer **Shane Lowry**. *The deal extends a successful partnership that began in 2014. Shane will continue to represent BoI as a brand ambassador as he competes on the global circuit.*

Financial Statements

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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 Company financial statements for each financial year.

The Directors are responsible for preparing the Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 'Reduced disclosure framework', and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the Directors shall not approve the Group's and Company's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Company's assets, liabilities and financial position at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with IFRS adopted by the EU, and the Company financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 101, and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:
- correctly record and explain the transactions of the Company; and
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy.

The Directors are also responsible under section 282 of the Companies Act 2014 for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014, including Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are responsible for monitoring the effectiveness of the Company's systems of internal control in relation to the financial reporting process, and have a general responsibility for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

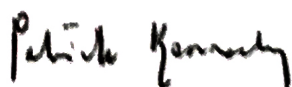
Under applicable law and the requirements of the Listing Rules issued by the Irish and London stock exchanges, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, and the Central Bank (Investment Market Conduct) Rules to include a management report containing a fair review of the business and a description of the Principal Risks and Uncertainties facing the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

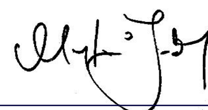
The Directors confirm that, to the best of each Director's knowledge and belief:
- they have complied with the above requirements in preparing the financial statements;
- the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group and of the profit of the Group;
- the Company financial statements, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company;
- the management report contained in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the Principal Risks and Uncertainties that they face; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board by
23 February 2024



Patrick Kennedy
Chairman

Richard Goulding
Deputy Chair



Myles O'Grady
Group Chief Executive Officer

Independent Auditor's Report

to the members of Bank of Ireland Group plc

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Bank of Ireland Group plc (the 'Company' and 'Parent') and its consolidated undertakings (the 'Group') for the year ended 31 December 2023 set out on pages 194 to 350, contained within the reporting package boigroupplc-2023-12-31-en.zip which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity and related notes, including Group accounting policies set out in note 1 and the Company accounting policies set out on page 347. Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are incorporated in the financial statements by cross-reference and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish Law, 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 Company financial statements, Irish Law and FRS 101 Reduced Disclosure Framework issued in the United Kingdom by the Financial Reporting Council.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our reporting to the Group Audit Committee (GAC).

We were appointed as auditor by the Board of Directors on 19 April 2018. The period of total uninterrupted engagement is therefore six years ended 31 December 2023.

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.

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 Company's ability to continue to adopt the going concern basis of accounting included:

- we used our knowledge of the Group and Company, the financial services industry, and the general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period were;
  - the availability of funding and liquidity in the event of a market wide stress scenario; and
  - the impact on regulatory capital requirements in the event of an economic slowdown or recession.
- we also considered whether these risks could plausibly affect the availability of financial resources in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Based on the work we have performed, we have not identified 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.

Independent Auditor's Report *(continued)*

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 Group'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 GAC and Group Internal Audit (GIA) 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 GAC and GIA 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 Board of Directors, the GAC and other relevant board sub-committees;
- Considering remuneration incentive schemes and performance targets for management; and
- Performing planning analytical procedures to identify any unusual 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 audit team 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 the 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 – under IFRS 9 – post model adjustments, valuation of insurance contract liabilities, unobservable pricing inputs into Level 3 fair value derivatives and management override of controls.

Further detail in respect of impairment loss allowance under IFRS 9 – post model adjustments and the valuation of insurance contract liabilities 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 for all full scope components based on risk criteria and comparing the identified entries to supporting documentation;
- 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 Group operates and gaining an understanding of the control environment including the Group'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.

Independent Auditor's Report *(continued)*

Following the completion of the Group's acquisition of J&E Davy in 2022, IFRS 3 accounting and disclosure relating to the acquisition of J&E Davy is no longer considered to be a key audit matter for the Group.

We continue to perform procedures over the recoverability of the Group's Deferred Tax Asset (DTA) and IT Operational Risk, however, owing to reduced estimation uncertainty associated with the recoverability of the Group's DTA in the current period and improvements in the Group's IT control environment as it relates to financial reporting, we have not assessed these as matters of most significance in the audit of the Group's financial statements and, therefore, these are not separately identified in our report this year.

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

Impairment loss allowance under IFRS 9 €1,222 million (2022: €1,295 million)

Refer to pages 209 and 210 (accounting policy) and note 24 (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

Owing to the complexity, subjectivity and uncertainty in certain PD models, including the underlying assumptions, we have identified a significant risk in expected credit losses as a result of inaccurate PDs being generated by the PD models.

Post model adjustments (PMAs)

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

We have identified a significant risk associated with 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 Expected Credit Loss (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 with respect to management judgment applied in the selection of scenarios, the associated scenario probabilities and the material 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 assets / loans.

How the matter was addressed in our audit

Accuracy of PD models

- We performed end-to-end process walkthroughs to identify the key systems, applications and key controls used in the ECL modelling processes.
- In conjunction with our credit modelling specialists, we tested the design, implementation and operating effectiveness of key controls including:
  - model implementation, validation and monitoring for the PD 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.
- 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 ECLs, including:
  - Reperformance of ECL execution for a selection of SAS models;
  - ECL replication testing for a selection of IFRS 9 PD models;
  - 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.
- We tested the completeness and accuracy of the PMAs having regard for regulatory expectations, the risk profile of loan books, as well as known model / data limitations and by challenging management on their assumptions relating to the credit risk impact of prevailing macroeconomic uncertainty such as interest rates, inflation and performance of the relevant portfolios.
- We challenged the overall reasonableness of PMAs by comparing the PMAs recognised by management to the various risks, model limitations and / or data limitations that we consider to exist in each loan portfolio.

Independent Auditor's Report *(continued)*

- We assessed whether any PMAs identified for testing are indicative of fraud / management bias or other deficiencies.

Economic scenarios

- We performed end-to-end process walkthroughs, and tested the design, 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 whether management's forward-looking information ('FLI') upside / downside scenario weightings were reasonable, having regard to all relevant available information at year-end.
- In conjunction with our economic specialists, we challenged and assessed the reasonableness of the significant assumptions underpinning management's economic scenarios by comparing them to independent and observable economic forecasts, leveraging a number of external data points.

Identification and quantification of Stage 3 loans

- We performed end-to-end process walkthroughs and tested the design, implementation and operating effectiveness of key controls relating to the assignment of credit risk grades and overrides, 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, application of PMAs, economic scenarios and identification and quantification of stage 3 loans, to be reasonable.

Valuation of the insurance contract liabilities €15.133 million (2022: €13.410 million)

Refer to pages 204 to 207 (accounting policy) and note 18 (financial statement disclosures)

The key audit matter

The Group adopted IFRS 17 'Insurance Contracts' from 1 January 2023. This had a material impact on the recognition, measurement, presentation and disclosure of the insurance contract liabilities in the Group's financial statements.

We consider the valuation of insurance contract liabilities to be a key audit matter owing to the use of detailed methodologies and significant judgements in the valuation of these amounts.

How the matter was addressed in our audit

In testing the valuation of insurance contract liabilities:

- 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;
- in conjunction with our actuarial specialists, we:
  - Held inquiries with management to obtain an understanding of any significant developments during the reporting period, the actual versus expected experience and any changes to methods or assumptions;
  - Assessed the methodologies applied and significant assumptions and judgements used in the valuation of insurance contract liabilities;
  - Assessed and challenged significant assumptions, and the methodology and basis used to set the underlying assumptions with reference to IFRS 17;
  - Assessed the calculation of insurance contract liabilities through;
    - agreeing the relevant assumptions and key data inputs into the actuarial models to those we have evaluated;
    - evaluating the reports of the Group's external actuarial expert in relation to the examination of management's methodologies, significant assumptions and calculations; and
    - independently replicating the best estimate liability for a cohort of policies.
  - Recalculated the Contractual Service Margin (CSM) amortisation and other CSM movements for a selection of products during 2022 and 2023;
  - Tested the calculation for the opening balance of the CSM using the Full Retrospective Approach (FRA) and the fair value approach and related movements in the FRA approach over the periods;
  - Performed a reconciliation between source administration systems, actuarial systems, data warehouse, the CSM calculation tool and the general ledger; and
  - Tested on a sample basis, the completeness and accuracy of significant data used within the calculation of insurance contract liabilities.

We found that the significant methods and assumptions used in the valuation of insurance contract liabilities to be reasonable.

Independent Auditor's Report *(continued)*

Valuation of defined benefit pension net asset €682 million (2022: €700 million net asset)

Refer to pages 217 and 218 (accounting policy) and note 41 (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 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 the 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 any changes in the methodology.
- We challenged the reasonableness of significant assumptions, being the discount rate and the 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 Group's 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 2023 to be reasonable.

Recoverability of the carrying value of the investment by Bank of Ireland Group plc in the Governor and Company of the Bank of Ireland (Company only risk and key audit matter) €8,057 million (2022: €8,010 million)

Refer to page 347 (accounting policy) and note c (financial statement disclosures)

The key audit matter

The Company balance sheet includes an €8,057 million investment in The Governor and Company of the Bank of Ireland (GovCo).

The accounting policy followed by the Company is to carry the investment at cost less impairment. Impairment testing includes the comparison of the carrying value with its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs of disposal or its value in use.

The assessment of the recoverability of the investment does not involve significant judgement due to the value of the underlying business at 31 December 2023. However, we consider this a key audit matter due to the significance of the investment based on its magnitude to the Company.

How the matter was addressed in our audit

- We performed an end-to-end process walkthrough over the recoverability of the carrying value of the investment by the Company in GovCo.
- We evaluated management's assessment that the carrying value of the investment in subsidiary was not impaired at year end. This was based on the market capitalisation of the Group both before and after year end and on external broker reports.
- We assessed the adequacy of the financial statement disclosures in respect of the investment in GovCo within the Company financial statements.

On the basis of the work performed, we found that the market capitalisation at year end exceeded the carrying value of the investment in GovCo and that management's judgements were reasonable in assessing the carrying value.

Our application of materiality and an overview of the scope of our audit

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality for the Group financial statements as a whole was set at €75.0 million (2022: €52.0 million), determined with reference to a benchmark of profit before taxation of €1,938 million, (of which it represents 3.9% (2022: 4.9%).

Materiality for the Company financial statements was set at €87.3 million (2022: €87.3 million) which represents 1% (2022: 1%) of net assets.

Independent Auditor's Report *(continued)*

In applying our judgement in determining the most appropriate benchmarks, the factors, which had the most significant impact were:
- 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 Company is the ultimate holding company of the Group and its activities to date have been limited to its investment in GovCo and the issue of subordinated liabilities and debt securities. Hence a benchmark based on net assets reflects the focus of the users of the company financial statements; and
- The stability of the Group, resulting from its nature, where the Group is in its life cycle, and the industry in which the Group operates.

In applying our judgement in determining the percentages to be applied to the benchmarks, the following qualitative factors, which had the most significant impact to our assessment of materiality were:
- The ownership structure of the Group and Company;
- Debt arrangements;
- Our understanding of the Group and Company and it's environment; and
- Earnings sensitivities.

We applied Group materiality to assist us determine the overall audit strategy.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to €56.3 million (2022: €39.0 million) for the Group and €65.5 million (2022: €65.5 million) for the Company.

In applying our judgement in determining performance materiality, we considered a number of factors including; the number and value of misstatements detected and the number and severity of deficiencies in control activities identified in the prior year financial statements audit.

We reported to the GAC any uncorrected identified misstatements exceeding €3.75 million (2022: €2.6 million) for the Group financial statements and €4.4 million (2022: €4.4 million) for the Company financial statements, in addition to other identified misstatements that 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 Commercial 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 Commercial and Group Centre. Davy was not individually significant to require an audit for Group purposes but was subject to an analytical review.

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 €26 million to €41 million (2022: €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% (2022: 90%) in most instances. The work on one of the components was performed by a component auditor and the rest, including the audit of the parent company, was performed by the Group audit 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 Strategic Report on pages 3 to 49, the unaudited sections of the Risk Management Report on pages 134 to 182, the Financial Review on pages 50 to 73, the Governance section (including Report of the Directors) on pages 74 to 133 (except for the Remuneration Report on pages 127 and 128), the unaudited parts of Other Information on pages 351 to 363.

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:

Independent Auditor's Report *(continued)*

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 121;
- 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 121;
- Directors' 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 121;
- 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 185;
- 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 93 and 94;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 93; and
- Section describing the work of the GAC set out on pages 108 to 113.

The Listing Rules of Euronext Dublin also requires us to review certain elements of disclosures in the report to shareholders by the Group 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 74 to 133 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 Group 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 financial statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion:
- the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made;
- the Company has not provided the information required by Section 1110N in relation to its remuneration report for the financial year ended 31 December 2022;
- the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2022 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

As explained more fully in the Directors' responsibilities statement set out on page 185, 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.

Independent Auditor's Report *(continued)*

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 an auditor's report, that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

23 February 2024

Consolidated financial statements

Consolidated income statement *(for the year ended 31 December 2023)*

	Note	2023 €m	*Restated*[1] 2022 €m
Interest income calculated using the effective interest method	4	5,413	2,772
Other interest income	4	916	378
Interest income		**6,329**	**3,150**
Interest expense	5	(2,622)	(663)
Net interest income		**3,707**	**2,487**
Insurance service result	18	51	60
Insurance revenue		*518*	*486*
Insurance service expense		*(428)*	*(401)*
Net expense from reinsurance contracts held		*(39)*	*(25)*
Insurance investment and finance result	18	110	(19)
Total investment gains / (losses)		1,198	*(1,327)*
Finance (expense) / income from insurance contracts issued		(1,182)	*1,651*
Finance income / (expense) from reinsurance contracts held		94	*(343)*
Fee and commission income	6	673	579
Fee and commission expense	6	(219)	(194)
Net trading income	7	65	34
Other leasing income	8	92	71
Other leasing expense	8	(63)	(45)
Other operating income	9	44	141
Total operating income		**4,460**	**3,114**
Operating expenses	10	(2,094)	(1,940)
Cost of restructuring programme	11	(20)	(17)
Operating profit before impairment losses on financial instruments		**2,346**	**1,157**
Net impairment losses on financial instruments	13	(425)	(187)
Operating profit		**1,921**	**970**
Share of results of associates and joint ventures (after tax)	14	25	40
(Loss) / gain on disposal / liquidation of business activities		(8)	1
Profit before tax		**1,938**	**1,011**
Taxation charge	16	(337)	(153)
Profit for the year		**1,601**	**858**
Attributable to shareholders		1,595	850
Attributable to non-controlling interests	45	6	8
Profit for the year		**1,601**	**858**
Earnings per ordinary share	17	140.1c	72.9c
Diluted earnings per ordinary share	17	140.1c	72.9c

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

Consolidated financial statements *(continued)*

Consolidated statement of comprehensive income *(for the year ended 31 December 2023)*

	2023 €m	*Restated*[1] 2022 €m
Profit for the year[1]	**1,601**	**858**
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	(5)	(61)
Transfer to income statement - asset disposal	–	(85)
Net change in debt instruments at FVOCI reserve	**(5)**	**(146)**
Cash flow hedge reserve, net of tax		
Changes in fair value	(297)	309
Transfer to income statement	285	(304)
Net change in cash flow hedge reserve	**(12)**	**5**
Foreign exchange reserve		
Foreign exchange translation gains / (losses)	25	(93)
Transfer to income statement	4	–
Net change in foreign exchange reserve	**29**	**(93)**
Total items that may be reclassified to profit or loss in subsequent years	**12**	**(234)**
Items that will not be reclassified to profit or loss in subsequent years		
Remeasurement of the net defined benefit pension asset, net of tax	(28)	91
Revaluation of property, net of tax	(6)	(3)
Net change in liability credit reserve, net of tax	(14)	15
Total items that will not be reclassified to profit or loss in subsequent years	**(48)**	**103**
Other comprehensive expense for the year, net of tax	**(36)**	**(131)**
Total comprehensive income for the year, net of tax	**1,565**	**727**
Total comprehensive income attributable to equity shareholders	1,559	719
Total comprehensive income attributable to non-controlling interests	6	8
Total comprehensive income for the year, net of tax	**1,565**	**727**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

The effect of tax on these items is shown in note 16.

Consolidated balance sheet *(for the year ended 31 December 2023)*

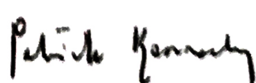
	Note	2023 €m	*Restated*[1] 31 Dec 2022 €m	*Restated*[1] 1 Jan 2022 €m
Assets				
Cash and balances at central banks	46	31,843	36,855	31,360
Items in the course of collection from other banks		126	140	159
Trading securities		72	–	20
Derivative financial instruments	19	4,341	5,138	1,571
Fair value changes due to interest rate risk of the hedged items in portfolio hedges		(124)	(738)	(76)
Other financial assets at FVTPL	20	20,899	18,553	20,078
Loans and advances to banks	21	1,907	3,044	2,750
Debt securities at amortised cost	22	5,715	4,472	6,008
Financial assets at FVOCI	23	3,968	4,254	9,457
Assets classified as held for sale		–	2	5
Loans and advances to customers	24	79,729	71,961	76,422
Interest in associates	27	108	83	59
Interest in joint ventures	27	79	82	57
Intangible assets and goodwill	28	1,408	1,276	852
Investment properties	29	793	883	992
Property, plant and equipment	30	800	802	820
Current tax assets		3	36	38
Deferred tax assets	31	808	989	1,044
Other assets	32	1,127	769	776
Reinsurance contract assets	18	1,414	1,352	1,626
Retirement benefit assets	41	692	736	740
Total assets		**155,708**	**150,689**	**154,758**
Equity and liabilities				
Deposits from banks	33	3,095	3,445	12,946
Customer accounts	34	100,183	99,200	92,774
Items in the course of transmission to other banks		322	232	207
Derivative financial instruments	19	4,490	6,526	2,185
Fair value changes due to interest rate risk of the hedged items in portfolio hedges		(1,115)	(2,824)	(20)
Debt securities in issue	35	8,670	7,774	8,483
Liabilities to customers under investment contracts		7,692	6,859	7,860
Insurance contract liabilities	18	15,113	13,410	14,400
Other liabilities	36	2,480	2,250	2,087
Leasing liabilities	37	404	423	452
Current tax liabilities		23	8	18
Provisions	38	58	79	190
Allowance provision on loan commitments and financial guarantees	40	61	55	48
Deferred tax liabilities	31	61	38	38
Retirement benefit obligations	41	10	36	142
Subordinated liabilities	42	1,600	1,656	1,981
Total liabilities		**143,147**	**139,167**	**143,791**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

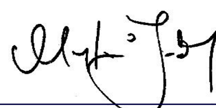
Consolidated balance sheet *(for the year ended 31 December 2023) (continued)*

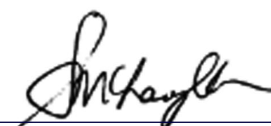
	Note	2023 €m	Restated[1] 31 Dec 2022 €m	Restated[1] 1 Jan 2022 €m
Equity				
Share capital	43	1,057	1,070	1,079
Share premium account		456	456	456
Retained earnings		10,285	9,230	8,471
Other reserves		(199)	(257)	(53)
Own shares held for the benefit of life assurance policyholders		(7)	(10)	(20)
Shareholders' equity		**11,592**	**10,489**	**9,933**
Other equity instruments - Additional tier 1	44	966	966	966
Total equity excluding non-controlling interests		**12,558**	**11,455**	**10,899**
Non-controlling interests	45	3	67	68
Total equity		**12,561**	**11,522**	**10,967**
Total equity and liabilities		**155,708**	**150,689**	**154,758**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*


Patrick Kennedy
Chairman

Richard Goulding
Deputy Chair


Myles O'Grady
Group Chief Executive Officer


Sarah McLaughlin
Group Secretary

Consolidated statement of changes in equity *(for the year ended 31 December 2023)*

				Other reserves									
	Share capital €m	Share 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[3] €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2023, as previously reported	**1,070**	**456**	**9,640**	**(17)**	**(31)**	**(786)**	**527**	**50**	**(10)**	**10,899**	**966**	**67**	**11,932**
Adjustment on initial application of IFRS 17, net of tax[1]	–	–	(410)	–	–	–	–	–	–	(410)	–	–	(410)
Restated balance at 1 January 2023	**1,070**	**456**	**9,230**	**(17)**	**(31)**	**(786)**	**527**	**50**	**(10)**	**10,489**	**966**	**67**	**11,522**
Profit for the year	–	–	1,595	–	–	–	–	–	–	1,595	–	6	1,601
Other comprehensive (expense) / income for the year	–	–	(28)	(5)	(12)	29	–	(20)	–	(36)	–	–	(36)
Total comprehensive income for the year	**–**	**–**	**1,567**	**(5)**	**(12)**	**29**	**–**	**(20)**	**–**	**1,559**	**–**	**6**	**1,565**
Transactions with owners: Contributions by and distributions to owners of the Group													
Distribution paid on other equity instruments - AT1 Coupon	–	–	(69)	–	–	–	–	–	–	(69)	–	–	(69)
Dividends on ordinary shares	–	–	(225)	–	–	–	–	–	–	(225)	–	–	(225)
Share buyback - repurchase of shares[2] (note 43)	–	–	–	–	–	–	–	(125)	–	(125)	–	–	(125)
Redemption and buyback of preference stock (note 45)	–	–	(40)	–	–	–	–	–	–	(40)	–	(64)	(104)
Changes in value and amount of shares held	–	–	–	–	–	–	–	–	3	3	–	–	3
Dividends paid to NCI - preference stock (note 45)	–	–	–	–	–	–	–	–	–	–	–	(6)	(6)
Preference stock eliminated on acquisition of Davy	–	–	–	–	–	–	–	–	–	–	–	–	–
Share buyback - cancellation of shares[2] (note 43)	(13)	–	(125)	–	–	–	13	125	–	–	–	–	–
Total transactions with owners	**(13)**	**–**	**(459)**	**–**	**–**	**–**	**13**	**–**	**3**	**(456)**	**–**	**(70)**	**(526)**
Transfer from retained earnings to capital reserve	–	–	(53)	–	–	–	53	–	–	–	–	–	–
Balance at 31 December 2023	**1,057**	**456**	**10,285**	**(22)**	**(43)**	**(757)**	**593**	**30**	**(7)**	**11,592**	**966**	**3**	**12,561**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.
[2] In H123, the Group completed the purchase of the €125 million share buyback programme whereby the Group repurchased 13.69 million shares for cancellation, c1.3% of the count outstanding at 1 January 2023, at a weighted average price of €9.131 per share.
[3] Other reserves includes the amalgamation of the merger reserve €17 million, liability credit reserve €(5) million and revaluation reserve €18 million.

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

				Other reserves									
	Share capital €m	Share 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[3] €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2022, as previously reported	**1,079**	**456**	**8,842**	**129**	**(36)**	**(693)**	**509**	**38**	**(20)**	**10,304**	**966**	**68**	**11,338**
Adjustment on initial application of IFRS 17, net of tax[1]	–	–	(371)	–	–	–	–	–	–	(371)	–	–	(371)
Restated balance at 1 January 2022	**1,079**	**456**	**8,471**	**129**	**(36)**	**(693)**	**509**	**38**	**(20)**	**9,933**	**966**	**68**	**10,967**
Profit for the year[1]	–	–	850	–	–	–	–	–	–	850	–	8	858
Other comprehensive (expense) / income for the year	–	–	91	(146)	5	(93)	–	12	–	(131)	–	–	(131)
Total comprehensive income for the year	**–**	**–**	**941**	**(146)**	**5**	**(93)**	**–**	**12**	**–**	**719**	**–**	**8**	**727**
Transactions with owners: Contributions by and distributions to owners of the Group													
Distribution on other equity instruments - AT1 Coupon	–	–	(69)	–	–	–	–	–	–	(69)	–	–	(69)
Dividends on ordinary shares	–	–	(54)	–	–	–	–	–	–	(54)	–	–	(54)
Share buyback - repurchase of shares[2] (note 43)	–	–	–	–	–	–	–	(50)	–	(50)	–	–	(50)
Redemption and buyback of preference stock (note 45)	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes in value and amount of shares held	–	–	–	–	–	–	–	–	10	10	–	–	10
Dividends paid to NCI- preference stock (note 45)	–	–	–	–	–	–	–	–	–	–	–	(8)	(8)
Preference stock eliminated on acquisition of Davy	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Share buyback - cancellation of shares[2] (note 43)	(9)	–	(50)	–	–	–	9	50	–	–	–	–	–
Total transactions with owners	**(9)**	**–**	**(173)**	**–**	**–**	**–**	**9**	**–**	**10**	**(163)**	**–**	**(9)**	**(172)**
Transfer from retained earnings to capital reserve	–	–	(9)	–	–	–	9	–	–	–	–	–	–
Restated balance at 31 December 2022	**1,070**	**456**	**9,230**	**(17)**	**(31)**	**(786)**	**527**	**50**	**(10)**	**10,489**	**966**	**67**	**11,522**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*
[2] *In H122, the Group completed the purchase of the €50 million share buyback programme whereby the Group repurchased 8.5 million shares for cancellation, c0.8% of the count outstanding at 1 January 2022, at a weighted average price of €5.885 per share.*
[3] *Other reserves includes the amalgamation of the merger reserve €17 million, liability credit reserve €9 million and revaluation reserve €24 million.*

Consolidated cash flow statement *(for the year ended 31 December 2023)*

	Note	2023 €m	*Restated*[1] 2022 €m
Cash flows from operating activities			
Profit before tax[1]		1,938	1,011
Share of results of associates and joint ventures	14	(25)	(40)
Loss / (gain) on disposal / liquidation of business activities	15	8	(1)
Depreciation and amortisation	8,10,18	273	237
Net impairment losses on financial instruments, excluding cash recoveries	13	451	267
Impairment of property, plant and equipment	10	–	14
Impairment of intangible assets and goodwill	28	–	7
Reversal of impairment on property	11	(3)	–
Revaluation loss on property	10	4	–
Revaluation of investment property	29	104	71
Interest expense on subordinated liabilities	5	82	84
Interest expense on lease liabilities	5	11	12
Charge for pension and similar obligations	41	19	58
Net change in accruals and interest payable		285	89
Net change in prepayments and interest receivable		(56)	89
Charge for provisions	38	17	55
Non-cash and other items[1]		(26)	(114)
Cash inflows from operating activities before changes in operating assets and liabilities		**3,082**	**1,839**
Net change in items in the course of collection from other banks		104	44
Net change in trading securities		(72)	20
Net change in derivative financial instruments		(1,694)	2,015
Net change in fair value changes due to interest rate risk of the hedged items in portfolio hedges		1,095	(2,142)
Net change in other financial assets at FVTPL		(2,342)	1,545
Net change in loans and advances to banks		(52)	123
Net change in loans and advances to customers		(7,835)	3,056
Net change in other assets[1]		(311)	176
Net change in deposits from banks		(406)	(9,355)
Net change in customer accounts		694	7,255
Net change in debt securities in issue		1,000	(570)
Net change in liabilities to customers under investment contracts[1]		833	(1,001)
Net change in insurance and reinsurance contracts[1]		1,641	(716)
Net change in other operating liabilities[1]		(71)	(588)
Net cash outflows from operating assets and liabilities		**(7,416)**	**(138)**
Net cash (outflows) / inflows from operating activities before tax		**(4,334)**	**1,701**
Tax paid		(58)	(72)
Net cash (outflows) / inflows from operating activities		**(4,392)**	**1,629**
Investing activities (section a below)		(960)	4,686
Financing activities (section b below)		(811)	(574)
Effect of exchange translation and other adjustments		(38)	170
Net change in cash and cash equivalents		**(6,201)**	**5,911**
Opening cash and cash equivalents		39,842	33,931
Closing cash and cash equivalents	46	**33,641**	**39,842**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.

Consolidated cash flow statement *(for the year ended 31 December 2023) (continued)*

	Note	2023 €m	2022 €m
(a) Investing activities			
Additions to debt securities at amortised cost		(1,273)	(232)
Disposal / redemption of financial assets at FVOCI	23	486	4,785
Additions to intangible assets	28	(297)	(264)
Disposal / redemption of debt securities at amortised cost		228	1,003
Additions to property, plant and equipment - owned assets	30	(116)	(104)
Proceeds from disposal of property, plant and equipment		40	45
Additions to financial assets at FVOCI	23	(36)	(283)
Dividends received from joint ventures	27	34	3
Net change in interest in associates	27	(28)	(16)
Proceeds from disposal of investment property		3	95
Additions to joint ventures	27	(1)	–
Acquisition of subsidiary, net of cash and cash equivalents acquired		–	(281)
Additions to investment property	29	–	(65)
Cash (outflows) / inflows from investing activities		**(960)**	**4,686**
(b) Financing activities			
Dividend paid to ordinary shareholders		(225)	(54)
Redemption of subordinated liabilities	47	(128)	(1,091)
Share buyback - Repurchase of shares	43	(125)	(50)
Redemption and buyback of preference stock	45	(104)	–
Interest paid on subordinated liabilities	47	(99)	(80)
Distribution on other equity instruments - AT1 coupon		(69)	(69)
Payment of lease liability	37	(44)	(53)
Interest paid on lease liability	37	(11)	(12)
Dividend paid to non-controlling interests - preference stock	45	(6)	(8)
Net proceeds from issue of subordinated liabilities	47	–	843
Cash outflows from financing activities		**(811)**	**(574)**

Net cash flows from operating activities includes interest received of €6,360 million (2022: €3,237 million) and interest paid of €2,503 million (2022: €435 million).

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1 Group accounting policies

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

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statements of changes in equity, the Consolidated cash flow statement, the notes to the consolidated financial statements on pages 202 to 343 and the notes to the Company financial statements on pages 347 to 350.

The financial statements include the information that is described as being an integral part of the audited financial statements contained in:
- sections 3.2, 3.4, 3.5, 3.6 and 3.7 of the Risk Management Report as described further on the bottom of page 134; and
- the Remuneration Report as described further on page 127.

The amounts presented in the financial statements are rounded to millions.

The consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the EU (Credit Institutions: Financial Statements) Regulations 2015 and the Asset Covered Securities Acts 2001 and 2007.

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements applied in the consolidated financial statements is set out in note 2.

The accounting policies and critical accounting estimates applied by the Company are included in note a to the Company financial statements.

FX rates used during the year are as follows:

	2023		2022	
	Average	Closing	Average	Closing
€ / Stg£	0.8698	0.8691	0.8528	0.8869
€ / US$	1.0813	1.1050	1.0531	1.0666

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 2023 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.

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.

Adoption of new and amended accounting standards
The following new standards and amendments to standards, have been adopted by the Group during the year ended 31 December 2023. There have been no other new standards or amendments to standards adopted by the Group during the year which have had a material impact on the Group.

IFRS 17 'Insurance Contracts'
IFRS 17 replaces IFRS 4 'Insurance Contracts'. Details of the nature of the change and the impact are detailed below.

1 Group accounting policies *(continued)*

Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2: 'Disclosure of Accounting Policies'.
This amendment requires that an entity discloses its material accounting policies instead of its significant accounting policies. Further amendments are made to explain how an entity can identify a material accounting policy. To support the amendments, the IASB have also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendment to IAS 12 'Income taxes' : International Tax Reform - Pillar Two Model Rules
The amendment gives companies temporary relief from accounting for deferred taxes arising from the OECD's international tax reform. The Amendments introduce:
- a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules; and
- targeted disclosure requirements to help users better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Amendment to IAS 12 'Income Taxes' Deferred tax related to assets and liabilities arising from a single transaction
This amendment introduces 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 nature of the changes in the Group's accounting policies as a result of these new and amended standards are set out below. The impact of the amendments to IAS 12 are disclosed in note 31.

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, including reinsurance contracts, to be accounted for in a consistent manner. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure 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, with necessary changes, to reinsurance contracts held. Items relevant specifically to reinsurance contracts held are dealt with in a separate section. There are specific scope exemptions detailed within IFRS 17, however the Group has not applied any scope exemptions from the application of the standard to either insurance or reinsurance contracts.

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 profit in the contract, the CSM, in profit or loss. The Group has not made use of this exemption.

Impact
The following impacts of the adoption of IFRS 17 are described below:
- impact on operating segments and operations;
- transitional provisions (including accounting policy elections on first-time adoption);
- changes to the prior year accounting policies;
- differences between IFRS 17 and Solvency II;
- impact on Alternative Performance Measures; and
- financial impact.

Impact on operating segments and operations
The Group issues insurance contracts through its subsidiary NIAC, which forms part of the Wealth and Insurance operating segment. The Group notes a material impact on the recognition, measurement, presentation and disclosure of the insurance business in the Group's financial statements. There are, however, no changes to the underlying fundamentals and 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 FRA, unless impracticable. The Group has applied the FRA to contracts issued on or after 1 January 2019. The fair value approach has been 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. Under the fair value approach, the CSM or loss component is calculated as the difference between the fair value of a group of insurance contracts, applying IFRS 13 (income approach), and the present value of the fulfilment cash flows (best estimate plus risk adjustment), applying IFRS 17, at the transition date.

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 has measured insurance contracts issued and reinsurance contracts held using the GMM, except where the VFA is applied. The Group applies the VFA 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 has elected to apply the following accounting policies on first time adoption of IFRS 17:
- changes in the risk adjustment for non-financial risk have been disaggregated between the insurance services result and the insurance finance income or expenses (IFIE);
- the IFIE has not been 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 is presented on a net basis in net income / (expense) from reinsurance contracts held.

1 Group accounting policies *(continued)*

Changes to prior accounting policies
IFRS 17 introduces new initial recognition, measurement models, presentation and disclosure requirements. The Group has identified the following key accounting policies which have been 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 has separated distinct investment components that are not highly inter-related to the insurance component. The distinct investment components are measured in accordance with IFRS 9 and presented as financial instruments.

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 has been determined firstly by dividing the business written into portfolios. Portfolios as described by IFRS 17 comprise groups of contracts with similar risks which are managed together. Portfolios have been further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant possibility of becoming onerous, and the remainder.

Contracts issued more than one year apart have not been 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 the present value of future cash flows (separated into liability for remaining coverage (LRC) and liability for incurred claims (LIC)), a risk adjustment for non-financial risk, and the CSM, which is calculated retrospectively and represents expected future profits to be recognised over the lifetime of contracts. In estimating future cash flows, the Group has incorporated, 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 reflects 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.

GMM
Changes in LIC and LRC are reflected in insurance revenue, insurance service expense, IFIE, or by adjusting the CSM. The amount of CSM recognised in profit or loss for services in the period is 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 are estimated using coverage units, which reflect the quantity of benefits and the coverage duration.

VFA
For insurance contracts under the VFA there are adjustments that relate to future service which change the CSM. These 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 contacts (locked-in rates), except for the unit-linked life and pensions 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 includes 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 determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer;
- the Group recognises both day 1 gains and day 1 losses at initial recognition in the balance sheet as a CSM and this is 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 is 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 gains and losses of underlying contracts that is reinsured. Equal weights are applied to insurance coverage and investment-return service;
- changes in the fulfilment cash flows are 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; and
- the VFA does not apply to reinsurance contracts.

1 Group accounting policies *(continued)*

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 determines the risk adjustment for non-financial risk as follows:

- a value at risk approach (also referred to as a confidence interval approach) is 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 discloses the approximate confidence interval over the run-off of the in force business (ultimate confidence interval of 70.4%);
- the effect of assumed adverse experience is determined as a one-off sensitivity at the reporting date that persists for the duration of contracts;
- the Group allows 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 allows for the effect of sensitivities net of reinsurance plus the expected cost of reinsurance; and
- the risk adjustment for reinsurance contracts held is 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 is no VIF asset recognised and as a result the estimated future profits are now included in the measurement of the insurance contract liability as the CSM, representing unearned profit, which is gradually recognised over the duration of the contract.

The removal of the VIF asset and the recognition of the CSM, which is a liability, reduces equity on transition.

Discount rates
Discount rates are based on market information where available and are 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 are estimated applying 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 durations where the market is liquid. An illiquidity premium, depending on the nature of contracts, is 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 gains and losses 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 is based on similar methodology as the Solvency II risk-free curve, but non-market constraints are removed and the ultimate forward rate reduced.

Directly Attributable Expenses (DAE)
DAE, which include both acquisition and maintenance costs, are incorporated in actual and estimated future cash flows and recognised in the result of insurance services. Acquisition costs are 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 remain in operating expenses. This results in a reduction in reported operating expenses compared to the prior accounting treatment.

Presentation and disclosure
IFRS 17 requires amendments to the Financial Statement Line Items (FSLI) that are presented in the primary statements. Previously, in the Group consolidated primary statements, in accordance with IFRS 4, net insurance premium income, insurance contract liabilities and claims paid and total operating income net of insurance claims have been presented as FSLI. These IFRS 4 FSLI's are replaced with an insurance service result (which comprises insurance revenue, insurance service expense and net income/expense from reinsurance contracts held). The IFIE is presented separately for both insurance and reinsurance in the notes to the financial statements, and aggregated together with total investment gains / (losses) as insurance investment and finance result in the income statement.

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.

The changes in accounting policies mentioned above create an impact on either profit or equity as follows:

- IFRS 17 has had a significant impact on the accounting for insurance contracts. The Group notes that profits pertaining to insurance contracts, within the Wealth and Insurance operating segment of the Group, are now gradually recognised over the life of the contract rather than being accelerated at inception. This results 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 is no VIF asset recognised. The future profit instead is now included in the measurement of CSM and this is 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, reduces shareholders' equity by €371 million and €410 million at the transition date and the date of initial application, respectively. Please refer to note 18 for a detailed reconciliation of this impact; and
- DAE, in accordance with IFRS 17, are incorporated in the CSM and 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 remain in operating expenses. This results in a reduction in reported operating expenses compared to the prior accounting treatment.

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 principle the Solvency II cashflows and IFRS 17 best estimate of future cashflows are 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:

1 Group accounting policies *(continued)*

- level of aggregation of projected cash flows;
- contract 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, alternative performance measures that pertain to expenses are impacted by transitioning to IFRS 17.

For further details on Alternative Performance Measures see from page 356.

Financial impact of adoption of IFRS 17
A detailed reconciliation of the quantitative impact of the transition to IFRS 17 at transition date and date of initial application has been provided in note 18.

The Accounting polices set out below are the Group's material accounting policies:

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 FVOCI, in accordance with IFRS 9.

The Group presents interest resulting from negative effective interest rates on financial liabilities as interest income. The Group presents interest resulting from negative effective interest rates on financial assets as interest expense.

The effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or liability and in the allocation and recognition of interest revenue or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the ECL (except, in accordance with IFRS 9 in the case of POCI financial assets where ECL 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 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.

1 Group accounting policies *(continued)*

As a result of the Interest Rate Benchmark Reform (BMR), on transition to an alternative benchmark rate, 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 was only applied where:
- the change to the contractual cash flows was necessary as a direct consequence of the BMR reform; and
- the new basis for determining the contractual cash flows was economically equivalent to the previous basis.

Where additional changes to the basis for determining the contractual cash flows of a financial instrument were made at the same time as changes required by the BMR reform, the Group first applied the practical expedient noted above to the changes arising as a direct consequence of the BMR reform and then applied 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.

Debt instruments at fair value through other comprehensive income

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.

1 Group accounting policies *(continued)*

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:
- 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 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.

The Group designates certain investments in associates at FVTPL as set out in note 27.

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.

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.

1 Group accounting policies *(continued)*

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.

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; and
- 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.

1 Group accounting policies *(continued)*

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.

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 55 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

Targeted Longer-Term Refinancing Operations (TLTRO), are Eurosystem operations which provide funding to credit institutions. TLTROs are targeted operations, as the amounts that banks can borrow are linked to their loans to non-financial corporations and households.

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 interpreted the rate set by the ECB under the most recent third series of TLTRO (TLTRO III which was repaid in full in 2022) 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.

1 Group accounting policies *(continued)*

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.

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

All hedge accounting relationships subject to BMR reform were transitioned before 30 June 2023.

When there was no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amended 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 were amended by the end of the reporting period during which a change required by BMR reform was 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 was only amended if the following conditions were 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 were amended as a direct result of the BMR reform, the Group elected 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 was amended to reference the alternative BMR, the amount accumulated in the cash flow hedge reserve in equity was deemed to be based on the alternative BMR on which the hedged future cash flows were determined.

When an item in a group of items designated as the hedged items was 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.

1 Group accounting policies *(continued)*

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.

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.

1 Group accounting policies *(continued)*

The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants. To the extent possible, these valuation techniques use observable market data. Where observable data does not exist, the Group uses estimates based on the best information available.

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 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. 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.

1 Group accounting policies *(continued)*

Non-controlling interests
Non-controlling interests comprise equity in a subsidiary that is not directly or indirectly attributable to the Parent. 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 Company are presented in euro.

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the dates of the transactions.

FX gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated into the appropriate functional currency using the exchange rate at the transaction date and those measured at fair value are translated at the exchange rate at the date the fair value was determined. Exchange rate differences on non-monetary items are recognised based on the classification of the underlying items.

Assets, liabilities and equity of all the Group entities that have a functional currency different from the presentation currency ('foreign operations') are translated at the closing rate at the reporting date and items of income and expense are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

All resulting exchange differences are recognised in OCI and accumulated in a separate component of equity.

On disposal of a foreign operation the amount accumulated in the separate component of equity is reclassified from equity to profit or loss. The Group may dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital, abandonment or through loss of control or significant influence.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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. 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.

1 Group accounting policies *(continued)*

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 reasonably 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.

Assets leased to customers under 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).

1 Group accounting policies *(continued)*

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.

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.

1 Group accounting policies *(continued)*

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.

The Group has determined that the global minimum top-up tax - which it is required to pay under Pillar 2 legislation - is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of income tax losses available for carry forward are recognised as DTAs to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. DTAs and deferred tax liabilities are not discounted.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax on items taken to OCI is also recognised in OCI and is subsequently reclassified to the income statement together with the deferred gain or loss. Income tax on items recognised directly in equity is recognised directly in equity, except for the income tax consequences of dividends on a financial instrument classified as equity, which are recognised according to where the previous transactions or events that generated distributable profits were recognised.

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.

1 Group accounting policies *(continued)*

Where the Group concludes it is probable that a tax authority will accept its assessment of an uncertain tax position, the taxable profit or loss, the tax bases, unused tax losses, unused tax credits and the tax rates are determined consistently with the tax treatment used or planned to be used in the income tax filing.

Share capital and reserves

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 Company's shareholders on the recommendation of the Board of Directors, or approved by the Board of Directors, as appropriate. Interim dividends are recognised in equity in the period in which they are paid.

Treasury shares

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in 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 the date of transition to IFRS (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 Company issues shares at a premium, a sum equal to the aggregate amount or value of the premiums on those shares is transferred to the share premium account.

Where, pursuant to Section 84 of the Companies Act 2014, there has been a reduction of the Company's share capital by the cancellation of share premium, the resulting profits available for distribution, as defined by Section 117 of the Companies Act 2014, are reclassified from the share premium account to retained earnings.

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.

Merger reserve

In the Company balance sheet, the merger reserve represents the difference between the carrying value of the Company's initial investment in the Bank arising from the corporate reorganisation in 2017 and the nominal value of the shares issued as part of that reorganisation, less amounts capitalised as share premium. In the Consolidated balance sheet, the merger reserve also includes an adjustment to eliminate the capital stock, share premium, capital reserve and retained earnings of the Bank at the date of corporate reorganisation, which do not carry forward to the balance sheet of the Group.

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.

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.

1 Group accounting policies *(continued)*

Operating segments
The Group's reportable operating segments have been identified on the basis that the chief operating decision maker uses information based on these segments to make decisions about assessing performance and allocating resources. The analysis of results by operating segment is based on management accounts information.

Impact of new accounting standards not yet adopted
The following standards will be relevant to the Group but were not effective at 31 December 2023 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.

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.

The amendments were endorsed by the EU on 19 December 2023.

Effective date
The effective date is for financial periods beginning on or after 1 January 2024, with early application permitted.

Impact
The amendments are not expected to have a significant impact on the Group.

Pronouncement: Amendments to IFRS 16 'Leases - Lease liability in a Sale and Leaseback'

Nature of change
The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

The amendments were endorsed by the EU on 20 November 2023.

Effective date
The effective date is for financial periods beginning on or after 1 January 2024, 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 / data limitations or late breaking events.

Other key accounting estimates which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:
- determining the period over which to measure ECL for uncommitted RCFs; and
- determining timeframes to realisation and likely net sale proceeds.

Other key accounting judgements which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:
- the Group's criteria for assessing if there has been a significant increase in credit risk since initial recognition such that a loss allowance for lifetime rather than 12 month ECL is required;
- the selection of appropriate methodologies and model factors for internal risk rating and impairment models;
- the approximation made at transition to IFRS 9 of the residual lifetime PD expectations for most exposures originated prior to adoption of IFRS 9; and
- selection of the most relevant macroeconomic variables for particular portfolios and determining associations between those variables and model components such as PD and LGD.

The Group's approach to measurement of impairment loss allowances and associated methodologies is set out in the credit risk methodologies section on pages 159 to 164.

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 2023, 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 2023 is based on internal and external information and management judgement and follows the same process as used in prior years.

The alternative FLI scenarios for year ending 31 December 2023, comprising one upside and two downside scenarios, are narrative driven and have been constructed incorporating all available reasonable and supportable information. This follows the same process as used in prior years.

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 ECL estimates reflected the application of management judgement to the initial probability weightings, with increased weight assigned to the central and downside 1 scenarios, with an offsetting decrease in the upside scenario.

External forward-looking information (e.g. external forecasts and equity market indicators) informed the application of this management judgement, and reflected economic uncertainty at 31 December 2023 associated with a combination of factors including the potential impact of geopolitical risk and elevated inflation and interest rates in the Group’s key economies. The estimated ECL impact of this judgement was a c.€31 million (2022: 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 2024 to 2028, together with the scenario weightings for both the RoI and the UK.

	Republic of Ireland				United Kingdom			
			Downside				Downside	
2023	**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	3.6%	4.2%	2.8%	1.8%	1.3%	1.8%	0.5%	(0.3%)
Gross National Product (GNP) - annual growth rate	3.8%	4.2%	2.8%	1.7%	n/a	n/a	n/a	n/a
Unemployment - average yearly rate	4.4%	3.8%	6.2%	8.3%	4.6%	3.8%	6.2%	7.9%
Residential property price growth - year end figures	1.0%	2.4%	(2.8%)	(4.8%)	0.6%	1.8%	(2.6%)	(4.6%)
Commercial property price growth - year end figures	(1.2%)	1.6%	(4.3%)	(6.4%)	(0.8%)	1.4%	(4.1%)	(6.0%)

	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%)	–	(4.4%)	(6.6%)
Commercial property price growth - year end figures	(0.6%)	0.8%	(3.1%)	(5.7%)	(1.3%)	–	(3.8%)	(6.5%)

2 Critical accounting estimates and judgements *(continued)*

The tables below set out the forecast values for 2024 and 2025 and the average forecast values for the period 2026 to 2028 for the key macroeconomic variables which underpin the above mean average values.

	Republic of Ireland			United Kingdom		
	2024	**2025**	**2026-2028**	**2024**	**2025**	**2026-2028**
Central scenario - 45% weighting						
Gross Domestic Product - (GDP) - annual growth rate	3.3%	4.0%	3.6%	0.5%	1.1%	1.6%
Gross National Product - (GNP) - annual growth rate	4.2%	4.0%	3.5%	n/a	n/a	n/a
Unemployment - average yearly rate	4.2%	4.3%	4.5%	4.7%	4.7%	4.6%
Residential property price growth - year end figures	–	–	1.7%	(4.0%)	–	2.3%
Commercial property price growth - year end figures	(11.0%)	(2.5%)	2.5%	(9.5%)	(2.0%)	2.5%
Upside scenario - 20% weighting						
Gross Domestic Product - (GDP) - annual growth rate	4.4%	5.0%	3.9%	1.4%	1.8%	2.0%
Gross National Product - (GNP) - annual growth rate	5.0%	4.7%	3.7%	n/a	n/a	n/a
Unemployment - average yearly rate	3.9%	3.8%	3.8%	4.1%	3.9%	3.7%
Residential property price growth - year end figures	1.0%	2.0%	3.0%	(1.0%)	2.0%	2.7%
Commercial property price growth - year end figures	(3.0%)	2.0%	3.0%	(2.0%)	1.0%	2.7%
Downside scenario 1 - 25% weighting						
Gross Domestic Product - (GDP) - annual growth rate	2.1%	2.6%	3.1%	(0.7%)	(0.3%)	1.2%
Gross National Product - (GNP) - annual growth rate	2.7%	2.3%	2.9%	n/a	n/a	n/a
Unemployment - average yearly rate	5.1%	6.3%	6.6%	5.2%	6.1%	6.5%
Residential property price growth - year end figures	(12.0%)	(4.0%)	0.7%	(13.0%)	(4.0%)	1.3%
Commercial property price growth - year end figures	(16.0%)	(6.5%)	0.3%	(15.5%)	(6.5%)	0.5%
Downside scenario 2 - 10% weighting						
Gross Domestic Product - (GDP) - annual growth rate	(0.2%)	1.3%	2.6%	(2.2%)	(1.9%)	0.9%
Gross National Product - (GNP) - annual growth rate	0.4%	1.0%	2.4%	n/a	n/a	n/a
Unemployment - average yearly rate	6.3%	8.1%	9.0%	6.4%	8.0%	8.4%
Residential property price growth - year end figures	(16.0%)	(6.0%)	(0.7%)	(17.0%)	(6.0%)	–
Commercial property price growth - year end figures	(20.0%)	(8.5%)	(1.2%)	(19.0%)	(8.5%)	(0.8%)

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

Central scenario - RoI
GDP growth has slowed sharply in 2023, mainly reflecting a decline in output growth in the multinational-dominated exporting sector from the rapid rates recorded over recent years. The domestic economy is faring better, though the post-Covid 19 bounce in activity has inevitably given way to more moderate growth, while capacity constraints, still relatively high albeit declining inflation, tighter monetary policy and a weak external environment are also weighing on economic activity. The Central Scenario envisages a pick-up in GDP growth in 2024-2025 supported by rising real incomes as inflation falls further, as well as some strengthening in investment and exports, while unemployment is expected to remain relatively low over the forecast period. The ECB is expected to ease monetary policy slightly as inflation declines.

Central scenario - UK
Following the post-Covid 19 rebound, UK GDP growth has slowed, with output up only modestly over the past year or so. Activity has been negatively impacted by elevated inflation and the tightening of monetary policy by the Bank of England. Unemployment has risen somewhat over recent quarters, and while inflation remains high it has reduced in line with an easing in energy prices. The Central Scenario envisages a gradual pickup in the rate of growth over the next few years. Consumer demand should recover and while investment and exports face headwinds, they should gradually pick up. Unemployment is expected to pick up slightly, though it will remain fairly low. Inflation is expected to continue to fall back towards target and this will allow the Bank of England to ease monetary policy slightly.

2 Critical accounting estimates and judgements *(continued)*

Upside scenario
In the Upside Scenario, geopolitical tensions ease, leading to lower global energy prices. This contributes to a more pronounced fall in inflation in Ireland and the UK, boosting household incomes, confidence and spending. A similar effect is seen in the Ireland and the UK's main trading partners, with global growth picking up. Receding uncertainty and initially lower interest rates support business investment, while the improvement in global demand contributes to a pickup in exports. Stronger growth momentum in both economies sees unemployment edge down in 2024 and 2025 and remain low in subsequent years. This in turn eventually leads to a pick-up in inflation pressures and a tightening of monetary policy by the ECB and Bank of England.

Downside scenario 1
In Downside Scenario 1, heightened geopolitical tensions result in rising global energy prices, increased uncertainty and a further slowdown in world growth. Higher inflation and uncertainty weighs on confidence in Ireland and the UK, which together with tighter monetary and financial conditions (as the ECB and Bank of England initially keep interest rates higher for longer than previously anticipated, and strains in financial markets emerge) depresses consumer and business spending, while weaker global demand is a headwind for exporting sectors. GDP growth slows in 2024-2025 in Ireland and turns negative in the UK. Unemployment increases and stays relatively high out the forecast horizon in both economies. Eventually, as the inflationary shock fades, monetary policy is eased by the ECB and Bank of England and growth resumes.

Downside scenario 2
In Downside Scenario 2, escalating and more severe geopolitical tensions leads to a sharp rise in global energy prices. This in turn triggers major disruption in financial markets and a sharp deterioration in global growth, though central banks initially keep interest rates elevated in response to higher inflation. Furthermore, in Ireland the multinational exporting sectors slow and this leads to a decline in corporate tax revenue, while in the UK the impact of the increase in the corporate tax rate and Brexit after-effects weigh on business investment. Amid heightened uncertainty, a collapse in consumer and business confidence, tighter monetary, financial and credit conditions, and significantly weaker global demand, the Irish and UK economies go into recession in 2024 (Ireland exits recession in late 2024, the UK in 2025), while unemployment moves up sharply in both economies and remains high over the entire forecast period. In this weak economic environment inflation eventually falls back quite sharply and monetary policy is eased significantly by the ECB and Bank of England.

Property price growth, all scenarios
In the central scenario, after stalling in 2023, residential prices in RoI remain flat with growth of 0% and negative growth remains in the UK at -4% in 2024. RoI continues its 0% growth in 2025, as UK prices recover from negative growth to also sit at 0%. From 2026 on we see a return to modest growth. Between 2026 and 2028 RoI growth per annum is 1% - 2% and for the UK 2% - 3%. The adjustment in the commercial property market that is underway is forecast to continue in 2023 and 2024, with conditions improving somewhat after that.

In the upside scenario after stalled price growth in 2023 residential prices start to pick up in 2024. RoI sees growth of 1% and in the UK the negative growth improves from -5% to -1%. In both 2025 and 2026 the two territories see growth of 2% per annum. After that RoI prices grow between 3% - 4% per annum and UK prices grow 3% per annum. The adjustment in the commercial property market that is underway is forecast to continue into 2024, with conditions improving earlier than forecast in the central scenario.

In the Downside 1 scenario residential prices are expected to be negative for the next few years before eventually recovering. RoI prices fall 12% in 2024 whereas for UK they fall by 13%. Reduced negativity occurs in 2025 with prices falling 4% in both economies before a further improvement in 2026 with negative growth of -1% in RoI and remaining flat in UK. By 2027 positive growth has returned with prices growing 1% in both RoI and UK and in 2028 both territories are in positive growth (2% and 3% respectively). Commercial prices are expected to stay in negative growth in both economies until 2027 when low digit growth returns.

In the Downside 2 scenario negative price growth is deeper than in Downside 1, and the recovery is slower. For residential, negative growth peaks in 2024 (-16% in RoI and -17% in the UK), and while there is some recovery in 2025 this is less pronounced than in Downside 1 (-6% in both territories). Negative growth persists in 2026 (-3% in RoI and -2% in the UK) before finally ending in 2027 with no growth in either territory. By 2028 positive growth returns with growth of 1% in RoI and 2% in the UK. Commercial prices are expected to stay negative in both economies until 2028 with growth flat in RoI in 2028 and 0.5% in UK.

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 2023, excluding post-model Group management adjustments (PMAs) to impairment loss allowances, was increased by virtue of applying multiple scenarios rather than only a central scenario. This analysis excludes PMAs, 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 the previous page.

Comparative figures at 31 December 2022 are also outlined below and in subsequent tables in this section. Changes in the figures at 31 December 2023 compared to the previous reporting date reflect a number of interrelated 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)*

2023 Impact of applying multiple scenarios rather than only central scenario	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	4	14%	20	70%	11	8%	35	18%
Retail Ireland	*2*	*11%*	*12*	*85%*	*6*	*6%*	*20*	*16%*
Retail UK	*2*	*21%*	*8*	*55%*	*5*	*10%*	*15*	*21%*
Non-property SME and corporate	5	8%	28	22%	2	1%	35	7%
Property and construction	3	24%	25	30%	2	3%	30	17%
Consumer	3	6%	4	7%	–	–	7	4%
Total	**15**	**10%**	**77**	**26%**	**15**	**3%**	**107**	**10%**

2022 Impact of applying multiple scenarios rather than only central scenario	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	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%**

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:

2023 Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios	Multiple scenarios	Central scenario		Upside scenario		Downside scenario 1		Downside scenario 2	
	Impairment loss allowance €m	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Residential mortgages	233	(35)	(18%)	(50)	(22%)	158	68%	289	124%
Retail Ireland	*145*	*(20)*	*(16%)*	*(28)*	*(19%)*	*84*	*58%*	*159*	*110%*
Retail UK	*88*	*(15)*	*(21%)*	*(22)*	*(25%)*	*74*	*86%*	*130*	*149%*
Non-property SME and corporate	535	(35)	(7%)	(84)	(16%)	80	15%	290	54%
Property and construction	200	(30)	(17%)	(63)	(31%)	58	29%	191	95%
Consumer	169	(7)	(4%)	(22)	(13%)	15	9%	51	30%
Total	**1,137**	**(107)**	**(10%)**	**(219)**	**(19%)**	**311**	**27%**	**821**	**72%**

2 Critical accounting estimates and judgements *(continued)*

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%**

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.

2023 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	198	39	20%	18	9%	(13)	(7%)	(26)	(13%)
Retail Ireland	*126*	*19*	*15%*	*8*	*6%*	*(7)*	*(6%)*	*(13)*	*(11%)*
Retail UK	*72*	*20*	*28%*	*10*	*14%*	*(6)*	*(9%)*	*(13)*	*(18%)*

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%)*

The sensitivity of impairment loss allowances to stage allocation is such that, based on the respective impairment cover ratios, a transfer of 1% of Stage 1 balances at 31 December 2023 to Stage 2 would increase the Group's impairment loss allowance by c.€15 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
- PMAs to impairment loss allowance and staging classification.

Credit risk assessment for significant increase in credit risk
As outlined on page 162 of the Risk Management Report, 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 2023, the Group has assessed the impact of elevated inflation and interest rates on asset quality.

2 Critical accounting estimates and judgements *(continued)*

Credit risk assessments on the impact of elevated inflation rates and interest rates on debt affordability were implemented 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 management decision to classify €2.8 billion of stage 1 assets as stage 2 at the reporting date, with an associated €33 million increase in impairment loss allowance.

Management judgement in impairment model parameters
As outlined on page 161 of the Risk Management Report, the ECL model framework was updated in the year to reflect an enhanced approach to PD components for certain residential mortgages, Corporate and Property impairment models. The PD model calibration processes for certain Corporate and Property impairment models were enhanced to alleviate excessive sensitivity to a small change in the number of defaults and changes in asset quality. The combined impact of these changes resulted in c.€0.3 billion of assets migrating to stage 2 from stage 1 and a c.€32 million increase in impairment loss allowance. Following these updates the management judgement utilised in the PD model calibration process for these portfolios at 30 June 2023 is no longer considered to be required.

The PD component of the model utilised for the Leveraged Acquisition Finance segment of the Corporate portfolio was updated in 2023 to address a deterioration in the performance of the macro-economic relationship in the PD model. The update resulted in c.€0.3 billion of assets migrating to stage 1 from stage 2 and a c.€23 million decrease in impairment loss allowance.

The calibration of the Lifetime PD at initial recognition for Retail Ireland residential mortgage impairment models was refined in 2023. This change resulted in c.€0.8 billion of assets migrating to stage 1 from stage 2 and a decrease in impairment loss allowance of c.€7 million.

The ECL model framework was also updated in the year to reflect an enhanced approach to Loss Given Default (LGD) components of the impairment models for the residential mortgages, Corporate Banking and Business Banking portfolios.

The changes to the LGD component of the Corporate Banking and Business Banking impairment models, results in an increase in impairment loss allowance of c.€13 million.

The ECL model framework was also updated with model factor updates to reflect recent observed information. This included the application of updated portfolio disposal data within the Retail Ireland residential mortgages LGD model, resulting in an increase in impairment loss allowance of c.€20 million.

In addition an enhanced approach to estimating cure rates within the LGD component of the impairment models for Retail Ireland and UK residential mortgages was implemented. The changes to this aspect of the LGD component of Retail Ireland and UK residential mortgages impairment models results in an increase in impairment loss allowance of c.€22 million.

A new LGD model was developed for a segment of the micro-SME portfolio resulting in a c.€10 million decrease in impairment loss allowance.

Post-model Group management adjustments (PMAs)
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 PMA 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 / data limitation or a late breaking event.

At 31 December 2023, the Group's stock of impairment loss allowance of €1.2 billion (2022: €1.3 billion) includes a €85 million PMA (2022: €60 million). Details of the components of the PMAs, as well as the rationale for the removal and / or utilisation of previous management adjustments, are outlined on the following page with a table providing an overview of Group PMAs.

2 Critical accounting estimates and judgements *(continued)*

2023	Impairment loss allowance-before PMAs €m	Post - model Group management adjustments (PMAs)						Total Impairment Loss Allowance €m
		Investment Property €m	NPE Disposal €m	Retail Ireland Residential Mortgage LGD €m	KBCI potential affordability risk assessment €m	UK PCP exposures[1] €m	Total PMAs €m	
Residential mortgages	233	–	–	9	4	–	13	246
Retail Ireland	*145*	–	–	*9*	*4*	–	*13*	*158*
Retail UK	*88*	–	–	–	–	–	–	*88*
Non-property SME and corporate	535	–	14	–	–	–	14	549
Property and construction	200	48	1	–	–	–	49	249
Consumer[1]	169	–	9	–	–	–	9	178
Total loans and advances to customers	**1,137**	**48**	**24**	**9**	**4**	**–**	**85**	**1,222**
Other financial instruments	69	–	–	–	–	–	–	69
Total Financial Assets	**1,206**	**48**	**24**	**9**	**4**	**–**	**85**	**1,291**

[1] *The table above includes a €0.4 million PMA for UK PCP exposures within the Consumer portfolio.*

2022	Impairment loss allowance-before PMAs €m	Post - model Group management adjustment (PMAs)						Total Impairment Loss Allowance €m
		Investment Property €m	NPE Disposal €m	Retail Ireland Residential Mortgage LGD €m	KBC potential affordability risk assessment €m	UK PCP exposures €m	Total PMAs €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**

Group management adjustment for Investment Property

As outlined on page 164 of the Risk Management Report, the impact of elevated inflation and interest rates on property loans have been separately considered within individual credit assessments in relationship managed commercial portfolios with the Group taking additional action by implementing PD downgrades on all US Commercial Real Estate Office property exposures.

Notwithstanding the downgrade of US Commercial Real Estate Office exposures, a PMA to the Group's impairment loss allowance of €48 million has been recognised at 31 December 2023 to reflect latent risk within certain cohorts of the wider Investment Property portfolio, including prevailing interest rates. The PMA also reflects the estimated impact of planned model enhancements to Investment Property impairment models in 2024 / 2025.

The PMA has been quantified using scenario analysis to reflect the potential for latent risk in the Investment Property sector and with consideration to potential future model changes to Investment Property impairment models.

All of this post model adjustment is recognised in the Property and the construction portfolio at 31 December 2023 and is allocated to stage 1 (€7 million) and stage 2 (€41 million) assets.

Group management adjustment for NPE

The impairment loss allowance at 31 December 2023 includes a €24 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 SME, RoI consumer, and UK consumer portfolios.

2 Critical accounting estimates and judgements *(continued)*

The Group has identified cohorts of loans with certain characteristics within these 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.

The requirement for PMAs reflects the fact that individually assessed impairment loss allowances for larger RoI SME assets are determined on a case-specific assessment and do not take account of discounts that may apply for a portfolio sale / securitisation. Similarly modelled LGD parameters for consumer and micro-SME portfolios are calibrated based on historical resolution strategies, which were more heavily reliant on case-by-case resolution (e.g. forbearance arrangements, voluntary sales or legal recovery processes).

Almost all of the post-model adjustment is applied to Stage 3 assets. €14 million is recognised in the RoI SME portfolio, €9 million is related to the consumer portfolio (primarily RoI) and €1 million is related to the property and construction portfolio.

The Group completed the disposal of €0.3 billion of NPEs in the second half of 2023. Accordingly the PMA of €60 million recognised at 31 December 2022 (reduced to €35 million at 30 June 2023) associated with this transaction was utilised in full and is no longer required.

Group management adjustment for Loss Given Default in Retail Ireland Residential Mortgage portfolio

A €9 million PMA has been recognised to reflect the estimated impact of enhancements to the Retail Ireland residential mortgage impairment models planned in 2024.

Accordingly, the Group considers that it is appropriate to recognise the estimated impact of these enhancements at 31 December 2023. The adjustment is allocated to the Retail Ireland residential mortgage portfolio. The requirement for this adjustment will expire upon completion of impairment model updates in 2024.

Group management adjustment for potential affordability risk assessment on acquired KBCI exposures

As outlined on page 164 of the Risk Management Report credit risk assessments in relation to the impact of elevated inflation and interest rates were implemented across the residential mortgage and consumer portfolios with outputs utilised to identify significant increases in credit risk and classify stage 1 assets as stage 2.

The KBCI mortgage portfolio acquired by the Group in 2023 has been included in the credit risk assessment at 31 December 2023. Due to lack of historic data on KBCI acquired RoI Mortgage exposures, exposure level identification of cases to transfer to stage 2 has not been possible. This limitation necessitates that the impact of affordability risk on this acquired cohort is quantified at a portfolio level and applied via a PMA.

Accordingly, the Group considers that it is appropriate to recognise a €4 million PMA which will be applied to stage 1 assets in the Retail Ireland residential mortgage portfolio. The requirement for this adjustment will be assessed with reference to prevailing economic conditions and assessment of affordability risk in 2024.

Taxation

The current taxation charge of €118 million (note 16) 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 2023, the net DTA was €747 million (2022 restated for IFRS 17: €951 million), of which €845 million (2022: €1,026 million) related to trading losses. The closing DTA includes €783 million related to Irish trading losses, €58 million to UK trading losses, and €4 million to US trading losses.

A significant judgement relates to the Group's assessment of the recoverability of the portion of the DTA relating to trading losses.

The recognition of a DTA relies on management's estimate of the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences against which the losses can be utilised. 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 the following in assessing the financial assumptions and projections:

- the absolute level of deferred tax assets compared to the Group's equity;
- the quantum of profits required to be earned and the period over which it is projected that the tax losses will be utilised;
- the challenges of projecting, 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 (2022: 2028).

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 continue to be profitable but acknowledge the external challenges facing the banking industry, in particular, the traditional, full service banks and the inherent uncertainties of financial projections.

2 Critical accounting estimates and judgements *(continued)*

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 assets at 31 December 2023.

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.

On this basis, the DTA of the Bank's UK branch is currently €nil (2022: €nil). However, any remaining unutilised carried forward trading losses of the UK branch 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.

BoI (UK) plc
Judgement
The Directors believe that BoI (UK) plc will be profitable for the foreseeable future but acknowledge external challenges facing the UK banking industry and wider economy. In particular, during recent years, 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 and increased volatility in interest rate projections.

The DTA in respect of tax losses of BoI (UK) plc is estimated to be recovered in full by the end of 2030 (2022: 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.

If the projections were decreased by two percentage points or increased by one percentage point, the Group estimates that this would have no impact on the DTA recovery periods.

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 41.

IFRS 17 'Insurance Contracts'
The Group has adopted IFRS 17 at 1 January 2023. Accounting policies and key judgements relating to insurance contracts issued and reinsurance contracts held have been amended to comply with the requirements of the new standard. See note 1 and note 18 for further information.

Life assurance operations
The Group accounts for its insurance and reinsurance contracts in accordance with IFRS 17. Under IFRS 17, the expected future cash flows used to measure insurance contracts are estimated using best estimate and market consistent assumptions. The expected future profits are captured in the CSM and are then released over time in line with the provision of insurance contract services.

Judgement
Management have made judgements in applying IFRS 17 which have a significant effect on the amounts recognised in the financial statements.

These key judgements are:
- as IFRS 17 does not prescribe an approach to calculation of risk adjustment for non-financial risk, the Group has applied judgement to determine the most appropriate approach to the calculation of this key component of insurance contract measurement. Similarly, judgement has been applied to determine the confidence level to apply to this calculation;
- judgement has been applied to the construction of an appropriate IFRS 17 discount rate for use in discounting insurance contracts. Furthermore, IFRS 17 does not prescribe an approach to the determination of an appropriate illiquidity premium and management have made judgements in calculating this premium;
- determination of coverage units for each contract type, which influence the recognition of revenue for insurance contracts, is not prescribed by IFRS 17. Management have made judgements to determine a suitable approach to deriving coverage units; and
- judgements were made during the assessment of directly attributable expenses for inclusion in estimates of future cash flows used in measuring insurance contracts.

2 Critical accounting estimates and judgements *(continued)*

Sources of estimation uncertainty
The calculation of insurance contract liabilities relies on the estimation of future cash flows which depend on experience in a number of areas such as investment gains and losses, lapse rates, mortality and investment expenses. Also involved in the calculation of insurance contract liabilities are projections determined 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 cash flows to differ from those modelled at the reporting date and could significantly affect the value attributed to the in force business. In addition, the extent to which actual experience is different from expectations will be recognised in the income statement for the period. A quantitative analysis of the sensitivity of insurance related liabilities and assets to changes in the key assumptions is set out in note 18.

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 €273 million 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 CGU and this was assessed for impairment at 31 December 2023.

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 €64 million higher than the carrying amount. As a result, no impairment of the assets in the Davy CGU was recognised at 31 December 2023.

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. Underpinning the ICAAP, 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 post-tax weighted average cost of capital for the Group which is 10.99% at 31 December 2023.

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)	(€8.3m)
Growth rate	(1.87%)
Weighted average cost of capital (WACC)	1.34%

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 its customers delivering 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

Wealth and Insurance includes the Group's life assurance subsidiary NIAC and Davy, Ireland's leading provider of wealth management and capital markets services. NIAC 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. Wealth and Insurance 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 and business banking business in Northern Ireland, as well as asset finance and contract hire, incorporating Northridge Finance. It also includes the financial services partnership and FX joint venture with the UK Post Office. In December 2023, Retail UK announced the conclusion of its financial services partnership with the AA and ceased the provision of unsecured personal loan products under the Bank of Ireland UK and Post Office brand. The Retail UK division includes the activities of BoI (UK) plc, the Group's wholly owned UK licenced banking subsidiary.

Corporate and Commercial

In 2023, Global Markets and Corporate Banking (together formerly known as Corporate and Markets division) were consolidated with Business Banking into a single 'Corporate and Commercial' division, bringing together extensive expertise to efficiently and consistently deliver the highest service levels to all of the Group's Corporate and Commercial customers. The combined division provides a full range of lending, banking and treasury risk management services to the Group's national and international Corporate and Business customers, many of which are at the heart of the Irish economy. Our relationship teams are based in offices in Ireland and the UK with niche international businesses across Europe and in the US. These teams have a wealth of experience across a broad range of segments and sectors, including corporate and business banking, commercial real estate, acquisition finance, foreign direct investment and treasury solutions.

Group Centre

Group Centre incorporates the Group's central support and control functions. Core responsibilities of the function include overseeing the Group wide Customer Strategy, establishing clear governance and control frameworks with appropriate oversight, providing management services to the Group, and managing the key processes and IT delivery platforms for the trading divisions.

Other reconciling items

Other reconciling items represent transactions between operating segments which are eliminated upon consolidation and the application of hedge accounting at Group level.

Basis of preparation of segmental information

The analysis of results by operating segment is based on the information used by the chief operating decision maker to allocate resources and assess performance.

The CEO and CFO are considered to be the chief operating decision makers for the Group. The Group's operating segments reflect its organisational and management structures. The CEO and CFO review the Group's internal reporting based around these segments to assess performance and allocate resources. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The measures of segmental assets and liabilities provided to the chief operating decision maker are not adjusted for transfer pricing adjustments or revenue sharing agreements as the impact on the measures of segmental assets and liabilities is not significant.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

On an ongoing basis, the Group reviews the methodology for allocating funding and liquidity costs in order to ensure that the allocations continue to reflect each division's current funding requirement.

External revenue comprises interest income, insurance revenue, net income / (expense) from reinsurance contracts held, insurance investment and finance result, fee and commission income, net trading income / (expense), 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 the impact of non-core items outlined below:

- acquisition costs;
- gross-up for policyholder tax in the Wealth and Insurance business;
- liability management exercises;
- portfolio divestments (net);
- loss on disposal / liquidation of business activities;
- transformation programme costs;
- customer redress charges; and
- investment return on treasury stock held for policyholders.

3 Operating segments *(continued)*

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.

2023	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Commercial €m	Group Centre €m	Other reconciling items €m	Group €m
Net interest income	1,409	(7)	619	1,667	(7)	1	3,682
Other income	146	368	(18)	257	(19)	12	746
Total operating income	**1,555**	**361**	**601**	**1,924**	**(26)**	**13**	**4,428**
Other operating expenses	(374)	(210)	(249)	(493)	(481)	7	(1,800)
Other operating expenses (before levies and regulatory charges)	*(374)*	*(206)*	*(245)*	*(493)*	*(319)*	*7*	*(1,630)*
Levies and regulatory charges	*–*	*(4)*	*(4)*	*–*	*(162)*	*–*	*(170)*
Depreciation and amortisation	(111)	(18)	(21)	(12)	(70)	5	(227)
Impairment of goodwill and intangibles	–	–	–	–	–	–	–
Total operating expenses	**(485)**	**(228)**	**(270)**	**(505)**	**(551)**	**12**	**(2,027)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**1,070**	**133**	**331**	**1,419**	**(577)**	**25**	**2,401**
Net impairment losses on financial instruments	(109)	–	(84)	(210)	–	–	(403)
Share of results of associates and joint ventures	(7)	–	28	4	–	–	25
Underlying profit / (loss) before tax	**954**	**133**	**275**	**1,213**	**(577)**	**25**	**2,023**

2023 **Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax	2,023
Acquisition costs	(61)
Gross-up for policyholder tax in the Wealth and Insurance business	26
Liability management exercises	(22)
Portfolio divestments (net)	(18)
Loss on disposal / liquidation of business activities	(8)
Transformation programme costs	(2)
Customer redress charges	–
Investment return on treasury stock held for policyholders	–
Profit before tax	**1,938**

3 Operating segments *(continued)*

Restated[1,2,3] 2022	Retail Ireland[2,3] €m	Wealth and Insurance[1] €m	Retail UK €m	Corporate and Commercial[2,3] €m	Group Centre[3] €m	Other reconciling items €m	Group €m
Net interest income	**619**	**(8)**	**691**	**1,185**	**(5)**	**–**	**2,482**
Other income[1]	148	141	(25)	313	60	(2)	635
Total operating income	**767**	**133**	**666**	**1,498**	**55**	**(2)**	**3,117**
Other operating expenses[1]	(385)	(139)	(259)	(450)	(361)	2	(1,592)
Other operating expenses (before levies and regulatory charges)[1]	*(385)*	*(137)*	*(254)*	*(450)*	*(225)*	*2*	*(1,449)*
Levies and regulatory charges	*–*	*(2)*	*(5)*	*–*	*(136)*	*–*	*(143)*
Depreciation and amortisation[1,3]	(79)	(7)	(27)	(25)	(76)	(4)	(218)
Impairment of goodwill and intangibles	–	–	–	–	(7)	–	(7)
Total operating expenses	**(464)**	**(146)**	**(286)**	**(475)**	**(444)**	**(2)**	**(1,817)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**303**	**(13)**	**380**	**1,023**	**(389)**	**(4)**	**1,300**
Net impairment gains / (losses) on financial instruments	43	–	(107)	(130)	7	–	(187)
Share of results of associates and joint ventures	–	–	32	8	–	–	40
Underlying profit / (loss) before tax	**346**	**(13)**	**305**	**901**	**(382)**	**(4)**	**1,153**

Restated[1] **2022** **Reconciliation of underlying profit before tax to profit before tax**	**Group** **€m**
Underlying profit before tax[1]	1,153
Acquisition costs	(54)
Gross-up for policyholder tax in the Wealth and Insurance business	(2)
Liability management exercises	–
Portfolio divestments	1
Loss on disposal / liquidation of business activities	–
Transformation programme costs	(50)
Customer redress charges	(29)
Investment return on treasury shares held for policyholders	(8)
Profit before tax	**1,011**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.
[2] Comparative figures have been restated to reflect the Business Banking transfer to Corporate and Commercial (formerly Corporate and Markets), resulting in a €470 million increase in the underlying profit before tax in Corporate and Commercial, with the corresponding decrease in Retail Ireland.
[3] Comparative figures have been restated to reflect the reallocation of intangible assets and associated amortisation from Group Centre to the division deriving the economic benefits, as a result operating expenses have decreased by €48 million in Group Centre, with a corresponding increase of €30 million in Retail Ireland and €18 million in Corporate and Commercial.

3 Operating segments *(continued)*

2023 Income statement analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Commercial €m	Group Centre €m	Other reconciling items €m	Group €m
Gross external revenue	**1,365**	**848**	**1,384**	**3,314**	**886**	**20**	**7,817**
Inter segment revenue	678	7	27	5,741	1,235	(7,688)	–
Total revenue	**2,043**	**855**	**1,411**	**9,055**	**2,121**	**(7,668)**	**7,817**
Capital expenditure	**34**	**23**	**130**	**50**	**194**	**–**	**431**

Restated[1,2,3] 2022 Income statement analysis by operating segment	Retail Ireland[2,3] €m	Wealth and Insurance[1] €m	Retail UK €m	Corporate and Commercial[2,3] €m	Group Centre[1,3] €m	Other reconciling items €m	Group €m
Gross external revenue[1,2]	**595**	**607**	**917**	**1,857**	**399**	**82**	**4,457**
Inter segment revenue[2]	624	(48)	171	573	207	(1,527)	–
Total revenue[1,2]	**1,219**	**559**	**1,088**	**2,430**	**606**	**(1,445)**	**4,457**
Capital expenditure[3]	**26**	**231**	**106**	**58**	**298**	**–**	**719**

2023 Balance sheet analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Commercial €m	Group Centre €m	Other reconciling items €m	Group €m
Total assets	**112,262**	**24,683**	**26,215**	**248,207**	**91,921**	**(347,580)**	**155,708**
Total liabilities	**107,260**	**23,583**	**24,094**	**248,711**	**87,064**	**(347,565)**	**143,147**
Investment in associates and joint ventures	29	–	77	79	2	–	187

Restated[1,3,4] 2022 Balance sheet analysis by operating segment	Retail Ireland[3,4] €m	Wealth and Insurance[1] €m	Retail UK €m	Corporate and Commercial[3,4] €m	Group Centre[3] €m	Other reconciling items €m	Group €m
Total assets[1,3,4]	**95,617**	**22,041**	**26,944**	**216,071**	**68,664**	**(278,648)**	**150,689**
Total liabilities[1,4]	**90,670**	**21,063**	**24,797**	**217,066**	**64,171**	**(278,600)**	**139,167**
Investment in associates and joint ventures[4]	18	–	81	65	1	–	165

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.
[2] Comparative figures have been restated to reflect the Business Banking transfer, resulting in an increase of €523 million to external revenue and an increase of €341 million to internal revenue in the Corporate and Commercial (formerly Corporate and Markets) division, with the corresponding decrease in Retail Ireland.
[3] Comparative figures have been restated to reflect the reallocation of intangible assets from Group Centre to the divisions deriving economic benefits, resulting in a decrease of €313 million in Group Centre total assets, with a corresponding increase of €193 million in Retail Ireland and a €120 million increase in Corporate and Commercial. Capital expenditure was also restated resulting in a decrease of €12 million in Group Centre, with a corresponding increase of €7 million in Retail Ireland and a €5 million increase in Corporate and Commercial.
[4] Comparative figures have been restated to reflect the Business Banking transfer, resulting in an increase of €36,013 million in total assets, an increase of €35,504 million in total liabilities and an increase of €65 million to investment in associates and joint ventures in the Corporate and Commercial division, with the corresponding decrease in Retail Ireland.

3 Operating segments *(continued)*

2023 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	Total €m
Gross external revenue	5,991	1,678	148	–	7,817
Non-current assets[1]	1,804	398	6	–	2,208

Restated[2] 2022 Geographical analysis	Republic of Ireland[2] €m	United Kingdom €m	Rest of World[2] €m	Other reconciling items €m	Total €m
Gross external revenue[2]	3,288	1,061	108	–	4,457
Non-current assets[1]	1,731	341	6	–	2,078

[1] *Non-current assets comprise intangible assets and goodwill and property, plant and equipment. The disclosure of this line has changed from capital expenditure to non-current assets in line with IFRS 8 requirements.*
[2] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

4 Interest income

Interest income on loans and advances to customers

In 2023, interest income of €97 million (2022: €70 million) was recognised and €76 million was received (2022: €93 million) on credit-impaired loans and advances to customers.

In 2023, interest income of €241 million (2022: €170 million) was recognised and €225 million (2022: €189 million) was received on total forborne loans and advances to customers.

For 2023, interest income is reduced by €89 million (2022: €nil) relating to changes in the fair value of derivative financial instruments which economically hedge the performing mortgage book of KBCI acquired by the Group, which partly offsets interest income earned and recognised on these derivative financial instruments.

Transferred from cash flow hedge reserve

Interest income is presented net of a charge of €137 million (2022: €170 million) transferred from the cash flow hedge reserve (note 16).

Interest income recognised on debt securities at amortised cost

In 2023, no negative interest was recognised on derivatives that are in a hedge relationship with the relevant financial asset (2022: interest income on debt securities at amortised cost was recognised net of negative interest on derivatives of €15 million).

Interest income recognised on debt securities at FVOCI

In 2023, no negative interest was recognised on derivatives that are in a hedge relationship with the relevant financial asset (2022: interest income on FVOCI financial assets was recognised net of negative interest on derivatives of €11 million).

Interest income recognised on customer accounts

In 2023, no negative interest was recognised on customer accounts, due to increases in interest rates during the year (2022: €101 million of interest income, comprising interest income of €57 million resulting from negative effective interest rates and €44 million arising on related derivatives which are in a hedge relationship).

Interest income recognised on non-trading derivatives

Interest income on non-trading derivatives was earned principally on pay fixed, receive floating interest rate swaps which are held with hedging intent, but for which hedge accounting is not applied. The year on year movement is caused by an increase in interest rates.

4 Interest income *(continued)*

	2023 €m	2022 €m
Financial assets measured at amortised cost		
Loans and advances to customers	3,901	2,365
Loans and advances to banks	1,155	212
Debt securities at amortised cost	194	18
Interest income on financial assets measured at amortised cost	**5,250**	**2,595**
Financial assets at FVOCI		
Debt securities at FVOCI	163	29
Interest income on financial assets at FVOCI	**163**	**29**
Negative interest on financial liabilities		
Customer accounts	–	101
Deposits from banks	–	39
Debt securities in issue	–	8
Negative interest on financial liabilities	**–**	**148**
Interest income calculated using the effective interest method	**5,413**	**2,772**
Other interest income		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	676	194
Finance leases and hire purchase receivables	229	169
Loans and advances to customers at FVTPL	8	14
Other financial assets at FVTPL	3	1
Other interest income	**916**	**378**
Interest income	**6,329**	**3,150**

5 Interest expense

Interest expense recognised on customer accounts
Interest expense on customer accounts includes interest expense of €837 million (2022: €44 million) arising on related derivatives which are in a hedge relationship with the relevant liability. The year on year movement is caused by an increase in interest rates.

Interest expense recognised on debt securities in issue
Interest expense on debt securities in issue is recognised on an Effective Interest Rate basis and includes €186 million of interest expense (2022: net of interest income of €5 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 and includes €39 million of interest expense (2022: net of interest income of €6 million) on derivatives which are in a hedge relationship with the relevant liability.

Interest expense recognised on debt securities at amortised cost
In 2023, there was no interest expense recognised on debt securities at amortised cost, due to increases in interest rates during the year (2022: €2 million comprises interest expense of €1 million and interest expense on related derivatives which are in a hedge relationship of €1 million).

Interest expense recognised on debt securities at FVOCI
In 2023, there was no interest expense recognised on debt securities at FVOCI, due to increases in interest rates during the year (2022: €6 million comprises interest expense of €2 million and interest expense on related derivatives which are in a hedge relationship of €4 million).

Interest expense recognised on non-trading derivatives
Interest expense on non-trading derivatives was incurred principally on receive fixed, pay floating interest rate swaps which are held with hedging intent, but for which hedge accounting is not applied. The year on year movement is caused by an increase in interest rates.

5 Interest expense *(continued)*

	2023 €m	2022 €m
Financial liabilities measured at amortised cost		
Customer accounts	1,122	55
Debt securities in issue	471	173
Deposits from banks	143	47
Subordinated liabilities	121	78
Lease liabilities	11	12
Interest expense on financial liabilities measured at amortised cost	**1,868**	**365**
Negative interest on financial assets		
Cash and balances at central banks	–	74
Debt securities at FVOCI	–	6
Loans and advances to banks	–	3
Debt securities at amortised cost	–	2
Negative interest on financial assets	**–**	**85**
Interest expense calculated using effective interest rate method	**1,868**	**450**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	747	208
Customer accounts at FVTPL	6	4
Other interest expense	1	1
Other interest expense	**754**	**213**
Interest expense	**2,622**	**663**

6 Fee and commission income and expense

2023 Income	**Retail Ireland €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Commercial €m**	**Group Centre €m**	**Group €m**
Retail banking customer fees	198	–	34	203	–	435
Asset management fees	–	139	–	–	–	139
Credit related fees	2	–	2	14	–	18
Insurance commissions	–	10	1	–	–	11
Other	11	21	6	32	–	70
Fee and commission income	**211**	**170**	**43**	**249**	**–**	**673**

Fee and commission income and expense includes €126 million arising from trust and other fiduciary activities.

6 Fee and commission income and expense *(continued)*

Restated[1] **2022** **Income**	**Retail Ireland[1] €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Commercial[1] €m**	**Group Centre €m**	**Group €m**
Retail banking customer fees[1]	182	–	36	182	–	400
Asset management fees	–	79	–	–	–	79
Credit related fees[1]	2	–	2	17	–	21
Insurance commissions	–	11	1	–	–	12
Other[1]	17	13	6	31	–	67
Fee and commission income	**201**	**103**	**45**	**230**	**–**	**579**

Expense

Fee and commission expense of €219 million (2022 restated[2]: €194 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

[1] Comparative figures have been restated to reflect the Business Banking transfer to Corporate and Commercial (formerly Corporate and Markets), resulting in an increase of €136 million in fee and commission income in Corporate and Commercial and the corresponding decrease in Retail Ireland.
[2] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. As a result, comparative figures for fee and commission expense have been restated to reflect a reclassification to 'Insurance service expense' in line with IFRS 17 treatment. See note 1 for updated accounting policy and note 18 for transitional impact.

7 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 €23 million of a net gain arising from FX (2022: €21 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 20.

Net fair value hedge ineffectiveness reflects a net charge from hedged items of €938 million (2022: net gain of €1,374 million) offsetting a net gain from hedging instruments of €935 million (2022: net charge of €1,365 million).

Net income from financial instruments designated at FVTPL	**2023 €m**	**2022 €m**
Financial liabilities designated at fair value	(77)	63
Related derivatives held for trading	72	(59)
	(5)	**4**
Net income from financial instruments mandatorily measured at FVTPL		
Other financial instruments held for trading	48	7
Equities	18	13
Loans and advances	8	4
Non-trading debt securities	(1)	(3)
	68	**25**
Net fair value hedge ineffectiveness	(3)	9
Net trading income	**65**	**34**

8 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 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 BoI (UK) plc, whose ultimate parent is BoIG plc.

	2023 €m	2022 €m
Other leasing income	**92**	**71**
Operating lease payments	*53*	*44*
Sale of leased assets	*33*	*21*
Other income	*6*	*6*
Other leasing expense	**(63)**	**(45)**
Depreciation of rental vehicles	*(35)*	*(25)*
Other selling and disposal costs	*(28)*	*(20)*
Net other leasing income	**29**	**26**

9 Other operating income

	2023 €m	*Restated*[1] 2022 €m
Other insurance income[1]	64	46
Loss on liability management exercises	(22)	–
Dividend income	2	–
Transfer from debt instruments at FVOCI reserve on asset disposal (note 23)	–	98
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	–	(3)
Other operating income	**44**	**141**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

In 2023, a loss of €22 million (2022: €nil) on liability management exercises was recognised, reflecting the repurchase of certain Group perpetual non-call instruments. Further details are disclosed in note 42 Subordinated liabilities.

Transfer from debt instruments at FVOCI reserve on asset disposal in 2022 was driven by gains realised on bond sales.

10 Other operating expenses

Administrative expenses and staff costs	2023 €m	Restated[1] 2022 €m
Staff costs excluding transformation programme staff costs[1]	924	812
Amortisation of intangible assets (note 28)	168	152
Levies and regulatory charges[1]	170	142
Irish bank levy	*25*	*25*
Other[1]	*145*	*117*
Depreciation of property, plant and equipment[1] (note 30)	59	52
Impairment of property, plant and equipment (note 30)	–	14
Lease expenses (note 37)	5	3
Revaluation loss on property (note 30)	4	–
Impairment of intangible assets (note 28)	–	7
Other administrative expenses[1]	764	758
Total	**2,094**	**1,940**
Total staff costs are analysed as follows:		
Wages and salaries[1]	786	653
Social security costs[1]	83	75
Retirement benefit costs (defined benefit plans) (note 41)[1]	17	54
Retirement benefit costs (defined contribution plans)[1]	49	40
Other staff expenses[1]	39	26
	974	**848**
Staff costs capitalised	(50)	(36)
Staff costs excluding transformation programme staff costs	**924**	**812**
Other staff expenses included in transformation programme costs (note 11)	15	9
Total staff costs recognised in the income statement	**939**	**821**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. As a result, comparative figures for staff costs, levies, depreciation and other administrative expenses have been restated to reflect a reclassification to 'Insurance service expense' in line with IFRS 17 treatment. See note 1 for updated accounting policy and note 18 for transitional impact.*

Staff numbers

At 31 December 2023, the number of staff (full time equivalents (FTE)) was 10,845 (2022: 10,153). The average number of FTE for the Group for the year ended 31 December 2023 was 10,562 (2022: 9,894 inclusive of seven months of Davy staff post acquisition on 1 June 2022).

The following table outlines the increase in the average number of staff employed by the Group.

Average number of staff (full time equivalents)	2023	Restated[2] 2022
Retail Ireland[2]	3,458	3,008
Retail UK	1,270	1,172
Wealth and Insurance	1,755	1,643
Corporate and Commercial[2]	1,265	1,043
Group Centre	2,814	3,028
Total	**10,562**	**9,894**

[2] *Comparative figures have been restated to reflect the Business Banking transfer to Corporate and Commercial (formerly Corporate and Markets), resulting in an increase of 436 FTEs in Corporate and Commercial and a corresponding decrease in Retail Ireland. See page 61 for further details.*

11 Cost of restructuring programme

In 2023, the Group recognised a restructuring charge of €20 million (2022: €17 million).

	2023 €m	2022 €m
Transformation programme costs:		
Staff costs	15	9
Programme management costs	5	8
UK Strategic review costs / (gain)	3	(1)
Property-related (gain)	(3)	–
Other restructuring charges	–	1
Total	**20**	**17**

12 Auditor's remuneration (excluding Value Added Tax)

Audit and assurance services	Note	RoI (i) €m	Overseas (ii) €m	2023 €m	2022 €m
Statutory audit of financial statements		4.5	1.7	6.2	5.8
Other assurance services	iii	1.1	0.1	1.2	1.4
Total Auditor's remuneration		**5.6**	**1.8**	**7.4**	**7.2**

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 LLP in the UK.
iii. Other assurance services consist primarily of review of the Solvency II return, J&E Davy assurance services, CSRD reporting, letters of comfort, ESG related reporting, fees in connection with reporting to regulators including the CBI and review of compliance with the Government Guarantee Schemes.

13 Net impairment (losses) / gains on financial instruments

	2023 €m	2022 €m
Loans and advances to customers at amortised cost	(419)	(188)
Movement in impairment loss allowances (note 24)	*(445)*	*(268)*
Cash recoveries	*26*	*80*
Loan commitments	(9)	(5)
Guarantees and irrevocable letters of credit	2	(2)
Other financial assets	1	8
Net impairment losses on financial instruments	**(425)**	**(187)**

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.

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

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

	2023 €m	2022 €m
Residential mortgages	(108)	(22)
Retail Ireland	*(71)*	*40*
Retail UK	*(37)*	*(62)*
Non-property SME and corporate	(29)	(124)
Republic of Ireland SME	*10*	*28*
UK SME	*1*	*(13)*
Corporate	*(40)*	*(139)*
Property and construction	(173)	(18)
Investment	*(168)*	*(23)*
Development	*(5)*	*5*
Consumer	(109)	(24)
Total	**(419)**	**(188)**

During 2023, the Group completed a transaction whereby it derecognised €0.1 billion (2022: €0.9 billion) of loans and advances to customers (after an impairment loss allowance of €0.2 billion). 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.

As a result, net impairment (losses) / gains on financial instruments includes a net impairment loss of €6 million (2022: €9 million) arising on the transactions. See note 24 for further information.

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

	2023 €m	2022 €m
First Rate Exchange Services (note 27)	28	32
Associates (note 27)	(3)	8
Share of results of associates and joint ventures (after tax)	**25**	**40**

15 (Loss) / gain on disposal / liquidation of business activities

As part of the Group's focus on simplifying its corporate structure, the Group has an ongoing programme of winding up a number of wholly owned, dormant and non-trading companies, a number of which are foreign operations. During 2023, the Group voluntarily appointed a liquidator to manage the winding up of the foreign operation Bristol & West plc (B&W). Upon appointment of the liquidator, the Group is considered to have lost control of the foreign operations and has accounted for this loss of control as a disposal. In accordance with IAS 21, the Group has reclassified the net cumulative FX loss of €8 million relating to these foreign operations from the FX reserve to the income statement during 2023 (2022: €1 million gain).

	2023 €m	2022 €m
Transfer of foreign exchange reserve to income statement on liquidation of non-trading entities	(8)	–
Other	–	1
(Loss) / gain on disposal / liquidation of business activities	**(8)**	**1**

16 Taxation

The taxation charge for the year is €337 million (2022[1]: €153 million) with an effective statutory taxation rate of 17% (2022: 15%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses and the re-assessment of certain tax losses carried forward in the prior year.

Recognised in income statement	2023 €m	*Restated*[1] 2022 €m
Current tax		
Irish corporation tax		
Current year	19	16
Adjustments in respect of prior year	–	(2)
Foreign tax		
Current year	92	60
Adjustments in respect of prior year	7	6
Current tax charge	**118**	**80**
Deferred tax		
Utilisation of brought forward tax losses	186	100
Adjustments in respect of prior year	5	12
Origination and reversal of temporary differences[1]	28	(29)
Impact of corporation tax rate change	–	5
Reassessment of value of tax losses carried forward	–	(15)
Deferred tax charge	**219**	**73**
Taxation charge	**337**	**153**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

Reconciliation of tax on the profit before taxation at the standard Irish corporation tax rate to actual tax charge	2023 €m	*Restated*[1] 2022 €m
Profit before tax multiplied by the standard rate corporation tax in Ireland of 12.5% (2022: 12.5%)[1]	242	126
Effects of:		
Reassessment of value of tax losses carried forward	–	(15)
Foreign earnings subject to different rates of tax	67	39
Wealth and Insurance companies - different basis of accounting	10	(15)
Adjustments in respect of prior year	12	16
Share of results of associates and joint ventures shown post tax in the income statement	(4)	(4)
Impact of corporation tax rate change	–	5
Other adjustments for tax purposes	10	1
Taxation charge	**337**	**153**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

16 Taxation *(continued)*

Analysis of selected other comprehensive income	2023 Pre-tax €m	2023 Tax €m	2023 Net of Tax €m	2022 Pre-tax €m	2022 Tax €m	2022 Net of Tax €m
Debt instruments at FVOCI reserve						
Changes in fair value	(6)	1	(5)	(68)	7	(61)
Transfer to income statement - asset disposal	–	–	–	(98)	13	(85)
Net change in debt instruments at FVOCI reserve	**(6)**	**1**	**(5)**	**(166)**	**20**	**(146)**
Remeasurement of the net defined benefit pension asset	**(35)**	**7**	**(28)**	**84**	**7**	**91**
Cash flow hedge reserve						
Changes in fair value	(338)	41	(297)	356	(47)	309
Transfer to income statement	326	(41)	285	(354)	50	(304)
Net trading income / (expense)	*189*	*(24)*	*165*	*(524)*	*75*	*(449)*
Net interest income	*137*	*(17)*	*120*	*170*	*(25)*	*145*
Net change in cash flow hedge reserve	**(12)**	**–**	**(12)**	**2**	**3**	**5**
Net change in foreign exchange reserve	**29**	**–**	**29**	**(93)**	**–**	**(93)**
Net change in revaluation reserve	**(8)**	**2**	**(6)**	**(4)**	**1**	**(3)**
Liability credit reserve						
Changes in fair value of liabilities designated at FVTPL due to own credit risk	(14)	–	(14)	20	(5)	15
Other comprehensive income for the year	**(46)**	**10**	**(36)**	**(157)**	**26**	**(131)**

17 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue excluding treasury shares. Diluted earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue excluding treasury shares adjusted for the effect of all dilutive potential ordinary shares. For 2023 and 2022, there was no difference in the weighted average number of units of share used for basic and diluted earnings per share.

	2023 €m	*Restated*[1] 2022 €m
Basic and diluted earnings per share		
Profit attributable to shareholders[1]	1,595	850
Distributions on other equity instruments - AT1 coupon	(69)	(69)
Adjustment for redemption of preference stock[2]	(40)	–
Profit attributable to ordinary shareholders	**1,486**	**781**
	Shares	**Shares**
Weighted average number of shares in issue excluding treasury shares (millions)	1,061	1,071
Basic and diluted earnings per share (cent)	140.1	72.9

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.
[2] As disclosed in note 45, in 2023 the Group paid consideration of €104 million in respect of the acquisition and redemption of certain Sterling and Euro preference stock of the Governor and Company of the Bank of Ireland. This consideration was in excess of the carrying value (c.€64 million) of the related preference stock, which was presented as non-controlling interest by the Group. Under IAS 33, the difference of €40 million has been reflected in the EPS calculation by reducing the profit attributable to ordinary shareholders of the Group.

18 Insurance contracts

Impact of transition to IFRS 17

As outlined in the Group accounting policies in note 1, from 1 January 2023, the Group adopted IFRS 17 'Insurance Contracts'. The impact on transition and date of initial application is summarised below:

Impact of transition to IFRS 17, at 1 January 2023	Balance sheet line item	Assets increase / (decrease) €m	Liabilities (increase) / decrease €m
Derecognition of IFRS 4 balances			
IFRS 4 reinsurance contract assets	Other assets	(1,090)	–
IFRS 4 VIF	Other assets	(738)	–
IFRS 4 premiums due and reinsurance recoverables	Other assets	(159)	–
IFRS 4 insurance contract liabilities	Insurance contract liabilities	–	14,280
IFRS 4 outstanding claims and reinsurance premiums due	Other liabilities	–	285
Deferred tax	Deferred tax liabilities	–	74
Recognition of IFRS 17 balances			
IFRS 17 reinsurance contract assets excluding CSM	Reinsurance contract assets	1,215	–
IFRS 17 CSM reinsurance contract assets	Reinsurance contract assets	137	–
IFRS 17 insurance contract liabilities excluding CSM	Insurance contract liabilities	–	(12,720)
IFRS 17 CSM insurance contract liabilities	Insurance contract liabilities	–	(690)
Deferred tax	Deferred tax liabilities	–	(15)
Recognition of IFRS 9 balances			
IFRS 9 investment contract liability	Liabilities to customers under investment contracts	–	(989)
Balance sheet impact		**(635)**	**225**
Net reduction in shareholders' equity			**(410)**

Impact of transition to IFRS 17, at 1 January 2022	Balance sheet line item	Assets increase / (decrease) €m	Liabilities (increase) / decrease €m
Derecognition of IFRS 4 balances			
IFRS 4 reinsurance contract assets	Other assets	(1,302)	–
IFRS 4 VIF	Other assets	(700)	–
IFRS 4 premiums due and reinsurance recoverables	Other assets	(134)	–
IFRS 4 insurance contract liabilities	Insurance contract liabilities	–	15,399
IFRS 4 outstanding claims and reinsurance premiums due	Other liabilities	–	277
Deferred tax	Deferred tax liabilities	–	69
Recognition of IFRS 17 balances			
IFRS 17 reinsurance contract assets excluding CSM	Reinsurance contract assets	1,435	–
IFRS 17 CSM reinsurance contract assets	Reinsurance contract assets	191	–
IFRS 17 insurance contract liabilities excluding CSM	Insurance contract liabilities	–	(13,687)
IFRS 17 CSM insurance contract liabilities	Insurance contract liabilities	–	(713)
Deferred tax	Deferred tax liabilities	–	(17)
Recognition of IFRS 9 balances			
IFRS 9 investment contract liability	Liabilities to customers under investment contracts	–	(1,189)
Balance sheet impact		**(510)**	**139**
Net reduction in shareholders' equity			**(371)**

18 Insurance contracts *(continued)*

Previously, in the Group consolidated income statement and in accordance with IFRS 4, 'net insurance premium income', 'insurance contract liabilities and claims paid' and 'total operating income net of insurance claims' were presented as financial statement line items (FSLI). These IFRS 4 FSLI's are replaced on transition to IFRS 17 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), is presented separately for both insurance and reinsurance in the notes to the financial statements, and aggregated together with total investment gains / (losses) as insurance investment and finance result in the income statement. The following IFRS 17 disclosures provide a replacement for the previously disclosed 'net insurance premium income', 'insurance contract liabilities and claims paid', 'life assurance business' and 'liabilities to customers under investment and insurance contracts' notes. Disclosure is provided for both insurance contracts issued and reinsurance contracts held.

Insurance investment and finance result

The table below comprises the investment gains and losses, 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.

Total investment gains of €1,198 million in 2023 (2022: losses of €1,327 million) are consistent with positive investment market performance during the year, due in large part to external economic environmental factors. The gains on the assets held on behalf of the insurance policyholders are consistent with the increase in the insurance contract liabilities.

Insurance investment and finance result	2023 €m	*Restated*[1] 2022 €m
Gains / (losses) on other financial assets held on behalf of Wealth and Insurance policyholders[1]	1,238	(1,298)
Losses on investment property held on behalf of Wealth and Insurance policyholders[1]	(40)	(29)
Total investment gains / (losses)	**1,198**	**(1,327)**
Finance (expense) / income from insurance contracts issued	**(1,182)**	**1,651**
Effect of changes in interest rates and other financial assumptions	*(1,174)*	*1,642*
Interest accreted using locked-in rate	*(8)*	*9*
Finance income / (expense) from reinsurance contracts held	**94**	**(343)**
Effect of changes in interest rates and other financial assumptions	*91*	*(339)*
Interest accreted using locked-in rate	*3*	*(4)*
Net insurance and reinsurance finance result	**(1,088)**	**1,308**
Total insurance investment and finance result	**110**	**(19)**

[1] *As outlined in the Group accounting policies note 1, on 1 January 2023, the new insurance accounting standard, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'.*

Insurance revenue

The table below provides a breakdown of the composition of insurance revenue for all insurance contracts issued. Key components of revenue are the release of expected incurred claims and expenses in 2023 of €394 million (2022: €375 million) and the release of CSM in 2023 €76 million (2022: €74 million).

Insurance revenue	2023 €m	2022 €m
Expected incurred claims and other expenses	394	375
CSM recognised in income statement for services	76	74
Recovery of insurance acquisition cash flows	23	19
Change in risk adjustment for non-financial risk expired	10	13
Premium variance	15	5
Total insurance revenue	**518**	**486**

18 Insurance contracts *(continued)*

Insurance contract liabilities

The table below provides a comprehensive reconciliation from opening to closing balance of insurance contract liabilities, disaggregated between the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). Included in the total insurance service result is an allocation of depreciation expense of €11 million (2022: €8 million) and an allocation of defined benefit pension costs of €3 million (2022: €5 million) attributable to insurance contracts.

	2023				2022			
	Liability for remaining coverage				Liability for remaining coverage			
Insurance contract liabilities	Excluding loss component €m	Loss component €m	Liability for incurred claims €m	Total €m	Excluding loss component €m	Loss component €m	Liability for incurred claims €m	Total €m
Opening liabilities	**(12,833)**	**(48)**	**(529)**	**(13,410)**	**(13,830)**	**(40)**	**(530)**	**(14,400)**
Insurance revenue	**518**	**–**	**–**	**518**	**486**	**–**	**–**	**486**
Contracts measured using the fair value approach that existed at transition date	*308*	*–*	*–*	*308*	*315*	*–*	*–*	*315*
New business and all other contracts	*210*	*–*	*–*	*210*	*171*	*–*	*–*	*171*
Insurance service expense	**(23)**	**8**	**(413)**	**(428)**	**(19)**	**(8)**	**(374)**	**(401)**
Incurred claims and other insurance service expenses	*–*	*10*	*(427)*	*(417)*	*–*	*9*	*(396)*	*(387)*
Insurance acquisition cash flows amortisation	*(23)*	*–*	*–*	*(23)*	*(19)*	*–*	*–*	*(19)*
Changes that relate to future service - losses on onerous groups of contracts and reversal of such losses	*–*	*(2)*	*–*	*(2)*	*–*	*(17)*	*–*	*(17)*
Changes that relate to past service - adjustment to the LIC	*–*	*–*	*14*	*14*	*–*	*–*	*22*	*22*
Total insurance service result	**495**	**8**	**(413)**	**90**	**467**	**(8)**	**(374)**	**85**
Finance (expense) / income from insurance contracts issued	(1,168)	–	(14)	(1,182)	1,603	–	48	1,651
Investment components	1,177	–	(1,177)	–	1,012	–	(1,012)	–
Total amounts recognised in comprehensive income	**504**	**8**	**(1,604)**	**(1,092)**	**3,082**	**(8)**	**(1,338)**	**1,736**
Cash flows								
Premiums received	(2,239)	–	–	(2,239)	(2,141)	–	–	(2,141)
Claims and other directly attributable expenses	–	–	1,559	1,559	–	–	1,339	1,339
Insurance acquisition cash flows	69	–	–	69	56	–	–	56
Total cash flows	**(2,170)**	**–**	**1,559**	**(611)**	**(2,085)**	**–**	**1,339**	**(746)**
Closing liabilities	**(14,499)**	**(40)**	**(574)**	**(15,113)**	**(12,833)**	**(48)**	**(529)**	**(13,410)**

18 Insurance contracts *(continued)*

Reinsurance contract assets

The table below provides a comprehensive reconciliation from opening to closing balance of reinsurance contract assets, disaggregated between the remaining coverage and the incurred claims components.

	2023				2022			
	Assets for remaining coverage				Assets for remaining coverage			
Reinsurance contract assets	**Excluding loss recovery component €m**	**Loss recovery component €m**	**Assets for incurred claims €m**	**Total €m**	**Excluding loss recovery component €m**	**Loss recovery component €m**	**Assets for incurred claims €m**	**Total €m**
Opening assets	**1,104**	**36**	**212**	**1,352**	**1,387**	**27**	**212**	**1,626**
Net (expense) / income from reinsurance contracts held								
Reinsurance expenses	(20)	–	–	(20)	(12)	–	–	(12)
Claims recovered and other directly attributable expenses	(171)	(6)	165	(12)	(172)	(4)	161	(15)
Changes relating to past service - adjustments to incurred claims	–	–	(5)	(5)	–	–	(11)	(11)
Changes in recoveries of losses on onerous underlying contracts	–	(2)	–	(2)	–	13	–	13
Total net (expense) / income from reinsurance contracts held	**(191)**	**(8)**	**160**	**(39)**	**(184)**	**9**	**150**	**(25)**
Finance income / (expense) from reinsurance contracts held	89	–	5	94	(326)	–	(17)	(343)
Investment components	(5)	–	5	–	(7)	–	7	–
Total amounts recognised in comprehensive income	**(107)**	**(8)**	**170**	**55**	**(517)**	**9**	**140**	**(368)**
Cash flows								
Premiums paid net of ceding commissions and other deferred acquisition costs paid	162	–	–	162	234	–	–	234
Recoveries from reinsurance	–	–	(155)	(155)	–	–	(140)	(140)
Total cash flows	**162**	**–**	**(155)**	**7**	**234**	**–**	**(140)**	**94**
Closing assets	**1,159**	**28**	**227**	**1,414**	**1,104**	**36**	**212**	**1,352**

18 Insurance contracts *(continued)*

Analysis of insurance contracts by measurement component

The analysis below provides a reconciliation from opening to closing balance for each of the key measurement components of insurance contract liabilities.

2023 Insurance contract liabilities	Estimates of present value of future cash flows €m	Risk adjustment for non-financial risk €m	CSM: Contracts measured using the fair value approach at transition date €m	CSM: New business and all other contracts €m	Total €m
Opening liabilities	**(12,629)**	**(91)**	**(630)**	**(60)**	**(13,410)**
Changes relating to current services					
CSM recognised in income statement for services	–	–	67	9	76
Change in risk adjustment for non-financial risk expired	–	11	–	–	11
Experience adjustments	(8)	–	–	–	(8)
Changes relating to future services					
Contracts initially recognised in the year	37	(13)	–	(25)	(1)
Changes in estimates that adjust the contractual service margin	111	(1)	(76)	(34)	–
Changes in estimates that result in loss on onerous contracts	1	(3)	–	–	(2)
Changes relating to past services					
Adjustments to liabilities for incurred claims	14	–	–	–	14
Insurance service result	**155**	**(6)**	**(9)**	**(50)**	**90**
Finance expense from insurance contracts issued	(1,180)	(2)	–	–	(1,182)
Total amounts recognised in comprehensive income	**(1,025)**	**(8)**	**(9)**	**(50)**	**(1,092)**
Cash flows					
Premiums received	(2,239)	–	–	–	(2,239)
Claims and other directly attributable expenses	1,559	–	–	–	1,559
Insurance acquisition cash flows	69	–	–	–	69
Total cash flows	**(611)**	**–**	**–**	**–**	**(611)**
Closing liabilities	**(14,265)**	**(99)**	**(639)**	**(110)**	**(15,113)**

18 Insurance contracts *(continued)*

2022 Insurance contract liabilities	Estimates of present value of future cash flows €m	Risk adjustment for non-financial risk €m	CSM Contracts measured using the fair value approach at transition date €m	CSM New business and all other contracts €m	Total €m
Opening liabilities	**(13,581)**	**(106)**	**(671)**	**(42)**	**(14,400)**
Changes relating to current services					
CSM recognised in income statement for services	–	–	68	6	74
Change in risk adjustment for non-financial risk expired	–	13	–	–	13
Experience adjustments	(7)	–	–	–	(7)
Changes relating to future services					
Contracts initially recognised in the year	28	(12)	–	(16)	–
Changes in estimates that adjust the contractual service margin	29	8	(29)	(8)	–
Changes in estimates that result in loss on onerous contracts	(15)	(1)	–	–	(16)
Changes relating to past services					
Adjustments to liabilities for incurred claims	21	–	–	–	21
Insurance service result	**56**	**8**	**39**	**(18)**	**85**
Finance income from insurance contracts issued	1,642	7	2	–	1,651
Total amounts recognised in comprehensive income	**1,698**	**15**	**41**	**(18)**	**1,736**
Cash flows					
Premiums received	(2,141)	–	–	–	(2,141)
Claims and other directly attributable expenses	1,339	–	–	–	1,339
Insurance acquisition cash flows	56	–	–	–	56
Total cash flows	**(746)**	**–**	**–**	**–**	**(746)**
Closing liabilities	**(12,629)**	**(91)**	**(630)**	**(60)**	**(13,410)**

18 Insurance contracts *(continued)*

Analysis of reinsurance contracts by measurement component

The analysis below provides a reconciliation from opening to closing balance for each of the key measurement components of reinsurance contract assets.

2023 Reinsurance contract assets	Estimates of present value of future cash flows €m	Risk adjustment for non-financial risk €m	CSM Underlying contracts measured using the fair value approach €m	CSM New business and all other underlying contracts €m	Total €m
Opening assets	**1,209**	**6**	**164**	**(27)**	**1,352**
Changes relating to current services					
CSM recognised in income statement for services	–	–	(17)	3	(14)
Change in risk adjustment for non-financial risk expired	–	(1)	–	–	(1)
Experience adjustments	(17)	–	–	–	(17)
Changes relating to future services					
Contracts initially recognised in the year	10	–	–	(10)	–
Changes in estimates that adjust the contractual service margin	(49)	–	35	14	–
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	–	(2)	(2)
Changes relating to past services					
Adjustments to liabilities for incurred claims	(5)	–	–	–	(5)
Net expenses from reinsurance contracts	**(61)**	**(1)**	**18**	**5**	**(39)**
Finance income from reinsurance contracts held	93	1	–	–	94
Total amounts recognised in comprehensive income	**32**	**–**	**18**	**5**	**55**
Cash flows					
Premiums paid net of ceding commissions and other deferred acquisition costs paid	162	–	–	–	162
Recoveries from reinsurance	(155)	–	–	–	(155)
Total cash flows	**7**	**–**	**–**	**–**	**7**
Closing assets	**1,248**	**6**	**182**	**(22)**	**1,414**

18 Insurance contracts *(continued)*

2022 Reinsurance contract assets	Estimates of present value of future cash flows €m	Risk adjustment for non-financial risk €m	CSM Underlying contracts measured using the fair value approach €m	CSM New business and all other underlying contracts €m	Total €m
Opening assets	**1,426**	**9**	**207**	**(16)**	**1,626**
Changes relating to current services					
CSM recognised in income statement for services	–	–	(15)	5	(10)
Change in risk adjustment for non-financial risk expired	–	(1)	–	–	(1)
Experience adjustments	(16)	–	–	–	(16)
Changes relating to future services					
Contracts initially recognised in the year	12	1	–	(13)	–
Changes in estimates that adjust the contractual service margin	44	(1)	(27)	(16)	–
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	–	13	13
Changes relating to past services					
Adjustments to liabilities for incurred claims	(11)	–	–	–	(11)
Net expenses from reinsurance contracts	**29**	**(1)**	**(42)**	**(11)**	**(25)**
Finance expense from reinsurance contracts held	(340)	(2)	(1)	–	(343)
Total amounts recognised in comprehensive income	**(311)**	**(3)**	**(43)**	**(11)**	**(368)**
Cash flows					
Premiums paid net of ceding commissions and other deferred acquisition costs paid	234	–	–	–	234
Recoveries from reinsurance	(140)	–	–	–	(140)
Total cash flows	**94**	**–**	**–**	**–**	**94**
Closing assets	**1,209**	**6**	**164**	**(27)**	**1,352**

18 Insurance contracts *(continued)*

New business analysis

The table below provides an analysis of the measurement components of insurance contracts newly issued or acquired during the year. There were no acquisitions of insurance contracts in current or prior year.

	2023			2022		
	Contracts issued			Contracts issued		
Insurance contracts issued during 2023 and 2022	Profitable €m	Onerous €m	Total €m	Profitable €m	Onerous €m	Total €m
Insurance acquisition cash flows	(56)	(13)	(69)	(42)	(14)	(56)
Claims and other directly attributable expenses	(266)	(118)	(384)	(187)	(232)	(419)
Total estimates of present value of future cash outflows	**(322)**	**(131)**	**(453)**	**(229)**	**(246)**	**(475)**
Estimates of present value of future cash inflows	360	122	482	257	239	496
Risk adjustment for non-financial risk	(13)	(1)	(14)	(12)	(2)	(14)
Contractual service margin	(25)	–	(25)	(16)	–	(16)
Effect at initial recognition of contracts issued and acquired during the year	**–**	**(10)**	**(10)**	**–**	**(9)**	**(9)**

The table below provides an analysis of the measurement components of reinsurance contracts which have been newly originated during the year.

	2023			2022		
	Newly originated contracts			Newly originated contracts		
Reinsurance contracts originated during 2023 and 2022	Net gain €m	Net loss €m	Total €m	Net gain €m	Net loss €m	Total €m
Estimates of present value of future cash outflows	(128)	–	(128)	(163)	–	(163)
Estimates of present value of future cash inflows	136	–	136	175	–	175
Risk adjustment for non-financial risk	1	–	1	1	–	1
Contractual service margin	(3)	–	(3)	(7)	–	(7)
Effect at initial recognition of contracts newly originated during the year	**6**	**–**	**6**	**6**	**–**	**6**

Expected recognition of contractual service margin

The table below provides information on the expected release of the CSM over time.

Expected recognition of CSM at 31 December 2023	Year 1 €m	Year 2 €m	Year 3 €m	Year 4 €m	Years 5-9 €m	Years 10+ €m	Total €m
Insurance contracts issued	73	67	62	56	215	275	748
Reinsurance contracts held	(14)	(13)	(12)	(11)	(43)	(66)	(159)

Expected recognition of CSM at 31 December 2022	Year 1 €m	Year 2 €m	Year 3 €m	Year 4 €m	Years 5-9 €m	Years 10+ €m	Total €m
Insurance contracts issued	68	62	56	51	194	258	689
Reinsurance contracts held	(10)	(10)	(10)	(9)	(36)	(62)	(137)

18 Insurance contracts *(continued)*

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).

Underwriting risk management

The Group is exposed to different elements of insurance risk for life insurance policies:

- mortality risk is the risk of losses arising from death of life insurance policyholders being earlier than expected;
- morbidity risk is the risk of losses from medical claims occurring higher than expected; and
- longevity risk is the risk of losses arising from longer life of policyholders than expected.

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. Further details on life insurance risk can be found in the Risk Management Report on page 176.

Regulatory risk

The Solvency II framework came into effect from 1 January 2016 and introduced new capital, risk management, governance and reporting requirements for all European insurance entities. Under this regime, insurance entities are required to hold technical provisions to meet liabilities to policyholders using best estimate assumptions plus a risk margin as well as a risk based solvency capital requirement which is calculated by considering the capital required to withstand a number of shock scenarios. 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. 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.

Sudden or unexpected changes in the regulatory or legal environment may result in losses for the Group or an increase in solvency requirements.

This may arise from a number of sources such as interpretations of, or changes to, the Solvency II Directive or other relevant obligations, changes in definitions of the risks that the Group insures or more structural impacts on the markets in which the Group participates, for example pensions regulations.

It is likely that such changes would impact the insurance industry as a whole, as opposed to being necessarily specific to the Group.

As the Group develops new products, processes and systems and employs new technologies, it is of increasing importance that the Group anticipates known regulatory developments in ensuring that it is sufficiently well placed to meet current and likely future regulatory demands. This is a key part, and base enabler, of the Group’s strategy.

Concentration of insurance risk

The Group monitors insurance risk relating to insurance contracts and for insurance contracts issued, insurance risk is geographically concentrated in the Republic of Ireland.

Insurance risk is also highly concentrated along product lines, with 85% of insurance contracts being unit-linked and the remaining 15% non unit-linked. Concentrations of credit risk relating to insurance contracts can arise through the Group's reinsurance arrangements where the Group has a large exposure to a single counterparty. This credit exposure is mitigated by collateralisation agreements where the Company has access to assets which would compensate the Company should the reinsurer fail to meet its obligations. Please refer to note 25 for more information on credit risk exposures.

Other information related to insurance contracts

Additional information relevant to the understanding of insurance and reinsurance contracts, as well as their exposure to credit and liquidity risk, can be found in the following places:

- assets underlying insurance contracts with direct participation features in notes 20, 21 and 29;
- credit risk exposures in note 25; and
- liquidity risk in note 54.

Sensitivities

The following table provides a downside sensitivity analysis or the key insurance and market risks, used for the purpose of risk management. Profit before tax and CSM have been selected as benchmarks due to contribution toward Group earnings. The sensitivity calculations are not cumulative, each is considered and calculated separately. The changes in the profit before tax and CSM incorporate the impact on the insurance related liabilities and assets of the Group and are net of reinsurance. The movement in CSM is after amortisation in the current reporting year and will impact profits in future reporting periods.

The method used to calculate these sensitivities involves a recalculation of insurance related liabilities and assets at 31 December 2023 and 31 December 2022, incorporating one of the variable changes noted below in each recalculation.

18 Insurance contracts *(continued)*

Sensitivities: impact net of reinsurance on annual profit before tax and on the contractual service margin	2023 Profit before tax €m	2023 Contractual service margin €m	2022 Profit before tax €m	2022 Contractual service margin €m
Insurance risks				
10% increase in mortality rates	(8)	(14)	(6)	(15)
10% improvement in mortality rates for business exposed to longevity risk	2	(28)	5	(27)
10% increase in morbidity rates	(6)	(8)	(6)	(11)
10% deterioration in persistency stress	(2)	(22)	(3)	(23)
5% increase in maintenance expenses	(2)	(19)	(1)	(18)
Market risks				
10% unfavourable change in non-Euro currency exchange rates	(12)	(20)	(9)	(15)
1% increase in interest rates and unit growth rates[1]	(47)	2	(38)	2
10% decrease in equity and property markets	(17)	(32)	(17)	(25)
0.5% widening in bond yields	(48)	–	(41)	–

[1] *Excludes the impact of pension scheme.*

Discount Rates

The discount rates provided in the table below represent the yield curves to discount insurance and reinsurance cash flows. Discount rates have been constructed through either the bottom-up or top-down approach as required by IFRS 17. Please refer to note 1 for more information on discount rates under IFRS 17.

2023 Discount rates	Currency	1 year %	5 years %	10 years %	20 years %	30 years %
Bottom-up rates						
Unit-linked products including unit-linked protection	EUR	3.5%	2.4%	2.5%	2.5%	2.5%
Other non-linked protection products	EUR	3.6%	2.6%	2.6%	2.7%	2.6%
Permanent health insurance claims	EUR	3.7%	2.6%	2.7%	2.7%	2.7%
Top-down rates						
Standard annuities	EUR	3.9%	2.9%	2.7%	3.0%	3.0%
Sovereign annuities	EUR	3.7%	2.7%	2.7%	2.8%	2.8%

2022 Discount rates	Currency	1 year %	5 years %	10 years %	20 years %	30 years %
Bottom-up rates						
Unit-linked products including unit-linked protection	EUR	3.2%	3.2%	3.2%	2.8%	2.5%
Other non-linked protection products	EUR	3.4%	3.3%	3.2%	2.9%	2.7%
Permanent health insurance claims	EUR	3.4%	3.4%	3.3%	3.0%	2.8%
Top-down rates						
Standard annuities	EUR	3.7%	3.6%	3.6%	3.3%	3.0%
Sovereign annuities	EUR	3.4%	3.4%	3.4%	3.0%	2.8%

19 Derivative financial instruments

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

	2023			2022		
	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m
Derivatives held for trading						
Foreign exchange derivatives						
Currency forwards	4,942	41	43	4,245	50	94
Currency swaps	4,472	31	30	6,677	122	86
Over-the-counter currency options	212	4	4	283	6	6
Total foreign exchange derivatives held for trading	**9,626**	**76**	**77**	**11,205**	**178**	**186**
Interest rate derivatives						
Interest rate swaps	178,803	1,648	1,770	204,755	2,353	2,247
Over-the-counter interest rate options	19,494	176	161	18,506	241	503
Interest rate futures	1,006	3	4	2,541	8	8
Cross currency interest rate swaps	258	10	10	555	20	23
Forward rate agreements	–	–	–	731	3	3
Total interest rate derivatives held for trading	**199,561**	**1,837**	**1,945**	**227,088**	**2,625**	**2,784**
Equity contracts, commodity contracts and credit derivatives						
Equity index-linked contracts held	2,211	87	19	2,264	22	36
Commodity contracts	32	2	2	60	4	4
Equity options	14	–	–	–	–	–
Contract for differences	4	1	–	13	2	2
Total equity contracts and credit derivatives	**2,261**	**90**	**21**	**2,337**	**28**	**42**
Total derivative assets / liabilities held for trading	**211,448**	**2,003**	**2,043**	**240,630**	**2,831**	**3,012**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	93,458	2,240	2,323	75,217	2,080	3,391
Cross currency interest rate swaps	82	–	21	82	–	16
Total designated as fair value hedges	**93,540**	**2,240**	**2,344**	**75,299**	**2,080**	**3,407**
Derivatives designated as cash flow hedges						
Cross currency interest rate swaps	7,637	98	76	7,731	227	77
Interest rate swaps	209	–	27	205	–	30
Total designated as cash flow hedges	**7,846**	**98**	**103**	**7,936**	**227**	**107**
Total derivative assets / liabilities held for hedging	**101,386**	**2,338**	**2,447**	**83,235**	**2,307**	**3,514**
Total derivative assets / liabilities	**312,834**	**4,341**	**4,490**	**323,865**	**5,138**	**6,526**

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in the Risk Management Report. 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.

19 Derivative financial instruments *(continued)*

The Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €4.3 billion at 31 December 2023 (2022: €5.1 billion):

- €4.2 billion (2022: €5.0 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities;
- cash collateral of €0.4 billion (2022: €0.6 billion) was held against these assets and is reported within deposits from banks (note 33); and
- €0.1 billion (2022: €0.1 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.

€0.5 billion (2022: €1.4 billion) of cash collateral was included in placements with other banks (note 21) and €0.05 billion (2022: €0.05 billion) in loans and advances to customers (note 24) was placed with derivative counterparties in respect of a net derivative liability position of €0.4 billion (2022: €1.2 billion).

At 31 December 2023, the fair value of the Group's derivative portfolio was a net liability of c.€0.2 billion comprising assets of €4.3 billion and liabilities of €4.5 billion (2022: net liability of €1.4 billion, comprising assets of €5.1 billion and liabilities of €6.5 billion). The movement of c.€1.2 billion is primarily due to the impact of a falling long term interest rate environment on the revaluation of interest rate derivatives (€1.3 billion charge) offset by the move in cross currency swaps (€0.1 billion credit) as a result of euro weakening against sterling.

Included within the Group's derivative financial liabilities of €6.5 billion at 31 December 2022 was €275 million relating to a derivative contract recognised as part of the commitment to purchase the performing retail book of KBCI. This transaction completed on 3 February 2023 with the derivative financial instrument de-recognised on that date and its value (liability of €247 million at 3 February 2023) reflected in the fair value of the assets and liabilities at recognition. See note 51 for additional information on the portfolio.

Interest rate benchmark reform

The transition of the Group's most significant benchmark interest rates, to which the Group's fair value and cash flow hedge relationships of interest rate risk are exposed, completed during 2023 as set out in note 59.

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships. The Group 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 applied was that the cash flows for contracts indexing rates subject to the BMR reform were expected to be broadly equivalent to the cash flows when those contracts transitioned to alternative BMRs. However, if upon transition to an alternative benchmark rate, the new basis for determining contractual cash flows was not economically equivalent to the previous basis and the modification was deemed to be substantial, the hedging instrument and / or hedged item was derecognised and the corresponding hedge accounting relationship discontinued. 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:

	2023				2022			
Hedging strategy	**Up to 1 year €m**	**1-2 years €m**	**2-5 years €m**	**>5 years €m**	**Up to 1 year €m**	**1-2 years €m**	**2-5 years €m**	**>5 years €m**
Fair value hedge								
Interest rate risk								
Interest rate swap - notional amount	1,421	3,631	9,303	4,741	2,320	1,423	8,784	5,749
Average fixed interest rate	(0.05%)	1.34%	1.18%	1.15%	0.78%	(0.04%)	0.88%	0.68%
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	–	–	201	8	–	–	197	8
Average fixed interest rate	–	–	0.36%	4.00%	–	–	0.36%	4.00%
Foreign exchange risk								
Cross currency interest rate swap - notional amount	794	1,736	5,107	–	3,792	794	3,145	–
Average EUR - GBP foreign exchange rate	0.85	0.86	0.86	–	0.89	0.85	0.84	–

19 Derivative financial instruments *(continued)*

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, all hedging instruments in scope for BMR reform have transitioned to the new risk-free rates prior to the USD London Inter Bank Offered Rate (LIBOR) cessation date of 30 June 2023. As of 31 December 2023, there are no hedging instruments remaining to be transitioned (2022: €548 million).

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.

2023 Items designated as hedging instruments and hedge ineffectiveness		**Nominal amount of the hedging instrument**	**Carrying amount of the hedging instrument**		**Changes in value used to calculate hedge ineffectiveness**	**Ineffectiveness recognised in profit or loss**	**Nominal amount of the hedging instruments affected by BMR reform**
Risk category	**Hedging instrument**	**€m**	**Assets €m**	**Liabilities €m**	**€m**	**€m**	**€m**
Interest rate risk	Interest rate swaps	93,458	2,240	(2,323)	942	(3)	–
Foreign Exchange Risk	Cross Currency Interest Rate Swaps	82	–	(21)	(7)	–	–
Total		**93,540**	**2,240**	**(2,344)**	**935**	**(3)**	**–**

2022 Items designated as hedging instruments and hedge ineffectiveness		**Nominal amount of the hedging instrument**	**Carrying amount of the hedging instrument**		**Changes in value used to calculate hedge ineffectiveness**	**Ineffectiveness recognised in profit or loss**	**Nominal amount of the hedging instruments affected by BMR reform**
Risk category	**Hedging instrument**	**€m**	**Assets €m**	**Liabilities €m**	**€m**	**€m**	**€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**

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. The accumulated fair value adjustments on loans and advances to customers and customer accounts that are in portfolio fair value hedges of interest rate risk amounted to a net loss of €124 million and a net gain of €1,115 million respectively (2022: a net loss of €738 million and a net gain of €2,824 million respectively) and are presented separately on the balance sheet.

In the table above, “changes in value used to calculate hedge ineffectiveness” include changes in the fair value of the hedging instruments in portfolio fair value hedges of interest rate risk, and in the table below, they include changes in value for loans and advances to customers and customer accounts that are hedged items in portfolio fair value hedges of interest rate risk.

19 Derivative financial instruments *(continued)*

2023 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						
Loans and advances to customers	19,973	–	(27)	–	627	(1)
Debt securities at amortised cost	4,969	–	(401)	–	259	–
Debt instruments measured at FVOCI	3,884	–	(293)	–	189	–
Customer accounts	–	(54,299)	–	–	(1,726)	–
Debt securities in issue	–	(7,375)	–	177	(236)	(1)
Subordinated liabilities	–	(1,634)	–	40	(58)	–
Foreign exchange risk						
Debt securities in issue	–	(61)	–	3	7	–
Total	**28,826**	**(63,369)**	**(721)**	**220**	**(938)**	**(2)**

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						
Loans and advances to customers	15,068	–	(47)	–	(721)	(1)
Debt securities at amortised cost	3,982	–	(659)	–	(703)	–
Debt instruments measured at FVOCI	4,070	–	(482)	–	(569)	–
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)**

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.

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.

In 2023 and 2022, there were no forecast transactions to which the Group had applied hedge accounting which were no longer expected to occur.

19 Derivative financial instruments *(continued)*

2023 Risk category and hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or (loss) €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	209	–	(27)	(9)	9	–	4	–
Foreign exchange risk								
Cross currency interest rate swaps	7,637	98	(76)	(176)	176	–	322	–
Total	**7,846**	**98**	**(103)**	**(185)**	**185**	**–**	**326**	**–**

2022 Risk category and hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or (loss) €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	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)**	**–**

	2023			2022		
Risk category	**Changes in the hedged risk used for calculating hedge ineffectiveness €m**	**Cash flow hedge reserve (gross) €m**	**Remaining adjustments for discontinued hedges €m**	**Changes in the hedged risk used for calculating hedge ineffectiveness €m**	**Cash flow hedge reserve (gross) €m**	**Remaining adjustments for discontinued hedges €m**
Interest rate risk	9	24	12	(17)	32	8
Foreign exchange risk	176	17	–	(516)	–	–
Total	**185**	**41**	**12**	**(533)**	**32**	**8**

19 Derivative financial instruments *(continued)*

Movement in cash flow hedge reserve	2023 €m	2022 €m
Changes in fair value		
Interest rate risk	–	(18)
Foreign exchange risk	(338)	374
Transfer to income statement		
Interest income		
Interest rate risk	8	2
Foreign exchange risk	129	168
Net trading income / (expense)		
Interest rate risk	(4)	4
Foreign exchange risk	193	(528)
Deferred tax on reserve movements	–	3
Net (decrease) / increase in cash flow hedge reserve	**(12)**	**5**

20 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. Fair values of assets underlying insurance contracts, with direct participation features, are also disclosed.

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 2023, such assets were €18,746 million (2022: €16,666 million). Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €13,731 million (2022: €12,068 million) (note 53).

Other financial assets of €2,153 million (2022: €1,887 million) include €2,028 million (2022: €1,747 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 56. Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €869 million (2022: €764 million) (note 53).

Assets underlying insurance contracts with direct participation features, measured applying the variable fee approach (VFA), are €11,318 million (2022: €9,950 million).

	2023 €m	2022 €m
Assets linked to policyholder liabilities		
Equity securities	14,253	12,376
Debt securities	2,116	1,864
Unit trusts	1,451	1,482
Government bonds	926	944
	18,746	**16,666**
of which: Assets underlying insurance contracts with direct participation features	11,318	9,950
Other financial assets		
Equity securities	764	647
Government bonds	612	502
Debt securities	581	519
Unit trusts	196	219
	2,153	**1,887**
Other financial assets at fair value through profit or loss	**20,899**	**18,553**

21 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 2023, the Group's loans and advances to banks includes €184 million (2022: €160 million) of assets held on behalf of Wealth and Insurance life policyholders. Assets underlying insurance contracts with direct participation features, measured applying the variable fee approach (VFA), are €111 million (2022: €88 million).

Mandatory deposits with central banks includes €1.0 billion relating to collateral in respect of the Group's issued bank notes in NI (2022: €1.0 billion). Placements with other banks includes cash collateral of €0.5 billion (2022: €1.4 billion) placed with derivative counterparties in relation to net derivative liability positions (note 19).

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 279 and the asset quality of loans and advances to banks at amortised cost is set out on page 291.

	2023 €m	**2022 €m**
Mandatory deposits with central banks	1,033	1,076
Placements with banks	717	1,788
Securities purchased with agreement to resell	35	–
Funds placed with central banks not on demand	23	34
	1,808	**2,898**
Less impairment loss allowance on loans and advances to banks	(1)	(1)
Loans and advances to banks at amortised cost	**1,807**	**2,897**
Loans and advances to banks at FVTPL	100	147
Loans and advances to banks	**1,907**	**3,044**
of which: Assets underlying insurance contracts with direct participation features	111	88

Loans and advances to banks at FVTPL are not subject to impairment under IFRS 9.

22 Debt securities at amortised cost

The following table details the significant categories of debt securities at amortised cost. The composition of debt securities at amortised cost by stage is set out on page 279 and the asset quality of debt securities at amortised cost is set out on page 291.

	2023 €m	**2022 €m**
Government bonds	4,134	3,752
Ireland	*3,886*	*3,655*
UK	*114*	*97*
Other	*134*	–
Other debt securities at amortised cost	1,540	671
Asset backed securities	42	50
Less impairment loss allowance	(1)	(1)
Debt securities at amortised cost	**5,715**	**4,472**

23 Financial assets at fair value through other comprehensive income

The impairment loss allowance of €1 million (2022: €1 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 279 and the asset quality of debt instruments at FVOCI is set out on page 291.

In 2023, the Group did not dispose of any debt instruments at FVOCI (2022: €4,201 million) and there was no transfer from the debt instruments at FVOCI reserve to the income statement (2022: €98 million).

At 31 December 2023, financial assets at FVOCI included €2,367 million (2022: €2,745 million) placed with Monetary Authorities as collateral, to access intraday and other funding facilities, if required.

	2023 €m	2022 €m
Debt instruments at FVOCI		
Other debt securities - listed	3,232	3,524
Government bonds	736	730
Total debt instruments at FVOCI	**3,968**	**4,254**
Impairment loss allowance on debt instruments at FVOCI	**(1)**	**(1)**

Fair value	2023 €m	2022 €m
Balance at 1 January	**4,254**	**9,457**
Additions	36	283
Redemptions and disposals	(486)	(4,785)
Revaluation, exchange and other adjustments	164	(701)
Balance at 31 December	**3,968**	**4,254**

24 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 2023 included cash collateral of €45 million (2022: €45 million) placed with derivative counterparties in relation to net derivative liability positions. Also included is €191 million (2022: €257 million) of lending in relation to the UK government-backed Bounce Back Loan and Coronavirus Business Interruption schemes.

At 31 December 2023, loans and advances to customers at amortised cost includes gross carrying amounts of €6.5 billion (2022: €4.0 billion) of RoI green mortgages, €1.3 billion (2022: €1.1 billion) of UK green mortgages, €1.7 billion (2022: €1.7 billion) of green commercial real estate lending, €1.2 billion (2022: €1.1 billion) of sustainability-linked loans, €0.3 billion (2022: €0.2 billion) of renewables project finance, and €0.1 billion (2022: €0.1 billion) of electric vehicles funding.

During 2023, the Group completed one NPE disposal transaction whereby it derecognised €0.1 billion (2022: €0.9 billion) of loans and advances to customers (after an impairment loss allowance of €0.2 billion).

The portfolios derecognised had a gross carrying value of €0.3 billion which consisted of non-performing Retail RoI business lending which had a gross carrying value of €210 million, UK business lending which had a gross carrying value of €48 million and RoI residential mortgages which had a gross carrying value of €29 million. All loans included in these transactions have been derecognised from the balance sheet.

The Group has recognised an impairment loss of €6 million (2022: €9 million) relating to the disposal of these loans which has been reported through net impairment losses on financial instruments (note 13).

Loans and advances to customers at FVTPL

Loans and advances to customers at FVTPL are not subject to impairment under IFRS 9. At 31 December 2023, loans and advances to customers at FVTPL included €205 million (2022: €217 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.

	2023 €m	2022 €m
Loans and advances to customers at amortised cost	76,558	69,454
Finance leases and hire purchase receivables	4,188	3,585
	80,746	**73,039**
Less impairment loss allowance on loans and advances to customers at amortised cost	(1,222)	(1,295)
Loans and advances to customers at amortised cost	**79,524**	**71,744**
Loans and advances to customers at fair value through profit or loss	205	217
Total loans and advances to customers	**79,729**	**71,961**
Amounts include:		
Due from joint ventures and associates	49	84

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 POCI assets of €143 million at 31 December 2023 (2022: €80 million) included €25 million (2022: €1 million) of assets 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. The increase in POCI asset is due to the KBCI loan acquisition.

2023 **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)	42,786	14,737	3,336	4,870	65,729
Stage 2 - Lifetime ECL (not credit-impaired)	3,574	4,632	3,518	801	12,525
Stage 3 - Lifetime ECL (credit-impaired)	770	1,080	369	130	2,349
Purchased / originated credit-impaired	142	1	–	–	143
Gross carrying amount at 31 December 2023	**47,272**	**20,450**	**7,223**	**5,801**	**80,746**

24 Loans and advances to customers *(continued)*

2023 Impairment loss allowance	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	40	65	25	50	180
Stage 2 - Lifetime ECL (not credit-impaired)	56	154	144	67	421
Stage 3 - Lifetime ECL (credit-impaired)	141	330	80	61	612
Purchased / originated credit-impaired	9	–	–	–	9
Impairment loss allowance at 31 December 2023	**246**	**549**	**249**	**178**	**1,222**

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**

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**

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 2023. The tables are prepared based on a combination of aggregation of monthly movements for material term loan portfolios (i.e. incorporating all movements a loan in these portfolios has made during the year) and full year movements for revolving-type facilities and less material (primarily consumer) portfolios.

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a 'significant increase in credit risk' or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in the credit risk section of the Risk Management Report on pages 162 to 163 and the Group accounting policies note on page 209.

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 13).

24 Loans and advances to customers *(continued)*

'Re-measurements' includes the impact of remeasurement on stage transfers noted above, other than those directly related to the update of FLI and / 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.

2023 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 2023	**57,831**	**12,643**	**2,485**	**80**	**73,039**
Total net transfers	(3,885)	2,732	1,153	–	–
To 12 month ECL (not credit-impaired)	*8,481*	*(8,475)*	*(6)*	–	–
To lifetime ECL (not credit-impaired)	*(12,096)*	*12,552*	*(456)*	–	–
To lifetime ECL (credit-impaired)	*(270)*	*(1,345)*	*1,615*	–	–
Net changes in exposure	11,190	(2,872)	(768)	110	7,660
Impairment loss allowances utilised	–	–	(526)	(48)	(574)
Exchange adjustments	343	12	5	1	361
Measurement reclassification and other movements	250	10	–	–	260
Gross carrying amount at 31 December 2023	**65,729**	**12,525**	**2,349**	**143**	**80,746**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2023 includes €203 million of contractual amounts outstanding that are still subject to enforcement activity.

2023 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 2023	**142**	**285**	**835**	**33**	**1,295**
Total net transfers	93	(120)	27	–	–
To 12 month ECL (not credit-impaired)	*147*	*(145)*	*(2)*	–	–
To lifetime ECL (not credit-impaired)	*(50)*	*133*	*(83)*	–	–
To lifetime ECL (credit-impaired)	*(4)*	*(108)*	*112*	–	–
Net impairment losses / (gains) in income statement	(56)	254	226	21	445
Re-measurement	*(83)*	*255*	*356*	*26*	*554*
Net changes in exposure	*11*	*(73)*	*(125)*	*(15)*	*(202)*
ECL model parameter and / or methodology changes	*16*	*72*	*(5)*	*10*	*93*
Impairment loss allowances utilised	–	–	(526)	(48)	(574)
Exchange adjustments	1	1	3	1	6
Measurement reclassification and other movements	–	1	47	2	50
Impairment loss allowance at 31 December 2023	**180**	**421**	**612**	**9**	**1,222**
Impairment coverage at 31 December 2023 (%)	**0.27%**	**3.36%**	**26.05%**	**6.29%**	**1.51%**

24 Loans and advances to customers *(continued)*

Total gross loans and advances to customers increased during the year by €7.7 billion from €73.0 billion at 31 December 2022 to €80.7 billion at 31 December 2023.

The Group's approach for identifying a significant increase in credit risk is outlined on page 162 of the Risk Management Report.

Stage 1 loans have increased by €7.9 billion primarily reflecting the impact of net new lending of €11.2 billion, including the acquisition of KBCI loans, FX movements of €0.3 billion and other movements of €0.3 million, offset by net transfers to other risk stages of €3.9 billion. Total net transfers to other risk stages reflect the impact of elevated inflation rates and interest rates on the credit risk in the loan book, the application of an updated approach to identifying significant increase in credit risk for relationship managed commercial portfolios during 2023, and other portfolio activity (including net repayments / redemptions in the year).

Impairment loss allowances on Stage 1 loans have increased by €38 million, resulting in an increase in cover on Stage 1 loans from 0.25% at 31 December 2022 to 0.27% at 31 December 2023. Net staging transfers (including acquisition of KBCI loans) resulted in an increase to impairment loss allowances (ILA) of €93 million with model parameter changes resulting in a further increase of €16 million in ILA during 2023. This was largely offset by remeasurement reclassifications of €83 million reflecting the impact of re-measuring net transfers from other stages of lifetime ECL to 12-month ECL.

Stage 2 loans have decreased by €0.1 billion with transfers from other stages of €2.7 billion, more than offset by net repayments of €2.9 billion. Net transfers from other stages reflect the impact of elevated inflation and interest rates on credit risk in the loan book, the application of an updated approach to identifying significant increase in credit risk for relationship managed commercial portfolios during 2023, and other portfolio activity (including net repayments / redemptions in the year).

Cover on Stage 2 loans has increased from 2.25% at 31 December 2022 to 3.36% at 31 December 2023, primarily due to remeasurement of €255 million, which includes the application of a post-model adjustment for latent risk in the Investment Property portfolio, see page 228; and ECL model parameter and methodology changes of €72 million. The increase was largely offset by the impact of net transfers of €120 million and net repayments of €73 million.

Stage 3 loans have decreased by €0.1 billion with the key drivers being the impact of net repayments of €0.8 billion (including repayments from portfolio disposals and case specific resolution activities) and the utilisation of impairment loss allowances of €0.5 billion, largely offset by a net migration from other stages of €1.2 billion driven by the emergence of new defaults for case specific reasons.

Stage 3 ILAs have decreased by €0.2 billion due to the utilisation of ILAs of €526 million from portfolio disposals and case specific resolution activities and the impact of net reductions in exposure of €125 million, largely offset by re-measurement of €356 million, which includes the application of a post-model adjustment for potential NPE portfolio resolutions (see pages 228 to 229), and measurement reclassification and other movements of €47 million.

Cover on Stage 3 loans has decreased from 33.60% at 31 December 2022 to 26.05% at 31 December 2023. The decrease primarily reflects lower impairment requirements for assets migrating to stage 3 in the year combined with the impact of NPE resolution strategies.

24 Loans and advances to customers *(continued)*

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**

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%**

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.

24 Loans and advances to customers *(continued)*

Loans and advances to customers at amortised cost by portfolio

The following tables set out 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. These tables are prepared on the same basis as the total Group tables as set out above.

Residential Mortgages

2023 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 2023	**34,020**	**3,546**	**450**	**4**	**38,020**
Total net transfers	(1,130)	633	497	–	–
To 12 month ECL (not credit-impaired)	*3,986*	*(3,986)*	*–*	–	–
To lifetime ECL (not credit-impaired)	*(4,950)*	*5,076*	*(126)*	–	–
To lifetime ECL (credit-impaired)	*(166)*	*(457)*	*623*	–	–
Net changes in exposure	9,394	(627)	(165)	140	8,742
Impairment loss allowances utilised	–	–	(16)	(2)	(18)
Exchange adjustments	288	22	4	–	314
Measurement reclassification and other movements	214	–	–	–	214
Gross carrying amount at 31 December 2023	**42,786**	**3,574**	**770**	**142**	**47,272**

2023 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 2023	**18**	**38**	**89**	**1**	**146**
Total net transfers	42	(58)	16	–	–
To 12 month ECL (not credit-impaired)	*55*	*(55)*	*–*	–	–
To lifetime ECL (not credit-impaired)	*(12)*	*23*	*(11)*	–	–
To lifetime ECL (credit-impaired)	*(1)*	*(26)*	*27*	–	–
Net impairment losses / (gains) in income statement	(20)	74	47	9	110
Re-measurement	*(34)*	*75*	*46*	*(1)*	*86*
Net changes in exposure	*4*	*(9)*	*(12)*	*–*	*(17)*
ECL model parameter and / or methodology changes	*10*	*8*	*13*	*10*	*41*
Impairment loss allowances utilised	–	–	(16)	(2)	(18)
Exchange adjustments	–	–	–	–	–
Measurement reclassification and other movements	–	2	5	1	8
Impairment loss allowance at 31 December 2023	**40**	**56**	**141**	**9**	**246**
Impairment coverage at 31 December 2023 (%)	**0.09%**	**1.57%**	**18.31%**	**6.34%**	**0.52%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2023 includes €2 million of contractual amounts outstanding that are still subject to enforcement activity.

24 Loans and advances to customers *(continued)*

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**

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.

24 Loans and advances to customers *(continued)*

Non-property SME and corporate

2023 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 2023	**15,253**	**4,665**	**1,534**	**16**	**21,468**
Total net transfers	(1,356)	1,108	248	–	–
To 12 month ECL (not credit-impaired)	*2,522*	*(2,518)*	*(4)*	–	–
To lifetime ECL (not credit-impaired)	*(3,840)*	*4,117*	*(277)*	–	–
To lifetime ECL (credit-impaired)	*(38)*	*(491)*	*529*	–	–
Net changes in exposure	822	(1,130)	(397)	(15)	(720)
Impairment loss allowances utilised	–	–	(307)	–	(307)
Exchange adjustments	(12)	(21)	1	–	(32)
Measurement reclassification and other movements	30	10	1	–	41
Gross carrying amount at 31 December 2023	**14,737**	**4,632**	**1,080**	**1**	**20,450**

2023 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 2023	**65**	**153**	**563**	**2**	**783**
Total net transfers	42	(30)	(12)	–	–
To 12 month ECL (not credit-impaired)	*64*	*(63)*	*(1)*	–	–
To lifetime ECL (not credit-impaired)	*(20)*	*76*	*(56)*	–	–
To lifetime ECL (credit-impaired)	*(2)*	*(43)*	*45*	–	–
Net impairment losses / (gains) in income statement	(42)	31	56	(2)	43
Re-measurement	*(39)*	*53*	*157*	–	*171*
Net changes in exposure	*2*	*(34)*	*(88)*	*(2)*	*(122)*
ECL model parameter and / or methodology changes	*(5)*	*12*	*(13)*	–	*(6)*
Impairment loss allowances utilised	–	–	(307)	–	(307)
Exchange adjustments	–	–	1	–	1
Measurement reclassification and other movements	–	–	29	–	29
Impairment loss allowance at 31 December 2023	**65**	**154**	**330**	**–**	**549**
Impairment coverage at 31 December 2023 (%)	**0.44%**	**3.32%**	**30.56%**	**–**	**2.68%**

Impairment loss allowances utilised on Non-property SME and corporate during 2023 includes €164 million of contractual amounts outstanding that are still subject to enforcement activity.

24 Loans and advances to customers *(continued)*

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**

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%**	**36.7%**	**12.5%**	**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.

24 Loans and advances to customers *(continued)*

Property and construction

2023 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 2023	**3,864**	**3,922**	**355**	**60**	**8,201**
Total net transfers	(897)	608	289	–	–
To 12 month ECL (not credit-impaired)	*1,743*	*(1,743)*	*–*	*–*	*–*
To lifetime ECL (not credit-impaired)	*(2,636)*	*2,683*	*(47)*	*–*	*–*
To lifetime ECL (credit-impaired)	*(4)*	*(332)*	*336*	*–*	*–*
Net changes in exposure	358	(1,018)	(194)	(15)	(869)
Impairment loss allowances utilised	–	–	(79)	(46)	(125)
Exchange adjustments	10	4	(2)	1	13
Measurement reclassification and other movements	1	2	–	–	3
Gross carrying amount at 31 December 2023	**3,336**	**3,518**	**369**	**–**	**7,223**

2023 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 2023	**10**	**53**	**102**	**30**	**195**
Total net transfers	4	(13)	9	–	–
To 12 month ECL (not credit-impaired)	*13*	*(13)*	*–*	*–*	*–*
To lifetime ECL (not credit-impaired)	*(9)*	*22*	*(13)*	*–*	*–*
To lifetime ECL (credit-impaired)	*–*	*(22)*	*22*	*–*	*–*
Net impairment losses / (gains) in income statement	9	105	44	14	172
Re-measurement	*2*	*74*	*72*	*27*	*175*
Net changes in exposure	*1*	*(9)*	*(19)*	*(13)*	*(40)*
ECL model parameter and / or methodology changes	*6*	*40*	*(9)*	*–*	*37*
Impairment loss allowances utilised	–	–	(79)	(46)	(125)
Exchange adjustments	–	–	1	1	2
Measurement reclassification and other movements	2	(1)	3	1	5
Impairment loss allowance at 31 December 2023	**25**	**144**	**80**	**–**	**249**
Impairment coverage at 31 December 2023 (%)	**0.75%**	**4.09%**	**21.68%**	**–**	**3.45%**

Impairment loss allowances utilised on Property and construction during 2023 includes €10 million of contractual amounts outstanding that are still subject to enforcement activity.

24 Loans and advances to customers *(continued)*

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**

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.

24 Loans and advances to customers *(continued)*

Consumer

2023 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 2023	**4,694**	**510**	**146**	**–**	**5,350**
Total net transfers	(502)	383	119	–	–
To 12 month ECL (not credit-impaired)	*230*	*(228)*	*(2)*	–	–
To lifetime ECL (not credit-impaired)	*(670)*	*676*	*(6)*	–	–
To lifetime ECL (credit-impaired)	*(62)*	*(65)*	*127*	–	–
Net changes in exposure	616	(97)	(12)	–	507
Impairment loss allowances utilised	–	–	(124)	–	(124)
Exchange adjustments	57	7	2	–	66
Measurement reclassification and other movements	5	(2)	(1)	–	2
Gross carrying amount at 31 December 2023	**4,870**	**801**	**130**	**–**	**5,801**

2023 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 2023	**49**	**41**	**81**	**–**	**171**
Total net transfers	5	(19)	14	–	–
To 12 month ECL (not credit-impaired)	*15*	*(14)*	*(1)*	–	–
To lifetime ECL (not credit-impaired)	*(9)*	*12*	*(3)*	–	–
To lifetime ECL (credit-impaired)	*(1)*	*(17)*	*18*	–	–
Net impairment losses / (gains) in income statement	(3)	44	79	–	120
Re-measurement	*(12)*	*53*	*81*	–	*122*
Net changes in exposure	*4*	*(21)*	*(6)*	–	*(23)*
ECL model parameter and / or methodology changes	*5*	*12*	*4*	–	*21*
Impairment loss allowances utilised	–	–	(124)	–	(124)
Exchange adjustments	1	1	1	–	3
Measurement reclassification and other movements	(2)	–	10	–	8
Impairment loss allowance at 31 December 2023	**50**	**67**	**61**	**–**	**178**
Impairment coverage at 31 December 2023 (%)	**1.03%**	**8.36%**	**46.92%**	**–**	**3.07%**

Impairment loss allowances utilised on Consumer during 2023 includes €27 million of contractual amounts outstanding that are still subject to enforcement activity.

24 Loans and advances to customers *(continued)*

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**

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.

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 following table. The net investment in finance leases at 31 December 2023 was €4,188 million, an increase of €603 million since 31 December 2022. This was primarily driven by an increase in motor finance volumes in RoI and the UK.

24 Loans and advances to customers *(continued)*

	2023 €m	2022 €m
Gross investment in finance leases		
Not later than 1 year	943	1,039
1 to 2 years	1,078	906
2 to 3 years	1,259	928
3 to 4 years	934	751
4 to 5 years	376	248
Later than 5 years	62	16
	4,652	**3,888**
Unearned future finance income on finance leases	(464)	(303)
Net investment in finance leases	**4,188**	**3,585**
The net investment in finance leases is analysed as follows:		
Not later than 1 year	841	956
1 to 2 years	968	835
2 to 3 years	1,135	857
3 to 4 years	840	691
4 to 5 years	347	232
Later than 5 years	57	14
	4,188	**3,585**

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 53 for further details.

25 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the credit risk methodologies are set out on pages 159 to 164.

In addition to credit risk, the primary risks affecting the Group through its use of financial instruments are: funding and liquidity risk, market risk and life insurance risk. The Group's approach to the management of these risks, together with its approach to Capital management, are set out in sections 3.2 (capital adequacy risk), 3.4 (credit risk), 3.5 (funding and liquidity risk), 3.6 (life insurance risk) and 3.7 (market risk) of the Risk Management Report.

The table below illustrates the relationship between the Group's internal credit risk rating grades as used for credit risk management purposes and PD percentages, and further illustrates the indicative relationship with credit risk ratings used by external rating agencies.

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

25 Credit risk exposures *(continued)*

Financial assets

Composition and risk profile

The tables below summarise the composition and risk profile of the Group's financial assets subject to impairment and the impairment loss allowances on these financial assets. The tables exclude loan commitments, guarantees and letters of credit of €18,823 million at 31 December 2023 (2022[1]: €17,052 million) that are subject to impairment (note 40). Loans and advances to customers excludes €205 million (2022: €217 million) of loans mandatorily at FVTPL at 31 December 2023 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables.

[1] *Comparative figures have been restated by €181 million from €16,871 million to €17,052 million to adjust for letters of credit which were incorrectly excluded in 2022.*

At 31 December 2023, POCI assets of €143 million (2022: €80 million) included €25 million of assets (2022: €1 million) 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.

At 31 December 2023, other financial assets (before impairment loss allowance) includes: cash and balances at central banks of €31,848 million (2022: €36,861 million) and items in the course of collection from other banks of €126 million (2022: €140 million).

2023 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	65,729	12,525	2,349	143	80,746
Loans and advances to banks	1,808	–	–	–	1,808
Debt securities	5,715	1	–	–	5,716
Other financial assets	31,974	–	–	–	31,974
Total financial assets measured at amortised cost	**105,226**	**12,526**	**2,349**	**143**	**120,244**
Debt instruments at FVOCI	3,968	–	–	–	3,968
Total	**109,194**	**12,526**	**2,349**	**143**	**124,212**

2023 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	180	421	612	9	1,222
Loans and advances to banks	1	–	–	–	1
Debt securities	1	–	–	–	1
Other financial assets	5	–	–	–	5
Total financial assets measured at amortised cost	**187**	**421**	**612**	**9**	**1,229**
Debt instruments at FVOCI	1	–	–	–	1
Total	**188**	**421**	**612**	**9**	**1,230**

25 Credit risk exposures *(continued)*

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**

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**

25 Credit risk exposures *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

The table below summarises the composition and risk profile of the Group's loans and advances to customers at amortised cost, including POCI assets of €143 million (2022: €80 million). Credit-impaired includes Stage 3 and POCI assets of €118 million (2022: €79 million). €25 million of POCI assets (2022: €1 million) were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI loans until derecognition. The increase in POCI assets is due to the KBCI loan acquisition.

Loans and advances to customers Composition and risk profile (before impairment loss allowance)	2023				2022			
	Not credit-impaired €m	Credit-impaired €m	Total €m	Total %	Not credit-impaired €m	Credit-impaired €m	Total €m	Total %
Residential mortgages	46,360	770	47,130	58%	37,566	450	38,016	52%
Retail Ireland	*31,719*	*383*	*32,102*	*40%*	*22,217*	*251*	*22,468*	*31%*
Retail UK	*14,641*	*387*	*15,028*	*18%*	*15,349*	*199*	*15,548*	*21%*
Non-property SME and corporate	19,369	1,080	20,449	26%	19,918	1,534	21,452	29%
Republic of Ireland SME	*6,811*	*342*	*7,153*	*9%*	*6,614*	*561*	*7,175*	*10%*
UK SME	*1,467*	*80*	*1,547*	*2%*	*1,457*	*121*	*1,578*	*2%*
Corporate	*11,091*	*658*	*11,749*	*15%*	*11,847*	*852*	*12,699*	*17%*
Property and construction	6,854	369	7,223	9%	7,786	355	8,141	12%
Investment	*6,363*	*320*	*6,683*	*9%*	*6,685*	*339*	*7,024*	*10%*
Development	*491*	*49*	*540*	*–*	*1,101*	*16*	*1,117*	*2%*
Consumer	5,671	130	5,801	7%	5,204	146	5,350	7%
Total	**78,254**	**2,349**	**80,603**	**100%**	**70,474**	**2,485**	**72,959**	**100%**
Purchased / originated credit-impaired	25	118	143	–	1	79	80	–
Total	**78,279**	**2,467**	**80,746**	**100%**	**70,475**	**2,564**	**73,039**	**100%**
ILA on loans and advances to customers (including POCIs)	**598**	**624**	**1,222**	**2%**	**427**	**868**	**1,295**	**2%**

25 Credit risk exposures *(continued)*

Asset quality - not credit-impaired

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are not credit-impaired. Excluded from the tables below are POCI assets of €25 million (2022: €1 million) 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.

2023 **Not credit-impaired loans and advances to customers Composition and impairment loss allowance**	**Stage 1**				**Stage 2**			
	Stage 1 Loans €m	**Loans as % of advances[1] %**	**Stage 1 ILA €m**	**ILA % of Stage 1 loans %**	**Stage 2 Loans €m**	**Loans as % of advances[1] %**	**Stage 2 ILA €m**	**ILA % of Stage 2 loans %**
Residential mortgages	42,786	90.8%	40	0.09%	3,574	7.6%	56	1.57%
Retail Ireland	*29,365*	*91.5%*	*28*	*0.10%*	*2,354*	*7.3%*	*32*	*1.36%*
Retail UK	*13,421*	*89.3%*	*12*	*0.09%*	*1,220*	*8.1%*	*24*	*1.97%*
Non-property SME and corporate	14,737	72.0%	65	0.44%	4,632	22.7%	154	3.32%
Republic of Ireland SME	*5,667*	*79.2%*	*36*	*0.64%*	*1,144*	*16.0%*	*45*	*3.93%*
UK SME	*1,154*	*74.6%*	*5*	*0.43%*	*313*	*20.2%*	*22*	*7.03%*
Corporate	*7,916*	*67.4%*	*24*	*0.30%*	*3,175*	*27.0%*	*87*	*2.74%*
Property and construction	3,336	46.2%	25	0.75%	3,518	48.7%	144	4.09%
Investment	*2,934*	*43.9%*	*22*	*0.75%*	*3,429*	*51.3%*	*141*	*4.11%*
Development	*402*	*74.4%*	*3*	*0.75%*	*89*	*16.5%*	*3*	*3.37%*
Consumer	4,870	84.0%	50	1.03%	801	13.8%	67	8.36%
Total	**65,729**	**81.4%**	**180**	**0.27%**	**12,525**	**15.5%**	**421**	**3.36%**

2022 **Not credit-impaired loans and advances to customers Composition and impairment loss allowance**	**Stage 1**				**Stage 2**			
	Stage 1 Loans €m	**Loans as % of advances[1] %**	**Stage 1 ILA €m**	**ILA % of Stage 1 loans %**	**Stage 2 Loans €m**	**Loans as % of advances[1] %**	**Stage 2 ILA €m**	**ILA % of Stage 2 loans %**
Residential mortgages	34,020	89.5%	18	0.05%	3,546	9.3%	38	1.07%
Retail Ireland	*19,733*	*87.8%*	*8*	*0.04%*	*2,484*	*11.1%*	*22*	*0.89%*
Retail UK	*14,287*	*91.9%*	*10*	*0.07%*	*1,062*	*6.8%*	*16*	*1.51%*
Non-property SME and corporate	15,253	71.1%	65	0.43%	4,665	21.7%	153	3.28%
Republic of Ireland SME	*4,931*	*68.7%*	*39*	*0.79%*	*1,683*	*23.5%*	*63*	*3.74%*
UK SME	*1,177*	*74.6%*	*4*	*0.34%*	*280*	*17.7%*	*12*	*4.29%*
Corporate	*9,145*	*72.0%*	*22*	*0.24%*	*2,702*	*21.3%*	*78*	*2.89%*
Property and construction	3,864	47.4%	10	0.26%	3,922	48.2%	53	1.35%
Investment	*3,216*	*45.8%*	*7*	*0.22%*	*3,469*	*49.4%*	*47*	*1.35%*
Development	*648*	*58.0%*	*3*	*0.46%*	*453*	*40.6%*	*6*	*1.32%*
Consumer	4,694	87.8%	49	1.04%	510	9.5%	41	8.04%
Total	**57,831**	**79.2%**	**142**	**0.25%**	**12,643**	**17.3%**	**285**	**2.25%**

[1] *'Advances' refers to the portfolio loan balance (pre-impairment loss allowance) excluding POCI assets.*

25 Credit risk exposures *(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 table below summarises the composition and impairment loss allowance of the Group credit-impaired loans and advances to customers at amortised cost. Credit-impaired includes Stage 3 and POCI assets of €118 million (2022: €79 million). €25 million of POCI assets (2022: €1 million) were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI loans until derecognition. The increase in POCI assets is due to the KBCI loan acquisition.

	2023				2022			
Credit-impaired (CI) loans and advances to customers Composition and impairment loss allowance (ILA)	**Credit-impaired (CI) loans €m**	**CI Loans as % of advances[1] %**	**CI Impairment loss allowance €m**	**CI ILA as % of CI loans %**	**Credit-impaired (CI) loans €m**	**CI Loans as % of advances[1] %**	**CI Impairment loss allowance €m**	**CI ILA as % of CI loans %**
Residential mortgages	770	1.6%	141	18%	450	1.2%	89	20%
Retail Ireland	*383*	1.2%	*89*	*23%*	*251*	*1.1%*	*69*	*27%*
Retail UK	*387*	2.6%	*52*	*13%*	*199*	*1.3%*	*20*	*10%*
Non-property SME and corporate	1,080	5.3%	330	31%	1,534	7.2%	563	37%
Republic of Ireland SME	*342*	4.8%	*161*	*47%*	*561*	*7.8%*	*269*	*48%*
UK SME	*80*	5.2%	*22*	*28%*	*121*	*7.7%*	*45*	*37%*
Corporate	*658*	5.6%	*147*	*22%*	*852*	*6.7%*	*249*	*29%*
Property and construction	369	5.1%	80	22%	355	4.4%	102	29%
Investment	*320*	4.8%	*69*	*22%*	*339*	*4.8%*	*97*	*29%*
Development	*49*	9.1%	*11*	*22%*	*16*	*1.4%*	*5*	*31%*
Consumer	130	2.2%	61	47%	146	2.7%	81	55%
Total credit-impaired	**2,349**	**2.9%**	**612**	**26%**	**2,485**	**3.4%**	**835**	**34%**
Purchased / originated credit-impaired	118	82.5%	12	10%	79	98.8%	33	42%
Total	**2,467**	**3.1%**	**624**	**25%**	**2,564**	**3.5%**	**868**	**34%**

[1] *'Advances' refers to the portfolio loan balance (pre-impairment loss allowance) excluding POCI assets.*

25 Credit risk exposures *(continued)*

Asset quality - PD Grade of loans and advances to customers
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 278. Credit-impaired includes Stage 3 and POCI assets of €118 million (2022: €79 million). Not credit-impaired includes Stage 1 & 2 and POCI assets of €25 million (2022: €1 million), 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.

2023 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	9,522	20%	2,691	13%	147	2%	21	–	12,381	15%
5-7	28,645	61%	5,383	26%	1,571	22%	2,496	43%	38,095	47%
8-9	3,403	7%	5,822	29%	1,396	19%	1,263	22%	11,884	15%
10-11	1,216	3%	841	4%	222	3%	1,090	19%	3,369	4%
Total Stage 1	**42,786**	**91%**	**14,737**	**72%**	**3,336**	**46%**	**4,870**	**84%**	**65,729**	**81%**
Stage 2										
1-4	540	1%	272	1%	–	–	–	–	812	1%
5-7	1,703	4%	1,549	8%	556	8%	339	6%	4,147	5%
8-9	472	1%	1,031	5%	1,265	18%	64	1%	2,832	4%
10-11	859	2%	1,780	9%	1,697	23%	398	7%	4,734	6%
Total Stage 2	**3,574**	**8%**	**4,632**	**23%**	**3,518**	**49%**	**801**	**14%**	**12,525**	**16%**
Not credit-impaired										
1-4	10,062	21%	2,963	14%	147	2%	21	–	13,193	16%
5-7	30,348	65%	6,932	34%	2,127	30%	2,835	49%	42,242	52%
8-9	3,875	8%	6,853	34%	2,661	37%	1,327	23%	14,716	19%
10-11	2,075	5%	2,621	13%	1,919	26%	1,488	26%	8,103	10%
Purchased / originated not credit-impaired	25	–	–	–	–	–	–	–	25	–
Total not credit-impaired	**46,385**	**99%**	**19,369**	**95%**	**6,854**	**95%**	**5,671**	**98%**	**78,279**	**97%**
Credit-impaired										
12	770	1%	1,080	5%	369	5%	130	2%	2,349	3%
Purchased / originated credit-impaired	117	–	1	–	–	–	–	–	118	–
Total-credit-impaired	**887**	**1%**	**1,081**	**5%**	**369**	**5%**	**130**	**2%**	**2,467**	**3%**
Total	**47,272**	**100%**	**20,450**	**100%**	**7,223**	**100%**	**5,801**	**100%**	**80,746**	**100%**

25 Credit risk exposures *(continued)*

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	7%	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**	**90%**	**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	3%
5-7	1,874	5%	410	2%	1,845	23%	178	3%	4,307	6%
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	21%
5-7	23,946	63%	6,406	30%	4,715	58%	2,249	42%	37,316	51%
8-9	2,729	8%	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%
Purchased / originated not credit-impaired	1	–	–	–	–	–	–	–	1	–
Total not credit-impaired	**37,567**	**99%**	**19,918**	**93%**	**7,786**	**95%**	**5,204**	**97%**	**70,475**	**96%**
Credit-impaired										
12	450	1%	1,534	7%	355	4%	146	3%	2,485	4%
Purchased / originated credit-impaired	3	–	16	–	60	1%	–	–	79	–
Total credit-impaired	**453**	**1%**	**1,550**	**7%**	**415**	**5%**	**146**	**3%**	**2,564**	**4%**
Total	**38,020**	**100%**	**21,468**	**100%**	**8,201**	**100%**	**5,350**	**100%**	**73,039**	**100%**

25 Credit risk exposures *(continued)*

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 loans include 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 exit criteria in line with EBA guidance to return to performing.

2023 **Risk profile of loans and advances to customers (before impairment loss allowance)**	**Retail Ireland €m**	**Retail UK €m**	**Corporate and Commercial €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit-impaired)	30,723	17,402	17,604	65,729
Stage 2 - Lifetime ECL (not credit-impaired)	2,509	2,361	7,655	12,525
Stage 3 - Lifetime ECL (credit-impaired)	448	526	1,375	2,349
Purchased / originated credit-impaired	143	–	–	143
Gross carrying amount at 31 December 2023	**33,823**	**20,289**	**26,634**	**80,746**

Restated[1] **2022** **Risk profile of loans and advances to customers (before impairment loss allowance)**	**Retail Ireland[1] €m**	**Retail UK €m**	**Corporate and Commercial[1] €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit-impaired)	20,929	18,367	18,535	57,831
Stage 2 - Lifetime ECL (not credit-impaired)	2,644	1,900	8,099	12,643
Stage 3 - Lifetime ECL (credit-impaired)	301	457	1,727	2,485
Purchased / originated credit-impaired	4	60	16	80
Gross carrying amount at 31 December 2022	**23,878**	**20,784**	**28,377**	**73,039**

[1] *In 2023, commercial lending and associated business banking activities, previously in the Retail Ireland division were brought together into one centralised structure across Business and Corporate Banking. Comparative figures have been restated to reflect an increase of €9,331 million in Corporate and Commercial (formerly Corporate and Markets) and the corresponding decrease in Retail Ireland.*

25 Credit risk exposures *(continued)*

Geographical and industry analysis of loans and advances to customers

The following tables provide a geographical and industry breakdown of loans and advances to customers at amortised cost, and the associated impairment loss allowances. 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 Nomenclature of Economic Activities (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.

	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
2023 Geographical / industry analysis	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**
Personal	**34,633**	**18,440**	**–**	**53,073**	**242**	**182**	**–**	**424**
Residential mortgages	*32,244*	*15,028*	*–*	*47,272*	*158*	*88*	*–*	*246*
Other consumer lending	*2,389*	*3,412*	*–*	*5,801*	*84*	*94*	*–*	*178*
Property and construction	**6,889**	**334**	**–**	**7,223**	**236**	**13**	**–**	**249**
Investment	*6,375*	*308*	*–*	*6,683*	*221*	*11*	*–*	*232*
Development	*514*	*26*	*–*	*540*	*15*	*2*	*–*	*17*
Non-property SME & corporate	**17,721**	**1,709**	**1,020**	**20,450**	**458**	**54**	**37**	**549**
Manufacturing	*3,690*	*244*	*475*	*4,409*	*107*	*4*	*9*	*120*
Administrative and support service activities	*2,754*	*242*	*184*	*3,180*	*61*	*12*	*2*	*75*
Wholesale and retail trade	*2,060*	*155*	*43*	*2,258*	*42*	*2*	*–*	*44*
Agriculture, forestry and fishing	*1,526*	*213*	*–*	*1,739*	*47*	*4*	*–*	*51*
Human health services and social work activities	*1,310*	*173*	*68*	*1,551*	*42*	*14*	*1*	*57*
Accommodation and food service activities	*1,378*	*68*	*38*	*1,484*	*27*	*3*	*4*	*34*
Other services	*713*	*34*	*85*	*832*	*13*	*1*	*6*	*20*
Transport and storage	*664*	*87*	*77*	*828*	*25*	*2*	*12*	*39*
Professional, scientific and technical activities	*740*	*33*	*26*	*799*	*16*	*–*	*2*	*18*
Real estate activities	*537*	*117*	*–*	*654*	*34*	*4*	*–*	*38*
Financial and Insurance activities	*512*	*69*	*–*	*581*	*4*	*1*	*–*	*5*
Education	*416*	*9*	*24*	*449*	*6*	*–*	*–*	*6*
Electricity, gas, steam and air conditioning supply	*429*	*14*	*–*	*443*	*3*	*–*	*–*	*3*
Other sectors	*992*	*251*	*–*	*1,243*	*31*	*7*	*1*	*39*
Total	**59,243**	**20,483**	**1,020**	**80,746**	**936**	**249**	**37**	**1,222**
Analysed by stage:								
Stage 1	47,614	17,520	595	65,729	126	51	3	180
Stage 2	9,744	2,437	344	12,525	297	108	16	421
Stage 3	1,742	526	81	2,349	504	90	18	612
Purchased / originated credit-impaired	143	–	–	143	9	–	–	9
Total	**59,243**	**20,483**	**1,020**	**80,746**	**936**	**249**	**37**	**1,222**

25 Credit risk exposures *(continued)*

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	**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*
Human health services and social work activities	*1,299*	*155*	*69*	*1,523*	*49*	*10*	*1*	*60*
Accommodation and food service activities	*1,475*	*82*	*40*	*1,597*	*63*	*8*	*4*	*75*
Other services	*643*	*39*	*85*	*767*	*18*	*2*	*13*	*33*
Transport and storage	*684*	*74*	*76*	*834*	*42*	*6*	*3*	*51*
Professional, scientific and technical activities	*750*	*18*	*61*	*829*	*29*	*–*	*–*	*29*
Real estate activities	*602*	*132*	*–*	*734*	*55*	*8*	*–*	*63*
Financial and Insurance activities	*933*	*38*	*–*	*971*	*8*	*1*	*–*	*9*
Education	*408*	*38*	*24*	*470*	*5*	*–*	*–*	*5*
Electricity, gas, steam and air conditioning supply	*458*	*8*	*–*	*466*	*5*	*–*	*–*	*5*
Arts, entertainment and recreation	*388*	*29*	*13*	*430*	*23*	*1*	*3*	*27*
Other sectors	*779*	*178*	*2*	*959*	*28*	*5*	*–*	*33*
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**

25 Credit risk exposures *(continued)*

Sectoral analysis of loans and advances to customers

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 year on year.

	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
2023 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	42,786	3,574	770	142	47,272	40	56	141	9	246
Other consumer	4,870	801	130	–	5,801	50	67	61	–	178
Motor lending UK	*1,749*	*410*	*38*	*–*	*2,197*	*4*	*7*	*13*	*–*	*24*
Loans UK	*966*	*234*	*15*	*–*	*1,215*	*29*	*41*	*1*	*–*	*71*
Motor lending RoI	*798*	*3*	*12*	*–*	*813*	*6*	*–*	*5*	*–*	*11*
Loans RoI	*800*	*117*	*55*	*–*	*972*	*8*	*13*	*36*	*–*	*57*
Credit cards RoI	*557*	*37*	*10*	*–*	*604*	*3*	*6*	*6*	*–*	*15*
	47,656	**4,375**	**900**	**142**	**53,073**	**90**	**123**	**202**	**9**	**424**
Property and construction	**3,336**	**3,518**	**369**	**–**	**7,223**	**25**	**144**	**80**	**–**	**249**
Investment	*2,934*	*3,429*	*320*	*–*	*6,683*	*22*	*141*	*69*	*–*	*232*
Development	*402*	*89*	*49*	*–*	*540*	*3*	*3*	*11*	*–*	*17*
Non-property SME & corporate	**14,737**	**4,632**	**1,080**	**1**	**20,450**	**65**	**154**	**330**	**–**	**549**
Manufacturing	*2,937*	*1,224*	*248*	*–*	*4,409*	*11*	*36*	*73*	*–*	*120*
Administrative and support service activities	*2,521*	*580*	*79*	*–*	*3,180*	*13*	*20*	*42*	*–*	*75*
Wholesale and retail trade	*1,719*	*482*	*57*	*–*	*2,258*	*8*	*10*	*26*	*–*	*44*
Agriculture, forestry and fishing	*1,332*	*323*	*84*	*–*	*1,739*	*8*	*9*	*34*	*–*	*51*
Human health services and social work activities	*933*	*405*	*213*	*–*	*1,551*	*4*	*24*	*29*	*–*	*57*
Accommodation and food service activities	*869*	*504*	*110*	*1*	*1,484*	*3*	*7*	*24*	*–*	*34*
Other services	*606*	*167*	*59*	*–*	*832*	*3*	*6*	*11*	*–*	*20*
Transport and storage	*592*	*169*	*67*	*–*	*828*	*2*	*7*	*30*	*–*	*39*
Professional, scientific and technical activities	*640*	*131*	*28*	*–*	*799*	*3*	*4*	*11*	*–*	*18*
Real estate activities	*421*	*171*	*62*	*–*	*654*	*4*	*7*	*27*	*–*	*38*
Financial and Insurance activities	*495*	*83*	*3*	*–*	*581*	*1*	*3*	*1*	*–*	*5*
Education	*366*	*82*	*1*	*–*	*449*	*1*	*5*	*–*	*–*	*6*
Electricity, gas, steam and air conditioning supply	*390*	*52*	*1*	*–*	*443*	*1*	*2*	*–*	*–*	*3*
Other sectors	*916*	*259*	*68*	*–*	*1,243*	*3*	*14*	*22*	*–*	*39*
Total	**65,729**	**12,525**	**2,349**	**143**	**80,746**	**180**	**421**	**612**	**9**	**1,222**

25 Credit risk exposures *(continued)*

2022 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	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*
Human health services and social work activities	*880*	*444*	*199*	*–*	*1,523*	*3*	*17*	*40*	*–*	*60*
Accommodation and food service activities	*608*	*794*	*195*	*–*	*1,597*	*3*	*16*	*56*	*–*	*75*
Other services	*579*	*91*	*97*	*–*	*767*	*2*	*6*	*25*	*–*	*33*
Transport and storage	*562*	*165*	*107*	*–*	*834*	*2*	*6*	*43*	*–*	*51*
Professional, scientific and technical activities	*643*	*154*	*32*	*–*	*829*	*3*	*5*	*21*	*–*	*29*
Real estate activities	*390*	*246*	*98*	*–*	*734*	*5*	*9*	*49*	*–*	*63*
Financial and Insurance activities	*921*	*40*	*10*	*–*	*971*	*1*	*3*	*5*	*–*	*9*
Education	*418*	*51*	*1*	*–*	*470*	*2*	*2*	*1*	*–*	*5*
Electricity, gas, steam and air conditioning supply	*416*	*46*	*4*	*–*	*466*	*1*	*1*	*3*	*–*	*5*
Arts, entertainment and recreation	*241*	*142*	*47*	*–*	*430*	*1*	*8*	*18*	*–*	*27*
Other sectors	*668*	*205*	*86*	*–*	*959*	*2*	*6*	*25*	*–*	*33*
Total	**57,831**	**12,643**	**2,485**	**80**	**73,039**	**142**	**285**	**835**	**33**	**1,295**

Repossessed collateral

Repossessed collateral is sold as soon as practicable, with the proceeds applied against outstanding indebtedness. At 31 December 2023, the Group held collateral as set out in the table opposite.

Repossessed collateral	2023 €m	2022 €m
Residential properties		
Ireland	5	3
UK and other	1	–
	6	**3**
Non-residential properties		
Other	1	–
Total	**7**	**3**

25 Credit risk exposures *(continued)*

Asset quality - other financial assets

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.

Debt instruments at FVOCI Asset quality	2023						2022					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	3,910	99%	–	–	3,910	99%	4,172	98%	–	–	4,172	98%
5-7	58	1%	–	–	58	1%	82	2%	–	–	82	2%
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**3,968**	**100%**	**–**	**–**	**3,968**	**100%**	**4,254**	**100%**	**–**	**–**	**4,254**	**100%**

Debt securities at amortised cost (before impairment loss allowance) Asset quality	2023						2022					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,715	100%	1	–	5,716	100%	4,471	100%	1	100%	4,472	100%
5-7	–	–	–	–	–	–	–	–	–	–	–	–
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**5,715**	**100%**	**1**	**–**	**5,716**	**100%**	**4,471**	**100%**	**1**	**100%**	**4,472**	**100%**

Loans and advances to banks at amortised cost (before impairment loss allowance) Asset quality	2023						2022					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	1,807	100%	–	–	1,807	100%	2,878	99%	–	–	2,878	99%
5-7	1	–	–	–	1	–	20	1%	–	–	20	1%
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**1,808**	**100%**	**–**	**–**	**1,808**	**100%**	**2,898**	**100%**	**–**	**–**	**2,898**	**100%**

25 Credit risk exposures *(continued)*

Asset quality: other financial instruments

Other financial instruments as set out in the table below include instruments that are not within the scope of IFRS 9 or are not subject to impairment under IFRS 9. These include trading securities (excluding equity trading securities), derivative financial instruments, loans and advances to banks at fair value, loans and advances to customers at fair value and other financial instruments at FVTPL (excluding equity instruments). Reinsurance contract assets are excluded from this table as they are included in a separate table below under IFRS 17. The table summarises the asset quality of these financial instruments by equivalent external risk ratings.

	2023		*Restated*[1] 2022	
Other financial instruments with ratings equivalent to:	**€m**	**%**	**€m**	**%**
AAA to AA-	4,786	46%	3,330	30%
A+ to A-	4,897	46%	5,720	52%
BBB+ to BBB-	656	6%	1,683	15%
BB+ to BB-	65	1%	67	1%
B+ to B-	154	1%	199	2%
Lower than B-	39	–	40	–
Total	**10,597**	**100%**	**11,039**	**100%**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact. The table above has been restated to exclude reinsurance contract assets as their credit ratings are separately disclosed under IFRS 17 in the table below.*

Credit risk for reinsurance contract assets

The Group has no significant credit risk exposures for insurance contracts issued as credit risk is spread across all policyholders and brokers. Credit risk for reinsurance contracts held arises as a result of exposure to a smaller group of reinsurance counterparties across insured product lines, with limits set for collateralised and non-collateralised credit exposure taking account of credit rating of reinsurer, protections such as collateral and other factors. This risk is mitigated by spreading exposures across a range of pre-approved counterparties. The table opposite provides information relating to the reinsurance contract assets with reinsurance counterparties split by credit ratings:

Reinsurance contract assets with ratings equivalent to:	2023 €m	2022 €m
AA- or higher	948	962
A / A+	466	390
A- or below	–	–
Total	**1,414**	**1,352**

26 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.

	2023 €m	2022 €m
Financial assets modified during the year		
Amortised cost before modification	844	517
Net modification gains (i.e. net of impairment gains impact)	–	(4)
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	1,425	1,249

27 Interest in associates and joint ventures

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 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.

For further information on joint ventures refer to note 53 Interests in other entities.

Interest in associates	2023 €m	2022 €m
Balance at 1 January	**83**	**59**
Increase in investments	31	25
Decrease in investments	(3)	(9)
Share of results after tax (note 14)	(3)	8
Balance at 31 December	**108**	**83**
Interest in associates FVTPL	79	65
Interest in associates using equity method	29	18
Balance at 31 December	**108**	**83**

Interest in joint ventures	2023 €m	2022 €m
Balance at 1 January	**82**	**57**
Share of results after tax (note 14) - FRES	28	32
Dividends received	(34)	(3)
Exchange adjustments	2	(4)
Additions	1	–
Balance at 31 December	**79**	**82**

28 Intangible assets and goodwill

	2023					2022				
	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	**308**	**76**	**2,724**	**235**	**3,343**	**36**	**72**	**2,475**	**197**	**2,780**
Additions	–	1	295	1	297	–	–	264	–	264
Acquisitions	–	–	–	–	–	273	5	–	48	326
Retirements	–	–	(2)	(27)	(29)	–	–	–	–	–
Exchange adjustments	1	–	7	3	11	(1)	(1)	(15)	(10)	(27)
At 31 December	**309**	**77**	**3,024**	**212**	**3,622**	**308**	**76**	**2,724**	**235**	**3,343**
Amortisation and impairment										
At 1 January	**(9)**	**(72)**	**(1,814)**	**(172)**	**(2,067)**	**(9)**	**(72)**	**(1,677)**	**(170)**	**(1,928)**
Retirements	–	–	2	27	29	–	–	–	–	–
Impairment	–	–	–	–	–	–	–	(7)	–	(7)
Amortisation charge (note 10)	–	(2)	(154)	(12)	(168)	–	(1)	(142)	(9)	(152)
Exchange adjustments	–	–	(5)	(3)	(8)	–	1	12	7	20
At 31 December	**(9)**	**(74)**	**(1,971)**	**(160)**	**(2,214)**	**(9)**	**(72)**	**(1,814)**	**(172)**	**(2,067)**
Net book value	**300**	**3**	**1,053**	**52**	**1,408**	**299**	**4**	**910**	**63**	**1,276**

Computer software internally generated
The category 'computer software internally generated' comprises assets with a carrying value of €1,053 million (2022: €910 million). This includes amortising assets with a carrying value of €737 million (2022: €531 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 €316 million (2022: €379 million) on which amortisation will commence once the assets are available for use.

Impairment review - computer software internally generated
During 2023, the Group reviewed its internally generated computer software for any indicators of impairment and concluded that no impairment is required (2022: €7 million).

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 2023, the Group reviewed other externally purchased intangible assets for any indicators of impairment and concluded that no impairment is required (2022: €nil).

Goodwill
At 31 December 2023, goodwill on the Group's balance sheet is €300 million (2022: €299 million) and relates to the acquisitions of Davy €273 million, Ireland's leading provider of wealth management and capital markets services (note 49), and the Marshall Leasing business €27 million, a car commercial leasing and fleet management business in the UK.

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 2023 and 2022, and no impairment of goodwill was required.

28 Intangible assets and goodwill *(continued)*

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 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. Underpinning the ICAAP, the Group prepares detailed financial 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, inflation projections or long term bond yields. The assumed long term growth rate for Davy is 2% (2022: 2%).

Discount rate

The discount rates applied to Davy is the post 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 10.99% for Davy.

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.

29 Investment properties

At 31 December 2023, the Group held investment property of €793 million (2022: €883 million) on behalf of Wealth and Insurance policyholders. Assets underlying insurance contracts with direct participation features, measured applying the variable fee approach (VFA), are €479 million (2022: €527 million).

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 2023, rental income from investment property amounted to €52 million (2022: €55 million).

Expenses directly attributable to investment properties generating rental income was €14 million (2022: €15 million).

In 2023, the Group reclassified €13 million (2022: €nil) from property, plant and equipment (note 30) to investment properties.

	2023 €m	2022 €m
Balance at 1 January	**883**	**992**
Revaluation	(104)	(71)
Reclassification	13	–
Exchange adjustment	5	(10)
Disposals	(4)	(93)
Additions	–	65
Balance at 31 December	**793**	**883**
of which: **Assets underlying insurance contracts with direct participation features**	**479**	**527**

30 Property, plant and equipment

2023	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 2023	**143**	**18**	**157**	**9**	**246**	**201**	**13**	**787**	**516**	**60**	**576**	**1,363**
Additions	–	–	5	–	6	96	9	**116**	17	1	**18**	**134**
Acquisitions	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Disposals / write-offs	–	–	(1)	–	(28)	(53)	–	**(82)**	(2)	–	**(2)**	**(84)**
Revaluation recognised in OCI	(7)	(1)	–	–	–	–	–	**(8)**	–	–	**–**	**(8)**
Revaluation recognised in Income Statement (note 10)	(4)	–	–	–	–	–	–	**(4)**	–	–	**–**	**(4)**
Reclassifications	(13)	(3)	9	1	5	–	(15)	**(16)**	–	–	**–**	**(16)**
Adjustment of lease liability	–	–	–	–	–	–	–	**–**	9	–	**9**	**9**
Exchange adjustments	1	–	–	–	1	5	–	**7**	–	–	**–**	**7**
Balance at 31 December 2023	**120**	**14**	**170**	**10**	**230**	**249**	**7**	**800**	**540**	**61**	**601**	**1,401**
Accumulated Depreciation at 1 January 2023	**–**	**–**	**(107)**	**(4)**	**(200)**	**(40)**	**–**	**(351)**	**(184)**	**(26)**	**(210)**	**(561)**
Charge for the year (notes 8,10,18)	–	–	(9)	–	(14)	(35)	–	**(58)**	(35)	(12)	**(47)**	**(105)**
Impairment reversal for the year	–	–	–	–	–	–	–	**–**	3	–	**3**	**3**
Disposals / write-offs	–	–	1	–	28	34	–	**63**	2	–	**2**	**65**
Reclassifications	–	–	1	(1)	–	–	–	**–**	–	–	**–**	**–**
Exchange adjustments	–	–	–	–	(2)	(1)	–	**(3)**	–	–	**–**	**(3)**
Balance at 31 December 2023	**–**	**–**	**(114)**	**(5)**	**(188)**	**(42)**	**–**	**(349)**	**(214)**	**(38)**	**(252)**	**(601)**
Net book value at 31 December 2023	**120**	**14**	**56**	**5**	**42**	**207**	**7**	**451**	**326**	**23**	**349**	**800**

At 31 December 2023, property, plant and equipment held at fair value was €134 million (2022: €161 million), the historical cost of which was €71 million (2022: €72 million).

During 2023, €3 million (2022: €13 million) of freehold land and buildings held for own-use were transferred to assets classified as held for sale. These were subsequently disposed of prior to 31 December 2023.

30 Property, plant and equipment *(continued)*

2022	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 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)**
Revaluation recognised in Income Statement (note 10)	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
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)**
Balance 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 (notes 8,10,18)	–	–	(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**
Balance 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**

30 Property, plant and equipment *(continued)*

Future capital expenditure

This table shows future capital expenditure in relation to both property, plant and equipment and intangible assets.

Future capital expenditure	2023 €m	2022 €m
Contracted but not provided for in the financial statements	120	141
Authorised by the Directors but not contracted	28	74
Total future capital expenditure	**148**	**215**

Group as lessor

Computer and other equipment 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 BoI (UK) plc, whose ultimate parent is BoIG plc. 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 €53 million in 2023 relating to the Marshall Leasing business (2022: €44 million) (note 8).

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 no associated operating lease income in 2023 (2022: €nil).

The table sets out the future undiscounted operating lease payments receivable.

Operating lease receivables	2023 €m	2022 €m
Not later than 1 year	43	34
1 to 2 years	29	22
2 to 3 years	16	11
3 to 4 years	6	4
4 to 5 year	2	1
Later than 5 years	–	–
Total operating lease receivables	**96**	**72**

31 Deferred tax

The DTA of €808 million (2022: €989 million) includes an amount of €845 million (2022: €1,026 million) in respect of operating losses which are available to shelter future profits from tax, of which €783 million relates to Irish tax losses carried forward by the Bank, €58 million relates to UK tax losses carried forward by BoI (UK) plc, and €4 million relates to US tax losses carried forward by the US branch of the Bank.

As outlined in the Group accounting policies note 1, on 1 January 2023, the new insurance accounting standard, IFRS 17 ‘Insurance Contracts’ became effective, replacing IFRS 4 'Insurance Contracts'. The impact on transition is summarised in note 18 and includes a reduction in the Group’s deferred tax liability at 31 December 2022 of €59 million.

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). The brought forward Irish tax losses are currently projected to be utilised in full by the end of 2028.

DTAs at 31 December 2023 of €0.6 billion (2022: €0.8 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 €1.4 billion at 31 December 2023 (2022: €1.3 billion).

The Group has not recognised a DTA of €164 million (2022: €164 million) in respect of unused tax losses of which €49 million (2022: €49 million) relates to US tax losses which are subject to a 20 year life and are scheduled to expire unused in the period 2028 - 2029 due to an annual limitation of use. The balance relates to UK tax losses which have no expiry date but are currently not projected to be recovered within 10 years.

31 Deferred tax *(continued)*

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) 15% minimum effective tax rate Model Rules (Pillar 2) which have been enacted into Irish legislation as part of Finance (No.2) Act 2023 in December 2023, and UK legislation as part of Finance (No.2) Act 2023 in July 2023. The Pillar 2 rules are effective for financial periods beginning on or after 31 December 2023, in the Group's case the financial period ending 31 December 2024. Since the Pillar 2 legislation was not effective in respect of the Group at the reporting date, the Group has no related current tax exposure for the current year.

Under the legislation, the Group will be liable to pay a top-up tax for the difference between its effective tax rate per jurisdiction, as computed under the new Rules, and the 15% minimum rate, subject to certain exemptions and conditions.

The Group currently estimates that there could be a future top-up tax payable in Ireland on an element of Irish profits but, if the legislation was in place for the current year, the increase in the Group's effective tax rate would have been insignificant due primarily to the ability to take into account certain historic tax losses in the Bank at 15% and also due to profits arising in jurisdictions with an effective tax rate in excess of 15%.

The Group applies the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes, as provided in the amendments to IAS 12 issued in May 2023.

					Balance at 31 December		
2023	**Net balance at 1 January[1,2] €m**	**Recognised in profit or loss[1] €m**	**Recognised in OCI €m**	**Other movements including foreign exchange €m**	**Net €m**	**Deferred tax assets[1] €m**	**Deferred tax liabilities[1] €m**
Unutilised tax losses	1,026	(186)	–	5	845	845	–
Lease liabilities[1]	53	(4)	–	–	49	49	–
Cash flow hedge reserve	9	–	–	2	11	11	–
Impact of adopting IFRS 9	10	(2)	–	–	8	8	–
Debt instruments at FVOCI	2	–	1	–	3	3	–
Other temporary differences - assets[1]	58	(7)	–	1	52	52	–
Pensions and other post retirement benefits[2]	(105)	(5)	7	–	(103)	–	(103)
Assets used in the business (including right of use assets)[1]	(21)	(4)	–	–	(25)	18	(43)
Wealth and Insurance - different basis of accounting[2]	–	(20)	–	–	(20)	–	(20)
Property revaluation surplus	(15)	–	2	–	(13)	–	(13)
Liability credit reserve	(3)	–	–	(3)	(6)	–	(6)
Other temporary differences - liabilities	(63)	9	–	–	(54)	–	(54)
Tax assets / (liabilities) before set-off	**951**	**(219)**	**10**	**5**	**747**	**986**	**(239)**
Set-off of tax					**–**	**(178)**	**178**
Net tax assets / (liabilities)					**747**	**808**	**(61)**

[1] The Group applied the amendments to IAS 12 'Income Taxes': 'Deferred tax related to Assets and Liabilities arising from a Single Transaction' from 1 January 2023. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right of use assets within the above analysis of temporary differences. There is no change to the balance sheet presentation of the deferred tax balances in the current or comparative period which are netted as permitted under IAS 12.

[2] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.

31 Deferred tax *(continued)*

2022	Net balance at 1 January[1] €m	Recognised in profit or loss[1] €m	Recognised in OCI €m	Other movements[2] including foreign exchange €m	*Restated*[1,2] Balance at 31 December Net €m	Deferred tax assets[1] €m	Deferred tax liabilities[1] €m
Unutilised tax losses	1,118	(92)	–	–	1,026	1,026	–
Pensions and other post retirement benefits[2]	(116)	3	7	1	(105)	–	(105)
Assets used in the business (including right of use assets)[1]	(9)	(12)	–	–	(21)	25	(46)
Impact of adopting IFRS 9	14	(4)	–	–	10	10	–
Cash flow hedge reserve	6	–	3	–	9	9	–
Other temporary differences - assets[1]	64	1	–	(7)	58	58	–
Wealth and Insurance - different basis of accounting[2]	(70)	18	–	52	–	–	–
Debt instruments at FVOCI	(18)	–	20	–	2	2	–
Property revaluation surplus	(18)	2	1	–	(15)	–	(15)
Lease liabilities[1]	56	(3)	–	–	53	53	–
Liability credit reserve	2	–	(5)	–	(3)	–	(3)
Other temporary differences - liabilities	(75)	14	–	(2)	(63)	–	(63)
Tax assets / (liabilities) before set-off	**954**	**(73)**	**26**	**44**	**951**	**1,183**	**(232)**
Set-off of tax					**–**	**(194)**	**194**
Net tax assets / (liabilities)					**951**	**989**	**(38)**

[1] *The Group applied the amendments to IAS 12 'Income Taxes': 'Deferred tax related to Assets and Liabilities arising from a Single Transaction' from 1 January 2023. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right of use assets within the above analysis of temporary differences. There is no change to the balance sheet presentation of the deferred tax balances in the current or comparative period which are netted as permitted under IAS 12.*
[2] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

32 Other assets

	2023 €m	*Restated*[1] 2022 €m
Sundry and other debtors[1,2]	624	403
Interest receivable	280	234
Trade receivables	122	42
Accounts receivable and prepayments	94	83
Contract assets	7	7
Other assets	**1,127**	**769**
Other assets are analysed as follows:		
Within 1 year[1]	976	709
After 1 year[1]	151	60
	1,127	**769**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact. Reinsurance contract assets are now disclosed in note 18, Insurance contracts.*
[2] *At 31 December 2023, an Escrow Account balance of €60 million arising from an agreement between the Group and the Trustees of the BSPF pension scheme is included within sundry and other debtors. See note 41 Retirement benefit obligations for further details.*

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.

33 Deposits from banks

Deposits from banks include cash collateral of €0.4 billion (2022: €0.6 billion) received from derivative counterparties in relation to net derivative asset positions (note 19).

At 31 December 2023, the Group held Monetary Authority secured funding of €2.5 billion (2022: €2.6 billion) under the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME). Drawings under the TFSME from the Bank of England are projected to be repaid in 2024 and 2025 with the final residual amount repaid in October 2026.

At 31 December 2023, the Group's Monetary Authority secured funding is secured by loans and advances to customers.

	2023 €m	2022 €m
Monetary Authority secured funding	2,475	2,594
Deposits from banks	620	851
Deposits from banks	**3,095**	**3,445**

34 Customer accounts

The carrying amount of the customer accounts designated at FVTPL at 31 December 2023 is €230 million, €12 million lower than the contractual amount due at maturity of €242 million (2022: the carrying amount was €414 million, €49 million lower than the contractual amount due at maturity of €463 million). This is set out in note 55.

At 31 December 2023, the Group's largest 20 customer deposits amounted to 2% (2022: 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 173 in the Risk Management Report.

At 31 December 2023, customer accounts include client deposits of €1,614 million whereby Davy acts as a financial intermediary (2022: €2,346 million). Further details on client property are disclosed in note 50.

Term deposits and other products include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in note 54 Liquidity risk and profile.

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, which 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.

	2023 €m	2022 €m
Current accounts	59,665	59,330
Demand deposits	30,392	29,511
Term deposits and other products	9,896	9,945
Customer accounts at amortised cost	**99,953**	**98,786**
Term deposits at FVTPL	230	414
Total customer accounts	**100,183**	**99,200**
Amounts include:		
Due to associates and joint ventures	50	46

Movement in own credit risk on deposits at FVTPL	2023 €m	2022 €m
Balance at beginning of the year	(13)	4
Recognised in other comprehensive income	11	(17)
Balance at end of the year	**(2)**	**(13)**

Deposit guarantee scheme eligible covered deposits (Up to 100,000 EUR) are outside the scope of the bail-in tool, thereby enjoying an exempted status.

When applying the bail-in tool, the resolution authority would be required to respect a hierarchy of claims, where shareholders must bear first losses, followed by creditors in accordance with the applicable order of priority of their claims. For example, non-preferred senior unsecured debt ranks junior to, or has a lower priority than, certain other unsecured creditor claims.

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 BoI (UK) plc).

35 Debt securities in issue

The carrying amount of bonds and medium term notes has increased by €0.6 billion at 31 December 2023 (2022: €0.6 billion) due to senior issuances of €2.3 billion in bonds (2022: €2.0 billion) and €0.1 billion of fair value hedge and other adjustments (2022: decrease of €0.5 billion), offset by €1.8 billion in redemption of bonds and notes (2022: €0.9 billion).

The carrying amount of the debt securities in issue designated at FVTPL at 31 December 2023 was €267 million, €21 million lower than the contractual amount due at maturity of €288 million (2022: the carrying amount was €250 million, €37 million lower than the contractual amount due at maturity of €287 million). This is set out in note 55.

During 2023, €2.25 billion of green bonds were issued through the Group's Green Bond framework, bringing total issuances to date to c.€4.75 billion, which supports the Group sustainability-related finance targets.

	2023 €m	2022 €m
Bonds and medium term notes	7,363	6,807
Other debt securities in issue	1,040	717
Debt securities in issue at amortised cost	**8,403**	**7,524**
Debt securities in issue at FVTPL	267	250
Total debt securities in issue	**8,670**	**7,774**
Balance at 1 January	**7,774**	**8,483**
Issued during the year	2,785	3,859
Redemptions	(1,930)	(3,976)
Repurchases	(10)	–
Other movements[1]	51	(592)
Balance at 31 December	**8,670**	**7,774**

[1] *Other movements primarily relates to fair value hedge adjustments in respect of debt securities in issue held at amortised cost, exchange adjustments and changes in fair value of debt securities in issue held at fair value.*

Movement in own credit risk on debt securities in issue at FVTPL	2023 €m	2022 €m
Balance at 1 January	**–**	**3**
Recognised in other comprehensive income	3	(3)
Balance at 31 December	**3**	**–**

36 Other liabilities

	2023 €m	*Restated*[1] 2022 €m
Notes in circulation	892	900
Sundry creditors	440	451
Operating expenses accrued	388	292
Accrued interest payable	324	139
Short position in trading securities	105	3
Accruals and deferred income	69	80
Other[1]	262	385
Other liabilities	**2,480**	**2,250**
Other liabilities are analysed as follows:		
Within 1 year[1]	2,435	2,152
After 1 year	45	98
	2,480	**2,250**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.

37 Leasing

Group as lessee

The principal contracts where the Group is a lessee under IFRS 16 are in relation to property leases and computer equipment. Further qualitative information on the nature of the leases is set out in the Group accounting policies (note 1) and the undiscounted contractual maturity of total lease liabilities is set out in note 54 Liquidity risk and profile.

Total cash outflows on leases amounted to €84 million in 2023 (2022: €87 million).

Amounts recognised in the balance sheet and income statement

The carrying amount of the Group's RoU assets and the movements during 2023 are set out in note 30.

The carrying amount of the lease liabilities and the movements during 2023 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 24) 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 30.

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 no associated operating lease income in 2023 (2022: €nil).

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 30. Income and expense associated with the Group's operating lease activities is included in note 8.

37 Leasing *(continued)*

Lease liabilities	2023 €m	2022 €m
Balance at 1 January	**423**	**452**
Payment of lease liability and interest	(55)	(65)
Additions (note 30)	18	11
Interest expense (note 5)	11	12
Lease liability adjustment	7	2
Acquisitions (note 30)	–	9
Other movements	–	2
Balance at 31 December	**404**	**423**

Summary of amounts recognised in the income statement under IFRS 16 'Leases'	2023 €m	2022 €m
Amounts recognised in interest expense		
Interest expense on lease liabilities (note 5)	11	12
Amounts recognised in interest income		
Finance lease interest (note 4)	229	169
Amounts recognised in other operating expense		
Depreciation of RoU assets	47	38
Impairment of RoU assets (note 10)	–	14
Variable lease expenses (note 10)	4	2
Short-term lease expenses (note 10)	1	1
	52	**55**
Amounts recognised in cost of restructuring		
Reversal of impairment of RoU assets (note 11)	(3)	–

38 Provisions

	2023			2022		
	Restructuring €m	Legal and other €m	Total €m	Restructuring €m	Legal and other €m	Total €m
Balance at 1 January	**28**	**51**	**79**	**55**	**135**	**190**
Exchange adjustment	–	–	–	(1)	(1)	(2)
Utilised during the year	(18)	(14)	(32)	(37)	(131)	(168)
Charge to income statement	15	2	17	16	39	55
Unused amounts reversed during the year	(2)	(6)	(8)	(5)	(6)	(11)
Acquisitions	–	–	–	–	17	17
Other	–	2	2	–	(2)	(2)
Balance at 31 December	**23**	**35**	**58**	**28**	**51**	**79**

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.

38 Provisions *(continued)*

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date.

Restructuring provisions of €23 million at 31 December 2023 (2022: €28 million) largely relates to building exit costs of €13 million (2022: €22 million) in line with the Group's property strategy and Voluntary Redundancy Programme costs of €9 million (2022: €6 million) and other costs €1 million (2022: €nil).

In 2022, acquisitions of €17 million relate to Davy.

	2023			2022		
Expected utilisation	**Restructuring €m**	**Legal and other €m**	**Total €m**	**Restructuring €m**	**Legal and other €m**	**Total €m**
Less than 1 year	15	30	45	17	34	51
1 to 2 years	2	1	3	3	11	14
2 to 5 years	3	2	5	4	3	7
5 to 10 years	3	2	5	4	3	7
Total	**23**	**35**	**58**	**28**	**51**	**79**

39 Contingent liabilities and commitments

	2023 €m	*Restated*[1] 2022 €m
Contingent liabilities and guarantees / letters of credit		
Guarantees and irrevocable letters of credit[1]	901	776
Acceptances and endorsements	4	5
Other contingent liabilities[1]	179	162
	1,084	**943**
Loan commitments		
Documentary credits and short-term trade related transactions	14	24
Undrawn formal standby facilities, credit lines and other commitments to lend	17,908	16,252
Revocable or irrevocable with original maturity of 1 year or less	*9,727*	*8,805*
Irrevocable with original maturity of over 1 year	*8,181*	*7,447*
	17,922	**16,276**
Capital commitments	**209**	**252**

[1] *Comparative figures have been restated for contingent liabilities by €171 million from €772 million to €943 million to adjust for amounts which were incorrectly excluded in 2022.*

The table above 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 €61 million (2022: €55 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 40.

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.

39 Contingent liabilities and commitments *(continued)*

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 and the appropriateness and completeness of reporting in relation to the Central Credit Register (CCR) requirements in Ireland. It is not currently practicable to estimate the amount or timing of any impact from these reviews.

Additionally, the Group's UK motor finance business, similar to industry peers, continues to receive, and is reviewing, a number of complaints and court claims in relation to its historical commission arrangements, some of which are with the Financial Ombudsman Service (FOS). There is significant uncertainty around the scope and / or nature of these issues, related complaints and of any remediation, if required, given the challenges to the interpretation and / or validity of complaints and the associated regulatory requirements.

The FOS has found in favour of complainants in two decisions in January 2024 relating to other lenders. The FCA notes that this is likely to prompt a significant increase in complaints from consumers to firms and the FOS. Hence, the FCA are using their powers under s166 of the Financial Services and Markets Act 2000 to review historical motor finance commission arrangements and sales across several firms. The FCA have stated that if they find there has been widespread misconduct and customer harm, they will identify how best to remediate consumers through an appropriate settlement arrangement in an orderly, consistent and efficient way and, if necessary, resolve any contested legal issues of general importance.

While it is possible that certain charges may be incurred in relation to existing or future complaints and court claims, it is not considered that a legal or constructive obligation has been incurred in relation to these matters that would require a provision to be recognised at this stage. Furthermore, given the inherent uncertainties relating to the scope and timing of any possible outflow, it is not currently practicable to estimate the extent of any potential financial impact.

Loan commitments

In 2022, as part of the KBCI portfolio acquisition 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 2023, €571 million remains available to the lenders (2022: €821 million).

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 €181 million of undrawn loan commitments to the Group's joint ventures (2022: €187 million). Details of the Group's acquisition of Davy are set out in note 49.

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 the Group to enter into commitments in relation to meeting any future capital calls as investments are made. The total of such commitments at 31 December 2023 was €209 million (2022: €252 million). 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 2023 was €55 million (2022: €54 million). At 31 December 2023, there were no unpaid cash calls in respect of third-party investment providers (2022: €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 and settlement risk are applied.

40 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.

	2023		Restated[1] 2022	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 39)	17,922	57	16,276	49
Guarantees and irrevocable letters of credit[1] (note 39)	901	4	776	6
	18,823	**61**	**17,052**	**55**
Loss allowance of which are:				
Stage 1		25		22
Stage 2		29		19
Stage 3		7		14
		61		**55**

[1] *Comparative figures have been restated by €181 million for Guarantees and irrevocable letters of credit from €595 million to €776 million to adjust for letters of credit which were incorrectly excluded in 2022.*

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.

2023 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	4,676	29%	60	4%	4,736	27%	312	39%	4	4%	316	35%
5-7	8,116	50%	993	58%	9,109	51%	476	60%	47	51%	523	59%
8-9	3,156	20%	453	27%	3,609	20%	9	1%	23	25%	32	4%
10-11	128	1%	193	11%	321	2%	–	–	18	20%	18	2%
Total	**16,076**	**100%**	**1,699**	**100%**	**17,775**	**100%**	**797**	**100%**	**92**	**100%**	**889**	**100%**

At 31 December 2023, credit-impaired loan commitments are €147 million (2022: €190 million) while credit-impaired guarantees and irrevocable letters of credit are €12 million (2022: €15 million).

Restated[1] **2022 Loan commitments and financial guarantees - Contract amount**	**Loan commitments**						**Guarantees and irrevocable letters of credit[1]**					
	Stage 1		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
PD Grade												
1-4[1]	5,739	38%	673	58%	6,412	40%	267	38%	19	35%	286	37%
5-7[1]	6,756	46%	156	13%	6,912	43%	435	61%	4	8%	439	58%
8-9	2,298	15%	279	24%	2,577	16%	4	1%	16	30%	20	3%
10-11[1]	124	1%	61	5%	185	1%	2	–	14	27%	16	2%
Total	**14,917**	**100%**	**1,169**	**100%**	**16,086**	**100%**	**708**	**100%**	**53**	**100%**	**761**	**100%**

[1] *Comparative figures have been restated by €181 million for Guarantees and irrevocable letters of credit from €580 million to €761 million to adjust for Stage 1 letters of credit which were incorrectly excluded in 2022.*

41 Retirement benefit obligations

The Group sponsors a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement, the Group has been advised by independent actuaries, which in the case of the majority of the Group's schemes is Willis Towers Watson.

The most significant defined benefit scheme in the Group is the BSPF which accounts for c.74% of the total liabilities across all Group sponsored defined benefit schemes at 31 December 2023. 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 a scheme has sufficient funds to provide a minimum level of benefits in a wind-up scenario. If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS by a specified future point in time.

The responsibilities of the Trustees and the regulatory framework, are broadly similar for the Group's other defined benefit schemes and take account of pension regulations in each specific jurisdiction. The Group works closely with the Trustees of each scheme to manage the plans.

The nature of the relationship between the Group and the Trustees is governed by local regulations and practice in each country and by the respective legal documents underpinning each plan.

IAS 19 - Financial Assumptions

The significant financial assumptions used in measuring the Group's defined benefit obligations under IAS 19 are set out in the following table.

Financial assumptions	2023 % p.a.	2022 % p.a.
Irish schemes		
Discount rate	3.40	3.60
Inflation rate	2.30	2.60
Rate of general increase in salaries	2.80	3.10
Rate of increase in pensions in payment[1]	1.38	1.57
Rate of increase to deferred pensions	2.20	2.45
UK schemes		
Discount rate	4.75	5.00
Consumer Price Inflation	2.55	2.70
Retail Price Inflation	3.15	3.30
Rate of general increase in salaries	3.65	3.80
Rate of increase in pensions in payment[1]	2.05	2.13
Rate of increase to deferred pensions	2.55	2.70

[1] *Weighted average increase across all Group schemes in the relevant jurisdiction.*

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, as part of the actuarial valuation at 31 December 2021, it was agreed that if certain circumstances were met, an interim contribution calculation would take place each 1 October to determine the future service contribution for the following calendar year. At 1 October 2022, these circumstances were met as there was a substantial change in the long term (e.g. 20 year term) euro yields after allowing for inflation, over the agreed period. The interim contribution calculation resulted in a future service contribution of €44 million applicable for 2023 (decreased from €52 million for 2022).

41 Retirement benefit obligations *(continued)*

Since late 2022, there has been a substantial change to the BSPF's investment strategy and the interim contribution calculation for future service for calendar year 2024 therefore applied at 1 October 2023. The calculation completed by the scheme actuary resulted in a future service contribution of €44 million for 2024 (in line with the contribution applicable for 2023).

The Trustees agreed to enter into an Escrow Agreement with the Group, whereby future service contributions for the period from 1 October 2022 to 30 September 2025 are paid into an Escrow Account. 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.

At 31 December 2023, the Escrow Account is included within other assets. See note 32, Other assets for further detail.

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.

Plan details

The table below 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 %
Deferred members	7,636	28 %
Pensioner members	5,891	45 %
Total	**16,703**	**100 %**

Negative Past Service Cost

Following a review of the Life Balance defined benefit pension scheme, effective from 1 April 2023, discretionary increases to members' defined benefits ceased and an annual contribution to members' defined contribution plans became effective. This resulted in a negative past service cost of €17 million being recognised in 2023. During 2023 and 2022, negative past service cost of €1 million arising from the Group's restructuring programme was also 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.

The assumption for RoI price inflation is set by reference to the Eurozone Harmonised Index of Consumer Prices (HICP) inflation swap curve, as the HICP inflation swap curve is aligned to the duration of the Group's RoI plans liabilities.

The assumptions for UK price inflation are determined with reference to the Group's independent actuary's standard cash flow matching inflation assumption methodology, except for UK Consumer Price Index (CPI) inflation, which is set by reference to retail price index (RPI) inflation, with an adjustment applied, as there are insufficient CPI-linked bonds from which to derive an assumption.

The salary assumption takes into account inflation, promotion and current employment markets relevant to the Group. Other financial assumptions are reviewed in line with changing market conditions to determine best estimate assumptions. Demographic assumptions are reviewed periodically in line with the actual experience of the Group's schemes.

Mortality assumptions

The mortality assumptions adopted for Irish pension arrangements reflect both a base table and projected table developed from various Society of Actuaries in Ireland mortality investigations that are considered a best fit for the Group's expected future mortality experience.

Mortality assumptions	2023 years	2022 years
Longevity at age 70 for current pensioners		
Males	18.5	18.4
Females	19.9	19.8
Longevity at age 60 for active members currently aged 60 years		
Males	28.0	27.9
Females	29.7	29.6
Longevity at age 60 for active members currently aged 40 years		
Males	30.2	30.1
Females	31.6	31.6

41 Retirement benefit obligations *(continued)*

Amounts recognised in financial statements

The table below outlines where the Group's defined benefit plans are recognised in the financial statements. The UK Pension Plans include a portion of the BSPF which relates to UK members.

	2023			*Restated*[1] 2022		
	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[1]	(13)	(4)	(17)	(44)	(10)	(54)
Insurance service expenses[1]	(3)	–	(3)	(5)	–	(5)
Cost of restructuring programme	1	–	1	1	–	1
Statement of OCI						
Impact of remeasurement	(25)	(10)	(35)	165	(81)	84
Balance sheet obligations	**558**	**124**	**682**	**571**	**129**	**700**
This is shown on the balance sheet as:						
Retirement benefit asset			692			736
Retirement benefit obligation			(10)			(36)
Total net asset			**682**			**700**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

41 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:

	2023			*Restated*[1] 2022		
	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**
Balance at 1 January	**(6,206)**	**6,906**	**700**	**(9,004)**	**9,602**	**598**
Income statement	(273)	254	(19)	(243)	185	(58)
Current service cost	*(64)*	*–*	*(64)*	*(85)*	*–*	*(85)*
Negative past service cost	*18*	*–*	*18*	*1*	*–*	*1*
Interest (expense) / income	*(227)*	*254*	*27*	*(159)*	*185*	*26*
Return on plan assets not included in income statement	–	117	117	–	(2,601)	(2,601)
Changes in demographic assumptions	(15)	–	(15)	49	–	49
Changes in financial assumptions	(21)	–	(21)	2,795	–	2,795
Experience losses	(112)	–	(112)	(163)	–	(163)
Employer contributions	–	36	36	–	76	76
Deficit reducing	–	*4*	*4*	–	*4*	*4*
Other	–	*32*	*32*	–	*72*	*72*
Employee contributions	(7)	7	–	(7)	7	–
Benefit payments	241	(241)	–	298	(298)	–
Changes in exchange rates	(21)	17	(4)	69	(65)	4
Balance at 31 December	**(6,414)**	**7,096**	**682**	**(6,206)**	**6,906**	**700**
The above amounts are recognised in the financial statements as follows: (charge) / credit						
Other operating expenses[1]	(271)	254	(17)	(239)	185	(54)
Insurance service expenses[1]	(3)	–	(3)	(5)	–	(5)
Cost of restructuring programme	1	–	1	1	–	1
Total amount recognised in income statement	**(273)**	**254**	**(19)**	**(243)**	**185**	**(58)**
Return on plan assets not included in income statement	–	117	117	–	(2,601)	(2,601)
Changes in demographic assumptions	(15)	–	(15)	49	–	49
Changes in financial assumptions	(21)	–	(21)	2,795	–	2,795
Experience losses	(112)	–	(112)	(163)	–	(163)
Changes in exchange rates	(21)	17	(4)	69	(65)	4
Total remeasurements in OCI	**(169)**	**134**	**(35)**	**2,750**	**(2,666)**	**84**
Total negative past service cost comprises						
Cost of restructuring programme	1	–	1	1	–	1
Other operating expenses	17	–	17	–	–	–
Total	**18**	**–**	**18**	**1**	**–**	**1**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

41 Retirement benefit obligations *(continued)*

The retirement benefit schemes' assets include one property occupied by Group companies to the value of €27 million (2022: €31 million).

Sensitivity of defined benefit obligation to key assumptions

This table sets out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible at the reporting date.

While the defined benefit obligation sensitivity table shows the estimated impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Some of the reasonably possible changes in defined benefit obligation assumptions may have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

The table on the following page sets out the estimated sensitivity of plan assets to changes in equity markets, interest rates and inflation rates.

The sensitivity analysis is prepared by the independent actuaries calculating the defined benefit obligation under the alternative assumptions and the fair value of plan assets using alternative asset prices.

Future cash flows

The plans' liabilities represent a long-term obligation and most of the payments due under the plans will occur several decades into the future.

The duration or average term to payment for the benefits due, weighted by liability, is c.17.5 years (2022: c.18 years) for the Irish plans and c.15 years (2022: c.16 years) for the UK plans.

Expected employer contributions for 2024 are €33 million.

Expected employee contributions for 2024 are €7 million.

Risks and risk management

The Group's defined benefit pension plans have a number of areas of risk.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Changes in bond yields, interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. As part of its risk management, the largest Group sponsored pension scheme, the BSPF has invested 50% of its assets in a Liability Driven Investment (LDI) approach to help manage its interest rate and inflation risk, in addition to a further 11% in a complementary cashflow matching portfolio of high quality bonds.

Asset breakdown	**2023 €m**	**2022 €m**
Liability Driven Investment (unquoted)	3,789	2,973
Property and infrastructure (unquoted)	820	1,053
Private equities (unquoted)	566	578
Cash and Other (quoted)	512	930
Equities (quoted)	439	335
Reinsurance (unquoted)	349	301
Hedge funds (unquoted)	305	354
Government bonds (quoted)	138	139
Corporate bonds (quoted)	92	217
Property and infrastructure (quoted)	86	26
Total fair value of assets	**7,096**	**6,906**

Impact on defined benefit obligations	**Increase / (decrease) 2023 €m**	**Increase / (decrease) 2022 €m**
RoI schemes		
Discount rate		
Increase of 0.25%	(214)	(212)
Decrease of 0.25%	228	226
Inflation rate		
Increase of 0.10%	57	57
Decrease of 0.10%	(56)	(56)
Salary growth		
Increase of 0.10%	17	17
Decrease of 0.10%	(17)	(17)
Life expectancy		
Increase of 1 year	153	146
Decrease of 1 year	(153)	(146)
UK schemes		
Discount rate		
Increase of 0.25%	(40)	(39)
Decrease of 0.25%	43	41
RPI inflation		
Increase of 0.10%	9	9
Decrease of 0.10%	(9)	(9)
Salary growth		
Increase of 0.10%	2	2
Decrease of 0.10%	(2)	(2)
Life expectancy		
Increase of 1 year	28	25
Decrease of 1 year	(29)	(25)

41 Retirement benefit obligations *(continued)*

Impact on plan assets	Increase / (decrease) 2023 €m	Increase / (decrease) 2022 €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%	73	78
Decrease of 5.00%	(73)	(78)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
Increase of 0.25%	(269)	(265)
Decrease of 0.25%	285	281
Sensitivity of liability-matching assets to a 10bps movement in inflation rates		
Increase of 0.10%	70	82
Decrease of 0.10%	(69)	(80)

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 pension plans' 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. To increase the correlation between the asset returns and the liabilities, the pension plans employ Liability Driven Investment ("LDI") strategies that use a range of physical securities and financial derivatives, including government bonds and interest rate and inflation swaps.

During the course of 2023, the BSPF continued the process of de-risking its investment strategy, and implemented further changes to improve the liquidity and diversification characteristics of the portfolio.

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. During 2023, the BSPF introduced a cash flow matching portfolio designed to match some of the shorter-term liabilities directly, with income and capital paid from holding a range of high quality corporate and sovereign bonds. This provides some complementary interest rate hedging to that provided by the dedicated LDI portfolio, and also functions to reduce liquidity risk by ensuring there will be incoming cash flows to meet expected pension payments.

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.

42 Subordinated liabilities

	Note	2023 €m	2022 €m
Dated loan capital			
Bank of Ireland Group plc			
€500 million 6.750% Fixed Rate Reset Callable Subordinated Notes due 2033	(a)	502	485
€500 million 1.375% Fixed Rate Reset Callable Subordinated Notes due 2031	(b)	466	443
£300 million 7.594% Fixed Rate Reset Callable Subordinated Notes due 2032	(c)	342	326
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes due 2029	(d)	290	280
		1,600	**1,534**
Undated loan capital			
The Governor and Company of the Bank of Ireland			
£75 million 13.375% Perpetual Subordinated Bonds	(e)	–	85
Bristol & West plc			
£32.6 million 8.125% Non-Cumulative Preference Shares	(f)	–	37
		–	**122**
Total subordinated liabilities		**1,600**	**1,656**

Dated loan capital - principal terms and conditions

Dated loan capital instruments, constitute unsecured obligations of the Group subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Group and rank pari passu without any preference among themselves.

The table above provides a description of the dated loan capital, including the currency of the issue; if the issue is fixed, floating or a combination of both; and maturity. All of the dated notes in issue in 2023 were issued under the Group's Euro Note Programme.

a. **€500 million 6.750% Fixed Rate Reset Callable Subordinated Notes due 2033**
On 1 December 2022, the Company 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 6.750%.

b. **€500 million 1.375% Fixed Rate Reset Callable Subordinated Notes due 2031**
On 11 May 2021, the Company issued a €500 million 10.25 year (callable between 11 May 2026 and 11 August 2026) 'Green' Tier 2 capital instrument. The bond carries a coupon of 1.375%.

c. **£300 million 7.594% Fixed Rate Reset Callable Subordinated Notes due 2032**
On 6 September 2022, the Company 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 7.594%.

d. **€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes due 2029**
On 14 October 2019, the Company issued a €300 million 10 year (callable at the end of year five) Tier 2 capital instrument. The bond carries a coupon of 2.375%.

These instruments are loss absorbing at the point of non-viability under the EU (Bank Recovery and Resolution) Regulations 2015, as amended and Noteholders acknowledge that the notes may be subject to the exercise of Irish statutory loss absorption powers by the relevant resolution authority. Redemption in whole but not in part is at the option of the Company upon (i) regulatory reasons (capital event), or (ii) tax reasons (additional amounts payable on the notes). Any redemptions 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 / such other laws and regulations which are applicable to the Company.

Undated loan capital - principal terms and conditions

e. **The 13.375% Perpetual Subordinated Bonds** were fully redeemed in August 2023 for a redemption consideration plus voting fee of €102 million as part of the Group's strategy to retire a number of its legacy instruments.

f. **The 8.125% Non-Cumulative Preference Shares** were delisted from the FCA Official List on 27 December 2023 and the London Stock Exchange (LSE) cancelled the admission of trading of the shares on the Main Market for listed securities on the LSE. On the same date, Bristol & West Plc (B&W) entered a members' voluntary liquidation (MVL). No more dividends will be paid on the preference shares.

As part of the Group's strategy to retire the legacy instruments, the Group invited holders to tender any and all of their 32,593,734 preference shares during 2023. At the time of the MVL, the Group held 18,688,138 shares (57.34%) of the B&W preference stock which the Group acquired during the year for a consideration of €26 million. At 31 December 2023, the liquidation distribution surplus and unclaimed dividends payable by the Group to the external holders of the B&W preference shares who did not complete the registration process amounted to €21 million and are included in note 36 Other Liabilities.

A loss of c.€22 million was incurred in connection with the liability management exercises, which is recognised in Other operating income, note 9.

43 Share capital

Ordinary shares

All of the company's issued share capital comprising 1,056,636,305 ordinary shares of €1.00 each are listed on the Irish Stock Exchange trading as Euronext Dublin and the London Stock Exchange. All ordinary shares carry the same voting rights.

There were no outstanding options on ordinary shares under employee schemes at 31 December 2023 or 2022.

At 31 December 2023, NIAC plc held 797,735 ordinary shares of BoIG plc as 'treasury shares' (2022: 1,270,095). The consideration paid for these shares amounted to €7 million (2022: €10 million).

Share buyback

In 2023, the Group completed the purchase of the €125 million share buyback programme whereby the Group repurchased 13.69 million shares for cancellation, c.1.3% of the count outstanding at 1 January 2023, at a weighted average price of €9.131 per share.

Authorised	2023 €m	2022 €m
Bank of Ireland Group plc		
10 billion ordinary shares of €1.00 each	10,000	10,000
100 million preference shares of €0.10 each	10	10

Allotted and fully paid	2023 €m	2022 €m
Bank of Ireland Group plc		
1,056 million ordinary shares of €1.00 each (2022: 1,069 million units)	1,056	1,069
0.8 million treasury shares of €1.00 each (2022: 1.3 million units)	1	1
	1,057	**1,070**

	2023		2022	
Movement in ordinary and treasury shares	**Ordinary shares**	**Treasury shares**	**Ordinary shares**	**Treasury shares**
At the beginning of the year	1,069,056,556	1,270,095	1,075,587,020	3,235,852
Change in treasury shares held	472,360	(472,360)	1,965,757	(1,965,757)
Share buyback - repurchase of shares	(13,690,346)	13,690,346	(8,496,221)	8,496,221
Share buyback - cancellation of shares	–	(13,690,346)	–	(8,496,221)
At end of year	**1,055,838,570**	**797,735**	**1,069,056,556**	**1,270,095**

44 Other equity instruments - Additional tier 1

In May and September 2020, BoIG issued Additional tier 1 (AT1) securities with a par value of €675 million and €300 million respectively at an issue price of 100%.

The principal terms of the AT1 securities are as follows:

- the securities constitute direct, unsecured, unguaranteed and subordinated obligations of BoIG, rank behind Tier 2 instruments and preference shareholders and in priority to ordinary shareholders;
- the securities have no fixed redemption date, and the security holders will have no right to require BoIG to redeem or purchase the securities at any time;
- BoIG may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities at any time from and including the first call date (19 May 2025 for the €675 million issue and 1 September 2025 for the €300 million issue) to and including the first reset date (19 November 2025 for the €675 million issue and 1 March 2026 for the €300 million issue), or semi-annually on any interest payment date thereafter;
- the €675 million securities bear a fixed rate of interest of 7.5% until the first reset date (19 November 2025), while the €300 million issue bear a fixed rate of interest of 6.0% until its first reset date (1 March 2026). After the initial reset date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;
- BoIG may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date for either set of securities;
- both sets of securities will be written down and any unpaid interest will be cancelled if BoIG's CET1 ratio falls below 7%; and
- subsequent to any write-down event BoIG may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

	2023 €m	2022 €m
Balance at 1 January and 31 December	**966**	**966**

45 Non-controlling interests

Preference stock

The preference stock and related stock premium of the Bank are classified as non-controlling interests (NCI), to the extent they are not attributable to the owners of the parent BoIG plc.

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances. Such circumstances did arise during 2023 when the Bank proposed resolutions to convert the preference stock into redeemable stock units and to amend the Bye-Laws to provide for the redemption of the preference stock which had been converted. An Extraordinary General Court (EGC) was held on 24 November 2023, along with class meetings of holders of each of the euro preference stock and the sterling preference stock, to vote on the resolutions. The preference stockholders were entitled to vote at that EGC. The resolutions were passed at the EGC and the class meetings. Euro preference stock held by holders who objected to conversion was not converted or redeemed and remains outstanding.

As a result, all of the sterling preference stock (1,876,090 units) were converted to redeemable preference stock and subsequently fully redeemed on 11 December 2023. As at 31 December 2022, 1,876,090 units of sterling preference stock were in issue, of which 32,735 units were held by a subsidiary of the Group and were eliminated from the prior year's consolidated balance of NCI.

At 31 December 2022, there were 3,026,598 units of euro preference stock in issue (of which 34,966 units were held by subsidiaries of the Group and were eliminated from the prior year's consolidated balance of NCI). 802,695 units were converted to redeemable preference stock and subsequently redeemed. Of the remaining 2,223,903 units in issue, 1,992,580 units were held by a subsidiary of the Group and are eliminated on Group consolidation from NCI, leaving 231,323 units of stock outstanding as NCI at 31 December 2023. The total consideration paid for the euro and sterling preference stocks that were either acquired or redeemed by the Group amounted to €104 million.

	2023 €m	2022 €m
Balance at 1 January	**67**	**68**
Profit attributable to NCI	6	8
Dividends paid to NCI	(6)	(8)
Repurchase / redemption of preference stock	(64)	–
Preference stock eliminated on acquisition of Davy	–	(1)
Balance at 31 December	**3**	**67**

The outstanding euro 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 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.

46 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 25 on page 279.

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 2023 was €904 million (2022: €948 million).

Cash and cash equivalents of €33.7 billion decreased by €6.2 billion since 31 December 2022 primarily due to the loan and deposit acquisitions from KBCI of c.€6.5 billion, lower customer deposit volumes of c.€1.1 billion (constant currency basis excluding the KBCI deposit acquisition), net bond purchases / maturities of €0.6 billion, partially offset by higher wholesale funding volumes of €0.6 billion, lower customer loan volumes of €0.6 billion (constant currency basis excluding the KBCI loan acquisition) and other items of €0.8 billion.

46 Cash and cash equivalents *(continued)*

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2023 €m	2022 €m
Cash and balances at central banks	31,848	36,861
Less impairment loss allowance on cash and balances at central banks	(5)	(6)
Cash and balances at central banks (net of impairment loss allowance)	**31,843**	**36,855**
Loans and advances to banks (with an original maturity of less than 3 months)	1,798	2,987
Cash and cash equivalents at amortised cost	**33,641**	**39,842**
Cash and balances at central banks (net of impairment loss allowance) of which are:		
Republic of Ireland (Central Bank of Ireland)	28,486	33,149
United Kingdom (Bank of England)	2,696	2,587
United States (Federal Reserve)	356	705
Other (cash holdings)	305	414
Total	**31,843**	**36,855**

47 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 42. Interest accrued on subordinated liabilities is included within other liabilities. For more information on lease liabilities, see note 37.

	2023				2022			
	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m
Balance at 1 January	**1,656**	**51**	**423**	**–**	**1,981**	**47**	**452**	**–**
Cash flows	(128)	(99)	(44)	(11)	(248)	(80)	(53)	(12)
Proceeds from issue of subordinated liabilities	*–*	*–*	*–*	*–*	*843*	*–*	*–*	*–*
Liability management exercises on subordinated liabilities	*(128)*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Redemptions of subordinated liabilities	*–*	*–*	*–*	*–*	*(1,091)*	*–*	*–*	*–*
Interest paid on subordinated liabilities	*–*	*(99)*	*–*	*–*	*–*	*(80)*	*–*	*–*
Payment of lease liability	*–*	*–*	*(44)*	*–*	*–*	*–*	*(53)*	*–*
Interest paid on lease liabilities	*–*	*–*	*–*	*(11)*	*–*	*–*	*–*	*(12)*
Non-cash changes	72	82	25	11	(77)	84	24	12
Charge to income statement	*–*	*82*	*–*	*11*	*–*	*84*	*–*	*12*
Exchange adjustments	*16*	*–*	*–*	*–*	*26*	*–*	*(1)*	*–*
Lease liability adjustment	*–*	*–*	*7*	*–*	*–*	*–*	*2*	*–*
Additions to lease liabilities	*–*	*–*	*18*	*–*	*–*	*–*	*20*	*–*
Fair value hedge adjustments	*58*	*–*	*–*	*–*	*(105)*	*–*	*–*	*–*
Other movements	*(2)*	*–*	*–*	*–*	*2*	*–*	*3*	*–*
At end of year	**1,600**	**34**	**404**	**–**	**1,656**	**51**	**423**	**–**

48 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 Company and its subsidiaries in the normal course of business. These include extending secured and unsecured loans, investing in debt securities issued by subsidiaries, taking of deposits and undertaking foreign currency transactions.

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 2023 are set out in note 27.

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 41.

The Group occupies one property owned by the BSPF. At 31 December 2023, the total value of this property was €27 million (2022: €32 million). In 2023, the rental income paid to BSPF was €2 million (2022: €2 million).

Transactions with Directors and Key Management Personnel

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 pages 125 to 133.

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.

Companies Acts disclosure Loans to Directors at 31 December 2023	Balance at 1 January 2023 €'000	Balance at 31 December 2023 €'000	Aggregate maximum amount outstanding during the year ended 31 December 2023 €'000	Repayments during the year ended 31 December 2023 €'000
E Bourke				
Credit card total	**4**	**6**	**8**	**–**
P Kennedy				
Credit card total	**13**	**–**	**14**	**–**
E Fitzpatrick				
Loan total	**26**	**18**	**26**	**8**
M Spain				
Mortgage total	**300**	**277**	**300**	**34**
Directors no longer in office at 31 December 2023				
F Muldoon	5	3	11	–
Total	**5**	**3**	**11**	**–**

48 Related party transactions *(continued)*

G Andrews, I Buchanan, R Goulding, M Greene, M O'Grady, S Pateman and M Sweeney had no loans from the Group in 2023. No advances were made during the year. No amounts were waived during 2023.

None of the loans were credit-impaired at 31 December 2023 or at 31 December 2022. There is no interest which having fallen due on the above loans has not been paid in 2023 (2022: €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 321.

Other than as indicated, all loans to Directors are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected with the Group and of similar financial standing and do not involve more than normal risk of collectability.

Companies Acts disclosure Loans to Directors at 31 December 2022	**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**
E Bourke				
Credit card total	**3**	**4**	**10**	**–**
P Kennedy				
Credit card total	**–**	**13**	**4**	**–**
F Muldoon				
Credit card total	**7**	**5**	**12**	**–**
E Fitzpatrick				
Loan total	**31**	**26**	**31**	**5**
M Spain				
Mortgage 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**

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.

48 Related party transactions *(continued)*

2023 Loans to connected persons on favourable terms	Balance at 31 December 2023 €'000	Maximum amounts outstanding during 2023 €'000	Number of persons at 31 December 2023	Maximum number of persons during 2023
E Bourke	1	3	2	2
M Spain	–	1	1	1

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
E Bourke	1	3	2	2

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.

2023 Connected persons of the following Directors	Balance at 31 December 2023 €'000	Maximum amounts outstanding during 2023 €'000	Number of persons at 31 December 2023	Maximum number of persons during 2023
Persons connected to P Kennedy	1,837	1,936	1	1

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

Key management personnel - loans and deposits (IAS 24)

For the purposes of IAS 24 'Related party disclosures', the Group has 25 KMP (2022: 23) 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:

- Group Secretary and Head of Corporate Governance;
- Chief of Staff and Head of Group Corporate Affairs;
- Interim Chief Executive - Retail UK;
- Chief People Officer;
- Chief Executive - Corporate and Commercial;
- Chief Executive - Retail Ireland
- Group Chief Risk Officer;
- Interim Chief Technology Officer;
- Chief Strategy and Transformation Officer; and,
- Chief Customer 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.

48 Related party transactions *(continued)*

Loans to KMP other than NEDs are made on terms similar to those available to staff generally and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding, in respect of all loans, quasi-loans and credit transactions between the Bank and its KMP, as defined above, together with members of their close families and entities influenced by them are shown in the following table.

IAS 24 Disclosures 2023 Key management personnel	Balance at 1 January 2023 €'000	Balance at 31 December 2023 €'000	Maximum amounts outstanding during 2023 €'000	Total number of relevant KMP at 1 January 2023	Total number of relevant KMP at 31 December 2023
Loans	2,170	1,780	2,171	13	9
Deposits	4,707	4,594	11,324	18	17

IAS 24 Disclosures 2022 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

In the tables above, 'balances' include principal and interest. The 'opening balance' includes balances and transactions with KMPs who retired during 2022 and are not related parties during 2023. 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 KMP is €25,000 (2022: €25,000). The maximum amount outstanding was calculated using the maximum balance on each account. The highest maximum outstanding liability for any member of KMP, close family and entities influenced by them did not exceed €2 million during 2023 (2022: €2 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 2023 (2022: €nil).

In the above IAS 24 disclosures, there was no loan advancements to KMP and close family members of KMP on preferential staff rates (2022: €nil).

None of the loans were credit-impaired at 31 December 2023 or at 31 December 2022. There is no interest which having fallen due on the above loans has not been paid in 2023 (2022: €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.

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.

Remuneration	2023 €'000	2022 €'000
Salaries and other short-term benefits	11,278	9,683
Post employment benefits	640	523
Termination benefits	300	238
Total	**12,218**	**10,444**
Number of KMP	25	23

49 Davy acquisition

The accounting policy for business combinations is set out in note 1. On 1 June 2022, 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.

Davy was 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) is accounted for as consideration and remuneration.

The 25% (€107 million) value is subject to Davy's pre-existing shareholders meeting a number of agreed criteria and refers to deferred payment split as follows:

- €63 million to non-employees which is shown as part of deferred and contingent consideration below; and
- €44 million which is deemed remuneration, payable to certain Davy employees. The portion of deferred remuneration is accrued over a period of two years and will be paid after the completion of this term.

Davy's financial performance for the year ended 31 December 2023 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 was recognised by the Group.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	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 consisted 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 and contingent consideration

The deferred consideration of €37 million was recognised at fair value on acquisition date and subsequently measured at amortised cost. It represents amounts payable to pre-existing shareholders two years after the acquisition date.

The contingent consideration is made up of €32 million relates to a number of items, which depending on future events could result in further payments to the vendors. These amounts were recognised at fair value based on probabilities of expected payments and subsequently measured at fair value through profit or loss. They are payable to pre-existing shareholders of Davy within two years after acquisition date subject to certain criteria being met. At 31 December 2023 the carrying value of the deferred consideration was €37 million (2022: €37 million) and the fair value of the contingent consideration was €33 million (2022: €32 million).

It should be noted that Management has applied judgements and assumptions in determining the fair values of certain items of contingent consideration. The key judgements relate to the probabilities of future specified events such as 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.

Separate transactions

Remuneration expense of €25 million (2022: €11 million) was incurred during 2023, which are recognised as separate transactions. This includes:

- an employee remuneration charge of €4 million (2022: €nil) was recognised in relation to Special Incentive and Retention Plan (SIRP) during 2023. A maximum payment of up to €33 million (subject to certain performance conditions) will vest to certain employees of Davy in H1 2026. These awards are subject to deferral and will be released at relevant dates between H1 2026 and H1 2028; and
- additionally, during 2023, the Group recognised an employee remuneration charge of €21 million (2022: €11 million). This is related to the incurred portion of deferred remuneration noted above and is payable to some employees of Davy on satisfaction of certain conditions.

Goodwill in relation to Davy acquisition

The following table summarises the goodwill on acquisition:

	1 June 2022 €m
Consideration transferred	403
Fair value of identifiable net assets	130
Goodwill arising on acquisition	**273**

Further information on impairment review of goodwill can be found in Critical accounting estimates and judgements (note 2) on page 231.

50 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 €1,614 million at 31 December 2023 (2022: €2,346 million) and have been included in customer accounts (note 34). All other client property whereby Davy acts as the financial intermediary has been excluded from the financial statements.

51 KBCI portfolio acquisition

On 3 February 2023 ('completion date'), control of the assets and liabilities acquired from KBCI transferred to the Group. The total consideration was €6.5 billion.

The Group has applied the optional concentration test under IFRS 3 Business Combinations, which permits a simplified assessment of whether an acquired set of activities and assets are not a business. Applying this test, the Group has concluded that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets and liabilities. The transaction has therefore been treated as an asset acquisition under IFRS 3, and the costs of the acquisition have been allocated to individual assets and liabilities based on their relative fair values, calculated at the date of acquisition in line with the initial measurement requirements of IFRS 9 Financial Instruments.

The Group acquired the performing and non-performing mortgages at 104.3% of nominal value and has included transaction costs and the effects of interest rate movements between the commitment date and date of recognition in the fair value of these assets recognised on the Group balance sheet. The table below shows the nominal value, consideration and fair value based on a balance sheet acquisition date of 3 February 2023.

On completion of the acquisition, the derivative financial instrument recognised in respect of the agreement to acquire the assets and liabilities, the fair value of which was a liability of €247 million at 3 February 2023 (31 December 2022: €275 million), was de-recognised and reflected in the fair value of the assets and liabilities at recognition.

KBCI assets and liabilities acquired at 3 February 2023	**Nominal value €bn**	**Consideration €bn**	**Fair value €bn**
Performing and non-performing mortgages	7.9	8.2	8.1
Performing mortgages	*7.6*	*8.0*	*7.9*
Non-performing mortgages	*0.3*	*0.2*	*0.2*
Commercial and consumer loans	0.1	0.1	0.1
Deposits	(1.8)	(1.8)	(1.8)
Total	**6.2**	**6.5**	**6.4**

52 Principal undertakings

The parent company of the Group is Bank of Ireland Group plc. The principal Group undertakings for 2023 were:

Name	Principal activity	Registered office	Country of Incorporation	Statutory year end
The Governor and Company of the Bank of Ireland	Banking and financial services	2 College Green, Dublin 2, D02 VR66	Ireland	31 December
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	87-89 Pembroke Road, Ballsbridge, Dublin 4, D04 X738	Ireland	31 December
Bank of Ireland Mortgage Bank Unlimited Company	Mortgage lending and mortgage covered securities	2 College Green, Dublin 2, D02 VR66	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 ('FRES') is a subsidiary of First Rate Exchange Services Holdings Limited ('FRESH'), 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 Company 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 business activities are restricted to dealing in and holding Irish residential mortgage assets, engaging in activities connected with the financing and refinancing of such assets, entering into certain hedging contracts and engaging in other activities which are incidental or ancillary to the above activities, and issuing mortgage covered securities for the purpose of financing loans secured on Irish residential property, all in accordance with the Asset Covered Securities Acts 2001 and 2007 of Ireland.

The mortgage covered securities issued by BoIMB can be purchased by Bank of Ireland and other members of the Group or third parties.

In 2023, the total amount of principal outstanding in respect of mortgage covered securities issued was €3.5 billion (2022: €4.0 billion).

In 2023, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €12.9 billion (2022: €9.1 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 2023, BoIMB had no such debt securities in issue (2022: €nil).

J&E Davy Holdings ('Davy')

J&E Davy Holdings was acquired on 1 June 2022 (see note 49).

53 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 BoI (UK) plc and the Group are subject to regulatory limits and approvals agreed with the PRA. Total assets of BoI (UK) plc at 31 December 2023 were €21.7 billion (2022: €21.3 billion) and liabilities were €19.8 billion (2022: €19.4 billion).

The activities of BoIMB are subject to the Asset Covered Securities Act 2001 to 2007 which imposes certain restrictions over the assets of BoIMB. Total assets of BoIMB at 31 December 2023 were €19.5 billion (2022: €20.3 billion) and liabilities were €18.0 billion (2022: €18.8 billion).

The Group's life assurance entity, NIAC, is required to hold shareholder equity that exceeds a solvency capital requirement, see note 18 on page 255 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 2023, the commitments of these undertakings amounted to €524 million (2022: €454 million).

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 3 plc which was issued in November 2023, replacing Bowbell No 2 plc which was called in October 2023) 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. At 31 December 2023 for Bowbell No 3 plc, total assets amounted to €0.4 billion and liabilities amounted to €0.4 billion.

The Group has entered into a number of transactions transferring a portion of credit risk on reference portfolios of financial assets. The funded protection in respect of these transactions is held with Vale Securities Finance DAC (Vale), Vale Securities Finance No.2 DAC (Vale II), Glen Securities Finance DAC (Glen) and Mespil Securities No. 2 DAC (Mespil II).

No assets or liabilities were transferred to Vale, Vale II, 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. Each transaction also includes unfunded protection. The protection provided by Vale matures in 2029, by Vale II in 2032, 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 2023 and 2022 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 2023, €8 million of a loss was transferred (2022: €nil) (see note 15).

53 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 2023.

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 2023 or cumulatively in respect of these entities. Other than disclosed in note 39, 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 2023 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 €14,600 million (2022: €12,832 million). The value included in assets held to cover unit-linked policyholder liabilities is €13,731 million (2022: €12,068 million) and €869 million (2022: €764 million) is held for non-unit linked liabilities (note 20). At 31 December 2023, the total asset value of these unconsolidated structured entities, including the portion in which the Group has no interest, was €37.9 billion (2022: €39.2 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 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 continues to act as servicer of the transferred assets and is in receipt of income from the provision of these services. Under the servicing agreement, the Group is required to make payments to Mulcair 2 if the weighted average variable rate is less than the variable rate floor. During 2023, the total payments were €2 million and at 31 December 2023 the current volume of the loans under management was €263 million (2022: €294 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:

	2023 €m	2022 €m
Fee and commission income	1	1
Total income related to Mulcair 2	**1**	**1**

53 Interests in other entities *(continued)*

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2023 €m	2022 €m
Debt securities at amortised cost	13	15
Total carrying value of assets held related to Mulcair 2	**13**	**15**

The Group's maximum exposure to loss in respect of Mulcair 2 is equal to the balance of the VRR which is €13 million at 31 December 2023 (2022: €15 million). There are no contractual arrangements that require the Group to provide financial support to Mulcair 2. In 2023 and 2022 the Group did not provide financial or other support, nor does it expect or intend to do so.

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 continues to act as servicer of the transferred assets and is in receipt of income from the provision of these services. Under the servicing agreement, the Group is required to make payments to Temple Quay No.1 plc if the weighted average variable rate is less than the variable rate floor. During 2023, the total payments were €nil and at 31 December 2023 the current volume of the loans under management was €440 million (2022: €513 million).

The Group holds 5% of the risks, rewards and cash flows in Temple Quay No.1 plc by way of a 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:

	2023 €m	2022 €m
Fee and commission income	2	–
Total income related to Temple Quay No.1 plc	**2**	**–**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2023 €m	2022 €m
Debt securities at amortised cost	26	26
Total carrying value of assets held related to Temple Quay No.1 plc	**26**	**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 2023 (2022: €26 million). There are no contractual arrangements that require the Group to provide financial support to Temple Quay No. 1 plc. In 2023 and 2022 the Group did not provide financial or other support, nor does it expect or intend to do so.

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 for the year ended 31 December 2023 amounted to €31 million (€18 million from 1 June 2022 to the period ended 31 December 2022) of which €5 million is receivable at 31 December 2023 (2022: €9 million).

At 31 December 2023, the Group also held investments in relation to these entities amounting to €1 million (2022: €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 2023 in respect of these unconsolidated entities is €6 million (2022: €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.

BoIG 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 2023, there were two entities (2022: two). At 31 December 2023, the total gross asset value of these entities was €nil (2022: €nil).

With regard to the above unconsolidated structured entities, they are infrastructure fund managers whose principal activity is managing property investments. In 2023 and 2022, 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 2023 (2022: €nil). The carrying amount of assets and liabilities in relation to these entities in the Group's financial statements is €nil (2022: €nil). The Group's maximum exposure to loss in respect of these unconsolidated entities is €nil (2022: €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.

54 Liquidity risk and profile

The tables below summarise the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in the Wealth and Insurance division) at 31 December 2023 and 31 December 2022 based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The Group's approach to liquidity risk management is set out in section 3.5 of the Risk Management Report.

Unit-linked investment liabilities and unit-linked insurance liabilities with a carrying value of €7,692 million and €15,113 million respectively (2022 restated for IFRS 17: €6,859 million and €13,410 million respectively) are excluded from this analysis as their repayment is linked to the financial assets backing these contracts.

Customer accounts include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'Demand' category in the table below.

The balances 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.

2023 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	88	532	–	–	–	620
Monetary Authorities secured funding	–	65	1,141	1,456	–	2,662
Customer accounts	92,443	4,775	2,418	822	–	100,458
Debt securities in issue	–	75	207	6,853	4,230	11,365
Subordinated liabilities	–	34	40	357	1,997	2,428
Lease liabilities	–	14	43	169	218	444
Contingent liabilities	776	39	115	151	3	1,084
Commitments	16,554	43	911	623	–	18,131
Short positions in trading securities	1	–	–	68	36	105
Total	**109,862**	**5,577**	**4,875**	**10,499**	**6,484**	**137,297**

Restated[1, 2] 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[1]	92,012	4,965	1,404	618	170	99,169
Debt securities in issue	–	78	1,400	6,430	1,715	9,623
Subordinated liabilities	–	8	50	383	2,263	2,704
Lease liabilities	–	15	48	193	247	503
Contingent liabilities[2]	451	31	297	157	7	943
Commitments	15,033	49	554	892	–	16,528
Short positions in trading securities	–	3	–	–	–	3
Total	**107,639**	**5,898**	**3,821**	**11,371**	**4,402**	**133,131**

[1] *The contractual maturity of 'on demand' customer accounts has been restated from €94,836 million to €92,012 million to adjust for a fair value hedge adjustment of €2,824 million which from December 2022 should no longer have been included within customer accounts and is instead included as a separate balance sheet line item.*
[2] *The contractual maturity of contingent liabilities due within '3-12 months' has been restated by €171 million from €126 million to €297 million to adjust for amounts which were incorrectly excluded in 2022.*

54 Liquidity risk and profile *(continued)*

The following tables present the estimated amount and timing of the remaining contractual undiscounted cash flows arising from portfolios of insurance contract liabilities and associated reinsurance contract assets and matched investment assets. Unit-linked contracts payable on demand are €12,501 million (2022: €11,029 million) and do not present a liquidity risk due to backing unit funds.

Liquidity risk is managed through matching assets of varying maturities, sufficient to meet current and near term liabilities and in compliance with all regulatory capital and liquidity requirements.

2023 **Insurance contract cash flows** *(audited)*	**Year 1** **€m**	**Year 2** **€m**	**Year 3** **€m**	**Year 4** **€m**	**Years 5-9** **€m**	**Years 10+** **€m**
Insurance contract liabilities	(121)	(129)	(133)	(142)	(667)	(1,529)
Reinsurance contract assets	75	78	79	80	380	767
Net insurance contract cash flows	**(46)**	**(51)**	**(54)**	**(62)**	**(287)**	**(762)**
Matched assets	80	56	74	73	356	1,012
Net cash flows	**34**	**5**	**20**	**11**	**69**	**250**

2022 **Insurance contract cash flows** *(audited)*	**Year 1** **€m**	**Year 2** **€m**	**Year 3** **€m**	**Year 4** **€m**	**Years 5-9** **€m**	**Years 10+** **€m**
Insurance contract liabilities	(97)	(121)	(126)	(130)	(638)	(1,559)
Reinsurance contract assets	72	77	79	80	385	840
Net insurance contract cash flows	**(25)**	**(44)**	**(47)**	**(50)**	**(253)**	**(719)**
Matched assets	45	73	73	61	333	890
Net cash flows	**20**	**29**	**26**	**11**	**80**	**171**

54 Liquidity risk and profile *(continued)*

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.

2023 **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	–	114	137	3,892	86	4,229
Gross settled derivative liabilities - inflows	–	(98)	(87)	(3,724)	(65)	(3,974)
Gross settled derivative liabilities - net flows	**–**	**16**	**50**	**168**	**21**	**255**
Net settled derivative liabilities	–	375	1,043	2,320	167	3,905
Total derivatives held with hedging intent	**–**	**391**	**1,093**	**2,488**	**188**	**4,160**
Derivative liabilities held with trading intent	670	–	–	–	–	670
Total derivative cash flows	**670**	**391**	**1,093**	**2,488**	**188**	**4,830**

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**

55 Measurement basis of financial assets and financial liabilities

The table below analyses the carrying amounts of the financial assets and financial liabilities by accounting treatment and by balance sheet heading. In the table below 'liabilities to customers under investment contracts' - 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.

	FVTPL		FVOCI			
2023	Mandatorily €m	Designated €m	Debt Instruments €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Total €m
Financial assets						
Cash and balances at central banks	–	–	–	31,843	–	31,843
Items in the course of collection from other banks	–	–	–	126	–	126
Trading securities	72	–	–	–	–	72
Derivative financial instruments	2,003	–	–	–	2,338	4,341
Other financial assets at FVTPL	20,899	–	–	–	–	20,899
Loans and advances to banks	100	–	–	1,807	–	1,907
Debt securities at amortised cost	–	–	–	5,715	–	5,715
Financial assets at FVOCI	–	–	3,968	–	–	3,968
Assets classified as held for sale	–	–	–	–	–	–
Loans and advances to customers	205	–	–	79,524	–	79,729
Interest in associates	–	79	–	–	–	79
Other financial assets	–	–	–	280	–	280
Total financial assets	**23,279**	**79**	**3,968**	**119,295**	**2,338**	**148,959**
Financial liabilities						
Deposits from banks	–	–	–	3,095	–	3,095
Customer accounts	–	230	–	99,953	–	100,183
Items in the course of transmission to other banks	–	–	–	322	–	322
Derivative financial instruments	2,043	–	–	–	2,447	4,490
Debt securities in issue	–	267	–	8,403	–	8,670
Liabilities to customers under investment contracts	–	7,692	–	–	–	7,692
Other financial liabilities	33	–	–	2,342	–	2,375
Lease liabilities	–	–	–	404	–	404
Loss allowance provision on loan commitments and financial guarantees	–	–	–	61	–	61
Short positions in trading securities	105	–	–	–	–	105
Subordinated liabilities	–	–	–	1,600	–	1,600
Total financial liabilities	**2,181**	**8,189**	**–**	**116,180**	**2,447**	**128,997**

55 Measurement basis of financial assets and financial liabilities *(continued)*

Restated[1,2] 2022	FVTPL Mandatorily €m	FVTPL Designated €m	FVOCI Debt Instruments €m	Held at amortised cost €m	Derivatives designated as hedging instruments €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	18,553	–	–	–	–	18,553
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
Assets classified as held for sale	2	–	–	–	–	2
Loans and advances to customers	217	–	–	71,744	–	71,961
Interest in associates	–	65	–	–	–	65
Other financial assets	–	–	–	234	–	234
Total financial assets	**21,750**	**65**	**4,254**	**116,342**	**2,307**	**144,718**
Financial liabilities						
Deposits from banks	–	–	–	3,445	–	3,445
Customer accounts	–	414	–	98,786	–	99,200
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	–	7,524	–	7,774
Liabilities to customers under investment contracts[1]	–	6,859	–	–	–	6,859
Other financial liabilities[1]	32	–	–	2,215	–	2,247
Lease liabilities	–	–	–	423	–	423
Loss allowance provision on loan commitments and financial guarantees	–	–	–	55	–	55
Short positions in trading securities	3	–	–	–	–	3
Subordinated liabilities	–	–	–	1,656	–	1,656
Total financial liabilities	**3,047**	**7,523**	**–**	**114,336**	**3,514**	**128,420**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*
[2] *As a result of IFRS 17, insurance contracts (previously included in the above table) are no longer measured under fair value and are now measured applying IFRS 17. These contracts have been removed from the fair value measurement table. See note 1 for updated accounting policy and note 18 for transitional impact.*

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. For financial assets and financial liabilities which are measured at FVTPL or through OCI, a description of the methods and assumptions used to calculate those fair values are set out in note 56.

	2023		*Restated*[1] 2022	
	Fair values €m	Contractual amount due on maturity €m	Fair values €m	Contractual amount due on maturity €m
Customer accounts	230	242	414	463
Liabilities to customers under investment contracts[1]	7,692	7,692	6,859	6,859
Debt securities in issue	267	288	250	287
Financial liabilities designated at fair value through profit or loss	**8,189**	**8,222**	**7,523**	**7,609**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

56 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.

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 the fair value 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 years.

Loans and advances to customers held at fair value
These consist of assets mandatorily measured at FVTPL, of which €205 million (2022: €217 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.

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 in own 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 inputs may be significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives at 31 December 2023 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.

56 Fair values of assets and liabilities *(continued)*

In addition a small number of derivative financial instruments are valued using significant unobservable inputs other than counterparty credit (level 3 inputs). However, changing one or more assumptions used in the valuation of these derivatives would not have a significant impact as they are entered into to hedge the exposure arising on certain customer accounts (see below), leaving the Group with no net valuation risk due to the unobservable inputs.

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. This agreement was 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 subsequently derecognised when the acquisition completed on 3 February 2023, see note 51 KBCI portfolio acquisition. At 31 December 2022, the derivative was valued using unobservable inputs, in this case, the behavioural maturity and credit quality of the KBCI mortgages (level 3 inputs). Using reasonably possible alternative assumptions for behavioural maturity and credit quality would have resulted in an increase or decrease of up to €25 million in the liability at 31 December 2022. Interest rate swaps, with a fair value of €270 million at 31 December 2022, which were 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 investment contracts
In line with the accounting policy set out in note 1, the fair value of liabilities to customers under unit linked investment 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 €267 million (2022: €250 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 49 for additional information.

56 Fair values of assets and liabilities *(continued)*

Financial assets and liabilities held at amortised cost

For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placings which are held at amortised cost is their carrying amount. The estimated fair value of fixed interest bearing placements which are held at amortised cost is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers held at amortised cost

The fair value of both fixed and variable rate loans and advances to customers held at amortised cost is estimated 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); and recent arm's length transactions in similar assets.

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).

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 risk 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.

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.

Climate change, sustainability, resilience and related ESG risks are increasingly influencing investment approaches as they may affect prospects for rental and capital growth and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk. The valuations monitor market movement and sentiment on ESG and reflect, as appropriate, its effect on the fair value of each property held within the funds.

Property

A revaluation of Group property was carried out at 31 December 2023. 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 valuers arrive at their valuation by using their professional judgement in applying market comparable methods of valuation such as the utilisation of comparable market rental values and rental yields. Other considerations taken into account include the individual property profile, lot size, layout and presentation of accommodation. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

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.

56 Fair values of assets and liabilities *(continued)*

	2023				*Restated*[1] 2022			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value								
Trading securities	72	–	–	72	–	–	–	–
Derivative financial instruments	4	4,317	20	4,341	10	5,115	13	5,138
Other financial assets at FVTPL	20,349	190	360	20,899	17,980	214	359	18,553
Loans and advances to banks	–	100	–	100	–	147	–	147
Financial assets at FVOCI	3,968	–	–	3,968	4,254	–	–	4,254
Loans and advances to customers	–	–	205	205	–	–	217	217
Interest in associates	–	–	79	79	–	–	65	65
Non-financial assets held at fair value								
Investment property	–	–	793	793	–	–	883	883
Property held at fair value	–	–	134	134	–	–	161	161
	24,393	**4,607**	**1,591**	**30,591**	**22,244**	**5,476**	**1,698**	**29,418**
Financial liabilities held at fair value								
Customer accounts	–	230	–	230	–	397	17	414
Derivative financial instruments	4	4,469	17	4,490	10	6,224	292	6,526
Debt securities in issue	–	267	–	267	–	250	–	250
Liabilities to customers under investment contracts[1]	–	7,692	–	7,692	–	6,859	–	6,859
Short positions in trading securities	105	–	–	105	3	–	–	3
Other liabilities[2]	–	–	33	33	–	–	32	32
	109	**12,658**	**50**	**12,817**	**13**	**13,730**	**341**	**14,084**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	95	1,712	–	1,807	60	2,837	–	2,897
Debt securities at amortised cost	5,717	33	7	5,757	4,487	42	7	4,536
Loans and advances to customers	2	1	80,124	80,127	6	5	70,043	70,054
Fair value of financial liabilities held at amortised cost								
Deposits from banks	–	3,095	–	3,095	–	3,445	–	3,445
Customer accounts	–	99,940	–	99,940	1	98,747	–	98,748
Debt securities in issue	7,418	402	640	8,460	6,731	88	614	7,433
Subordinated liabilities	–	1,662	–	1,662	41	1,533	87	1,661

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*
[2] *In the table above, 'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 49).*

56 Fair values of assets and liabilities *(continued)*

Movements in level 3 assets 2023	Loans advances customers at FVTPL €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Investment property €m	Property held at fair value €m	Total €m
Balance at 1 January 2023	**217**	**359**	**13**	**65**	**883**	**161**	**1,698**
Exchange adjustment	–	–	–	–	5	1	6
Total gains or (losses) in:							
Profit or loss							
Interest income	8	–	–	–	–	–	8
Net trading income	7	5	22	–	–	–	34
Share of results of associates	–	–	–	4	–	–	4
Revaluation	–	–	–	–	(104)	(4)	(108)
Total investment losses	–	(26)	–	–	–	–	(26)
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Additions	–	100	–	13	–	–	113
Disposals	–	(5)	–	(3)	(4)	–	(12)
Redemptions	(27)	(46)	–	–	–	–	(73)
Reclassifications	–	(1)	–	–	13	(16)	(4)
Transfers out of level 3							
from level 3 to level 2	–	(26)	(15)	–	–	–	(41)
Transfers into level 3							
from level 1 to level 3	–	–	–	–	–	–	–
from level 2 to level 3	–	–	–	–	–	–	–
Balance at 31 December 2023	**205**	**360**	**20**	**79**	**793**	**134**	**1,591**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**14**	**(21)**	**18**	**4**	**(101)**	**–**	**(86)**
Net trading income	*6*	*5*	*18*	*–*	*–*	*–*	*29*
Interest income	*8*	*–*	*–*	*–*	*–*	*–*	*8*
Total investment losses	*–*	*(26)*	*–*	*–*	*(65)*	*–*	*(91)*
Share of results of associates	*–*	*–*	*–*	*4*	*–*	*–*	*4*
Other operating income	*–*	*–*	*–*	*–*	*(36)*	*–*	*(36)*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2023. There were no transfers between levels 1 and 2, or from levels 1 and 2 to level 3.

56 Fair values of assets and liabilities *(continued)*

Movements in level 3 assets 2022	Loans advances customers at FVTPL €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Investment property €m	Property held at fair value €m	Total €m
Balance at 1 January 2022	**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
Share of results of associates	–	–	–	8	–	–	8
Revaluation	–	(1)	–	–	(71)	–	(72)
Total investment losses	–	(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
Balance at 31 December 2022	**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	*3*	*11*	*9*	*–*	*–*	*–*	*23*
Interest income	*9*	*–*	*–*	*–*	*–*	*–*	*9*
Share of results of associates	*–*	*–*	*–*	*8*	*–*	*–*	*8*
Other operating income	*–*	*–*	*–*	*–*	*(23)*	*–*	*(23)*
Total investment losses	*–*	*(17)*	*–*	*–*	*(57)*	*–*	*(74)*

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 1 and 2 to level 3 arose as a result of certain material inputs becoming unobservable. There were no transfers between level 1 and 2.

56 Fair values of assets and liabilities *(continued)*

Movements in level 3 liabilities	2023 Customer accounts €m	2023 Derivative financial instruments €m	2023 Other liabilities[1] €m	2023 Total €m	2022 Customer accounts €m	2022 Derivative financial instruments €m	2022 Other liabilities[1] €m	2022 Total €m
Balance at 1 January	**17**	**292**	**32**	**341**	**15**	**60**	**–**	**75**
Exchange adjustment	–	–	–	–	–	(3)	–	(3)
Total (gains) or losses in:								
Profit or loss								
Net trading (income) / expense	3	(19)	–	(16)	–	285	–	285
Interest expense	–	–	1	1	–	–	–	–
Other comprehensive income	**1**	**–**	**–**	**1**	**(1)**	**–**	**–**	**(1)**
Additions	–	–	–	–	17	–	32	49
Disposals	–	–	–	–	–	–	–	–
Reclassification	–	(247)	–	(247)	–	–	–	–
Transfers out of level 3								
from level 3 to level 2	(21)	(11)	–	(32)	(14)	(50)	–	(64)
Transfer into level 3								
From level 2 to level 3	–	2	–	2	–	–	–	–
Balance at 31 December	**–**	**17**	**33**	**50**	**17**	**292**	**32**	**341**
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	–	17	–	17	(2)	291	–	289

[1] *'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 49).*

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 levels 1 and 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 2023 €m	Fair value 2022 €m	Range 2023 %	Range 2022 %
Loans and advances to customers	Discounted Cash Flow	Discount market rate	205	217	4.5% - 7.25%	4.5% - 5.25%
		Collateral charges			0% - 5.6%	0% - 6.7%
Other financial assets at fair value through profit or loss	Discounted Cash Flow	Discount rate	360	359	0% - 15%	0% -15%
	Equity value less discount	Discount			0% - 70%	0% - 50%
	Market comparable property transaction	Yield			2.85% - 12.17%	3.09% - 9.24%
Derivative financial instruments	Discounted Cash Flow / Option Pricing Model	Counterparty credit spread	20	13	0% - 1.45%	0% - 0.7%
		Own credit spread			0.75% - 1.55%	0.87% - 1.75%
Interest in associates	Market comparable companies	Price of recent investment	79	65	–	–
		Earnings multiple				
		Revenue multiple				
Investment property	Market comparable property transaction	Yield	793	883	2.85% - 12.17%	3.09% - 9.24%
Property held at fair value	Market comparable property transaction	Yield	134	161	6.25% - 12.36%	5.60% - 11.89%

56 Fair values of assets and liabilities *(continued)*

Level 3 liabilities	Valuation technique	Unobservable input	Fair Value 2023 €m	Fair Value 2022 €m	Range 2023 %	Range 2022 %
Customer accounts	Discounted cash flow / Option pricing model	Own credit spread	–	17	–	1.87% - 1.96%
Derivative financial instruments	Discounted cash flow / Option pricing model	Counterparty credit spread	17	17	0% - 1.45%	0% - 0.7%
		Own credit spread			0.75% - 1.55%	0.87% - 1.75%
		Maturity profile and credit quality of the KBCI mortgages	–	275	–	–
Other liabilities	Discounted cash flow	Probabilities of set conditions being met	33	32	50% - 100%	50% - 100%

Note: 100 basis points = 1%

Valuation techniques and unobservable inputs

In the tables above:
- discount market rates 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; and
- the Group did not disclose the ranges associated with the behavioural maturity and counterparty credit of the underlying cash flows of the binding commitment to purchase the KBCI mortgages, which had been recognised as a derivative liability in 2022 prior to completion of the acquisition in February 2023. Given the information available and the resulting variability in values, the Group believed disclosure would not provide meaningful information and would have been 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 table below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

Financial instruments	2023 Carrying amount €m	2023 Fair values €m	2022 Carrying amount €m	2022 Fair values €m
Assets				
Loans and advances to banks	1,807	1,807	2,897	2,897
Debt securities at amortised cost	5,715	5,757	4,472	4,536
Loans and advances to customers (including assets held for sale)	79,524	80,127	71,744	70,054
Liabilities				
Deposits from banks	3,095	3,095	3,445	3,445
Customer accounts	99,953	99,940	98,786	98,748
Debt securities in issue	8,403	8,460	7,524	7,433
Subordinated liabilities	1,600	1,662	1,656	1,661

57 Transferred financial assets

Transferred financial assets not derecognised	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
2023					
Securitisation - Loans and receivables					
Residential mortgages book (Bowbell No 3 plc Special Purpose Entity)	437	401	410	403	7
2022					
Securitisation - Loans and receivables					
Residential mortgages book (Bowbell No 2 plc Special Purpose Entity)	126	89	152	89	63

Transferred financial assets not derecognised

The Group has transferred certain financial assets that are not derecognised from the Group's balance sheet. The Group is exposed to substantially all risks and rewards including credit and market risk associated with the transferred assets.

The Group holds interests in a structured entity (Bowbell No 3 plc which was issued in November 2023, replacing Bowbell No 2 plc which was called in October 2023) whose purpose is to acquire mortgage loans and other financial assets and issue mortgage backed securities (note 53).

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.

Transferred financial assets derecognised in full with continuing involvement

Following the termination of the Mulcair Securities DAC securitisation in 2022 and the repayment of the Group's holding of the notes in full, the Group was appointed as servicer to the refinanced securitisation, Mulcair Securities No.3 DAC (Mulcair 3). Under the servicing agreement, the Group is required to make payments to Mulcair 3 if the weighted average variable rate is less than the variable rate floor. During 2023, the total payments made were c.€6 million (2022: c.€1 million) and at 31 December 2023, the volume of loans being serviced was €258 million (2022: €307 million).

The Group has not entered into any other 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 53).

58 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 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.

				Related amounts not set off in the balance sheet		
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**	**Financial instruments €m**	**Cash collateral received €m**	**Net amount €m**
2023						
Derivative financial assets	4,334	–	4,334	(3,928)	(305)	101
Loans and advances to customers	99	(99)	–	–	–	–
Total	**4,433**	**(99)**	**4,334**	**(3,928)**	**(305)**	**101**
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**

Included in the gross amounts of recognised derivative financial assets, are amounts of €3,928 million that do not meet the offsetting criteria (2022: €4,696 million). Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported in deposits from banks.

				Related amounts not set off in the balance sheet		
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**	**Financial instruments €m**	**Cash collateral pledged €m**	**Net amount €m**
2023						
Derivative financial liabilities	4,483	–	4,483	(3,928)	(314)	241
Customer deposits	99	(99)	–	–	–	–
Total	**4,582**	**(99)**	**4,483**	**(3,928)**	**(314)**	**241**
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**

Included in the gross amounts of recognised derivatives financial liabilities are amounts of €3,928 million that do not meet the offsetting criteria (2022: €4,696 million). Cash collateral amounts disclosed reflect the maximum collateral available for offset.

59 Interest rate benchmark reform

In keeping with Benchmarks Regulation and reform, a number of benchmark interest rates have been replaced with alternative or nearly risk free benchmarks. In line with regulatory guidance and now established market practice, Sterling Overnight Index Average (SONIA) has replaced GBP LIBOR, Secured Overnight Financing Rate (SOFR) and regulatory supported TERM SOFR has replaced USD LIBOR, and Euro Short term rate (€STR) has replaced Euro Overnight Index Average (EONIA).

The transition of the Group's exposures to the above benchmark interest rates to the relevant risk free benchmarks has now completed and accordingly the Group wide Benchmark Reform Programme concluded during 2023. The Group will continue to monitor its exposure to other benchmark rates including c.€100m linked to Canadian Dollar Offered Rate (CDOR), the publication of which the Canadian Alternative Reference Rate working group (CARR) has recommended is ceased after June 2024.

60 Post balance sheet events

Proposed distribution

In respect of the 2023 financial year, the Board proposed a distribution of €1,154 million including an ordinary dividend of €634 million, equivalent to 60 cents per share, and representing c.40% of profits after tax subject to ordinary shareholder approval and a share buyback of €520 million which has been approved by the ECB. The ordinary dividend of 60 cents per share will be paid on 11 June 2024 to ordinary shareholders who appear on the Company’s register on 10 May 2024, the record date for the dividend, subject to shareholder approval.

Retained Residential Mortgage-Backed Securitisation

On 29 January 2024, the Group securitised c.€13.4 billion of its Irish residential mortgage portfolio held in two of its subsidiaries, GovCo and BoIMB. The beneficial interest in the mortgages was transferred to a securitisation vehicle, Luna Securities DAC (Luna). In order to fund the acquired mortgages, Luna issued two classes of notes to GovCo. BoIMB was allocated a portion of these notes by GovCo in the same proportion as the securitised mortgages. The transferred mortgages have not been derecognised as the Group retains substantially all the risks and rewards of ownership and continue to be reported in the Group’s financial statements. Luna will be consolidated into the Group’s financial statements in 2024 with all the notes being eliminated on consolidation.

61 Approval of financial statements

The Board of Directors approved the consolidated and Company financial statements on 23 February 2024.

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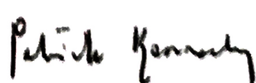
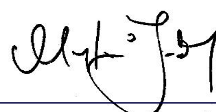
Company balance sheet *(at 31 December 2023)*

	Note	2023 €m	2022 €m
Assets			
Loans and advances to banks	b	8,413	8,452
Shares in Group undertakings	c	8,057	8,010
Other assets	d	174	90
Total assets		**16,644**	**16,552**
Equity and liabilities			
Debt securities in issue	f	6,561	6,208
Subordinated liabilities	e	1,640	1,632
Other liabilities	g	121	62
Current tax liability		–	1
Total liabilities		**8,322**	**7,903**
Equity			
Share capital	h	1,057	1,070
Share premium account		456	456
Retained earnings		5,821	6,148
Other reserves		22	9
Shareholders' equity		**7,356**	**7,683**
Other equity instruments		966	966
Total equity		**8,322**	**8,649**
Total equity and liabilities		**16,644**	**16,552**

The Company recorded a profit after tax of €92 million for the year ended 31 December 2023 (2022: €89 million).


Patrick Kennedy
Chairman

Richard Goulding
Deputy Chair


Myles O'Grady
Group Chief Executive Officer

Sarah McLaughlin
Group Secretary

Company statement of changes in equity *(for the year ended 31 December 2023)*

	2023						2022					
	Share capital €m	Share premium account €m	Retained earnings €m	Other equity instru-ments €m	Other reserves €m	Total €m	Share capital €m	Share premium account €m	Retained earnings €m	Other equity instru-ments €m	Other reserves €m	Total €m
Balance at 1 January	**1,070**	**456**	**6,148**	**966**	**9**	**8,649**	**1,079**	**456**	**6,232**	**966**	**–**	**8,733**
Profit for the year	–	–	92	–	–	92	–	–	89	–	–	89
Total comprehensive income for the year	**–**	**–**	**92**	**–**	**–**	**92**	**–**	**–**	**89**	**–**	**–**	**89**
Transactions with owners												
Distribution on other equity instruments AT1 coupon	–	–	(69)	–	–	(69)	–	–	(69)	–	–	(69)
Dividends on ordinary shares	–	–	(225)	–	–	(225)	–	–	(54)	–	–	(54)
Share buyback - repurchase of shares (note h)	–	–	–	–	(125)	(125)	–	–	–	–	(50)	(50)
Share buyback - cancellation of shares (note h)	(13)	–	(125)	–	138	–	(9)	–	(50)	–	59	–
Total transactions with owners	**(13)**	**–**	**(419)**	**–**	**13**	**(419)**	**(9)**	**–**	**(173)**	**–**	**9**	**(173)**
Balance at 31 December	**1,057**	**456**	**5,821**	**966**	**22**	**8,322**	**1,070**	**456**	**6,148**	**966**	**9**	**8,649**

a Accounting policies and critical accounting estimates and judgements

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

These financial statements are financial statements of the Company only and do not consolidate the results of any subsidiaries.

In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of IFRS as adopted by the EU (but makes amendments where necessary in order to comply with the Companies Act 2014). The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- statement of Cash Flows;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- certain requirements of IAS 1 'Presentation of financial statements';
- disclosures required by IFRS 7 'Financial Instruments: disclosures';
-
- disclosures required by IFRS 13 'Fair value measurement'; and
- the effects of new but not yet effective IFRSs.

The financial statements are presented in euro millions except where otherwise indicated. They have been prepared under the historical cost convention. The accounting policies of the Company are the same as those of the Group which are set out in the Group accounting policies section of the Annual Report on pages 203 to 220, where applicable. The Company's investment in its subsidiary is stated at cost less any impairment.

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

b Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost with the associated impairment loss allowance measured on a 12 month and lifetime ECL approach.

The impairment loss allowance on loans and advances to banks is all held against Stage 1 (not credit-impaired assets) with a PD 1-4.

	2023 €m	2022 €m
Placements with banks	8,416	8,455
Less impairment loss allowance on loans and advances to banks	(3)	(3)
Loans and advances to banks at amortised cost	**8,413**	**8,452**
Amounts include:		
Due from Group undertakings	8,413	8,452

c Shares in Group undertakings

The Company's investment in the Bank is reviewed for impairment if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of the investment to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount. No impairment charge was recognised in 2023 or 2022.

The recoverable amount of the investment is the higher of its fair value less costs to sell and its VIU. The subsidiary's fair value is calculated as the market capitalisation of the BoIG plc less the Company's net assets, excluding the investment in the Bank.

At 31 December 2023, the market capitalisation of BoIG plc less its investment in the subsidiary was €8.4 billion (2022: €8.8 billion). This was above the carrying amount of its investment of €8.0 billion and therefore the investment is not impaired and there is no requirement to estimate VIU.

An investment in Group subsidiary of €47 million was recognised in 2023, when BoIG company acquired Nominee 3 for its carrying value from Bank.

	2023 €m	2022 €m
Balance at 1 January	**8,010**	**8,010**
Investment in Group subsidiary	47	–
Balance at 31 December	**8,057**	**8,010**
Group undertakings of which:		
- Credit Institutions	8,057	8,010

d Other assets

In 2017, the Bank declared and approved a €1 billion dividend payment to BoIG plc. A total of €973 million has been paid to date (€nil in 2023 and 2022), the balance remains outstanding and payable on demand by the company. As the declaration and approval of the dividend is an irrevocable commitment by the Bank, the full amount of the dividend has been accounted for by the Company.

	2023 €m	2022 €m
Dividend receivable from the Bank	27	27
Other assets	147	63
Total	**174**	**90**
Other assets are analysed as follows:		
Within 1 year	174	90
Amounts include:		
Due from Group undertakings	168	90

e Subordinated liabilities

	2023 €m	2022 €m
Dated loan capital		
€500m 1.375% Fixed Rate Reset Callable Subordinated Notes due 2031	499	498
€500 million 6.750% Fixed Rate Reset Callable Subordinated Notes due 2033	497	497
£300 million 7.594% Fixed Rate Reset Callable Subordinated Notes 2032	344	337
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes due 2029	300	300
Total subordinated liabilities	**1,640**	**1,632**

Further details on subordinated liabilities are contained in note 42 to the consolidated financial statements.

f Debt securities in issue

	2023 €m	2022 €m
Bonds and medium term notes	6,561	6,208
Debt securities in issue at amortised cost	**6,561**	**6,208**
Debt securities are analysed as follows:		
Within 1 year	–	1,218
After 1 year	6,561	4,990
	6,561	**6,208**
Balance at 1 January	**6,208**	**4,199**
Issued during the year	2,250	2,001
Redemptions	(1,807)	–
Other movements	(90)	8
Balance at 31 December	**6,561**	**6,208**

g Other liabilities

	2023 €m	2022 €m
Accrued interest payable	110	53
Sundry creditors	11	9
Other liabilities	**121**	**62**
Other liabilities are analysed as follows:		
Within 1 year	118	62
After 1 year	3	–
	121	**62**
Amounts include:		
Due from Group undertakings	11	9

h Share capital

Ordinary shares

All ordinary shares carry the same voting rights.

There were no outstanding options on ordinary shares under employee schemes at 31 December 2023 or 2022.

In 2023, the Group completed the purchase of the €125 million (2022: €50 million) share buyback programme whereby the Group repurchased 13.69 million shares for cancellation, c.1.3% of the count outstanding at 1 January 2023, at a weighted average price of €9.131 per share.

Authorised	2023 €m	2022 €m
10 billion ordinary shares of €1.00 each	10,000	10,000
100 million preference shares of €0.10 each	10	10
Total	**10,010**	**10,010**
Allotted and fully paid		
1,057 million ordinary shares of €1.00 each (2022: 1,070 million ordinary shares)	**1,057**	**1,070**

i Post balance sheet events

Proposed dividend

On 21 February 2024, the Bank declared and approved a €1,154 million dividend, equivalent to c.4 cents per unit of ordinary stock, receivable from GovCo in respect of the year ended 31 December 2023.

j Other information

(i) BoIG plc is incorporated in Ireland as a public limited company with registration number 593672. Its registered office is situated at 2 College Green, Dublin, D02 VR66.

(ii) The Company is domiciled in Ireland.

(iii) Company income statement: In accordance with Section 304 of the Companies Act, the Company is availing of the exemption to not present its individual income statement to the AGM and from filing it with the Registrar of Companies. The Company's profit after tax for the year ended 31 December 2023 determined in accordance with FRS 101 is €92 million (2022: €89 million).

(iv) Information in relation to the Company's principal subsidiaries is contained in note 52 to the consolidated financial statements.

(v) Auditor's Remuneration: In accordance with Section 322 of the Companies Act 2014, the fees payable in the period to the statutory auditor for work engaged by the Company comprised audit fees of €nil (2022: €nil) and other assurance services of €nil (2022: €nil).

(vi) BoIG plc had no employees at any time during the year (2022: no employees).

(vii) Post balance sheet events are shown in note 60 to the consolidated financial statements.

k Directors and secretary

The names of the persons who were Directors or Company Secretary of the Company at any time during the year ended 31 December 2023 and up to the date of the approval of the financial statements are set out in this note.

Directors

Giles Andrews, Akshaya Bhargava, Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Richard Goulding, Michele Greene, Patrick Kennedy, Fiona Muldoon, Myles O'Grady, Steve Pateman, Mark Spain and Margaret Sweeney

Group Secretary

Sarah McLaughlin (returned 13 July 2023)

Interim Company Secretary

Gabrielle Ryan

Other Information

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Consolidated average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for 2023 and 2022. The calculations of average balances can be based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group and are presented on an underlying basis which excludes non-core items (see page 50 for further details). The explanation of the underlying business trends in the Group's NIM is outlined in the OFR.

	2023			2022		
	Average Balance €m	**Interest €m**	**Rate %**	**Average Balance €m**	**Interest €m**	**Rate %**
Assets						
Loans and advances to banks	33,552	1,155	3.44%	39,727	135	0.34%
Loans and advances to customers at amortised cost	79,384	3,276	4.13%	75,538	2,587	3.42%
Debt securities at amortised cost, financial assets at FVOCI and FVTPL	9,390	360	3.83%	11,119	40	0.36%
Total interest earning assets	**122,326**	**4,791**	**3.92%**	**126,384**	**2,762**	**2.19%**
Non interest earning assets	37,755	–	–	36,208	–	–
Total assets	**160,081**	**4,791**	**2.99%**	**162,592**	**2,762**	**1.70%**
Liabilities and shareholders' equity						
Deposits from banks	3,114	143	4.59%	10,868	8	0.07%
Customer accounts	40,676	290	0.71%	39,854	39	0.10%
Debt securities in issue	8,556	471	5.50%	9,592	165	1.72%
Subordinated liabilities	1,711	121	7.07%	1,887	78	4.13%
Lease liabilities	368	11	2.99%	413	12	2.91%
Total interest bearing liabilities	**54,425**	**1,036**	**1.90%**	**62,614**	**302**	**0.48%**
Current accounts	60,213	1	–	55,600	(37)	(0.07%)
Total interest bearing liabilities and current accounts	**114,638**	**1,037**	**0.90%**	**118,214**	**265**	**0.22%**
Other interest expense	–	1	–	–	1	–
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	–	71	–	–	14	–
Non interest bearing liabilities	29,290	–	–	28,454	–	–
Shareholders' equity and non-controlling interests	16,153	–	–	15,924	–	–
Total liabilities and shareholders' equity	**160,081**	**1,109**	**0.69%**	**162,592**	**280**	**0.17%**
Euro and sterling reference rates (average)						
ECB base rate			3.84%			0.61%
3 month Euribor rate			3.43%			0.34%
Bank of England base rate			4.68%			1.46%
Sonia rate			4.61%			1.40%

'Interest' represents underlying interest income or underlying interest expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. Strategic portfolio divestment income of €25 million has been excluded as non-core items in 2023 (2022: €5 million credit to interest income was excluded as non-core items).

In 2023, there was no interest expense arising from assets subject to negative interest rates (2022: €85 million was reclassified to interest income, whereas in the consolidated income statement it is presented as interest expense).

In 2023, there was no interest income arising from liabilities subject to negative interest rates (2022: €148 million was reclassified to interest expense, whereas in the consolidated income statement it is presented as interest income).

Average loans and advances to customers volumes are presented net of Stage 3 impairment loss allowances.

The Group has availed of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. In order that yields on products are presented on a consistent basis year on year and are not impacted by the resulting change in hedge accounting designations, net interest outflows of €837 million (2022: €44 million net interest inflow) on all derivatives designated as fair value hedges of current accounts continue to be presented together with gross interest income on 'Loans and advances to customers' and is not included in 'Customer accounts'.

Shareholder information

Holders of ordinary shares

Listings

BoIG plc is a public limited company incorporated in Ireland in 2016. Its ordinary shares, of nominal value €1.00 per share, have a primary listing on the Euronext Dublin (formerly the Irish Stock Exchange) and a premium listing on the London Stock Exchange.

Registrar

The Company's Registrar is:

Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82
Telephone: + 353 1 247 5414
Facsimile: + 353 1 447 5571 or
Contact via website: www.computershare.com/ie/contact-us.

Shareholders may view their shareholding on Computershare's website at: www.investorcentre.com/ie, by registering their details with Computershare. Once registered, shareholders will be sent a Computershare activation code and will then be able to view and amend their account details using the above link.

Amalgamating your shareholdings

If you receive more than one copy of a shareholder mailing with similar details on your accounts, it may be because the Company has more than one record of shareholdings in your name. To ensure that you do not receive duplicate mailings in future and to reduce the cost and waste associated with this, please have all your shareholdings amalgamated into one account by contacting the Company's Registrar (joint accounts cannot be merged with sole accounts or vice versa).

Shareholder profile	2023 % by value	2022 % by value
Ireland	1%	2%
UK	27%	31%
North America	42%	36%
Europe / other	20%	16%
Retail	10%	15%
Total	**100%**	**100%**

Shareholder enquiries

All enquiries concerning shareholdings should be addressed to the Company's Registrar.

Communication

It is the policy of the Company to communicate with shareholders by electronic means or through the Group's website: www.bankofireland.com, in the interest of protecting the environment. Those shareholders who do not wish to receive documents or information by electronic means may request to receive the relevant information in paper form.

Bank of Ireland website

Further information about the Bank of Ireland Group can be obtained through the Group's website: www.bankofireland.com.

Forward looking statement

This document contains forward-looking statements with respect to certain of Bank of Ireland Group plc (the 'Company' or 'BoIG plc') and its subsidiaries' (collectively the 'Group' or 'BoIG plc Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts.

Generally, but not always, words such as 'may', 'could', 'should', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'assume', 'believe', 'plan', 'seek', 'continue', 'target', 'goal', 'would', or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, 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 and the Israeli-Palestinian conflict particularly on certain of the above issues and generally on the global and domestic economies. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, those as set out in the Risk Management Report. Investors should also read 'Principal Risks and Uncertainties' in this document beginning on page 135.

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.

For further information please contact:

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Group Chief Financial Officer
Email: Mark.Spain@boi.com

Eamonn Hughes
Chief Sustainability & Investor Relations Officer
Email: Eamonn.Hughes@boi.com

Darach O'Leary
Head of Group Investor Relations
Email: Darach.OLeary@boi.com

Damien Garvey
Head of Group External Communications and Public Affairs
Email: Damien.Garvey@boi.com

Other disclosures

TARGET2

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 TARGET2 participant with the CBI; and (ii) certain segregated securities listed in an Eligible Securities Schedule kept by The Governor and Company of the Bank of Ireland for purposes of participating in TARGET2 ((i) and (ii) together the Charged Property) where TARGET2 is a real time gross settlement system for payments in euro with settlement in central bank money.

This Floating Charge contained a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBI, The Governor and Company of the Bank of Ireland shall:

- 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 TARGET2 Ireland with the CBI to restate and modify the terms and conditions applicable to The Governor and Company of the Bank of Ireland’s existing participation in TARGET2 with effect from 14 September 2018.

This Agreement provided that The Governor and Company of the Bank of Ireland would continue to participate in TARGET2 in accordance with the Agreement and the TARGET2 Ireland terms and conditions as published on the CBI’s website 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 TARGET2.

In 2017, the ECB undertook a project to consolidate and optimise TARGET2 and TARGET2-Securities systems, benefiting from state-of-the-art approaches and technological innovation, enabling a decrease in the combined operational cost and enhancing liquidity management across the various services provided to participants. The result of this consolidation project is a new-generation Trans-European Automated Real-time Gross Settlement Express Transfer system settling in euro in central bank money (“TARGET”). The new TARGET component systems constitute the legal successors to the TARGET2 System and provides for the transition of participation in the TARGET2 System to the corresponding TARGET component system. TARGET-Ireland is a component part of the new-generation TARGET system. On account of this new TARGET-Ireland system, on 16 March 2023 The Governor and Company of the Bank of Ireland entered into a new Participation Agreement with the CBI and a first floating charge over all of The Governor and Company of the Bank of Ireland’s right, title, interest and benefit, present and future, in and to 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-Ireland participant with the CBI. As a result of the Bank entering into the 2023 TARGET-Ireland documents the 2008 TARGET2 participation agreement and floating charge were terminated with effect from 20 March 2022.

Alternative performance measures

This section contains further information related to certain measures referred to in the Strategic Report, OFR and Financial Statements.
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 Board and Group Executive Committee and include alternative performance measures as set out below. These performance measures may not be uniformly defined by all companies and accordingly they may not be directly comparable with similarly titled measures and disclosures by other companies. These measures should be considered in conjunction with IFRS measures as set out in the consolidated financial statements from page 194.

Annual Premium Equivalent is a common metric used by insurance companies. The approach taken by insurance companies is to take 100% of regular premiums, being the annual premiums received for a policy, and 10% of single premiums. This assumes that an average life insurance policy lasts 10 years and therefore taking 10% of single premiums annualises the single lump sum payment received over the 10 year duration.

Average cost of funds represents the underlying interest expense recognised on interest bearing liabilities, net of interest on derivatives which are in a hedge relationship with the relevant liability. See pages 51 and 352 for further information.

Calculation	Source	2023 €m	2022 €m
Interest expense	Income statement	2,622	663
Exclude impact of FV hedges of current accounts	Average balance sheet	(837)	44
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 5	(747)	(208)
Exclude other interest expense	Note 5	(1)	(1)
Exclude negative interest on financial assets	Note 5	–	(85)
Include negative interest on financial liabilities	Note 4	–	(148)
Underlying interest expense		**1,037**	**265**
Average interest bearing liabilities	**Average balance sheet**	**114,638**	**118,214**
Average cost of funds %		**(0.90%)**	**(0.22%)**

Business income is net other income before other gains and other valuation items. See page 52 for further details.

Constant currency: to enable a better understanding of performance, certain variances are calculated on a constant currency basis by adjusting for the impact of movements in exchange rates during the year 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.

Dividend per ordinary share is the final dividend issued by the Group in respect of the current year, divided by the number of ordinary shares in issue (excluding treasury shares). The 2023 dividend is proposed, subject to shareholder approval.

Calculation	Source	2023 €m	2022 €m
Final dividend paid in respect of the year ended		634	225
Number of ordinary shares in issue excluding treasury shares (millions)	Note 43	1,056	1,069
Dividend per ordinary share (cent)		**60**	**21**

Alternative performance measures *(continued)*

Growth in customer deposits on a constant currency basis
The Group calculates growth in customer deposits on a constant currency basis. For this calculation the Group applies the prior year end rate in both years so that the impact of movements in FX rates are eliminated.

Calculation	Source	2023 €m	2022 €m
Customer deposits	Note 34	100,183	99,200
Impact of foreign exchange movements		(245)	719
Customer deposits on a constant currency basis		**99,938**	**99,919**
Growth in customer deposits during the year		**738**	**7,145**

Gross yield represents the underlying interest income recognised on interest earning assets, net of interest on derivatives which are in a hedge relationship with the relevant asset. See pages 51 and 352 for further information.

Calculation	Source	2023 €m	2022 €m
Interest income	Income statement	6,329	3,150
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 4	(676)	(194)
Include impact of FV hedges of current accounts	Average balance sheet	(837)	44
Exclude portfolio divestment	Non-core items (OFR)	(25)	–
Exclude negative interest on financial liabilities	Note 4	–	(148)
Include negative interest on financial assets	Note 5	–	(85)
Exclude customer redress charges	Non-core items (OFR)	–	(5)
Underlying interest income		**4,791**	**2,762**
Average interest earning assets	**Average balance sheet**	**122,326**	**126,384**
Average gross yield %		**3.92%**	**2.19%**

Gross yield - customer lending

Calculation	Source	2023 €m	2022 €m
Interest income on loans and advances to customers	Note 4	3,909	2,379
Include impact of FV hedges of current accounts	Average balance sheet	(837)	44
Interest income on finance leases and hire purchase receivables	Note 4	229	169
Exclude portfolio divestments	Non-core items (OFR)	(25)	–
Exclude customer redress charges	Non-core items (OFR)	–	(5)
Underlying interest income on customer lending		**3,276**	**2,587**
Average customer lending assets	**Average balance sheet**	**79,384**	**75,538**
Average gross yield on customer lending %		**4.13%**	**3.42%**

Alternative performance measures *(continued)*

Gross yield - liquid assets

Calculation	Source	2023 €m	2022 €m
Interest income on loans and advances to banks	Note 4	1,155	212
Interest income on debt securities at amortised cost	Note 4	194	18
Interest income on debt securities at FVOCI	Note 4	163	29
Interest on other financial assets at FVTPL	Note 4	3	1
Include negative interest on financial assets	Note 5	–	(85)
Underlying interest income on liquid assets		**1,515**	**175**
Loans and advances to banks	Average balance sheet	33,552	39,727
Debt securities at amortised cost, financial assets FVOCI and FVTPL	Average balance sheet	9,390	11,119
Average interest earning liquid assets		**42,942**	**50,846**
Average gross yield on liquid assets %		**3.53%**	**0.34%**

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).

Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015. Prepared on a regulatory group basis, in accordance with the Capital Requirements Directive (CRD IV), which comprises banking and other relevant financial institutions within the 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.

Loan to deposit ratio is calculated as being net loans and advances to customers divided by customer deposits.

Calculation	Source	2023 €m	2022 €m
Loans and advances to customers	Balance sheet	79,729	71,961
Customer deposits	Balance sheet	100,183	99,200
Loan to Deposit ratio %		**80%**	**73%**

Net Impairment (losses) / gains on loans and advances to customers at amortised cost (basis points) is the net impairment (loss) / gain on loans and advances to customers at amortised cost divided by average gross loans and advances to customers at amortised cost.

Net Impairment (losses) / gains on loans and advances to customers at amortised cost (basis points) excludes non-core.

		Statutory		Underlying	
	Source	2023 €m	2022 €m	2023 €m	2022 €m
Net impairment (losses) / gains on loans & advances to customers at amortised cost	Note 13 / OFR	(419)	(188)	(419)	(188)
Exclude portfolio divestment	Non-core items (OFR)	–	–	22	–
		(419)	**(188)**	**(397)**	**(188)**
Average gross loans and advances to customers		80,761	75,848	80,761	75,848
Net Impairment (losses) / gain on loans and advances to customers at amortised cost (bps)		**(52)**	**(25)**	**(49)**	**(25)**

Alternative performance measures *(continued)*

Net interest margin (NIM) is stated on an underlying basis. See page 51 for further details.

Calculation	Source	2023 €m	2022 €m
Net interest income	Income statement	3,707	2,487
Exclude portfolio divestment income	Non-core items (OFR)	(25)	–
Exclude customer redress gain	Non-core items (OFR)	–	(5)
Underlying net interest income		**3,682**	**2,482**
Average interest earning assets	Average balance sheet	**122,326**	**126,384**
Net interest margin %		**3.01%**	**1.96%**

Net Stable Funding Ratio (NSFR) is prepared on a regulatory group basis, in accordance with the EU Capital Requirement Regulations and Directive, as amended, which requires the maintenance of a NSFR ratio greater than or equal to 100%, effective June 2021. For further information see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.

New lending volumes

- Net new lending volumes represent loans and advances to customers drawn down during the year (including revolving credit facility activity) and portfolio acquisitions, net of repayments and redemptions.
- Gross new lending volumes represent loans and advances to customers drawn down during the period and portfolio acquisitions.

Non-performing exposures (NPEs) 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.

NPE ratio is calculated as NPEs on loans and advances to customers at amortised cost (excluding loans and advances to customers measured at FVTPL) as a percentage of the gross carrying value of loans and advances to customers at amortised cost.

Calculation	Source	2023 €m	2022 €m
Non-performing exposures	Loans and advances to customers (OFR)	2,519	2,617
Loans and advances to customers	Note 24	80,746	73,039
NPE ratio %		**3.1%**	**3.6%**

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.

Alternative performance measures *(continued)*

Return on assets is calculated as being statutory net profit / loss after tax divided by total assets, in line with the requirement in the EU (Capital Requirements) Regulations 2014.

Calculation	Source	2023 €m	*Restated*[1] 2022 €m
Profit for the year	Income statement	1,601	858
Total assets	Balance sheet	155,708	150,689
Return on assets (bps)		**103**	**57**

Return on Tangible Equity (RoTE) is calculated as being profit attributable to ordinary shareholders divided by average shareholders' equity less average intangible assets and goodwill.

Return on Tangible Equity (adjusted) is calculated by adjusting the RoTE to exclude other gains and other valuation items (net of tax). The average shareholders tangible equity is adjusted for pension surplus and a CET1 ratio of 14.0% (2022: 14.0%), reflecting the Group's capital guidance.

	Reported		Adjusted	
	2023 €m	*Restated*[1] 2022 €m	2023 €m	*Restated*[1,2] 2022 €m
Profit for the year attributable to shareholders[1]	1,595	850	1,595	850
Distribution on other equity instruments - AT1 coupon	(69)	(69)	(69)	(69)
Other gains and other valuation items, net of tax[2]	–	–	(40)	(9)
Reported / adjusted profit after tax	**1,526**	**781**	**1,486**	**772**
Shareholders' equity[1]	11,592	10,489	11,592	10,489
Intangible assets and goodwill	(1,408)	(1,276)	(1,408)	(1,276)
Shareholders' tangible equity	**10,184**	**9,213**	**10,184**	**9,213**
Average shareholders' tangible equity[1]	9,847	9,470	9,847	9,470
Adjustment for CET1 ratio at 14.0% (2022: 14.0%)[1]	–	–	(450)	(749)
Adjustment for pension surplus	–	–	(828)	(1,111)
Adjusted Average shareholders tangible equity	**9,847**	**9,470**	**8,569**	**7,610**
Return on Tangible Equity	**15.5%**	**8.2%**	**17.3%**	**10.1%**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.
[2] Comparative figures have been restated to reflect a reallocation of €2 million from Retail Ireland business income to 'other valuation items'.

Alternative performance measures *(continued)*

Statutory cost income ratio is calculated as other operating expenses and cost of restructuring divided by total operating income.

Calculation	Source	2023 €m	*Restated[1]* 2022 €m
Operating expenses[1]	Income statement	2,094	1,940
Cost of restructuring programme	Income statement	20	17
Total operating expenses		**2,114**	**1,957**
Total operating income[1]	Income statement	**4,460**	**3,114**
Statutory cost / income ratio %		**47%**	**63%**

Tangible Net Asset Value (TNAV) per share is calculated as shareholder equity less intangible assets and goodwill divided by the number of ordinary shares in issue, adjusted for treasury shares.

Calculation	Source	2023 €m	*Restated[1]* 2022 €m
Shareholder equity[1]	Balance sheet	11,592	10,489
Less - intangible assets and goodwill	Note 28	(1,408)	(1,276)
Adjust for own shares held for the benefit of life assurance policyholders	Balance sheet	7	10
Tangible net asset value		**10,191**	**9,223**
Number of ordinary shares in issue	Note 43	1,057	1,070
Less - treasury shares held	Note 43	(1)	(1)
		1,056	**1,069**
Tangible net asset value per share (cent)		**965**	**863**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 55 for further information.

Alternative performance measures *(continued)*

Underlying cost income ratio is calculated on an underlying basis (excluding non-core items), as operating expenses excluding levies and regulatory charges divided by operating income, excluding other gains and other valuation items.

Calculation	Source	2023 €m	*Restated*[1,2] 2022 €m
Operating expenses[1]	Income statement	2,094	1,940
Cost of restructuring programme	Income statement	20	17
Total operating expenses		**2,114**	**1,957**
Exclude:			
Levies and regulatory charges[1]	Note 10	(170)	(142)
Acquisitions costs	Non-core items (OFR)	(61)	(54)
Portfolio divestments (operating expenses)	Non-core items (OFR)	(24)	(1)
Cost of restructuring programme	Non-core items (OFR)	(20)	(17)
Other transformation programme costs	Non-core items (OFR)	18	(33)
Customer redress charges	Non-core items (OFR)	–	(34)
Underlying costs		**1,857**	**1,676**
Operating income[1]	Income statement	**4,460**	**3,114**
Exclude:			
Investment valuation movement	Other income (OFR)	(36)	97
Portfolio divestments (operating income)	Non-core items (OFR)	(28)	(2)
Gross up of policyholder tax in the W&I business	Non-core items (OFR)	(26)	2
Liability management exercises	Non-core items (OFR)	22	–
Financial instrument valuation adjustments (CVA, DVA, FVA)	Other income (OFR)	(7)	(6)
Other expenses / (income)	Other income (OFR)	4	(100)
Other valuation items[2]	Other income (OFR)	–	(2)
Investment return on treasury stock held for policyholders	Non-core items (OFR)	–	8
Customer redress charges	Non-core items (OFR)	–	(5)
Underlying income		**4,389**	**3,106**
Underlying cost / income ratio %		**42%**	**54%**

[1] *On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.*
[2] *Comparative figures have been restated to reflect a reallocation of €2 million from Retail Ireland business income to 'other valuation items'.*

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.

Alternative performance measures *(continued)*

Underlying earnings per share is calculated as loss / profit attributable to shareholders adjusted for non-core items, divided by the weighted average number of ordinary shares in issue, adjusted for average treasury shares.

Calculation	Source	2023 €m	*Restated*[1] 2022 €m
Profit attributable to shareholders[1]	Income statement	1,595	850
Non-core items, including tax	Non-core items (OFR)	101	112
Distribution on other equity instruments - AT1 coupon	Note 17	(69)	(69)
Adjustment for redemption of preference stock[2]	Note 17	(40)	–
Underlying profit attributable to ordinary shareholders		**1,587**	**893**
Weighted average number of ordinary shares in issue		1,062	1,073
Average treasury shares held		(1)	(2)
Weighted average number of shares in issue excluding treasury shares	Note 17	**1,061**	**1,071**
Underlying earnings per share (cent)		**149.6**	**83.4**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 18 for transitional impact.
[2] As disclosed in note 45, in 2023 the Group paid consideration of €104 million in respect of the acquisition and redemption of certain Sterling and Euro preference stock of the Governor and Company of the Bank of Ireland. This consideration was in excess of the carrying value (c.€64 million) of the related preference stock, which was presented as non-controlling interest by the Group. Under IAS 33, the difference of €40 million has been reflected in the EPS calculation by reducing the profit attributable to ordinary shareholders of the Group.

Wholesale funding is comprised of deposits by banks (including collateral received) and debt securities in issue.

Abbreviations

1LOD	First Line Of Defence
2LOD	Second Line Of Defence
3LOD	Third Line of Defence
AA	Automobile Association
AGC	Annual General Court
AGM	Annual General Meeting
AIB	Allied Irish Banks Group plc and subsidiaries
ALCO	Group Asset and Liability Committee
AML	Anti-Money Laundering
APE	Annual Premium Equivalent
APMs	Alternative Performance Measures
AT1	Additional tier 1
ATM	Automated Teller Machine
Bank / GovCo	The Governor and Company of the Bank of Ireland
BAU	Business As Usual
BCBS	Basel Committee on Banking Supervision
BEEL	Best Estimate of Expected Loss
BITCI	Business In The Community Ireland
BMR	Benchmark Rate
BoE	Bank of England
BoI	Bank of Ireland
BoIG plc	Bank of Ireland Group plc
BoIGM	Bank of Ireland Global Markets
BoIMB	Bank of Ireland Mortgage Bank
BoI (UK) plc	Bank of Ireland (UK) plc
bps	Basis points
BRC	Board Risk Committee
BRR	Board Risk Report
BRRD	Bank Recovery and Resolution Directive
BSPF	Bank of Ireland Staff Pensions Fund
BTL	Buy to let
B&W	Bristol & West Plc
CARR	Canadian Alternative Reference Rate working group
CB	Corporate Bank
CBI	Central Bank of Ireland
CBR	Combined Buffer Requirement
CCB	Capital Conservation Buffer
CCyB	Countercyclical capital buffer
CDEAs	Cleared Derivatives Execution Agreements
CDOR	Canadian Dollar Offered Rate
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFO	Chief Financial Officer
CGU	Cash generating units
COP	Conference of Parties
CPI	Consumer Price Index
CR	Credit Review
CRD	Capital Requirements Directive (EU)
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAs	Credit Support Annexes
CSIRO	Chief Sustainability and Investor Relations Officer
CSM	Contractual Service Margin
CSO	Central Statistics Office
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit Valuation Adjustment
DAC	Designated Activity Company
DAE	Directly Attributable Expenses
DAFM	Department of Agriculture, Food and the Marine
DB	Defined benefit
DC	Defined contribution
DCF	Discounted Cash Flow
DETE	Department of Enterprise, Trade and Employment
DGFM	Davy Global Fund Management
DGS	Deposit Guarantee Scheme
DMA	Double Materiality Assessment
DTA	Deferred tax asset
DVA	Debit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit losses
EDIS	European Deposit Insurance Scheme
EGM	Extraordinary General Meeting
EIF	European Investment Fund
EIOPA	European Insurance and Occupational Pensions Authority
EONIA	Euro Overnight Index Average
EPC	Energy Performance Certificate
ERC	Executive Risk Committee
ERV	Estimated recovery value
ESEF	European Single Electronic Format
ESG	Environmental, Social and Corporate Governance
ESMA	European Securities and Markets Authority
EU	European Union
EURIBOR	Euro Inter Bank Offered Rate
FCA	Financial Conduct Authority
FCC	Financial Crime Compliance
FCF	Fulfilment Cashflows
FIRB	Foundation Internal Rating Based
FLI	Forward looking information
FRA	Fully Retrospective Approach
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
FSA	Fixed Share Allowance
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
GCA	Gross Carrying Amount
GCIA	Group Chief Internal Auditor

Abbreviations *(continued)*

GCRC	Group Credit Risk Committee
GCTC	Group Credit Transactions Committee
GDP	Gross Domestic Product
GEC	Group Executive Committee
GHG	Greenhouse gas
GIA	Group Internal Audit
GMM	Group Measurement Model
GM&LR	Group Market and Liquidity Risk
GORC	Group Operational Risk Committee
GPS	Group Profit Share
GRC	Group Remuneration Committee
GRCRC	Group Regulatory and Conduct Risk Committee
GSC	Group Sustainability Committee
GTOC	Group Transformation Oversight Committee
I&D	Inclusion and Diversity
IAASA	Irish Auditing Accounting Supervisory Authority
IAS	International Accounting Standard
IBOR	Inter Bank Offered Rate
IBR	Incremental borrowing rate
ICAAP	Internal Capital Adequacy Assessment Process
IFIE	Insurance Finance Income or Expenses
IFRS	International Financial Reporting Standards
ILA	Impairment Loss Allowance
ILAAP	Internal Liquidity Adequacy Assessment Process
INED	Independent Non-Executive Director
IRB	Internal Rating Based
IRO	Impact, Risk and Opportunity
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
ISSB	International Sustainability Standards Board
IT	Information Technology
IVU	Independent Validation Unit
JST	Joint Supervisory Team
KBCI	KBC Bank Ireland
KFH	Key Function Holders
KMP	Key management personnel
KPIs	Key performance indicators
LCR	Liquidity Coverage Ratio
LDI	Liability Driven Investment
LDR	Loan to deposit ratio
LGD	Loss Given Default
LIBOR	London Inter Bank Offered Rate
LIC	Liability for Incurred Claims
LoA	Level of Aggregation
LRC	Liability for remaining coverage
LSE	London Stock Exchange
LTV	Loan to Value
MCEV	Market Consistent Embedded Value
MFS	Minimum Funding Standard
MREL	Minimum Requirement for own Funds and Eligible Liabilities
MRC	Model Risk Committee
MRT	Material Risk Taker
NACE	Nomenclature of Economic Activities
NAMA	National Asset Management Agency
NED	Non-Executive Director
NFRD	Non-Financial Reporting Directive
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NGO	Non-governmental organisation
N&G	Group Nomination and Governance Committee
NI	Northern Ireland
NIAC	New Ireland Assurance Company plc
NIM	Net interest margin
NPEs	Non-performing exposures
NSFR	Net Stable Funding Ratio
NTMA	National Treasury Management Agency
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OKRs	Objective and Key Results
ORSA	Own Risk and Solvency Assessment
O-SII	Other Systemically Important Institutions
OTC	Over the Counter
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PAA	Premium Allocation Approach
PBAF	Partnership of Biodiversity Accounting Financials
PCA	Portfolio Coverage Approach
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of Default
PERC	Private Equity Risk Committee
PMA	Post-Model Adjustment
POCI	Purchased or Originated Credit-impaired financial asset
PRA	Prudential Regulation Authority
RAROC	Risk Adjusted Return on Capital
RCF	Revolving Credit Facility
RCSA	Risk and Control Self Assessment
RFR	Risk free rates
RMC	Risk Measurement Committee
RMF	Risk Management Framework
RNPS	Relationship Net Promoter Score
RNS	Regulatory News Services
RoI	Republic of Ireland
RoTE	Return on Tangible Equity
RoU	Right of Use
RoW	Rest of World
RPI	Retail Price Index
RPPI	Residential Property Price Index
RSB	Responsible and Sustainable Business
RWAs	Risk weighted assets
SBT	Science-Based Target
SBTi	Science-Based Targets initiative
SBCI	Strategic Banking Corporation of Ireland
SCR	Solvency Capital Requirement
SDA	Sector Decarbonisation Approach
SDG	Sustainable Development Goals
SEAI	Sustainable Energy Authority of Ireland

Abbreviations *(continued)*

SFDR Sustainable Finance Disclosure Regulation
SID Senior Independent Director
SIP Stock Incentive Plan
SIRP Special Incentive and Retention Plan
SME Small and Medium Enterprise
SOFR Secured Overnight Financing Rate
SONIA Sterling Overnight Index Average
SPE Special purpose entity
SREP Supervisory Review & Evaluation Process
SRB Single Resolution Board
SRF Single Resolution Fund
SSM Single Supervisory Mechanism
S&P Standard and Poor's
TCFD Task Force for Climate-related Financial Disclosure
TFS Term Funding Scheme
TFSME Term Funding Scheme for Small and Medium-sized
TLTRO Targeted Longer Term Refinancing Operation
TNFD Taskforce for Nature-related Financial Disclosures
TPRM Third party risk management
TSA The Standardised Approach
TtC Through-the-Cycle
UK United Kingdom
UN United Nations
UNPRB United Nations Principles for Responsible Banking
UNPRI United Nations Principles for Responsible Investment
US United States
VaR Value at Risk
VCU Vulnerable Customer Unit
VFA Variable Fee Approach
VIF Value of in Force
VIU Value in Use
VRR Vertical Risk Retention
WED Workforce Engagement Director
€STR Euro Short term rate

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