2023

The Governor and Company of the Bank of Ireland
Interim Report
(for the six months ended 30 June 2023)

Bank of Ireland

Inside this report

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

Business review

Operating and Financial Review

Basis of presentation

This operating and financial review (OFR) is 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. Further information on measures referred to in the OFR is found in Alternative performance measures on page 93. The income statements are presented for the six months ended 30 June 2023 (H123) compared to the six months ended 30 June 2022 (H122). The balance sheets are presented for 30 June 2023 compared to 31 December 2022. 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

	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Net interest income	1,789	1,063
Net other income	399	294
Operating income	**2,188**	**1,357**
Operating expenses (before levies and regulatory charges)	(906)	(811)
Levies and regulatory charges	(110)	(95)
Operating profit before net impairment losses on financial instruments	**1,172**	**451**
Net impairment losses on financial instruments	(158)	(47)
Share of results of associates and joint ventures (after tax)	11	21
Underlying profit before tax	**1,025**	**425**
Non-core items	(12)	(84)
Profit before tax	**1,013**	**341**
Tax charge	(170)	(56)
Profit for the period	**843**	**285**
Return on assets (bps) (annualised)[1]	109	35

[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 6 for transitional impact.

Profit before tax of €1,013 million was reported by the Group for H123 (H122: €341[1] million).

Underlying profit before tax of €1,025 million is €600 million higher than H122 which is primarily attributable to the following:

- A €726 million increase in **net interest income** driven by higher liquid asset income, supported by higher Irish deposit volumes and rates, higher lending income and the KBC Bank Ireland plc (KBCI) portfolio acquisition, partially offset by the higher cost of funds.
- A €105 million increase in **net other income** driven by a €77 million increase in business income primarily due to an increase of €64 million in Davy income and positive impacts from valuation items / additional gains of €27 million.
- An increase of €95 million or 12% in **operating expenses (before levies and regulatory charges)** largely due to an increase of €59 million in Davy operating expenses, an increase of €14 million primarily related to the KBCI portfolio acquisition, with the balance relating to an accrual for variable pay (excluding Davy) and additional investment to drive future efficiencies. Excluding these costs, operating expenses (before levies and regulatory charges) have decreased by €2 million.
- An increase of €111 million in **net impairment losses on financial instruments**, H123 net loss is primarily related to portfolio activity, updated forward-looking information (i.e. macroeconomic assumptions) and model updates.
- A decrease of €10 million in **share of results of associates and joint ventures (after tax)** primarily due to lower profit on disposals recognised in relation to venture capital investments in H123 compared to H122.

Non-core charges decreased by €72 million primarily due to receipt of a refund of €19 million for project costs in Retail UK (H122: €20 million charge) and no customer redress charges in H123 (H122: €26 million charge).

The **tax charge** for H123 of €170 million (H122: €56[1] million) reflects an effective statutory taxation rate of 17% (H122: 17%) for the Group. On an underlying basis, the effective taxation rate for H123 was 15% (H122: 16%). The effective tax rate is influenced by changes in the jurisdictional mix of profit and losses.

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

Non-core items

Non-core items	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m	Change %
Acquisition costs	(33)	(25)	32%
Gross-up for policyholder tax in the Wealth and Insurance business	14	(8)	n/m
Transformation programme credit / (costs)	7	(23)	n/m
Other transformation refund / (costs)	*19*	*(20)*	*n/m*
Cost of restructuring programme	*(12)*	*(3)*	*n/m*
Investment losses on treasury shares held for policyholders	–	(4)	(100%)
Customer redress charges	–	(26)	(100%)
Portfolio divestments (operating income)	–	2	(100%)
Total non-core items	**(12)**	**(84)**	**(86%)**

Acquisition costs
The Group acquired Davy, Ireland's leading provider of wealth management and capital markets services, on 1 June 2022. The transaction was treated as a business combination in line with the requirements of International Financial Reporting Standard (IFRS) 3 and hence the costs specifically associated with the acquisition were expensed to the income statement. Acquisition related costs reported in H123 include the following:

- Integration costs of €11 million (H122: €19 million) were incurred and include external integration costs related to project management, professional advice and support as well as internal integration costs related to an internal dedicated team to deliver the acquisition and integration of Davy. Also included in these costs are expenses directly attributable in supporting the migration of around two thousand high net-worth clients from the Group to Davy.
- Deferred remuneration expense of €13 million (H122: €6 million) was accrued and also includes remuneration related to Special Incentive and Retention Plan (SIRP) in H123. The costs are payable to some Davy employees on the fulfilment of certain conditions. These are further detailed in note 27.
- Amortisation of €3 million (H122: €nil) was incurred during H123 related to the intangible assets acquired from Davy. These intangibles include customer relationships and brand.

The Group also acquired certain assets and liabilities of KBCI on 3 February 2023. Included within non-core charges are internally generated costs related to the acquisition totalling €6 million (H122: €nil) which are expensed to the income statement.

Gross-up for policyholder tax in the Wealth and Insurance business
IFRS requires that the income statement be grossed up for the total tax payable by Wealth and Insurance, comprising both policyholder and shareholder tax. The tax gross-up relating to policyholder tax was a €14 million credit for H123 (H122: €8 million charge).

Transformation programme
During H123, the Group recognised a transformation programme credit of €7 million (H122: €23 million charge).

- Other transformation programme amounts relate to the design and development of a number of the key business initiatives which were identified as part of the strategic review of the Retail UK operations. These amounts are associated with the implementation of the Group's UK future state operating and business model. In H123, the Group recognised a €19 million refund related to costs incurred in prior periods on a project in Retail UK that did not proceed (H122: €20 million charge).
- Restructuring programme costs are required to meet the definition of 'restructuring' under International Accounting Standard (IAS) 37. In H123, the Group had €12 million (H122: €3 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.

Investment losses 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 H123, this was €nil (H122: €4 million loss). At 30 June 2023, there were 1.1 million shares (H122: 2.3 million shares) held for the benefit of policyholders.

Customer redress charges
There were no customer redress charges in H123. The H122 costs of €26 million related largely to the Tracker Mortgage Examination Review.

Summary consolidated balance sheet

Summary consolidated balance sheet	30 June 2023 €bn	Restated[1] 31 December 2022 €bn
Assets		
Loans and advances to customers	81	72
Liquid assets	44	49
Wealth and Insurance assets[1]	23	22
Other assets	8	8
Total assets	**156**	**151**
Liabilities		
Customer deposits	102	100
Wholesale funding	12	11
Wealth and Insurance liabilities[1]	22	21
Other liabilities[1]	6	6
Subordinated liabilities	2	2
Total liabilities	**144**	**140**
Stockholders' equity	11	10
Other equity instruments - Additional tier 1	1	1
Total liabilities and shareholders' equity	**156**	**151**

[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 6 for transitional impact.

The Group's **loans and advances to customers (after impairment loss allowances)** of €80.7 billion are €8.7 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 has remained broadly stable.

The Group's portfolio of **liquid assets** at 30 June 2023 of €44.0 billion decreased by €4.8 billion since 31 December 2022, primarily due to the loan and deposit acquisitions from KBCI of c.€6.2 billion, partially offset by higher wholesale funding volumes of €0.8 billion, higher customer deposit volumes of €0.3 billion (constant currency basis excluding the KBCI deposit acquisition), FX movements on liquid assets of c.€0.2 billion and other items of €0.2 billion.

The Group's **asset quality** remains robust despite the impact of geopolitical risk, elevated inflation and rising interest rates. NPEs increased by €0.3 billion to €2.9 billion, representing 3.6% of gross loans at 30 June 2023 (31 December 2022: 3.6%). The increase in non-performing exposures (NPE) reflected the impact of the acquisition of c.€0.1 billion of NPEs from KBCI and new defaults in the period (primarily in the residential mortgage and property and construction portfolios). This was partly offset by the impact of resolution strategies in the period.

At 30 June 2023, overall Group **customer deposit** volumes of €102.0 billion are €2.2 billion higher than 31 December 2022, due to growth in Retail Ireland of €2.6 billion, predominantly driven by the acquisition of the KBCI deposit portfolio, partially offset by lower Retail UK deposits of €0.1 billion.

Wholesale funding balances of €12.1 billion at 30 June 2023 are €0.8 billion higher than 31 December 2022, primarily due to a medium requirement for own funds and eligible liabilities (MREL) senior bond issuance of €0.8 billion.

Key balance sheet ratios	30 June 2023	31 December 2022
Credit-impaired loans[1] (€bn)	2.9	2.6
NPEs (€bn)	2.9	2.6
NPEs ratio (%)	3.6%	3.6%
Liquidity Coverage Ratio (%)	193%	221%
Net Stable Funding Ratio (%)	153%	163%
Loan to Deposit Ratio (%)	79%	73%

[1] Credit-impaired loans in the table above includes POCI assets of €0.2 billion (31 December 2022: €0.1 billion)

Summary consolidated balance sheet *(continued)*

Capital

The Group's **fully loaded common equity tier 1 (CET1) ratio** decreased by c.30 basis points during H123 to 14.8% primarily due to the acquisition of KBCI loans (c.-110 basis points), a foreseeable dividend deduction (c.-60 basis points) and risk weighted assets (RWA) growth (c.-40 basis points), offset by the benefit of organic capital generation (c.+180 basis points).

Restated[1] CRD IV - 31 December 2022			CRD IV - 30 June 2023[2]	
Regulatory	**Fully loaded**		**Regulatory**	**Fully loaded**
		Capital ratios		
15.6%	15.1%	Common equity tier 1	15.0%	14.8%
17.6%	17.1%	Tier 1	16.8%	16.6%
20.8%	20.3%	Total capital	19.7%	19.5%
6.4%	6.2%	Leverage ratio	6.6%	6.5%

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

Income statement - Operating segments

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

6 months ended 30 June 2023	Net interest income / (expense) €m	Insurance service result €m	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 (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Profit / (loss) before taxation €m
Divisional underlying contribution										
Retail Ireland	656	–	–	73	729	(226)	503	(64)	–	**439**
Wealth and Insurance	(4)	26	76	86	184	(107)	77	–	–	**77**
Retail UK	327	–	–	(1)	326	(142)	184	(63)	12	**133**
Corporate and Markets	821	–	–	147	968	(235)	733	(31)	(1)	**701**
Group Centre	2	–	(4)	(10)	(12)	(309)	(321)	–	–	**(321)**
Other reconciling items	–	–	–	6	6	2	8	–	–	**8**
BOIG Group plc - underlying	**1,802**	**26**	**72**	**301**	**2,201**	**(1,017)**	**1,184**	**(158)**	**11**	**1,037**
Less:										
Attributable to BOIG plc	(13)	–	–	–	(13)	1	(12)	–	–	**(12)**
Group underlying	**1,789**	**26**	**72**	**301**	**2,188**	**(1,016)**	**1,172**	**(158)**	**11**	**1,025**
Total non-core items										
Acquisition costs	–	–	–	–	–	(33)	(33)	–	–	**(33)**
Gross-up for policyholder tax in the Wealth and Insurance business	–	–	–	14	14	–	14	–	–	**14**
Transformation programme costs	–	–	–	–	–	7	7	–	–	**7**
Investment losses on treasury stock held for policyholders	–	–	–	–	–	–	–	–	–	**–**
Customer redress charges	–	–	–	–	–	–	–	–	–	**–**
Portfolio divestments	–	–	–	–	–	–	–	–	–	**–**
Group total	**1,789**	**26**	**72**	**315**	**2,202**	**(1,042)**	**1,160**	**(158)**	**11**	**1,013**

Income statement - Operating segments *(continued)*

Restated[1,2,3] **6 months ended 30 June 2022**	**Net interest income / (expense) €m**	**Insurance service result €m**	**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 (losses) on financial instruments €m**	**Share of results of associates and joint ventures (after tax) €m**	**Profit / (loss) before taxation €m**
Divisional underlying contribution										
Retail Ireland[2,3]	233	–	–	71	304	(214)	90	4	–	**94**
Wealth and Insurance[1]	(4)	29	(41)	15	(1)	(44)	(45)	–	–	**(45)**
Retail UK	346	–	–	(2)	344	(148)	196	(11)	13	**198**
Corporate and Markets[2,3]	497	–	–	159	656	(225)	431	(37)	8	**402**
Group Centre	(1)	–	–	73	72	(273)	(201)	(3)	–	**(204)**
Other reconciling items	1	–	–	(9)	(8)	(2)	(10)	–	–	**(10)**
BOIG Group plc - underlying	**1,072**	**29**	**(41)**	**307**	**1,367**	**(906)**	**461**	**(47)**	**21**	**435**
Less:										
Attributable to BOIG plc	(9)	–	–	(1)	(10)	–	(10)	–	–	**(10)**
Group underlying	**1,063**	**29**	**(41)**	**306**	**1,357**	**(906)**	**451**	**(47)**	**21**	**425**
Total non-core items										
Acquisition costs	–	–	–	–	–	(25)	(25)	–	–	**(25)**
Gross-up for policyholder tax in the Wealth and Insurance business	–	–	–	(8)	(8)	–	(8)	–	–	**(8)**
Transformation programme costs	–	–	–	–	–	(23)	(23)	–	–	**(23)**
Investment losses on treasury stock held for policyholders	–	–		(4)	(4)	–	(4)	–	–	**(4)**
Customer redress charges	5	–	–	–	5	(31)	(26)	–	–	**(26)**
Portfolio divestments	–	–	–	2	2	–	2	–	–	**2**
Group total	**1,068**	**29**	**(41)**	**296**	**1,352**	**(985)**	**367**	**(47)**	**21**	**341**

[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 6 for transitional impact.
[2] In H123, 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. As a result comparative figures have been restated to reflect a €164 million increase in the underlying divisional contribution and profit before tax in Corporate and Markets and the corresponding decrease in Retail Ireland.
[3] Comparative figures have been restated to reflect a change in the Group's allocation of internal funding costs between divisions, following cessation of an inter segmental fee previously paid to the Corporate and Markets division for managing the Group's structural balance sheet. This has resulted in a decrease of €12 million in net interest income for Corporate and Markets and the corresponding increase of €12 million in net interest income for Retail Ireland.

Principal Risks and Uncertainties

Principal risks and uncertainties facing the Group for the remaining six months of 2023 are set out below. ESG factors (including climate related risks) represent a common risk driver across the Group's Principal Risk types. This summary should not be regarded as a complete and comprehensive statement as other factors not yet identified, or not currently material, may adversely affect the Group. For further detail on risks facing the Group, see pages 9 to 17 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022.

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. Drivers include:

- macroeconomic conditions and geopolitical uncertainties. Markets are currently experiencing a higher inflationary and interest rate environment. 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;
- the risk attached to the implementation of the Group Strategic Plan, in addition to the integration of recent acquisitions;
- changing business model for the Group including the evolving competitive landscape, accelerated digitisation, and changing consumer and business behaviours; and
- the Group has a strategy to transform which presents challenges and risks, as well as customer considerations. Failure to transform successfully, or respond to the other risks above, could prevent the Group from realising its strategic priorities.

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. 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.

Conduct risk is the risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of BoI's products and services. The Group is exposed to conduct risk as a direct and indirect consequence from all the activities that the Group engages in during the normal conduct of its business. These risks may materialise from failures to comply with regulatory requirements or expectations, as an outcome of risk events in other principal risk categories, from changes in external market expectations or conditions, provision of sales and services and the various activities performed by staff, contractors and third party suppliers.

Credit risk is the risk of loss resulting from a customer or counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions, or any other deterioration in a counterparty's credit worthiness. 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.

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 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.

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.

Market risk is the risk of loss arising from movements in interest rates, FX rates, equity, credit spreads or prices of other market instruments. Market risk arises from the structure of the balance sheet, the Group's business mix and includes discretionary risk taking. The Group permits discretionary risk taking activity in Davy's Capital Markets business and it can arise through market-making, whereby positions can be held to facilitate client orders. Additionally, market risk arises through the conduct of customer business, particularly in respect to fixed-rate lending and the execution of derivatives and FX business. The nature of the business mix and the Group's balance sheet profile can create interest rate risk in the banking book exposures which result in economic value of equity and net interest income sensitivities. Earnings for New Ireland Assurance Company (NIAC) are indirectly exposed to market movements through fee income generated on unit-linked customer investments. NIAC's earnings are directly exposed to movement in market prices as a sizeable portion of shareholder surplus is invested in high yield funds.

Operational risk is the risk of loss resulting from suboptimal or failed internal processes, systems, human factors or from external events. Operational risk arises as a direct or indirect consequence of the Group's normal business activities. These risks may arise 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. They may also arise from failure to effectively manage change, or failure to comply with legal, tax or regulatory requirements and expectations, from challenges in attracting and retaining talent, and failure to manage risks associated with our physical infrastructure, data, reporting and models. In addition, they may materialise through cybersecurity incidents as their frequency, sophistication and severity of attacks continues to increase. The Group continues to improve continuity of operations and its operational resilience capabilities to effectively identify, prepare for, respond, recover, and learn from an operational disruption, irrespective of the cause and whether is internal or due a third party failure.

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.

Statement of Directors' responsibilities

for the six months ended 30 June 2023

The Directors are responsible for preparing the interim financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ('Transparency Directive'), and the Central Bank (Investment Market Conduct) Rules 2019 ('Transparency Rules of the Central Bank of Ireland').

In preparing the condensed set of financial statements included within the interim financial report, the Directors are required to:
- prepare and present the condensed set of financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Directive and the Transparency Rules of the Central Bank of Ireland;
- ensure the condensed set of financial statements has adequate disclosures;
- select and apply appropriate accounting policies;
- make accounting estimates that are reasonable in the circumstances; and
- assess the Group'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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for designing, implementing and maintaining such internal controls as they determine are necessary to enable the preparation of the condensed set of financial statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

The condensed set of consolidated financial statements included within the interim financial report of The Governor and Company of the Bank of Ireland for the six months ended 30 June 2023 (the 'interim financial information') which comprises the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the related explanatory notes, have been presented and prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, the Transparency Directive and Transparency Rules of the Central Bank of Ireland.

The interim financial information presented, as required by the Transparency Directive, includes:
- an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of consolidated financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year;
- related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and
- any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Court by

28 July 2023

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

Executive Directors: Myles O'Grady (Group Chief Executive Officer), Mark Spain (Group Chief Financial Officer).
Non-Executive Directors: Patrick Kennedy (Governor), Richard Goulding (Deputy Governor), Giles Andrews, Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Michele Greene, Fiona Muldoon, Steve Pateman.

Independent review report

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

Conclusion

We have been engaged by The Governor and Company of the Bank of Ireland (the 'Bank') to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2023 which comprises consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement, a summary of significant accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2023 is not prepared, in all material respects in accordance with International Accounting Standard 34 Interim Financial Reporting ('IAS 34') as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ('Transparency Directive'), and the Central Bank (Investment Market Conduct) Rules 2019 ('Transparency Rules of the Central Bank of Ireland').

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ('ISRE (Ireland) 2410') issued for use in Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the interim financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However, future events or conditions may cause the Bank to cease to continue as a going concern, and the above conclusions are not a guarantee that the Bank will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Transparency Directive and the Transparency Rules of the Central Bank of Ireland.

The Directors are responsible for preparing the condensed set of consolidated financial statements included in the interim financial report in accordance with IAS 34 as adopted by the EU.

As disclosed in note 1, the annual financial statements of the Bank for the year ended 31 December 2022 were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In preparing the condensed set of consolidated financial statements, the Directors are responsible for assessing the Bank'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 the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of consolidated financial statements in the interim financial report based on our review.

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

This report is made solely to the Bank in accordance with the terms of our engagement to assist the Bank in meeting the requirements of the Transparency Directive and the Transparency Rules of the Central Bank of Ireland. Our review has been undertaken so that we might state to the Bank those matters we are required to state to it in this 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 Bank for our review work, for this report, or for the conclusions we have reached.

KPMG

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland
28 July 2023

Consolidated interim financial statements and notes

(unaudited)

Consolidated condensed income statement

(for the six months ended 30 June 2023) (unaudited)

	Note	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Interest income calculated using the effective interest method	4	2,470	1,211
Other interest income	4	420	178
Interest income		**2,890**	**1,389**
Interest expense	5	(1,101)	(321)
Net interest income		**1,789**	**1,068**
Insurance service result	6	26	29
Insurance revenue		*247*	*231*
Insurance service expense		*(216)*	*(197)*
Net expense from reinsurance contracts held		*(5)*	*(5)*
Insurance investment and finance result	6	72	(41)
Total investment gains / (losses)		*619*	*(1,318)*
Finance (expense) / income from insurance contracts issued		*(563)*	*1,526*
Finance income / (expense) from reinsurance contracts held		*16*	*(249)*
Fee and commission income	7	327	249
Fee and commission expense	7	(110)	(87)
Net trading income	8	39	12
Other leasing income	9	44	33
Other leasing expense	9	(29)	(19)
Other operating income	10	44	108
Total operating income		**2,202**	**1,352**
Operating expenses	11	(1,030)	(982)
Cost of restructuring programme	12	(12)	(3)
Operating profit before impairment losses on financial instruments		**1,160**	**367**
Net impairment losses on financial instruments	13	(158)	(47)
Operating profit		**1,002**	**320**
Share of results of associates and joint ventures (after tax)	14	11	21
Profit before tax		**1,013**	**341**
Taxation charge	15	(170)	(56)
Profit for the period		**843**	**285**
Attributable to stockholders		843	285
Attributable to non-controlling interests		–	–
Profit for the period		**843**	**285**

[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 6 for transitional impact.

Consolidated condensed statement of comprehensive income

(for the six months ended 30 June 2023) (unaudited)

	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Profit for the period[1]	**843**	**285**
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss in subsequent periods:		
Debt instruments at fair value through other comprehensive income, net of tax:	1	(128)
Cash flow hedge reserve, net of tax	(3)	11
Foreign exchange reserve	63	6
Total items that may be reclassified to profit or loss in subsequent periods	**61**	**(111)**
Items that will not be reclassified to profit or loss in subsequent periods		
Remeasurement of the net defined benefit pension asset, net of tax	148	675
Net change in liability credit reserve, net of tax	(17)	13
Total items that will not be reclassified to profit or loss in subsequent periods	**131**	**688**
Other comprehensive income for the period, net of tax	**192**	**577**
Total comprehensive income for the period, net of tax	**1,035**	**862**
Total comprehensive income attributable to equity stockholders	1,035	862
Total comprehensive income attributable to non-controlling interests	–	–
Total comprehensive income for the period, net of tax	**1,035**	**862**

[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 6 for transitional impact.

The effect of tax on these items is shown in note 15.

Consolidated condensed balance sheet

(at 30 June 2023) (unaudited)

	Note	30 June 2023 €m	*Restated*[1] 31 December 2022 €m
Assets			
Cash and balances at central banks	26	31,479	36,855
Items in the course of collection from other banks		147	140
Trading securities		6	–
Derivative financial instruments		5,176	5,138
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(864)	(738)
Other financial assets at FVTPL		19,912	18,563
Loans and advances to banks		3,033	3,044
Debt securities at amortised cost		5,357	4,472
Financial assets at FVOCI		3,979	4,254
Assets classified as held for sale		1	2
Loans and advances to customers	16	80,678	71,961
Interest in associates		88	83
Interest in joint ventures		97	82
Intangible assets and goodwill		1,350	1,276
Investment properties		851	883
Property, plant and equipment		831	802
Current tax assets		31	36
Deferred tax assets	19	878	989
Other assets		969	779
Reinsurance contract assets	6	1,346	1,352
Retirement benefit assets	24	891	736
Total assets		**156,236**	**150,709**
Equity and liabilities			
Deposits from banks	20	3,622	3,445
Customer accounts	21	101,990	99,802
Items in the course of transmission to other banks		573	232
Derivative financial instruments		6,378	6,526
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(2,865)	(2,824)
Debt securities in issue	22	8,440	7,783
Liabilities to customers under investment contracts		7,185	6,859
Insurance contract liabilities	6	14,270	13,410
Other liabilities		2,471	2,289
Leasing liabilities		417	423
Current tax liabilities		19	6
Provisions		68	79
Loss allowance provision on loan commitments and financial guarantees		57	55
Deferred tax liabilities		53	37
Retirement benefit obligations	24	5	36
Subordinated liabilities	25	1,667	1,661
Total liabilities		**144,350**	**139,819**
Equity			
Capital stock		1,625	1,625
Stock premium account		571	571
Retained earnings		7,922	7,024
Other reserves		791	694
Own Shares held		–	(1)
Stockholders' equity		**10,909**	**9,913**
Other equity instruments - Additional Tier 1		975	975
Total equity excluding non-controlling interests		**11,884**	**10,888**
Non-controlling interests		2	2
Total equity		**11,886**	**10,890**
Total equity and liabilities		**156,236**	**150,709**

[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 6 for transitional impact.

Consolidated condensed statement of changes in equity

(for the six months ended 30 June 2023) (unaudited)

	Capital stock €m	Stock premium account €m	Retained earnings €m	Other reserves: Debt instruments at FVOCI reserve €m	Other reserves: Cash flow hedge reserve €m	Other reserves: Foreign exchange reserve €m	Other reserves: Capital reserve €m	Other reserves: Other reserves[2] €m	Own shares held by Group subsidiaries €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2023, as previously reported	**1,625**	**571**	**7,434**	**(17)**	**(31)**	**(786)**	**1,495**	**33**	**(1)**	**10,323**	**975**	**2**	**11,300**
Adjustment on initial application of IFRS 17, net of tax[1]	–	–	(410)	–	–	–	–	–	–	(410)	–	–	(410)
Restated balance at 1 January 2023	**1,625**	**571**	**7,024**	**(17)**	**(31)**	**(786)**	**1,495**	**33**	**(1)**	**9,913**	**975**	**2**	**10,890**
Profit for the period	–	–	843	–	–	–	–	–	–	843	–	–	843
Other comprehensive income	–	–	148	1	(3)	63	–	(17)	–	192	–	–	192
Total comprehensive income for the period	**–**	**–**	**991**	**1**	**(3)**	**63**	**–**	**(17)**	**–**	**1,035**	**–**	**–**	**1,035**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution on other equity instruments - Additional tier 1 coupon	–	–	(36)	–	–	–	–	–	–	(36)	–	–	(36)
Dividends on preference equity interests paid in cash	–	–	(4)	–	–	–	–	–	–	(4)	–	–	(4)
Changes in amount and value of own shares held	–	–	–	–	–	–	–	–	1	1	–	–	1
Total transactions with owners	**–**	**–**	**(40)**	**–**	**–**	**–**	**–**	**–**	**1**	**(39)**	**–**	**–**	**(39)**
Transfer from retained earnings to capital reserve	–	–	(53)	–	–	–	53	–	–	–	–	–	–
Balance at 30 June 2023	**1,625**	**571**	**7,922**	**(16)**	**(34)**	**(723)**	**1,548**	**16**	**–**	**10,909**	**975**	**2**	**11,886**

[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 6 for transitional impact.
[2] Other reserves includes the amalgamation of the liability credit reserve (€8) million and revaluation reserve €24 million.

Consolidated condensed statement of changes in equity *(continued)*

(for the six months ended 30 June 2022) (unaudited)

				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Foreign exchange reserve €m	Capital reserve €m	Other reserves[2] €m	Own shares held by Group subsidiaries €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2022, as previously reported	**1,625**	**571**	**6,552**	**129**	**(36)**	**(693)**	**1,486**	**21**	**–**	**9,655**	**975**	**2**	**10,632**
Adjustment on initial application of IFRS 17, net of tax[1]	–	–	(371)	–	–	–	–	–	–	(371)	–	–	(371)
Restated balance at 1 January 2022	**1,625**	**571**	**6,181**	**129**	**(36)**	**(693)**	**1,486**	**21**	**–**	**9,284**	**975**	**2**	**10,261**
Profit for the period[1]	–	–	285	–	–	–	–	–	–	285	–	–	285
Other comprehensive income	–	–	675	(128)	11	6	–	13	–	577	–	–	577
Total comprehensive income for the period	**–**	**–**	**960**	**(128)**	**11**	**6**	**–**	**13**	**–**	**862**	**–**	**–**	**862**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution on other equity instruments - Additional tier 1 coupon	–	–	(35)	–	–	–	–	–	–	(35)	–	–	(35)
Dividends on preference equity interests paid in cash	–	–	(4)	–	–	–	–	–	–	(4)	–	–	(4)
Changes in amount and value of own shares held	–	–	–	–	–	–	–	–	–	–	–	–	–
Total transactions with owners	**–**	**–**	**(39)**	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**–**	**–**	**(39)**
Transfer from capital reserve to retained earnings	–	–	62	–	–	–	(62)	–	–	–	–	–	–
Restated balance at 30 June 2022	**1,625**	**571**	**7,164**	**1**	**(25)**	**(687)**	**1,424**	**34**	**–**	**10,107**	**975**	**2**	**11,084**

[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 6 for transitional impact.
[2] Other reserves includes the amalgamation of the liability credit reserve €7 million and revaluation reserve €27 million.

Consolidated condensed statement of changes in equity *(continued)*

(for the year ended 31 December 2022)

				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Foreign exchange reserve €m	Capital reserve €m	Other reserves[2] €m	Own shares held by Group subsidiaries €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2022, as previously reported	**1,625**	**571**	**6,552**	**129**	**(36)**	**(693)**	**1,486**	**21**	**–**	**9,655**	**975**	**2**	**10,632**
Adjustment on initial application of IFRS 17, net of tax[1]			(371)							(371)			(371)
Restated balance at 1 January 2022	**1,625**	**571**	**6,181**	**129**	**(36)**	**(693)**	**1,486**	**21**	**–**	**9,284**	**975**	**2**	**10,261**
Profit for the period[1]	–	–	840	–	–	–	–	–	–	840	–	–	840
Other comprehensive income	–	–	91	(146)	5	(93)	–	12	–	(131)	–	–	(131)
Total comprehensive income for the period	**–**	**–**	**931**	**(146)**	**5**	**(93)**	**–**	**12**	**–**	**709**	**–**	**–**	**709**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution on other equity instruments - Additional tier 1 coupon	–	–	(72)	–	–	–	–	–	–	(72)	–	–	(72)
Dividends on preference equity interests paid in cash	–	–	(7)	–	–	–	–	–	–	(7)	–	–	(7)
Changes in amount and value of own shares held	–	–	–	–	–	–	–	–	(1)	(1)	–	–	(1)
Total transactions with owners	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(80)**	**–**	**–**	**(80)**
Transfer from retained earnings to capital reserve	–	–	(9)	–	–	–	9	–	–	–	–	–	–
Restated balance at 31 December 2022	**1,625**	**571**	**7,024**	**(17)**	**(31)**	**(786)**	**1,495**	**33**	**(1)**	**9,913**	**975**	**2**	**10,890**

[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 6 for transitional impact.
[2] Other reserves includes the amalgamation of the liability credit reserve €9 million and revaluation reserve €24 million.

Consolidated condensed cash flow statement

(for the six months ended 30 June 2023) (unaudited)

	Note	6 months ended 30 June 2023 €m	*Restated*[1,2] 6 months ended 30 June 2022 €m
Cash flows from operating activities			
Profit before tax[1]		1,013	341
Share of results of associates and joint ventures	14	(11)	(21)
Depreciation and amortisation	9,11	128	120
Net impairment losses on financial instruments, excluding cash recoveries	13	167	54
Revaluation of investment property		39	(9)
Interest expense on subordinated liabilities		60	43
Interest expense on lease liabilities	5	5	6
Charge for pension and similar obligations		12	41
Net change in accruals and interest payable		111	123
Net change in prepayments and interest receivable		(46)	(15)
Charge for provisions		3	36
Non-cash and other items		8	(52)
Cash flows from operating activities before changes in operating assets and liabilities		**1,489**	**667**
Net change in items in the course of collection from other banks		334	495
Net change in trading securities		(6)	2
Net change in derivative financial instruments		(273)	1,203
Net change in fair value changes of hedged items in portfolio hedge of interest rate risk[2]		85	(1,170)
Net change in other financial assets at fair value through profit or loss (FVTPL)		(1,348)	2,007
Net change in loans and advances to banks		26	(8)
Net change in loans and advances to customers[2]		(8,227)	938
Net change in other assets[1]		(146)	115
Net change in deposits from banks		89	(1,010)
Net change in customer accounts[2]		1,728	1,576
Net change in debt securities in issue		687	930
Net change in liabilities to customers under investment contracts[1]		326	(1,078)
Net change in insurance and reinsurance contracts[1]		866	(842)
Net change in other operating liabilities[1]		(59)	(430)
Net cash flow from operating assets and liabilities		**(5,918)**	**2,728**
Net cash flow from operating activities before tax		**(4,429)**	**3,395**
Tax paid		(36)	(38)
Net cash flow from operating activities		**(4,465)**	**3,357**
Investing activities (section a below)		(749)	4,127
Financing activities (section b below)		(77)	(87)
Effect of exchange translation and other adjustments		(70)	76
Net change in cash and cash equivalents		**(5,361)**	**7,473**
Opening cash and cash equivalents		39,842	33,931
Closing cash and cash equivalents	26	**34,481**	**41,404**

[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 6 for transitional impact.
[2] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. Refer to the 2022 Annual Report note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

Consolidated condensed cash flow statement *(continued)*

(for the six months ended 30 June 2023) (unaudited)

	Note	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
(a) Investing activities			
Additions to debt securities at amortised cost		(941)	(12)
Disposal / redemption of financial assets at FVOCI		337	4,036
Additions to property, plant and equipment, intangible assets and investment property		(209)	(150)
Disposal / redemption of debt securities at amortised cost		88	540
Additions to financial assets at FVOCI		(36)	(87)
Disposal of property, plant and equipment, intangible assets and investment property		18	85
Net change in interest in associates		(6)	–
Acquisition of a subsidiary, net of cash and cash equivalents acquired		–	(285)
Cash flows from investing activities		**(749)**	**4,127**
(b) Financing activities			
Distribution on other equity instruments - AT1 coupon		(36)	(35)
Payment of lease liabilities		(18)	(27)
Interest paid on subordinated liabilities		(14)	(15)
Interest paid on lease liabilities		(5)	(6)
Dividends paid on other preference equity interests		(4)	(4)
Cash flows from financing activities		**(77)**	**(87)**

Net cash flows from operating activities in H123 includes interest received of €2,885 million (H122: €1,437 million) and interest paid of €938 million (H122: €204 million).

Notes to the consolidated financial statements

1 Group accounting policies

Basis of preparation

The interim financial statements of The Governor and Company of the Bank of Ireland (the 'Bank") and its subsidiaries (collectively the 'Group') for the six months ended 30 June 2023 (H123) have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union. These interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2022, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the European Union (Credit Institutions: Financial Statements) Regulations 2015.

Statutory financial statements

These interim financial statements do not comprise statutory financial statements within the meaning of the Companies Act 2014. The statutory financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 6 March 2023, contained an unqualified audit report and included a reference to other matters, relating to the single electronic reporting format (ESEF) requirements, to which the statutory auditor drew attention by way of emphasis. The statutory financial statements were filed with the Companies Registration Office on 23 June 2023.

Interim financial statements

The interim financial statements comprise the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the notes to the consolidated interim financial statements. The interim financial statements include the information that is described as being an integral part of the interim financial statements contained in the Asset quality and Capital adequacy risk sections of the OFR.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the interim financial statements for H123 is a period of 12 months from the date of approval of these interim 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 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 interim 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 adjusted where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period. Any adjustments to comparatives are disclosed in the relevant note or supplementary asset disclosure as appropriate.

Accounting Policies

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 85 to 102 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022, except for the application of IFRS 17 'Insurance Contracts' as set out below, with an effective date of 1 January 2023.

There have been no other standards, or amendments to standards, adopted by the Group during the six months ended 30 June 2023 which had a material impact on the Group.

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 contractual service margin (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 New Ireland Assurance Company (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.

1 Group accounting policies *(continued)*

Transitional provisions (including accounting policy elections on first-time adoption)
IFRS 17 prescribes the transition approaches that must be applied. On transition to IFRS 17, entities must apply the fully retrospective approach (FRA), unless impracticable. The Group has applied the FRA to contracts issued on or after 1 January 2019. The fair value approach (FVA) 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 limitation. Under the FVA, 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.

Changes to prior accounting policies
IFRS 17 introduces new initial recognition, measurement models, presentation and disclosure requirements. As part of the on-going transition effort 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 FVA 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 adjust 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 contracts (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:

1 Group accounting policies *(continued)*

- measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including allowing for the effects of collateral and losses from disputes.
- the Group 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 service 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.

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 will disclose the approximate confidence interval over the run-off of the in force business (ultimate confidence interval);
- 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 duration 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 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.

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

1 Group accounting policies *(continued)*

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 6 for a detailed reconciliation of this impact.

- DAE in accordance with IFRS 17 is 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:

- level of aggregation of projected cash flows;
- contracts boundaries; and
- directly attributable and non-directly attributable expenses.

Alternative Performance Measures

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 therefore are impacted by transitioning to IFRS 17. For further details on Alternative Performance Measures see from page 93.

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 6.

2 Critical accounting estimates and judgements

The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets, liabilities, income and expense. Other than as set out below, there have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgments compared to those applied at 31 December 2022, as set out on pages 103 to 112 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022.

Impairment loss allowance on financial assets

The Group's credit risk methodologies are set out on pages 195 to 200 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022.

Changes in estimates - Forward-Looking Information (FLI)

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 30 June 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 the period ending 30 June 2023 is based on internal and external information and management judgement and follows the same process as used in prior periods.

The alternative scenarios, comprising one upside and two downside scenarios, are narrative driven and have been constructed incorporating available reasonable and supportable information. This is the same approach as used in prior periods.

The FLI methodology framework was leveraged to assign an initial set of probability weightings to the narrative driven scenarios. The FLI methodology is a simulation tool that uses recent actual observed values and historical data to produce a number of possible paths for the relevant economic variables based on their historical relationships and volatilities. The FLI model is used for scenario generation for a defined probability weighting and for assessing probability weights for a given scenario.

The narrative-driven scenarios were assessed relative to the simulated distribution.

The probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The final set of probability weightings used in expected credit losses (ECL) estimates reflect the application of management judgement to the initial probability weightings with increased weight assigned to the downside 1 and downside 2 scenarios, with an offsetting decrease in the upside scenario weight. External forward-looking information (e.g. external forecasts and equity market indicators) informed the application of this management judgement, and reflected economic uncertainty at 30 June 2023 associated with a combination of factors including the potential impact of elevated inflation and interest rate expectations in the Group's key economies. The estimated ECL impact of this judgement was a c.€50 million increase in reported impairment loss allowance.

2 Critical accounting estimates and judgements *(continued)*

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

	Republic of Ireland				United Kingdom			
			Downside				Downside	
30 June 2023	**Central scenario**	**Upside scenario**	**Scenario 1**	**Scenario 2**	**Central scenario**	**Upside scenario**	**Scenario 1**	**Scenario 2**
Scenario probability weighting	**40%**	**15%**	**30%**	**15%**	**40%**	**15%**	**30%**	**15%**
Gross Domestic Product (GDP) - annual growth rate	4.4%	4.9%	3.5%	2.5%	1.2%	1.9%	0.4%	(0.4%)
Gross National Product (GNP) - annual growth rate	4.1%	4.7%	3.1%	2.0%	n/a	n/a	n/a	n/a
Unemployment - average yearly rate	4.4%	3.7%	6.0%	7.8%	4.3%	3.6%	5.9%	7.4%
Residential property price growth - year end figures	0.6%	2.0%	(3.4%)	(6.0%)	(1.2%)	1.0%	(4.4%)	(6.8%)
Commercial property price growth - year end figures	(2.2%)	0.0%	(4.5%)	(7.2%)	(1.4%)	1.2%	(4.1%)	(6.8%)

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

2 Critical accounting estimates and judgements *(continued)*

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

`	Republic of Ireland			United Kingdom		
	2023	2024	2025-2027	2023	2024	2025-2027
Central scenario - 40% weighting						
Gross Domestic Product - (GDP) - annual growth rate	5.4%	4.6%	3.9%	0.0%	1.0%	1.7%
Gross National Product - (GNP) - annual growth rate	5.0%	4.3%	3.7%	n/a	n/a	n/a
Unemployment - average yearly rate	4.3%	4.3%	4.5%	4.1%	4.4%	4.4%
Residential property price growth - year end figures	(2.0%)	0.0%	1.7%	(7.0%)	(4.0%)	1.7%
Commercial property price growth - year end figures	(9.5%)	(7.0%)	1.8%	(7.0%)	(6.0%)	2.0%
Upside scenario - 15% weighting						
Gross Domestic Product - (GDP) - annual growth rate	6.1%	5.7%	4.3%	0.9%	2.2%	2.1%
Gross National Product - (GNP) - annual growth rate	5.8%	5.4%	4.0%	n/a	n/a	n/a
Unemployment - average yearly rate	4.2%	3.8%	3.5%	3.7%	3.6%	3.5%
Residential property price growth - year end figures	2.0%	2.0%	2.0%	(2.0%)	0.0%	2.3%
Commercial property price growth - year end figures	(6.0%)	(1.5%)	2.5%	(3.0%)	1.0%	2.7%
Downside scenario 1 - 30% weighting						
Gross Domestic Product - (GDP) - annual growth rate	4.4%	2.7%	3.5%	(0.7%)	(1.0%)	1.3%
Gross National Product - (GNP) - annual growth rate	3.9%	2.2%	3.2%	n/a	n/a	n/a
Unemployment - average yearly rate	4.9%	6.0%	6.3%	4.9%	5.8%	6.2%
Residential property price growth - year end figures	(12.0%)	(5.0%)	0.0%	(13.0%)	(7.0%)	(0.7%)
Commercial property price growth - year end figures	(12.5%)	(10.0%)	0.0%	(10.5%)	(10.0%)	0.0%
Downside scenario 2 - 15% weighting						
Gross Domestic Product - (GDP) - annual growth rate	3.0%	0.5%	3.1%	(2.1%)	(2.3%)	0.8%
Gross National Product - (GNP) - annual growth rate	2.3%	(0.2%)	2.6%	n/a	n/a	n/a
Unemployment - average yearly rate	5.5%	7.9%	8.5%	5.8%	7.4%	8.0%
Residential property price growth - year end figures	(16.0%)	(8.0%)	(2.0%)	(17.0%)	(11.0%)	(2.0%)
Commercial property price growth - year end figures	(17.5%)	(13.0%)	(1.8%)	(16.0%)	(12.5%)	(1.8%)

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

Central scenario
RoI
While the Irish economy has continued to benefit from the strong performance of the foreign-owned multinational-dominated exporting sector, increased costs and prices have been weighing on domestically-focused sectors with rising European Central Bank (ECB) interest rates also a drag on activity. Recent falls in global energy prices are beginning to ease the burden on households and businesses though, and helping to lower inflation, albeit it still remains elevated. The Central scenario envisages a moderation in GDP growth from the double-digit pace recorded in both 2021 and 2022, with inflation expected to decline further over the remainder of 2023 and into 2024, settling at around 2% thereafter, and unemployment remaining low throughout the forecast period.

Key features – Moderating but solid growth, low unemployment.

UK
Having benefited from the full lifting of COVID-19 public health restrictions in the opening months of 2022, the UK economy has essentially flatlined in the intervening period amid increased costs and prices, with rising Bank of England interest rates also a drag on activity. Recent falls in global energy prices will ease the burden on households and businesses though, and help to lower inflation, albeit it remains elevated. The Central scenario envisages a gradual pick up in GDP growth, with inflation expected to decline over the remainder of 2023 and in 2024-25, while unemployment picks up slightly albeit remaining relatively low over the forecast period.

Key features – Gradual pick-up in growth , low unemployment.

Upside scenario
In the Upside scenario, a pronounced fall in wholesale energy prices contributes to a rapid decline in inflation in Ireland and the UK, easing the squeeze on household incomes and boosting consumer confidence and spending. Reduced uncertainty about the outlook supports business investment, with initially lower central bank interest rates and robust global growth additional tailwinds. Stronger momentum in the two economies sees unemployment decline in both Ireland and the UK and unemployment remains low throughout the forecast period.

Key features – Declining inflation, rising confidence, greater economic momentum.

2 Critical accounting estimates and judgements *(continued)*

Downside scenario 1

Amid the ongoing war in Ukraine, Downside scenario 1 sees a renewed rise in global energy prices, with the reopening of China's economy also fuelling energy demand and exacerbating the upward pressure on prices. Higher inflation adds to uncertainty and weighs on confidence in Ireland and the UK. This together with tighter monetary and financial conditions, as the ECB and Bank of England (BoE) initially raise interest rates by more than previously expected, along with strains in financial markets, depresses consumer and business spending, while weaker global growth is a headwind for exporting sectors. GDP growth slows in 2023-2024 in Ireland, and is negative in these two years in the UK, while unemployment increases in both economies and stays relatively high out the forecast horizon.

Key features – Renewed rise in global energy prices, higher inflation, weaker economic momentum.

Downside scenario 2

Downside scenario 2 assumes a sharp rise in global energy prices. In addition, turmoil in the global banking sector leads to disruption in financial markets, including a decline in equity prices, and reduced credit supply, though central banks still raise interest rates initially in response to higher inflation, while heightened US-China political tensions add to uncertainty and weigh on economic activity. Amid collapsing consumer and business confidence, tighter monetary, financial and credit conditions, and significantly weaker global growth, the Irish and UK economies both go into recession – the Irish economy contracts in late 2023 / early 2024 while the UK economy experiences a more prolonged period of negative growth. Furthermore, in Ireland a slowdown in the country's ICT sector (which has a knock-on negative impact on FDI and tax revenues) also weighs on activity, while in the UK the increase in the corporate tax rate dampens investment to a greater extent than expected. Unemployment moves up in both economies and remains elevated over the entire forecast period.

Key features – Sharp rise in global energy prices, disruption in financial markets, elevated unemployment.

Property price growth, all scenarios

In the central scenario, following reasonable but reducing growth throughout 2022, residential price growth slows to -2% and -7% in RoI and the UK in 2023 respectively. No further growth is forecast in RoI in 2024 and UK price growth reduces by a further -4.0%. From 2025 onwards both markets record marginal positive growth of 0% – 3% per annum. Following negative outturns in 2022, commercial property prices show further declines in 2023 and 2024 in both RoI and UK. Growth is forecast to return in 2025 with both markets recording positive growth from 2025 onwards of 1.5% - 2.5% per annum.

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

In the downside scenarios (1 and 2), residential prices are expected to turn negative in 2023 for both RoI and UK with a trough point of -30% (downside scenario 2) for RoI and -34% (downside scenario 2) for UK. Downside scenario 2 effectively sees a full reversal of the gains made in residential prices since recovery from COVID-19 uncertainty began in 2020. Commercial property growth in the downside 1 scenarios is expected to be negative until 2026 in both economies. In downside 2, a return to modest growth (0.5%) is expected in UK in 2027. For RoI, no return to growth is forecast over the period, with growth flat (0%) by 2027.

The quantum of impairment loss allowance is impacted by the application of four probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 30 June 2023, excluding post-model Group management adjustments to impairment loss allowances, was increased by virtue of applying multiple scenarios rather than only a central scenario. This analysis excludes post-model Group management adjustments, as such adjustments to impairment loss allowance are applied using management judgement outside of the macro-economic conditioned ECL model framework (refer to the Management Judgement in Impairment Measurement section below). The scenarios outlined in the following tables are based on the FLI weightings outlined on previous page.

Comparative figures at 31 December 2022 are also outlined below (and in subsequent tables in this section). Changes in the figures at 30 June 2023 compared to the previous reporting date reflect a number of inter-related dynamics including changes in forward-looking scenarios and associated probability weights; impairment model methodology updates in the year; and the composition of the underlying portfolios at the respective reporting dates.

	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
30 June 2023 **Impact of applying multiple scenarios rather than only central scenario**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**
Residential mortgages	5	19%	35	106%	14	11%	54	30%
Retail Ireland	*2*	*11%*	*23*	*145%*	*8*	*10%*	*33*	*29%*
Retail UK	*3*	*32%*	*12*	*70%*	*6*	*15%*	*21*	*32%*
Non-property SME and corporate	5	9%	46	39%	7	1%	58	9%
Property and construction	2	16%	19	43%	2	2%	23	17%
Consumer	4	10%	6	12%	–	–	10	5%
Total	**16**	**11%**	**106**	**43%**	**23**	**3%**	**145**	**12%**

2 Critical accounting estimates and judgements *(continued)*

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

The following table indicates the approximate extent to which the 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:

30 June 2023 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	 Impact %	Upside scenario Impairment loss allowance €m	 Impact %	Downside scenario 1 Impairment loss allowance €m	 Impact %	Downside scenario 2 Impairment loss allowance €m	 Impact %
Residential mortgages	234	(54)	(30%)	(73)	(31%)	121	52%	262	112%
Retail Ireland	*148*	*(33)*	*(29%)*	*(40)*	*(27%)*	*54*	*37%*	*129*	*87%*
Retail UK	*86*	*(21)*	*(32%)*	*(33)*	*(39%)*	*67*	*79%*	*133*	*156%*
Non-property SME and corporate	734	(58)	(9%)	(102)	(14%)	62	8%	270	37%
Property and construction	157	(23)	(17%)	(37)	(24%)	22	14%	107	68%
Consumer	204	(10)	(5%)	(17)	(9%)	10	5%	36	18%
Total	**1,329**	**(145)**	**(12%)**	**(229)**	**(17%)**	**215**	**16%**	**675**	**51%**

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

2 Critical accounting estimates and judgements *(continued)*

The following table indicates the approximate extent to which impairment loss allowances for the residential mortgage portfolios, excluding post model Group management adjustments, would be higher or lower than the application of the central scenario if there was an immediate change in residential property prices 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.

30 June 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%		Residential property price reduction of 5%		Residential property price increase of 5%		Residential property price increase of 10%	
		Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	180	32	18%	15	8%	(13)	(7%)	(24)	(14%)
Retail Ireland	*115*	*15*	*13%*	*7*	*6%*	*(6)*	*(6%)*	*(12)*	*(11%)*
Retail UK	*65*	*17*	*27%*	*8*	*12%*	*(7)*	*(10%)*	*(12)*	*(19%)*

31 December 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%		Residential property price reduction of 5%		Residential property price increase of 5%		Residential property price increase of 10%	
		Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	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 30 June 2023 to Stage 2 would increase the Group's impairment loss allowance by c.€13 million excluding Group management adjustments.

Management judgement in impairment measurement

Management judgement has been incorporated into the Group's impairment measurement process for H123. Management judgement can be described with reference to:

- credit risk assessment for significant increase in credit risk;
- management judgement in impairment model parameters; and
- post-model Group management adjustments to impairment loss allowance and staging classification.

Credit risk assessment for significant increase in credit risk

As outlined on page 198 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022 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, at 30 June 2023, the Group has assessed the impact of inflation and rising interest rates on asset quality.

Credit risk assessments on the impact of elevated inflation rates and rising interest rates on debt affordability were completed across the residential mortgage and consumer portfolios. Where appropriate, outputs have been utilised to identify significant increases in credit risk and the classification of assets in Stage 2. The credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to classify c.€2.4 billion of assets as Stage 2 at the reporting date, with an associated €28 million increase in impairment loss allowance.

Management judgement in impairment model parameters

The ECL model framework was updated in the period to reflect an enhanced approach to applying realisation rates and costs calculations within Loss Given Default (LGD) component of the impairment models for Corporate Banking and Business Banking portfolios.

The changes to the LGD component of the Corporate Banking and Business Banking impairment models, results in an increase in impairment loss allowance of c.€16 million.

The ECL model framework was also updated in the period with model factor updates to reflect recent observed information. This included the application of updated portfolio disposal data within the Retail Ireland residential mortgages Loss Given Default (LGD) model, resulting in an increase in impairment loss allowance of c.€20 million.

Management judgement was utilised to refine the PD model calibration process for certain corporate and property impairment models.

Without the application of this management judgement models would have generated staging and impairment loss allowances that were not considered to be reasonable with reference to internal (e.g. credit management information / reviews) and external information. Therefore, in order for the Group's impairment loss allowance at 30 June 2023 to reflect an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, management judgement was required to refine the PD model calibration process to alleviate an excessive sensitivity to changes in asset quality ratings and the impact of a small number of observed defaults.

2 Critical accounting estimates and judgements *(continued)*

Post-model Group management adjustment

To ensure that the measurement of impairment reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, the need for a post-model Group management adjustment to the outputs of the Group's staging and impairment measurement methodologies is considered at each reporting date in arriving at the final impairment loss allowance. Such a need may arise, for example, due to a model limitation or a late breaking event.

At 30 June 2023, the Group's stock of impairment loss allowance of €1.4 billion includes a c.€35 million total post-model Group management adjustment (31 December 2022: €60 million). Details of the components of the post-model Group management adjustment are outlined below.

30 June 2023	Impairment loss allowance-before post-model Group Management adjustment €m	Post-model Group management adjustment NPEs €m	Post-model Group management adjustment Total post model adjustments €m	Total impairment loss allowance €m
Residential mortgages	233	3	–	236
Retail Ireland	*147*	*3*	–	*150*
Retail UK	*86*	–	–	*86*
Non-property SME and corporate	734	18	–	752
Property and construction	158	14	–	172
Consumer	204	–	–	204
Total loans and advances to customers	**1,329**	**35**	**35**	**1,364**
Other financial instruments	63	–	–	63
Total Financial Assets	**1,392**	**35**	**35**	**1,427**

31 December 2022	Impairment loss allowance-before post-model Group Management adjustment €m	Post-model Group management adjustment NPEs €m	Post-model Group management adjustment Total post model adjustments €m	Total impairment loss allowance €m
Residential mortgages	146	–	–	146
Retail Ireland	*100*	–	–	*100*
Retail UK	*46*	–	–	*46*
Non-property SME and corporate	747	36	36	783
Property and construction	171	24	24	195
Consumer	171	–	–	171
Total loans and advances to customers	**1,235**	**60**	**60**	**1,295**
Other financial instruments	63	–	–	63
Total Financial Assets	**1,298**	**60**	**60**	**1,358**

Group management adjustment for NPE

The impairment loss allowance for stage 3 assets at 30 June 2023 includes a €35 million post-model management adjustment to reflect the potential for the Group to utilise portfolio sales and / or securitisations to a greater extent in its resolution strategies for NPEs in the RoI and UK business banking and RoI Mortgage portfolios (31 December 2022: €60 million applied). The requirement for post-model adjustments reflects the fact that individually assessed impairment loss allowances for business banking assets are determined on a case-specific assessment and do not take account of discounts that may apply for a portfolio sale/ securitisation. Modelled LGD parameters for RoI Mortgage assets include portfolio disposal parameters, but are also 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 process).

The Group has identified cohorts of loans in RoI and UK business banking portfolios that will likely form part of future portfolio sales and / or securitisations. The quantum of the post-model adjustment was calculated with reference to independent external benchmarking, internal impairment cover for these cohorts, and an assessment of the likelihood of the completion of future asset sales / securitisations.

Almost all of the post model adjustment is applied to stage 3 assets. €3 million is related to the RoI mortgage portfolio (31 December 2022: €nil), €12 million is recognised in the RoI SME

2 Critical accounting estimates and judgements *(continued)*

portfolio (31 December 2022: €25 million), €6 million is related to the UK SME portfolio (31 December 2022: €11 million) and €14 million is related to the Property and construction portfolio (31 December 2022: €24 million).

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 6 for further information.

Life assurance operations

The Group accounts for the value of the shareholders' interest in its long-term assurance business in accordance with IFRS 17. Under IFRS 17, the expected future cashflows 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.

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.

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

Wealth and Insurance

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 in NI, the Group's business banking business in NI, asset finance and contract hire, incorporating Northridge Finance, as well as the financial services partnership and FX joint venture with the UK Post Office, and the financial services partnership with the Automobile Association (AA). The Group also has a banking business in Great Britain which is being run down. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licenced banking subsidiary.

Corporate and Markets

In H123, Corporate and Markets was expanded to incorporate Business Banking (formerly within the Retail Ireland division). 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. 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 process and IT delivery platforms for the trading divisions.

Other reconciling items

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

Basis of preparation of segmental information

The analysis of results by operating segment is based on the information used by the chief operating decision maker to allocate resources and assess performance. The Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO) are considered to be the chief operating decision 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. They also do not include adjustments for the impact of the assets and liabilities of BOIG plc, the Bank's holding company.

3 Operating segments *(continued)*

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;
- transformation programme credit / costs;
- investment gains and losses on treasury shares held for policyholders;
- customer redress charges; and
- portfolio divestments.

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

6 months ended 30 June 2023	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
Net interest income	**656**	**(4)**	**327**	**821**	**2**	**–**	**1,802**	**(13)**	**1,789**
Other income	73	188	(1)	147	(14)	6	399	–	399
Total operating income	**729**	**184**	**326**	**968**	**(12)**	**6**	**2,201**	**(13)**	**2,188**
Other operating expenses	(201)	(98)	(132)	(232)	(248)	3	(908)	1	(907)
Other operating expenses (before levies and regulatory charges)	*(201)*	*(98)*	*(130)*	*(232)*	*(140)*	*3*	*(798)*	*1*	*(797)*
Levies and regulatory charges	*–*	*–*	*(2)*	*–*	*(108)*	*–*	*(110)*	*–*	*(110)*
Depreciation and amortisation	(25)	(9)	(10)	(3)	(61)	(1)	(109)	–	(109)
Total operating expenses	**(226)**	**(107)**	**(142)**	**(235)**	**(309)**	**2**	**(1,017)**	**1**	**(1,016)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**503**	**77**	**184**	**733**	**(321)**	**8**	**1,184**	**(12)**	**1,172**
Net impairment gains / (losses) on financial instruments	(64)	–	(63)	(31)	–	–	(158)	–	(158)
Share of results of associates and joint ventures	–	–	12	(1)	–	–	11	–	11
Underlying profit / (loss) before tax	**439**	**77**	**133**	**701**	**(321)**	**8**	**1,037**	**(12)**	**1,025**

30 June 2023 **Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax	1,025
Acquisition costs	(33)
Gross-up for policyholder tax in the Wealth and Insurance business	14
Transformation programme credit / (costs)	7
Investment losses on treasury shares held for policyholders	–
Customer redress charges	–
Portfolio divestments	–
Profit before tax	**1,013**

3 Operating segments *(continued)*

Restated[1,2,3] **6 months ended 30 June 2022**	**Retail Ireland €m[2,3]**	**Wealth and Insurance €m[1]**	**Retail UK €m**	**Corporate and Markets €m[2,3]**	**Group Centre €m**	**Other reconciling items €m**	**BOIG plc Group €m**	**BOIG plc €m**	**Group €m**
Net interest income	**233**	**(4)**	**346**	**497**	**(1)**	**1**	**1,072**	**(9)**	**1,063**
Other income[1]	71	3	(2)	159	73	(9)	295	(1)	294
Total operating income	**304**	**(1)**	**344**	**656**	**72**	**(8)**	**1,367**	**(10)**	**1,357**
Other operating expenses[1]	(190)	(40)	(134)	(220)	(213)	(2)	(799)	–	(799)
Other operating expenses (before levies and regulatory charges)[1]	*(190)*	*(39)*	*(131)*	*(220)*	*(122)*	*(2)*	*(704)*	–	*(704)*
Levies and regulatory charges	–	*(1)*	*(3)*	–	*(91)*	–	*(95)*	–	*(95)*
Depreciation and amortisation	(24)	(4)	(14)	(5)	(60)	–	(107)	–	(107)
Total operating expenses	**(214)**	**(44)**	**(148)**	**(225)**	**(273)**	**(2)**	**(906)**	**–**	**(906)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**90**	**(45)**	**196**	**431**	**(201)**	**(10)**	**461**	**(10)**	**451**
Net impairment (losses) / gains on financial instruments	4	–	(11)	(37)	(3)	–	(47)	–	(47)
Share of results of associates and joint ventures	–	–	13	8	–	–	21	–	21
Underlying profit / (loss) before tax	**94**	**(45)**	**198**	**402**	**(204)**	**(10)**	**435**	**(10)**	**425**

Restated[1] **30 June 2022** **Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax[1]	425
Acquisition costs	(25)
Gross-up for policyholder tax in the Wealth and Insurance business	(8)
Transformation programme credit / (costs)	(23)
Investment losses on treasury shares held for policyholders	(4)
Customer redress charges	(26)
Portfolio divestments	2
Profit before tax	**341**

[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 6 for transitional impact.
[2] Comparative figures have been restated to reflect the Business Banking transfer, resulting in a €164 million increase in the underlying divisional contribution and profit before tax in Corporate and Markets and the corresponding decrease in Retail Ireland.
[3] Comparative figures have been restated to reflect a change in the Group's allocation of internal funding costs between divisions, following cessation of an inter segmental fee previously paid to the Corporate and Markets division for managing the Group's structural balance sheet. This has resulted in a decrease of €12 million in net interest income for Corporate and Markets and the corresponding increase of €12 million in net interest income for Retail Ireland.

3 Operating segments *(continued)*

6 months ended 30 June 2023 Income statement analysis by operating segment	**Retail Ireland €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Markets €m**	**Group Centre €m**	**Other reconciling items €m**	**BOIG plc Group €m**	**BOIG plc €m**	**Group €m**
External revenue	659	453	545	1,654	331	27	3,669	–	3,669
Inter segment revenues	290	(21)	122	2,248	540	(3,179)	–	–	–
Revenue	**949**	**432**	**667**	**3,902**	**871**	**(3,152)**	**3,669**	**–**	**3,669**
Interest expense	**(19)**	**–**	**(122)**	**(787)**	**(165)**	**5**	**(1,088)**	**(13)**	**(1,101)**
Capital expenditure	**15**	**13**	**64**	**28**	**90**	**–**	**210**	**–**	**210**

Restated[1,2] **6 months ended 30 June 2022 Income statement analysis by operating segment**	**Retail Ireland €m**[2]	**Wealth and Insurance €m**[1]	**Retail UK €m**	**Corporate and Markets €m**[2]	**Group Centre €m**	**Other reconciling items €m**	**BOIG plc Group €m**	**BOIG plc €m**	**Group €m**
External revenue[1]	273	241	420	1,027	(1)	38	1,998	(1)	1,997
Inter segment revenues	292	(39)	93	181	258	(785)	–	–	–
Revenue	**565**	**202**	**513**	**1,208**	**257**	**(747)**	**1,998**	**(1)**	**1,997**
Interest expense	**(15)**	**–**	**(35)**	**(98)**	**(169)**	**5**	**(312)**	**(9)**	**(321)**
Capital expenditure	**7**	**211**	**43**	**27**	**176**	**–**	**464**	**–**	**464**

[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 6 for transitional impact.
[2] Comparative figures have been restated to reflect the Business Banking transfer, resulting in an increase of €256 million in external revenue in the Corporate and Markets division, with the corresponding decrease in Retail Ireland.

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

30 June 2023 Balance sheet analysis by operating segment	**Retail Ireland €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Markets €m**	**Group Centre €m**	**Other reconciling items €m**	**Group €m**
Investment in associates and joint ventures	**25**	**–**	**96**	**63**	**1**	**–**	**185**
External assets	33,316	22,750	25,557	43,182	31,411	–	156,216
Inter segment assets	79,297	663	1,746	208,390	63,546	(353,642)	–
Total assets	**112,613**	**23,413**	**27,303**	**251,572**	**94,957**	**(353,642)**	**156,216**
Other Bank assets							20
Group assets							**156,236**
External liabilities	46,576	22,052	17,525	47,437	10,505	(2)	144,093
Inter segment liabilities	61,677	313	7,396	205,175	79,051	(353,612)	–
Total liabilities	**108,253**	**22,365**	**24,921**	**252,612**	**89,556**	**(353,614)**	**144,093**
Other Bank liabilities							257
Group liabilities							**144,350**

3 Operating segments *(continued)*

Restated[1,2] **31 December 2022** **Balance sheet analysis by operating segment**	**Retail Ireland €m**[2]	**Wealth and Insurance €m**[1]	**Retail UK €m**	**Corporate and Markets €m**[2]	**Group Centre €m**	**Other reconciling items €m**	**Group €m**
Investment in associates and joint ventures	**18**	**–**	**81**	**65**	**1**	**–**	**165**
External assets[1]	24,567	21,408	25,391	43,674	35,652	(3)	150,689
Inter segment assets	70,857	633	1,553	172,277	33,325	(278,645)	–
Total assets	**95,424**	**22,041**	**26,944**	**215,951**	**68,977**	**(278,648)**	**150,689**
Other Bank assets							20
Group assets							**150,709**
External liabilities[1]	43,387	20,786	17,787	47,677	9,523	7	139,167
Inter segment liabilities	47,283	277	7,010	169,389	54,648	(278,607)	–
Total liabilities	**90,670**	**21,063**	**24,797**	**217,066**	**64,171**	**(278,600)**	**139,167**
Other Bank liabilities							652
Group liabilities							**139,819**

[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 6 for transitional impact.
[2] Comparative figures have been restated to reflect the Business Banking transfer, resulting in an increase of €36.0 billion in total assets and an increase of €35.5 billion in total liabilities in the Corporate and Markets division, with the corresponding decrease in Retail Ireland.

4 Interest income

	6 months ended 30 June 2023 €m	**6 months ended 30 June 2022 €m**
Financial assets measured at amortised cost		
Loans and advances to customers	1,822	1,062
Loans and advances to banks	502	17
Debt securities at amortised cost	76	4
Interest income on financial assets measured at amortised cost	**2,400**	**1,083**
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income	70	9
Interest income on financial assets at fair value through other comprehensive income	**70**	**9**
Negative interest on financial liabilities		
Customer accounts	–	108
Deposits from banks	–	10
Debt securities in issue	–	1
Negative interest on financial liabilities	**–**	**119**
Interest income calculated using the effective interest method	**2,470**	**1,211**
Other interest income		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	312	88
Finance leases and hire purchase receivables	103	82
Loans and advances to customers at FVTPL	4	8
Other financial assets at FVTPL	1	–
Other interest income	**420**	**178**
Interest income	**2,890**	**1,389**

4 Interest income *(continued)*

Interest income on loans and advances to customers
In H123, interest income of €62 million was recognised (H122: €50 million) and €51 million was received (H122: €53 million) on credit-impaired loans and advances to customers.

For H123 interest income is reduced by €39 million (H122: €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.

Interest income recognised on customer accounts
In H123 there was no negative interest recognised on customer accounts due to increases in interest rates during the period (H122: €108 million, comprising interest income of €48 million resulting from negative effective interest rates and €60 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 period on period movement is caused by an increase in interest rates.

5 Interest expense

	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
Financial liabilities measured at amortised cost		
Customer accounts	380	20
Debt securities in issue	229	58
Deposits from banks	64	11
Subordinated liabilities	60	37
Lease liabilities	5	6
Other interest expense at amortised cost	–	3
Interest expense on financial liabilities measured at amortised cost	**738**	**135**
Negative interest on financial assets		
Cash and balances at central banks	–	63
Debt securities at fair value through other comprehensive income	–	12
Debt securities at amortised cost	–	8
Loans and advances to banks	–	2
Negative interest on financial assets	**–**	**85**
Interest expense calculated using the effective interest rate method	**738**	**220**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	359	100
Customer accounts at FVTPL	4	1
Other interest expense	**363**	**101**
Interest expense	**1,101**	**321**

Interest expense recognised on debt securities at amortised cost
In H123 there was no negative interest recognised on debt securities at amortised cost due to increases in interest rates during the period (H122: €8 million, comprising interest income of €11 million recognised net of interest expense on related derivatives which are in a hedge relationship of €19 million).

Interest expense recognised on debt securities at fair value through other comprehensive income
In H123 there was no negative interest recognised on debt securities at fair value through other comprehensive income (FVOCI) due to increases in interest rates during the period (H122: €12 million, comprising interest income of €6 million recognised net of interest expense on related derivatives which are in a hedge relationship of €18 million).

Interest expense recognised on non-trading derivatives
Interest expense on non-trading derivatives was earned principally on receive fixed, pay floating interest rate swaps which are held with hedging intent, but for which hedge accounting is not applied. The period on period movement is caused by an increase in interest rates.

Interest expense recognised on customer accounts
Interest expense on customer accounts includes interest expense of €284 million arising on related derivatives which are in a hedge relationship with the relevant liability. The period on period movement is caused by an increase in interest rates.

6 Insurance contracts

Impact of transition to IFRS 17

As outlined in the Group accounting policies 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	(85)	–
IFRS 4 insurance contract liabilities	Insurance contract liabilities	–	(15,399)
IFRS 4 outstanding claims and reinsurance premiums due	Other liabilities	–	(228)
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		**(461)**	**(90)**
Net reduction in shareholders' equity			**(371)**

6 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.

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 €619 million in H123 (H122: losses of €1,318 million) is consistent with positive investment market performance during the period, due in large part to the external economic environmental factors. The increase in gains on the assets held on behalf of the insurance policyholders is consistent with the increase in the insurance contract liabilities. The insurance contract liabilities drives the value recognised within the net insurance and reinsurance finance result section of the table below.

Insurance investment and finance result	**6 months ended 30 June 2023 €m**	*Restated*[1] **6 months ended 30 June 2022 €m**
Gains / (losses) on other financial assets held on behalf of Wealth and Insurance policyholders[1]	627	(1,333)
(Losses) / gains on investment property held on behalf of Wealth and Insurance policyholders[1]	(8)	15
Total investment gains / (losses)	**619**	**(1,318)**
Finance (expense) / income from insurance contracts issued	(563)	1,526
Finance income / (expense) from reinsurance contracts held	16	(249)
Net insurance and reinsurance finance result	**(547)**	**1,277**
Total insurance investment and finance result	**72**	**(41)**

[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'.

6 Insurance contracts *(continued)*

The following selected IFRS 17 disclosures provide a replacement for the previously disclosed 'Net insurance premium income' and 'Insurance contract liabilities and claims paid' notes. Disclosure is provided for both insurance contracts issued and reinsurance contracts held.

Insurance contract assets and liabilities

The reconciliation below has been provided at a total insurance contract liability level. The liability for remaining coverage (LRC) which includes contractual service margin (CSM) makes up c.95% of this balance, with the liability for incurred claims (LIC) making up the remainder.

Insurance contract assets and liabilities	6 months ended 30 June 2023 €m	6 months ended 31 December 2022 €m	6 months ended 30 June 2022 €m
Opening liabilities	(13,410)	(13,294)	(14,400)
Total opening balance	**(13,410)**	**(13,294)**	**(14,400)**
Insurance revenue	**247**	**255**	**231**
Expected incurred claims and other expenses	*191*	*194*	*181*
CSM recognised in income statement for services	*36*	*37*	*37*
Recovery of insurance acquisition cash flows	*10*	*10*	*9*
Change in risk adjustment for non-financial risk expired	*6*	*7*	*6*
Premium variance	*4*	*7*	*(2)*
Insurance service expense	**(216)**	**(204)**	**(197)**
Incurred claims and other insurance service expenses	*(205)*	*(187)*	*(200)*
Insurance acquisition cash flows amortisation	*(10)*	*(10)*	*(9)*
Changes that relate to future service - losses on onerous groups of contracts and reversal of such losses	*(8)*	*(12)*	*(5)*
Changes that relate to past service - adjustment to the LIC	*7*	*5*	*17*
Total insurance service result	**31**	**51**	**34**
Finance (expense) / income from insurance contracts issued	(563)	125	1,526
Total amounts recognised in comprehensive income	**(532)**	**176**	**1,560**
Cash flows			
Premiums received	(946)	(1,084)	(1,057)
Claims and other directly attributable expenses	590	766	573
Insurance acquisition cash flows	28	26	30
Total cash flows	**(328)**	**(292)**	**(454)**
Closing liabilities	(14,270)	(13,410)	(13,294)
Total closing balance	**(14,270)**	**(13,410)**	**(13,294)**

6 Insurance contracts *(continued)*

Reinsurance contract assets and liabilities

The reconciliation below has been provided at a total reinsurance contract asset level. The remaining coverage component which includes contractual service margin (CSM) makes up c.84% of this balance, with the incurred claims component making up the remainder.

Reinsurance contract assets and liabilities	6 months ended 30 June 2023 €m	6 months ended 31 December 2022 €m	6 months ended 30 June 2022 €m
Opening assets	1,352	1,363	1,626
Total opening balance	**1,352**	**1,363**	**1,626**
Net income / (expense) from reinsurance contracts held			
Reinsurance expenses	(6)	(3)	(9)
Claims recovered and other directly attributable expenses	(3)	(20)	5
Changes relating to past service - adjustments to incurred claims	(2)	(6)	(5)
Changes in recoveries of losses on onerous underlying contracts	6	9	4
Total net income / (expense) from reinsurance contracts held	**(5)**	**(20)**	**(5)**
Finance income / (expense) from reinsurance contracts held	16	(94)	(249)
Total amounts recognised in comprehensive income	**11**	**(114)**	**(254)**
Cash flows			
Premiums paid net of ceding commissions and other deferred acquisition costs paid	46	166	68
Recoveries from reinsurance	(63)	(63)	(77)
Total cash flows	**(17)**	**103**	**(9)**
Closing assets	1,346	1,352	1,363
Total closing balance	**1,346**	**1,352**	**1,363**

6 Insurance contracts *(continued)*

Insurance revenue and contractual service margin (CSM) by transition approach

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.

Insurance revenue and CSM by transition approach	6 months ended 30 June 2023 €m	6 months ended 31 December 2022 €m	6 months ended 30 June 2022 €m
Insurance contracts issued			
Insurance revenue			
Contracts measured using the fair value approach	161	159	155
New business and all other contracts	86	96	76
Total insurance revenue	**247**	**255**	**231**
CSM at period end			
Contracts measured using the fair value approach	(612)	(630)	(620)
New business and all other contracts	(80)	(60)	(41)
Total CSM at period end	**(692)**	**(690)**	**(661)**
Reinsurance contracts held			
CSM underlying at period end			
Underlying contracts measured using the fair value approach	156	164	194
New business and all other underlying contracts	(25)	(27)	(15)
Total CSM underlying at period end	**131**	**137**	**179**

Insurance contractual service margin (CSM)

The reconciliation below gives a total view of the movement of the insurance contractual service margin.

Insurance contractual service margin	6 months ended 30 June 2023 €m	6 months ended 31 December 2022 €m	6 months ended 30 June 2022 €m
Opening insurance contract CSM	(690)	(661)	(713)
CSM recognised for services provided	36	37	37
Contracts initially recognised in the period	(13)	(4)	(12)
Changes in estimates that adjust the CSM	(25)	(63)	26
Finance income from insurance contracts issued	–	1	1
Closing insurance contract CSM	**(692)**	**(690)**	**(661)**

Reinsurance contractual service margin (CSM)

The reconciliation below gives a total view of the movement of the reinsurance contractual service margin.

Reinsurance contractual service margin	6 months ended 30 June 2023 €m	6 months ended 31 December 2022 €m	6 months ended 30 June 2022 €m
Opening reinsurance contract CSM	137	179	191
CSM recognised for services provided	(6)	(1)	(9)
Contracts initially recognised in the period	(3)	(9)	(5)
Changes in recoveries of losses on onerous underlying contracts that adjust CSM	6	8	5
Changes in estimates that adjust the CSM	(3)	(40)	(3)
Closing reinsurance contract CSM	**131**	**137**	**179**

A total of €30 million was released from the CSM for services provided. The release represents services provided from the insurance contractual service margin offset with services provided from reinsurance contractual service.

7 Fee and commission income and expense

6 months ended 30 June 2023 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Group €m
Retail banking customer fees	95	–	17	103	–	215
Asset management fees	–	66	–	–	–	66
Credit related fees	1	–	1	4	–	6
Insurance commissions	–	5	–	–	–	5
Other	5	11	3	16	–	35
Fee and commission income	**101**	**82**	**21**	**123**	**–**	**327**

Restated[1] 6 months ended 30 June 2022 Income	Retail Ireland[1] €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Group €m
Retail banking customer fees[1]	87	–	19	84	–	190
Asset management fees	–	13	–	–	–	13
Credit related fees[1]	1	–	–	8	–	9
Insurance commissions	–	5	1	–	–	6
Other[1]	11	3	2	15	–	31
Fee and commission income	**99**	**21**	**22**	**107**	**–**	**249**

Expense

Fee and commission expense of €110 million (H122 restated[2]: €87 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

[1] In H123, 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 €63 million in fee and commission income in Corporate and Markets and the corresponding decrease in Retail Ireland.
[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 6 for transitional impact.

8 Net trading income

Net trading income includes the gains and losses on financial instruments mandatorily measured at FVTPL and those designated at FVTPL (other than unit-linked life assurance assets and investment contract liabilities). It includes the fair value movement on these instruments and the realised gains and losses arising on the purchase and sale. It also includes the interest income receivable and expense payable on financial instruments held for trading and €9 million of a net gain arising from FX (H122: net gain €6 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.

Net fair value hedge ineffectiveness reflects a net loss from hedged items of €37 million (H122: net gain €616 million) offsetting a net gain from hedging instruments of €39 million (H122: net loss €610 million).

Net income from financial instruments designated at FVTPL	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
Financial liabilities designated at fair value	(45)	69
Related derivatives held for trading	47	(67)
	2	**2**
Net income from financial instruments mandatorily measured at FVTPL		
Other financial instruments held for trading	19	1
Securities and non-trading debt	13	3
Loans and advances	3	–
	37	**6**
Net fair value hedge ineffectiveness	2	6
Net trading income	**39**	**12**

9 Other leasing income and expense

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

	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
Other leasing income	**44**	**33**
Operating lease payments	*27*	*21*
Sale of leased assets	*15*	*9*
Other income	*2*	*3*
Other leasing expense	**(29)**	**(19)**
Depreciation of rental vehicles	*(16)*	*(10)*
Other selling and disposal costs	*(13)*	*(9)*
Net other leasing income	**15**	**14**

10 Other operating income

	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Other insurance income[1]	46	27
Transfer from debt instruments at FVOCI reserve on asset disposal	–	83
Elimination of investment gains / (losses) on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	–	(1)
Other income	(2)	(1)
Other operating income	**44**	**108**

[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 6 for transitional impact.*

11 Other operating expenses

Administrative expenses and staff costs	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Staff costs excluding transformation programme staff costs[1]	454	396
Levies and regulatory charges	110	95
Amortisation of intangible assets	75	77
Depreciation of property, plant and equipment[1]	37	30
Other administrative expenses[1]	354	384
Total	**1,030**	**982**
Total staff costs are analysed as follows:		
Wages and salaries[1]	389	312
Social security costs[1]	41	35
Retirement benefit costs (defined contribution plans)[1]	24	18
Retirement benefit costs (defined benefit plans)[1]	2	40
Other staff expenses	20	3
	476	**408**
Staff costs capitalised	(22)	(12)
Staff costs excluding transformation programme staff costs	**454**	**396**
Staff costs included in transformation programme costs (note 12)	7	2
Total staff costs recognised in the income statement	**461**	**398**

[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 6 for transitional impact.

Pension costs

Pension costs of €26 million for H123 were €32 million lower than H122. Defined benefit pension costs have decreased by €38 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 with annual contributions into a defined contribution scheme. This resulted in a negative past service cost of €17 million. New joiners are added to the Group's defined contribution plans, the cost of which has increased by €6 million compared to H122.

Staff numbers

At 30 June 2023, the number of staff (full time equivalents (FTE)) for the Group was 10,511 (30 June 2022: 9,863). The average number of staff (FTE) for the Group for the 6 months ended 30 June 2023 was 10,356 (6 months ended 30 June 2022: 9,073, inclusive of only one month of Davy staff post acquisition on 1 June 2022).

12 Cost of restructuring programme

In H123, the Group recognised a restructuring charge of €12 million (H122: €3 million). Further details can be found on page 4.

	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
Transformation programme costs:		
Staff costs	7	2
Programme management costs	2	1
UK Strategic Review costs	3	(1)
Property-related costs	–	1
Total	**12**	**3**

13 Net impairment losses on financial instruments

	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
Loans and advances to customers at amortised cost	(156)	(53)
Movement in impairment loss allowance (note 16)	*(167)*	*(60)*
Cash recoveries	*11*	*7*
Loan commitments	(5)	8
Guarantees and irrevocable letters of credit	2	–
Other financial assets	1	(2)
Net impairment losses on financial instruments	**(158)**	**(47)**

Net impairment losses on loans and advances to customers at amortised cost

	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
Residential mortgages	(86)	(25)
Retail Ireland	*(50)*	*2*
Retail UK	*(36)*	*(27)*
Non-property SME & corporate	(10)	(29)
Republic of Ireland SME	*22*	*22*
UK SME	*1*	*7*
Corporate	*(33)*	*(58)*
Property and construction	(18)	3
Investment	*(22)*	*6*
Development	*4*	*(3)*
Consumer	(42)	(2)
Total	**(156)**	**(53)**

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

	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
First Rate Exchange Services	12	13
Associates	(1)	8
Share of results of associates and joint ventures (after tax)	**11**	**21**

15 Taxation

The taxation charge for the period is €170 million with an effective statutory taxation rate of 17% (H122: taxation charge of €56 million (restated) and taxation rate of 17%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses and the prior period was impacted by the reassessment of the tax value of the tax losses carried forward.

Recognised in income statement	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Current tax		
Irish Corporation Tax		
Current period	7	10
Foreign tax		
Current period	47	42
Adjustments in respect of prior period	4	4
Current tax charge	**58**	**56**
Deferred tax		
Current period profits	95	47
Origination and reversal of temporary differences[1]	13	(26)
Reassessment of value of tax losses carried forward	–	(21)
Adjustments in respect of prior period	4	–
Deferred tax charge	**112**	**–**
Taxation charge	**170**	**56**

Reconciliation of tax on the profit before taxation at the standard Irish corporation tax rate to actual tax charge	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2022: 12.5%)[1]	127	43
Effects of:		
Foreign earnings subject to different rates of tax	38	32
Reassessment of value of tax losses carried forward	–	(21)
Adjustments in respect of prior period	8	4
Share of results of associates and joint ventures shown post tax in the income statement	(2)	(2)
Other adjustments for tax purposes	(1)	–
Taxation charge	**170**	**56**

[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 6 for transitional impact.

15 Taxation *(continued)*

	6 months ended 30 June 2023			6 months ended 30 June 2022		
	Pre-tax €m	Tax €m	Net of Tax €m	Pre-tax €m	Tax €m	Net of Tax €m
Debt instruments at FVOCI reserve						
Changes in fair value	1	–	1	(63)	8	(55)
Transfer to income statement - asset disposal	–	–	–	(83)	10	(73)
Net change in debt instruments at FVOCI reserve	**1**	**–**	**1**	**(146)**	**18**	**(128)**
Remeasurement of the net defined benefit pension asset	**169**	**(21)**	**148**	**776**	**(101)**	**675**
Cash flow hedge reserve						
Changes in fair value	(345)	27	(318)	190	(21)	169
Transfer to income statement	342	(27)	315	(180)	22	(158)
Net change in cash flow hedge reserve	**(3)**	**–**	**(3)**	**10**	**1**	**11**
Net change in foreign exchange reserve	**63**	**–**	**63**	**6**	**–**	**6**
Liability credit reserve						
Changes in fair value of liabilities designated at FVTPL due to own credit risk	(19)	2	(17)	17	(4)	13
Other comprehensive income for the period	**211**	**(19)**	**192**	**663**	**(86)**	**577**

16 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 30 June 2023 included cash collateral of €45 million (31 December 2022: €45 million) placed with derivative counterparties in relation to net derivative liability positions. Also Included is €234 million (31 December 2022: €257 million) of lending in relation to the UK government-backed Bounce Back Loan and Coronavirus Business Interruption schemes.

Loans and advances to customers at fair value through profit or loss (FVTPL)

Loans and advances to customers at FVTPL are not subject to impairment under IFRS 9. At 30 June 2023, loans and advances to customers at FVTPL included €212 million (31 December 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.

	30 June 2023 €m	31 December 2022 €m
Loans and advances to customers at amortised cost	77,647	69,454
Finance leases and hire purchase receivables	4,183	3,585
	81,830	**73,039**
Less allowance for impairment charges on loans and advances to customers	(1,364)	(1,295)
Loans and advances to customers at amortised cost	**80,466**	**71,744**
Loans and advances to customers at FVTPL	212	217
Total loans and advances to customers	**80,678**	**71,961**

16 Loans and advances to customers *(continued)*

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost. The Purchased or Originated Credit-impaired (POCI) assets of €157 million at 30 June 2023 (31 December 2022: €80 million) included €1 million (31 December 2022: €1 million) of assets with no impairment loss allowance (31 December 2022: €nil) which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition. The increase in POCI assets is due to the KBCI loan acquisition.

30 June 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)	41,181	14,774	4,197	4,959	65,111
Stage 2 - Lifetime ECL (not credit impaired)	4,664	5,043	3,351	791	13,849
Stage 3 - Lifetime ECL (credit impaired)	729	1,426	385	173	2,713
Purchased / originated credit-impaired	147	1	8	1	157
Gross carrying amount at 30 June 2023	**46,721**	**21,244**	**7,941**	**5,924**	**81,830**

30 June 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)	28	61	13	46	148
Stage 2 - Lifetime ECL (not credit impaired)	69	163	63	57	352
Stage 3 - Lifetime ECL (credit impaired)	133	528	95	101	857
Purchased / originated credit-impaired	6	–	1	–	7
Impairment loss allowance at 30 June 2023	**236**	**752**	**172**	**204**	**1,364**

31 December 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**

31 December 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**

16 Loans and advances to customers *(continued)*

The following tables show the changes in gross carrying amount and impairment loss allowances of loans and advances to customers at amortised cost for H123 and the year ended 31 December 2022. The tables are prepared based on a combination of aggregation of monthly movements for material term loan portfolios (i.e. incorporating all movements a loan in these portfolios has made during the period) 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 Financial risk management note on page 198 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022 with updates for 2023 outlined in note 17.

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).

'Re-measurements' includes the impact of remeasurement on stage transfers noted above, other than those directly related to the update of FLI and / or other model and parameter updates, changes in management adjustments and remeasurement due to changes in asset quality that did not result in a transfer to another stage.

ECL model parameter and / or methodology changes represents the impact on impairment loss allowances of semi-annual updates to the FLI, and other model and parameter updates used in the measurement of impairment loss allowances, including the impact of stage migrations where the migration is directly related to the update of FLI and / or other model and parameter updates.

'Impairment loss allowances utilised' represents the reduction in the gross carrying amount and associated impairment loss allowance on loans where the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The utilisation of an allowance does not, of itself, alter a customer's obligations nor does it impact on the Group's rights to take relevant enforcement action.

30 June 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	(3,396)	2,680	716	–	–
To 12 month ECL (not credit impaired)	*3,538*	*(3,535)*	*(3)*	–	–
To lifetime ECL (not credit impaired)	*(6,773)*	*6,948*	*(175)*	–	–
To lifetime ECL (credit impaired)	*(161)*	*(733)*	*894*	–	–
Net changes in exposure	9,845	(1,565)	(413)	111	7,978
Impairment loss allowances utilised	–	–	(97)	(36)	(133)
Exchange adjustments	627	89	18	2	736
Measurement reclassification and other movements	204	2	4	–	210
Gross carrying amount at 30 June 2023	**65,111**	**13,849**	**2,713**	**157**	**81,830**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during H123 includes €49 million of contractual amounts outstanding that are still subject to enforcement activity.

16 Loans and advances to customers *(continued)*

30 June 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	29	(40)	11	–	–
To 12 month ECL (not credit impaired)	*61*	*(60)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(30)*	*72*	*(42)*	–	–
To lifetime ECL (credit impaired)	*(2)*	*(52)*	*54*	–	–
Net impairment losses / (gains) in income statement	(26)	103	83	7	167
Re-measurement	*5*	*84*	*161*	*13*	*263*
Net changes in exposures	*(23)*	*(34)*	*(89)*	*(11)*	*(157)*
ECL model parameter and / or methodology changes	*(8)*	*53*	*11*	*5*	*61*
Impairment loss allowances utilised	–	–	(97)	(36)	(133)
Exchange adjustments	3	3	3	1	10
Measurement reclassification and other movements	–	1	22	2	25
Impairment loss allowance at 30 June 2023	**148**	**352**	**857**	**7**	**1,364**
Impairment coverage at 30 June 2023 (%)	**0.23%**	**2.54%**	**31.59%**	**4.46%**	**1.67%**

Total gross loans and advances to customers increased during the period by €8.8 billion from €73.0 billion at 31 December 2022 to €81.8 billion at 30 June 2023.

Stage 1 loans have increased by €7.3 billion primarily reflecting the impact of net new lending (€9.8 billion), including the acquisition of KBCI loans, FX movements (€0.6 billion), and other movements (€0.3 billion), partly offset by net transfers to other risk stages (€3.4 billion). Total net transfers to other risk stages reflect the impact of elevated inflation rates 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 in H123, and other portfolio activity (including net repayments / redemptions in the period).

Impairment loss allowances on stage 1 loans have increased by €6 million resulting in a decrease in coverage on stage 1 loans from 0.25% at 31 December 2022 to 0.23% at 30 June 2023. The impact of €29 million of additional impairment loss allowances from net transfers is partially offset by the net repayment of stage 1 exposures of €23 million.

Stage 2 loans have increased by €1.2 billion with transfers from other stages of €2.7 billion partially offset by net repayments of €1.6 billion. Net transfers from other stages reflect the impact of elevated inflation rates and interest rates on credit risk in the loan book, the application of updated approach to identifying significant increase in credit risk for relationship managed commercial portfolios in H123, and other portfolio activity (including net repayments / redemptions in the period). Stage 2 loans also include €0.1 billion of exchange adjustments.

Coverage on stage 2 loans has increased from 2.25% at 31 December 2022 to 2.54% at 30 June 2023 primarily due to re-measurement (€84 million) and ECL model parameter and methodology changes (€53 million). The increase was partly offset by the impact of net transfers (€40 million) and net repayments (€34 million).

Stage 3 loans have increased by €0.2 billion with the key drivers being a net migration from other stages of €0.7 billion partially offset by the impact of net repayments of €0.4 billion and the utilisation of impairment loss allowances of €0.1 billion. The net transfer in from other stages reflecting the emergence of new defaults in the residential mortgage and property and construction portfolios, partly offset by resolution activities in the period.

Stage 3 impairment loss allowances have increased by €22 million with re-measurement of €161 million, measurement reclassifications and other movements of €22 million, net transfers of €11 million and ECL model parameter changes of €11 million and foreign exchange adjustments of €3 million offset by the utilisation of impairment loss allowances of €97 million and the impact of net reductions in exposure of €89 million across all portfolios.

Cover on stage 3 loans has decreased from 33.60% at 31 December 2022 to 31.59% at 30 June 2023. This primarily reflects lower cover for the property and construction and RoI mortgage portfolios, reflecting lower impairment requirements for assets migrating to stage 3 in the period, combined with the impact of NPE resolution strategies.

16 Loans and advances to customers *(continued)*

31 December 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**

31 December 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 exposures	*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.

16 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

30 June 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	(1,740)	1,405	335	–	–
To 12 month ECL (not credit impaired)	*1,242*	*(1,242)*	–	–	–
To lifetime ECL (not credit impaired)	*(2,867)*	*2,901*	*(34)*	–	–
To lifetime ECL (credit impaired)	*(115)*	*(254)*	*369*	–	–
Net changes in exposure	8,244	(323)	(62)	143	8,002
Impairment loss allowances utilised	–	–	–	–	–
Exchange adjustments	467	35	6	–	508
Measurement reclassification and other movements	190	1	–	–	191
Gross carrying amount at 30 June 2023	**41,181**	**4,664**	**729**	**147**	**46,721**

30 June 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	9	(20)	11	–	–
To 12 month ECL (not credit impaired)	*17*	*(17)*	–	–	–
To lifetime ECL (not credit impaired)	*(7)*	*10*	*(3)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(13)*	*14*	–	–
Net impairment losses / (gains) in income statement	1	49	32	4	86
Re-measurement	*(7)*	*31*	*30*	–	*54*
Net changes in exposures	*6*	*(3)*	*(6)*	*(1)*	*(4)*
ECL model parameter and / or methodology changes	*2*	*21*	*8*	*5*	*36*
Impairment loss allowances utilised	–	–	–	–	–
Exchange adjustments	–	1	1	–	2
Measurement reclassification and other movements	–	1	–	1	2
Impairment loss allowance at 30 June 2023	**28**	**69**	**133**	**6**	**236**
Impairment coverage at 30 June 2023 (%)	**0.07%**	**1.48%**	**18.24%**	**4.08%**	**0.51%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during H123 includes €1 million of contractual amounts outstanding that are still subject to enforcement activity.

16 Loans and advances to customers *(continued)*

31 December 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**

31 December 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 exposures	*(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 included €12 million of contractual amounts outstanding that are still subject to enforcement activity.

16 Loans and advances to customers *(continued)*

Non-property SME and corporate

30 June 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	(1,124)	960	164	–	–
To 12 month ECL (not credit impaired)	*1,126*	*(1,124)*	*(2)*	–	–
To lifetime ECL (not credit impaired)	*(2,234)*	*2,349*	*(115)*	–	–
To lifetime ECL (credit impaired)	*(16)*	*(265)*	*281*	–	–
Net changes in exposure	585	(598)	(218)	(15)	(246)
Impairment loss allowances utilised	–	–	(64)	–	(64)
Exchange adjustments	54	14	6	–	74
Measurement reclassification and other movements	6	2	4	–	12
Gross carrying amount at 30 June 2023	**14,774**	**5,043**	**1,426**	**1**	**21,244**

30 June 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	17	(4)	(13)	–	–
To 12 month ECL (not credit impaired)	*29*	*(28)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(12)*	*41*	*(29)*	–	–
To lifetime ECL (credit impaired)	–	*(17)*	*17*	–	–
Net impairment losses / (gains) in income statement	(21)	14	24	(2)	15
Re-measurement	*21*	*13*	*92*	–	*126*
Net changes in exposures	*(34)*	*(18)*	*(66)*	*(2)*	*(120)*
ECL model parameter and / or methodology changes	*(8)*	*19*	*(2)*	–	*9*
Impairment loss allowances utilised	–	–	(64)	–	(64)
Exchange adjustments	–	–	2	–	2
Measurement reclassification and other movements	–	–	16	–	16
Impairment loss allowance at 30 June 2023	**61**	**163**	**528**	**–**	**752**
Impairment coverage at 30 June 2023 (%)	**0.41%**	**3.23%**	**37.03%**	**–**	**3.54%**

Impairment loss allowances utilised on Non-property SME and corporate during H123 includes €41 million of contractual amounts outstanding that are still subject to enforcement activity.

16 Loans and advances to customers *(continued)*

31 December 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**

31 December 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 exposures	*51*	*(51)*	*(50)*	–	*(50)*
ECL model parameter and / or methodology changes	*18*	*22*	*38*	–	*78*
Impairment loss allowances utilised	–	–	(161)	–	(161)
Exchange adjustments	(1)	(1)	(2)	1	(3)
Measurement reclassification and other movements	–	–	14	–	14
Impairment loss allowance at 31 December 2022	**65**	**153**	**563**	**2**	**783**
Impairment coverage at 31 December 2022 (%)	**0.43%**	**3.28%**	**36.70%**	**12.50%**	**3.65%**

Impairment loss allowances utilised on Non-property SME and corporate during 2022 included €63 million of contractual amounts outstanding that are still subject to enforcement activity.

16 Loans and advances to customers *(continued)*

Property and construction

30 June 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	(179)	21	158	–	–
To 12 month ECL (not credit impaired)	*1,048*	*(1,048)*	*–*	–	–
To lifetime ECL (not credit impaired)	*(1,223)*	*1,247*	*(24)*	–	–
To lifetime ECL (credit impaired)	*(4)*	*(178)*	*182*	–	–
Net changes in exposure	497	(621)	(120)	(18)	(262)
Impairment loss allowances utilised	–	–	(12)	(36)	(48)
Exchange adjustments	13	28	3	2	46
Measurement reclassification and other movements	2	1	1	–	4
Gross carrying amount at 30 June 2023	**4,197**	**3,351**	**385**	**8**	**7,941**

30 June 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	(6)	2	–	–
To 12 month ECL (not credit impaired)	*8*	*(8)*	*–*	–	–
To lifetime ECL (not credit impaired)	*(4)*	*13*	*(9)*	–	–
To lifetime ECL (credit impaired)	*–*	*(11)*	*11*	–	–
Net impairment losses / (gains) in income statement	(1)	16	–	5	20
Re-measurement	*(3)*	*12*	*12*	*13*	*34*
Net changes in exposures	*1*	*(7)*	*(13)*	*(8)*	*(27)*
ECL model parameter and / or methodology changes	*1*	*11*	*1*	*–*	*13*
Impairment loss allowances utilised	–	–	(12)	(36)	(48)
Exchange adjustments	–	–	–	1	1
Measurement reclassification and other movements	–	–	3	1	4
Impairment loss allowance at 30 June 2023	**13**	**63**	**95**	**1**	**172**
Impairment coverage at 30 June 2023 (%)	**0.31%**	**1.88%**	**24.68%**	**12.50%**	**2.17%**

Impairment loss allowances utilised on Property and construction during H123 includes €6 million of contractual amounts outstanding that are still subject to enforcement activity.

31 December 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**

16 Loans and advances to customers *(continued)*

31 December 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 exposures	*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.

Consumer

30 June 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	(353)	294	59	–	–
To 12 month ECL (not credit impaired)	*122*	*(121)*	*(1)*	*–*	*–*
To lifetime ECL (not credit impaired)	*(449)*	*451*	*(2)*	*–*	*–*
To lifetime ECL (credit impaired)	*(26)*	*(36)*	*62*	*–*	*–*
Net changes in exposure	519	(23)	(13)	1	484
Impairment loss allowances utilised	–	–	(21)	–	(21)
Exchange adjustments	93	12	3	–	108
Measurement reclassification and other movements	6	(2)	(1)	–	3
Gross carrying amount at 30 June 2023	**4,959**	**791**	**173**	**1**	**5,924**

16 Loans and advances to customers *(continued)*

30 June 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	(1)	(10)	11	–	–
To 12 month ECL (not credit impaired)	*7*	*(7)*	*–*	–	–
To lifetime ECL (not credit impaired)	*(7)*	*8*	*(1)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(11)*	*12*	–	–
Net impairment losses / (gains) in income statement	(5)	24	27	–	46
Re-measurement	*(6)*	*28*	*27*	–	*49*
Net changes in exposures	*4*	*(6)*	*(4)*	–	*(6)*
ECL model parameter and / or methodology changes	*(3)*	*2*	*4*	–	*3*
Impairment loss allowances utilised	–	–	(21)	–	(21)
Exchange adjustments	3	2	–	–	5
Measurement reclassification and other movements	–	–	3	–	3
Impairment loss allowance at 30 June 2023	**46**	**57**	**101**	**–**	**204**
Impairment coverage at 30 June 2023 (%)	**0.93%**	**7.21%**	**58.38%**	**–**	**3.44%**

Impairment loss allowances utilised on Consumer during H123 includes €1 million of contractual amounts outstanding that are still subject to enforcement activity.

31 December 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**

16 Loans and advances to customers *(continued)*

31 December 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 exposures	–	*(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 included €49 million of contractual amounts outstanding that are still subject to enforcement activity.

17 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the Group's credit risk methodologies are set out on pages 195 to 200 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022, with updates for 2023 outlined below.

Approach to measurement of impairment loss allowances

The Group's methodology for loan loss provisioning under IFRS 9 is set out on pages 196 to 199 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022.

The Group updated its approach to identifying a significant increase in credit risk in H123, with reference to relevant regulatory guidance. Where an asset in an individually assessed / relationship managed portfolio is classified as stage 2 following application of the Group's standard criteria, all assets for the relevant obligor are also classified as stage 2 (subject to materiality thresholds). This update resulted in €1.1 billion of assets (including €0.3 billion of off balance sheet commitments) being classified as stage 2 in the period and a c.€12 million increase in impairment loss allowance.

During the six months ended 30 June 2023, the Group updated its expected credit losses (ECL) model framework to reflect an enhanced approach to applying realisation rates and cost calculations within the loss given default (LGD) component of the impairment models for certain corporate banking and business banking portfolios. This enhancement was informed by an internal model validation review and resulted in a c.€16 million increase in impairment loss allowance.

The ECL model framework was also updated in the period with model factor changes 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.

Other model updates were applied for the reporting period including the application of updated forward-looking information (FLI) scenarios and probability weightings, as well as updates to model factors to take account of more recent observable data and refinement of macro regression models for probability of default (PD) estimation. The probability weightings for FLI scenarios at H123 includes consideration of economic uncertainty, primarily driven by inflationary pressure and interest rate expectations.

Total net impact of all model factor updates in H123, including those outlined above, and the application of updated FLI for Group loans and advances to customers and other financial instruments is a c.€53 million increase in impairment loss allowances.

The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments, including FLI are set out in note 2 of the consolidated financial statements.

17 Credit risk exposures *(continued)*

Credit Risk associated with geopolitical risk, cost of living, inflation and interest rates

In H123, the Group conducted a number of assessments in relation to credit risk associated with the impact of elevated inflation and rising interest rates on asset quality. Credit risk assessments were completed across the residential mortgage and consumer portfolios and, where appropriate, outputs have been utilised to identify significant increases in credit risk and the classification of assets in stage 2. These credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to classify c.€2.4 billion of assets as stage 2 at the reporting date (31 December 2022: c.€1.9 billion), with a corresponding c.€28 million increase in impairment loss allowance (31 December 2022: €12 million).

The impact of inflation and rising interest rates have been taken into account within individual credit assessments in the relationship managed commercial portfolios.

Furthermore, the final set of probability weightings applied to FLI scenarios utilised in the Group's impairment models incorporated the application of management judgement to initial probability weightings to reflect economic uncertainty associated with factors including geopolitical risk, elevated inflation rates, and interest rate expectations in the Group's key economies. The estimated impact of this judgement was a c.€50 million increase in impairment loss allowance (31 December 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 of the consolidated financial statements.

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

Financial assets

Composition and risk profile

The tables below and on the following page 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 €17,559 million at 30 June 2023 (31 December 2022: €16,871 million) that are subject to impairment. Loans and advances to customers exclude €212 million (31 December 2022: €217 million) of loans mandatorily measured at FVTPL at 30 June 2023 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (note 16).

At 30 June 2023, POCI assets included €1 million of assets (31 December 2022: €1 million) with an impairment loss allowance of €nil (31 December 2022: €nil) which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.

At 30 June 2023, other financial assets (before impairment loss allowance) include: cash and balances at central banks of €31,484 million (31 December 2022: €36,861 million) and items in the course of collection from other banks of €147 million (31 December 2022: €140 million).

30 June 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	65,111	13,849	2,713	157	81,830
Loans and advances to banks	2,991	–	–	–	2,991
Debt securities	5,357	1	–	–	5,358
Other financial assets	31,631	–	–	–	31,631
Total financial assets measured at amortised cost	**105,090**	**13,850**	**2,713**	**157**	**121,810**
Debt instruments at FVOCI	3,980	–	–	–	3,980
Total	**109,070**	**13,850**	**2,713**	**157**	**125,790**

17 Credit risk exposures *(continued)*

30 June 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	148	352	857	7	1,364
Loans and advances to banks	1	–	–	–	1
Debt securities	1	–	–	–	1
Other financial assets	5	–	–	–	5
Total financial assets measured at amortised cost	**155**	**352**	**857**	**7**	**1,371**
Debt instruments at FVOCI	1	–	–	–	1
Total	**156**	**352**	**857**	**7**	**1,372**

31 December 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**

31 December 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**

17 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 €157 million (31 December 2022: €80 million). Credit-impaired includes Stage 3 and POCI assets of €156 million (31 December 2022: €79 million). €1 million of POCI assets (31 December 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)	30 June 2023 Not credit-impaired €m	Credit-impaired €m	Total €m	%	31 December 2022 Not credit-impaired €m	Credit-impaired €m	Total €m	%
Residential mortgages	45,846	875	46,721	57%	37,567	453	38,020	52%
Retail Ireland	*30,694*	*497*	*31,191*	*38%*	*22,218*	*254*	*22,472*	*31%*
Retail UK	*15,152*	*378*	*15,530*	*19%*	*15,349*	*199*	*15,548*	*21%*
Non-property SME and corporate	19,817	1,427	21,244	26%	19,918	1,550	21,468	29%
Republic of Ireland SME	*6,783*	*500*	*7,283*	*9%*	*6,614*	*561*	*7,175*	*10%*
UK SME	*1,557*	*111*	*1,668*	*2%*	*1,457*	*121*	*1,578*	*2%*
Corporate	*11,477*	*816*	*12,293*	*15%*	*11,847*	*868*	*12,715*	*17%*
Property and construction	7,548	393	7,941	10%	7,786	415	8,201	12%
Investment	*6,588*	*374*	*6,962*	*9%*	*6,685*	*399*	*7,084*	*10%*
Development	*960*	*19*	*979*	*1%*	*1,101*	*16*	*1,117*	*2%*
Consumer	5,750	174	5,924	7%	5,204	146	5,350	7%
Total	**78,961**	**2,869**	**81,830**	**100%**	**70,475**	**2,564**	**73,039**	**100%**
Impairment loss allowance on loans and advances to customers	**500**	**864**	**1,364**	**2%**	**427**	**868**	**1,295**	**2%**

Asset quality - not credit-impaired

The tables below summarise 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 are POCI assets of €1 million (31 December 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.

30 June 2023 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1 Stage 1 Loans €m	Loans as % of advances[1] %	Stage 1 ILA €m	ILA as % of Stage 1 loans %	Stage 2 Stage 2 Loans €m	Loans as % of advances[1] %	Stage 2 ILA €m	ILA as % of Stage 2 loans %
Residential mortgages	41,181	88.4%	28	0.07%	4,664	10.0%	69	1.48%
Retail Ireland	*27,485*	*88.5%*	*16*	*0.06%*	*3,208*	*10.3%*	*39*	*1.22%*
Retail UK	*13,696*	*88.2%*	*12*	*0.09%*	*1,456*	*9.4%*	*30*	*2.06%*
Non-property SME and corporate	14,774	69.5%	61	0.41%	5,043	23.7%	163	3.23%
Republic of Ireland SME	*5,314*	*73.0%*	*32*	*0.60%*	*1,469*	*20.2%*	*55*	*3.74%*
UK SME	*1,246*	*74.7%*	*4*	*0.32%*	*311*	*18.6%*	*17*	*5.47%*
Corporate	*8,214*	*66.8%*	*25*	*0.30%*	*3,263*	*26.5%*	*91*	*2.79%*
Property and construction	4,197	52.9%	13	0.31%	3,351	42.2%	63	1.88%
Investment	*3,377*	*48.6%*	*10*	*0.30%*	*3,211*	*46.2%*	*60*	*1.87%*
Development	*820*	*83.8%*	*3*	*0.37%*	*140*	*14.3%*	*3*	*2.14%*
Consumer	4,959	83.7%	46	0.93%	791	13.4%	57	7.21%
Total	**65,111**	**79.7%**	**148**	**0.23%**	**13,849**	**17.0%**	**352**	**2.54%**

[1] *'Advances' refers to the portfolio loan balance (pre-impairment loss allowance) excluding POCI assets*

17 Credit risk exposures *(continued)*

31 December 2022 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1 Stage 1 Loans €m	 Loans as % of advances[1] %	 Stage 1 ILA €m	 ILA as % of Stage 1 loans %	Stage 2 Stage 2 Loans €m	 Loans as % of advances[1] %	 Stage 2 ILA €m	 ILA as % 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	47.5%	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	87.7%	49	1.04%	510	9.5%	41	8.04%
Total	**57,831**	**79.3%**	**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.*

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 or equal to 90 days past due and the arrears amount is material. All credit-impaired loans and advances to customers are risk rated PD grade 12.

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are credit-impaired. Credit-impaired includes Stage 3 and POCI assets of €156 million (31 December 2022: €79 million). €1 million of POCI assets (31 December 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.

Credit-impaired (CI) loans and advances to customers - Composition and impairment loss allowance (ILA)	30 June 2023 Credit-impaired (CI) loans €m	 CI loans as % of advances %	 CI Impairment loss allowance €m	 CI ILA as % of CI loans %	31 December 2022 Credit-impaired (CI) loans €m	 CI loans as % of advances %	 CI Impairment loss allowance €m	 CI ILA as % of CI loans %
Residential mortgages	875	1.9%	139	16%	453	1.2%	90	20%
Retail Ireland	*497*	*1.6%*	*95*	*19%*	*254*	*1.1%*	*70*	*28%*
Retail UK	*378*	*2.4%*	*44*	*12%*	*199*	*1.3%*	*20*	*10%*
Non-property SME and corporate	1,427	6.7%	528	37%	1,550	7.2%	565	37%
Republic of Ireland SME	*500*	*6.9%*	*254*	*51%*	*561*	*7.8%*	*269*	*48%*
UK SME	*111*	*6.7%*	*40*	*36%*	*121*	*7.7%*	*45*	*37%*
Corporate	*816*	*6.6%*	*234*	*29%*	*868*	*6.8%*	*251*	*29%*
Property and construction	393	4.9%	96	24%	415	5.1%	132	32%
Investment	*374*	*5.4%*	*91*	*24%*	*399*	*5.6%*	*127*	*32%*
Development	*19*	*1.9%*	*5*	*26%*	*16*	*1.4%*	*5*	*31%*
Consumer	174	2.9%	101	58%	146	2.7%	81	55%
Total credit-impaired	**2,869**	**3.5%**	**864**	**30%**	**2,564**	**3.5%**	**868**	**34%**

17 Credit risk exposures *(continued)*

Asset quality - PD Grade of loans and advances to customers

The tables below provide 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 60. Credit-impaired includes Stage 3 and POCI assets of €156 million (31 December 2022: €79 million). Excluded from the tables below are €1 million of POCI assets (31 December 2022: €1 million) which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI loans until derecognition.

30 June 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	9,931	21%	3,476	17%	171	2%	7	–	13,585	17%
5-7	26,966	58%	5,200	24%	3,116	39%	2,366	40%	37,648	46%
8-9	3,269	7%	5,205	25%	690	9%	1,369	23%	10,533	13%
10-11	1,015	2%	893	4%	220	3%	1,217	21%	3,345	4%
Total Stage 1	**41,181**	**88%**	**14,774**	**70%**	**4,197**	**53%**	**4,959**	**84%**	**65,111**	**80%**
Stage 2										
1-4	505	1%	780	4%	–	–	–	–	1,285	1%
5-7	2,583	6%	1,330	6%	1,169	14%	314	5%	5,396	7%
8-9	595	1%	1,257	6%	1,398	18%	79	1%	3,329	4%
10-11	981	2%	1,676	8%	784	10%	398	7%	3,839	5%
Total Stage 2	**4,664**	**10%**	**5,043**	**24%**	**3,351**	**42%**	**791**	**13%**	**13,849**	**17%**
Not credit-impaired										
1-4	10,436	22%	4,256	21%	171	2%	7	–	14,870	18%
5-7	29,549	64%	6,530	30%	4,285	53%	2,680	45%	43,044	53%
8-9	3,864	8%	6,462	31%	2,088	27%	1,448	24%	13,862	17%
10-11	1,996	4%	2,569	12%	1,004	13%	1,615	28%	7,184	9%
Total not credit-impaired	**45,845**	**98%**	**19,817**	**94%**	**7,548**	**95%**	**5,750**	**97%**	**78,960**	**97%**
Credit-impaired										
12	875	2%	1,427	6%	393	5%	174	3%	2,869	3%
Total credit-impaired	**875**	**2%**	**1,427**	**6%**	**393**	**5%**	**174**	**3%**	**2,869**	**3%**
Total	**46,720**	**100%**	**21,244**	**100%**	**7,941**	**100%**	**5,924**	**100%**	**81,829**	**100%**

17 Credit risk exposures *(continued)*

31 December 2022 Loans and advances to customers Asset quality - PD grade	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%
Stage 1										
1-4	8,838	23%	4,412	20%	200	2%	7	–	13,457	18%
5-7	22,072	58%	5,996	28%	2,870	35%	2,071	39%	33,009	45%
8-9	2,420	6%	3,603	17%	578	7%	1,289	24%	7,890	11%
10-11	690	2%	1,242	6%	216	3%	1,327	25%	3,475	5%
Total Stage 1	**34,020**	**89%**	**15,253**	**71%**	**3,864**	**47%**	**4,694**	**88%**	**57,831**	**79%**
Stage 2										
1-4	479	1%	1,469	7%	140	2%	–	–	2,088	4%
5-7	1,874	5%	410	2%	1,845	23%	178	3%	4,307	5%
8-9	309	1%	1,423	7%	1,180	14%	103	2%	3,015	4%
10-11	884	2%	1,363	6%	757	9%	229	4%	3,233	4%
Total Stage 2	**3,546**	**9%**	**4,665**	**22%**	**3,922**	**48%**	**510**	**9%**	**12,643**	**17%**
Not credit-impaired										
1-4	9,317	24%	5,881	27%	340	4%	7	–	15,545	22%
5-7	23,946	63%	6,406	30%	4,715	58%	2,249	42%	37,316	50%
8-9	2,729	7%	5,026	24%	1,758	21%	1,392	26%	10,905	15%
10-11	1,574	4%	2,605	12%	973	12%	1,556	29%	6,708	9%
Total not credit-impaired	**37,566**	**98%**	**19,918**	**93%**	**7,786**	**95%**	**5,204**	**97%**	**70,474**	**96%**
Credit-impaired										
12	453	2%	1,550	7%	415	5%	146	3%	2,564	4%
Total credit-impaired	**453**	**2%**	**1,550**	**7%**	**415**	**5%**	**146**	**3%**	**2,564**	**4%**
Total	**38,019**	**100%**	**21,468**	**100%**	**8,201**	**100%**	**5,350**	**100%**	**73,038**	**100%**

Non-performing exposures

The tables below provide an analysis of loans and advances to customers that are non-performing by asset classification. The tables include NPEs relating to loans and advances to customers at amortised cost of €2,904 million (31 December 2022: €2,584 million) and exclude NPEs relating to loans and advances to customers measured at FVTPL of €35 million (31 December 2022: €33 million).

Credit-impaired includes Stage 3 Loans and advances to customers at amortised cost. Not credit-impaired NPEs (€69 million) include forborne loans that had yet to satisfy internal exit criteria for NPE reporting purposes. POCI assets of €157 million (31 December 2022: €80 million) include POCI credit-impaired of €156 million (31 December 2022: €79 million) and €1 million (31 December 2022: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as POCI until derecognition. The increase in POCI assets is due to the KBCI loan acquisition.

30 June 2023 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired	729	1,426	385	173	2,713
Not credit-impaired	35	27	7	–	69
Purchased / originated credit-impaired	147	1	8	1	157
Total	**911**	**1,454**	**400**	**174**	**2,939**

17 Credit risk exposures *(continued)*

31 December 2022 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired	450	1,534	355	146	2,485
Not credit-impaired	33	12	6	1	52
Purchased / originated credit-impaired	4	16	60	–	80
Total	**487**	**1,562**	**421**	**147**	**2,617**

In addition to the NPEs on loans and advances to customers shown above, the Group has total non-performing off-balance sheet exposures amounting to €0.1 billion (31 December 2022: €0.1 billion). NPEs increased to €2.9 billion at 30 June 2023 from €2.6 billion at 31 December 2022. The movements in NPEs in the period are broadly consistent with the movements in credit-impaired loans as set out in the composition and impairment section above. At 30 June 2023, the Group's NPE impairment loss allowance cover ratio was 46% (31 December 2022: 49%). The increase in POCI assets is due to the KBCI loan acquisition.

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 30 June 2023 of €81.8 billion (31 December 2022: €73.0 billion) is available in note 16. The tables below exclude €212 million of loans and advances to customers at 30 June 2023 (31 December 2022: €217 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9. Exposures are before impairment loss allowance.

30 June 2023 Loans and advances to customers at amortised cost - Composition	Stage 1 (not credit-impaired) €m	Stage 2 (not credit-impaired) €m	Stage 3 (credit-impaired) €m	Purchased / originated credit-impaired €m	Total €m
Non-forborne loans and advances to customers					
Residential mortgages	41,177	4,444	511	125	46,257
Retail Ireland	*27,481*	*3,047*	*197*	*125*	*30,850*
Retail UK	*13,696*	*1,397*	*314*	*–*	*15,407*
Non-property SME and corporate	14,774	3,696	283	1	18,754
Republic of Ireland SME	*5,314*	*1,323*	*214*	*1*	*6,852*
UK SME	*1,246*	*216*	*64*	*–*	*1,526*
Corporate	*8,214*	*2,157*	*5*	*–*	*10,376*
Property and construction	4,197	2,624	151	–	6,972
Investment	*3,377*	*2,502*	*141*	*–*	*6,020*
Development	*820*	*122*	*10*	*–*	*952*
Consumer	4,959	790	170	1	5,920
Total non-forborne loans and advances to customers	**65,107**	**11,554**	**1,115**	**127**	**77,903**
Forborne loans and advances to customers					
Residential mortgages	4	220	218	22	464
Retail Ireland	*4*	*161*	*154*	*22*	*341*
Retail UK	*–*	*59*	*64*	*–*	*123*
Non-property SME and corporate	–	1,347	1,143	–	2,490
Republic of Ireland SME	*–*	*146*	*285*	*–*	*431*
UK SME	*–*	*95*	*47*	*–*	*142*
Corporate	*–*	*1,106*	*811*	*–*	*1,917*
Property and construction	–	727	234	8	969
Investment	*–*	*709*	*225*	*8*	*942*
Development	*–*	*18*	*9*	*–*	*27*
Consumer	–	1	3	–	4
Total forborne loans and advances to customers	**4**	**2,295**	**1,598**	**30**	**3,927**

17 Credit risk exposures *(continued)*

At 30 June 2023, the forborne POCI loans included €1 million of loans (31 December 2022: €1 million) 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.

31 December 2022 Loans and advances to customers at amortised cost - composition	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	34,019	3,272	281	1	37,573
Retail Ireland	*19,732*	*2,276*	*112*	*1*	*22,121*
Retail UK	*14,287*	*996*	*169*	–	*15,452*
Non-property SME and corporate	15,253	3,123	385	–	18,761
Republic of Ireland SME	*4,931*	*1,437*	*233*	–	*6,601*
UK SME	*1,177*	*187*	*61*	–	*1,425*
Corporate	*9,145*	*1,499*	*91*	–	*10,735*
Property and construction	3,864	2,991	17	–	6,872
Investment	*3,216*	*2,568*	*14*	–	*5,798*
Development	*648*	*423*	*3*	–	*1,074*
Consumer	4,694	509	143	–	5,346
Total non-forborne loans and advances to customers	**57,830**	**9,895**	**826**	**1**	**68,552**
Forborne loans and advances to customers					
Residential mortgages	1	274	169	3	447
Retail Ireland	*1*	*208*	*139*	*3*	*351*
Retail UK	–	*66*	*30*	–	*96*
Non-property SME and corporate	–	1,542	1,149	16	2,707
Republic of Ireland SME	–	*246*	*328*	–	*574*
UK SME	–	*93*	*60*	–	*153*
Corporate	–	*1,203*	*761*	*16*	*1,980*
Property and construction	–	931	338	60	1,329
Investment	–	*901*	*325*	*60*	*1,286*
Development	–	*30*	*13*	–	*43*
Consumer	–	1	3	–	4
Total forborne loans and advances to customers	**1**	**2,748**	**1,659**	**79**	**4,487**

Risk profile of non-performing exposures

The tables below include NPEs relating to loans and advances to customers at amortised cost of €2,904 million (31 December 2022: €2,584 million and exclude NPEs relating to loans and advances to customers measured at FVTPL of €35 million (31 December 2022: €33 million).

30 June 2023 Risk profile of loans and advances to customers at amortised cost - non-performing exposures	**Residential mortgages €m**	**Non- property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Credit-impaired	636	284	151	171	1,242
Not credit-impaired	35	20	7	–	62
Total non-forborne loans and advances to customers	**671**	**304**	**158**	**171**	**1,304**
Forborne loans and advances to customers					
Credit-impaired	240	1,143	242	3	1,628
Not credit-impaired	–	7	–	–	7
Total forborne loans and advances to customers	**240**	**1,150**	**242**	**3**	**1,635**

17 Credit risk exposures *(continued)*

31 December 2022 Risk profile of loans and advances to customers at amortised cost - non-performing exposure	Residential mortgages €m	Non- property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Credit-impaired	281	385	17	143	826
Not credit-impaired	33	12	4	1	50
Total non-forborne loans and advances to customers	**314**	**397**	**21**	**144**	**876**
Forborne loans and advances to customers					
Credit-impaired	172	1,165	398	3	1,738
Not credit-impaired	1	–	2	–	3
Total forborne loans and advances to customers	**173**	**1,165**	**400**	**3**	**1,741**

Loans and advances to customers - other credit risk information

Geographical and industry analysis of loans and advances to customers

The following tables provide a geographical and industry breakdown of loans and advances to customers at amortised cost, and the associated impairment loss allowances. The geographical breakdown is primarily based on the location of the business unit where the asset is booked. The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities. Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.

	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
30 June 2023 Geographical / industry analysis	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**
Personal	**33,503**	**19,142**	**–**	**52,645**	**227**	**213**	**–**	**440**
Residential mortgages	*31,191*	*15,530*	*–*	*46,721*	*150*	*86*	*–*	*236*
Other consumer lending	*2,312*	*3,612*	*–*	*5,924*	*77*	*127*	*–*	*204*
Property and construction	**7,518**	**423**	**–**	**7,941**	**137**	**35**	**–**	**172**
Investment	*6,572*	*390*	*–*	*6,962*	*128*	*33*	*–*	*161*
Development	*946*	*33*	*–*	*979*	*9*	*2*	*–*	*11*
Non-property SME & corporate	**18,289**	**1,866**	**1,089**	**21,244**	**629**	**70**	**53**	**752**
Manufacturing	*4,082*	*266*	*468*	*4,816*	*129*	*8*	*22*	*159*
Administrative and support service activities	*2,755*	*299*	*218*	*3,272*	*78*	*16*	*4*	*98*
Wholesale and retail trade	*1,987*	*297*	*44*	*2,328*	*54*	*3*	*–*	*57*
Agriculture, forestry and fishing	*1,489*	*221*	*–*	*1,710*	*55*	*6*	*–*	*61*
Accommodation and food service activities	*1,434*	*82*	*39*	*1,555*	*50*	*6*	*4*	*60*
Human health services and social work activities	*1,247*	*156*	*69*	*1,472*	*51*	*9*	*2*	*62*
Other services	*753*	*38*	*81*	*872*	*30*	*2*	*13*	*45*
Transport and storage	*677*	*78*	*78*	*833*	*52*	*6*	*3*	*61*
Financial and Insurance activities	*771*	*42*	*–*	*813*	*5*	*1*	*–*	*6*
Professional, scientific and technical activities	*696*	*19*	*58*	*773*	*34*	*–*	*2*	*36*
Real estate activities	*541*	*123*	*–*	*664*	*54*	*8*	*–*	*62*
Electricity, gas, steam and air conditioning supply	*501*	*9*	*–*	*510*	*6*	*–*	*–*	*6*
Education	*413*	*8*	*23*	*444*	*7*	*–*	*–*	*7*
Other sectors	*943*	*228*	*11*	*1,182*	*24*	*5*	*3*	*32*
Total	**59,310**	**21,431**	**1,089**	**81,830**	**993**	**318**	**53**	**1,364**
Analysed by stage:								
Stage 1	46,429	18,065	617	65,111	95	49	4	148
Stage 2	10,782	2,702	365	13,849	235	100	17	352
Stage 3	1,950	656	107	2,713	657	168	32	857
Purchased / originated credit-impaired	149	8	–	157	6	1	–	7
Total	**59,310**	**21,431**	**1,089**	**81,830**	**993**	**318**	**53**	**1,364**

17 Credit risk exposures *(continued)*

31 December 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*
Accommodation and food service activities	*1,475*	*82*	*40*	*1,597*	*63*	*8*	*4*	*75*
Human health services and social work activities	*1,299*	*155*	*69*	*1,523*	*49*	*10*	*1*	*60*
Financial and Insurance activities	*933*	*38*	*–*	*971*	*8*	*1*	*–*	*9*
Transport and storage	*684*	*74*	*76*	*834*	*42*	*6*	*3*	*51*
Other services	*750*	*18*	*61*	*829*	*29*	*–*	*–*	*29*
Real estate activities	*643*	*39*	*85*	*767*	*18*	*2*	*13*	*33*
Professional, scientific and technical activities	*602*	*132*	*–*	*734*	*55*	*8*	*–*	*63*
Arts, entertainment and recreation	*408*	*38*	*24*	*470*	*5*	*–*	*–*	*5*
Education	*388*	*29*	*13*	*430*	*23*	*1*	*3*	*27*
Other sectors	*1,237*	*186*	*2*	*1,425*	*33*	*5*	*–*	*38*
Total	**50,721**	**21,138**	**1,180**	**73,039**	**917**	**299**	**79**	**1,295**
Analysed by stage:								
Stage 1	38,513	18,533	785	57,831	88	51	3	142
Stage 2	10,420	1,986	237	12,643	206	67	12	285
Stage 3	1,768	559	158	2,485	620	151	64	835
Purchased / originated credit-impaired	20	60	–	80	3	30	–	33
Total	**50,721**	**21,138**	**1,180**	**73,039**	**917**	**299**	**79**	**1,295**

17 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 period on period.

	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
30 June 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	41,181	4,664	729	147	46,721	28	69	133	6	236
Other consumer	4,959	791	173	1	5,924	46	57	101	–	204
Motor lending UK	*1,772*	*376*	*33*	*–*	*2,181*	*3*	*5*	*11*	*–*	*19*
Loans UK	*1,118*	*257*	*56*	*–*	*1,431*	*29*	*37*	*42*	*–*	*108*
Motor lending RoI	*797*	*3*	*23*	*–*	*823*	*3*	*–*	*9*	*–*	*12*
Loans RoI	*755*	*129*	*49*	*1*	*934*	*8*	*11*	*31*	*–*	*50*
Credit cards RoI	*517*	*26*	*12*	*–*	*555*	*3*	*4*	*8*	*–*	*15*
	46,140	**5,455**	**902**	**148**	**52,645**	**74**	**126**	**234**	**6**	**440**
Property and construction	**4,197**	**3,351**	**385**	**8**	**7,941**	**13**	**63**	**95**	**1**	**172**
Investment	*3,377*	*3,211*	*366*	*8*	*6,962*	*10*	*60*	*90*	*1*	*161*
Development	*820*	*140*	*19*	*–*	*979*	*3*	*3*	*5*	*–*	*11*
Non-property SME & corporate	**14,774**	**5,043**	**1,426**	**1**	**21,244**	**61**	**163**	**528**	**–**	**752**
Manufacturing	*3,134*	*1,347*	*335*	*–*	*4,816*	*12*	*42*	*105*	*–*	*159*
Administrative and support service activities	*2,473*	*665*	*134*	*–*	*3,272*	*11*	*26*	*61*	*–*	*98*
Wholesale and retail trade	*1,793*	*455*	*80*	*–*	*2,328*	*6*	*10*	*41*	*–*	*57*
Agriculture, forestry and fishing	*1,328*	*283*	*99*	*–*	*1,710*	*9*	*11*	*41*	*–*	*61*
Accommodation and food service activities	*746*	*630*	*178*	*1*	*1,555*	*3*	*9*	*48*	*–*	*60*
Human health services and social work activities	*836*	*414*	*222*	*–*	*1,472*	*4*	*18*	*40*	*–*	*62*
Other services	*641*	*152*	*79*	*–*	*872*	*2*	*7*	*36*	*–*	*45*
Transport and storage	*574*	*156*	*103*	*–*	*833*	*2*	*5*	*54*	*–*	*61*
Financial and Insurance activities	*747*	*62*	*4*	*–*	*813*	*1*	*3*	*2*	*–*	*6*
Professional, scientific and technical activities	*535*	*205*	*33*	*–*	*773*	*3*	*6*	*27*	*–*	*36*
Real estate activities	*372*	*201*	*91*	*–*	*664*	*4*	*9*	*49*	*–*	*62*
Electricity, gas, steam and air conditioning supply	*451*	*54*	*5*	*–*	*510*	*1*	*2*	*3*	*–*	*6*
Education	*356*	*87*	*1*	*–*	*444*	*1*	*5*	*1*	*–*	*7*
Other sectors	*788*	*332*	*62*	*–*	*1,182*	*2*	*10*	*20*	*–*	*32*
Total	**65,111**	**13,849**	**2,713**	**157**	**81,830**	**148**	**352**	**857**	**7**	**1,364**

17 Credit risk exposures *(continued)*

31 December 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*
Accommodation and food service activities	*608*	*794*	*195*	*–*	*1,597*	*3*	*16*	*56*	*–*	*75*
Human health services and social work activities	*880*	*444*	*199*	*–*	*1,523*	*3*	*17*	*40*	*–*	*60*
Financial and Insurance activities	*921*	*40*	*10*	*–*	*971*	*1*	*3*	*5*	*–*	*9*
Transport and storage	*562*	*165*	*107*	*–*	*834*	*2*	*6*	*43*	*–*	*51*
Other services	*643*	*154*	*32*	*–*	*829*	*3*	*5*	*21*	*–*	*29*
Real estate activities	*579*	*91*	*97*	*–*	*767*	*2*	*6*	*25*	*–*	*33*
Professional, scientific and technical activities	*390*	*246*	*98*	*–*	*734*	*5*	*9*	*49*	*–*	*63*
Arts, entertainment and recreation	*418*	*51*	*1*	*–*	*470*	*2*	*2*	*1*	*–*	*5*
Education	*241*	*142*	*47*	*–*	*430*	*1*	*8*	*18*	*–*	*27*
Other sectors	*1,084*	*251*	*90*	*–*	*1,425*	*3*	*7*	*28*	*–*	*38*
Total	**57,831**	**12,643**	**2,485**	**80**	**73,039**	**142**	**285**	**835**	**33**	**1,295**

17 Credit risk exposures *(continued)*

Loan to value profiles - total Retail Ireland mortgages

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 €147 million (31 December 2022: €4 million).

	Owner occupied			Buy to let			Total		
30 June 2023 Loan to value ratio of total Retail Ireland mortgages	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	12,555	114	12,669	1,022	30	1,052	13,577	144	13,721
51% to 70%	9,982	69	10,051	208	12	220	10,190	81	10,271
71% to 80%	3,547	24	3,571	38	4	42	3,585	28	3,613
81% to 90%	2,449	11	2,460	47	6	53	2,496	17	2,513
91% to 100%	766	9	775	12	4	16	778	13	791
Subtotal	**29,299**	**227**	**29,526**	**1,327**	**56**	**1,383**	**30,626**	**283**	**30,909**
101% to 120%	26	12	38	6	6	12	32	18	50
121% to 150%	16	5	21	2	7	9	18	12	30
Greater than 151%	8	12	20	9	26	35	17	38	55
Subtotal	**50**	**29**	**79**	**17**	**39**	**56**	**67**	**68**	**135**
Total	**29,349**	**256**	**29,605**	**1,344**	**95**	**1,439**	**30,693**	**351**	**31,044**
Weighted average LTV:									
Stock of Retail Ireland mortgages at period end			54%			44%			53%
New Retail Ireland mortgages during the period			76%			56%			76%

	Owner occupied			Buy to let			Total		
31 December 2022 Loan to value ratio of total Retail Ireland mortgages	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	9,670	68	9,738	967	23	990	10,637	91	10,728
51% to 70%	7,109	41	7,150	189	8	197	7,298	49	7,347
71% to 80%	2,383	16	2,399	32	3	35	2,415	19	2,434
81% to 90%	1,552	9	1,561	51	7	58	1,603	16	1,619
91% to 100%	212	6	218	10	3	13	222	9	231
Subtotal	**20,926**	**140**	**21,066**	**1,249**	**44**	**1,293**	**22,175**	**184**	**22,359**
101% to 120%	9	12	21	6	6	12	15	18	33
121% to 150%	11	6	17	4	8	12	15	14	29
Greater than 151%	5	11	16	7	24	31	12	35	47
Subtotal	**25**	**29**	**54**	**17**	**38**	**55**	**42**	**67**	**109**
Total	**20,951**	**169**	**21,120**	**1,266**	**82**	**1,348**	**22,217**	**251**	**22,468**
Weighted average LTV:									
Stock of Retail Ireland mortgages at period end			52%			44%			51%
New Retail Ireland mortgages during the period			72%			54%			72%

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 Central Statistics Office (CSO) Residential Property Price Index (RPPI). The indexed LTV profile of the Retail Ireland mortgage loan book is based on the CSO RPPI at April 2023. The CSO RPPI for April 2023 reported that average national residential property prices were 1.7% above peak (October 2022: 2.9% above peak), with Dublin residential prices 9.1% below peak and outside of Dublin residential prices 2.5% above peak (October 2022: 5.7% below peak and 1.8% above peak respectively). In the 4 months to April 2023, residential property prices at a national level decreased by 1.6%.

17 Credit risk exposures *(continued)*

At 30 June 2023, €30.9 billion or 99.6% of Retail Ireland mortgages were classified as being in positive equity, 99.7% for Owner occupied mortgages and 96.1% for BTL mortgages.

Loan to value profiles - total Retail UK mortgages

The tables below sets 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		
30 June 2023 Loan to value ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,121	42	2,231	62	421	30	4,773	134	4,907
51% to 70%	2,892	48	2,007	71	252	31	5,151	150	5,301
71% to 80%	1,538	13	261	10	23	4	1,822	27	1,849
81% to 90%	952	8	4	1	3	–	959	9	968
91% to 100%	290	–	2	1	1	–	293	1	294
Subtotal	**7,793**	**111**	**4,505**	**145**	**700**	**65**	**12,998**	**321**	**13,319**
101% to 120%	3	–	–	–	2	1	5	1	6
121% to 150%	1	1	–	–	–	–	1	1	2
Greater than 150%	–	–	–	1	–	1	–	2	2
Subtotal	**4**	**1**	**–**	**1**	**2**	**2**	**6**	**4**	**10**
Total	**7,797**	**112**	**4,505**	**146**	**702**	**67**	**13,004**	**325**	**13,329**
Weighted average LTV:									
Stock of Retail UK mortgages at period end	61%	56%	50%	53%	45%	53%	56%	54%	56%
New Retail UK mortgages during the period	73%	53%	58%	–	53%	–	71%	53%	71%

	Standard		Buy to let		Self Certified		Total		
31 December 2022 Loan to value ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,265	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%

17 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 12 month PD grade.

Debt instruments at FVOCI Asset quality	30 June 2023						31 December 2022					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	3,896	98%	–	–	3,896	98%	4,172	98%	–	–	4,172	98%
5-7	84	2%	–	–	84	2%	82	2%	–	–	82	2%
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**3,980**	**100%**	**–**	**–**	**3,980**	**100%**	**4,254**	**100%**	**–**	**–**	**4,254**	**100%**

Debt securities at amortised cost (before impairment loss allowance) Asset quality	30 June 2023						31 December 2022					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,357	100%	1	100%	5,358	100%	4,471	100%	1	100%	4,472	100%
5-7	–	–	–	–	–	–	–	–	–	–	–	–
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**5,357**	**100%**	**1**	**100%**	**5,358**	**100%**	**4,471**	**100%**	**1**	**100%**	**4,472**	**100%**

Loans and advances to banks at amortised cost (before impairment loss allowance) Asset quality	30 June 2023						31 December 2022					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,987	100%	–	–	2,987	100%	2,878	99%	–	–	2,878	99%
5-7	4	–	–	–	4	–	20	1%	–	–	20	1%
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**2,991**	**100%**	**–**	**–**	**2,991**	**100%**	**2,898**	**100%**	**–**	**–**	**2,898**	**100%**

Asset quality - other financial instruments

Other financial instruments as set out in the table below include instruments that are not within the scope of IFRS 9 or are not subject to impairment under IFRS 9. These include trading securities, derivative financial instruments, loans and advances to banks at fair value, loans and advances to customers at fair value, other financial instruments at FVTPL (excluding equity instruments) and any reinsurance contract assets. The table summarises the asset quality of these financial instruments by equivalent external risk ratings.

	30 June 2023		*Restated*[1] 31 December 2022	
Other financial instruments with ratings equivalent to:	€m	%	€m	%
AAA to AA-	5,538	44%	4,292	34%
A+ to A-	6,064	49%	6,110	49%
BBB+ to BBB-	570	5%	1,683	14%
BB+ to BB-	51	–	67	1%
B+ to B-	191	2%	199	2%
Lower than B-	35	–	40	–
Total	**12,449**	**100%**	**12,391**	**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 6 for transitional impact.

18 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.

	30 June 2023 €m	31 December 2022 €m
Financial assets modified during the period		
Amortised cost before modification	496	517
Net modification losses (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 period	820	1,249

19 Deferred tax

The deferred tax asset (DTA) of €878 million (31 December 2022: €989 million) includes an amount of €937 million (31 December 2022: €1,026 million) in respect of operating losses which are available to shelter future profits from tax, of which €868 million relates to Irish tax losses carried forward by the Bank, €65 million relates to UK tax losses carried forward by Bank of Ireland (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 6 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.

Positive factors which have been considered include:

- as evidenced by continuing profitability, 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 improved employment levels.

The Group also considered negative evidence and the inherent uncertainties in any long-term financial assumptions and projections, including:

- the absolute level of deferred tax assets compared to the Group's equity;
- the quantum of profits required to be earned and the period over which it is projected that the tax losses will be utilised;
- the level of competition and the evolving interest rate environment; and
- accelerated transformation of banking business models.

Based on the Group’s proven earnings history, its strong position within the Irish financial services market and its strategic priorities to deliver sustained future Irish profits, the Directors believe that the Group will be profitable over the longer term but acknowledge the external challenges facing the banking industry, in particular, the traditional, full service banks and the inherent uncertainties of long-term financial projections.

The Group's assessment of deferred tax recoverability is based on its financial projections covering its five year initial planning period, with an annual 2% growth rate thereafter and, based on these projections, the DTA in respect of Irish tax losses is estimated to be recovered in full by the end of 2028 (31 December 2022: 2028). The use of reasonably possible alternative assumptions within those projections would not impact the carrying value of the DTA.

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 UK DTA, the brought forward trading losses within the Bank’s 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 (31 December 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.

The DTA of Bank of Ireland (UK) plc is recognised in full with an estimated recovery period of 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.

The Group’s most recent Annual Reports had noted that the Organisation for Economic Co-operation and Development (OECD) 15% minimum effective tax rate Model Rules had been endorsed with EU Member States required to transpose the provisions of the Directive into their national laws to apply for fiscal years beginning on or after 31 December 2023.

The legislation has not been substantively enacted at the balance sheet date and the Group will continue to monitor the evolving national legislation including any disclosures required, or exemptions available, under IAS 12 in the year ending 31 December 2023.

20 Deposits from banks

Deposits from banks include cash collateral of €0.6 billion at 30 June 2023 (31 December 2022: €0.6 billion) received from derivative counterparties in relation to net derivative asset positions.

At 30 June 2023, the Group held Monetary Authority secured funding of €2.7 billion (31 December 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 will be largely repaid in 2024 and 2025 with the final residual amount repaid in October 2026.

At 30 June 2023, the Group's Monetary Authority secured funding is secured by loans and advances to customers.

	30 June 2023 €m	31 December 2022 €m
Monetary Authority secured funding	2,686	2,594
Deposits from banks	906	851
Securities sold under agreement to repurchase - private market repos	30	–
Deposits from banks	**3,622**	**3,445**

21 Customer accounts

The carrying amount of the customer accounts designated at FVTPL at 30 June 2023 is €341 million, €23 million lower than the contractual amount due at maturity of €364 million (31 December 2022: the carrying amount was €414 million, €49 million lower than the contractual amount due at maturity of €463 million).

At 30 June 2023, the Group's largest 20 customer deposits amounted to 3% (31 December 2022: 4%) of customer accounts on a connected counterparty basis. Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products.

	30 June 2023 €m	31 December 2022 €m
Current accounts	60,847	59,932
Demand deposits	31,033	29,511
Term deposits and other products	9,769	9,945
Customer accounts at amortised cost	**101,649**	**99,388**
Term deposits at FVTPL	341	414
Total customer accounts	**101,990**	**99,802**

Movement in own credit risk on deposits at FVTPL	30 June 2023 €m	31 December 2022 €m
Balance at 1 January	(13)	4
Recognised in other comprehensive income	10	(17)
Balance at end of the period	**(3)**	**(13)**

22 Debt securities in issue

The carrying amount of bonds and medium term notes has increased by €0.7 billion at 30 June 2023 (31 December 2022: €0.6 billion) primarily due to a senior issuance amounting to €0.8 billion (31 December 2022: €2.0 billion) offset by foreign exchange adjustments.

The carrying amount of the debt securities in issue designated at FVTPL at 30 June 2023 was €251 million, €29 million lower than the contractual amount due at maturity of €280 million (31 December 2022: the carrying amount was €250 million, €37 million lower than the contractual carrying amount due at maturity of €287 million).

22 Debt securities in issue *(continued)*

	30 June 2023 €m	31 December 2022 €m
Bonds and medium term notes	7,547	6,816
Other debt securities in issue	642	717
Debt securities in issue at amortised cost	**8,189**	**7,533**
Debt securities in issue at fair value through profit or loss	251	250
Total debt securities in issue	**8,440**	**7,783**
Balance at 1 January	**7,783**	**8,491**
Issued during the period	701	3,869
Redemptions	(27)	(3,976)
Other movements[1]	(17)	(601)
Balance at end of the period	**8,440**	**7,783**

[1] Other movements primarily relate 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	30 June 2023 €m	31 December 2022 €m
Balance at 1 January	–	3
Recognised in other comprehensive income	9	(3)
Balance at end of the period	**9**	**–**

23 Contingent liabilities and commitments

The table gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

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. In addition, the Group's Retail 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. 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. It is not currently practicable to estimate the amount or timing of any impact from these reviews.

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 30 June 2023, €651 million remains available to the lenders (31 December 2022: €821 million).

Capital commitments

For full details on Davy's capital commitments, see note 44 of the Group's Annual Report for the year ended 31 December 2022. The total of Davy's capital commitments at 30 June 2023 was €234 million (31 December 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 for H123 was €34 million (31 December 2022: €54 million). At 30 June 2023, there were no unpaid cash calls in respect of third-party investment providers (31 December 2022: €nil).

23 Contingent liabilities and commitments *(continued)*

	30 June 2023 €m	*Restated*[1] 31 December 2022 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	656	677
Acceptances and endorsements	4	5
Other contingent liabilities	245	194
	905	**876**
Loan commitments		
Documentary credits and short-term trade related transactions	22	24
Undrawn formal standby facilities, credit lines and other commitments to lend	16,881	16,252
Revocable or irrevocable with original maturity of 1 year or less	*9,249*	*8,805*
Irrevocable with original maturity of over 1 year	*7,632*	*7,447*
	16,903	**16,276**
Capital commitments	**234**	**252**

[1] Comparative figures have been restated for contingent liabilities from €772 million to €876 million to adjust for letters of credit which were excluded in 2022

24 Retirement benefit obligations

The net IAS 19 pension surplus at 30 June 2023 was €886 million (31 December 2022: €700 million). This is shown on the balance sheet as a retirement benefit asset of €891 million (31 December 2022: €736 million) and a retirement benefit obligation of €5 million (31 December 2022: €36 million). The significant financial assumptions used in measuring the Group's net defined benefit pension surplus under IAS 19 are set out in the table below.

Financial assumptions	30 June 2023 % p.a.	31 December 2022 % p.a.
Irish Schemes		
Discount rate	3.80	3.60
Inflation rate	2.60	2.60
UK Schemes		
Discount rate	5.40	5.00
Consumer Price Inflation	2.75	2.70
Retail Price Inflation	3.35	3.30

24 Retirement benefit obligations *(continued)*

Sensitivity of defined benefit obligation to key assumptions

The table below sets out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible.

Impact on defined benefit obligations	Increase / (decrease) 30 June 2023 €m	Increase / (decrease) 31 December 2022 €m
RoI schemes		
Discount rate		
Increase of 0.25%	(204)	(212)
Decrease of 0.25%	217	226
Inflation rate		
Increase of 0.10%	53	57
Decrease of 0.10%	(52)	(56)
UK schemes		
Discount rate		
Increase of 0.25%	(37)	(39)
Decrease of 0.25%	39	41
RPI Inflation		
Increase of 0.10%	9	9
Decrease of 0.10%	(9)	(9)

The table below sets out the estimated sensitivity of plan assets to changes in equity markets and interest rates.

Impact on plan assets	Increase / (decrease) 30 June 2023 €m	Increase / (decrease) 31 December 2022 €m
Sensitivity of plan assets to a movement in global equity markets with allowance for other correlated diversified asset classes		
Increase of 5.00%	81	78
Decrease of 5.00%	(81)	(78)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
Increase of 0.25%	(273)	(265)
Decrease of 0.25%	289	281
Sensitivity of liability matching assets to a 10bps movement in inflation rates		
Increase of 0.10%	73	82
Decrease of 0.10%	(72)	(80)

The remeasurement of the net defined benefit pension asset is recognised in other comprehensive income as set out in the following table.

	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
Present value of obligation gain	103	2,660
Fair value of plan assets gain / (loss)	66	(1,884)
Total gain	**169**	**776**

25 Subordinated liabilities

The principal terms and conditions of all subordinated liabilities are set out in note 47 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022.

	30 June 2023 €m	31 December 2022 €m
€500 million 7.050% Fixed Rate Reset Callable Subordinated Notes due 2033	486	487
€500 million 1.675% Fixed Rate Reset Callable Subordinated Notes due 2031	448	445
£300 million 7.994% Fixed Rate Reset Callable Subordinated Notes due 2032	324	327
€300 million 2.775% Fixed Rate Reset Callable Subordinated Notes due 2029	283	280
Undated loan capital	126	122
Total subordinated liabilities	**1,667**	**1,661**

26 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 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 30 June 2023 was €902 million (31 December 2022: €948 million).

Cash and balances at central banks of €31.5 billion decreased by €5.4 billion since 31 December 2022 primarily due to the loan and deposit acquisitions from KBCI of c.€6.2 billion, bond purchases of €0.8 billion, partially offset by higher wholesale funding volumes of €0.8 billion, higher customer deposit volumes of €0.3 billion (constant currency basis excluding the KBCI deposit acquisition), FX movements of €0.1 billion and other items of €0.4 billion.

	30 June 2023 €m	31 December 2022 €m
Cash and balances at central banks	31,484	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)	**31,479**	**36,855**
Loans and advances to banks (with an original maturity of less than 3 months)	3,002	2,987
Cash and cash equivalents at amortised cost	**34,481**	**39,842**
Cash and balances at central banks (net of impairment loss allowance) of which are:		
Republic of Ireland (Central Bank of Ireland)	28,357	33,149
United Kingdom (Bank of England)	2,344	2,587
United States (Federal Reserve)	431	705
Other (cash holdings)	347	414
Total	**31,479**	**36,855**

27 Davy acquisition

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.

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 and presented separately as non-core costs. The portion of 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 six months to 30 June 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 Davy Global Fund Management (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**

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 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.

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

Deferred remuneration expense of €13 million (H122: €6 million) was incurred in H123, which is recognised as separate transaction. This includes:

- An employee remuneration charge of €2.5 million (H122: €nil) was recognised in relation to SIRP during H123. This relates to Special Incentive and Retention Plan (SIRP), payment of which is contingent on future employee retention and Davy's business performance. A maximum payment of up to €37 million will be awarded to certain employees of Davy at the end of 2025. The accrued amount is reflected as remuneration by the Group with effect from 1 May 2023 and is a part of non-core costs in line with the Group's accounting policy.
- Additionally, during H123, the Group recognised an employee remuneration charge of €10 million (H122: €6 million) in the income statement as part of the non-core costs. This is related to the incurred portion of deferred remuneration noted in the enterprise value earlier 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
Total consideration transferred	403
Fair value of identifiable net assets	130
Goodwill on acquisition	**273**

Impairment review

At 30 June 2023, goodwill of €273 million on the Group's Balance sheet relates to the Davy acquisition. 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.

As a result of this assessment, no impairment of the assets in the Davy CGU was recognised at 30 June 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 forecast

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

27 Davy acquisition *(continued)*

initial five years' cash flows are consistent with approved plans for each business prepared under the Group's Internal Capital Adequacy Assessment Process (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 pre-tax weighted average cost of capital for the Group which is 10.66% at 30 June 2023.

The Directors consider that reasonably possible changes in key assumptions used to determine the recoverable amount of the Davy CGU would not result in an impairment of goodwill.

28 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**

29 Redemption of preference stock

On 21 June 2023, as part of the ongoing review of its capital structure the BOIG plc Group launched a tender offer to re-purchase a number of capital-inefficient legacy perpetual instruments (the 'Offers'). The instruments, which were issued between 1991 and 1997, no longer qualify as regulatory capital and instruments of this nature are no longer issued by the Group:

- 12.625% Non-Cumulative Sterling Preference Stock of £1.00 each of the Governor and Company of the Bank of Ireland (GovCo);
- 12% Non-Cumulative Euro Preference Stock of €1.27 each of GovCo;
- 8.125% Non-Cumulative Non-Redeemable Preference Shares issued by Bristol & West plc; and
- 13.375% Unsecured Perpetual Subordinated Bonds of GovCo (the 'GovCo Bonds').

At 30 June 2023, the BOIG plc Group, via BOI Nominee 3 Limited (a direct subsidiary of BOIG plc), had accepted tenders for 59.62% of the outstanding GovCo Sterling Preference Stock with a nominal value of £1 million and 46.64% of the outstanding GovCo Euro Preference Stock with a nominal value of €2 million. This amount was settled in full on 13 July 2023 for a fair value of €57 million.

The BOIG plc Group had accepted tenders for 15.90% of the outstanding Bristol & West plc Non-Cumulative Non-Redeemable Preference Shares at 30 June 2023 with a nominal value of £5 million for a fair value of £6 million. This amount was also settled in full on 13 July 2023.

As part of the Offers, the BOIG plc Group also launched a consent solicitation asking holders of the GovCo Bonds to vote on a resolution to insert a call option into the terms and conditions of the GovCo Bonds which will allow GovCo to redeem all of the GovCo Bonds.

The Offers will close on 2 August 2023 with further settlement occurring during August 2023.

30 Liquidity risk and profile

The following tables summarise the maturity profile of the Group's non-derivative financial liabilities (excluding those arising from insurance and investment contracts in the Wealth and Insurance division) at 30 June 2023 and 31 December 2022, based on contractual undiscounted repayment obligations. The balances will not agree directly to the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

Unit-linked investment liabilities and unit-linked insurance liabilities with a carrying value of €7,185 million and €14,270 million respectively (31 December 2022 restated for IFRS 17 adoption: €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.

30 June 2023 Group's Non-derivative financial liabilities 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	133	803	–	–	–	936
Monetary Authorities secured funding	–	38	101	2,836	–	2,975
Customer accounts	94,903	4,961	1,541	669	60	102,134
Debt securities in issue	–	133	1,385	6,617	2,562	10,697
Subordinated liabilities	–	8	82	411	2,275	2,776
Lease liabilities	–	14	44	165	216	439
Contingent liabilities	614	48	93	142	8	905
Commitments	15,531	73	837	696	–	17,137
Short positions in trading securities	3	–	–	34	7	44
Dividend payable to parent	27	–	–	–	–	27
Total	**111,211**	**6,078**	**4,083**	**11,570**	**5,128**	**138,070**

30 Liquidity risk and profile *(continued)*

Restated[1] **31 December 2022** **Group's Non-derivative financial liabilities** **Contractual maturity**	**Demand[1]** **€m**	**Up to 3 months** **€m**	**3-12 months** **€m**	**1-5 years** **€m**	**Over 5 years** **€m**	**Total[1]** **€m**
Deposits from banks	143	708	–	–	–	851
Monetary Authorities secured funding	–	41	68	2,698	–	2,807
Customer accounts[1]	92,046	5,533	1,404	618	170	99,771
Debt securities in issue	–	80	1,419	6,481	1,716	9,696
Subordinated liabilities	–	9	33	405	2,287	2,734
Lease liabilities	–	15	48	193	247	503
Contingent liabilities	451	31	126	157	7	772
Commitments	15,033	49	554	892	–	16,528
Short positions in trading securities	–	3	–	–	–	3
Dividend payable to parent	27	–	–	–	–	27
Total	**107,700**	**6,469**	**3,652**	**11,444**	**4,427**	**133,692**

[1] The contractual maturity of 'on demand' customer accounts has been restated from €94,870 million to €92,046 million to adjust for a fair value hedge adjustment of €2,824 million which from December 2022 is no longer included within customer accounts and is instead included as a separate balance sheet line item.

31 Fair values of assets and liabilities

A definition of fair value and the fair value hierarchy, along with a description of the methods, assumptions and processes used to calculate fair values of assets and liabilities is set out on pages 261 to 263 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022. At 30 June 2023, there have been no significant changes to those methods, assumptions, processes or the Group's policy for assessing transfers between the different levels of the fair value hierarchy.

Sensitivity of level 3 valuations

Derivative financial instruments

Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives at 30 June 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.

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 legally 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 28 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 possibly 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).

Loans and advances to customers held at fair value

These consist of assets mandatorily measured at FVTPL, of which €212 million (31 December 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 discounted cash flow (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.

Other financial assets at FVTPL

A small number of assets have been valued using DCF models and a discounted equity value method, which incorporates 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 incorporates 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

31 Fair values of assets and liabilities *(continued)*

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. Using reasonably possible alternative assumptions would not have a material impact on the value of these liabilities.

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.

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 27 Davy Acquisition for additional information, including the sensitivity to reasonably possible alternative assumptions.

Fair value on offsetting positions

Where the Group manages certain financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the Group applies the exception allowed under paragraph 48 of IFRS 13. That exception permits the Group to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, the Group measures the fair value of the group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

The following table sets out the level of the fair value hierarchy for financial assets and financial liabilities held at fair value.

	30 June 2023				*Restated*[1] 31 December 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	6	–	–	6	–	–	–	–
Derivative financial instruments	5	5,146	25	5,176	10	5,115	13	5,138
Other financial assets at FVTPL	19,294	295	323	19,912	17,990	214	359	18,563
Loans and advances to banks at FVTPL	–	29	–	29	–	147	–	147
Financial assets at FVOCI	3,979	–	–	3,979	4,254	–	–	4,254
Loans and advances to customers at FVTPL	–	–	212	212	–	–	217	217
Interest in associates	–	–	68	68	–	–	65	65
	23,284	**5,470**	**628**	**29,382**	**22,254**	**5,476**	**654**	**28,384**
Financial liabilities held at fair value								
Customer accounts	–	341	–	341	–	397	17	414
Derivative financial instruments	6	6,340	32	6,378	10	6,224	292	6,526
Debt securities in issue	–	251	–	251	–	250	–	250
Liabilities to customers under investment contracts[1]	–	7,185	–	7,185	–	6,859	–	6,859
Short positions in trading securities	3	41	–	44	3	–	–	3
Other liabilities[2]	–	–	32	32	–	–	32	32
	9	**14,158**	**64**	**14,231**	**13**	**13,730**	**341**	**14,084**

[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 6 for transitional impact.
[2] In the table above 'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 27).

31 Fair values of assets and liabilities *(continued)*

Movements in level 3 assets 30 June 2023	Loans and advances to customers at FVTPL €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Total €m
Opening balance 1 January 2023	**217**	**359**	**13**	**65**	**654**
Exchange adjustment	–	–	–	–	–
Total gains / losses in:					
Profit or loss					
Interest income	4	1	–	–	5
Net trading income	3	3	17	–	23
Share of results of associates	–	–	–	(1)	(1)
Revaluation	–	–	–	–	–
Total investment losses	–	(14)	–	–	(14)
Additions	–	9	–	4	13
Disposals	–	(6)	–	–	(6)
Redemptions	(12)	(2)	–	–	(14)
Transfers out of level 3					
From level 3 to level 2	–	(27)	(5)	–	(32)
Transfers into level 3					
From level 1 to level 3	–	–	–	–	–
From level 2 to level 3	–	–	–	–	–
Closing balance 30 June 2023	**212**	**323**	**25**	**68**	**628**
Total unrealised gains / (losses) for level 3 assets included in profit or loss at the end of the period	**7**	**(11)**	**19**	**–**	**15**
Net trading income	*3*	*3*	*19*	*–*	*25*
Interest income	*4*	*–*	*–*	*–*	*4*
Share of results of associates	*–*	*–*	*–*	*–*	*–*
Total investment losses	*–*	*(14)*	*–*	*–*	*(14)*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 30 June 2023. There were no transfers between level 1 and level 2 to level 3.

31 Fair values of assets and liabilities *(continued)*

Movements in level 3 assets 31 December 2022	Loans and advances to customers at FVTPL €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Total €m
Opening balance 1 January 2022	**426**	**336**	**74**	**55**	**891**
Exchange adjustment	–	–	(4)	–	(4)
Total gains / 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)	–	–	(1)
Total Investment losses	–	(19)	–	–	(19)
Additions	12	26	–	11	49
Disposals	(219)	(1)	–	(9)	(229)
Redemptions	(20)	(22)	–	–	(42)
Transfers out of level 3					
From level 3 to level 2	–	–	(49)	–	(49)
Transfers into level 3					
From level 1 to level 3	–	20	–	–	20
From level 2 to level 3	–	6	–	–	6
Closing balance 31 December 2022	**217**	**359**	**13**	**65**	**654**
Total unrealised gains / (losses) for level 3 assets included in profit or loss at the end of the year	**12**	**(6)**	**9**	**8**	**23**
Net trading income	*3*	*11*	*9*	*–*	*23*
Interest income	*9*	*–*	*–*	*–*	*9*
Share of results of associates	*–*	*–*	*–*	*8*	*8*
Total investment losses	*–*	*(17)*	*–*	*–*	*(17)*

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 levels 1 and 2 to level 3 arose as a result of certain material inputs becoming unobservable. There were no transfers between level 1 and level 2.

31 Fair values of assets and liabilities *(continued)*

Movements in level 3 liabilities	30 June 2023 Customer accounts €m	Derivative financial instruments €m	Other liabilities[1] €m	Total €m	31 December 2022 Customer accounts €m	Derivative financial instruments €m	Other liabilities[1] €m	Total €m
Opening balance	**17**	**292**	**32**	**341**	**15**	**60**	**–**	**75**
Exchange adjustment	–	–	–	–	–	(3)	–	(3)
Total (gains) / losses in:								
Profit or loss								
Net trading (income) / expense	(7)	3	–	(4)	–	285	–	285
Other comprehensive income	–	–	–	–	(1)	–	–	(1)
Additions	–	–	–	–	17	–	32	49
Reclassifications	–	(247)	–	(247)	–	–	–	–
Transfers out of level 3								
From level 3 to level 2	(10)	(16)	–	(26)	(14)	(50)	–	(64)
Closing balance	**–**	**32**	**32**	**64**	**17**	**292**	**32**	**341**
Total unrealised (gains) / losses for level 3 liabilities included in profit or loss at the end of the period								
Net trading (income) / expense	–	31	–	–	(2)	291	–	289

[1]'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 27).)

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 to level 3.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Level 3 financial assets	Valuation technique	Unobservable input	Fair Value 30 June 2023 €m	Fair Value 31 Dec 2022 €m	Range 30 June 2023 %	Range 31 Dec 2022 %
Loans and advances to customers at FVTPL	Discounted cash flow	Discount on market rate	212	217	4.5% - 6.5%	4.5% - 5.25%
		Collateral charges			0% - 6.1%	0% - 6.7%
Other financial assets at FVTPL	Discounted cash flow	Discount rate	323	359	0% - 15%	0% - 15%
	Equity Value less discount	Discount			0% - 50%	0% - 50%
	Market comparable property transactions	Yield			3.08% - 11.25%	3.09% - 9.24%
Derivative financial instruments	Discounted cash flow / Option pricing model	Counterparty credit spread	25	13	0% - 1.1%	0% - 0.7%
		Own credit spread			0.8% - 1.8%	0.87% - 1.75%
Interest in associates	Market comparable companies	Price of recent investment	68	65	–	–
		Earnings multiple				
		Revenue multiple				

31 Fair values of assets and liabilities *(continued)*

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) *(continued)*

Level 3 financial liabilities	Valuation technique	Unobservable input	Fair Value 30 June 2023 €m	Fair Value 31 Dec 2022 €m	Range 30 Jun 2023 %	Range 31 Dec 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	32	17	0% - 1.1%	0% - 0.7%
		Own credit spread			0.8% - 1.8%	0.87% - 1.75%
		Maturity profile and credit quality of the KBCI mortgages	–	275	–	–
Other liabilities	Discounted cash flow	Probability of set conditions being met	32	32	50% - 100%	50% - 100%

Valuation techniques and unobservable inputs

In the tables above:

- Discount 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 FVTPL) 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 the correspondingly large differences in prices, the Group believes disclosure of ranges would not provide meaningful information without a full list of the underlying investments, which would be impractical.
- The Group does not disclose the ranges associated with the behavioural maturity and counterparty credit of the underlying cash flows of the binding commitment to purchase the KBCI mortgages, which have been recognised as a derivative liability in 2022 prior to the 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.

Financial assets and liabilities carried at amortised cost

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	30 June 2023 Carrying amount €m	30 June 2023 Fair values €m	31 December 2022 Carrying amount €m	31 December 2022 Fair values €m
Assets				
Loans and advances to banks	3,004	3,004	2,897	2,897
Debt securities at amortised cost	5,357	5,416	4,472	4,536
Loans and advances to customers	80,466	75,852	71,744	70,054
Liabilities				
Deposits from banks	3,622	3,622	3,445	3,445
Customer accounts	101,649	101,627	99,388	99,350
Debt securities in issue	8,189	8,498	7,533	7,842
Subordinated liabilities	1,667	1,707	1,661	1,661

32 Interest rate benchmark reform

In keeping with Benchmarks Regulation and reform, the Group's exposures to LIBOR has been replaced with alternative or nearly risk free benchmarks as part of this market wide initiative.

In line with regulatory guidance and now established market practice, for the majority of the Group's contracts, 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 EONIA.

As Euro Interbank Offered Rate (EURIBOR) was reformed during 2019 and currently complies with the EU Benchmarks Regulation under a new hybrid methodology, the Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future. Therefore, the Group does not consider EURIBOR to be directly affected by the benchmark rate reform (BMR) at 30 June 2023.

The transition of all impacted LIBORs is predominantly complete with the exception of a very small number of USD LIBOR contracts that are still in progress. Efforts also continue on a small number of contracts which transitioned using Tough Legacy legislation and the Group continues to engage with these counterparties.

The table below shows the principal values of the Group's non-derivative exposures which remain subject to BMR Reform at 30 June 2023.

	30 June 2023				31 December 2022			
	GBP LIBOR €m	USD LIBOR €m	Other[1] €m	Total €m	GBP LIBOR €m	USD LIBOR €m	Other €m	Total €m
Non-derivative financial assets								
Loans and advances to customers	33	197	57	287	118	2,203	–	2,321
Debt securities at amortised cost	–	1	–	1	8	1	–	9
Total non-derivative financial assets	**33**	**198**	**57**	**288**	**126**	**2,204**	**–**	**2,330**
Non-derivative financial liabilities								
Debt securities in issue	–	3	–	3	–	4	–	4
Total non-derivative financial liabilities	**–**	**3**	**–**	**3**	**–**	**4**	**–**	**4**
Off-balance sheet exposures								
Undrawn loan commitments	–	45	5	50	19	310	–	329
Total off-balance sheet exposures	**–**	**45**	**5**	**50**	**19**	**310**	**–**	**329**

[1] Other exposures are made up of Canadian Dollar Offered Rate (CDOR). The Canadian Alternative Reference Rate working group (CARR) has recommended that the publication of CDOR is ceased after June 2024.

The Group also had loans and advances to customers amounting to €612 million, which reference USD LIBOR at 30 June 2023 and had been contracted to transition on their next interest roll date. These loans and advances have not been included in the above table.

The table below shows the notional amounts of the Group's derivatives exposures which remain subject to BMR Reform at 30 June 2023. It also includes derivative financial instruments designated in hedge accounting relationships.

	30 June 2023			31 December 2022		
	GBP LIBOR €m	USD LIBOR €m	Total €m	GBP LIBOR €m	USD LIBOR €m	Total €m
Derivative financial assets						
OTC interest rate options	–	–	–	–	1,136	1,136
Interest rate swaps	–	–	–	51	778	829
Cross currency interest rate swaps	–	–	–	–	119	119
Total derivative financial assets	**–**	**–**	**–**	**51**	**2,033**	**2,084**
Derivative financial liabilities						
Interest rate swaps	–	–	–	–	1,388	1,388
OTC interest rate options	–	–	–	–	1,136	1,136
Cross currency interest rate swaps	–	–	–	–	119	119
Total derivative financial liabilities	**–**	**–**	**–**	**–**	**2,643**	**2,643**

33 Post balance sheet events

On 4 July 2023, the Group issued a €750 million 8 year (callable at the end of year seven) 'Green' internal MREL eligible senior debt instrument. The bond carries a coupon of 5.400%. This was the Group's second green bond issuance of the year, taking the total quantum of green bonds issued to date to c.€4 billion. The liability was not recognised on the Group's balance sheet at 30 June 2023 but was recognised on the issuance date.

On 13 July 2023, BOIG plc Group redeemed €57 million of GovCo Preference Stock and £6 million of Bristol & West plc Non-Cumulative Non-Redeemable Preference Shares. See note 29 for further details.

34 Approval of interim report

The Court of Directors approved the Interim Report on 28 July 2023.

Other information

Forward-looking statement

This document contains forward-looking statements with respect to certain of The Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries' (collectively the 'Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts.

Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payments 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 continued impact of Russia's invasion of Ukraine particularly on certain of the above issues and generally on the global and domestic economies. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, those as set out in the 'Principal Risks and Uncertainties' section on page 9 and also the discussion of risk in note 26 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022.

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.

Rates of exchange

Principal rates of exchange used in the preparation of the Interim Financial Statements are as follows:

	30 June 2023		30 June 2022		31 December 2022	
	Average	**Closing**	**Average**	**Closing**	**Average**	**Closing**
€ / Stg£	0.8764	0.8583	0.8424	0.8582	0.8528	0.8869
€ / US$	1.0807	1.0866	1.0934	1.0387	1.0531	1.0666

Credit Ratings

	30 June 2023	31 December 2022
The Governor and Company of the Bank of Ireland - Senior debt		
Standard & Poor's	A (Stable)	A- (Positive)
Moody's	A1 (Stable)	A1 (Stable)
Fitch[1]	BBB+ (Stable)	BBB+ (Stable)

[1] *Fitch upgraded the BOI senior debt rating on 26 July 2023 to A- from BBB+.*

Alternative performance measures

Further information related to certain measures referred to in the Business Review.

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.

Business income is net other income before other gains and other valuation items.

Constant currency enables a better understanding of performance, certain variances are calculated on a constant currency basis by adjusting for the impact of movements in exchange rates during the period as follows:
- for balance sheet items, by reference to the closing rate at the end of the current and prior period ends; and
- for items relating to the income statement, by reference to the current and prior period average rates.

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 Bank of Ireland Group, but excludes non-banking related institutions such as insurance entities. For further information, see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.

Liquid assets are comprised of cash and balances at central banks, loans and advances to banks, debt securities at amortised cost, financial assets at FVOCI and certain financial assets at FVTPL (excluding balances in Wealth and Insurance).

Loan to deposit ratio is calculated as being net loans and advances to customers divided by customer deposits.

Net interest margin (NIM) is stated on an underlying basis.

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 period (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.

Non-performing exposures ratio is calculated as NPEs on loans and advances to customers (including loans and advances to customers measured at FVTPL) as a percentage of the gross carrying value of loans and advances to customers.

Organic capital generation consists of attributable profit and movements in regulatory deductions, including the reduction in DTAs deduction (DTAs that rely on future profitability) and movements in the Expected Loss deduction.

Return on assets is calculated as being statutory net profit / loss (after tax) (annualised) divided by total assets, in line with the requirement in the EU (Capital Requirements) Regulations 2014.

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 4 for further information.

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

Wholesale funding is comprised of deposits by banks (including collateral received) and debt securities in issue.

For any abbreviations used in this document please refer to the abbreviations listing on pages 284 and 285 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2022.

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