2023

Bank of Ireland Group plc
Interim Report
(for the six months ended 30 June 2023)

Bank of Ireland

'The Group performed strongly in the first half of 2023, underpinned by our refreshed strategy, and delivering on our purpose to help customers, colleagues, shareholders and society to thrive. This performance reflects our strategic decisions and execution over recent years, and commercial delivery across all business lines, supported by a more favourable interest rate environment. We are mindful of the challenges posed by the inflationary environment and are supporting our customers as they navigate them. Notwithstanding these challenges, we remain confident in our prospects, supported by our unique business model and the attractive markets in which we operate.'

Myles O'Grady
Group Chief Executive

Inside this report

View this report online
The Interim Report and other information in relation to Bank of Ireland is available at: ***www.bankofireland.com***

The Group's forward looking statement can be found on page 118.

Key performance highlights

H123 financial performance

- Net interest income +68%[1] year on year, total business income (including joint ventures and associates) +23%[1] year on year.
- Costs +12%[1], in-line with guidance (like-for-like broadly flat).
- Strong liquidity with loan to deposit ratio of 79% and a 3% increase in customer balances.
- Asset quality remains resilient.

€1.0bn profit before tax in H123
(H122: €0.4bn[2])

Strategic Progress

- c.€2bn high net-worth (HNW) customer migration from Bank of Ireland Private to Davy Wealth; €8bn KBC Bank Ireland plc (KBCI) completed.
- Digitalisation and simplification of business model progressing at pace.
- Net Promoter Score (NPS) at highest ever level; colleague engagement +3 points vs sector.
- ESG: €1.5bn increase in sustainable lending since December 2022.

+12% total customer loans
vs Dec 2022

Delivering on medium term targets

- 18.5% Return on Tangible Equity (RoTE) adjusted (H122: 7.0%[2]).
- Underlying cost to income ratio[2] of 42% (H122: 60%[2]).
- Capital allocation strategy reflected in strong fully loaded CET1 ratio of 14.8%.
- Distribution decisions will be assessed at year end and informed by strong performance.

180bps in H123
Strong net organic capital generation

Strategic management actions and business model development supporting improved financial performance

[1] The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See non-core table on page 11. For calculation of underlying income and cost / income ratio see page 124.
[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. As a result comparative figures have been restated to reflect the impact of the new standard.

Further information on measures referred to in our key performance highlights is found in alternative performance measures on page 119.

Chief Executive's review

The Group performed strongly in the first half of 2023, underpinned by our refreshed strategy, and delivering on our purpose to help customers, colleagues, shareholders and society to thrive. This performance reflects our strategic decisions and execution over recent years, and commercial delivery across all business lines, supported by a more favourable interest rate environment. We are mindful of the challenges posed by the inflationary environment and are supporting our customers as they navigate them. Notwithstanding these challenges, we remain confident in our prospects, supported by our unique business model and the attractive markets in which we operate.

Myles O'Grady *Group Chief Executive*

The Group delivered a strong performance in the first half of 2023. This includes:

- A profit before tax of €1 billion.
- A cost-income ratio of 42%[1].
- An adjusted RoTE of 18.5%.
- A fully loaded CET1 capital ratio of 14.8%, which we expect to grow further in H223.

This performance reflects our strategic decisions and execution over recent years, and commercial delivery across all business lines, supported by a more favourable interest rate environment.

As outlined when we published our refreshed strategy in March, our aim during the current strategic cycle is to build on the Group's strong performance and strategic execution in recent years and future proof our business model for the medium term. We will do this by executing our strategy and investing for the future, delivering for our more than 4 million customers, 10,000 colleagues, 80,000 shareholders, and wider society.

We are mindful of the significant change in the interest rate environment, and the impact this has on customers. Our objective is to maintain a balanced approach as we pass on interest rates to both loan and deposit customers, balancing affordability for mortgage customers while offering value to depositors.

Bank of Ireland – 1783 to 2023

25 June 2023 marked 240 years since we first opened our doors to customers. This was a huge milestone for Bank of Ireland which, more importantly, offers an opportunity to reflect on our purpose to help our customers, colleagues, shareholders and society to thrive.

Our future lies in meeting fast-changing customer needs, being one of the best places to work, and making a positive contribution to society. All of this runs through our strategy and is top of mind for me both as CEO of the Bank and its custodian for future generations.

H123 Strategic Progress

H123 saw clear progress on our strategy, including:

- Completion and successful migration of the acquisition of the KBCI portfolios in February.
- Mortgage lending of €2.3 billion in Ireland, +76% vs H122, while maintaining our commercial focus and underwriting standards.
- 5% growth in Everyday Banking fee income combined with €2.6 billion growth in Retail Ireland current and deposit account balances.
- Improvement in customer NPS to +7 points and a 7% reduction in complaints.
- AUM increased €3 billion (c.7%) to c.€42 billion with strong net inflows reflecting the strength of our franchises.
- Continued progress on digitalisation which is delivering improvements for customers and increasing customer satisfaction, evidenced by a 7 point increase in customer effort scores.
- Expanding Corporate & Markets to include Business Banking, previously part of Retail Ireland, bringing business and corporate banking into one centralised structure.
- Progress on our ESG strategy, with continued leadership in green lending in Ireland, including being the #1 provider for green mortgages and a €1.5 billion increase in our sustainability related finance.
- For colleagues, while we made substantive improvements in culture and well-being, we have further to go in achieving our gender diversity goals, with only 41% of our hires being women in H1.

Economic Outlook

We actively monitor trends in the global economy, including the expectation that interest rates and inflation remain higher for longer, and the challenges this presents for customers.

While rising interest rates and higher inflation are a global phenomenon, and add uncertainty, Ireland is relatively well positioned for these more uncertain times. As well as the supportive labour market conditions, the government's fiscal position is strong with a fiscal surplus of 1.8% of GDP forecast for 2023 and a ratio of household debt to disposable income of 90% in Q4 2022 compared to the peak of 210% in Q4 2009. Core Irish SME indebtedness has also sharply reduced from peak levels.

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

While Irish growth is expected to be moderate in 2023 compared to 2022, the European Commission forecasts that Ireland will be the European Union's fastest growing economy for a fourth successive year. On labour market trends, the Irish unemployment rate stood at 3.8% in June 2023, the joint-lowest rate yet recorded, while total employment increased to a record 2.6 million in Q1 2023, up 12% versus pre-COVID levels.

In the UK, the outlook is more uncertain with inflation more persistent than earlier estimates and interest rate expectations adjusting accordingly. Our strategy of focusing on value over volume gives us flexibility to adapt to changing market conditions. We are vigilant to risks, including those relating to the housing market. We have reduced our mortgage balances in the UK over the past few years and deliberately pursued a differentiated offer, called 'Bespoke'. Our UK mortgage book is of good quality, as evidenced by a 56% weighted average loan to value (LTV), while further reassurance stems from the front book underwriting, where arrears in our flagship Bespoke offering remain at de minimis levels. It is also worth mentioning here that UK labour market conditions remain tight, with unemployment at 4%, which has a helpful read-through for our lending in that market.

H123 Business and Financial Performance

The Group reported profit before tax of €1 billion in H123 (H122: €0.35 billion), helping to produce an adjusted RoTE of 18.5%.

Net interest income of €1.8 billion was supported by business momentum, higher interest rates and customer balances, and the KBCI portfolio acquisition partially offset by higher funding costs. H2 net interest income is expected to be modestly higher than H1, reflecting positive rate impacts and business momentum, partially offset by higher funding costs.

The Group's loan book increased by €8.7 billion during H123 to €80.7 billion. This increase includes the €8 billion of loans acquired from KBCI in February. On a constant currency basis, excluding the KBCI acquisition, a €0.8 billion increase in net lending in Ireland has been offset by a reduction in net lending in Retail UK and Corporate & Markets.

Business income, including share of associates and joint ventures, was 23% higher than the prior year at €361 million. This primarily reflected growth in Wealth and Insurance including the Davy acquisition. H223 business income expected to be broadly in line with H123.

Cost discipline is core to our strategy. Reported costs were 12% higher in 2023, primarily reflecting acquisition impacts, lifting of variable pay restrictions and additional investment to drive future efficiencies. Like-for-like costs were in line with H122, reflecting efficiencies and lower pension costs, offset by inflation and investment impacts. 2023 operating expenses are expected to be c.€1.85 billion, in line with prior guidance. We expect levies and regulatory charges to be c.€160 million.

A net credit impairment charge of €158 million arose in H123 compared to a charge of €47 million in 2022. This charge reflected the impact on IFRS 9 models of Forward-Looking Information from the Group's latest macroeconomic outlook; model changes; movement in management adjustments; and actual loan loss experience in the period. 2023 impairment charge is expected to be mid-30s basis points, subject to no material change in economic conditions or outlook.

The Group's diversified, and largely secured, balance sheet provides support against global uncertainties. Specifically, on Property and Construction exposures, which represent c.10% of Group loan exposures, c.70% are Irish exposures with c.21% UK and c.9% US / other. LTVs on the investment lending portfolio (c.90% of total book) of c.59% provide sizeable buffers to current sector headwinds.

Our liquidity profile is very strong, supported by our retail franchise. Since December 2022, Group deposits have increased by €2.5 billion to €101.7 billion primarily due to growth in Retail Ireland of €2.6 billion, including the KBCI deposit portfolio. The Group's liquidity ratios reflect this strength. At June, the Group's liquidity coverage ratio was 193% (December 2022: 221%), the loan to deposit ratio was 79% (December 2022: 73%), and the net stable funding ratio was 153% (December 2022: 163%). As expected, the changes in all three ratios in H123 primarily reflect the impact of the KBCI transaction.

Our fully loaded and regulatory CET1 capital ratios were 14.8% and 15.0% respectively at June 2023. The Group's capital ratios performance in H123 benefitted from strong organic capital generation of 180 basis points, offset by the impact of the KBCI acquisition, IFRS 17 implementation, investment in lending and the accrual of a foreseeable 2023 dividend.

Outlook

In Ireland, we have a unique business model. This means that we can serve our customers – at every stage of their lives, and for their entire lives – from companies entirely within the Group. This differentiated business model is creating value, supported by structural changes in the marketplace in Ireland. This unique business model in Ireland is complemented by niche international businesses where the Group has competitive strengths.

H123 was a period of strong progress for Bank of Ireland against our strategy communicated earlier this year. We have delivered tangible evidence of better outcomes for our customers, colleagues, shareholders and society.

Looking to the remainder of 2023 and beyond, while we are mindful of the external environment and the challenges that exist, the overall outlook for our core markets remains positive, complemented by our business model strengths. The Group has clear strategic priorities and targets. We are now 6 months into our three year strategy. Our strong results show the progress we are making, and our delivery for customers, colleagues, shareholders and society, offering confidence to all our stakeholders.

Myles O'Grady
Group Chief Executive

Key highlights

+7% increase Wealth and Insurance AUM to c.€42 billion	**#1** for green mortgage lending in Ireland
+76% increase in new mortgage lending in Ireland	**+3** point improvement in customer NPS
+12% increase in customer loans	**+23%** increase in business income
18.5% Adjusted RoTE	**42%** Cost-income ratio

Operating and financial review *(incorporating risk management)*

Basis of presentation

The 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 119. 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

	Table	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Net interest income	1	1,802	1,072
Net other income	2	399	295
Operating income		**2,201**	**1,367**
Operating expenses (before levies and regulatory charges)	3	(907)	(811)
Levies and regulatory charges	3	(110)	(95)
Operating profit before net impairment losses on financial instruments		**1,184**	**461**
Net impairment losses on financial instruments	4	(158)	(47)
Share of results of associates and joint ventures (after tax)		11	21
Underlying profit before tax		**1,037**	**435**
Non-core items	5	(12)	(84)
Profit before tax		**1,025**	**351**
Tax charge		(172)	(58)
Profit for the period		**853**	**293**
Statutory cost income ratio (%)		47%	72%
Underlying cost income ratio (%)		42%	60%
Return on Tangible Equity[1] (%)		17.0%	5.7%
Return on Tangible Equity (adjusted)[1] (%)		18.5%	7.0%
Return on assets (bps)		110	38
Per ordinary share			
Basic earnings per share (€ cent)		74.1	23.9
Underlying earnings per share (€ cent)		76.7	28.6

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 6 for transitional impact.

Profit before tax of €1,025 million was reported by the Group for H123 (H122: €351[1] million).

Underlying profit before tax of €1,037 million is €602 million higher than H122 which is primarily attributable to the following:

- A €730 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 KBCI portfolio acquisition, partially offset by the higher cost of funds.
- A €104 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 / other expenses of €27 million.
- An increase of €96 million or 12% in **operating expenses (before levies and regulatory charges)** largely due 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.

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

- 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 €172 million (H122: €58[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.

[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.

Net interest income

Table: 1 Net interest income / net interest margin	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m	Change %
Net interest income	**1,802**	**1,072**	**68%**
Average interest earning assets (€bn)			
Loans and advances to customers	79	76	4%
Other interest earning assets	44	49	(10%)
Total average interest earning assets	**123**	**125**	**(2%)**
Net interest margin	**2.96%**	**1.73%**	
Gross yield - customer lending	4.20%	3.20%	
Gross yield - liquid assets	2.99%	(0.23%)	
Average cost of funds - interest bearing liabilities and current accounts	(0.78%)	(0.11%)	

Net interest income of €1,802 million for H123 is €730 million higher than H122, primarily driven by increased liquid asset income, supported by higher Irish deposit volumes and rates, higher lending income and the KBCI portfolio acquisition, partially offset by the impact of higher wholesale funding costs and higher deposit costs from the cessation of negative interest rates and the pass through of higher interest rates.

The Group net interest margin (NIM) is 2.96% (H122: 1.73%).

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

The gross customer yield has increased by 100 basis points to 4.20% from H122, with higher interest rates increasing all divisional lending yields.

In H123, there were no customer deposit volumes with negative rates applied to them (H122: €14.8 billion).

Further information on measures referred to in the table above can be found in Alternative performance measures on page 119.

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

Net other income

Table: 2 Net other income	6 months ended 30 June 2023 €m	*Restated*[1,2] 6 months ended 30 June 2022 €m	Change %
Net other income	**399**	**295**	**35%**
Analysed as:			
Business income			
Retail Ireland[1]	74	71	4%
Wealth and Insurance[2]	166	80	n/m
Retail UK	(18)	(13)	38%
Corporate and Markets[1]	138	145	(5%)
Group Centre and other	(10)	(10)	–
Total business income	**350**	**273**	**28%**
Other expenses / income			
Loan sale expenses	(3)	–	n/m
Transfers from debt instruments at FVOCI reserve	2	83	(98%)
Total other expenses / income	**(1)**	**83**	**n/m**
Other valuation items			
Investment valuation movement[2]	22	(77)	n/m
Financial instrument valuation adjustments (CVA, DVA, FVA) and other[3]	28	16	75%
Total other valuation items	**50**	**(61)**	**n/m**

[1] Comparative figures have been restated to reflect the Business Banking transfer to Corporate & Markets. See below for further details.
[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.
[3] Credit Valuation Adjustment; Debit Valuation Adjustment; Funding Valuation Adjustment.

Net other income of €399 million is €104 million or 35% higher than H122.

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, net other income of €77 million (HY22: €60[1] million) has been reallocated from Retail Ireland to Corporate and Markets.

Business income of €350 million for H123 has increased by €77 million or 28% compared to H122:

- Retail Ireland income has increased by €3 million reflecting higher current account fee income offset by lower interchange fees.
- Wealth and Insurance income increased by €86 million, due to the inclusion of Davy income for a full 6 month period compared to one month in H122 and a €22 million increase in underlying business income, reflecting earnings on business written in prior periods and increased returns on New Ireland shareholder funds, following a change in strategic asset allocation in H222.
- Retail UK primarily reflects profit sharing partnership arrangements with the benefits reflected in net interest income.
- Corporate and Markets reflects underlying business growth, including €15 million growth in business banking total income, offset by impact of cessation of business activity.

Other expenses / income of €1 million have decreased by €84 million, mainly due to non recurrence of gains realised on c.€3.6 billion of bond sales in H122. Bond disposals arose from a decision to reduce credit risk exposure in the Group's liquid asset portfolio during 2022.

Other valuation items are a gain of €50 million for H123, compared to a €61 million loss in H122. These movements have resulted from positive shareholder main fund performance in Wealth and Insurance, and positive derivative related valuation adjustments across other divisions.

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

Operating expenses

Table: 3 Operating expenses	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m	Change %
Staff costs (excluding pension costs)	406	330	23%
Pension costs	26	58	(55%)
Retirement benefit costs (defined benefit plans)	*2*	*40*	*(95%)*
Retirement benefit costs (defined contribution plans)	*24*	*18*	*33%*
Depreciation and amortisation	109	107	2%
Other costs	366	316	16%
Operating expenses (before levies and regulatory charges)	**907**	**811**	**12%**
Levies and regulatory charges	110	95	16%
Total operating expenses	**1,017**	**906**	**12%**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 6 for transitional impact.

Operating expenses (before levies and regulatory charges) are €96 million or 12% higher than H122. This is 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, reflecting efficiencies and lower pension charges offset by pay awards, cost of living supports for staff and other cost increases. The Group continues to focus on efficiency and strategic cost reduction while maintaining investment in regulatory compliance, technology and growth in the existing business.

Staff costs (excluding pension costs) of €406 million are €76 million higher than H122 primarily reflecting the Davy acquisition and salary increases averaging 3.5% which were effective from 1 January 2023 and one-off cost of living supports of €8 million (H122: €nil). Staff costs also reflect increased resources required to support market growth and accruals for variable pay.

At 30 June 2023, the number of staff (full time equivalents) was 10,511, an increase of 7% compared to 9,863 at 30 June 2022. The increase in full time equivalents is largely in response to market growth and increased volumes driven by KBCI portfolio acquisition and Ulster Bank exits from the Irish market.

Average staff numbers employed by the Group in H123 of 10,356 were 14% higher compared to 9,073 in H122. The increase in average staff numbers is predominantly due to employees who joined the Group following the acquisition of Davy on 1 June 2022.

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.

Other costs including technology, property, outsourced services and other non-staff costs are €50 million or 16% higher than H122. The increase reflects costs associated with opening accounts for former Ulster Bank and KBCI customers following their exit from the Irish market, Davy operational costs along with higher IT change and operating costs.

Levies and regulatory charges of €110 million have increased by €15 million, reflecting increases in certain levies including Deposit Guarantee Scheme (DGS) as a result of increased deposits and the Single Resolution Fund (SRF).

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

Net impairment losses on financial instruments

Table: 4 Net impairment losses on financial instruments	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m	Change %
Net impairment (losses) / gains on loans and advances to customers at amortised cost			
Residential mortgages	(86)	(25)	n/m
Retail Ireland	*(50)*	*2*	*n/m*
Retail UK	*(36)*	*(27)*	*33%*
Non-property SME and corporate	(10)	(29)	(66%)
Republic of Ireland SME	*22*	*22*	*–*
UK SME	*1*	*7*	*(86%)*
Corporate	*(33)*	*(58)*	*(43%)*
Property and construction	(18)	3	n/m
Investment	*(22)*	*6*	*n/m*
Development	*4*	*(3)*	*n/m*
Consumer	(42)	(2)	n/m
Total net impairment losses on loans and advances to customers at amortised cost	**(156)**	**(53)**	**n/m**
Net impairment (losses) / gains on other financial instruments (excluding loans and advances to customers at amortised cost)	(2)	6	n/m
Total net impairment losses on financial instruments	**(158)**	**(47)**	**n/m**
Net impairment losses on loans and advances to customers (bps) (annualised)	**(39)**	**(14)**	**n/m**

The Group recognised a net impairment loss of €158 million, for H123, which is €111 million higher than the H122 impairment loss of €47 million. The net loss of €158 million in H123 reflects a number of impairment dynamics:

- impairment model updates incorporating the current macroeconomic outlook (c.€53 million net loss, includes other financial instruments); and
- net impairment losses associated with portfolio activities including credit risk assessments, recoveries and case specific loss emergence (c.€130 million net loss, includes other financial instruments); offset by
- application of a reduced quantum of Group management adjustment at H123 for a potential non-performing exposure (NPE) portfolio disposal compared to FY22 (c.€25 million net gain in the period refer to page 59).

The net loss of €86 million in the **residential mortgages portfolio** in H123 reflects a combination of: the once-off impairment loss in the first quarter on the acquired KBCI portfolio; loss emergence including losses on defaulted assets; the impact of impairment model parameter updates; and credit risk associated with elevated inflation and interest rates. Impairment model parameter updates includes incorporation of updated NPE portfolio disposal loss data in the loss given default component for Retail Ireland mortgages. The net loss also reflects the application of a Group management adjustment to recognise losses associated with potential utilisation of portfolio disposals for RoI mortgages NPE resolution.

A net impairment charge on the **Retail Ireland mortgage portfolio** of €50 million for H123 compares to a net gain of €2 million in H122, and includes a net impairment loss of €21 million on credit impaired assets (Stage 3 and purchased or originated credit impaired assets or 'POCIs'). The net charge also includes c.€17 million associated with loans acquired from KBCI in the first quarter.

A net impairment loss on the **Retail UK mortgage portfolio** of €36 million for H123 includes a net impairment loss of €16 million on Stage 3 assets, and compares to a net loss of €27 million in H122.

A net €10 million impairment loss on the **non-property small and medium enterprises (SME) and corporate loan portfolio** for H123 includes a net impairment loss of €18 million on Stage 3 assets, and compares to a €29 million impairment loss for H122. The net impairment loss in H123 primarily reflects a limited amount of case specific loss emergence on defaulted cases in the Corporate portfolio and impairment increases recognised for changes in the macroeconomic outlook and impairment methodology updates. This is partly offset by a reduction in the quantum of Group management adjustment applied at FY22 to recognise losses associated with potential utilisation of portfolio disposals for business banking NPE resolution.

A net impairment loss of €18 million on the **property and construction loan portfolio** for H123 includes a net impairment gain of €1 million on Stage 3 assets, and compares to a €3 million gain in H122. The net loss in H123 primarily relates to case specific loss emergence on defaulted assets, impairment model updates, and the updated macroeconomic outlook, offset by a reduction in the Group management adjustment applied at FY22 to recognise losses associated with potential utilisation of portfolio disposals for business banking NPE resolution.

A net impairment loss of €42 million on the **consumer loans portfolio for** H123 (€12 million loss in Retail Ireland and €30 million loss in Retail UK), includes a net impairment loss on Stage 3 assets of €21 million, and is €40 million adverse to the loss of €2 million in H122. The net loss primarily reflects loss emergence on defaulted assets, credit risk associated with elevated inflation and rising interest rates, as well as impairment model updates.

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

Non-core items

Table: 5 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 28.
- 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's 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	Table	30 June 2023 €bn	*Restated*[1] 31 December 2022 €bn
Assets			
Loans and advances to customers	6	81	72
Liquid assets	7	44	49
Wealth and Insurance assets[1]		23	22
Other assets	8	8	8
Total assets		**156**	**151**
Liabilities			
Customer deposits	9	102	99
Wholesale funding	10	12	11
Wealth and Insurance liabilities[1]		22	21
Other liabilities[1]	8	6	6
Subordinated liabilities		2	2
Total liabilities		**144**	**139**
Shareholders' equity		11	11
Other equity instruments - Additional tier 1		1	1
Total liabilities and shareholders' equity		**156**	**151**

The Group's **loans and advances to customers (after impairment loss allowances)** of €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 €4.7 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 NPEs 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 €101.7 billion are €2.5 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.

On 21 June 2023, as part of the ongoing review of its capital structure the Group launched a tender offer to re-purchase a number of capital-inefficient legacy perpetual instruments which no longer qualify as regulatory capital and instruments of this nature are no longer issued by the Group. As a result, a financial liability was recognised to redeem the stock within the Group's Other liabilities at a fair value of €57 million with a corresponding reduction in **stockholders' equity** through the creation of a reserve for Preference Stock to be redeemed within Other reserves. See note 30 for further details.

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). For further information on capital ratios see Capital adequacy risk section from page 36.

Key balance sheet ratios	30 June 2023	*Restated*[1] 31 December 2022
Liquidity Coverage Ratio (%)	193%	221%
Net Stable Funding Ratio (%)	153%	163%
Loan to Deposit Ratio (%)	79%	73%
Gross new lending volumes (€bn)	8.3	15.6
Average interest earning assets (€bn)	123	126
Tangible Net Asset Value per share (€ cent)	924	863
CET 1 ratio - fully loaded[1] (%)	14.8%	15.1%
CET 1 ratio - regulatory[1] (%)	15.0%	15.6%
Total capital ratio - regulatory[1] (%)	19.7%	20.8%

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 6 for transitional impact.

Further information on measures referred to in our consolidated balance sheet is in alternative performance measures on page 119.

Summary consolidated balance sheet *(continued)*

Loans and advances to customers

Table: 6 Loans and advances to customers - Composition	30 June 2023 €bn	 %	31 December 2022 €bn	 %
Residential mortgages	47	57%	38	52%
Retail Ireland	*31*	*38%*	*22*	*30%*
Retail UK	*16*	*19%*	*16*	*22%*
Non-property SME and corporate	21	26%	22	30%
Republic of Ireland SME	*7*	*9%*	*7*	*10%*
UK SME	*2*	*2%*	*2*	*3%*
Corporate	*12*	*15%*	*13*	*17%*
Property and construction	8	10%	8	11%
Investment	*7*	*9%*	*7*	*10%*
Development	*1*	*1%*	*1*	*1%*
Consumer	6	7%	5	7%
Total loans and advances to customers at amortised cost	**82**	**100%**	**73**	**100%**
Less impairment loss allowance on loans and advances to customers at amortised cost	(1)		(1)	
Net loans and advances to customers at amortised cost	**81**		**72**	
Loans and advances to customers at FVTPL	–		–	
Total loans and advances to customers	**81**		**72**	

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.

Gross new lending of €8.3 billion is €0.6 billion higher than H122, reflecting increased lending of 66% in Retail Ireland due to strong growth in mortgage lending and 22% in Retail UK, partially offset by a 22% reduction in Corporate and Markets.

Redemptions and repayments of €8.3 billion are €0.4 billion lower than H122, primarily due to lower redemptions in Retail UK, partially offset by higher redemption activity in Retail Ireland and Corporate and Markets.

The Group's IFRS 9 staging profile is stable reflecting a number of offsetting dynamics in the loan book. There was a net increase of €7.3 billion of loans in Stage 1 primarily reflecting the acquisition of KBCI assets in H123, which was partly offset by reductions in the Non-property SME and Corporate portfolio. There was a net increase of €1.2 billion of loans in Stage 2 (i.e. assets identified as having experienced a significant increase in credit risk) in the year to €13.8 billion (31 December 2022: €12.6 billion). This reflects 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). Stage 3 balances increased by €0.2 billion to €2.7 billion (31 December 2022: €2.5 billion) reflecting emergence of new defaults in the residential mortgage and property and construction portfolios, partly offset by resolution activities in the period.

During H123, the stock of impairment loss allowances increased by €0.1 billion to €1.4 billion primarily due to net impairment loss on loans and advances to customers of €0.2 billion partly offset by impairment loss allowance utilisation of €0.1 billion.

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 NPEs 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.

NPEs	30 June 2023	31 December 2022
Credit-impaired loans[1] (€bn)	2.9	2.6
NPEs (€bn)	2.9	2.6
NPE ratio (%)	3.6%	3.6%

[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)*

Liquid assets *(after impairment loss allowance)*

Table: 7 Liquid assets (after impairment loss allowance)	30 June 2023 €bn	31 December 2022 €bn
Cash at banks	3	3
Cash and balances at central banks	31	37
Bank of England	*2*	*3*
Central Bank of Ireland	*29*	*33*
Federal Reserve	*–*	*1*
Government bonds	6	6
Financial assets at FVOCI	*1*	*1*
Debt securities at amortised cost	*5*	*5*
Covered bonds	2	2
Senior bank bonds and other	2	1
Total liquid assets	**44**	**49**

The Group's portfolio of **liquid assets** at 30 June 2023 decreased by €4.7 billion to €44.0 billion, 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.

Other assets and other liabilities

Table: 8 Other assets and other liabilities	30 June 2023 €bn	*Restated*[1] 31 December 2022 €bn
Other assets	**8.2**	**8.4**
Derivative financial instruments	*5.2*	*5.1*
Fair value changes due to interest rate risk of the hedged items in portfolio hedges	*(0.9)*	*(0.7)*
Deferred tax asset	*0.9*	*1.0*
Pension surplus (net)	*0.9*	*0.7*
Other assets	*2.1*	*2.3*
Other liabilities	**6.3**	**6.2**
Derivative financial instruments	*6.4*	*6.5*
Fair value changes due to interest rate risk of the hedged items in portfolio hedges	*(2.9)*	*(2.8)*
Notes in circulation	*0.9*	*0.9*
Other liabilities[1]	*1.9*	*1.6*

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 6 for transitional impact.

Fair value movements of derivative assets and derivative liabilities are impacted by changes in equity markets, interest rates, FX and maturity of transactions during H123.

The net pension position is a surplus of €0.9 billion at 30 June 2023 (31 December 2022: €0.7 billion surplus), primarily due to increases in RoI and UK discount rates.

Summary consolidated balance sheet *(continued)*

Customer deposits

Table: 9 Customer deposits	30 June 2023 €bn	*Restated*[1] 31 December 2022 €bn
Retail Ireland[1]	45	42
Deposits	*21*	*19*
Current account credit balances	*24*	*23*
Corporate and Markets[1]	43	43
Deposits	*11*	*11*
Current account credit balances	*32*	*32*
Retail UK	14	14
Retail UK (Stg£bn equivalent)	12	12
UK Post Office	*6*	*6*
Other Retail UK	*6*	*6*
Total customer deposits	**102**	**99**

[1] Comparative figures have been restated to reflect the Business Banking transfer to Corporate & Markets. See below for further details.

At 30 June 2023, overall Group customer deposit volumes of €101.7 billion are €2.5 billion higher than 31 December 2022, due to growth in Retail Ireland of €2.6[1] billion, predominantly driven by the acquisition of the KBCI deposit portfolio, partially offset by lower Retail UK deposits of €0.1 billion.

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 €33.8[1] billion increase in the customer deposits in Corporate and Markets and the corresponding decrease in Retail Ireland.

Wholesale funding

Table: 10	30 June 2023		31 December 2022	
Wholesale funding	**€bn**	**%**	**€bn**	**%**
Secured funding	5	42%	4	36%
Monetary Authority	*3*	*26%*	*2*	*18%*
Covered bonds	*1*	*8%*	*1*	*9%*
Securitisations	*1*	*8%*	*1*	*9%*
Unsecured funding	7	58%	7	64%
Senior debt	*6*	*50%*	*6*	*55%*
Bank deposits	*1*	*8%*	*1*	*9%*
Total wholesale funding	**12**	**100%**	**11**	**100%**
Wholesale market funding < 1 year to maturity	2	22%	2	22%
Wholesale market funding > 1 year to maturity	7	78%	7	78%
Monetary Authority funding < 1 year to maturity	–	–	–	–
Monetary Authority funding > 1 year to maturity	3	100%	2	100%

Wholesale funding balances of €12.1 billion at 30 June 2023 are €0.8 billion higher than 31 December 2022 primarily due to a MREL senior bond issuance of €0.8 billion. Monetary Authority funding consists of the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) from the Bank of England.

Divisional review

The tables below and on the following pages provide further information on the financial performance of the Group's divisions during H123 as well as some key performance metrics.

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.

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

	6 months ended 30 June 2023 €m	*Restated*[1,2,3] 6 months ended 30 June 2022 €m
Underlying divisional contribution		
Retail Ireland[1,2]	439	94
Wealth and Insurance[3]	77	(45)
Retail UK	133	198
Corporate and Markets[1,2]	701	402
Group Centre	(321)	(204)
Other reconciling items	8	(10)
Group underlying profit before tax	**1,037**	**435**
Non-core items by division		
Retail Ireland[1]	(3)	(33)
Wealth and Insurance	9	(12)
Retail UK	16	(18)
Corporate and Markets[1]	–	5
Group Centre	(18)	(26)
Other reconciling items	(16)	–
Group non-core items	**(12)**	**(84)**
Profit / (loss) before tax by division		
Retail Ireland[1,2]	436	61
Wealth and Insurance[3]	86	(57)
Retail UK	149	180
Corporate and Markets[1,2]	701	407
Group Centre	(339)	(230)
Other reconciling items	(8)	(10)
Group profit before tax	**1,025**	**351**

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[1] million increase in the underlying divisional contribution, a €5[1] million increase in non-core and a €169[1] million increase in profit before tax in Corporate and Markets, with the corresponding decrease in Retail Ireland.

[1] Comparative figures have been restated to reflect the Business Banking transfer to Corporate & Markets. See above for further details.
[2] 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] 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.

Additional information on our alternative performance measures referred to in the divisional reviews can be found on page 119.

Divisional review *(continued)*

Retail Ireland

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

Stronger relationships

- Successfully completed the acquisition of KBCI portfolios, welcoming c.150,000 new customers to Bank of Ireland.
- Our mobile app customer engagement engine, which provides customers with helpful insights, generated over 2 million customer engagements in H123.
- Our Customer Effort Score and Relationship Net Promoter Score have increased year on year, a positive reflection of day to day customer service and brand loyalty.
- Convenient on-site banking services to >300k employees at c.400 companies, making banking simpler for them through our Bank at Work proposition.

Simpler business

- Continuing to invest in our mobile app and digitising customer journeys, resulting in an increase in digitally active customers.
- Average monthly digital log-ins has increased to 1.6 million in H123 from 1.3 million in H122.
- The Brilliant Basics programme gives front line colleagues the opportunity to highlight customer service inefficiencies, which enables continuous improvements and reduces customer and colleague toil.
- Customer complaints have continued their downward trend, reducing a further 6% H123 vs H122.

Sustainable company

- Supporting our customers' financial wellbeing with initiatives including: fraud awareness campaigns; how to invest for your future webinar series; a youth financial literary programme; Money Smarts challenge, with almost 2,000 pupils across Ireland; dedicated cost of living advice; and a fund which has provided €1 million in support to those most at risk from cost of living pressures.
- Delivering on our green commitment, sustainable finance now 46% of H123 new lending (H122: 41%) and green mortgages accounted for 51% of total new mortgage drawdowns in H123 (H122: 48%).

Retail Ireland **Income statement**	**6 months ended 30 June 2023 €m**	*Restated*[1,2] **6 months ended 30 June 2022 €m**
Net interest income[2]	656	233
Net other income	73	71
Operating income	**729**	**304**
Operating expenses	(226)	(214)
Operating contribution before net impairment (losses) / gains on financial instruments	**503**	**90**
Net impairment (losses) / gains on financial instruments	(64)	4
Underlying contribution	**439**	**94**
Net impairment (losses) / gains on financial instruments		
Loans and advances to customers at amortised cost	(63)	3
Residential mortgages	(50)	2
Non-property SME and corporate	–	1
Property and construction	–	2
Consumer	(13)	(2)
Other financial instruments: loan commitments and guarantees	(1)	1
Net impairment (losses) / gains on financial instruments	**(64)**	**4**

[1] Comparative figures have been restated to reflect the Business Banking transfer to Corporate & Markets. See above for further details.
[2] 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.

Retail Ireland **Balance sheet**	**30 June 2023 €bn**	*Restated*[1] **31 December 2022 €bn**
Loans and advances to customers (net)	32.8	23.8
Customer deposits	44.8	42.2

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. Comparative figures have been restated to reflect a decrease of €164[1] million in underlying contribution, €9.0[1] billion in loans and advances to customers and €33.8[1] billion in customer deposits.

Compared to H122:
- Operating income is €425 million higher reflecting the improving interest rate environment, the KBCI portfolio acquisition and increased fee and transaction income.
- Operating expenses are €12 million higher, reflecting higher energy costs and higher processing, printing and correspondence items in respect of rate changes.
- Net impairment loss of €64 million, driven by mortgages and includes the impact of the acquisition of the KBCI book and model updates following NPE portfolio sales.

Compared to 31 December 2022:
- Strong new lending in H123 with increases across mortgages and consumer lending portfolios, supplemented by the KBCI portfolio acquisition, with an overall net increase of €9.0 billion in the lending book.
- Customer deposits are €2.6 billion higher, reflecting the KBCI portfolio acquisition, onboarding of former Ulster Bank and KBCI customers coupled with continued household savings growth.

Divisional review *(continued)*

Wealth and Insurance

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

Stronger relationships

- New Ireland continues to focus on delivery for customers with provision of low risk propositions including Dynamic 100 and PruFunds, and protection propositions such as General Insurance panel and Dual Life Mortgage Protection.
- Only bancassurer in Ireland to compare two home insurance quotes for customers through our General Insurance panel, in order to provide better choice, value and competitive pricing for all customers.
- Financial Wellbeing programme in New Ireland supporting c.18k customer meetings with quality wealth advice.
- Consistently high retention of customers across all channels through engagement, targeted retention strategies and relationship management.
- Our Davy business offers new ways to serve customers. In H123, c.1700 HNW clients, with c.€2.1 billion of assets invested, migrated from Bank of Ireland Private to Davy for the provision of wealth management and advisory services.

Simpler business

- Strong adoption of New Ireland digital advice platform resulting in a greatly improved customer experience.
- Enhancement of Broker and Agent Portal digital journeys across channels and products benefiting both customers and colleagues. The New Ireland broker portal enables customers and advisors to access products and services via a single source, with strategic products available digitally to customers including protection, pensions, savings and investment products.
- Significant increase in adoption of New Ireland Corporate Pensions Platform, MyPension365. New Ireland is continuing to invest in its technology platforms with a new customer portal and risk claims solution going live in H223
- Davy continues to invest in its technology platforms with a new Treasury Management system due to go live in 2023 to support a more efficient and digitally enabled business.

Sustainable company

- InvestEd campaign in New Ireland is currently underway, enhancing the financial wellbeing of customers around saving and investing by increasing awareness of our investments offering, educating customers and advisors on the benefits of investing and overcoming barriers.
- Sustainability at core of New Ireland investment offerings with 33% of our investment funds designated as Article 8.
- Established and hosted the webinar series 'Sustainable Investing 360°' an education series for brokers and advisors to expand and improve their understanding of sustainable investing and sustainability.
- Embedding sustainability in our Davy core client offerings and processes is now the priority focus. Sustainability week scheduled for September 2023.

Wealth and Insurance **Income statement**	**6 months ended 30 June 2023 €m**	*Restated*[1] **6 months ended 30 June 2022 €m**
Net interest expense	(4)	(4)
Net other income	166	80
Operating income	**162**	**76**
Operating expenses	(107)	(44)
Operating contribution	**55**	**32**
Investment valuation movement	22	(77)
Underlying contribution	**77**	**(45)**

[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.

On 1 January 2023, the new insurance accounting standard, IFRS 17 ‘Insurance Contracts’ became effective, replacing IFRS 4 'Insurance Contracts'. This has a material impact on the recognition, measurement, presentation and disclosure of the insurance business in the Group's financial statements. There are, however, no changes to the underlying business and operations of the Wealth and Insurance segment. See notes 1 and 6 for further details.

IFRS 17 has introduced contractual service margin (CSM) which represents the unearned profit of a group of insurance and reinsurance contracts which is released in line with the insurance service provided. The CSM of the Group increased by €8 million to €561 million during H123 (31 December 2022: €553 million). CSM increased by €38 million driven by new business, positive persistency and positive market movements. €30 million CSM was released to the income statement for insurance services provided reflecting the quality of business previously written. See note 6 for further details.

On 1 June 2022, the Group acquired J&E Davy ('Davy'), Ireland's leading provider of wealth management and capital markets services which is reported in the wealth and insurance division.

Compared to H122:

- There was a €86 million growth in operating income reflecting growth in overall business performance in New Ireland, in addition to the inclusion of 6 months Davy income compared to one month post acquisition in H122.
- Operating expenses were €63 million higher primarily due to the inclusion of 6 months Davy expenses in H123 compared to one month in H122.
- Assets under management (AUM) have grown from c.€39 billion at 31 December 2022 to c.€42 billion at 30 June 2023.
- New Ireland Life and Pensions market share is 18.1% (H122: 17.6%).
- The impact of markets has resulted in a positive investment valuation movement of €22 million in New Ireland for H123 (H122: €77 million investment loss).

Divisional review *(continued)*

Wealth and Insurance *(continued)*

Embedded value

The table opposite outlines the Market Consistent Embedded Value (MCEV) performance using market consistent assumptions. The calculation of the MCEV company value is closely aligned to Solvency II and follows MCEV principles. IFRS 17 does not change the economic value of the business, which MCEV represents, but does change the timing of accounting profit recognition through deferral of profits captured in the CSM. As a result, the amounts in the MCEV tables are not directly comparable to IFRS 17 results. Please refer to note 1 and 6 for further detail relating to the transition to IFRS 17.

The table opposite summarises the overall balance sheet of Wealth and Insurance on an MCEV basis, which increased to €1,239 million at 30 June 2023 (31 December 2022: €1,169 million). The Value of in Force (VIF) asset represents the after tax value of future income from the existing book.

Operating profit of €51 million for H123 was €3 million higher than H122, primarily due to existing business profits.

Embedded value profit before tax of €74 million profit (H122: €71 million loss) was €145 higher than H122 due to the impact of investment valuation market movements which resulted in a positive valuation movement of €23 million in New Ireland (H122: €119 million investment loss).

Wealth and Insurance (excluding Davy) Summary balance sheet (MCEV)	30 June 2023 €m	31 December 2022 €m
Net assets	552	534
Value of in Force	843	806
Tier 2 subordinated capital / debt	(166)	(162)
Pension scheme surplus / (deficit)	10	(9)
Total embedded value	**1,239**	**1,169**

Wealth and Insurance (excluding Davy) Income statement (MCEV)	6 months ended 30 June 2023 €m	6 months ended 30 June 2022 €m
New business profits	10	9
Existing business profits	45	42
Expected return	*45*	*32*
Experience variance	*(2)*	*10*
Assumption changes	*2*	*-*
Interest payments	(4)	(3)
Operating profit	**51**	**48**
Investment valuation movement	23	(119)
Embedded value profit / (loss) before tax	**74**	**(71)**

Divisional review *(continued)*

Retail UK

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

Stronger relationships

- Signed up to the Mortgage Charter, initiated by the UK Government, enabling support for our residential mortgage customers experiencing the financial pressure of increasing mortgage repayments.
- Introduction of mortgage service enhancements including, quicker processing of release of mortgage documents and enablement of automated redemption of customer accounts, improving customer service and creating operational efficiencies.
- The UK Consumer Duty programme is well advanced in key areas in preparation for the Financial Conduct Authority (FCA) compliance date of 31 July 2023.

Simpler business

- Adoption of a continuous innovation approach to identifying pain points on customer journeys and increase efficiency, driving the best outcomes for our customers and our colleagues.
- During H123, a multi-million pound investment in the UK mortgage business commenced, to improve customer journeys and operational efficiency.
- System improvements to bring all UK customer complaints on to a single platform, enhancing internal controls and supporting efficient resolution to issues.

Sustainable company

- Progressing on our strategy to target higher return lending through our award winning bespoke mortgage proposition with an additional 160 firms onboarded during H123, expanding the broker network to a total of 822 and launch of our bespoke buy to let (BTL) proposition.
- Dedicated UK environmental, social, and corporate governance (ESG) team to drive the UK ESG ambition and to establish governance structures to fully embed ESG into business as usual in the UK.

Retail UK **Income statement**	**6 months ended 30 June 2023 £m**	**6 months ended 30 June 2022 £m**
Net interest income	286	292
Net other expense	(1)	(1)
Operating income	**285**	**291**
Operating expenses	(124)	(125)
Operating contribution before net impairment losses on financial instruments	**161**	**166**
Net impairment losses on financial instruments	(55)	(10)
Share of results of associates and joint ventures (after tax)	11	11
Underlying contribution	**117**	**167**
Underlying contribution (€m equivalent)	**133**	**198**
Net impairment (losses) / gains on financial instruments		
Loans and advances to customers at amortised cost	(57)	(11)
Residential mortgages	*(31)*	*(23)*
Non-property SME and corporate	*1*	*5*
Property and construction	*(1)*	*7*
Consumer	*(26)*	*–*
Other financial instruments: loan commitments and guarantees	2	1
Net impairment losses on financial instruments	**(55)**	**(10)**

Retail UK **Balance sheet**	**30 June 2023 £bn**	**31 December 2022 £bn**
Loans and advances to customers (net)	17.9	18.2
Customer deposits	11.8	12.3

Compared to H122:

- Operating income has decreased by £6 million, due to execution of our UK strategy to optimise the balance sheet and supported by higher interest rates.
- Operating expenses are £1 million lower, as a result of maintaining a strong cost discipline while still creating new resource to support emerging requirements across the business such as vulnerable customer teams, control and assurance roles, and continued investment in improving product offerings.
- An impairment loss of £55 million reflects the current macroeconomic environment and the uncertain economic outlook, including impact of rising UK base rate and inflationary pressures on customers.

Compared to 31 December 2022:

- Loans and advances to customers (net) are £0.3 billion or 2% lower, reflecting the UK strategy of value rather than volume.
- Customer deposits are £0.5 billion or 4% lower reflecting further optimisation of the balance sheet and funding positions.

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

Divisional review *(continued)*

Corporate and Markets

Corporate and Markets provides a range of lending, banking services and operating products to the Group's core Corporate and Business franchises, along with the provision of treasury risk management services to all customer segments.

Stronger relationships

- First on-lender for new Strategic Banking Corporation of Ireland (SCBI) Ukraine Credit Guarantee Scheme, providing low-cost finance to support SMEs, including farmers and fisheries, impacted by economic consequences of Russia's invasion of Ukraine.
- Corporate Bank (CB) recently won 6 awards at Finance Dublin's 2023 Deals of the Year Awards.
- Proactively supporting customers as they navigate global economic headwinds, leveraging opportunities amid a changing Irish banking landscape.

Simpler business

- Continued simplification of our business model, all commercial customers brought together into one centralised structure across Business and Corporate Banking in H123, to efficiently and consistently deliver the highest service standards to all of the Group's Corporate and Business customers.
- Meeting customers' changing behaviours and expectations. Digital enhancements continue across customer journeys, backend and customer-facing systems.

Sustainable company

- Increased customer engagement focused on how best to support their ESG ambitions, including the establishment of a dedicated Corporate and Markets Sustainability team.
- Growth in sustainability linked loans (Corporate commitments €2.5 billion at June 2023), lending on renewable projects and increased Green Bond eligible lending.
- CB recently completed its first offshore wind farm lending transaction.
- Only Irish bank offering EUA transaction i.e. EU (Emissions) Allowances capability to customers, providing solutions that allow business customers to manage their carbon compliance requirements.
- Bank of Ireland Finance (BIF) recently became the exclusive finance partner for both Nevo, Ireland's first dedicated electric vehicle (EV) platform and BYD (Build Your Dreams), the world's leading EV car brand.

Corporate and Markets **Income statement**	**6 months ended 30 June 2023 €m**	*Restated*[1,2] **6 months ended 30 June 2022 €m**
Net interest income[2]	821	497
Net other income	147	159
Operating income	**968**	**656**
Operating expenses	(235)	(225)
Operating contribution before impairment losses on financial instruments	**733**	**431**
Net impairment losses on financial instruments	(31)	(37)
Share of results of associates and joint ventures (after tax)	(1)	8
Underlying contribution	**701**	**402**
Net impairment (losses) / gains on financial instruments		
Loans and advances to customers at amortised cost	(27)	(44)
Non-property SME and corporate	*(10)*	*(37)*
Property and construction	*(17)*	*(7)*
Other financial instruments: loan commitments and guarantees	(4)	7
Net impairment losses on financial instruments	**(31)**	**(37)**

[1] Comparative figures have been restated to reflect the Business Banking transfer to Corporate & Markets. See above for further details.
[2] 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.

Corporate and Markets **Balance sheet**	**30 June 2023 €bn**	*Restated*[1] **31 December 2022 €bn**
Loans and advances to customers (net)	27.1	27.6
Euro liquid asset bond portfolio	8.4	7.8
Customer deposits	43.3	43.1

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 €164[1] million in underlying contribution, €9.0[1] billion in loans and advances to customers and €33.8[1] billion in customer deposits.

Compared to H122:
- Operating income was €312 million higher, reflecting the improved interest rate environment.
- Operating expenses are €10 million higher reflecting continued investment in IT systems, with inflationary pressure largely contained through strong cost discipline.
- An impairment loss of €31 million reflecting a reduced impact, despite the uncertain economic outlook in the non-property SME and corporate sector and the impact of legacy loan asset disposals in the property and construction sector.

Compared to 31 December 2022:
- Loan book is €0.5 billion or 2% lower, with modest growth in Irish business and corporate lending, more than offset by a cautious approach to international corporate and property lending.

Divisional review *(continued)*

Group Centre

Group Centre incorporates the Group's central support and control functions, overseeing the Group customer strategy, establishing clear governance and control frameworks with appropriate oversight, providing management services to the Group, and managing key process and IT delivery platforms for the trading divisions.

Stronger relationships

- In H123, the Group announced the appointment of a Group Chief Customer Officer (CCO), responsible for enhancing the Group's customer strategy, which is focused on listening to the voice of customers and putting them at the heart of the Group's decision making.
- Delivery of people manager summit as part of the Group's strategy refresh, with 2,100 colleagues in attendance enabling colleagues to have better quality conversations, encompassing performance, career development and growth and wellbeing.

Simpler business

- The Group established an Enterprise Simplification Function to define and drive a multi-year strategic simplification and transformation cycle across the Group and to instil a culture of continuous improvement and operational excellence.
- Technology deployments including an Enterprise Data Warehouse update, a successful transition to real time gross payments system, releases reducing Fraud risk, and technology deployments improving security and reducing IT risk on all devices.
- Digital application journeys developed to support enhanced Family Matter policies and development of hybrid working model, supporting the Group and its colleagues.

Sustainable company

- Launch of the Green Hub, a new sustainability hub for retail and business customers. The hub aims to be a one stop shop for customers who want to become more informed about sustainability, what Bank of Ireland does in this space and how we can help customers to become more sustainable.
- Publication of our Sustainability Report in H123 completed the second annual cycle of reporting, delivering a step-change in meeting external disclosure commitments.
- We joined a number of leadership initiatives establishing best practice on measuring and managing nature-related risks. These include the Task Force on Nature Related Financial Disclosure (TNFD) Forum, Partnership for Biodiversity Accounting Financials (PBAF), Irish Business for Biodiversity Platform's Community of Practice and also the United Nations (UN) Principles for Responsible Banking Nature Target-Setting Working Group.

Group Centre **Income statement**	**6 months ended 30 June 2023 €m**	**6 months ended 30 June 2022 €m**
Net operating (expense) / income	(12)	72
Operating expenses (excluding levies and regulatory charges)	(201)	(182)
Levies and regulatory charges	(108)	(91)
Operating contribution before impairment losses on financial instruments	**(321)**	**(201)**
Net impairment losses on other financial instruments: loan commitments	–	(3)
Underlying contribution	**(321)**	**(204)**

Income statement

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

Compared to H122:

- Net operating (expense) / income was €84 million lower, primarily due to gains on the disposal of Government bonds in H122.
- Operating expenses were €19 million or 10% higher, reflecting higher staff costs as a result of accruals for variable pay (excluding Davy).
- Levies and regulatory charges were €17 million higher, primarily due to increase in DGS and SRF levies.

Divisional review *(continued)*

Income statement - operating segments

In the tables below, 'underlying' excludes the impact of non-core items (page 11).

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**
Group - underlying	**1,802**	**26**	**72**	**301**	**2,201**	**(1,017)**	**1,184**	**(158)**	**11**	**1,037**
Total non-core items										
Acquisition costs	–	–	–	–	**–**	(33)	**(33)**	–	–	**(33)**
Gross-up for policyholder tax in 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	**1,802**	**26**	**72**	**315**	**2,215**	**(1,043)**	**1,172**	**(158)**	**11**	**1,025**

Divisional review *(continued)*

Income statement - operating segments

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) / 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[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)**
Group - underlying	**1,072**	**29**	**(41)**	**307**	**1,367**	**(906)**	**461**	**(47)**	**21**	**435**
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	**1,077**	**29**	**(41)**	**297**	**1,362**	**(985)**	**377**	**(47)**	**21**	**351**

[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.

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 133 to 141 of the Group’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.

Asset Quality

Asset Quality - Loans and advances to customers

The information in the Asset Quality section including referenced footnotes forms an integral part of the interim financial statements as described in the basis of preparation in note 1 to the financial statements.

The Group's asset quality reporting methodology is as set out on pages 155 and 156 of the Group's 2022 Annual Report.

Approach to measurement of impairment loss allowances
The Group's methodology for loan loss provisioning under IFRS 9 is set out on pages 165 to 168 of the Group's 2022 Annual Report.

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.

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.

Composition and impairment
The tables on the following pages summarise the composition, credit-impaired volumes and related impairment loss allowance of the Group's loans and advances to customers at amortised cost at 30 June 2023.

In February 2023, the Group completed the acquisition of a €7.9 billion portfolio of loans (predominantly residential mortgages) from KBCI. This resulted in a once-off impairment loss in the first quarter of c.€17 million. This acquisition represents a primary driver of the increase in the Group's loans and advances to customers in the period.

These tables exclude €212 million of loans and advances to customers at 30 June 2023 (31 December 2022: €217 million) that are measured at fair value through profit or loss (FVTPL) and are therefore not subject to impairment under IFRS 9. Credit-impaired includes Stage 3 and Purchased or Originated Credit-impaired (POCI) assets.

The tables 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.

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(continued)*

30 June 2023 **Credit-impaired loans and advances to customers - Composition and impairment**	**Advances (pre-impairment loss allowance)** **€m**	**Credit Impaired loans** **€m**	**Credit impaired loans as % of advances** **%**	**Credit impaired impairment loss allowance** **€m**	**Impairment loss allowance as % of credit impaired loans** **%**
Residential mortgages	46,574	729	1.6%	133	18%
Retail Ireland	*31,044*	*351*	*1.1%*	*89*	*25%*
Retail UK	*15,530*	*378*	*2.4%*	*44*	*12%*
Non-property SME and corporate	21,243	1,426	6.7%	528	37%
Republic of Ireland SME	*7,282*	*499*	*6.9%*	*254*	*51%*
UK SME	*1,668*	*111*	*6.7%*	*40*	*36%*
Corporate	*12,293*	*816*	*6.6%*	*234*	*29%*
Property and construction	7,933	385	4.9%	95	25%
Investment	*6,954*	*366*	*5.3%*	*90*	*25%*
Development	*979*	*19*	*1.9%*	*5*	*26%*
Consumer	5,923	173	2.9%	101	59%
Total	**81,673**	**2,713**	**3.3%**	**857**	**32%**
Purchased / originated credit-impaired	157	156	99.4%	7	4%
Total	**81,830**	**2,869**	**3.5%**	**864**	**30%**

31 December 2022 **Credit-impaired loans and advances to customers - Composition and impairment**	**Advances (pre-impairment loss allowance)** **€m**	**Credit Impaired loans** **€m**	**Credit impaired loans as % of advances** **%**	**Credit impaired impairment loss allowance** **€m**	**Impairment loss allowance as % of credit impaired loans** **%**
Residential mortgages	38,016	450	1.2%	89	20%
Retail Ireland	*22,468*	*251*	*1.1%*	*69*	*27%*
Retail UK	*15,548*	*199*	*1.3%*	*20*	*10%*
Non-property SME and corporate	21,452	1,534	7.2%	563	37%
Republic of Ireland SME	*7,175*	*561*	*7.8%*	*269*	*48%*
UK SME	*1,578*	*121*	*7.7%*	*45*	*37%*
Corporate	*12,699*	*852*	*6.7%*	*249*	*29%*
Property and construction	8,141	355	4.4%	102	29%
Investment	*7,024*	*339*	*4.8%*	*97*	*29%*
Development	*1,117*	*16*	*1.4%*	*5*	*31%*
Consumer	5,350	146	2.7%	81	55%
Total	**72,959**	**2,485**	**3.4%**	**835**	**34%**
Purchased / originated credit-impaired	80	79	98.8%	33	41%
Total	**73,039**	**2,564**	**3.5%**	**868**	**34%**

At 30 June 2023, loans and advances to customers (pre impairment loss allowance) of €81.8 billion were €8.8 billion higher than 31 December 2022, reflecting the acquisition of the KBCI portfolio, the combined impacts of currency translation, utilisation of impairment loss allowances and net redemptions in the period.

Credit-impaired loans increased to €2.9 billion or 3.5% of customer loans at 30 June 2023 from €2.6 billion or 3.5% at 31 December 2022. This increase reflected the acquisition of KBCI portfolio and the emergence of new defaults in residential mortgage and property and construction portfolios.

The increase was partly offset by reductions in credit impaired loans in the Non-property SME and corporate portfolio reflecting resolution strategies that include appropriate and sustainable support to variable rate customers who are in financial difficulty. Resolution strategies include realisation of cash proceeds from property sales activity and, where appropriate, have given rise to utilisation of impairment loss allowance against loan amounts for which there is no reasonable expectation of recovery.

The application of updated FLI, individually assessed risk ratings, credit risk assessments and impairment model methodology updates resulted in the net migration of c.€1.2 billion loans from Stage 1 to Stage 2 in the year (i.e. cases that are identified as having experienced a significant increase in credit risk). This reflects the impact of elevated inflation rates and interest rates on the credit risk in the loan book, the application of an updated approach to identifying significant increase in credit risk for relationship managed commercial portfolios in H123, and other

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(continued)*

portfolio activity (including net repayments / redemptions in the period).

The stock of impairment loss allowance on credit-impaired loans was €0.9 billion at 30 June 2023, which was €4 million lower than the stock at 31 December 2022. The net increase incorporates impairment loss on credit impaired loans of €0.1 billion offset by impairment loss allowance utilisation of €0.1 billion and the impact of currency translation and other movements.

The total impairment loss allowance at 30 June 2023 includes a total Group management adjustment of €35 million (31 December 2022: €60 million), which was recognised against loans and advances to customers. Details on the Group management adjustment are provided in note 2 on page 59.

Impairment loss allowance cover for credit-impaired loans was 30% at 30 June 2023 compared to 34% at 31 December 2022. This primarily reflects the impact of the acquisition of KBCI portfolio, as well as lower cover for the property and construction and RoI mortgage portfolios, which reflects lower impairment requirements for assets migrating to stage 3 in the period. This was partly offset by the impact of NPE resolution strategies.

Non-performing exposures

The table below provides an analysis of the 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 NPEs relating to loans and advances to customers measured at FVTPL of €35 million (31 December 2022: €33 million).

Credit-impaired are Stage 3 Loans and advances to customers at amortised cost. Not credit-impaired NPEs of €69 million (31 December 2022: €52 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.

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**

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.

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(continued)*

The tables below summarise the composition, NPEs and related impairment loss allowance of the Group's loans and advances to customers at 30 June 2023 and 31 December 2022. These tables include NPEs relating to loans and advances to customers as amortised cost of €2,904 million (31 December 2022: €2,584 million) and NPEs relating to loans and advances to customers measured at FVTPL of €35 million (31 December 2022: €33 million).

30 June 2023 Total loans and advances to customers - Composition and impairment	**Advances (pre-impairment) loss allowance €m**	**NPEs €m**	**NPEs as % of advances %**	**Total Impairment loss allowance €m**	**Total Impairment loss allowance as % of NPEs %**
Residential mortgages	46,933	911	1.9%	236	26%
Retail Ireland	*31,403*	*532*	*1.7%*	*150*	*28%*
Retail UK	*15,530*	*379*	*2.4%*	*86*	*23%*
Non-property SME and corporate	21,244	1,454	6.8%	752	52%
Republic of Ireland SME	*7,283*	*522*	*7.2%*	*341*	*65%*
UK SME	*1,668*	*121*	*7.3%*	*61*	*50%*
Corporate	*12,293*	*811*	*6.6%*	*350*	*43%*
Property and construction	7,941	400	5.0%	172	43%
Investment	*6,962*	*381*	*5.5%*	*161*	*42%*
Development	*979*	*19*	*1.9%*	*11*	*58%*
Consumer	5,924	174	2.9%	204	117%
Total	**82,042**	**2,939**	**3.6%**	**1,364**	**46%**

31 December 2022 Total loans and advances to customers - Composition and impairment	**Advances (pre-impairment) loss allowance €m**	**NPEs €m**	**NPEs as % of advances %**	**Total Impairment loss allowance €m**	**Total Impairment loss allowance as % of NPEs %**
Residential mortgages	38,020	487	1.3%	146	30%
Retail Ireland	*22,472*	*287*	*1.3%*	*100*	*35%*
Retail UK	*15,548*	*200*	*1.3%*	*46*	*23%*
Non-property SME and corporate	21,468	1,562	7.3%	783	50%
Republic of Ireland SME	*7,175*	*569*	*7.9%*	*371*	*65%*
UK SME	*1,578*	*126*	*8.0%*	*61*	*48%*
Corporate	*12,715*	*867*	*6.8%*	*351*	*40%*
Property and construction	8,201	421	5.1%	195	46%
Investment	*7,084*	*405*	*5.7%*	*181*	*45%*
Development	*1,117*	*16*	*1.4%*	*14*	*88%*
Consumer	5,350	147	2.7%	171	116%
Total	**73,039**	**2,617**	**3.6%**	**1,295**	**49%**

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(continued)*

Risk profile of forborne loans and advances to customers

The Group's total risk profile of loans and advances to customers at amortised cost at 30 June 2023 of €81.8 billion (31 December 2022: €73.0 billion) is available in note 17. 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**

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

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(continued)*

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**

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(continued)*

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 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**

31 December 2022 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	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**

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(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). The increase in POCI assets is due to the KBCI loan acquisition.

	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 year end			52%			44%			51%
New Retail Ireland mortgages during the year			72%			54%			72%

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(continued)*

Weighted average loan to value ratios are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage. Property values are determined by reference to the property valuations held, indexed to the 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 four months to April 2023, residential property prices at a national level decreased by 1.6%.

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 period	73%	53%	58%	–	53%	–	71%	53%	71%

Asset quality *(continued)*

Asset Quality - Loans and advances to customers *(continued)*

31 December 2022 Loan to value ratio of total Retail UK mortgages	Standard Not credit-impaired £m	Standard Credit-impaired £m	Buy to let Not credit-impaired £m	Buy to let Credit-impaired £m	Self certified Not credit-impaired £m	Self certified Credit-impaired £m	Total Not credit-impaired £m	Total 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%

Capital adequacy risk

The information below including referenced footnotes forms an integral part of the interim financial statements as described in the basis of preparation in note 1 to the financial statements.

Restated[1] CRD IV - 31 December 2022			CRD IV - 30 June 2023[2]	
Regulatory €m	Fully loaded €m		Regulatory €m	Fully loaded €m
		Capital Base		
11,522	11,522	Total equity[1]	12,123	12,123
(350)	(350)	less foreseeable dividend deduction[3]	(280)	(280)
(975)	(975)	less AT1 capital	(975)	(975)
10,197	**10,197**	**Total equity less foreseeable dividend deduction and equity instruments not qualifying as Common equity tier 1**	**10,868**	**10,868**
(772)	**(1,002)**	**Regulatory adjustments being phased in / out under CRD IV**	**(810)**	**(916)**
(802)	*(1,002)*	*Deferred tax assets[4]*	*(825)*	*(916)*
–	–	*10% / 15% threshold deduction[1]*	–	–
30	–	*IFRS 9 transitional adjustment*	*15*	–
(2,147)	**(2,147)**	**Other regulatory adjustments**	**(2,280)**	**(2,280)**
(165)	*(165)*	*Expected loss deduction*	*(118)*	*(118)*
(981)	*(981)*	*Intangible assets and goodwill*	*(1,050)*	*(1,050)*
(625)	*(625)*	*Pension asset deduction*	*(751)*	*(751)*
(376)	*(376)*	*Other adjustments[5]*	*(361)*	*(361)*
7,278	**7,048**	**Common equity tier 1**	**7,778**	**7,672**
		Additional tier 1		
975	975	AT1 instruments (issued by parent entity BOIG plc)	975	975
8,253	**8,023**	**Total tier 1 capital**	**8,753**	**8,647**
		Tier 2		
1,632	1,632	Tier 2 instruments (issued by parent entity BOIG plc)	1,644	1,644
(160)	(160)	Regulatory adjustments	(160)	(160)
1,472	**1,472**	**Total tier 2 capital**	**1,484**	**1,484**
9,725	**9,495**	**Total capital**	**10,237**	**10,131**
46.8	**46.8**	**Total risk weighted assets (€bn)[1]**	**52.0**	**52.0**
		Capital ratios[1,2]		
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] Capital ratios have been presented including the benefit of the retained profit in the period. Under Article 26 (2) of the Capital Requirements Regulation, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the ECB, and such permission has been obtained. The capital ratios are calculated using unrounded risk weighted asset amounts.
[3] A foreseeable dividend of €280 million (31 December 2022: €350 million representing ordinary dividend of €225 million and share buyback of €125 million) has been deducted as required under Article 2 of European Union Regulation No. 241/2014.
[4] Deduction relates to deferred tax assets on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 90% in 2023, increasing to 100% in 2024.
[5] Includes technical items such as non-qualifying Common equity tier 1 items, prudential valuation adjustment, calendar provisioning, IFRS 9 addback adjustment to the deferred tax charge, cash flow hedge reserve, Own credit spread adjustment (net of tax), coupon expected on AT1 instrument and securitisation deduction.

Capital adequacy risk *(continued)*

Restated[1] CRD IV - 31 December 2022 Regulatory €bn	Fully loaded €bn		CRD IV - 30 June 2023 Regulatory €bn	Fully loaded €bn
		Risk weighted assets		
35.9	35.9	Credit risk	40.7	40.7
0.8	0.8	Counterparty credit risk	0.7	0.7
1.4	1.4	Securitisation	1.4	1.4
0.4	0.4	Market risk	0.3	0.3
4.8	4.8	Operational risk	5.0	5.0
3.5	3.5	Other assets / 10% / 15% threshold deduction[1]	3.9	3.9
46.8	**46.8**	**Total RWA**	**52.0**	**52.0**

[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.

Risk weighted assets
RWAs on a regulatory basis, were €52.0 billion at 30 June 2023 (31 December 2022: €46.8[1] billion). The increase of €5.2 billion in RWA is primarily due to the acquisition of the KBCI portfolios loan book movements and other movements. RWAs in the table above reflect the application of certain Central Bank of Ireland (CBI) required Balance Sheet Assessment adjustments and the updated treatments of expected loss. Further details on RWAs can be found in the Group's Pillar 3 disclosures which are available on the Group's website.

Regulatory ratio
The Group's regulatory CET1 ratio is 15.0% at 30 June 2023 (31 December 2022: 15.6%[1]). The decrease of c.60 basis points since 31 December 2022 is primarily due to the acquisition of the KBCI loans (c.-110 basis points), a foreseeable dividend deduction (c.-60 basis points), RWA growth (c.-40 basis points) and the impact of Capital Requirements Directive (CRD) phasing for 2023 (c.-30 basis points) offset by the benefit of organic capital generation (c.+180 basis points).

Fully loaded ratio
The Group's fully loaded CET1 ratio is 14.8% at 30 June 2023 (31 December 2022: 15.1%[1]). The decrease of c.30 basis points since 31 December 2022 is primarily due to the acquisition of KBCI loans (c.-110 basis points), a foreseeable dividend deduction (c.-60 basis points) and RWA growth (c.-40 basis points), offset by the benefit of organic capital generation (c.+180 basis points).

Leverage ratio
The leverage ratio at 30 June 2023 is 6.6% on a CRD IV regulatory basis (31 December 2022: 6.4%) and 6.5% on a proforma fully loaded basis (31 December 2022: 6.2%). A binding leverage requirement of 3% is applicable. The Group expects to remain well in excess of this requirement.

Capital requirements / buffers
The table overleaf sets out the Group's CET1 capital requirements for 30 June 2023 and the authorities responsible for setting those requirements.

The Group is required to maintain a CET 1 ratio of 10.37% on a regulatory basis at 30 June 2023. This includes a Pillar 1 requirement of 4.5%, a CET1 Pillar 2 Requirements (P2R) of 1.27%, a Capital Conservation Buffer (CCB) of 2.5%, an Other Systemically Important Institutions (O-SII) Buffer of 1.5% and a Countercyclical buffer of 0.6%. Pillar 2 Guidance (P2G) is not disclosed in accordance with regulatory preference. Countercyclical Capital Buffers (CCyBs) are independently set in each country by the relevant designated authority.

In December 2021, the Bank of England announced the phased reintroduction of the UK CCyB at 1% effective from December 2022 and increasing to 2% from Q2 2023 provided the economic recovery continues. In July 2022, the Bank of England confirmed the increase in the UK CCyB to 2%, effective from July 2023. This results in a UK CCyB requirement of c.0.3% for the Group from December 2022, increasing to c.0.5% from July 2023.

In June 2022, the CBI announced the phased reintroduction of the RoI CCyB at 0.5% from June 2023. In November 2022, the CBI announced the further increase of the CCyB to 1% from November 2023 which will result in the Group's CCyB increasing from c.0.3% in June 2023 to c.0.6% from November 2023. In June 2023, the CBI confirmed the further increase of the CCyB to 1.5% from June 2024. This will result in the Group's CCyB increasing to c.0.9% from June 2024.

The CBI has advised that the Group is required to maintain an O-SII buffer of 1.5% subject to annual review by the CBI.

The Group expects to maintain both regulatory and fully loaded capital ratios significantly in excess of minimum regulatory requirements.

Minimum Requirement for Own Funds and Eligible Liabilities
The Group's interim binding MREL requirements, to be met at 30 June 2023, are 25.52% on RWA basis and 7.59% on a leverage basis.

The MREL RWA requirement consists of a Single Resolution Board (SRB) target of 20.95% (based on the Group's capital requirements at 30 June 2020) and the Group's Combined Buffer Requirement (CBR) of 4.57% on 30 June 2023 (comprising the Capital Conservation Buffer of 2.5% an O-SII buffer of 1.5% and a Countercyclical buffer of 0.57%).

The SRB target is subject to annual review; while the CBR is dynamic, updating as changes in capital requirements become effective. Therefore the Group's future MREL requirement is expected to increase to c.29.5% as the SRB target is updated to reflect the phase-in of the O-SII and CCyB requirements.

The Group's MREL position at 30 June 2023 is 30.7% on an RWA basis and 12% on a leverage basis. The Group expects to maintain a buffer over its MREL requirements.

Capital adequacy risk *(continued)*

Pro forma CET1 Regulatory Capital Requirements	Set by	2021	2022	2023	2024
Pillar 1 - CET1	CRR	4.50%	4.50%	4.50%	4.50%
Pillar 2 Requirement	SSM	1.27%	1.27%	1.27%	1.27%
Capital Conservation Buffer	CRD	2.50%	2.50%	2.50%	2.50%
Countercyclical buffer					
Ireland (c.62% of RWA)	CBI	–	–	0.62%	0.93%
UK (c.26% of RWA)	BoE	–	0.26%	0.53%	0.53%
US and other (c.12% of RWA)	Fed / Various	–	0.01%	0.03%	0.03%
O-SII Buffer	CBI	1.50%	1.50%	1.50%	1.50%
Pro forma Minimum CET1 Regulatory Requirements		**9.77%**	**10.04%**	**10.95%**	**11.26%**

Pillar 2 Guidance	Not disclosed in line with regulatory preference

Distribution policy
The Group paid an ordinary dividend in respect of the 2022 financial year of €225 million, equivalent to 21 cents per share, on 13 June 2023. This was paid to shareholders who appeared on the Company's register on 12 May 2023, the record date for the dividend.

The Group updated its distribution policy in February 2023. The policy reflects the Group's intention to build to an annual ordinary dividend distribution of c.40-60% of statutory profits and that the Board will also consider the distribution of surplus capital on an annual basis. The distribution level will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties (e.g. related to the economic outlook) and any impact from the evolving regulatory and accounting environments.

Share buyback
The Group completed the €125 million buyback programme on 26 June 2023, repurchasing 13,690,346 ordinary shares for cancellation at a volume weighted average price of €9.131 per share.

Impediments to the transfer of funds
There is a requirement to disclose any impediment to the prompt transfer of funds within the Group. In respect of the Group's licensed subsidiaries, the Group is obliged to meet certain license conditions in respect of capital and / or liquidity.

These requirements may include meeting or exceeding appropriate capital and liquidity ratios and obtaining appropriate regulatory approvals for the transfer of capital or, in certain circumstances, liquidity. The Group's licensed subsidiaries would be unable to remit funds to the parent when to do so would result in such ratios or other regulatory permissions being breached. Apart from this requirement, there is no restriction on the prompt transfer of own funds or the repayment of liabilities between the subsidiary companies and the parent.

At 30 June 2023, own funds were in excess of the required minimum requirement.

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 Bank of Ireland Group plc 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 Board by

28 July 2023

Patrick Kennedy
Chairman

Richard Goulding
Deputy Chairman

Myles O'Grady
Group Chief Executive

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

Independent review report

to the members of Bank of Ireland Group plc

Conclusion
We have been engaged by Bank of Ireland Group plc (the 'Group') 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 Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group 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 Group 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 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.

Our responsibility
Our responsibility is to express to the Group 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 Group in accordance with the terms of our engagement to assist the Group 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 Group 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 Group 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	(1,088)	(312)
Net interest income		**1,802**	**1,077**
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	13
Other leasing income	9	44	33
Other leasing expense	9	(29)	(19)
Other operating income	10	44	108
Total operating income		**2,215**	**1,362**
Operating expenses	11	(1,031)	(982)
Cost of restructuring programme	12	(12)	(3)
Operating profit before impairment losses on financial instruments		**1,172**	**377**
Net impairment losses on financial instruments	13	(158)	(47)
Operating profit		**1,014**	**330**
Share of results of associates and joint ventures (after tax)	14	11	21
Profit before tax		**1,025**	**351**
Taxation charge	15	(172)	(58)
Profit for the period		**853**	**293**
Attributable to shareholders		849	289
Attributable to non-controlling interests		4	4
Profit for the period		**853**	**293**
Earnings per ordinary share	16	74.1c	23.9c
Diluted earnings per ordinary share	16	74.1c	23.9c

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 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]	**853**	**293**
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	**1,045**	**870**
Total comprehensive income attributable to equity shareholders	1,041	866
Total comprehensive income attributable to non-controlling interests	4	4
Total comprehensive income for the period, net of tax	**1,045**	**870**

[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	27	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		19,904	18,553
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	17	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	20	878	989
Other assets		957	769
Reinsurance contract assets	6	1,346	1,352
Retirement benefit assets	25	891	736
Total assets		**156,216**	**150,689**
Equity and liabilities			
Deposits from banks	21	3,622	3,445
Customer accounts	22	101,730	99,200
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	23	8,431	7,774
Liabilities to customers under investment contracts		7,185	6,859
Insurance contract liabilities	6	14,270	13,410
Other liabilities		2,486	2,250
Leasing liabilities		417	423
Current tax liabilities		19	8
Provisions		68	79
Loss allowance provision on loan commitments and financial guarantees		57	55
Deferred tax liabilities		54	38
Retirement benefit obligations	25	5	36
Subordinated liabilities	26	1,663	1,656
Total liabilities		**144,093**	**139,167**
Equity			
Share capital		1,056	1,070
Share premium account		456	456
Retained earnings		9,790	9,230
Other reserves		(203)	(257)
Own shares held for the benefit of life assurance policyholders		(9)	(10)
Shareholders' equity		**11,090**	**10,489**
Other equity instruments - Additional Tier 1		966	966
Total equity excluding non-controlling interests		**12,056**	**11,455**
Non-controlling interests		67	67
Total equity		**12,123**	**11,522**
Total equity and liabilities		**156,216**	**150,689**

[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)

				Other reserves									
	Share capital €m	Share premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Foreign exchange reserve €m	Capital reserve €m	Other reserves[3] €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2023, as previously reported	**1,070**	**456**	**9,640**	**(17)**	**(31)**	**(786)**	**527**	**50**	**(10)**	**10,899**	**966**	**67**	**11,932**
Adjustment on initial application of IFRS 17, net of tax[1]	–	–	(410)	–	–	–	–	–	–	(410)	–	–	(410)
Restated balance at 1 January 2023	**1,070**	**456**	**9,230**	**(17)**	**(31)**	**(786)**	**527**	**50**	**(10)**	**10,489**	**966**	**67**	**11,522**
Profit for the period	–	–	849	–	–	–	–	–	–	849	–	4	853
Other comprehensive income	–	–	148	1	(3)	63	–	(17)	–	192	–	–	192
Total comprehensive income for the period	**–**	**–**	**997**	**1**	**(3)**	**63**	**–**	**(17)**	**–**	**1,041**	**–**	**4**	**1,045**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution paid on other equity instruments - AT1 Coupon	–	–	(34)	–	–	–	–	–	–	(34)	–	–	(34)
Dividends on ordinary shares	–	–	(225)	–	–	–	–	–	–	(225)	–	–	(225)
Share buyback - repurchase of shares[2]	–	–	–	–	–	–	–	(125)	–	(125)	–	–	(125)
Changes in value and amount of shares held	–	–	–	–	–	–	–	–	1	1	–	–	1
Dividends paid to NCI - preference stock	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Reserve for Preference stock to be redeemed (note 30)	–	–	–	–	–	–	–	(57)	–	(57)	–	–	(57)
Preference stock eliminated on acquisition of Davy	–	–	–	–	–	–	–	–	–	–	–	–	–
Share buyback - cancellation of shares[2]	(14)	–	(125)	–	–	–	14	125	–	–	–	–	–
Total transactions with owners	**(14)**	**–**	**(384)**	**–**	**–**	**–**	**14**	**(57)**	**1**	**(440)**	**–**	**(4)**	**(444)**
Transfer from retained earnings to capital reserve	–	–	(53)	–	–	–	53	–	–	–	–	–	–
Balance at 30 June 2023	**1,056**	**456**	**9,790**	**(16)**	**(34)**	**(723)**	**594**	**(24)**	**(9)**	**11,090**	**966**	**67**	**12,123**

[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, the Group completed the purchase of the €125 million share buyback programme whereby the Group repurchased 13.69 million shares for cancellation, c.1.3% of the count outstanding at 1 January 2023, at a weighted average price of €9.131 per share.
[3] Other reserves includes the amalgamation of the merger reserve €17 million, liability credit reserve (€8) million, revaluation reserve €24 million and reserve for preference stock to be redeemed of (€57) million. Further information on the preference stock redemption can be found in note 30.

Consolidated statement of changes in equity *(continued)*

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

	Share capital €m	Share premium account €m	Retained earnings €m	Other reserves: Debt instruments at FVOCI reserve €m	Other reserves: Cash flow hedge reserve €m	Other reserves: Foreign exchange reserve €m	Other reserves: Capital reserve €m	Other reserves: Other reserves[3] €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2022, as previously reported	**1,079**	**456**	**8,842**	**129**	**(36)**	**(693)**	**509**	**38**	**(20)**	**10,304**	**966**	**68**	**11,338**
Adjustment on initial application of IFRS 17, net of tax[1]	–	–	(371)	–	–	–	–	–	–	(371)	–	–	(371)
Restated balance at 1 January 2022	**1,079**	**456**	**8,471**	**129**	**(36)**	**(693)**	**509**	**38**	**(20)**	**9,933**	**966**	**68**	**10,967**
Profit for the period[1]	–	–	289	–	–	–	–	–	–	289	–	4	293
Other comprehensive income	–	–	675	(128)	11	6	–	13	–	577	–	–	577
Total comprehensive income for the period	**–**	**–**	**964**	**(128)**	**11**	**6**	**–**	**13**	**–**	**866**	**–**	**4**	**870**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution paid on other equity instruments - AT1 Coupon	–	–	(33)	–	–	–	–	–	–	(33)	–	–	(33)
Dividends on ordinary shares	–	–	(54)	–	–	–	–	–	–	(54)	–	–	(54)
Share buyback - repurchase of shares[2]	–	–	–	–	–	–	–	(50)	–	(50)	–	–	(50)
Changes in value and amount of shares held	–	–	–	–	–	–	–	–	3	3	–	–	3
Dividends paid to NCI - preference stock	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Reserve for Preference stock to be redeemed	–	–	–	–	–	–	–	–	–	–	–	–	–
Preference stock eliminated on acquisition of Davy	–	–	–	–	–	–	–	–	–	–	–	–	–
Share buyback - cancellation of shares[2]	(9)	–	(50)	–	–	–	9	50	–	–	–	–	–
Total transactions with owners	**(9)**	**–**	**(137)**	**–**	**–**	**–**	**9**	**–**	**3**	**(134)**	**–**	**(4)**	**(138)**
Transfer to retained earnings from capital reserve	–	–	62	–	–	–	(62)	–	–	–	–	–	–
Restated balance at 30 June 2022	**1,070**	**456**	**9,360**	**1**	**(25)**	**(687)**	**456**	**51**	**(17)**	**10,665**	**966**	**68**	**11,699**

[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 H122, the Group completed the purchase of the €50 million share buyback programme whereby the Group repurchased 8.5 million shares for cancellation, c.0.8% of the count outstanding at 1 January 2022, at a weighted average price of €5.885 per share.
[3] Other reserves includes the amalgamation of the merger reserve €17 million, liability credit reserve €7 million, and revaluation reserve €27 million.

Consolidated statement of changes in equity *(continued)*

(for the year ended 31 December 2022)

	Share capital €m	Share premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Foreign exchange reserve €m	Capital reserve €m	Other reserves[3] €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
				Other reserves									
Balance at 1 January 2022, as previously reported	**1,079**	**456**	**8,842**	**129**	**(36)**	**(693)**	**509**	**38**	**(20)**	**10,304**	**966**	**68**	**11,338**
Adjustment on initial application of IFRS 17, net of tax[1]	–	–	(371)	–	–	–	–	–	–	(371)	–	–	(371)
Restated balance at 1 January 2022	**1,079**	**456**	**8,471**	**129**	**(36)**	**(693)**	**509**	**38**	**(20)**	**9,933**	**966**	**68**	**10,967**
Profit for the year[1]	–	–	850	–	–	–	–	–	–	850	–	8	858
Other comprehensive income for the year	–	–	91	(146)	5	(93)	–	12	–	(131)	–	–	(131)
Total comprehensive income for the year	**–**	**–**	**941**	**(146)**	**5**	**(93)**	**–**	**12**	**–**	**719**	**–**	**8**	**727**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution paid on other equity instruments - AT1 Coupon	–	–	(69)	–	–	–	–	–	–	(69)	–	–	(69)
Dividends on ordinary shares	–	–	(54)	–	–	–	–	–	–	(54)	–	–	(54)
Share buyback - repurchase of shares[2]	–	–	–	–	–	–	–	(50)	–	(50)	–	–	(50)
Changes in value and amount of shares held	–	–	–	–	–	–	–	–	10	10	–	–	10
Dividends paid to NCI - preference stock	–	–	–	–	–	–	–	–	–	–	–	(8)	(8)
Reserve for Preference stock to be redeemed										–			–
Preference stock eliminated on acquisition of Davy	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Share buyback - cancellation of shares[2]	(9)	–	(50)	–	–	–	9	50	–	–	–	–	–
Total transactions with owners	**(9)**	**–**	**(173)**	**–**	**–**	**–**	**9**	**–**	**10**	**(163)**	**–**	**(9)**	**(172)**
Transfer from retained earnings to capital reserve	–	–	(9)	–	–	–	9	–	–	–	–	–	–
Restated balance at 31 December 2022	**1,070**	**456**	**9,230**	**(17)**	**(31)**	**(786)**	**527**	**50**	**(10)**	**10,489**	**966**	**67**	**11,522**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 6 for transitional impact.
[2] In H122, the Group completed the purchase of the €50 million share buyback programme whereby the Group repurchased 8.5 million shares for cancellation, c.0.8% of the count outstanding at 1 January 2022, at a weighted average price of €5.885 per share.
[3] Other reserves includes the amalgamation of the merger reserve €17 million, liability credit reserve €9 million, and revaluation reserve €24 million.

Consolidated 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]		1,025	351
Share of results of associates and joint ventures	14	(11)	(21)
Depreciation and amortisation	9,11	128	120
Net impairment loss on financial instruments, excluding cash recoveries	13	167	54
Revaluation of investment property		39	(9)
Interest expense on subordinated liabilities		58	41
Interest expense on lease liabilities	5	5	6
Charge for pension and similar obligations		12	41
Net change in accruals and interest payable		101	119
Net change in prepayments and interest receivable		(46)	(15)
Charge for provisions		3	36
Non-cash and other items		7	(57)
Cash flows from operating activities before changes in operating assets and liabilities		**1,488**	**666**
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 FVTPL		(1,350)	2,006
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]		(145)	116
Net change in deposits from banks		89	(1,010)
Net change in customer accounts[2]		2,069	1,675
Net change in debt securities in issue		688	933
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]		(58)	(428)
Net cash flow from operating assets and liabilities		**(5,576)**	**2,832**
Net cash flow from operating activities before tax		**(4,088)**	**3,498**
Tax paid		(38)	(39)
Net cash flow from operating activities		**(4,126)**	**3,459**
Investing activities (section a below)		(749)	4,127
Financing activities (section b below)		(416)	(189)
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	27	**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 the portfolio fair value hedge adjustment. Refer to the 2022 Annual Report note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

Consolidated cash flow statement *(continued)*

(for the six months ended 30 June 2022) (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 subsidiary, net of cash and cash equivalents acquired	28	–	(285)
Cash flows from investing activities		**(749)**	**4,127**
(b) Financing activities			
Dividend paid to ordinary shareholders		(225)	(54)
Share buyback - Repurchase of shares		(125)	(50)
Distribution on other equity instruments - AT1 coupon		(34)	(33)
Payment of lease liabilities		(18)	(27)
Interest paid on lease liabilities		(5)	(6)
Interest paid on subordinated liabilities		(5)	(15)
Dividends paid to non-controlling interests - preference stock		(4)	(4)
Cash flows from financing activities		**(416)**	**(189)**

Net cash flows from operating activities in H123 includes interest received of €2,885 million (H122: €1,437 million) and interest paid of €933 million (H122: €201 million).

Notes to the consolidated financial statements *(unaudited)*

1 Group accounting policies

Basis of preparation

The interim financial statements of the Bank of Ireland Group plc (the 'Company' or 'BOIG plc') and its subsidiaries (collectively the 'Group' or 'BOIG plc 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 20 July 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 198 to 214 of the Group'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

1 Group accounting policies *(continued)*

of the Wealth and Insurance operating segment. The Group notes a material impact on the recognition, measurement, presentation and disclosure of the insurance business in the Group's financial statements. There are, however, no changes to the underlying fundamentals and operations of the Wealth and Insurance segment.

Transitional provisions (including accounting policy elections on first-time adoption)
IFRS 17 prescribes the transition approaches that must be applied. On transition to IFRS 17, entities must apply the 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.

1 Group accounting policies *(continued)*

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:
- 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

1 Group accounting policies *(continued)*

gains / (losses) as insurance investment and finance result in the income statement.

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

The changes in accounting policies mentioned above create an impact on either profit or equity as follows:

- IFRS 17 has had a significant impact on the accounting for insurance contracts. The Group notes that profits pertaining to insurance contracts, within the Wealth and Insurance operating segment of the Group, are now gradually recognised over the life of the contract rather than being accelerated at inception. This results in a reduction in earnings in 2023; however the profit over the life of the insurance contracts will remain unchanged.
- In accordance with IFRS 17, there is no VIF asset recognised. The future profit instead is now included in the measurement of CSM and this is gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an insurance contract will be unchanged, the emergence of this profit will be later under IFRS 17. The removal of the VIF asset and the recognition of CSM, which is a liability, reduces shareholders' equity by €371 million and €410 million at the transition date and the date of initial application, respectively. Please refer to note 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 119.

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 215 to 224 of the Group'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 164 to 168 of the Group's Annual Report for the year ended 31 December 2022.

Changes in estimates - Forward-Looking Information

FLI refers to probability weighted future macroeconomic scenarios approved semi-annually by the Executive Risk Committee and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 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.

2 Critical accounting estimates and judgements *(continued)*

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.

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.

30 June 2023 **Impact of applying multiple scenarios rather than only central scenario**	**Additional impairment loss allowance**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
	Impact €m	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**
Residential mortgages	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	Impact %	Stage 2 Impact €m	Impact %	Stage 3 Impact €m	Impact %	Total Impact €m	Impact %
Residential mortgages	3	21%	17	81%	6	6%	26	21%
Retail Ireland	*1*	*14%*	*11*	*94%*	*3*	*5%*	*15*	*18%*
Retail UK	*2*	*28%*	*6*	*65%*	*3*	*12%*	*11*	*30%*
Non-property SME and corporate	6	9%	37	31%	8	2%	51	7%
Property and construction	1	13%	19	58%	4	3%	24	16%
Consumer	5	13%	6	15%	–	–	11	7%
Total	**15**	**12%**	**79**	**38%**	**18**	**2%**	**112**	**10%**

The following table indicates the approximate extent to which 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 €m**	**Impact €m**	**Impact €m**	**Impact €m**	**Impact €m**	**Impact €m**	**Impact €m**
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 in the Risk Management report on the Group's 2022 Annual Report, the Group considers other reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred. In this regard, 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 (as outlined on page 27 in the Asset Quality section of the Operating and financial review).

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.

2 Critical accounting estimates and judgements *(continued)*

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 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

3 Operating segments *(continued)*

pricing adjustments or revenue sharing agreements as the impact on the measures of segmental assets and liabilities is not significant.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

On an ongoing basis, the Group reviews the methodology for allocating funding and liquidity costs in order to ensure that the allocations continue to reflect each division's current funding requirement.

External revenue comprises interest income, insurance revenue, net income / (expense) from reinsurance contracts held, insurance investment and finance result, fee and commission income, net trading income / (expense), other operating income, other leasing income and share of results of associates and joint ventures.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Underlying profit or loss' in its internal management reporting systems. Underlying profit or loss excludes the impact of non-core items outlined below:
- acquisition costs;
- gross-up for policyholder tax in the Wealth and Insurance business;
- transformation programme credit / costs;
- investment gains and losses on treasury shares held for policyholders;
- customer redress charges; and
- portfolio divestments.

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	Group €m
Net interest income	**656**	**(4)**	**327**	**821**	**2**	**–**	**1,802**
Other income	73	188	(1)	147	(14)	6	399
Total operating income	**729**	**184**	**326**	**968**	**(12)**	**6**	**2,201**
Other operating expenses	(201)	(98)	(132)	(232)	(248)	3	(908)
Other operating expenses (before levies and regulatory charges)	*(201)*	*(98)*	*(130)*	*(232)*	*(140)*	*3*	*(798)*
Levies and regulatory charges	*–*	*–*	*(2)*	*–*	*(108)*	*–*	*(110)*
Depreciation and amortisation	(25)	(9)	(10)	(3)	(61)	(1)	(109)
Total operating expenses	**(226)**	**(107)**	**(142)**	**(235)**	**(309)**	**2**	**(1,017)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**503**	**77**	**184**	**733**	**(321)**	**8**	**1,184**
Net impairment gains / (losses) on financial instruments	(64)	–	(63)	(31)	–	–	(158)
Share of results of associates and joint ventures	–	–	12	(1)	–	–	11
Underlying profit / (loss) before tax	**439**	**77**	**133**	**701**	**(321)**	**8**	**1,037**

30 June 2023 Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	1,037
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	**1,025**

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

Restated[1] **30 June 2022 Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax[1]	435
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	**351**

[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. See page 8 for further details.
[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.

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**	**Group €m**
External revenue	659	453	545	1,654	331	27	3,669
Inter segment revenues	290	(21)	122	2,248	540	(3,179)	–
Revenue	**949**	**432**	**667**	**3,902**	**871**	**(3,152)**	**3,669**
Interest expense	**(19)**	**–**	**(122)**	**(787)**	**(165)**	**5**	**(1,088)**
Capital expenditure	**15**	**13**	**64**	**28**	**90**	**–**	**210**

3 Operating segments *(continued)*

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	Group €m
External revenue[1]	273	241	420	1,027	(1)	38	1,998
Inter segment revenues	292	(39)	93	181	258	(785)	–
Revenue	**565**	**202**	**513**	**1,208**	**257**	**(747)**	**1,998**
Interest expense	**(15)**	**–**	**(35)**	**(98)**	**(169)**	**5**	**(312)**
Capital expenditure	**7**	**211**	**43**	**27**	**176**	**–**	**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**
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**

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**
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**

[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**

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	218	51
Deposits from banks	64	11
Subordinated liabilities	58	36
Lease liabilities	5	6
Other interest expense at amortised cost	–	2
Interest expense on financial liabilities measured at amortised cost	**725**	**126**
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 method	**725**	**211**
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	**1,088**	**312**

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	2
Securities and non-trading debt	13	3
Loans and advances	3	–
	37	**7**
Net fair value hedge ineffectiveness	2	6
Net trading income	**39**	**13**

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]	355	384
Total	**1,031**	**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 11.

	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 17)	*(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 €172 million with an effective statutory taxation rate of 17% (H122: taxation charge of €58 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	9	12
Foreign tax		
Current period	47	42
Adjustments in respect of prior period	4	4
Current tax charge	**60**	**58**
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	**172**	**58**

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 corporation tax in Ireland of 12.5% (2022: 12.5%)[1]	128	44
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	**172**	**58**

[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 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue excluding treasury shares.

Diluted earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue excluding treasury shares adjusted for the effect of all dilutive potential ordinary shares.

For 2023 and 2022, there was no difference in the weighted average number of units of share used for basic and diluted earnings per share.

	6 months ended 30 June 2023 €m	*Restated*[1] 6 months ended 30 June 2022 €m
Basic and diluted earnings per share		
Profit attributable to shareholders[1]	849	289
Distributions on other equity instruments - AT1 coupon	(34)	(33)
Adjustment for redemption of preference stock[2]	(24)	–
Profit attributable to ordinary shareholders	**791**	**256**
	Shares	**Shares**
Weighted average number of shares in issue excluding treasury shares (millions)	1,067	1,073
Basic and diluted earnings per share (cent)	74.1	23.9

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 6 for transitional impact.
[2] As disclosed in note 30, a financial liability of €57 million was recognised at 30 June 2023 in respect of the commitment to redeem certain Sterling and Euro preference stock of the Governor and Company of the Bank of Ireland, as a result of the Group's tender offer to re-purchase a number of legacy perpetual instruments. This liability is in excess of the carrying value (c.€33 million) of the related preference stock, which is presented as non-controlling interest by the Group. Under IAS 33, the difference of €24 million has been reflected in the EPS calculation by reducing the profit attributable to ordinary shareholders of the Group.

17 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**

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**

17 Loans and advances to customers *(continued)*

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**

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 credit risk section of the Risk Management Report on pages 166 to 167 of the Group's Annual Report for the year ended 31 December 2022 with updates for 2023 outlined in the asset quality section of the OFR on page 26.

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.

17 Loans and advances to customers *(continued)*

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.

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.

17 Loans and advances to customers *(continued)*

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.

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**
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 included €312 million of contractual amounts outstanding that are still subject to enforcement activity.

17 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.

17 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.

17 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.

17 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.

17 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.

17 Loans and advances to customers *(continued)*

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**

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 included €188 million of contractual amounts outstanding that are still subject to enforcement activity.

17 Loans and advances to customers *(continued)*

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**

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.

17 Loans and advances to customers *(continued)*

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**

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.

18 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 164 to 168 of the Group's Annual Report for the year ended 31 December 2022, with updates for 2023 outlined in the Asset quality section of the OFR.

In addition to credit risk, the primary risks affecting the Group through its use of financial instruments are: funding and liquidity risk, market risk and life insurance risk. The Group's approach to the management of these risks, together with its approach to Capital adequacy, are set out in the Risk Management Report included on pages 169 to 177 and pages 148 to 152 of the Group's Annual Report for the year ended 31 December 2022.

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 excludes €212 million (31 December 2022: €217 million) of loans mandatorily at FVTPL at 30 June 2023 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (note 17).

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) includes: 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**

18 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**

18 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	30 June 2023 Credit-impaired €m	30 June 2023 Total €m	30 June 2023 Total %	31 December 2022 Not credit-impaired €m	31 December 2022 Credit-impaired €m	31 December 2022 Total €m	31 December 2022 Total %
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 loans €m	Stage 1 Loans as % of advances[1] %	Stage 1 ILA €m	Stage 1 ILA as % of Stage 1 loans %	Stage 2 loans €m	Stage 2 Loans as % of advances[1] %	Stage 2 ILA €m	Stage 2 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.

18 Credit risk exposures *(continued)*

31 December 2022 Not credit-impaired loans and advances to customers Composition and impairment loss allowance (ILA)	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%**

18 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 89. 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%**

18 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%**

18 Credit risk exposures *(continued)*

Geographical and industry analysis of loans and advances to customers

The following tables provide a geographical and industry breakdown of loans and advances to customers at amortised cost, and the associated impairment loss allowances. The geographical breakdown is primarily based on the location of the business unit where the asset is booked. The Non-property SME & corporate portfolio is analysed by 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**

18 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*
Professional, scientific and technical activities	*750*	*18*	*61*	*829*	*29*	*–*	*–*	*29*
Other services	*643*	*39*	*85*	*767*	*18*	*2*	*13*	*33*
Real estate activities	*602*	*132*	*–*	*734*	*55*	*8*	*–*	*63*
Education	*408*	*38*	*24*	*470*	*5*	*–*	*–*	*5*
Arts, entertainment and recreation	*388*	*29*	*13*	*430*	*23*	*1*	*3*	*27*
Other sectors	*1,237*	*186*	*2*	*1,425*	*33*	*5*	*–*	*38*
Total	**50,721**	**21,138**	**1,180**	**73,039**	**917**	**299**	**79**	**1,295**
Analysed by stage:								
Stage 1	38,513	18,533	785	57,831	88	51	3	142
Stage 2	10,420	1,986	237	12,643	206	67	12	285
Stage 3	1,768	559	158	2,485	620	151	64	835
Purchased / originated credit-impaired	20	60	–	80	3	30	–	33
Total	**50,721**	**21,138**	**1,180**	**73,039**	**917**	**299**	**79**	**1,295**

18 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**

18 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*
Professional, scientific and technical activities	*643*	*154*	*32*	*–*	*829*	*3*	*5*	*21*	*–*	*29*
Other services	*579*	*91*	*97*	*–*	*767*	*2*	*6*	*25*	*–*	*33*
Real estate activities	*390*	*246*	*98*	*–*	*734*	*5*	*9*	*49*	*–*	*63*
Education	*418*	*51*	*1*	*–*	*470*	*2*	*2*	*1*	*–*	*5*
Arts, entertainment and recreation	*241*	*142*	*47*	*–*	*430*	*1*	*8*	*18*	*–*	*27*
Other sectors	*1,084*	*251*	*90*	*–*	*1,425*	*3*	*7*	*28*	*–*	*38*
Total	**57,831**	**12,643**	**2,485**	**80**	**73,039**	**142**	**285**	**835**	**33**	**1,295**

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 Stage 1 €m	 Stage 1 %	 Stage 2 €m	 Stage 2 %	 Total €m	 Total %	31 December 2022 Stage 1 €m	 Stage 1 %	 Stage 2 €m	 Stage 2 %	 Total €m	 Total %
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%**

18 Credit risk exposures *(continued)*

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.

Other financial instruments with ratings equivalent to:	30 June 2023		*Restated*[1] 31 December 2022	
	€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 become effective, replacing IFRS 4 Insurance Contracts. See note 1 for updated accounting policy and note 6 for transitional impact.

19 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

20 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 Governor and Company of the Bank of Ireland (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.

20 Deferred tax *(continued)*

There is a risk that the final taxation outcome could be different to the amounts currently recorded. If future profits or subsequent forecasts differ from current forecasts, 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.

21 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 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**

22 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	60,587	59,330
Demand deposits	31,033	29,511
Term deposits and other products	9,769	9,945
Customer accounts at amortised cost	**101,389**	**98,786**
Term deposits at FVTPL	341	414
Total customer accounts	**101,730**	**99,200**

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)**

23 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).

	30 June 2023 €m	31 December 2022 €m
Bonds and medium term notes	7,538	6,807
Other debt securities in issue	642	717
Debt securities in issue at amortised cost	**8,180**	**7,524**
Debt securities in issue at fair value through profit or loss	251	250
Total debt securities in issue	**8,431**	**7,774**
Balance at 1 January	**7,774**	**8,483**
Issued during the period	751	3,859
Redemptions	(27)	(3,976)
Other movements[1]	(67)	(592)
Balance at end of the period	**8,431**	**7,774**

[1] Other movements primarily relates to fair value hedge adjustments in respect of debt securities in issue held at amortised cost, exchange adjustments and changes in fair value of debt securities in issue held at fair value.

Movement in own credit risk on debt securities in issue at FVTPL	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**	**–**

24 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).

24 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.

25 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

25 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**

26 Subordinated liabilities

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

	30 June 2023 €m	31 December 2022 €m
€500 million 6.750% Fixed Rate Reset Callable Subordinated Notes due 2033	484	485
€500 million 1.375% Fixed Rate Reset Callable Subordinated Notes due 2031	447	443
£300 million 7.594% Fixed Rate Reset Callable Subordinated Notes due 2032	323	326
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes due 2029	283	280
Undated loan capital	126	122
Total subordinated liabilities	**1,663**	**1,656**

27 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**

28 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

28 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.

29 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**

30 Redemption of preference stock

On 21 June 2023, as part of the ongoing review of its capital structure the 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 Group 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. The GovCo preference stock are classified as non-controlling interests on the Group's balance sheet. As a result, a financial liability was recognised to redeem the stock within the Group's other liabilities at a fair value of €57 million with a corresponding reduction in Stockholders' equity through the creation of a reserve for Preference Stock to be redeemed within Other reserves. This amount was settled in full on 13 July 2023.

The 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 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.

31 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	94,643	4,961	1,541	669	60	101,874
Debt securities in issue	–	123	1,369	6,565	2,538	10,595
Subordinated liabilities	–	7	78	389	2,270	2,744
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
Total	**110,924**	**6,067**	**4,063**	**11,496**	**5,099**	**137,649**

31 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]	92,012	4,965	1,404	618	170	99,169
Debt securities in issue	–	78	1,400	6,430	1,715	9,623
Subordinated liabilities	–	8	50	383	2,263	2,704
Lease liabilities	–	15	48	193	247	503
Contingent liabilities	451	31	126	157	7	772
Commitments	15,033	49	554	892	–	16,528
Short positions in trading securities	–	3	–	–	–	3
Total	**107,639**	**5,898**	**3,650**	**11,371**	**4,402**	**132,960**

[1] The contractual maturity of 'on demand' customer accounts has been restated from €94,836 million to €92,012 million to adjust for a fair value hedge adjustment of €2,824 million which from December 2022 is no longer included within customer accounts and is instead included as a separate balance sheet line item.

32 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 313 to 315 of the Group'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 29 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 these 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 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.

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

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 28 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	19,285	296	323	19,904	17,980	214	359	18,553
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
	23,275	**5,471**	**628**	**29,374**	**22,244**	**5,476**	**654**	**28,374**
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 28).

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

30 June 2023 Movements in level 3 assets	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
Revaluation	–	–	–	–	–
Share of results of associates	–	–	–	(1)	(1)
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 levels 1 and 2 to level 3.

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

31 December 2022 Movements in level 3 assets	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
Revaluation	–	(1)	–	–	(1)
Share of results of associates	–	–	–	8	8
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 transfers from levels 1 and 2 to level 3 arose as a result of certain material inputs becoming unobservable. There were no transfers between levels 1 and 2.

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

Movements in level 3 liabilities	30 June 2023 Customer accounts €m	30 June 2023 Derivative financial instruments €m	30 June 2023 Other liabilities[1] €m	30 June 2023 Total €m	31 December 2022 Customer accounts €m	31 December 2022 Derivative financial instruments €m	31 December 2022 Other liabilities[1] €m	31 December 2022 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 28).

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				

32 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 June 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	Probabilities of the 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 did not disclose the ranges associated with the behavioural maturity and counterparty credit of the underlying cash flows of the binding commitment to purchase the KBCI mortgages, which had been recognised as a derivative liability in 2022 prior to 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	101,389	101,367	98,786	98,748
Debt securities in issue	8,180	8,179	7,524	7,433
Subordinated liabilities	1,663	1,707	1,656	1,661

33 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**

34 Post balance sheet events

On 4 July 2023, the Group issued a €750 million 8 year (callable at the end of year seven) 'Green' MREL eligible senior debt instrument. The bond carries a coupon of 5.000%. 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, the Group redeemed €57 million of GovCo Preference Stock and £6 million of Bristol & West plc Non-Cumulative Non-Redeemable Preference Shares. See note 30 for further details.

35 Approval of interim report

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

Other information

Consolidated average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for 30 June 2023 and 31 December 2022. The calculations of average balances can be based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group and are presented on an underlying basis which excludes non-core items, see page 11 for further details. The explanation of the underlying business trends in the Group's NIM is outlined in the OFR.

	30 June 2023			31 December 2022		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
Assets						
Loans and advances to banks	34,504	502	2.93%	39,727	135	0.34%
Loans and advances to customers at amortised cost	78,892	1,645	4.20%	75,538	2,587	3.42%
Debt securities at amortised cost, financial assets at FVOCI and FVTPL	9,283	147	3.19%	11,119	40	0.36%
Total interest earning assets	**122,679**	**2,294**	**3.77%**	**126,384**	**2,762**	**2.19%**
Non interest earning assets	37,365	–	–	36,208	–	–
Total assets	**160,044**	**2,294**	**2.89%**	**162,592**	**2,762**	**1.70%**
Liabilities and shareholders' equity						
Deposits from banks	3,132	64	4.12%	10,868	8	0.07%
Customer accounts	40,742	100	0.49%	39,854	39	0.10%
Debt securities in issue	8,736	218	5.03%	9,592	165	1.72%
Subordinated liabilities	1,726	58	6.78%	1,887	78	4.13%
Lease liabilities	384	5	2.63%	413	12	2.91%
Total interest bearing liabilities	**54,720**	**445**	**1.64%**	**62,614**	**302**	**0.48%**
Current accounts	60,139	–	–	55,600	(37)	(0.07%)
Total interest bearing liabilities and current accounts	**114,859**	**445**	**0.78%**	**118,214**	**265**	**0.22%**
Other interest income	–	–	–	–	1	–
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	–	47	–	–	14	–
Non interest bearing liabilities	29,310	–	–	28,454	–	–
Shareholders' equity and non-controlling interests	15,875	–	–	15,924	–	–
Total liabilities and shareholders' equity	**160,044**	**492**	**0.62%**	**162,592**	**280**	**0.17%**
Euro and sterling reference rates (average)						
ECB base rate			3.31%			0.61%
3 month Euribor rate			3.00%			0.34%
Bank of England base rate			4.15%			1.46%
Sonia rate			4.08%			1.40%

'Interest' represents underlying interest income or expense recognised on interest bearing items, net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. There were no customer redress charges in H123 (31 December 2022: €5 million credit to interest income was excluded as non-core items).

In H123, no interest expense arising from assets subject to negative interest rates has been reclassified to interest income (31 December 2022: €85 million reclassified to interest income, whereas in the consolidated income statement it is presented as interest expense).

In H123, no interest income arising from liabilities subject to negative interest rates has been reclassified to interest expense (31 December 2022: €148 million reclassified to interest expense, whereas in the consolidated income statement it is presented as interest income).

Average loans and advances to customers volumes are presented net of Stage 3 impairment loss allowances. The Group has availed of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. In order that yields on products are presented on a consistent basis period on period and are not impacted by the resulting change in hedge accounting designations, net interest outflow of €284 million (31 December 2022: €44 million net interest inflow) on all derivatives designated as fair value hedges of current accounts continue to be presented together with gross interest income on 'loans and advances to customers' and is not included in 'customer accounts'.

Forward-looking statement

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

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

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, 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 25 and also the discussion of risk in the Risk Management Report in the Group'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.

For further information please contact:

Mark Spain
Group Chief Financial Officer
Email: Mark.Spain@boi.com

Eamonn Hughes
Chief Sustainability & Investor Relations Officer
Email: Eamonn.Hughes@boi.com

Darach O'Leary
Head of Group Investor Relations
Email: Darach.OLeary@boi.com

Damien Garvey
Head of Group External Communications and Public Affairs
Email: Damien.Garvey@boi.com

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
BOIG plc - Senior debt		
Standard & Poor's	BBB (Stable)	BBB- (Positive)
Moody's	A3 (Stable)	A3 (Stable)
Fitch[1]	BBB (Stable)	BBB (Stable)
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 ratings on 26 July 2023 (BOIG plc rating upgraded to BBB+ from BBB; The Governor and Company of the Bank of Ireland rating upgraded to A- from BBB+).

Stock exchange listings

Bank of Ireland Group plc is a public limited company incorporated in Ireland in 2016 with registration number 593672. Its ordinary shares, of nominal value €1.00 per share, have a primary listing on the Irish Stock Exchange, trading as Euronext Dublin and a premium listing on the London Stock Exchange.

Alternative performance measures

This section contains further information related to certain measures referred to in the key performance highlights and the OFR.

The OFR is prepared using IFRS and non-IFRS measures to analyse the Group's performance, providing period on period comparability. These performance measures are consistent with those presented to the Board and Group Executive Committee and include alternative performance measures as set out below. These performance measures may not be uniformly defined by all companies and accordingly they may not be directly comparable with similarly titled measures and disclosures by other companies. These measures should be considered in conjunction with IFRS measures as set out in the consolidated financial statements from page 41.

Annual Premium Equivalent (APE) is a common metric used by insurance companies. The approach taken by insurance companies is to take 100% of regular premiums, being the annual premiums received for a policy, and 10% of single premiums. This assumes that an average life insurance policy lasts 10 years and therefore taking 10% of single premiums annualises the single lump sum payment received over the 10 year duration.

Average cost of funds represents the underlying interest expense recognised on interest bearing liabilities, net of interest on derivatives which are in a hedge relationship with the relevant liability. See pages 7 and 117 for further information.

Calculation	Source	30 June 2023 €m	30 June 2022 €m
Interest expense	Income statement	1,088	312
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 5	(359)	(100)
Exclude impact of FV hedges of current accounts	Average balance sheet	(284)	60
Include negative interest on financial liabilities	Note 4	–	(119)
Exclude negative interest on financial assets	Note 5	–	(85)
Exclude other interest expense at amortised cost	Note 5	–	(2)
Underlying interest expense		**445**	**66**
Average interest bearing liabilities	**Average balance sheet**	**114,859**	**116,815**
Average cost of funds % (annualised)		**(0.78%)**	**(0.11%)**

Business income is net other income before other expenses / income and other valuation items. See page 8 for further details.

Constant currency: To enable a better understanding of performance, certain variances are calculated on a constant currency basis by adjusting for the impact of movements in exchange rates during the period as follows:

- for balance sheet items, by reference to the closing rate at the end of the current and prior period ends; and
- for items relating to the income statement, by reference to the current and prior period average rates.

Growth in customer deposits on a constant currency basis: The Group calculates growth in customer deposits on a constant currency basis. For this calculation the Group applies the prior period end rate in both periods so that the impact of movements in FX rates is eliminated.

Calculation	Source	30 June 2023 €m	31 December 2022 €m
Customer accounts	Note 22	101,730	99,200
Impact of foreign exchange movements		(427)	719
Customer accounts on a constant currency basis		**101,303**	**99,919**
Growth in customer accounts		**2,103**	**7,145**

Alternative performance measures *(continued)*

Gross yield represents the underlying interest income recognised on interest earning assets, net of interest on derivatives which are in a hedge relationship with the relevant asset.

Calculation	Source	30 June 2023 €m	30 June 2022 €m
Interest income	Income statement	2,890	1,389
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 4	(312)	(88)
Include impact of FV hedges of current accounts	Average balance sheet	(284)	60
Exclude negative interest on financial liabilities	Note 4	–	(119)
Include negative interest on financial assets	Note 5	–	(85)
Exclude customer redress credit	Income statement - operating segments (OFR)	–	(5)
Underlying interest income		**2,294**	**1,152**
Average interest earning assets	**Average balance sheet**	**122,679**	**125,312**
Average gross yield % (annualised)		**3.77%**	**1.85%**

Gross yield - customer lending

Calculation	Source	30 June 2023 €m	30 June 2022 €m
Interest income on loans and advances to customers	Note 4	1,826	1,070
Interest income on finance leases and hire purchase receivables	Note 4	103	82
Include impact of FV hedges of current accounts	Average balance sheet	(284)	60
Exclude customer redress credit	Income statement - operating segments (OFR)	–	(5)
Underlying interest income on customer lending		**1,645**	**1,207**
Average customer lending assets	**Average balance sheet**	**78,892**	**76,044**
Average gross yield on customer lending % (annualised)		**4.20%**	**3.20%**

Gross yield - liquid assets

Calculation	Source	30 June 2023 €m	30 June 2022 €m
Interest income on loans and advances to banks	Note 4	502	17
Interest income on debt securities at FVOCI	Note 4	70	9
Interest income on debt securities at amortised cost	Note 4	76	4
Interest income on other financial assets at FVTPL	Note 4	1	–
Include negative interest on financial assets	Note 5	–	(85)
Underlying interest income on liquid assets		**649**	**(55)**
Loans and advances to banks	Average balance sheet	34,504	36,908
Debt securities at amortised cost and financial assets at FVOCI and FVTPL	Average balance sheet	9,283	12,360
Average interest earning liquid assets		**43,787**	**49,268**
Average gross yield on liquid assets % (annualised)		**2.99%**	**(0.23%)**

Alternative performance measures *(continued)*

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

Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015. Prepared on a regulatory group basis, in accordance with the Capital Requirements Directive (CRD IV), which comprises banking and other relevant financial institutions within the 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.

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

Calculation	Source	30 June 2023 €m	31 December 2022 €m
Loans and advances to customers	Balance sheet	80,678	71,961
Customer deposits	Balance sheet	101,730	99,200
Loan to Deposit ratio %		**79%**	**73%**

Net Impairment losses on loans and advances to customers at amortised cost (basis points) is the net impairment loss on loans and advances to customers at amortised cost divided by average gross loans and advances to customers at amortised cost.

Calculation	Source	30 June 2023 €m	30 June 2022 €m
Net impairment losses on loans & advances to customers at amortised cost	Note 13	(156)	(53)
Average gross loans and advances to customers		79,998	76,888
Net Impairment losses on loans and advances to customers at amortised cost (bps) (annualised)		**(39)**	**(14)**

Net interest margin (NIM) is stated on an underlying basis. See page 7 for further details.

Calculation	Source	30 June 2023 €m	30 June 2022 €m
Net interest income	Income statement	1,802	1,077
Exclude customer redress charges	Non-core items (OFR)	–	(5)
Underlying net interest income		**1,802**	**1,072**
Average interest earning assets	**Average balance sheet**	**122,679**	**125,312**
Net interest margin % (annualised)		**2.96%**	**1.73%**

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.

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.

Alternative performance measures *(continued)*

Non-performing exposures (NPEs) are:
- credit-impaired loans which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, and / or loans where the borrower is greater than or equal to 90 days past due and the arrears amount is material; and
- other loans meeting NPE criteria as aligned with regulatory requirements.

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

Calculation	Source	30 June 2023 €m	31 December 2022 €m
Non-performing exposures	Asset quality (OFR)	2,939	2,617
Loans and advances to customers	Note 17	82,042	73,039
NPE ratio %		**3.6%**	**3.6%**

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

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

Calculation	Source	30 June 2023 €m	*Restated*[1] 30 June 2022 €m
Profit for the period	Income statement	853	293
Total assets	Balance sheet	156,216	155,592
Return on assets (bps) (annualised)		**110**	**38**

[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.

Alternative performance measures *(continued)*

Return on Tangible Equity (RoTE) is calculated as being profit attributable to ordinary shareholders divided by average shareholders' equity less average intangible assets and goodwill.

Return on Tangible Equity (adjusted) is calculated by adjusting the RoTE to exclude other expenses / income and other valuation items (net of tax). The average shareholders tangible equity is adjusted to a maximum CET1 ratio of 14.0% (30 June 2022: 13.5%), reflecting the Group target CET1 ratio.

	Reported		Adjusted	
	30 June 2023 €m	*Restated*[1] **30 June 2022 €m**	**30 June 2023 €m**	*Restated*[1] **30 June 2022 €m**
Profit for the period attributable to shareholders[1]	849	289	849	289
Distribution on other equity instruments - AT1 coupon	(34)	(33)	(34)	(33)
Other expenses / income and other valuation items, net of tax	–	–	(42)	(16)
Adjusted profit after tax	**815**	**256**	**773**	**240**
Annualised adjusted profit after tax	**1,649**	**543**	**1,565**	**511**
Shareholders' equity[1]	11,090	10,666	11,090	10,666
Intangible assets and goodwill	(1,350)	(1,192)	(1,350)	(1,192)
Shareholders' tangible equity	**9,740**	**9,474**	**9,740**	**9,474**
Average shareholders' tangible equity[1]	9,672	9,492	9,672	9,492
Adjustment for CET1 ratio at 14.0% (30 June 2022: 13.5%)[1]	–	–	(365)	(1,060)
Adjustment for pension surplus	–	–	(850)	(1,121)
Adjusted average shareholders tangible equity	**9,672**	**9,492**	**8,457**	**7,311**
Return on Tangible Equity %	**17.0%**	**5.7%**	**18.5%**	**7.0%**

Statutory cost income ratio is calculated as other operating expenses and cost of restructuring divided by total operating income.

Calculation	**Source**	**30 June 2023 €m**	*Restated*[1] **30 June 2022 €m**
Other operating expenses	Income statement	1,031	982
Cost of restructuring programme	Income statement	12	3
Costs		**1,043**	**985**
Total operating income		**2,215**	**1,362**
Statutory cost / income ratio %		**47%**	**72%**

[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.

Alternative performance measures *(continued)*

Tangible Net Asset Value per share is calculated as shareholder equity less intangible assets and goodwill divided by the number of ordinary shares in issue, adjusted for treasury shares held for the benefit of life assurance policyholders at the period end.

Calculation	Source	30 June 2023 €m	*Restated*[1] 31 December 2022 €m
Shareholder equity[1]	Balance sheet	11,090	10,489
Less - intangible assets and goodwill	Balance sheet	(1,350)	(1,276)
Adjust for own shares held for the benefit of life assurance policyholders	Balance sheet	9	10
Tangible net asset value		**9,749**	**9,223**
Number of ordinary shares in issue		1,056	1,070
Treasury shares held for the benefit of life assurance policyholders		(1)	(1)
		1,055	**1,069**
Tangible net asset value per share (cent)		**924**	**863**

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 11 for further information.

Underlying cost income ratio is calculated on an underlying basis (excluding non-core items), as operating expenses excluding levies and regulatory charges divided by operating income, excluding other expenses / income and other valuation items.

Calculation	Source	30 June 2023 €m	*Restated*[1] 30 June 2022 €m
Other operating expenses[1]	Income statement	1,031	982
Cost of restructuring programme	Income statement	12	3
		1,043	**985**
Exclude:			
levies and regulatory charges	Note 11	(110)	(95)
acquisition costs	Non-core items (OFR)	(33)	(25)
other transformation programme costs	Non-core items (OFR)	19	(20)
cost of restructuring programme	Non-core items (OFR)	(12)	(3)
customer redress charges	Non-core items (OFR)	–	(31)
Underlying costs		**907**	**811**
Operating income[1]	Income statement	2,215	1,362
Exclude:			
financial instrument valuation adjustments (CVA, DVA, FVA) and other	Other income (OFR)	(28)	(16)
Investment valuation movement	Other income (OFR)	(22)	77
gross up of policyholder tax in the Wealth and Insurance business	Non-core items (OFR)	(14)	8
other expenses / (income)	Net other income (OFR)	1	(83)
portfolio divestments	Non-core items (OFR)	–	(2)
investment gains / (losses) on treasury shares held for policyholders	Non-core items (OFR)	–	4
customer redress credit	Non-core items (OFR)	–	(5)
Underlying income		**2,152**	**1,345**
Underlying cost / income ratio %		**42%**	**60%**

[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.

Alternative performance measures *(continued)*

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.

Underlying earnings per share is calculated as profit attributable to shareholders adjusted for non-core items, divided by the weighted average number of ordinary shares in issue, adjusted for average treasury shares held for the benefit of life assurance policyholders.

Calculation	Source	30 June 2023 €m	*Restated*[1,2] 30 June 2022 €m
Profit attributable to shareholders	Income statement	849	289
Distribution on other equity instruments - AT1 coupon	Note 16	(34)	(33)
Non-core items, including tax	Non-core items (OFR)	27	51
Adjustment for redemption of preference stock	Note 16	(24)	–
Underlying profit attributable to shareholders		**818**	**307**
Weighted average number of ordinary shares in issue		1,068	1,076
Average shares held for the benefit of life assurance policyholders		(1)	(3)
Weighted average number of shares in issue excluding treasury shares	Note 16	**1,067**	**1,073**
Underlying earnings per share (cent)		**76.7**	**28.6**

[1] On 1 January 2023, IFRS 17 'Insurance Contracts' became effective, replacing IFRS 4 'Insurance Contracts'. See note 1 for updated accounting policy and note 6 for transitional impact.
[2] As disclosed in note 30, a financial liability of €57 million was recognised at 30 June 2023 in respect of the commitment to redeem certain Sterling and Euro preference stock of the Governor and Company of the Bank of Ireland, as a result of the Group's tender offer to re-purchase a number of legacy perpetual instruments. This liability is in excess of the carrying value (c.€33 million) of the related preference stock, which is presented as non-controlling interest by the Group. Under IAS 33, the difference of €24 million has been reflected in the EPS calculation by reducing the profit attributable to ordinary shareholders of the Group.

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

For any abbreviations used in this document please refer to the abbreviations listing on pages 346 and 347 of the Group's Annual Report for the year ended 31 December 2022.

THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK

Bank of Ireland Group plc
40 Mespil Road
Dublin 4
D04 C2N4

Registered number 593672