2022

Bank of Ireland Group plc
Annual Report

Bank of Ireland

'In 2022, the Group delivered excellent strategic progress, producing a very strong business performance. We achieved enormous progress with our ambition to be the National Champion Bank, guided by our purpose to help customers, colleagues, shareholders and society to thrive.'

Myles O'Grady
Group Chief Executive

Inside this report

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

The Group's forward looking statement can be found on page 337.

Strategic Report

2022 Key performance highlights

FY22 financial performance

10.6% RoTE[1] (adjusted) in 2022
(2021: 12.0%)

- Profit before tax of €1.1bn (2021: €1.2bn).
- Underlying[2] profit before tax of €1.2bn.
- Total underlying income[3] +11% year on year, reflecting higher net interest income and growth in fee income.
- Strong costs discipline maintained; like for like costs lower; underlying cost income ratio reduced to 54%.
- NPEs down 40%, NPE ratio 3.6% from 5.5% in 2021.

Strategic progress accelerated in 2022

+11% new customer relationships
(+c.440k[4])

- Assets under management (AUM) c.75% to c.€39bn, including €18.4bn following J&E Davy ('Davy') acquisition.
- c.240k new current accounts opened (+c.100% year on year); €11bn growth in Irish deposit balances.
- Bank of Ireland is the only privately held domestic bank in Ireland, following State sell down.
- €7.8bn KBC Bank Ireland plc (KBCI) portfolio acquisition completed and portfolios successfully migrated.

Step change in outlook reflected in new financial targets

€350m Distribution for 2022
(2021: €104m)

New annual financial targets for 2023-2025 post strategy refresh:
- c.15% RoTE (based off > 14% CET1 guidance).
- Cost to Income ratio < 50%.
- Build to c.40% dividend pay out ratio, c.40-60% policy to provide flexibility.
- Distribution of surplus capital to be considered annually.

68%
employee engagement score (up 5 points since 2021)

60:40 male / female
appointments to management and leadership positions

84% reduction
in carbon emissions intensity within our own operations (on 2011 baseline)

34%
of colleagues engaged in Digital Skills Pathways

82k
secondary school pupils participated in 'Money Smarts' programme, challenge and seminar

€30bn
target for sustainability-related finance by 2030 set

Further information on financial measures referred to in our 2022 key performance highlights can be found in Alternative performance measures on page 339.

[1] Updated basis of calculation for RoTE (adjusted), which includes non-core and excludes the pension surplus, is set out on page 342.
[2] The Group's financial results are presented on an underlying basis. Underlying excludes non-core items of €142 million which are those items that the Group believes obscure the underlying performance trends in the business. For further details on the Group's non-core items see page 53.
[3] Includes share of associates and joint ventures (JVs), other gains and valuation items.
[4] Includes c.240k of new current accounts, c.150k of new KBC customers and c.50k of new Davy clients.

Chairman's review

Related pages
CEO review *(page 6)*
Sustainability *(page 15)*
Risk Management *(page 35)*

Our refreshed strategy will drive further improvements across our business – delivering stronger relationships with customers, a simpler and more efficient business, and a Bank with sustainability at its core.

Introduction

2022 proved to be one of the most important years of recent times for the Bank of Ireland Group.

- We returned to full private ownership.
- A number of significant crisis-era restrictions were lifted.
- We completed the acquisition of Davy, the market-leading provider of wealth management and capital markets services in Ireland.
- We made strong progress in acquiring the KBC Bank Ireland portfolios, with this transaction subsequently completing in early 2023.
- A new CEO and CFO were appointed.
- We made demonstrable progress on the Group's ESG agenda.
- We continued to make important digital and cultural improvements while further reducing like-for-like costs.

All of these developments are noteworthy in their own right. Taken together, they underline the importance of the year for the future development of the Group as a whole and demonstrate our capability to manage change and transformation at pace.

This capability is especially important given the volatile backdrop. In 2022, the global economy faced a particularly challenging year. Ireland has been relatively well positioned to navigate these challenges, with a starting point of effectively full employment and robust aggregate household and business balance sheets. It is not, however, immune to these headwinds. Our clear focus has remained on supporting our customers through this uncertain period while delivering our strategy.

Strategy & Performance

In 2018, the Group held an Investor Day to detail three medium-term strategic priorities. Those were to Transform the Bank, Serve Customers Brilliantly, and Grow Sustainable Profits.

We have executed strongly against these priorities. This progress has been made against the volatile backdrop that has characterised much of that period; extended Brexit uncertainties; the COVID-19 pandemic; Russia's invasion of Ukraine; and multi-decade highs in inflation with a resultant step-change in interest rate expectations.

Over the period, the achievement of a sustainable Return on Tangible Equity (RoTE) in excess of 10% has been a clear priority for the Board. In 2022, it was 10.6% on an adjusted basis.

Today, we publish a refreshed strategy built on this foundation of strong delivery. This is not a revolution but an evolution, advancing the approach that has guided our recent transformation.

Within this strategic framework, we have set out clear medium-term financial targets and ambitions for the Group. I am confident that our management team will deliver against these.

Capital and Distributions

We have a very strong capital base. This provides the flexibility to invest continually in improving our customer propositions, undertake accretive deals, and reward investors for their support, all while maintaining compliance with our regulatory capital requirements.

Our revised CET1 guidance of >14% reflects updated management consideration as the Group embarks on a new strategic cycle with an updated distribution policy.

Last year saw the reintroduction of an ordinary dividend (in respect of 2021 performance) post-COVID-19 and the completion of the Group's first share buyback since 2004.

Through continual engagement with shareholders, your Board understands the importance of distributions. Today, we are announcing distributions of €350 million, an increase from €104 million in 2022. This comprises a 21 cent per share dividend totalling €225 million and, subject to regulatory approval, a share buyback of €125 million. As part of the strategic refresh being announced today, the Group has updated its distribution policy. The Group's aim is to distribute an annual ordinary dividend building to c.40% of statutory profits, with the policy having a range of c.40-60% to provide flexibility if required. The Board will also consider the distribution of surplus capital on an annual basis.

Purpose, Culture & Sustainability

Our investment in purpose and culture has delivered positive results for the Group, its customers and its colleagues. For example, there has been a meaningful improvement in customer experience, with customer complaints down 9% in Ireland in 2022. At the end of 2022, our customer net promoter score stood at +4 versus a baseline of -6 in 2021.

While these metrics are moving in the right direction, there is more work to be done. Ongoing improvement for customers is a core component of today's strategic refresh.

Our annual Open View survey of colleagues shows some encouraging trends. The Engagement index stands at 68%, up 5 points in the past year. The largest uplifts in this category were job enjoyment (up 5 points) and employer advocacy (up 8 points), meaning more of our colleagues enjoy working for Bank of Ireland and would recommend working here to a friend. Since 2018, the Engagement index is up 19 points in total.

During 2022, the Group published its inaugural standalone Responsible and Sustainable Business report. This presented the Group's combined efforts to make a positive contribution to society through our 'Investing in Tomorrow' strategy, the pillars of which are Enabling colleagues to thrive; Enhancing financial wellbeing; and Supporting the green transition.

Bank of Ireland is the leading provider of new lending for green mortgages and also wholesale finance for electrically charged vehicles in Ireland. A further important sustainability highlight in 2022 was the receipt of formal validation by the Science Based Targets initiative (SBTi) of the Group's greenhouse gas emission reduction targets. These targets for the Group's lending activities are consistent with levels required to meet the goals set by the Paris Climate Agreement and are supported by increased sustainable lending as part of the important green transition for wider society. The SBTi has also validated the Group's target of a 49% reduction in greenhouse gas emissions from its own operations by 2030.

During 2022, the Central Bank of Ireland also concluded its Enforcement Investigation in respect of Tracker Mortgages with the Group. As part of the final settlement, the Group received a fine of €100.5 million. The Group has taken a number of steps to address serious failures in its approach, including significant investment in building a more open, transparent and customer-focused culture across all of its businesses.

Relationship with the State

In September, it was announced that the State had sold its remaining shareholding in the Group. This was a very positive development for Irish taxpayers, for Bank of Ireland, and for the sector as a whole.

Bank of Ireland should never have needed support from the taxpayer, and we will always be grateful for the help we received. We made it a top priority that the help provided would be returned at a profit to the State. In total, Bank of Ireland returned almost €6.7 billion for the State's investment of €4.7 billion. Bank of Ireland is the only Irish bank to have fully repaid the Exchequer, and the first to have returned to full private ownership since the Global Financial Crisis.

In November, the Government announced that a number of crisis-era restrictions related to remuneration were being lifted in respect of the Group, including the pay cap and a blanket prohibition on variable pay.

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

Board

The Board met in total on 11 occasions during the year. There were also 62 Board Committee meetings during the year. As in prior years, I would like to acknowledge the very strong commitment of all of my fellow directors to the Group in 2022.

In November, the Group announced the appointment of Myles O'Grady as Group CEO and Executive Director. Myles had previously served as Group CFO from January 2020 until March 2022, has a strong track record of delivery, and I was delighted to welcome him back to the Group.

Gavin Kelly served as Interim CEO between 3 September and 17 November. I would like to thank him for the commitment and leadership he showed in the role. Gavin remains a key member of the Group Executive Committee.

Mark Spain was appointed Group CFO and Executive Director in March. Mark had previously served in a number of senior roles in the Group, including Chief Strategy Officer, Director of Group Finance, and Director of Group Investor Relations. He brings to the role a deep understanding of the Group's strategic priorities.

Francesca McDonagh stepped down as Group CEO in September. Francesca drove a strong focus on transformation, culture, service improvement and business growth, and we wish her well for the future.

We have had two years of stability in terms of the non-executive composition of the Board. We keep the composition, skills and experience of the Board under review, and expect to recruit new members over the coming year in light of forthcoming planned retirements.

Outlook

We have made very significant progress in recent years, improving efficiency, digital enablement, customer focus and profitability. We have agreed two transformative acquisitions, de-risked our balance sheet and restructured our UK business. We have transformed how we work, and improved our culture. These improvements have been made while navigating a volatile and challenging external environment.

The Irish banking sector has changed very significantly in recent years, and will continue to evolve in 2023. The landscape is framed by the Irish economy which, while we are mindful of uncertainties, is forecast to outperform again many of its international peers, and has favourable demographics and a business-friendly climate. The Group is also positively leveraged to the interest rate environment.

Our refreshed strategy will drive further improvements across our business, delivering stronger relationships with customers, a simpler and more efficient business, and a Bank with sustainability at its core. All of this gives me confidence that the Group can deliver sustainable value creation over the strategic cycle.

Patrick Kennedy

Patrick Kennedy
Chairman

Chief Executive's review

In 2022, the Group delivered excellent strategic progress, producing a very strong business performance. We achieved enormous progress with our ambition to be the National Champion Bank, guided by our purpose to help customers, colleagues, shareholders and society to thrive.

Myles O'Grady *Group Chief Executive*

2022 was a year of significant progress for the Group. During the year, we strengthened our customer offerings; continued to invest in technology; improved our culture; and acquired Ireland's leading wealth management and capital markets firm, Davy. We also progressed the KBC portfolio transaction, a transformative acquisition that closed in February 2023. In total, we have increased our customer base by 11% over the past year. It was the year Bank of Ireland returned to full private ownership, a unique position in Ireland amongst its domestic retail peers. We also saw the partial lifting of remuneration restrictions by the Irish Government, which will help attract, retain and reward colleagues.

2022 was also a year of strong profitability, reporting an underlying[1] profit before tax of €1.2 billion and an adjusted ROTE of 10.6%. This included a 15% increase in pre-impairment operating profit compared to the prior year, from higher revenues and strong cost discipline. The Group balance sheet strengthened further in 2022, through a combination of net loan growth in the Irish franchise and a material reduction in non-performing loans. Supported by our strong capital generation, we concluded the year with a very strong CET1 ratio of 15.4%, which supports the execution of our strategy and the further rewarding of shareholders, including a proposed distribution of €350 million, a c.250% increase compared to the prior year.

I was honoured to be appointed Group Chief Executive in November 2022. My ambition for the Bank of Ireland team is to build on the Group's strong performance in recent years and future proof the Group's business model. We will achieve this through the successful execution of our strategy and investing for the future. Our refreshed strategy which we are announcing today is built on three important pillars of deepening customer relationships; simplifying our business model; and a sustainable business. We are anchored in a stakeholder-led purpose that delivers great outcomes for our customers, colleagues, shareholders, and society, mindful of our 240 year heritage and our ambition for the future as the National Champion Bank.

Strategic Progress

Last year saw clear strategic progress on multiple fronts, including:

- The acquisition of the KBC portfolios, which transforms the scale of our Irish mortgage business, with completion and customer migration now complete.
- Completion of the Davy acquisition, with AUM in our Wealth & Insurance business increasing by c.75% to c.€39 billion.
- c.240k new Irish current accounts opened, double 2021 levels, reflecting our success in enhancing the core customer franchise and offering a safe home for customers as competitors exited the market.
- Ongoing focus on driving efficiency across the organisation, with like for like costs down year on year.
- Improvement in customer NPS of +10 points, with a 9% reduction in complaints.
- For colleagues, +5% increase in colleague engagement to 68% and +1% in colleague culture index.
- Mortgage lending of €3.9 billion in Ireland, +64%, with our share of drawdowns increasing by 5% to 28% while maintaining our commercial focus and underwriting standards.
- Further progress on our ESG strategy, with continued leadership in green lending in Ireland, including being the #1 provider for green mortgages, which represented c.50% of new mortgage lending (2021: c.35%).
- Continued progress on digitisation, with almost 90% of our digital channel traffic originated via our mobile app.
- Further balance sheet de-risking with the NPE ratio reducing to 3.6% during 2022, a 190 basis point improvement from the prior year.
- The significant milestone for Bank of Ireland of being the first Irish bank to return to full private ownership following the State's sale of its remaining shareholding in the Group.

[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.*

Related pages
CEO review (page 6)
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- Welcome reforms to the remuneration framework under which the Group operates, significantly mitigating a key risk which the Group faces.

Business Model
Our business model has undergone a step change in 2022. This has been supported by our prior investment in technology, and the transformative acquisitions of Davy and the KBC portfolios.

In addition, the shift in market structure in Ireland has produced a once-in-a-generation customer acquisition opportunity. We've moved at pace to fully capture this opportunity, doubling the number of current accounts that we opened in Ireland. Including all products, we opened c.450k accounts in 2022, c.60% above the prior year.

The acquisition of Davy has increased our assets under management by c.75% to c.€39 billion. As Ireland's leading wealth manager, Davy offers us new capabilities to serve customers, in particular across investments and capital markets. Bank of Ireland's savings and investments footprint now straddles the whole spectrum including mass-market, mass-affluent, and high-net worth customers.

On 3 February 2023, we closed the acquisition of €7.8 billion of predominantly performing Irish mortgages and €1.8 billion of deposits from KBC. It increases our mortgage market lending stock by c.35%. This is a financially attractive acquisition. The CET1 impact, which includes a 'Day 1' IFRS 9 impairment provision, was c.110bps.

Economic Outlook
The Irish economy performed resiliently during 2022, despite the on-going cost of living crisis and external headwinds. The latest European Commission data show that Ireland was the European Union's fastest growing economy for a third successive year. The indications are for a year of more moderate growth in 2023, while continuing to outperform most other European peers.

Total employment increased to a record 2.6 million in Q3 2022, while the unemployment rate stood at 4.4% in December 2022, 60bps below the end-2021 level. Ireland is, effectively, at full employment.

While rising interest rates are a global phenomenon, and add uncertainty, Ireland stands out as being relatively well positioned for the current more uncertain times. Apart from strong labour market conditions, the ratio of household debt to disposable income has reduced from a peak of 210% in Q4 2009 to the current series low of 94% in Q3 2022. Irish SME indebtedness has also sharply reduced from peak levels.

The housing market in Ireland continues to be characterised by a mismatch between supply and demand. The latest data shows annual house price inflation of 7.8% in December 2022. This is expected to moderate in 2023.

In the UK, the outlook is more challenging, but 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.

2022 Business and Financial Performance
Group
The Group reported an underlying profit before tax of €1.2 billion in 2022 (2021: €1.4 billion) with total income 11% higher compared to 2021 and an adjusted ROTE of 10.6%.

Net interest income of €2.5 billion was 12% higher compared to the same period in 2021, supported by business momentum and higher interest rates. 2023 net interest income is expected to be more than 12% higher than the Q4 2022 annualised level of c.€3 billion, reflecting business momentum, interest rate expectations and the acquisition of the KBC portfolios in Q1 2023.

The Group's loan book decreased by €4.4 billion during 2022. On a constant currency basis, excluding Retail UK

Key highlights

#1 for green mortgage lending in Ireland

+11% new customer relationships

10.6% Adjusted RoTE

c.75% increase Wealth and Insurance AUM to c.€39 billion

€350m of distributions

+64% increase in new mortgage lending in Ireland

+27% Business income

+5% increase in colleague engagement to 68%, +1% in colleague culture index

+10 point improvement in customer NPS

€1.1 billion net lending in Retail Ireland

+32 point improvement in Mobile App CES since launch deleveraging in line with strategy of €3.9 billion and the NPE transaction of €0.9 billion, the loan book grew by €1.6 billion in 2022. Gross new lending of €15.6 billion is €1.5 billion higher than 2021, reflecting increased lending of 36% in Retail Ireland and 2% in Corporate and Markets, partially offset by a 16% reduction in Retail UK in line with the division's strategy to target value rather than volume.

Business income of €814 million, including share of associates and joint ventures and including Davy, was 27% higher than 2021. This reflected seven months contribution from Davy of €80 million and a strong performance across our businesses. 2023 reported business income (including JVs) is expected to be high single digit percent lower due to the adoption of IFRS 17 on 1 January 2023. Adjusting for the impact of IFRS17, 2023 business income is expected to increase supported by growth in Wealth, Retail Ireland and the benefit of a full year of Davy.

While reported costs were 6% higher in 2022, this reflects the inclusion of Davy from 1 June and one-off investment relating to the on-boarding of new customers in an operationally safe manner during the year. Like-for-like costs were lower, with inflationary headwinds offset by efficiencies and a decline in our pension charge. We expect 2023 reported costs to be mid-single digit percent higher than 2022 reported costs. While like for like costs are expected to be broadly in line with 2022 levels, reported costs will be higher due primarily to the impact of acquisitions, the lifting of variable pay restrictions and investment to deliver future efficiencies, partially offset by a reduction due to the impact of IFRS17. We expect levies and regulatory charges to be c.€160 million.

A net credit impairment charge of €187 million (25bps of gross customer loans) arose in 2022 compared to a gain of €194 million in 2021. This charge reflected the impact on IFRS 9 models of Forward Looking Information from the Group's latest macro-economic outlook; movement in management adjustments; actual loan loss experience in the period; and additional recoveries in respect of loans that previously had been subject to utilisation of impairment loss allowance. In 2023, subject to no material change in economic conditions or outlook, we expect an impairment charge in the mid 30s bps.

Our fully loaded and regulatory CET1 capital ratios were 15.4% and 15.9% respectively at December 2022. The Group's capital ratios performance in 2022 benefitted from strong organic capital generation and other movements, partially offset by investment in lending, the completion of the Davy acquisition and the accrual of a foreseeable 2022 capital distribution. Our liquidity levels remain very strong, with a liquidity coverage ratio of 221% at December 2022 (December 2021: 181%) and a loan to deposit ratio of 73% (December 2021: 82%).

Ireland
Our Retail Ireland business reported a 20% increase in net interest income, supported by commercial discipline on pricing and higher interest rates. Business income increased by 27%, supported by a rebound in customer activity post COVID-19. Our new lending in Ireland was particularly notable last year with strong growth in mortgages, the first year of net lending growth in business banking in over a decade, and growth in consumer and corporate lending volumes. In September 2022, the Central Bank of Ireland (CBI) concluded its enforcement investigation of the Group under the industry wide Tracker Mortgage Examination Review. The Group agreed to pay a fine of €100.5 million under the CBI's administrative sanctions procedure. This brought the CBI's investigation into tracker mortgages to a close.

Wealth & Insurance
Our New Ireland Wealth and Insurance business performed well against a difficult market backdrop, with market share of 20% and operating contribution up 32% on 2021. Turbulent equity markets posed challenges for wealth and capital markets businesses, but notwithstanding these the quality of Davy's offering was evidenced by net fund inflows of €0.7 billion. On a structural basis, Ireland's attractive demographics and strong household balance sheets underpin a positive outlook for our propositions across both insurance and also the retail, mass affluent and high net worth wealth advisory segments.

UK
In 2022, we continued to successfully execute our strategy of value over volume in the UK. Pre-impairment operating profit has increased by c.70% over 2019 levels. We expect further modest deleveraging in our loan book in 2023, with the pace influenced by market and macroeconomic conditions.

Digital Banking
Given the unprecedented change currently underway in Irish banking, a top priority has been to make it as smooth as possible for new customers to open accounts with us. Of the new personal current accounts opened last year, over 70% were opened through our digital channels.

Buoyed by the growth in customer numbers, the Group saw growth of 17% in digital channel traffic last year. We delivered significant enhancements in the digital experience for our customers through the introduction of card controls, stronger fraud protections, and digital financial wellbeing services. These enhancements are evidenced in our Mobile App customer effort score, improving +6 points in 2022.

Driving Efficiency
We continue to work hard to make our businesses more efficient. This includes designing simpler and better customer journeys which deliver both colleague and cost reduction benefits. Customers increasingly interact through our digital channels with a 16% increase in our active online banking customer base. For colleagues, 11 new agile working hubs help to support hybrid working. We believe there are significant opportunities to further simplify our business and make it more efficient and this will continue to be a key priority for the Group over the coming strategic cycle.

ESG
In June 2022, the Group published its inaugural standalone Responsible & Sustainable Business (RSB) report, which details the Group's 'Investing in Tomorrow' RSB strategy, the key pillars of which are: Enabling colleagues to thrive; Enhancing financial wellbeing; and Supporting the green transition. We have set out our key achievements against this 2022 strategy in page 22 to 23 of the Annual Report.

Of particular note is the fact that Bank of Ireland is the first Irish bank to set scientifically-validated greenhouse gas reduction targets, which were formally approved by the Science-Based Targets initiative (SBTi) in December 2022. Under the targets, the Group is committing to a 48% reduction in residential mortgage portfolio emissions (across Ireland and the UK) and a 56% reduction in commercial real estate portfolio emissions by 2030. In addition, 25% of the Group's corporate loan portfolio will have SBTi-validated targets by 2025.

We are ambitious to build on our progress to date in this area.

Strategy Refresh
Bank of Ireland is Ireland's National Champion bank, with a history and heritage spanning more than two centuries. We will build on these strong foundations as we embark on the next phase of our story.

We are setting out this next phase today, with a refreshed strategy including financial targets for the three years to the end of 2025.

Purpose and values
This strategy will be guided by our purpose, which is to help customers, colleagues, shareholders and society to thrive. Our values are central to how we work to deliver this strategy. At Bank of Ireland, we are customer first, better together, we take ownership and are decisive.

For customers, we are delivering more digital and tailored touchpoints across our businesses and provide simpler, more effective servicing with reduced customer complaints. For our colleagues, simplifying our processes will support higher engagement with a diverse and inclusive workforce at the core. For society, our ESG strategy will continue to focus on a broad suite of sustainable products while increasing sustainable financing and supporting our financial wellbeing ambitions. The financial targets outlined below evidence what we will continue to deliver for shareholders.

Strategic pillars
The Group's strategy is focused on three pillars. These are:

Stronger Relationships: Deeper, value-adding customer relationships; easy service and more tailored engagement; integrated propositions to meet financial needs across life stages.

Simpler Business: simplified interactions for customers, leveraging data and digital; simplified processes and ways of working for colleagues; cost-efficient delivery of strategic objectives.

Sustainable Company: Impact on most critical challenges facing customers and society; collaborative culture and inclusive environment for colleagues; ongoing stability and resilience in the context of our growth.

Financial targets
The Group has a bright financial outlook. Supported by our macro-economic and interest rate assumptions, during the 2023 to 2025 period, we are targeting:
- A RoTE of c.15%.
- A Cost Income Ratio less than 50%.

In turn, this returns profile is supportive of strong distributions to shareholders. We have updated our distribution policy as part of the strategy refresh. The Group's aim is to have a sustainable distribution policy and to distribute an annual ordinary dividend building to c.40% of statutory profits, with the policy of c.40%-60% providing flexibility if required. 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, capital the Group retains to cover uncertainties (e.g. related to the economic outlook) and the potential impact from the evolving regulatory and accounting environments.

We expect the ordinary cash dividend payout ratio to build to c.40% by 2024. We expect to maintain a CET1 ratio of greater than 14% over the planning period.

Outlook
2022 was a year of enormous progress for Bank of Ireland as the National Champion Bank, with tangible evidence of better outcomes for our customers, colleagues, shareholders and society.

We will build on this success. The refreshed strategy we are announcing today offers a unique value creation opportunity, leveraging the rich heritage of this bank, its pivotal role in the Irish economy and its strong execution of recent years. The combination of a resilient economy, strong demographics, market dynamics and market position provides the basis for future success. None of this is achievable without our stakeholders. The trust of our c.4 million customers and the support of our shareholders are never taken for granted. We have a winning strategy because of the remarkable commitment of my colleagues across the organisation and all of the hard work and investments in recent years. Bank of Ireland is looking to the future with confidence.

Myles O'Grady
Group Chief Executive

Our strategy

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Divisional review *(page 59)*

In Q4 2022, with the appointment of a new CEO, we commenced a refresh of our Group Strategy, which is announced today. The strategy for the 2023-25 period builds on the strategic delivery and execution progress that we have made in recent years.

We regularly assess our strategy taking into account changes to the external environment and evolving customer needs to ensure that we remain focused on delivering the best outcomes for all of our stakeholders.

With the appointment of a new Group CEO, completion of two transformative, value accretive acquisitions (Davy and KBCI loan portfolios[1]), emerging clarity around the changing external environment (economy, interest rates, competitive banking landscape), and evolving customer requirements, Q4 2022 provided an excellent opportunity to review and refresh the Group's strategic direction for 2023-25.

While headwinds exist on a global basis, the Bank currently has a unique opportunity, operating within attractive markets and with a differentiated business model. The market environment for the Group is broadly supportive with a growing, resilient Irish economy, attractive Irish customer demographics, and a consolidating banking sector. Aligned to that, our business model has been enhanced, positioning us as a differentiated full service Irish bank, with a unique wealth offering, Ireland's only bancassurer, a complementary international footprint and a strong financial profile.

We have carefully considered how we can build on the Group's progress and delivery track record from previous strategy cycles. The Bank has moved from restructuring and risk reduction after the financial crisis into periods of organic growth, transformation, and more recently acquisition.

In refreshing our strategy, we have taken into account the needs of customers, colleagues, shareholders and society to ensure that our strategy supports the Bank's refined purpose which is 'Helping you Thrive'.

This section covers three areas;
- Key achievements in 2022 against our 2018-2022 strategic pillars.
- Significant one-off strategic opportunities delivered and successfully executed.
- Our refreshed Group Strategy and target outcomes for 2023-2025.

Key achievements in 2022

We reported a consolidated view of our key achievements for the period 2018-21 in last years' 2021 Annual Report. Below, we set out some of our key achievements during 2022 against the strategic pillars of the 2018-22 strategy:

Transform the Bank

Our staff engagement continued to improve, with our colleague engagement index now at 68%, up five points on 2021.

We pursued two transformative acquisitions, with Davy completed on 1 June 2022 and KBCI on 3 February 2023 (see page 12 for further details).

Our UK strategy continued to focus on value over volume, driving a more profitable balance sheet, with our Bespoke proposition growing to 47% of new mortgage lending. Additionally, in Northern Ireland we completed the branch refurbishment programme, covering 11 branches.

The Group Culture Embedding Index is now 76%, which is 22 points higher than when first measured in 2018.

We continued to invest in and transform our technology across key customer data and security platforms; enhancing our data management and ensuring we meet regulatory requirements while also increasing stability and resilience.

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.

Serve customers brilliantly

The Group's Relationship Net Promotor Score gained +10 points in 2022, as customers expressed positive experiences with colleagues and perceived the Bank as showing genuine care during interactions.

Retail Ireland launched 'The Big Move' campaign in response to structural changes in the Irish market, resulting in the Bank opening c.310,000 new current and deposit accounts in 2022 (see page 12 for further details).

We added enhanced functionality to our mobile app with the launch of Mi365, generating 1.7m personalised spending insights for users, helping customers make better financial decisions, adapt their behaviours and support their financial wellbeing.

Our new in-app card control features, such as allowing customers to view their card's PIN code or to freeze their cards, have significantly reduced customer toil.

In the first full year of operation of the new digital portal for mortgage originations in 2022, c.85% of customers who drew down actively managed and tracked their mortgage through the digital platform.

We opened over 5,350 accounts for displaced Ukrainian nationals, translating our account opening documents and offering guidance on transferring assets and other services.

Grow sustainable profits

We have made significant improvements to the sustainability of our overall business model.

Our RoI mortgage market share of new lending grew from 23% in 2021 to 28% in 2022. Retail Ireland also saw significant growth in Green new lending, standing at 31% of overall lending, up from 19% in 2021. The Group is also the market leader for new Green mortgages in Ireland with c.50% of new business in 2022, up from 35% in 2021.

In 2022, return on tangible equity was 10.6% on an adjusted basis.

We maintained a strong capital position, with the Group generating c.135 basis points of organic capital in 2022. At the end of December, our fully loaded CET1 ratio stood at 15.4%.

Our NPE ratio further improved through a combination of organic and inorganic activity, reducing the Group's ratio to 3.6% in 2022, down from 5.5% in 2021.

We have reduced our costs every year since 2017, continuing this progress in 2022 against an inflationary environment with like for like operating expenses of €1.640 billion, down on 2021 levels.

[1] *Davy completed on 1 June 2022, KBCI loan and deposit portfolios completed on 3 February 2023.*

Significant one-off strategic opportunities delivered

In addition to progressing our existing strategic priorities, the Group has pursued a number of significant acquisitions to support growth in our customer base and create a foundation for developing stronger relationships. These initiatives are strongly aligned with our existing business model and are complementary and additive to our refreshed go-forward strategy presented in the next section. Executing these important initiatives required considerable strategic focus during the year and were ultimately successfully delivered.

Strategic and transformative acquisitions

KBCI portfolios acquisition will enhance our Retail Ireland franchise

We saw strong lending trends throughout 2022. New mortgage lending grew by 64%, and we recorded our first year of overall net loan book growth since 2013 for Retail Ireland.

The acquisition of the KBCI portfolios was completed on 3 February 2023 and will further enhance our franchise, bringing c.150,000 new customers to the Group. The portfolios we have acquired include €7.8 billion of loans and €1.8 billion of deposits. Pro forma, KBCI will increase our total Irish mortgage book by more than one-third. The low marginal cost of managing these loans makes the acquisition materially accretive to earnings.

We welcome KBC Ireland’s customers to Bank of Ireland.

Davy acquisition has doubled the Group’s assets under management

With a young, affluent and growing population, Ireland is a very attractive market for wealth and insurance.

The Davy acquisition has doubled the Group's assets under management, to nearly €40 billion, making us the market-leading provider of wealth management services in Ireland. We see scope for further growth from this business in the coming years, offering broader propositions to customers, diversifying our income, and supporting our RoTE ambitions. There are also opportunities through combined capabilities and customer bases across the Group.

Through our Bank of Ireland wealth offering, our unique New Ireland's bancassurance business, and now Davy, we offer solutions across the full spectrum of retail, mass affluent, and high net worth wealth segments as part of our differentiated business model.

The Big Move: pursuing a once-in-a-generation customer acquisition opportunity

We also responded proactively to the exceptional change occurring in Irish banking with more than half a million current and deposit accounts (c.€22 billion or 10% of total market) needing a new banking provider as Ulster Bank and KBCI exit the Irish market.

We added over 950 colleagues on a temporary basis to help customers open accounts in a safe and efficient way. We put in place a wide range of first-to-market supports to attract new customers to Bank of Ireland. This included leading the market with a national campaign, The Big Move, to help customers switch current accounts.

This effort resulted, in part, in the Bank opening c.310,000 new current and deposit accounts in 2022, an increase of around 82% year-on-year. Including all products, we opened c.450,000 accounts. Customer on-boarding was greatly enabled by our investments in digital capabilities in recent years, yielding a 5x daily capacity increase for account opening. 68% of new current account applications were completed digitally in less than six minutes.

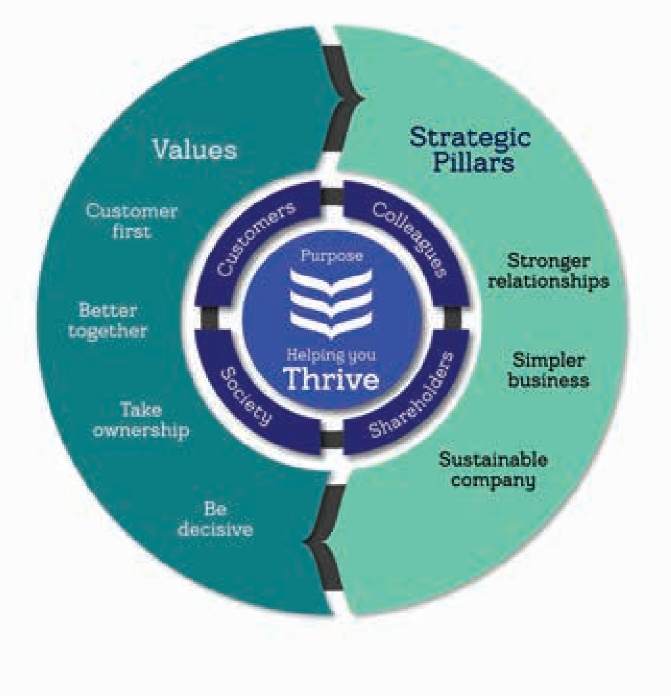
The business model of the Bank is in a strong and differentiated position as we move into the next strategy cycle as a result of the strategic actions executed and outcomes delivered, recent strategic acquisitions, and the supportive economic and demographic backdrop within our core markets.

Our refreshed Group Strategy and target outcomes for 2023-2025

The Group’s refined purpose is “Helping you Thrive”, and it is underpinned by our core values of ‘Customer First’, ‘Better Together’, ‘Take Ownership’ and ‘Be Decisive’.

The refreshed strategy for 2023-2025 aims to leverage the Group’s business model and strengths, capture new opportunities, address areas of internal opportunity and adapt to the evolving external environment. We remain committed to our existing business lines and we look to deliver growth particularly in RoI and UK mortgages, Wealth & Insurance and sustainable financing.

Our refreshed strategy is built on three strategic pillars: building stronger relationships with our customers and colleagues, continuing to simplify our business for customers and colleagues, and creating a culture of constant improvement in the sustainability of the company for the future.



Stronger relationships

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

Specific initiatives of focus include:

- **Meet a broader range of our customers' needs more easily** through continued investment in a mobile-first, insightful offering, that provides our customers with a wide range of products and services that are easy to use and tailored to their needs. The roll out of our Customer Experience Engine across channels aims to deliver more personalised services and products. We also plan to utilise the bank channel to deliver growth in our Davy and NIAC propositions and more broadly enhance whole-of-bank offerings for our customers to meet more of their needs.
- **Enhance ROI and UK mortgage capabilities** by investing in our UK and RoI mortgage digital platforms to enable improved customer experience through more reactive servicing of requests, improved customer journeys and specific broker channel improvements. This will support our ambitions to be Ireland's leading digital mortgage bank, grow our Bespoke mortgage proposition in the UK and expand our green mortgage offering.
- **Develop market-leading Wealth and Insurance propositions**, building on our strong relationships and deep understanding of our individual and corporate customers. We plan to further enhance the Davy brand, capability and market leadership to lead and deliver strong growth in the High Net Worth (HNW) segment. We also plan to accelerate growth in our corporate pensions and retirement solutions, and strengthen our relationships with corporate brokers through an enhanced digital platform.

Target outcomes

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

Simpler business

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

Specific initiatives of focus include:

- **Simplify our service model for customers and colleagues** through the delivery of simpler, smoother customer experiences across retail and corporate, sales and service. Further development of Single View of Customer capability and Customer Relationship Management (CRM) systems across the Group will empower colleagues to improve overall service delivery for our customers. This will be further supported by proactively managing demand levels and optimising the performance of our contact centres.
- **Build digital capability in business and corporate banking** to strengthen our propositions, enabling us to meet simple needs digitally, while continuing to manage more complex needs with a human touch supported by data-led insights. In particular, we will improve our secured and unsecured lending journeys through digital enablement.
- **Build our digital / data capability and enhance change delivery:** We intend to enable quicker deployment of new application functionality and increase data utilisation to deliver more impactful insights, data-led decisioning and better customer experiences and outcomes. We also plan to deliver more stable, faster, higher quality change enablement across the Group for the benefit of all stakeholders.

Target outcomes

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

[1] *Measured by average product holdings.*
[2] *6-month average at end of December 2022.*

Sustainable company

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

Specific initiatives of focus include:

- **Provide financial wellbeing outcomes for customers:** We will continue to focus on supporting the financial wellbeing of all our customer segments, including consumer, Businesses & Corporates and Wealth & Insurance clients. We will seek to enable them to make better financial decisions through additional features in Mi365. For example, in light of the current cost-of living crisis, we plan to offer additional budgeting tools and support. For Wealth & Insurance clients, we also intend to continue to offer leading hybrid advice, strong protection solutions and investment excellence.
- **Support the green transition for wider society** by ensuring that the products we deliver to our customers are both environmentally and financially responsible, and directly support the decarbonisation of our loan portfolio and our economy in line with our external targets. We will also enhance our ESG data acquisition capabilities to inform our decisions and continue our commitment to our science based targets.
- **Create differentiating colleague value proposition** by simplifying processes, enabling colleagues with data, and by continually investing in our people to develop a diverse, future ready workforce, with clear internal career pathways. As we evolve our business, equipping colleagues with the skills and capabilities required for the future will remain a key priority for the Group.

Target outcomes

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

Stakeholder outcomes

Our refreshed Group Strategy 2023-25 targets improved outcomes across all of the Group's key stakeholder groups.

Select highlights include:

Customers

We aim to meet more of our customers' financial needs through their lifecycle. To support this, we intend to roll out enhanced functionality for customers across mobile applications on a continuous basis, as well as simpler, more automated mortgage journeys and reduced time to market for new propositions. The Group is also targeting an expanded range of customer engagement channels and greater self service capabilities to enable 24/7 customer access.

Colleagues

For colleagues, we aim to increase focus on rewarding and high-value work enabled by digitisation and automation. This will be supported by the roll out of a new CRM system targeting improved efficiency and effectiveness among sales and service colleagues. The Group is also targeting the creation of a diverse, future ready workforce of up-skilled colleagues, strengthened by data and digital capabilities.

Shareholders

The Group is targeting an increase in RoTE to c.15% for the 2023-25 period. As part of the Group's updated distribution policy, we are targeting an ordinary dividend pay-out ratio building to c.40% of statutory profits over the next strategy cycle, with flexibility to go to 60% if required. Surplus capital will also be considered annually by the Board. In addition, we plan to continue to make progress on the Bank's ESG agenda through a range of environmentally and financially responsible products, and ongoing commitment to delivering on our science based targets.

Society

With expanded Mi365 functionality, we plan to enable Smart budget functionality, cost of living crisis support for individuals and new custom insights for SME customers. We are targeting positive improvements in key financial wellbeing metrics, while also seeking to put in place a more diverse workforce that more closely represents our society. We also intend to almost double our level of sustainable financing over the period from €8 billion to €15 billion.

In summary, while headwinds exist on a global basis, the Bank currently has a unique opportunity, operating within attractive markets and with a differentiated business model. The outcomes targeted under our refreshed Group Strategy offer the potential to deliver clear benefits for the Bank's customers, colleagues, shareholders and society, leading to stronger relationships, a simpler business and a more sustainable company.

Sustainability

Contents

Key highlights

€3.8bn Green mortgages drawn down since 2019

Ireland's leading provider of new green mortgage lending

Science-based targets validated

first Irish bank to set scientifically validated GHG emission reduction targets

Leaders in Financial Wellbeing

co-lead of UNPRB[1] working group on Financial Health & Inclusion

6,300 (2021: 6,037)

vulnerable customers supported by Vulnerable Customer Unit

40% (2021: 45%)

female appointments to management & leadership positions

68% employee engagement score

up 5 points since 2021

[1] UN Principles for Responsible Banking.

Chief Sustainability and Investor Relations Officer review

Following the publication of the Group's Investing in Tomorrow Sustainability strategy in 2021, Bank of Ireland made significant progress in 2022, firmly moving from ambition to action, and with a focus on delivering impact that matters.

Eamonn Hughes *Chief Sustainability and Investor Relations Officer*

Key highlights

Environment

The validation by the SBTi of the Group's targets for emission reductions highlights its commitment to the environment. These targets are consistent with meeting the goals set by the Paris Agreement, and we are proud of the fact that Bank of Ireland is the first Irish bank to achieve this validation. The targets cover 76% of the loan book and include a 48% reduction in carbon emissions from the mortgage book and a 56% reduction in the commercial real estate book by 2030. They also include a 49% reduction in emissions from the Group's own operations.

We are committed to working with our customers to support the transition to a resilient, net zero economy by 2050. In 2022, there was a significant increase in the level of sustainability-related lending across the Group, with green mortgages a particular standout growing from €1.8 billion in 2021 to €3.8 billion. We are continuing to build partnerships across sectors and just after year end, we announced the launch of a new partnership with Kerry Dairy Ireland which will provide funding for sustainable farming improvements for Kerry's milk suppliers that are members of its Evolve Dairy Sustainability Programme. Agriculture is a key sector for Bank of Ireland, and is critical to Ireland's climate transition journey.

Social

The Group is co-lead of the working group for the UNPRB Commitment to Financial Health & Inclusion. In 2022, this working group developed and published guidance on the measurement of financial health and inclusion metrics for signatory banks globally. Through 2023 and beyond the use of these metrics will further validate Bank of Ireland's current position as #1 for Financial Wellbeing in Ireland. In 2022, the delivery of in-app personalised financial insights and messaging saw significant engagement from customers. Those most in need were also supported to access financial services and advice. We view financial wellbeing as integral to supporting customers on their sustainability journeys.

In respect of all colleagues, engagement levels, as measured in the most recent Open View survey, improved by 5 points. Our Colleague Culture Index also improved. Almost three-quarters of Colleagues are now working in a hybrid way and we supported them though a range of new and enhanced people policies.

Governance

A Board-level Group Sustainability Committee[1] (GSC) was established in 2022 and a Chief Sustainability Officer was appointed. The Group's sustainability-related disclosures were also extensively expanded with the publication of an inaugural annual Sustainability Report, which contributed to improved ESG rating agency scores from Sustainalytics, S&P Global and MSCI. Across the Group, we invested in ESG capabilities. The Group also participated in the ECB's thematic review on climate and environmental risk, which has informed our ongoing integration of ESG and climate into our Group Risk Framework.

Strategy to 2025

ESG is firmly embedded in the Group's refreshed strategic cycle to 2025 through the new Sustainable Company strategic pillar. Through this strategy, Bank of Ireland's focus will be on offering customer-focused solutions and supports for some of the most critical challenges facing society today. This includes raising our sustainability-related finance targets from €8 billion in 2022 to €15 billion by 2025 and €30 billion by 2030. We will also continue to drive forward our financial wellbeing agenda, and foster a collaborative culture and inclusive environment for colleagues. This is because our core Sustainability strategic pillars, Supporting the Green Transition, Enhancing Financial Wellbeing and Enabling Colleagues to Thrive, are all intrinsically linked with each other.

Our proactive engagement with stakeholders will shape a sustainable business model for Customers, Colleagues and Society, whilst also delivering long term sustainable returns for Shareholders. I look forward to providing our stakeholders with a more detailed update on 2022 achievements, and further detail on our future plans, in our upcoming Sustainability Report.

[1] *Formerly the Responsible and Sustainable Business Committee.*

Sustainability at Bank of Ireland

By operating as a Sustainable company, we will deliver impact on the most critical challenges facing our customers, colleagues and society.

Bank of Ireland Group CEO Myles O'Grady pictured with Business in the Community Ireland CEO Tomás Sercovich on the recertification of the Business Working Responsibly Mark.

Sustainability at Bank of Ireland

2022 was a year of unprecedented challenges globally including extreme weather events due to climate change, social inequality and a lack of financial wellbeing and inclusion. As the world emerged from the COVID-19 pandemic, war in Europe contributed to elevated inflation and a cost of living crisis for many, with vulnerable groups most affected.

2022 saw sustained focus globally on environmental-related issues with events such as Conference of Parties (COP) 27 on climate change and COP 15 on nature and biodiversity keeping these topics to the forefront of public and political discourse. In Ireland, the Government issued its second update to the national Climate Action plan, outlining a roadmap for taking decisive action to halve Ireland's emissions by 2030 and reach net zero no later than 2050. The UK's Climate Plan 2021-24 has similar ambitions. Bank of Ireland is committed to supporting the national effort to combat climate change. We have a strategic ambition, as a Sustainable company, to deliver impact on the most critical challenges facing our customers, colleagues and society. Building upon extensive development work, we launched the Group's Sustainability strategy, Investing in Tomorrow, in March 2021. The strategy provides clear commitments to working with customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050, in line with Irish and UK governments' actions and ambitions. In 2022, the Group focused on embedding this strategy across the organisation, strengthening governance and establishing the Group's Sustainability Report. The appointment of a Chief Sustainability and Investor Relations Officer (CSIRO) and establishment of a dedicated Board-level GSC[1], further demonstrate the strategic importance of Sustainability to the Group.

These actions along with the setting of validated Science-based targets (SBTs) in December 2022, place the Group in a strong position to move into an active, executional phase of its Sustainability strategy, benefiting our customers, colleagues, stakeholders, the environment and wider society.

Our Sustainability Strategy

Enabling colleagues to thrive	Enhancing financial wellbeing	Supporting the green transition
We will be a 'digitally able' learning organisation that values inclusion and diversity, reflecting society and our customer base.	We aim to empower people to thrive financially by enabling them to make better financial decisions.	We are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050.
Focus area Digitally able Employability Inclusive development	**Focus area** Financial capability Financial inclusion Financial confidence	**Focus area** Manage science-based targets Provide sustainable financing Decarbonise own operations Manage climate and environmental-related risks Transparently report

Foundations
Underpinned by strong foundations which guide our commitment to being a sustainable company

[1] *Formerly the Responsible and Sustainable Business Committee.*

Bank of Ireland Group CEO Myles O'Grady pictured with his colleague Christopher Keely and his daughter Ava, at the launch of the Group's Family Matters policy handbook.

Our commitments

The Group has committed to aligning with a number of mandatory and voluntary frameworks, including:

Mandatory

- EU Non-Financial Reporting Directive (NFRD).
- The Taskforce on Climate-Related Financial Disclosures (TCFD).
- EU Taxonomy.
- EBA Sustainable Finance Pillar 3 ESG Disclosures.
- EU Sustainable Finance Disclosure Regulation (SFDR), applicable to Group entities New Ireland Assurance Company plc, Davy and Bank of Ireland Investment Markets.
- Regulatory expectations on climate change as set out by the European Central Bank (ECB), and the Prudential Regulatory Authority (PRA) for BoI UK plc.
- Basel Committee on Banking Supervision.

Voluntary

- UNEP FI Principles for Responsible Banking (UNPRB).
- UN Principles for Responsible Investment (UNPRI).
- UN Principles for Responsible Banking 'Commitment to Financial Health and Inclusion'.
- CDP (formerly The Carbon Disclosure Project).
- UN Sustainable Development Goals (SDGs).
- SBTi.
- Partnership for Carbon Accounting Financials (PCAF).
- Business in the Community Ireland's Low Carbon Pledge and Elevate Pledge.
- ISO 50001 Energy Management System and ISO 14001 Environmental Management System (EMS).

In 2022, reflecting the increasing focus on nature and biodiversity, the Group joined the Taskforce for Nature-related Financial Disclosures (TNFD) Forum.

Governance and accountability

In 2022, oversight of the Group's execution of the Sustainability strategy transferred from the Nomination, Governance and Responsible Business (NGRB) Committee to a dedicated Board-level GSC. Together with the Group Executive Committee (GEC), the GSC oversaw the Group's progress against its key sustainability commitments and obligations.

To further drive progress on Sustainability strategy execution, Eamonn Hughes was appointed CSIRO and joined the Group in February 2022. An in-house Sustainability team of specialists dedicated to supporting the Group's delivery against each Sustainability strategy pillar further supported progress at an operational level. Refer to the section in the TCFD Report on Governance on page 24 for more information about the Group's climate and sustainability governance.

2022 ESG ratings

The Group participates in a number of ESG ratings and benchmarks to track performance. The selection was based on an analysis of those ESG rating agencies that have the best reputation for financial services industries and are currently being used by our investors. In 2022, the Group participated with four key rating agencies, Sustainalytics, MSCI, S&P and CDP. Our latest ESG rating scores are outlined below:

Agency	Rating Scale	Bank of Ireland rating 2022	Bank of Ireland rating 2021	
Sustainalytics	Scale of 0 - 100, with a lower score being positive	20.0 Low Risk	20.6 Medium Risk	The Group's score was upgraded in February 2023, placing Bank of Ireland in the 'Low Risk' rating category and in the top 23rd percentile of banks globally.
S&P Global	Scale of 0 - 100, with a higher score being positive	56	49	An improvement of 7 points in 2022, with significant increases across Environmental and Social categories in particular.
MSCI	AAA to CC, AAA as a best possible score	BBB	BB	The Group was upgraded to BBB in 2022.
CDP	A+ to F, with A+ as best possible score	B	B	The Group's overall CDP score remained unchanged at B for 2022, with notable improvements across a number of sub-categories including Value chain engagement, Targets and Scope 1 & 2 emissions.

The Group continues to carefully evaluate our latest ESG ratings performance to identify areas where we can look to improve the Group's ESG framework. The output of the rating agency assessments is a consideration in informing our ESG reporting plans.

Informing and evolving our Strategy

We seek the views of our stakeholders on the sustainability topics that matter most to them, to ensure our Sustainability strategy aligns with stakeholder needs and to track our performance. The Group remains agile and regularly engages stakeholders, carefully considering their feedback to advance our Sustainability strategy in a purposeful way. In 2022, the Group, including key executives and senior management, continued to engage regularly with key stakeholders through a variety of methods, including surveys, social media, meetings and working groups.

In 2020, the Group conducted a materiality assessment which informed our Sustainability strategy. Further detail on our previously published materiality assessment can be found in our 2021 Responsible and Sustainable Business Report:

2021 Responsible and Sustainable Business Report

In 2023, in preparation for the Corporate Sustainability Reporting Directive (CSRD), we plan to conduct a refreshed materiality assessment, using the double materiality concept, to further understand both the financial materiality of sustainability topics impacting the Group and the impact materiality of sustainability topics that the Group can have a material impact on externally.

Enabling colleagues to thrive

Related pages
CEO review *(page 6)*
Our strategy *(page 11)*

Changes in technology continue to change our world. We are upskilling and reskilling our workforce, and are focused on attracting, retaining, engaging and developing the talented and diverse group of colleagues we need for the future.

Pictured are the Bank of Ireland 'With Pride' committee with GEC sponsor, Group Chief of Staff & Head of Corporate Affairs Oliver Wall, at the raising of Pride and Trans Pride flags over College Green to mark the start of Pride Month in June 2022.

We will make a positive difference across the organisation and in society through clearly defined strategies and targets across our three focus areas:

Digitally able

Being digitally able ensures we are developing the skills and capabilities required to support our ambition to be a digitally fit, learning organisation. We are committed to supporting colleagues to thrive now and be future-ready through access to anytime, anywhere learning.

In 2022, 34% (2021: 26%) of Bank of Ireland colleagues invested in building their future ready capabilities by undertaking All Colleague-Future (Digital) Skills Pathways in the areas of digital fitness, data fluency, project management, agile, and cyber security. These pathways are specially curated, self-directed learning journeys which contain a mixture of engaging videos, digital content, and webinars hosted by Bank of Ireland leaders.

Building on these Pathways, the Group launched pilot Role-based Pathways in 2022, targeting areas identified in a digital skills gap assessment in 2021. Colleagues interested in further developing their skills could apply to complete relevant industry-based certifications and on-the-job stretch assignments aligned to these topics. In 2022, 270 colleagues undertook role-based industry certifications with over 120 colleagues achieving a certification by year end[1], and already 22% of these colleagues have moved into a digital skills role or have been promoted, contributing to increased talent mobility across the Group.

Employability

Our focus on 'Employability' centres around enabling current and potential colleagues to develop skills to enter, return, and stay future-fit in a constantly evolving world of work.

The Group's Graduate programme supports the attraction and development of digital skills and capabilities for the future, with gender balance achieved in hires to the programme. We also supported Ethnic Minority graduates and social inclusion through a partnership with AHEAD (Association for Higher Education Access and Disability).

We aid students with disabilities and from socio-economically disadvantaged backgrounds, through the Dublin City University (DCU) "Earn & Learn" and "Access" programmes which give them the opportunity to secure professional work experience whilst financially supporting themselves through college.

Programmes like Fast Track to IT (FIT), NI Apprenticeship, STEM Teacher Internship and other internship associations with Trinity College Dublin, University College Dublin, University of Limerick, and DCU underpin the Group's employment strategy by enabling marginalised job seekers, students, post-primary teachers and new employees with access to formal degrees, digital skills, and professional work experience.

Inclusive development

At Bank of Ireland, we seek to have a healthy and safe environment where people choose to work. This includes having policies that are inclusive in the attraction and retention of a diverse range of talent and to create a culture that fosters and supports the wellbeing of all colleagues regardless of role or level. The leadership and commitment from our six Inclusion and Diversity (I&D) colleague-led networks supports the achievement of our I&D vision.

In 2022, the Group's senior management and leadership appointments were 40% female (53% in Q4 2022). The Group remains committed to achieving a 50:50 ratio. Targeted talent programmes for under-represented colleagues including women and ethnic minorities continued with more than 700 colleagues participating in both the initial programme stages and post-programme activities of our female talent programmes RISE, Accelerate and Emerge.

To support colleague wellbeing, tailored programmes to address Stress and Strain for All Colleagues, People Managers and Senior Leaders were rolled out in 2022. These included a wellbeing self-assessment and supports on building psychological flexibility and resilience while responding to and preventing burn out and utilised a range of media and online tools for access to, encourage maximum engagement.

We made further investment in our Family Matters policies, including the introduction of paid menopause leave and enhanced paternity leave. The Group's hybrid working model continued to enable more colleagues to work at a location that best suits them.

[1] *Some programmes are ongoing and will complete in 2023.*

Enhancing financial wellbeing

Related pages
CEO review (page 6)
Our strategy (page 11)

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

Bank of Ireland Financial Wellbeing Brand Ambassador Baz Ashmawy

Financial wellbeing is about individuals and businesses having the knowledge, tools and confidence to manage their finances, so they can cover day-to-day expenses, plan for the future and cope with the unexpected.

Like many countries globally, 2022 was a challenging year for the financial wellbeing of Ireland. Bank of Ireland research in July 2022 showed ***Ireland's Financial Wellbeing Index Score amongst all 18+ adults decreased to 60 from 64 in August 2021***, while the score for Bank of Ireland customers fell from 65 to 62 in the same time frame. This decline in the index was expected, reflecting the changing economic landscape over the last 12 months which has caused significant challenges for consumers and businesses.

We continue to champion the financial wellbeing of our personal and business customers across our three core pillars:

Financial capability

Our objective is to empower people to build their financial capability and take control of their finances.

Financial literacy is the primary component of financial capability. During 2022, we commissioned one of the most comprehensive financial literacy surveys undertaken in Ireland in recent years. Results show that Ireland's financial literacy score stands at 54% which is low and lagging in comparison with many of our closest neighbours and global peers.

In an increasingly complex financial landscape of multiple financial products and services, individuals need to be empowered to manage their own financial wellbeing. This presents a challenge for those who are not financially literate. The banking sector has a key role to play in our national financial literacy journey, but this issue requires a whole-of-society response. Bank of Ireland has developed successful financial literacy programmes for Irish primary and secondary schools which have delivered more than 300,000 hours of financial literacy education, with over 150,000 students participating since 2019. In 2023, our focus will be on providing young adults with the content and tools to educate and empower themselves to take control of their finances and make decisions with confidence.

Financial inclusion

Financial inclusion at Bank of Ireland means supporting everyone to have access to appropriate financial products and services, feel confident in their financial decision making and empowering them to build financial resilience. In 2022, ***the Vulnerable Customer Unit supported over 6,300 (2021: 6,037) customers*** facing challenging situations.

The Group, as a founding signatory of the UNPRB 'Commitment to Financial Health and Inclusion', is committed to promoting financial health and inclusion through its products, services and customer engagement. During 2022, Bank of Ireland was co-lead of the UN PRB working group on Financial Health & Inclusion.

Over 6,700 Basic Bank Accounts were opened in 2022, including over 5,350 Basic Bank Accounts for Ukrainian customers who arrived in Ireland following the Russian invasion. A Basic Bank Account is a current account that allows customers to have access to essential daily banking services if they do not currently have a bank account in Ireland, including those emerging from a vulnerable position.

Financial confidence

Financial confidence enables people to understand their finances better and make better financial decisions. By building financial confidence, we empower people to feel secure and in control of their finances.

Key to supporting customers' financial confidence is to make it easy to understand your own finances. Early in 2022, we leveraged our customer engagement platform to build deeper connections with customers and deliver a suite of more personalised insights.

In September 2022, Mi365 was launched. Mi365 delivers in-app personalised insights, tailored interventions and nudges to help customers review spending patterns, make better financial decisions, adapt their behaviours and habits to pursue their financial goals.

During the current cost of living crisis, the focus has been on highlighting practical tips and steps customers can use to take back control and protect their financial resilience. A Cost of Living hub has been developed on our Group website.

There are currently profound structural changes taking place in the retail banking landscape in Ireland which has created unprecedented volumes of account migration. Bank of Ireland is focused on supporting all consumers and businesses during this period to ensure they receive the support and service they need as their financial wellbeing is our priority.

Supporting the green transition

Related pages
CEO review *(page 6)*
Our strategy *(page 11)*

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

Susan Maher *(Agriculture Development Manager, Bank of Ireland)* pictured at customer farm in Stradbally, Co. Laois

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

The preparation of the Group's 2022 Annual Report disclosures have considered the recommendations of the TCFD and as such this section is structured around the four TCFD pillars which also relate closely to the five point climate plan we are implementing under the green transition pillar of our Sustainability strategy. The table below sets out the four TCFD pillars and how they are addressed by Bank of Ireland's five point plan. The Group continued to make progress in 2022 to strengthen alignment of our disclosures with the climate disclosure expectations of regulators, including the Central Bank of Ireland (CBI), the ECB, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

Building on the Group's Climate Risk Implementation Plan submitted to the ECB in 2021, the Group has made steady progress against this plan during 2022. The Group's key 2022 achievements are outlined on the following pages.

Bank of Ireland's Five Point Climate Plan

The table below sets out where you can find details of our progress in 2022 against each of the Five Point Climate Plan topics in the corresponding TCFD disclosure section of the report.

TCFD Pillars

1. Governance *(page 24)*

2. Strategy *(page 25)*	3. Risk Management *(page 35)*	4. Metrics & Targets *(page 38)*		
Providing Sustainable Finance	Manage climate related risks	Science-based targets	Decarbonise our own operations	Transparently report our Progress
Support our customers through our core financing and advisory capabilities to enable them to transition to net zero and develop and deploy low carbon technologies.	Build our own resilience by embedding climate-related impacts in our decision making processes for our own operations, in lending and investment decisions and the advice we give our customers.	Manage and track our lending practices to make progress against our emission reduction targets.	Make our own operations net zero by 2030.	Commit to transparently report on the progress we are making towards our ambitions and reporting in line with the recommendations of the TCFD.

With this progress, the Group is cognisant that the preparation of comprehensive TCFD-aligned disclosures reflects an ongoing process. We therefore anticipate a number of key actions will be necessary in 2023 to further advance our TCFD disclosures, including:

- Following the setting of SBTs, we will incorporate further climate-related objectives and targets into the Group's balanced scorecard;
- Develop our tracking and data capabilities further to facilitate regular and transparent reporting on our progress;
- Further leverage our climate-related opportunities, in particular in relation to the development of the Group's sustainable finance propositions; and
- Continue to address feedback from the ECB on the Group’s Climate Risk Implementation Plan.

Key 2022 achievements

Set out below are the Group's key achievements against its five point plan in 2022. Further detail is set out in our TCFD report on the following pages.

Science-based targets

In December 2022, Bank of Ireland became the first Irish bank, and one of the first in Europe, to set scientifically-validated greenhouse gas emission reduction targets. The targets, validated by the SBTi, cover 76% of the loan book and all of the Group's own operations (page 38).

Manage climate-related risks

Progress has continued by embedding climate related impacts into our decision making processes for our own operations, in lending and investment decisions and the advice we give our customers. Building on the Group's multi-year climate action plan to implement climate risk management in line with regulatory guidance, we have continued to progressively embed climate-related risks into our key risk management activities, while continuing to develop our internal climate analysis capabilities (page 35).

Provide sustainable financing

At 31 December 2022, c.€3.8 billion (2021: €1.8 billion) of new green mortgage lending has been drawn down by borrowers, with green mortgages accounting for c.50% of total RoI mortgage lending in 2022. In the UK, we began to roll out Green Mortgage and Green Buy to Let products.

Bank of Ireland Finance continued to be the largest provider of wholesale finance in the RoI market for ECVs, both Battery and Plug-in, providing funding for c.50% of all ECVs sold and in November 2022, the Group introduced a new Green Motor Loan to incentivise customers through reduced interest rates to avail of green options such as BEVs and PHEV.

In 2022, the Group supported the refinance of Sliabh Bawn windfarm in addition to providing debt finance to support a large scale Public/ private partnership to deliver construction of six new BER A-rated educational buildings. The second tranche of the Woodland Nature Credit was also completed.

The Group continues to assess further climate-related opportunities across our business to support our customers in their own green transitions, in line with the overall national climate plans in Ireland and the UK. Development of internal capabilities and digital resources to address the climate agenda is ongoing (page 37).

Decarbonise our own operations

The Group is committed to decarbonise its own operations across Scope 1 and Scope 2 emissions. The SBTi has validated the Group's target of a 49% reduction in greenhouse gas emissions from its own operations (Scope 1 and 2) by 2030, which supports its broader aim of net zero emissions by 2030. We have achieved a 41% reduction in absolute carbon emissions (on a 2020 baseline) across our Scope 1 and 2 emissions, including a reduction of 14% in 2022. Key initiatives contributing the decrease included switching remaining sites to renewable energy contracts and further LED lighting upgrades.

Transparently report our progress

2022 saw the publication of the Group’s inaugural standalone Sustainability Report, enhancing its ESG disclosures, outlining strategic progress to date and plans for the future. We also obtained limited assurance from our Group auditors KPMG over selected KPIs for the first time. Recognising the importance of nature and biodiversity, the Group became a member of the Taskforce for Nature-related Financial Disclosures (TNFD) forum.

TCFD report

Related pages
CEO review *(page 6)*
Our strategy *(page 11)*
Risk Management Report *(page 132)*

Governance

Incorporating climate change into Board-level decision making

The Board, through the Group Sustainability[1] and Board Risk Committees, oversees the progress of our Climate Risk Implementation Plan. In order to adequately assess climate risks and opportunities, the Board draws on expertise both internally and externally.

In early 2022, the Board further enhanced the Group's Sustainability governance through the establishment of a standalone Board-level Group Sustainability Committee. Oversight responsibilities for the Group's Sustainability and UNPRB commitments transitioned to the new committee from the Group NGRB Committee during the first half of 2022. The GSC reported and made recommendations to the Board on all Sustainability matters, including the Group's actions on climate change during the year. At an Executive-level, the new committee's oversight is supported by the newly created role of CSIRO, who joined the Group in February 2022.

To enhance capability, the GSC, along with the wider Group and UK Boards, took part in ESG awareness sessions during 2022, delivered by third party experts.

The Board continued to oversee the progress on the Group's SBT setting, resourcing, reporting and disclosures.

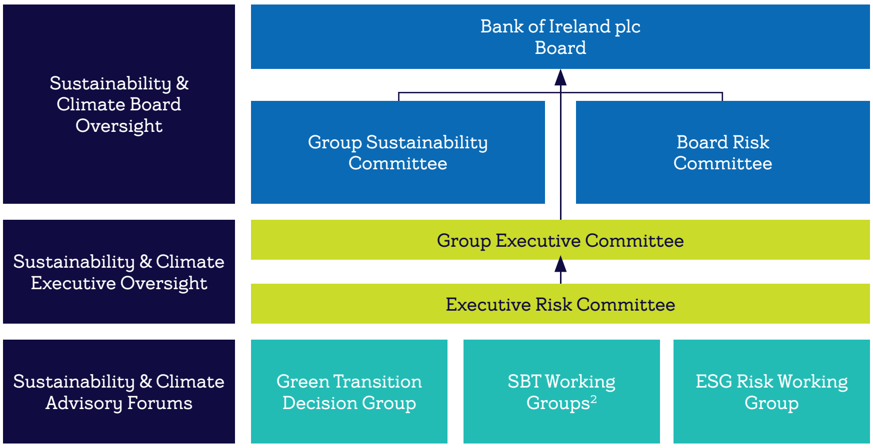
In addition, the Board monitored the Group's identification and management of climate-related risks. Methods used included our risk identification and assessment processes, integration into the Internal Capital Adequacy Assessment Process (ICAAP) and ESG and climate risk reporting.

The Group's oversight and management responsibilities in relation to our Sustainability and climate commitments in 2022 are outlined in the graphic above. See page 113 for details of Committee meetings during 2022.

The role of management committees

The GEC has overarching responsibility for delivery of the Group's Sustainability strategy, with specific executive responsibility for Sustainability (including climate change) delegated to the CSIRO. Members of the GEC include the CFO and Divisional Chief Executive Officers (CEOs) who have been actively involved in shaping the Group's climate action plan.

Overview of the Group's Green Transition governance framework



The 'Green Transition' Decision Group

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

In 2022, the Green Transition Decision Group updated the GEC on progress against the five point plan and key programme milestones including the setting of SBTs and the Group's inaugural Sustainability Report.

ESG Risk Working Group

The Group recognises ESG factors represent a common risk driver across the Group's principal risk types. The Group's ESG Risk Management Framework sets out the approach to the management of ESG risk factors in the Group, which is aligned with the approach to risk management in the Group Risk Management Framework.

Co-ordinated by Group Risk, an ESG Risk Working Group brings together second line of defence risk management from across the Principal Risk types (with representation from the Group first line of defence) to ensure that there is a co-ordinated, cohesive and challenging approach to the management of ESG and climate-related risks within the Group.

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

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

Embedding climate-related considerations in Product and Service Governance

The Group is committed to the delivery of products and services that meet the needs of our customers in a manner that is clear, fair and not misleading. The Group Product and Service Governance, Oversight and Lifecycle Policy Standard sets out the minimum standards to be implemented when manufacturing and distributing customer products and services. In 2022, a number of climate-risk related considerations were incorporated into the Product and Service Lifecycle management process, ensuring that climate-related risks are considered when both creating new products and services and reviewing existing ones.

[1] Formerly the Responsible and Sustainable Business Committee.
[2] Working groups convened for the four key asset classes; mortgages, commercial real estate, electricity generation and corporate lending.

Strategy

Five point climate plan

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

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

Identify key risks and opportunities to our business

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

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

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

The Group has continued to increase its understanding of the risks and opportunities that climate change presents to our business strategy. In Q4 2022, we conducted an assessment involving business leaders and subject matter experts from across the Group to assess the impacts of climate on different risk types (e.g. credit, business, people, operational, conduct and regulatory). The potential impact of transition and physical risk drivers was assessed for each key risk type over the short (< 3 years), medium (3-5 years) and long-term (> 5 years). An overview of key risk types is set out on page 26. The Group is addressing these opportunities in its business planning and expects the material commercial realisation of the opportunities to occur in the medium to long term.

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

Using scenario analysis to understand the resilience of our business

Supporting the green transition also requires the Group to assess its own resilience to climate change. To address this requirement, the Group is taking steps to develop scenario analysis and stress testing capabilities in-line with emerging industry methodologies. Forward-looking climate scenarios are being used to manage climate-related risks and explore the resilience of the Group to physical and transition risks. We have further built on initial methodology developments undertaken in 2022 and as these methodologies continue to develop, we will be progressively drawing on our scenario analysis to inform our corporate strategy, business model and financial plans.

During 2022, we continued to develop and test scenario analysis methodologies to quantify the potential impact of climate related risks across our commercial and retail customer lending portfolios. We have integrated climate scenario analysis into our ICAAP as a key step in what will be an ongoing development of the Group's data, modelling and risk management capabilities for managing climate-related risks.

Strategy *(continued)*

Climate risk drivers for business

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

Climate-related opportunities

Our assessment of climate-related opportunities informs our business plans and approach to sustainable finance. The Group is the leading provider of new lending for Green mortgages and the largest provider of wholesale finance for EVs in Ireland. In addition, the opportunities identified below continue to inform our delivery of innovative products and propositions to support customers on their green transition journeys, for example the Woodland Nature Credit, Green business loans for farmers and a new Green Motor loan proposition. For further detail on our sustainable finance products see page 31.

Sector	Opportunities	Time frame
Home Buying & Everyday Banking	• Changing customer preferences and emission reduction targets lead to substantial financial opportunities - €12.5 to €17.5 billion spend forecasted in Ireland over coming 10 years - across home improvement and retrofitting loans, with up to 600,000 houses required to be retrofitted by 2030 (25% of housing stock at €25-€35k per home) and c.1 million electric vehicles to be on the road by 2030.	**Materially increasing in the medium to long-term**
Business Banking	• Sectoral emission ceilings published in 2022, giving rise to an increasing market for green business loans to finance green transition through investment in new equipment (e.g. low emission equipment/ infrastructure and renewables) and productivity efficiency improvements.	
Corporate & Markets	• Opportunities across sectors, growing market for sustainability-linked loan facilities and emission offsetting requirements enhances position of alternative finance instruments such as Woodland Nature Credit, increasing portion of high-energy rated buildings in lending portfolios feeds into eligible asset pool for Green Bond issuance.	
Project Finance	• Republic of Ireland has a target of 80% of energy mix to be renewables by 2030 – Bank of Ireland is a leading lender to the onshore wind farm sector. Opportunities in off-shore wind and utility scale solar farms are typically very large projects often requiring capex in excess of €1 billion per project and attract large syndicates of up to c. 30 banks per deal.	
ESG Advisory	• Dual opportunities arising from transition-related knowledge gap to assist corporate and SME customers improve their sustainability profile and propose clear roadmaps on transition implementation journeys. Further investment, upskilling and training required to capitalise on opportunity. Additionally, Davy Horizons ESG advisory team adds to overall Group advisory capability.	

Strategy *(continued)*

Climate risk assessment: Material impacts across Principal risk types

Risk assessment	Transition risk impacts	Physical risk impacts (€m)	Quantified Potential Impacts[1] Short	Medium	Long
Financial risks					
Credit risk	• Borrowers ability to repay if operating in sensitive sectors. • Changes in emission regulation or in user sentiment could affect asset value (Stranded Assets).	• Collateral depreciation leading to negative impacts on Loan To Value (e.g. flooding, storms). • Borrowers ability to repay in sectors more sensitive to weather impacts like floods and storms (e.g. Agriculture)	●●	●●	●●●
Market risk	• The traded instruments held across the Group are subject to market risk as the underlying companies and sovereigns may be subject to value erosion due to climate change.	• The traded instruments held across the Group are subject to market risk as the underlying companies and sovereigns may be subject to value erosion due to climate change.	-	-	-
Funding & liquidity risk	• Based on scenario analysis, climate risks would have a negligible impact on the Group's current Funding & Liquidity risk profile.	• Based on scenario analysis, climate risks would have a negligible impact on the Group's current Funding & Liquidity risk profile.	-	-	-
Life insurance risk	• Risk of increased insurance costs (e.g. higher compliance costs for products and services, increased re-insurance premiums).	• Potential for extreme, erratic weather events in the Group's core home markets to drive sudden increases in morbidity and mortality risk.	-	-	-
Business & Strategic risk	• Long term franchise impacts if strategic commitments are not achieved and product offering does not adapt to changing market dynamics.	• Potential need to increase resilience of our network, supply chain and production process where off-shore operations are more exposed to increasing physical climate risks.	●●	●●	●●
Operational risks					
Operational risk	• Climate driven impacts on operational processes include increasing levels of systems, data, model and sourcing risk to manage.	• Extreme floods or storms at multiple locations impacting our business continuity plans with consequent impact to services we provide to clients (e.g. transaction processing).	●●	●●	●●
Conduct risk	• Failures in ESG/green product design, market practice or customer engagement could lead to regulatory sanctions and brand damage, if there is a lack of transparency and misleading classification (greenwashing).	• Failures in ESG/green product design, market practice or customer engagement could lead to regulatory sanctions and brand damage, if clients suffer an unexpected loss due to climate risks.	●	●	●
Regulatory risk	• Failure to implement in a timely manner ongoing changes in climate regulation could affect the Bank's profitability through regulatory sanctions.	• Potential for regulatory sanctions if physical risks impact our business continuity plans with consequent impact to services we provide to clients (e.g. transaction processing).	●	●	●●
Capital adequacy risk	• Represents the risk of increased capital depletion from the impact of transition risks across the Group's other principal risks.	• Represents the risk of increased capital depletion from the impact of physical risks across the Group's other principal risks.	●●●	●●●	●●●

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

Strategy *(continued)*

1 Orderly transition (1.5°C)

Nature of transition

Early and orderly implementation of required climate policies.

Scenario description

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

2 Disorderly transition (2.0°C)

Nature of transition

Late and disorderly implementation of required climate policies.

Scenario description

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

3 Hothouse world (>3.0°C)

Nature of transition

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

Scenario description

In this scenario, no policy aimed at limiting climate change is introduced, leading to extremely high physical risks. Transition costs are minimal (as transition does not occur) but costs due to natural catastrophes are extreme. Under these circumstances, global warming would not remain limited, global temperatures would rise by at least 3°C above pre-industrial levels until 2100 and the Paris Agreement targets would not be met.

Our approach to climate scenario analysis

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

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

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

NGFS scenarios

Each scenario represents a different climate policy pathway

1 Orderly Transition *(1.5°C)*

2 Disorderly Transition *(2.0°C)*

3 Hothouse World *(>3.0°C)*

Risk drivers

Implications for credit quality including probability of default and loss given default

1 Transition Risk *e.g. Economic changes resulting from the transition to a low-carbon economy*

2 Physical Risk *e.g. Weather and flooding that results from climate change*

Lending sectors

Implications for credit quality across lending portfolios

1 Commercial Lending

2 Residential Mortgages

3 Car Finance

Scenario analysis - RoI and UK mortgages

During 2022, the Group has further developed its internal framework to identify, measure and monitor the potential financial impacts emerging from climate-related flood risk on the RoI & UK Mortgages. The initial implementation in the UK established in 2020 has now been expanded using Gamma geocoding services to include RoI Mortgages and will inform consideration of certain sensitivities in ICAAP scenario analysis and in the setting of early warning indicators to help monitor portfolio risks over time and take management action, as appropriate.

Strategy *(continued)*

The map represents the proportion of RoI & UK properties at high risk of flood as a percentage of the Group's mortgage lending under a forward looking climate scenario. The locations of these properties have been geo-coded for flood risk assessment using data and modelling from JBA Flood Risk Management - a leading provider of climate flood modelling in the Irish and UK market.

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

Properties classified at high risk of flooding are:

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

RoI & UK mortgage portfolios - Flood risk by region

[1] *Representative Concentration Pathways for greenhouse gas concentration trajectories adopted by the IPCC (Intergovernmental Panel on Climate Change). The pathways describe different climate futures, all of which are considered possible depending on the volume of GHGs emitted in the years to come.*
[2] *Undefended denotes that flood mitigating defences are not taken into account. The flood data provided is on an undefended basis in the Republic of Ireland as the Office of Public Works (OPW) currently only allows members of the Insurance Institute of Ireland access their defended areas data.*
[3] *Probability based on projected JBA Flood Scores. As the climate data for the UK Mortgage portfolio continues to be enhanced during 2023 – the methodology employed for UK Mortgage flood risk assessments will be reviewed to ensure ongoing alignment to market developments and use of JBA data across ROI and UK jurisdictions.*

Strategy *(continued)*

The analysis indicates certain locations will be subject to higher levels of flooding, more frequently in the future. This may change as infrastructure mitigants are put in place and additional data on flood defences is incorporated into the analysis, with the overall flood risk expected to reduce. The Group will continue to update and monitor this analysis over time.

Currently the Group requires flood risk cover to be in place for all properties being mortgaged, with any exceptions to this policy being assessed from an overall risk perspective.

Energy efficiency

The Group is committed as part of our sustainability ambitions to support our customers to increase their residential energy efficiency whilst encouraging the purchase of energy efficient properties.

Energy efficiency is represented by Energy Performance Certificate (EPC)[4] ratings, with A indicating the best and G the worst in terms of energy efficiency.

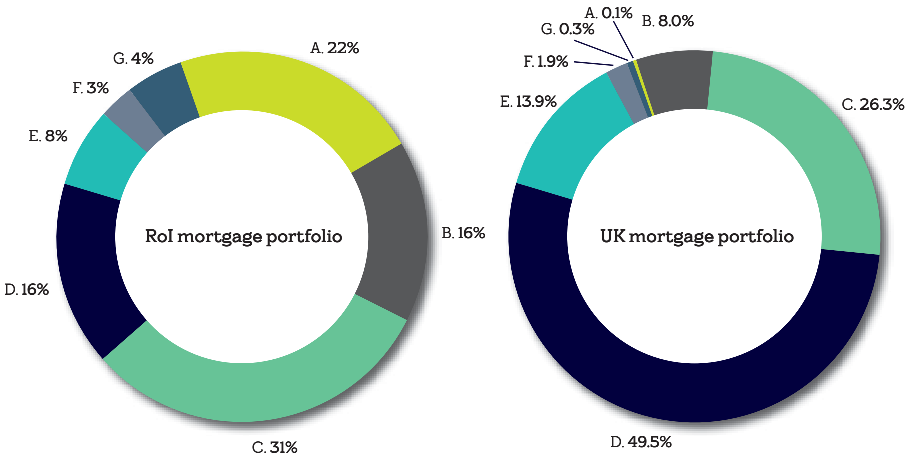
The charts above summarise the energy efficiency of the Group's residential mortgage portfolios in RoI and the UK, based on a combination of actual and estimated EPC ratings. Currently, 38% of our RoI mortgage portfolio corresponds to properties in the A to B EPC categories. In the UK, 8.1% of properties in our mortgage portfolio are A to B rated. The profiles reflect the differences in housing stocks across the two jurisdictions.

EPC Data

For the December 2022 disclosure, 100% of the BER/EPC data for ROI mortgages is estimated, and not based on specific BER labels. During 2023, the Group is developing data capture capabilities for BER Certificates. A national database maintained by the Sustainable Energy Authority of Ireland (SEAI) on domestic properties with recorded energy ratings has been used to provide an estimated view on the energy rating profile of ROI lending collateralised by residential property, based on key explanatory factors (namely year of build, property type and location).

For UK mortgages, the Group has processes for the collection of EPC data in place since 2020. For this December 2022 disclosure, 70% of the EPC data for UK mortgages is based on specific EPC labels. For the residual UK located properties, EPC ratings have been estimated based on key explanatory factors (namely year of build, property type and location).

RoI & UK mortgage portfolios - EPC analysis



Scenario analysis in our Wealth business

NIAC carries out a range of sensitivities and scenario tests as part of its annual Own Risk and Solvency Assessment (ORSA) process. A specific climate risk scenario was included in the 2022 ORSA. This included a qualitative and quantitative assessment of how climate risk impacts the risk profile of NIAC, including a climate stress test of the corporate bond portfolio and unit-linked funds. The conclusion of the assessment was that at an overall level the exposures do not give cause for any immediate action or represent any concentrations of note. Climate risk will continue to be assessed and monitored as industry and regulatory developments evolve.

[4] *Building Energy Rating (BER) Certificate is the official method for calculating a residential property's energy performance in the Republic of Ireland. BERs are equivalent to EPCs and use on a scale from A-G (A being most efficient). BER calculation uses the Dwelling Energy Assessment Procedure (DEAP). The DEAP calculation framework is based on IS EN 13790. For further information www.seai.ie.*

Strategy *(continued)*

Green mortgages

Since the Group launched Ireland's first green mortgage in 2019, c.€3.8 billion has been drawn down by borrowers. A green mortgage fixed interest rate is available to new customers who are buying or building a property that has or will have a Building Energy Rating (BER) of B3 or better. It is also available to customers switching from another lender where the property has a BER rating of B3 or better. A green mortgage fixed interest rate provides a discount of 0.30% to our suite of fixed rates for new customers. As well as being able to enjoy a lower interest rate on their mortgage, customers benefit from lower heating and electricity bills if they choose, or upgrade to, a sustainable, energy efficient home. Green mortgages accounted for c.50% of total RoI mortgage lending in 2022.

In the UK, the Group offers green mortgages for A and B EPC rated new build houses and also a Green Buy to Let product range available for rental properties with an EPC of A, B or C. It is anticipated there will be increased opportunity in the sector over the medium term following greater focus on energy efficiency in the private rental sector, driven by regulatory changes to minimum EPC requirements for rental properties proposed for 2025.

Building our portfolio of sustainable finance products

Sustainable finance fund

Since 2019, the Group has demonstrated its commitment to provide green lending in its retail channels through a Sustainable Finance Fund, which in 2021 increased to €5 billion by 2024. The fund covers Bank of Ireland's suite of green loans designed to incentivise home owners and businesses to be more energy efficient.

Green home improvement loan

The Irish Government's Climate Action Plan set the goal of retrofitting 500,000 homes to BER B2 standard by 2030, targeting 120,000 by 2025. Being one of the most cost-efficient ways of removing carbon from our energy system, this makes a compelling economic case for retrofitting homes and buildings. In addition to the benefits of upgraded homes, well-insulated homes are comfortable, cheaper to run and bring health benefits, contributing to enhanced financial and general wellbeing. In support of the Climate Action Plan and the Government's retrofit ambitions, Bank of Ireland offers a Green Home Improvement Loan designed to fund energy-efficiency upgrades. In 2022, drawdowns of Green Home Improvement Loans totalled €16.4 million accounting for 12% of total lending on overall home improvement loans by the Group during the year.

Green transport

Bank of Ireland Finance continues to be the largest provider of wholesale finance in the RoI market for Electrically Charged Vehicles (ECV) - both Battery and Plug-in, providing funding for c.50% of all ECVs sold in 2022.

Bank of Ireland Finance provides wholesale finance to 17 of their current 19 car manufacturer franchises for their Battery Electric Vehicle (BEV), Hybrids (HEV) and Plug-in Hybrid Electric Vehicle (PHEV) ranges supporting the sector on the global journey to net zero emissions by 2050. Bank of Ireland Finance also offers subsidised consumer finance through our franchise partners, supporting the growth of ECVs in Ireland.

In November 2022, the Group introduced a new Green Motor Loan to incentivise customers through reduced interest rates to avail of green options such as BEVs and PHEV.

In 2021, the Irish Government approved the Electric Vehicle Policy Pathway Report, which targets 180,000 EVs on our roads by 2025 and 945,000 by 2030. The Group's green motor financing supports Ireland's Climate Action Plan 2023 targets of a 50% reduction in transport emissions and nearly one in three private cars being an electric vehicle by 2030.

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

Green Business loans

The Green Business Loan offers discounted finance to businesses, who want to implement energy-saving initiatives in order to reduce their carbon footprint and their costs; for example, LED lighting to replace fluorescent lights or more energy-efficient heating and cooling systems which can reduce reliance on oil and gas. In addition, Bank of Ireland provides access to support for our business customers through the Energy Efficiency Loan scheme with the SBCI.

During 2022, Bank of Ireland partnered with Musgrave Group who had set up a Sustainability Fund, offering grants to their Supervalu and Centra retail partners for investment in sustainable initiatives. Bank of Ireland provide a competitive, standardised loan offering for Musgrave retailers who request a loan to fund part of their sustainable investment.

Financing renewable energy

The growth of renewable energy in Ireland is predicated on Ireland diversifying its electricity generation mix away from traditional forms of carbon electricity such as coal and gas-fired power. The Climate Act 2021 commits Ireland to a legally binding target of net zero GHG emissions by 2050 and a reduction of 51% by 2030. To enable the continued growth of renewable electricity, the Irish Government introduced a Renewable Energy Support Scheme (RESS) with the aim of achieving 80% of our electricity generation from renewable sources by 2030. BoI has provided financing associated with the development of c.740MW of renewable wind capacity across the island of Ireland.

Strategy *(continued)*

Sustainability-linked loans

To support our corporate customers with their own green transition and carbon reduction strategies, Bank of Ireland Corporate & Markets have been providing loans which incorporate sustainability linked pricing mechanisms in the Irish market since 2019.

These mechanisms support and incentivise customers to establish appropriate and sector-specific sustainability targets for their enterprises, and reward them through margin reductions upon the achievement of these targets. At 31 December 2022, such sustainability-linked pricing mechanisms were incorporated in c.€1.4 billion of lending commitments to corporate customers, that incentivise the borrower to improve its sustainability profile by aligning the margin to performance against pre-agreed, material and ambitious ESG targets.

During 2022, we have seen an increase in the number of customers looking to incorporate these mechanisms into their borrowing facilities, a trend we expect to continue with our customers across every sector looking for options to reduce their carbon footprints in line with Ireland's ambition to achieve a 51% reduction in Greenhouse Gas emissions by 2030 and net zero by 2050. Bank of Ireland is focused and committed to being an integral part of the solution for our customers, with teams across all of our businesses proactively looking at further innovative options to support this transition.

Green farming

Agriculture faces a significant challenge to meet its Irish Climate Action Plan emission reduction target of 25% by 2030. We are supporting farmers in their investment of on-farm infrastructure that improves the overall environmental sustainability of all farms such as additional slurry storage, solar panels and low emission slurry spreading equipment, partnering with Teagasc on the Signpost Programme which aims to educate farmers on how to reduce the climate footprint of their farms.

We also delivered a Business Brush-up training course, in partnership with Agribusiness Education, to upskill and enhance farmers financial and business management. 200 farmers attended across four locations nationwide.

At the 2022 National and World Ploughing Championships, Bank of Ireland promoted the importance of enhanced biodiversity and sustainability on farms and gave away 1,000 native Irish hedgerow plants to visitors to our stand.

In Q1 2023, the Group announced a partnership with Kerry Dairy Ireland, to provide funding for sustainable farming improvements for Kerry's milk suppliers. The partnership will result in the development of a sustainability-linked loan with discounted rates and flexible finance options for farmers who are members of Kerry's 'Evolve Dairy Sustainability Programme.

The sustainability-linked loans will provide an additional funding option for farmers in the implementation of sustainable farming practices aimed at reducing carbon and ammonia emissions, enhancing animal health, welfare and productivity – as well as improving biodiversity and water quality.

The partnership will provide Bank of Ireland with key data as part of its Sustainability reporting, as it works towards meeting its own science-based targets across its operations.

In Q4 2022, the Group supported Sliabh Bawn Power DAC in its €67 million nine-year bilateral banking refinance. Sliabh Bawn is a 64 megawatt (MW) operational windfarm in Co. Roscommon and powers approximately 47,000[5] homes per annum with clean, green electricity.

Project financing

The Group is proud to provide debt financing in a number of large scale Public / Private partnership (PPP) projects that make a positive contribution to society both environmentally and also socially. In December 2022, the Group announced it was providing debt finance to support a PPP with the Department of Further and Higher Education, Research, Innovation and Science. This debt financing will enable the construction of six new BER A-rated educational buildings, creating over 5,000 additional student places across the country.

The Group also announced it is backing Ireland's first residential community healthcare PPP, which will support the building of seven community nursing units to enhance local residential care for older people and people with dementia across Ireland. The units will have a minimum BER rating of A2.

Woodland Nature Credit

Building on the success of its inaugural transaction, in 2022, the second tranche of the innovative and award-winning Woodland Nature Credit was completed. In total, the Group is financing the planting of 600 hectares (1.8 million trees) of new native woodland across Ireland.

Green bond framework

Following the publication of Bank of Ireland's Green Bond Framework in September 2020 and subsequent update in March 2021, aligned with our Sustainability strategy, the Group has to date completed four successful green bond issuances that have been approximately three times oversubscribed. The Group issued €1.3 billion in bonds through our Green Bond Framework during 2022, bringing total issuances to date to €2.5 billion. Funds raised through the Group's green bonds are used to deploy funding to finance clean transportation, renewable energy and green buildings (both residential and commercial). They also adhere to the highest possible standard of regulations and framework alignment, thereby ensuring the impact the bonds deliver is in line with policy ambitions and to the benefit of our customers. In March 2022, the Group issued its first Green Bond Impact and Allocation Reports for 2021 which provide further detail on the projects financed through the Green bond Framework and their environmental impact. The updated 2022 reports will be available later in March 2023.

Green Bond Framework reports

The Group's ambition is to be a regular issuer of green bonds and believes that the current size of the Green Eligible Assets portfolio (expected size of c.€6.3 billion at 31 December 2022) and our customers' appetite for green financing support this ambition.

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

In December 2022, the Group announced that its 2030 greenhouse gas emission reduction targets had been formally validated by the SBTi. The reduction targets are consistent with levels required to meet the goals of the Paris Agreement. The Group will now transparently report on progress towards these targets. Read more on our progress towards contributing to the global ambition of keeping warming

[5] *Based on average household consumption of 4,200 kWh.*

Strategy *(continued)*

well below 2°C by setting SBTs within the Metrics and Targets section (page 38).

Besides reducing the carbon emissions that we finance, the Group is also committed to reducing GHG emissions associated with the delivery of our products and services through our own operations. The SBTi has validated Bank of Ireland's target of a 49% reduction in greenhouse gas emissions from its own operations (Scope 1 and 2) by 2030, which supports its broader aim of net zero emissions by 2030. The Metrics & Targets section (page 38) sets out the key details of the targets, outlines our continued progress in 2022 and the latest initiatives we have implemented to support the decarbonising of our operations.

EU Taxonomy

The EU Taxonomy has six environmental objectives namely:

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

In accordance with Article 8 of the EU Taxonomy Regulation and the underlying Disclosures Delegated Act, the Group is required to disclose the proportion of taxonomy-eligible and non-eligible activities related to the environmental objectives of climate change adaptation and mitigation for 2022, for which screening criteria have been established under the delegated acts. The Disclosures Delegated Act came into force on 1 January 2022.

Taxonomy-eligible activities illustrate the extent of the Group's activities towards sectors covered by the EU Taxonomy. Consequently, the presented metrics below do not illustrate the Group's proportion of green assets because these require classification as taxonomy aligned activities.

The Complementary Climate Delegated Act including specific nuclear and gas energy activities published in July 2022, requires the Group to assess and disclose taxonomy-eligibility and non-eligibility of nuclear and fossil gas-related activities at 31 December 2022. While the Group has no direct exposure to the specific nuclear activities, it has exposure to customers involved in the use of fossil gaseous fuels to facilitate power generation activities.

In addition to the mandatory reporting requirements, the Group has also prepared a voluntary reporting disclosure for 2022 as outlined on page 34, to provide further transparency and context to the users of the Annual Report.

The following metrics are unaudited and have been prepared in line with current available guidance and market practice.

As the EU Taxonomy requirements and guidance develops and evolves over the coming years, we will continue to enhance and expand our disclosures.

Mandatory reporting

% at 31 December	2022	2021	
Taxonomy-eligible activities as a proportion of total covered assets	56%	59%	Activities with Financial and Non-financial corporates subject to NFRD, households, renewable energy and local governments covered by the EU Taxonomy Climate Delegated Act divided by total covered assets.
Taxonomy non-eligible activities as a proportion of total covered assets	47%	41%	Activities to financial corporates, non-financial corporates in EU and non-EU not subject to NFRD, households, renewable energy and local governments not covered by the EU Taxonomy Climate Delegated Act divided by total covered assets.
Exposures to sovereigns as a proportion of total covered assets	7%	12%	Exposures to sovereigns divided by total covered assets. Sovereigns include exposures to central governments, central banks and supranational issuers.
Derivatives as a proportion of total covered assets	3%	1%	Derivatives in the non-trading portfolio divided by total covered assets.
Exposures to corporates not subject to NFRD as a proportion of total covered assets	34%	31%	Exposures to entities not obliged to report under the NFRD divided by total covered assets.
Trading book as a proportion of total covered assets	3%	1%	Exposures in the trading book divided by total covered assets.
On-demand interbank exposures as a proportion of total covered assets	0%	0%	Exposures in the on-demand interbank market divided by total covered assets.
Total covered assets (€bn)[1]	€85.4	€90.7	Total assets excluding exposures to sovereigns and trading book. Total assets are defined according to the prudential consolidation of the Group per FINREP.

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

Strategy *(continued)*

Voluntary reporting

	Carrying amount (€bn)		% in scope assets		% total assets	
	2022	2021	2022	2021	2022	2021
Covered assets in both numerator and denominator						
Financial corporations	4.5	7.4	5%	8%	3%	6%
Non-Financial corporations (subject to NFRD disclosure obligations), renewable energy, semi-states and local government	0.6	0.3	1%	–	1%	–
Households	40.4	45.8	47%	51%	31%	34%
	45.5	**53.5**	**53%**	**59%**	**35%**	**40%**
Assets excluded from numerator						
EU Non-Financial corporations (not subject to NFRD disclosure obligations)	17.4	17.8			13%	13%
Non EU Non-Financial corporations (not subject to NFRD disclosure obligations)	12.1	10.5			9%	8%
Households - non eligible	3.0	3.2			2%	2%
Derivatives	2.3	0.5			2%	1%
Interbank on demand loans	0.2	0.1			–	–
Cash and cash-related assets	0.4	0.4			1%	–
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(0.7)	–			(1%)	–
Other assets	5.2	4.7			4%	3%
	39.9	**37.2**			**30%**	**27%**
Other assets excluded from numerator and denominator						
Sovereigns	6.1	10.9			5%	8%
Central banks exposure	36.6	32.3			28%	24%
Trading book	2.8	1.2			2%	1%
Total Assets	**130.9**	**135.1**			**100%**	**100%**
Total Assets in denominator	**85.4**	**90.7**				

Risk management

Climate change – managing climate related risks

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

ESG and climate-related risks continue to be important considerations for financial institutions and stakeholders. The Group recognises ESG factors (including climate-related risks) represent a common risk driver across the Group's Principal Risk types. The Group ESG Risk Management Framework sets out the approach to the management of ESG risk factors in the Group. ESG risk management has to date focused predominantly on climate-related risk management. This will be expanded during 2023 to include non-climate environmental risks.

Regulatory developments

During 2022, there has been continued regulatory focus on climate risk management. The Group has a detailed multi-year (2021-2024) Climate Risk Implementation Plan in place to address the ECB guidance on how banks should manage climate-related and environmental risks (November 2020). The guidance sets out 13 supervisory expectations for institutions when formulating and implementing their business strategy, governance and risk management frameworks with the ultimate aim of encouraging greater transparency in climate-related and environmental risk disclosures.

The Climate Risk Implementation Plan is consistent with the Group's overarching five-point climate action plan and has been jointly approved by the Board Risk Committee (BRC) and Sustainability[1] Committee. The Climate Risk Implementation Plan is a key step in progressively aligning the Group to the ECB guidelines on climate risk management in respect of strategy, risk governance and measurement. Progress continues to be made on embedding climate risk and ESG considerations in business and credit processes in line with the Board approved plan.

Citing the increasing systematic risk posed by climate change, in the first half of 2022 the ECB conducted an industry wide Climate Thematic Review to assess banks' practices against supervisory expectations from three perspectives - soundness, comprehensiveness and effectiveness of practices. The Group participated in this industry wide review of climate risk.

In the first half of 2022 the ECB carried out a Climate Risk Stress Test on Significant institutions, including BoI Group. This was an exploratory assessment of banks' exposure to climate risk as well as their climate modelling and data capabilities.

Integration of climate risks at a Group level

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

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

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

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

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

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

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

Identification and assessment of climate-related risks

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

Risk identification

On an ongoing basis, through its risk management framework, policies and processes, the Group identifies and assesses risks to which the Group is exposed, including climate-related risks. ESG factors have been identified as factors that impact across the Group's risk types.

As part of ESG Risk, climate risk was integrated into this process during 2021. Due to the longer timeframes associated with climate impacts, a short, medium and long-term horizon, as laid out below, is being applied to the consideration of impacts. Our timeframes for climate-related risks are:

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

Climate-related change presents both risk and opportunities to the Group's business model. An annual assessment of these risks and opportunities was carried out in 2022 and presented to the GSC and the BRC.

The internal capital adequacy assessment process

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

The ICAAP is a key planning process for the Group and facilitates the Board and senior management in identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile. Given the long time horizon associated with climate change, scenario analysis is considered a key tool to

[1] *Formerly the Responsible and Sustainable Business Committee.*

Risk management *(continued)*

inform strategic direction and risk management. The Group is developing scenario analysis capabilities on an iterative basis, leveraging improvements in climate data and methodologies as they become available. Climate scenario analysis is integrated within the ICAAP process in order to increase our understanding and insights into the potential impacts of climate risk. This is a standalone analysis separate to the standard ICAAP Base and Stress analysis that focuses on longer term impacts out to 2050, beyond the standard three year time horizon of ICAAP. This scenario analysis informs climate risk materiality assessments to quantify the potential impacts across the Group's risk types that is being integrated into the Group's ICAAP capital adequacy assessment.

The setting of Science Based Targets is ensuring that the Group's lending portfolios are aligned with the Paris agreement and through this alignment mitigating and reducing transition risk over the period to 2030.

Risk measurement and monitoring

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

The Board Risk Report (BRR) is the report used by the Board to review and monitor the Group's risk profile across all Principal Risks, compliance with Risk Appetite and Risk Policies. ESG risk in the Group is reported on through the BRR and is the primary source of reporting for the impact of ESG related risks on the Group's risk profile.

As metrics and reporting are further developed and embedded across the Principal Risks these will be monitored and reported under each risk type and through the relevant risk fora, as appropriate. These metrics and key messages will be reviewed by a central Risk Team to inform overall impact of ESG risks and factors on the Group's risk profile.

Further detail on how we are defining metrics and targets can be found in the Metrics and Targets section on page 38.

Risk appetite

A key element of the Group's Sustainability commitments is the publication and performance against targets. In 2021, we integrated climate-related business targets into our strategic planning framework with a view to making achievement of the strategy measurable. In line with the SBTi (see page 38), for key portfolios, respective targets and time horizons will be set and progress tracked and monitored against interim targets.

The Group monitors the impact of ESG on the Group risk profile. To inform a Group level assessment the Group sets business targets to monitor Group performance against ESG regulatory and voluntary commitments and ESG targets set.

Sustainability Exclusion List

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

Furthermore any cases considered a heightened ESG risk during initial review will be subject to enhanced review and consideration by an ESG Risk Forum during the credit process. Similar procedures have been rolled out to our Business Banking lending businesses and the assessment of ESG risk will continue to be enhanced in our lending businesses in line with ECB guidelines.

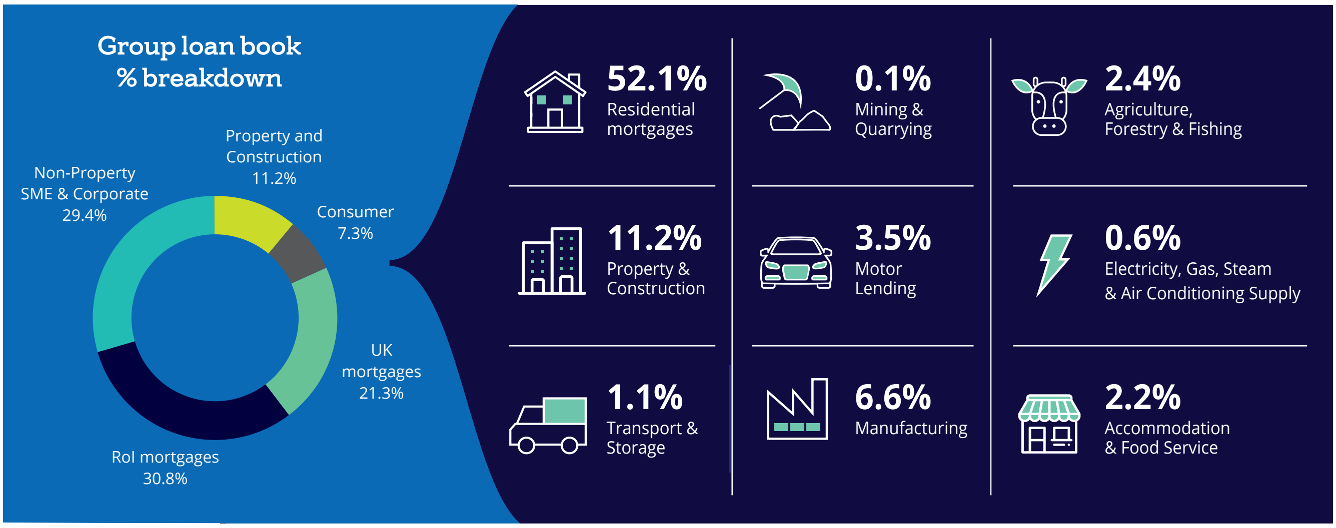
Assessing climate risks across our portfolios

We continue to increase our understanding of climate risk through leveraging the latest industry risk measurement methodologies and developing further data assets, and continually assess our view on the sectors most sensitive to climate change.

In assessing the lending sectors most sensitive to climate risk, we consider if they are in scope for national decarbonisation plans and are a focus area for SBTs. We also consider emissions intensity and scenario analysis when assessing whether the sector is more acutely impacted by climate risk than the overall portfolio.

Informed by these analyses, the Group loan book breakdown table on page 37 shows the current composition of our loan portfolio and the percentage of lending to sectors the Group considers most sensitive to climate change. In terms of portfolio mix, the Group has minimal direct exposure to fossil fuels in energy and extraction and as a predominantly retail lending bank, c.70% of our customer lending is in residential and commercial property and car finance.

Risk management *(continued)*



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

This assessment identifies the key risk mitigation strategy as follows:

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

Climate Data

Given the criticality of data to the climate risk management agenda, a multi-year data and technology roadmap was developed as part of the 2022 planning cycle to support delivery of the data needed to meet the evolving requirements on an agile and iterative basis. The roadmap saw an initial focus in 2022 on aggregating a golden source of data to support upcoming external and regulatory reporting requirements and to support progressive enhancements to risk management methodologies and reporting. Third party data has been onboarded from a number of vendors to provide new data insights on physical risks, including flood risk assessments across residential and commercial property in the Republic of Ireland and the United Kingdom (see page 29). Modelled estimates on emissions and transition risk impacts are being integrated during 2023 to supplement internal data collection and analysis on the Group's portfolios. This developing capability is being strengthened further in 2023 with the focus moving to use ESG/climate data in front-end systems to aid credit and pricing decisions and support customers' transition plans.

Metrics and targets

Throughout 2022, we continued to develop SBTs for GHG emission reductions aligned with the Paris Agreement. In December 2022, Bank of Ireland became the first Irish bank, and one of the first in Europe, to have its targets validated by the SBTi. The targets cover all of the Group's own operations and 76% of the loan book.

SBT Pathways

Asset Class	Method	Pathway	% Group lending portfolio at 31 December 2020	Baseline intensity position FY20	Target	PCAF Data Quality Score
Own Operations	Absolute Score Reduction	SBTi 1.5°C[1]	n/a	6,238 tCo^2e (tonnes of carbon dioxide equivalent)	Bank of Ireland commits to reduce its absolute scope 1 and 2 GHG emissions 49% by 2030 from a 2020 base year and increase annual sourcing of renewable electricity to 100% by 2025.	n/a
Residential Mortgages	Sector Decarbonisation Approach (SDA)	ETP B2DS[2]	57%	46 $KgCo^2/M^2$ (weight of carbon dioxide equivalent emitted per square meter)	Bank of Ireland commits to reduce residential mortgage portfolio GHG emissions 48% per square metre by 2030 from a base 2020 year.	3.9
Commercial Real Estate	Sector Decarbonisation Approach	ETP B2DS	6%	73 $KgCo^2/M^2$ (weight of carbon dioxide equivalent emitted per square meter)	Bank of Ireland commits to reduce commercial real estate portfolio GHG emissions 56% per square metre by 2030 from a base 2020 year.	3.5
Project Finance - Electricity Generation	Sector Decarbonisation Approach	SBTi 1.5°C	0.3%	0.097$KgCo^2$ e/kWh (weight of carbon dioxide equivalent emitted per kilowatt hour)	Bank of Ireland commits to reduce electricity generation project finance portfolio GHG emissions 40% per kilowatt hour (kWh) by 2030 from a base 2020 year.	2.9
Long-term Corporate Lending	Portfolio Coverage Approach (PCA)	n/a	13%	n/a	Bank of Ireland commits to 25% of its long term corporate lending by financed emissions setting SBTi validated targets by 2025.	n/a
Corporate Bonds (Bank Bonds)	Portfolio Coverage Approach	n/a	n/a	n/a	Bank of Ireland commits to 25% of its corporate bonds by investment value setting SBTi validated targets by 2025.	n/a

Partnership for carbon accounting financials

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

The Group has committed to transparently reporting on our progress towards its targets and in 2023 we will continue to develop our data and tracking capabilities to support future reporting. For our own operations, we will continue reporting our progress in emissions reduction.

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

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

Metrics and targets *(continued)*

Climate-related metrics and targets in our operations

Through its signature to Business in the Community Ireland's (BITCI) Low Carbon Pledge in 2018, the Group demonstrated its commitment to achieving a 49% reduction in the carbon emissions intensity of our operations (Scope 1 and 2) by 2030.

Since then, the Group has formally committed to achieving net zero within its own operations by 2030 and in December 2022, the Group announced its 2030 greenhouse gas emission reduction targets covering all of the Group's own operations had been formally validated by the SBTi.

The SBTi has validated the Group's target of a 49% reduction in greenhouse gas emissions from its own operations (Scope 1 and 2) by 2030, which supports its broader aim of net zero emissions by 2030.

Carbon emissions from our own operations

We have achieved a 41% reduction in absolute carbon emissions (on a 2020 baseline) across our Scope 1 and 2 emissions, including a reduction of 14% in 2022. Scope 3 emissions increased versus 2021, reflecting a return to more normalised levels of business travel, although still lower than pre-pandemic levels reflecting the new hybrid working environment. In addition, emissions associated the Group's Mespil Road building were recategorised from Scope 1 to Scope 3, following the sub-letting of the premises in 2022.

We continue to take tangible actions across our operations, working towards our commitment to making our own operations net zero by 2030. Key initiatives rolled-out in 2022 included:

- recertification of Bank of Ireland's ISO 14001 Environmental and ISO 50001 Energy Management systems;
- conducting a review across the Retail network to identify opportunities to eliminate wasteful use of energy particularly in hot water, air conditioning and heating systems;
- switching one of our final sites to renewable electrical supply;
- rolling out internal communications for staff to encourage positive behaviours and habits both at home and in work to reduce energy use; and
- completion of LED upgrades in large administration buildings.

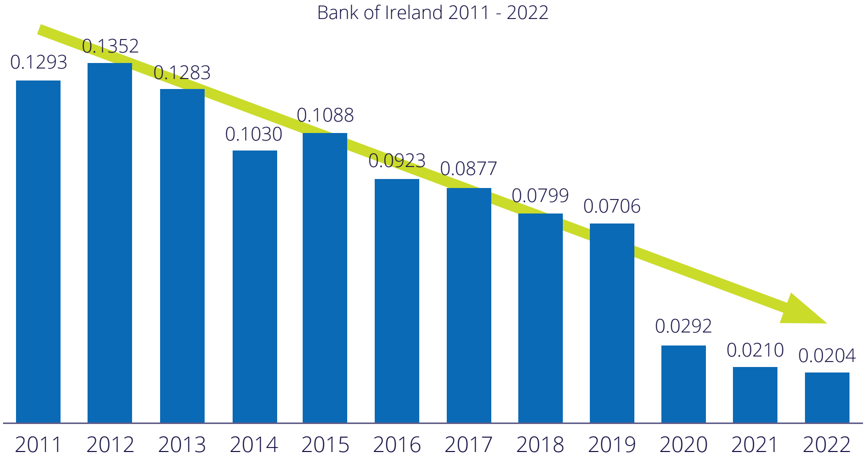
Building on our collective achievements to-date, the Group will continue to work towards implementing actions to achieve our net zero commitment for our operations. Initiatives planned for 2023 include:

- an investment of €11.5 million across the nationwide branch network, which will include comprehensive refurbishment and retrofitting of 18 branches;
- further updating of our offices' LED lighting to further reduce the energy consumption by 50% and replace end of life lighting in retail sites;
- continual implementation of ISO 50001 Energy Management Standard across the Group to drive energy efficiencies and carbon reductions; and
- to conduct a review of suitable sites for the installation of Solar PV panels, reducing electricity demand on our location-based emissions.

Looking further ahead, in November 2022, the Group announced plans for a €36 million investment in the College Green complex, which will comprise extensive repair and restoration to buildings housing one of the world's oldest banking halls. These works will include upgrading the heating and cooling systems with energy efficient technologies, upgrading lighting to energy efficient LED and upgrading the building fabric.

Metric	Unit	2022	2021
Scope 1 **Fuel consumption**	tCO2e	3,682	4,285
Scope 2 **Purchased electricity (market based)**	tCO2e	12	22
Scope 3 (material for own operations as set out below)	tCO2e	3,261	557
Business travel	tCO2e	*2,947*	*503*
Waste	tCO2e	*22*	*29*
Purchased goods & services	tCO2e	*33*	*25*
Downstream leased assets (market based)[1]	tCO2e	*259*	—
% of electricity from renewable sources	%	100	100

tCO2e/m2 Reduction 84% - Scope 1 & 2 emissions
Bank of Ireland 2011 - 2022

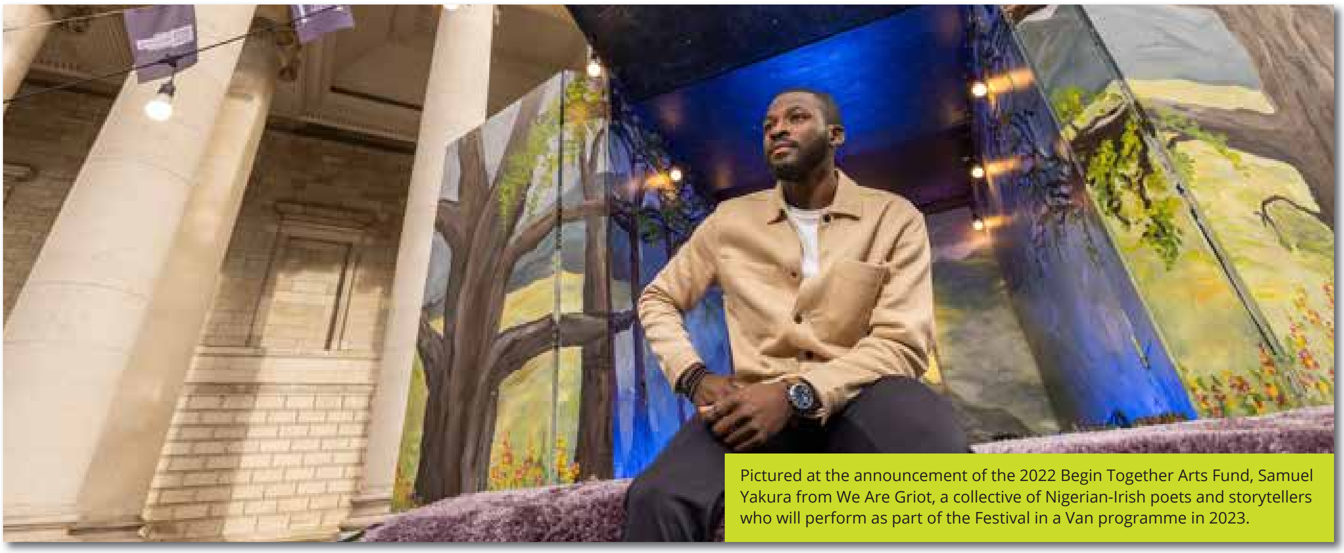


41% emission reduction achieved against SBT of 49% (tCO2e)

[1] *Downstream leased asset Gas 259 tCO2e, Electricity 493 tCO2e.*

Foundations to our Sustainable company framework

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



Pictured at the announcement of the 2022 Begin Together Arts Fund, Samuel Yakura from We Are Griot, a collective of Nigerian-Irish poets and storytellers who will perform as part of the Festival in a Van programme in 2023.

Culture

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

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

Business ethics

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

Community investment

In-line with the theme 'Tomorrow will be better if we Begin Together', an inclusive community is vital for a strong economy. We therefore support community-focused initiatives across the Island of Ireland and causes that matter to our colleagues across the Group. 'Begin Together' is the Group's philanthropic platform and has seen €4.75 million distributed to communities since 2020.

In 2022 the Community Fund, working with the Community Foundation for Ireland, awarded 68 grants to future facing projects working to help make things better by supporting financial, mental and physical wellbeing. The Begin Together Arts Fund, in partnership with Business to Arts, funded 27 projects in 2022, providing valuable support for the arts community, an important cohort which provides much meaning to our lives. In addition a further €350,000 has been distributed to local causes and not-for-profit organisations nominated by colleagues during the year.

Financial crime

Protecting the integrity of the financial system from financial crime risks including money laundering, terrorist financing and bribery and corruption is of intrinsic importance to the Group. Bank of Ireland is committed to playing our part to support the ongoing protection of the financial system and our customers from the impact of financial crime. The Group Anti-Money Laundering policy, Group Sanctions and Countering the Financing of Terrorism policy and the Group Anti-bribery & Corruption policy, amongst others, support this objective. All colleagues complete annual mandatory training and assessment in relation to key areas.

Sourcing responsibly

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

Related pages
CEO review *(page 6)*
Our strategy *(page 11)*

Health and safety

At all times we aim to ensure the safety of our colleagues and customers by carefully planning our operations, identifying potential hazards and managing the associated risks at every stage. Implementation of the Group's Health & Safety policy which is fully supported by the Senior Leadership Team helps with this objective. Key components of our Safety Management systems are property- specific risk assessments, an extensive auditing programme, as well as a robust Health and Safety training plan which includes role specific training and two mandatory training courses for all Colleagues. Following 20 days of intensive auditing by an external certification company, Bank of Ireland's Safety Management system is now fully accredited to ISO 45001 which is the most reputable and recognised standard for Health and Safety Management systems internationally. Recertification audits of the system will be conducted over 4 days annually which will provide ongoing confidence that safety is being managed in a compliant and effective manner, in line with the ISO 45001 standard.

Human rights

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

Cyber security

We continue to invest in our cyber capability, to ensure it adapts in line with the changing threat landscape. We apply a 'security by design' approach to business and technology-driven change to ensure appropriate security controls are adopted. Our Group-wide Information Security Policies are aligned to the National Institute of Standards and Technology standards. Security awareness training is mandatory for all our colleagues and the 'Security Zone' page on the Group website supports customer security awareness, including fraud alerts and information on how to report suspicious online activity, emails or phone calls.

Data Protection

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

Non-financial information statement

Related pages
CEO review (page 6)
Our strategy (page 11)
Risk Management Report (page 132)

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

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

Environmental matters

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

Risk & management
- Environment and Energy (page 35)

Non-financial key performance indicators

- Key highlights (page 3)

Business model

Risk & management
- Divisional review (page 59)

Diversity report

Policies
- Board diversity[1]

Risk & management
- Corporate Governance statement (page 73)

Bribery and corruption

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

Risk & management
- Code of conduct (page 40)
- Anti-bribery and corruption (page 40)
- Group anti-money laundering (page 40)
- Conduct risk (page 152)

Policies followed, due diligence and outcome

Risk & management
- Risk management framework

Description of principal risks and impact of business activity

Risk & management
- Key risk types (page 47)
- Principal risks and uncertainties (page 133)

Social and employee matters

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

Risk & management
- Vulnerable customers (page 21)
- Inclusion and diversity (page 20)
- Learning (page 20)
- Wellbeing (page 20)
- Communities (page 40)
- People risk (page 138)

Respect for human rights

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

Risk & management
- Information security (page 41)
- Operational risk (page 138)
- Human trafficking (page 41)

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

Governance in action

Leadership and company purpose

Through a year which has proved to be highly productive for the Group, and in the view of ongoing challenge in the global environment, the role of corporate governance in ensuring effective decision-making continues to be of paramount importance.

2022 has proved to be a highly productive year for the Group, in which its role in wider society, and our purpose of enabling our customers, colleagues and communities to thrive, remained at the forefront of all our actions. In particular, the Board and GEC focused on the safe and successful acquisitions of Davy and of the KBCI portfolios, which are considered transformative for the Group's commercial and strategic objectives, and on meeting the challenges brought about by the continuing COVID-19 pandemic and the impacts of Russia's invasion of Ukraine. The Group's ability to continue to operate effectively in the current environment was supported strongly by the Group's robust corporate governance framework which the Board continually seeks to enhance through regular reviews and challenge. In the Governance Section on page 85 our Chairman reports on the key areas of Board focus during 2022.

The Group's purpose and its values are the cornerstone of its culture, providing the Board and GEC with a clear foundation upon which key decisions are taken. The Board is collectively responsible for the long-term sustainable success of the Group and ensuring there is a strong corporate structure in place. It provides leadership of the Group, setting strategic aims, within the boundaries of the risk appetite and a framework of prudent and effective controls. The CEO is supported by GEC which is composed of the Executive Directors and other senior executives who assist the CEO in leading the Group's day to day operations and in the execution of the Board-approved Group Strategy in line with the Group's purpose. Details of the GEC can be found on page 76.

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

The Board is supported by a number of committees:

Group Nomination and Governance Committee

Patrick Kennedy *(Chairman)*

Responsible for leading the process for Board appointments and succession planning, considering the appointment of Key Function Holders and overseeing subsidiary governance. It is also responsible for corporate governance policies and practice.

Group Sustainability Committee

Fiona Muldoon *(Chair)*

Responsible for providing oversight of the Group's Responsible and Sustainable Business Strategy, ESG targets and objectives, including monitoring of the Group's implementation of the UN Principles for Responsible Banking.

Group Remuneration Committee

Steve Pateman *(Chair)*

Responsible for overseeing the Group's remuneration policy and approving the policy and terms for the Chairman, the Executive Directors, the GEC and certain other designated officers.

Group Audit Committee

Evelyn Bourke *(Chair)*

In partnership with the BRC, responsible for monitoring the effectiveness of the Group's internal control, including accounting, financial reporting and risk management systems. Responsible for monitoring the independence and performance of the internal and external auditors.

Board Risk Committee

Richard Goulding *(Chair)*

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

Group Transformation Oversight Committee

Ian Buchanan *(Chair)*

Responsible for overseeing, supporting and challenging the delivery execution of the Group's major strategic systems transformation, and programmes with high dependency on technology related change.

The Board is committed to upholding high standards and seeking continual enhancements and its corporate governance standards are overseen by the N&G Committee, which reports regularly to the Board. The varied corporate governance requirements that apply to the Group are detailed on page 73.

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

Board Leadership and Company Purpose

UK Code Principles	Section
A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	• Chairman's introduction (page 73) • Your Board (page 76) • Role of the Board (page 87) • Strategic Report (page 3)
The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	• Chairman's introduction (page 73) • Strategic Report – Chairman's review (page 4) • Governance in action (page 43) • Assessing the effectiveness of the Board (page 84)
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	• Chairman's introduction (page 73) • Strategic Report – Chairman's review (page 4) • Governance in action (page 43) • Assessing the effectiveness of the Board (page 84)
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	• Stakeholder engagement (page 88) • Strategic Report (enabling customers, colleagues and communities to thrive) (page 3)
The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	• Stakeholder engagement – colleagues (page 88) • Strategic Report (business ethics, enabling customers, colleagues to thrive) (page 3) • Report of the N&G (page 94)

Division of Responsibilities

UK Code Principles	Section
The Chairman leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors (NEDs), and ensures that directors receive accurate, timely and clear information.	• Roles and responsibilities (page 87) • Chairman's tenure (page 82) • Board Committees (page 83) • Chairman (page 85) • Individual Directors (page 85)
The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, Independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.	• Board composition in 2022 (page 83) • Roles and responsibilities (page 87)
NEDs should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	• Assessing the effectiveness of the Board (page 84) • Roles and responsibilities (page 87) • Board governance (page 90)
The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	• Roles and responsibilities (page 87) • Role of the Board (page 87) • Report of the N&G (page 94)

Composition, Succession and Evaluation

UK Code Principles	Section
Appointments to the Board should be subject to a formal, rigorous and transparent procedure and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	• Board composition in 2022 (page 74) • Board composition and succession (page 83) • Diversity (page 84) • Report of the N&G (page 94)
The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	• Your Board (Directors' Bios) (pages 78 to 81) • Chairman's introduction (page 73) • Chairman's tenure (page 82) • Board composition and succession (page 83) • Report of the N&G (page 94) • Diversity (page 84)
Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	• Assessing the effectiveness of the Board (page 84)

Audit, Risk & Internal Control

UK Code Principles	Section
The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	• Board oversight of risk management and internal control systems (page 89) • Report of the Group Audit Committee (page 103)
The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	• Chairman's review, Strategic Report (page 4) • Role of the Board (page 87) • Board oversight and risk management and internal control systems (page 89)
The Board should establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	• Board oversight and risk management and internal control systems (page 89) • Report of the Board Risk Committee (page 109)

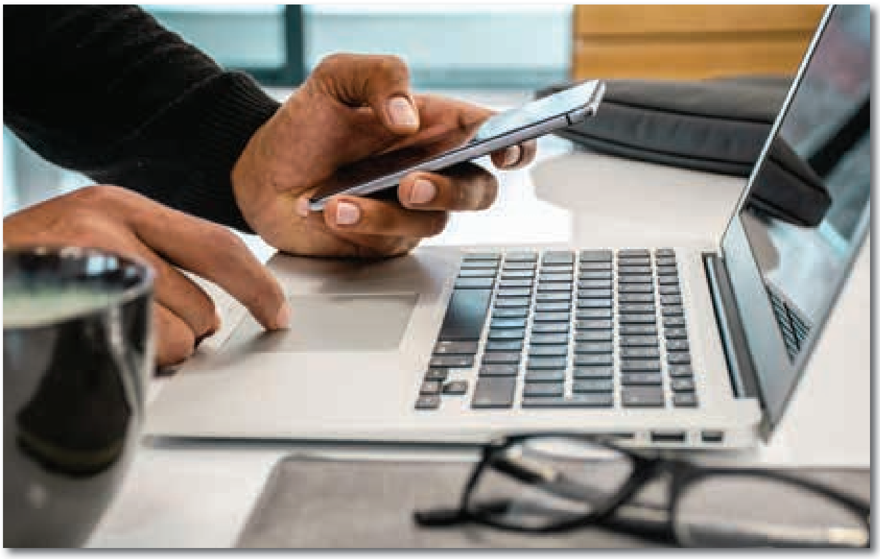
Remuneration

UK Code Principles	Section
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	• Report of the Group Remuneration Committee (page 98) • Remuneration report (page 119)
A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.	• Report of the Group Remuneration Committee (page 98) • Remuneration report (page 119)
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.	• Report of the Group Remuneration Committee (page 98) • Remuneration report (page 119)

Risk review

Further information in relation to these risks can be found in the Risk management report, on page 132.

In 2022, we issued a refreshed Risk Management Framework to all colleagues across the Group. Guided by our purpose and values, the framework simplifies our approach to risk management, clarifies what is expected of colleagues, and enhances our capability.



The Group Risk Management Framework (RMF) is the foundation stone for how we manage risk.

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

Our purpose is to enable our customers, colleagues, and communities to thrive. In fulfilling this purpose, the Group provides products and services to customers and generates returns for shareholders by taking and managing risk.

Group Risk Management Framework

The RMF sets out our group wide approach to risk management, and reflects our Risk Culture.

The RMF establishes the:
- Common principles for the risk management process of identifying, assessing, monitoring and mitigating risks to the Group;
- Standard definitions of risk terms and classifications to ensure consistent application across the Group;
- Clear roles and responsibilities for the management of risk across the Group;
- Governance mechanisms by which risk oversight is exercised and risk decisions taken;
- Group standards on risk policies, committee papers and reporting to ensure consistent application across the Group;
- Standard methods to identify and classify risks faced by the Group;
- Process for setting Risk Appetite to define the level of risk the Group is willing to tolerate;
- Role of risk policies and procedures within risk management in implementing the RMF; and
- Minimum requirements for reporting of risk as part of business-as-usual risk management information in the Group.

Risk management is the set of activities and mechanisms through which we make risk taking decisions. It is how we control and optimise the risk-return profile of the Group and is structured across the following five activities:
- Risk Identification and Assessment;
- Risk Policies;
- Risk Appetite;
- Stress Testing and Scenario Analysis; and
- Risk Monitoring and Reporting.

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

The Group's overarching risk strategy is to set and maintain the RMF to ensure that the Group has clearly identified and classified the risks its faces, set its Risk Appetite through statements of risk tolerances and quantitative limits, and through adherence with Risk Policy has observed these tolerances and limits as boundaries to its business strategy. This is achieved through appropriate processes, controls, reporting, and governance which enable the Group to:
- address its target market with confidence;
- protect its balance sheet; and
- deliver sustainable profitability.

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

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

Principal risks and uncertainties

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

Principal risk types

Business and strategic

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

Capital adequacy

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.

Conduct

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

Credit

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.

Funding and liquidity

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.

Life insurance

The risk of unexpected variation in the amount and timing of claims associated with insurance benefits.

Market

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

Operational

The risk of loss resulting from suboptimal or failed internal processes, systems, human factors or from external events.

Regulatory

The risk that the Group does not identify legal or regulatory change or appropriately manage its relationship with its regulators.

Operating and financial review

Profit before tax €1,056m (2021: €1,221m profit)	Underlying profit before tax €1,198m (2021: €1,366m profit)	RoTE (adjusted) 10.6% (2021: 12.0%)	Underlying cost income ratio 54% (2021: 58%)

Basis of presentation

The financial results are presented on an underlying basis. Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. Further information on measures referred to in the operating and financial review (OFR) is found in Alternative performance measures on page 339. 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	2022 €m	2021 €m
Net interest income	1	2,482	2,219
Net other income	2	752	725
Operating income (net of insurance claims)		**3,234**	**2,944**
Operating expenses (before levies and regulatory charges)	3	(1,746)	(1,647)
Levies and regulatory charges	3	(143)	(130)
Operating profit before net impairment (losses) / gains on financial instruments		**1,345**	**1,167**
Net impairment (losses) / gains on financial instruments	4	(187)	194
Share of results of associates and joint ventures (after tax)		40	5
Underlying profit before tax		**1,198**	**1,366**
Non-core items	5	(142)	(145)
Profit before tax		**1,056**	**1,221**
Tax charge		(159)	(166)
Profit for the year		**897**	**1,055**

Profit before tax of €1,056 million was reported by the Group for 2022 (2021: €1,221 million).

Underlying profit before tax of €1,198 million is €168 million lower than the €1,366 million profit for 2021 which is primarily attributable to the following:

- an increase of €290 million or 10% in **operating income (net of insurance claims)** due to:
  - a €263 million increase in **net interest income** primarily driven by higher liquid asset income, supported by higher Irish deposit volumes and higher rates, higher UK net interest income and higher lending income in our other trading divisions, partially offset by the impact of higher wholesale funding costs and lower targeted longer term refinancing operations (TLTRO) income due to the repayment of all Group TLTRO funding in November 2022; and
  - a €27 million increase in **net other income** driven by a €138 million increase in business income reflecting improved business momentum as well as a seven month contribution from Davy and increased additional gains of €83 million from gains on bond sales in 2022 offset by negative impacts from valuation items of €194 million, primarily from interest rate and investment variances in the Group's Wealth and Insurance business.
- an increase of €35 million in **share of results of associates and joint ventures (after tax)** due to the improved performance of First Rate Exchange Services (FRES) during the year. FRES experienced higher foreign currency sales as a result of the recovery in the UK travel market after COVID-19 restrictions were lifted.
- an increase of €99 million or 6% in **operating expenses (before levies and regulatory charges)** largely due to Davy operating expenses of €78 million following its acquisition on 1 June 2022 and one off costs of €28 million associated with opening accounts for former Ulster Bank and KBCI customers as these banks exit from the Irish market. Excluding these costs, operating expenses (before levies and regulatory charges) have reduced by €7 million, after absorption of FX movements of €3 million, as the Group continued to focus on efficiency and strategic cost reduction while maintaining investment in regulatory compliance, technology and growth in the existing business.
- a **net impairment loss on financial instruments** of €187 million for 2022, which is €381 million adverse to the €194 million impairment gain in 2021. The loss incorporates a number of impairment dynamics reflecting:

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

- impairment model updates incorporating the current macroeconomic outlook (c.€181 million net loss, includes other financial instruments);
- net impairment losses associated with portfolio activities including case specific loss emergence, primarily in the Corporate and Property and construction portfolios, and the NPE resolution activity including portfolio disposals (c.€214 million net loss); offset by
- the application of a reduced quantum of Group management adjustments at 31 December 2022 (c.€161 million net gain in the year), which reflects the removal / utilisation of previously recognised management adjustments and the recognition of a new €60 million adjustment for the RoI SME portfolio (refer to pages 220 and 222); and
- additional recoveries of €47 million (€34 million RoI SME and €13 million Consumer) representing recognition, during 2022, of recoveries received between 2018 and 2021 in respect of loans that previously had been subject to the utilisation of impairment loss allowance.

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

Tax charge for 2022 of €159 million (2021: €166 million) reflects an effective statutory taxation rate of 15% (2021: 14%) for the Group. On an underlying basis, the effective taxation rate for 2022 was 15% (2021: 12%). The effective tax rate is influenced by changes in the jurisdictional mix of profit and losses and the impact of a re-assessment of the tax value of certain losses carried forward.

Key ratios	2022	*Restated*[1] 2021
Statutory cost income ratio (%)	63%	66%
Underlying cost income ratio (%)	54%	58%
Return on Tangible Equity (%)	8.3%	11.6%
Return on Tangible Equity (adjusted) %	10.6%	12.0%
Return on assets (bps)	59	68
Per ordinary share		
Basic earnings per share (€ cent)	76.6	91.2
Underlying earnings per share (€ cent)	87.0	100.2
Tangible Net Asset Value per share (€ cent)	901	880

Net interest income

Table: 1 Net interest income / net interest margin	2022 €m	2021 €m	Change %
Net interest income	**2,482**	**2,219**	**12%**
Average interest earning assets (€bn)			
Loans and advances to customers	76	78	(3%)
Other interest earning assets	50	41	22%
Total average interest earning assets	**126**	**119**	6%
Net interest margin	**1.96%**	**1.86%**	
Gross yield - customer lending	3.42%	3.04%	
Gross yield - liquid assets	0.34%	(0.24%)	
Average cost of funds - interest bearing liabilities and current accounts	(0.22%)	(0.04%)	

Net interest income of €2,482 million for 2022 is €263 million higher than 2021 primarily driven by higher liquid asset income, supported by higher Irish deposit volumes and higher rates, higher UK net interest income and higher lending income in our other trading divisions, partially offset by the impact of higher wholesale funding costs and lower TLTRO income due to the repayment of all Group TLTRO funding in November 2022.

The Group net interest margin (NIM) is 1.96% (2021: 1.86%).

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 38 basis points to 3.42% from 2021, with higher interest rates increasing all divisional lending yields and higher corporate average lending volumes partially offset by lower average lending volumes in UK.

Customer deposit volumes with negative rates applied to them are nil as all negative rates were removed as of August 2022 (2021: €15.2 billion).

Further information on measures referred to in the table above can be found in Alternative performance measures on page 339.

[1] Comparative figures for the RoTE and RoTE (adjusted) have been restated to include non-core items, including tax of €97 million and exclude pension surplus of €349 million, which resulted in the 31 December 2021 RoTE decreasing from 12.8% to 11.6% and RoTE (adjusted) decreasing from 12.7% to 12.0%.

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

Net other income

Table: 2 Net other income	2022 €m	2021 €m	Change %
Net other income	**752**	**725**	**4%**
Analysed as:			
Business income			
Retail Ireland	274	215	27%
Wealth and Insurance	382	266	44%
Retail UK	(36)	2	n/m
Corporate and Markets	169	157	8%
Group Centre and other	(15)	(4)	n/m
Total business income	**774**	**636**	**22%**
Other gains			
Transfers from debt instruments at fair value through other comprehensive income reserve	98	16	n/m
Gain on disposal and revaluation of investment properties	2	1	100%
Total other gains	**100**	**17**	**n/m**
Other valuation items			
Wealth and Insurance	(128)	34	n/m
Interest rate movements	*(70)*	*(4)*	*n/m*
Unit-linked investment variance	*(58)*	*38*	*n/m*
Financial instrument valuation adjustments (CVA, DVA, FVA) and other[1]	6	38	(84%)
Total other valuation items	**(122)**	**72**	**n/m**

Net other income of €752 million for 2022 is 4% higher than 2021.

Business income of €774 million for 2022 has increased by €138 million or 22% compared to 2021:
- Retail Ireland increased by 27% due to higher current account, card fee and FX income reflecting customer activity, the attraction of new customers from exiting banks and recovery in the current year from COVID-19.
- Wealth and Insurance including Davy increased by €116 million or 44% due to improved performance in Wealth and Insurance, which included seven months' revenue from Davy of €80 million following acquisition on 1 June 2022.
- Retail UK primarily reflects profit sharing partnership arrangement with benefits reflected in net interest income.
- Corporate and Markets earned higher income from activities driven largely by higher retail FX income due to increased customer activity in markets and rising interest rates, partially offset by lower upfront fee income in Corporate.

Other gains of €100 million have increased by €83 million, mainly driven by gains realised on c.€4 billion of bond sales in 2022. Bond disposals arose from a decision to reduce credit risk exposure in the Group's liquid asset portfolio during 2022.

Other valuation items are a loss of €122 million for 2022, compared to a €72 million gain in 2021. This is largely driven by widening credit spreads and a general fall in equity markets. These market movements have resulted in adverse fund and investment assets performance in Wealth and Insurance. There are also adverse movements in fair value equity gains and derivative related valuation adjustments.

[1] *Credit Valuation Adjustment; Debit Valuation Adjustment; Funding Valuation Adjustment.*

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

Operating expenses

Table: 3 **Operating expenses**	**2022 €m**	*Restated*[1] **2021 €m**	**Change %**
Staff costs (excluding pension costs)	730	671	9%
Pension costs	101	140	(28%)
Retirement benefit costs (defined benefit plans)	*59*	*105*	*(44%)*
Retirement benefit costs (defined contribution plans)	*42*	*35*	*20%*
Depreciation and amortisation	233	223	4%
Other costs	682	613	11%
Operating expenses (before levies and regulatory charges)	**1,746**	**1,647**	**6%**
Levies and regulatory charges	143	130	10%
Operating expenses	**1,889**	**1,777**	**6%**

Staff numbers (including Davy)	**2022**	**2021**	**Change %**
Staff numbers at year end (full time equivalents)	10,153	8,696	17%
Average staff numbers during the year	9,894	9,342	6%

Operating expenses (before levies and regulatory charges) are €99 million or 6% higher than 2021. The increase is largely due to Davy operating expenses of €78 million following its acquisition on 1 June 2022 and the one off costs of €28 million associated with opening accounts for former Ulster Bank and KBCI customers as these banks exit from the Irish market. Excluding these costs, operating expenses (before levies and regulatory charges) have reduced by €7 million, after absorption of adverse foreign exchange movements of €3 million, as the Group continued to focus on efficiency and strategic cost reduction while maintaining investment in regulatory compliance, technology and growth in the existing business.

Staff costs (excluding pension costs) of €730 million are €59 million higher than 2021 primarily reflecting the Davy acquisition from 1 June 2022 and salary increases averaging 4% which were effective from 1 January 2022 and one off cost of living vouchers of €11 million, offset by lower average full time equivalents (excluding Davy).

At 31 December 2022, the number of staff (full time equivalents) was 10,153, an increase of 1,457 compared to 8,696 at 31 December 2021. The increase in full time equivalents is a reaction to market growth and increased volumes driven by KBCI and Ulster Bank exits from the Irish market. Excluding Davy, the number of staff (full time equivalents) was 9,324, an increase of 628 from 2021.

Average staff numbers employed by the Group (excluding Davy) in 2022 of 9,074 were 3% lower compared to 9,342 in 2021. The fall in average staff numbers is predominantly due to employees who exited the Group under the enhanced voluntary redundancy scheme up to and including 31 December 2021.

Pension costs of €101 million for 2022 were €39 million or 28% lower than 2021. Defined benefit pension costs have decreased by €46 million. New joiners are added to the Group's defined contribution plans, the cost of which has increased by €7 million compared to 2021.

Depreciation, amortisation and impairment of €233 million for 2022 is €10 million or 4% higher due to intangible asset impairment and Davy depreciation of €6 million.

Other costs including technology, property, outsourced services and other non-staff costs are €69 million or 11% higher than 2021. The cost increase reflects costs associated with opening accounts for former Ulster Bank and KBCI customers following their exit from the Irish market and €23 million of Davy operational costs and foreign exchange movements.

Levies and regulatory charges of €143 million have increased by €13 million, reflecting increases in certain levies including the Single Resolution Fund (SRF) and Deposit Guarantee Scheme (DGS).

[1] *The Group is no longer incurring transformation investment charges. Accordingly prior period comparatives have been restated to ensure consistency with 2022, with the 2021 transformation investment charge of €29 million reallocated, staff costs increased by €4 million to €671 million and other costs increased by €25 million to €613 million.*

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

Net impairment (losses) / gains on financial instruments

Table: 4 Net impairment (losses) / gains on financial instruments	2022 €m	2021 €m	Change %
Net impairment (losses) / gains on loans and advances to customers at amortised cost			
Residential mortgages	(22)	(41)	(46%)
Retail Ireland	*40*	*(58)*	*n/m*
Retail UK	*(62)*	*17*	*n/m*
Non-property SME and corporate	(124)	102	n/m
Republic of Ireland SME	*28*	*37*	*(24%)*
UK SME	*(13)*	*23*	*n/m*
Corporate	*(139)*	*42*	*n/m*
Property and construction	(18)	43	n/m
Investment	*(23)*	*28*	*n/m*
Development	*5*	*15*	*(67%)*
Consumer	(24)	43	n/m
Total net impairment (losses) / gains on loans and advances to customers at amortised cost	**(188)**	**147**	**n/m**
Net impairment gain on other financial instruments (excluding loans and advances to customers at amortised cost)	1	47	(98%)
Total net impairment (losses) / gains on financial instruments	**(187)**	**194**	**n/m**
Net impairment (losses) / gains on loans and advances to customers (bps)[1]	**(25)**	**19**	**n/m**

The Group recognised a **net impairment loss** of €187 million, for 2022, which is €381 million adverse to the €194 million impairment gain in 2021. Included in the impairment loss is a €188 million loss on loans and advances to customers at amortised cost (2021: €147 million gain).

The net loss of €187 million in 2022 incorporates a number of impairment dynamics reflecting:

- impairment model updates incorporating the current macroeconomic outlook (c.€181 million net loss, includes other financial instruments);
- net impairment losses associated with portfolio activities including case specific loss emergence, primarily in the Corporate and Property and construction portfolios, and the NPE resolution activity including portfolio disposals (c.€214 million net loss); offset by
- the application of a reduced quantum of Group management adjustments at 31 December 2022 (c.€161 million net gain in the year), which reflects the removal / utilisation of previously recognised management adjustments and the recognition of a new €60 million adjustment for the RoI SME portfolio (refer to pages 220 and 222); and
- additional recoveries of €47 million (€34 million RoI SME and €13 million Consumer) representing recognition, during 2022, of recoveries received between 2018 and 2021 in respect of loans that previously had been subject to the utilisation of impairment loss allowance.

A net impairment gain on the **Retail Ireland mortgage** portfolio of €40 million for 2022 includes a net impairment gain of €20 million on Stage 3 (i.e. credit impaired) assets and is €98 million favourable to the loss of €58 million in 2021.

A net impairment loss on the **Retail UK mortgage** portfolio of €62 million for 2022 includes a net impairment loss of €64 million on Stage 3 assets and compares to a net gain of €17 million in 2021.

The net loss of €22 million in the **residential mortgages** portfolio in 2022 primarily reflects losses associated with model parameter updates, including the updated macroeconomic outlook, as well as credit risk associated with elevated inflation and rising interest rates. This was partly offset by the diminished risk associated with COVID-19 and the observed resilience in the credit quality of customers. The residential mortgage net loss also reflects the completion of the sale of a portfolio of NPEs in the second half of the year, incorporating the full utilisation of an associated NPE post model adjustment (€80 million at 31 December 2021).

Model updates for residential mortgages in 2022 included a number of changes to the residential mortgage loss given default (LGD) models resulting in a net increase in impairment loss allowance of c.€49 million at the reporting date. Details on the LGD model updates are outlined on page 166 of the Credit Risk section. Accordingly, the Group management adjustment for residential mortgages previously applied at 31 December 2021 is no longer considered to be required. For further details see pages 220 and 222.

A net €124 million impairment loss on the **non-property SME and corporate** loan portfolio for 2022, includes a net impairment loss of €183 million on Stage 3 and is €226 million adverse to the €102 million impairment gain for 2021. The net impairment loss in 2022 primarily reflects impairment increases recognised for the change in the macroeconomic outlook and other model updates, as well as case specific loss emergence, primarily on defaulted cases in the Corporate portfolio. The net loss also reflects the recognition of losses (via post model adjustment) associated with potential greater utilisation of portfolio sales in resolution strategies for business banking loans. This was partly offset by gains from the diminished risk associated with COVID-19 on the SME portfolios and additional recoveries recognised for RoI SME cases in 2022.

[1] *Excluding €47 million in additional recoveries in respect of loans that previously had been subject to the utilisation of impairment loss allowance between 2018 and 2021, net impairment losses on loans and advances to customers would be €235 million, resulting in a 31 basis points for 2022.*

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

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

A net impairment loss of €18 million on the **property and construction** loan portfolio for 2022 includes a net impairment loss of €26 million on Stage 3 assets, and is €61 million adverse to the gain of €43 million in 2021. The net loss primarily reflects case specific loss emergence on defaulted assets and impairment increases arising from the change in the macro-economic outlook. The net loss also reflects the recognition of losses associated with the potential utilisation of portfolio sales in resolution strategies for business banking loans.

A net impairment loss of €24 million on the **Consumer** loans portfolio (€7 million gain in Retail Ireland and €31 million loss in Retail UK), includes a net impairment loss on Stage 3 assets of €19 million and is €67 million adverse to the gain of €43 million in 2021. The net loss reflects limited levels of case specific loss emergence on defaulted assets, impairment increases recognised for the change in macroeconomic outlook, as well as credit risk associated with elevated inflation and rising interest rates. This was partly offset by additional recoveries recognised for Retail Ireland Consumer cases in 2022.

Non-core items

Table: 5 **Non-core items**	**2022** **€m**	**2021** **€m**	**Change** **%**
Acquisition costs	(54)	(2)	n/m
Transformation programme costs	(50)	(122)	(59%)
Other transformation costs	*(33)*	*(12)*	*n/m*
Cost of restructuring programme	*(17)*	*(110)*	*(85%)*
Customer redress charges	(29)	(22)	32%
Investment return on treasury shares held for policyholders	(8)	(8)	–
Gross-up for policyholder tax in the Wealth and Insurance business	(2)	24	n/m
Portfolio divestments	1	8	(88%)
Operating income	*2*	*21*	*(90%)*
Operating expense	*(1)*	*(13)*	*(92%)*
IT Service Continuity Framework	–	(25)	(100%)
Gain on disposal / liquidation of business activities	–	2	(100%)
Total non-core items	**(142)**	**(145)**	**(2%)**

Acquisition costs

The Group acquired Davy, Ireland's leading provider of wealth management and capital markets services, on 1 June 2022. The Davy transaction is being treated as a business combination in line with the requirements of International Financial Reporting Standard (IFRS) 3 (see note 54) and hence the costs specifically associated with the transaction are expensed to the income statement. Costs associated with this transaction in 2022 amounted to €44 million (2021: €2 million). Included in the total acquisition costs are €11 million relating to deferred consideration payable to certain Davy employees, which is treated as remuneration under accounting rules.

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

Transformation programme costs

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

Other transformation programme costs represent transformation costs related to the ongoing activities of the business. Costs of €33 million (2021: €12 million) related to the design and development of a number of the key business initiatives which were identified as part of the strategic review of the Retail UK operations. These costs are associated with the implementation of the Group's UK future state operating and business model.

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

Customer redress charges

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

- €36 million (2021: €31 million) relates to the industry wide Tracker Mortgage Examination Review ('Review') to cover operational costs associated with the length and nature of the Review and the estimated costs of closing out the Review (see note 43); offset by
- €5 million (2021: €10 million) provision release relating to the interest rate implementation review within our Irish Business Banking and Private Banking businesses. All impacted customers were remediated during 2022 bringing this review to a conclusion; and
- €2 million provision release in respect of other customer redress items (2021: €1 million charge).

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

Non-core items *(continued)*

Investment return on treasury shares held for policyholders
The Group income statement excludes the impact of the change in value of Bank of Ireland Group plc ('BOIG plc') shares held by Wealth and Insurance for policyholders. In 2022, there was a loss of €8 million (2021: €8 million loss). At 31 December 2022, there were 1.3 million shares (2021: 3.2 million shares) held for the benefit of policyholders.

Gross-up for policyholder tax in the Wealth and Insurance business
IFRS requires that the income statement be grossed up for the total tax payable by Wealth and Insurance, comprising both policyholder and shareholder tax. The tax gross-up relating to policyholder tax is included in non-core items. In 2022, this equated to a charge of €2 million (2021: €24 million credit). The movement is mainly due to lower investment returns in 2022.

Portfolio divestments
Where the Group has made a strategic decision to exit an area of a business, the related income and expenses are treated as non-core. In 2022, the Group recognised a net gain of €1 million (2021: €8 million), primarily associated with residual income and costs relating to the sale of the UK Post Office ATM business which was completed on 31 March 2022.

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

Summary consolidated balance sheet

Summary consolidated balance sheet	Table	2022 €bn	*Restated*[1] 2021 €bn
Assets			
Loans and advances to customers	6	72	76
Liquid assets	7	49	50
Wealth and Insurance assets		22	23
Other assets	8	8	6
Total assets		**151**	**155**
Liabilities			
Customer deposits	9	99	93
Wholesale funding	10	11	21
Wealth and Insurance liabilities		21	23
Other liabilities	8	6	5
Subordinated liabilities		2	2
Total liabilities		**139**	**144**
Shareholders' equity		11	10
Other equity instruments - Additional tier 1		1	1
Total liabilities and shareholders' equity		**151**	**155**

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

The Group's portfolio of **liquid assets** at 31 December 2022 has decreased by €1.0 billion to €48.7 billion, the drivers are lower wholesale funding of €10.2 billion, mainly due to the repayment of all Group TLTRO funding in November 2022, negative fair value hedge accounting adjustments of €1.1 billion, acquisition of Davy c.€0.4 billion and lower Tier 2 volumes of €0.3 billion, offset by higher deposit balances of €7.1 billion (constant currency basis) and lower gross lending volumes of €3.9 billion (constant currency basis) predominantly due to deleveraging in Retail UK.

The Group's **asset quality** remains robust despite the impact of Russia's invasion of Ukraine, elevated inflation and increasing interest rates, with limited evidence to date of adverse impacts on credit quality. NPEs reduced by €1.7 billion to €2.6 billion, representing 3.6% of gross loans at 31 December 2022 (31 December 2021: 5.5%). In 2022, the Group completed the disposal of a pool of non-performing assets in the residential mortgages and business banking portfolios, with a gross carrying value of €1.3 billion and an associated €9 million impairment loss (note 26).

At 31 December 2022, overall **customer deposit** volumes of €99.2 billion are €6.4 billion higher due to growth in Retail Ireland of €11.0 billion predominantly driven by higher household and SME volumes combined with customer migration from banks exiting the Irish market, partially offset by lower Retail UK deposits of €4.8 billion arising from deleveraging in line with strategy. Corporate and Markets deposit volumes marginally increased by €0.2 billion.

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

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

The Group's **regulatory CET1 ratio** (net of Capital Requirements Directive (CRD) phasing) decreased by c.-110 basis points over the period to 15.9%. For further information see Capital Adequacy section from page 148.

Key balance sheet ratios	2022 %	2021 %
Liquidity coverage ratio	221%	181%
Net stable funding ratio	163%	144%
Loan to deposit ratio	73%	82%
Gross new lending volumes (€bn)	15.6	14.2
Average interest earning assets (€bn)	126	119
Common equity tier 1 ratio - fully loaded	15.4%	16.0%
Common equity tier 1 ratio - regulatory	15.9%	17.0%
Total capital ratio - regulatory	21.0%	22.3%

[1]*Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

Summary consolidated balance sheet *(continued)*

Loans and advances to customers

Table: 6 Loans and advances to customers - Composition	2022 €bn	2022 %	Restated[1] 2021 €bn	Restated[1] 2021 %
Residential mortgages	38	52%	43	55%
Retail Ireland	*22*	*30%*	*22*	*28%*
Retail UK	*16*	*22%*	*21*	*27%*
Non-property SME and corporate	22	30%	21	27%
Republic of Ireland SME	*7*	*10%*	*7*	*9%*
UK SME	*2*	*3%*	*2*	*3%*
Corporate	*13*	*17%*	*12*	*15%*
Property and construction	8	11%	9	11%
Investment	*7*	*10%*	*8*	*10%*
Development	*1*	*1%*	*1*	*1%*
Consumer	5	7%	5	7%
Total loans and advances to customers at amortised cost	**73**	**100%**	**78**	**100%**
Less impairment loss allowance on loans and advances to customers at amortised cost	(1)		(2)	
Net loans and advances to customers at amortised cost	**72**		**76**	
Loans and advances to customers at FVTPL	–		–	
Total loans and advances to customers	**72**		**76**	

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

Gross new lending performance of €15.6 billion is €1.5 billion higher than 2021, reflecting increased lending of 36% in Retail Ireland and 2% in Corporate and Markets, offset by a 16% reduction in Retail UK reflecting the division's strategy to target value rather than volume and the competitive environment.

Redemptions and repayments of €17.9 billion are €1.4 billion or 8.5% higher than 2021 due to increased redemptions in Retail Ireland, Retail UK and Corporate property portfolios.

During 2022, the stock of impairment loss allowances decreased by €0.6 billion to €1.3 billion. This was primarily due to impairment loss allowance utilisation of €0.9 billion including c.€0.4 billion associated with NPE portfolio disposals, partly offset by the net impairment loss on loans and advances to customers of €0.2 billion, as well as the impact of currency translation and other movements (€0.1 billion increase in impairment loss allowance).

Group NPEs decreased by €1.7 billion or 40% to €2.6 billion at December 2022 and represent 3.6% of gross loans to customers. The NPE portfolio disposals of €1.3 billion had an associated €9 million impairment loss in 2022, net of impairment loss allowance utilisation of c.€0.4 billion. In addition, NPE reductions were delivered via case specific resolution strategies, particularly in relation to a small number of large defaulted cases in the Investment property portfolio. NPE decreases were partly offset by the emergence of new defaults for case specific reasons primarily in the Corporate portfolio. Further detail on NPEs and impairment loss allowances are provided in the Credit Risk Section (pages 156 to 160).

NPEs	2022 €bn	Restated[1] 2021 €bn
Credit-impaired loans	2.6	4.3
NPEs	2.6	4.3
NPE ratio (%)	3.6%	5.5%

[1]*Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

Summary consolidated balance sheet *(continued)*

Liquid assets *(after impairment loss allowance)*

Table: 7 Liquid assets (after impairment loss allowance)	2022 €bn	2021 €bn
Cash at banks	3	3
Cash and balances at central banks	37	31
Bank of England	*3*	*4*
Central Bank of Ireland	*33*	*27*
Federal Reserve	*1*	*–*
Government bonds	6	11
Financial assets at FVOCI	*1*	*5*
Debt securities at amortised cost	*5*	*6*
Covered bonds	2	3
Senior bank bonds and other	1	2
	49	**50**

The Group's portfolio of **liquid assets** at 31 December 2022 has decreased by €1.0 billion to €48.7 billion, the drivers are lower wholesale funding of €10.2 billion, mainly due to the repayment of all Group TLTRO funding in November 2022, negative fair value hedge accounting adjustments of €1.1 billion, acquisition of Davy c.€0.4 billion and lower Tier 2 volumes of €0.3 billion, offset by higher deposit balances of €7.1 billion (constant currency basis) and lower gross lending volumes of €3.9 billion (constant currency basis) predominantly due to deleveraging in Retail UK.

Other assets and other liabilities

Table: 8 Other assets and other liabilities	2022 €bn	*Restated*[1] 2021 €bn
Other assets	8.4	5.6
Derivative financial instruments	*5.1*	*1.6*
Deferred tax asset	*1.0*	*1.0*
Fair value changes due to interest rate risk of the hedged items in portfolio hedges	*(0.7)*	*(0.1)*
Pension surplus (net)	*0.7*	*0.6*
Other assets	*2.3*	*2.5*
Other liabilities	6.3	4.9
Derivative financial instruments	*6.5*	*2.2*
Fair value changes due to interest rate risk of the hedged items in portfolio hedges	*(2.8)*	*–*
Notes in circulation	*0.9*	*1.1*
Lease liabilities	*0.4*	*0.5*
Other liabilities	*1.3*	*1.1*

Fair value movements of derivative assets and derivative liabilities are impacted by changes in equity markets, interest rates, FX and maturity of transactions during 2022.

The net pension position is a surplus of €0.7 billion at 31 December 2022 (31 December 2021: €0.6 billion surplus), primarily due to increases in RoI and UK discount rates resulting in decreased pension liabilities.

[1]*Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

Summary consolidated balance sheet *(continued)*

Customer deposits

Table: 9 Customer deposits	2022 €bn	*Restated*[1] 2021 €bn
Retail Ireland	76	65
Deposits	*27*	*24*
Current account credit balances	*49*	*41*
Retail UK	14	19
Retail UK (Stg£bn equivalent)	12	16
UK Post Office	*6*	*9*
Other Retail UK	*6*	*7*
Corporate and Markets	9	9
Total customer deposits	**99**	**93**

At 31 December 2022, overall Group **customer deposit** volumes of €99.2 billion are €6.4 billion higher due to growth in Retail Ireland of €11.0 billion predominantly driven by higher household and SME volumes combined with customer migration from banks exiting the Irish market, partially offset by lower Retail UK deposits of €4.8 billion arising from deleveraging in line with strategy. Corporate and Markets deposit volumes marginally increased by €0.2 billion.

Wholesale funding

Table: 10 Wholesale funding	2022 €bn	2022 %	2021 €bn	2021 %
Secured funding	4	36%	17	81%
Monetary Authority	*2*	*18%*	*14*	*67%*
Covered bonds	*1*	*9%*	*2*	*9%*
Securitisations	*1*	*9%*	*1*	*5%*
Unsecured funding	7	64%	4	19%
Senior debt	*6*	*55%*	*4*	*19%*
Bank deposits	*1*	*9%*	*–*	*–*
Total wholesale funding	**11**	**100%**	**21**	**100%**
Wholesale market funding < 1 year to maturity	2	22%	1	14%
Wholesale market funding > 1 year to maturity	7	78%	6	86%
Monetary Authority funding < 1 year to maturity	–	–	–	–
Monetary Authority funding > 1 year to maturity	2	100%	14	100%

Wholesale funding balances of €11.2 billion at 31 December 2022 are €10.2 billion lower compared to 2021. This is primarily due to the Group's repayment in full of the TLTRO funding in November 2022 of €10.8 billion, ACS bond maturities of €1.1 billion, fair value hedge accounting adjustments of €0.4 billion and a credit linked note repayment of €0.3 billion, partially offset by senior MREL eligible bond issuance of €2.0 billion and an increase in bank deposits of €0.4 billion.

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

Divisional review

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

Retail Ireland

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

Wealth and Insurance

On 1 June 2022, the Group acquired Davy, Ireland's leading provider of wealth management and capital markets services. Wealth and Insurance now includes Davy, and the Group's life assurance subsidiary, NIAC, which distributes protection, investment and pension products to the Irish market, across three core channels made up of the Group's distribution channels, independent financial brokers and its own financial advisor network as well as corporate partners. It also includes investment markets, and the Group's general insurance brokerage, Bank of Ireland Insurance Services, which offers home, car and travel insurance cover through its agency with insurance providers.

Retail UK

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

Corporate and Markets

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

Group Centre

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

The following pages provide further information on the financial performance of the Group's divisions during 2022 as well as some key performance metrics.

	2022 €m	*Restated*[1] 2021 €m
Underlying divisional contribution		
Retail Ireland	846	547
Wealth and Insurance	32	155
Retail UK	305	418
Corporate and Markets	449	758
Group Centre	(430)	(515)
Other reconciling items	(4)	3
Group underlying profit before tax	**1,198**	**1,366**
Non-core items by division		
Retail Ireland	(36)	(55)
Wealth and Insurance	(5)	24
Retail UK	(29)	(19)
Corporate and Markets	–	(1)
Group Centre	(62)	(95)
Other reconciling items	(10)	1
Group non-core items	**(142)**	**(145)**
Profit / (loss) before tax by division		
Retail Ireland	810	492
Wealth and Insurance	27	179
Retail UK	276	399
Corporate and Markets	449	757
Group Centre	(492)	(610)
Other reconciling items	(14)	4
Group profit before tax	**1,056**	**1,221**

Further information on financial measures referred to in our 2022 key performance highlights can be found in Alternative performance measures on page 339.

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

Divisional review *(continued)*

Retail Ireland

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

Opened more than 300,000 current and deposit accounts in 2022.

#1 for new Green mortgage lending in Ireland.

New lending of €7.7bn is €2bn or 36% higher than 2021.

The Group notes the following achievements under our three strategic pillars for 2022:

Transform the Bank

- Invested in key enhancements to our digital platforms, including:
  - online card controls, with the ability to self-serve a number of card-related tasks; and
  - Mi365 supports customers' financial wellbeing through personalised spending insights.
- Enhanced the account opening process to support our new customers, ensuring a smooth transfer to Bank of Ireland.
- Developed a Digital Account Switching form and a digital multi product application form (current account, overdraft, credit card and deposit account in one application).
- Continuing strong customer preference for digital banking:
  - Approximately 1.4 million digitally active[1] customers, a c.16% increase compared to 2021.
  - Total visits to our digital channels increased by over 40 million or 17% in 2022, visits are now over 25 million per month on average.
  - Over 80% increase in the number of digital applications for day-to-day products[2] in 2022 vs. 2021. The significant majority of these are self-serve, i.e. no staff assistance was required to submit or complete the application.
- Material growth in green new lending. Total green lending stands at 31% of new lending in 2022, up from 19% in 2021. Market leader for new Green mortgages in Ireland with c.50% of new business in 2022 (up from 35% in 2021).
- The Mortgage Store, Powered by Bank of Ireland won both mortgage lenders excellence awards for best service and best products at The Brokers Ireland Awards 2022.

Serve customers brilliantly

- We opened c.240k current accounts for customers in 2022, double the c.120k accounts opened in 2021. We also opened c.73k deposit accounts, a 43% increase on 2021.
- We supported over 10,700 customers in buying a home in 2022.
- Our mortgage lending in 2022 was €3.9 billion an increase of 64% over 2021.
- We guided c.150k KBCI customers through the transfer to Bank of Ireland with a series of communications in H2 2022, ultimately completing the transfer in February 2023.
- Our Customer Effort Score, reflecting day to day interactions across all channels, is up six points from the 2021 baseline.
- Relationship Net Promoter Score (RNPS), a reflection of customer's broader views of the brand, is at its highest ever score and has seen a significant divisional improvement of 9 points in H2 2022 vs H2 2021.
- Bank of Ireland has improved 41 places in the CXi Ireland Customer Experience League Table for 2022.
- Customer complaints are 8.6% lower than 2021.
- Our Financial Wellbeing Programme (FWB), maintained #1 brand for consumer awareness of having a FWB programme in 2022. Key initiatives include:
  - schools' financial literacy programmes, delivering over 300k hours of financial literacy education since 2019.
  - in 2022 the Vulnerable Customer Unit supported over 6,300 customers facing challenging situations.
  - over 6,700 Basic Bank Accounts were opened in 2022, including over 5,350 for Ukrainian customers who arrived in Ireland during the year.
  - launched Mi365, delivering in-app personalised FWB spending insights. Over 1.7 million insights have been reviewed by users since launch; and
  - cost of living hub on our Group website with practical tips for customers to protect their financial resilience.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 339.

[1] Digitally Active means a login to a digital channel within the past 90 days.
[2] Day-to-day products includes: Business Current Account, Personal Current Account, Personal Loans, Personal Credit Cards and Deposits in RoI.

Divisional review *(continued)*

Retail Ireland financial results

Grow sustainable profits

Compared to 2021:

- Operating income is €251 million higher reflecting the improving interest rate environment with higher earnings on deposits and increased fee and transaction income.
- Operating expenses are 5% higher, largely due to additional one-off resources and initiatives to support Ulster Bank customer switching and costs relating to the KBCI portfolio acquisition.
- Net impairment gain of €112 million, is €82 million higher than 2021, reflecting the recognition of cash recoveries from customers and the improvement in certain sectors despite the uncertain economic outlook.
- The underlying divisional contribution of €846 million is 55% higher than 2021.

Compared to 31 December 2021:

- Strong new lending in 2022 with increases across mortgages, SME and consumer lending portfolios, with an overall net increase of €0.6 billion in the lending book.
- Customer deposits of €76.0 billion are €11.0 billion higher, reflecting cautious customer sentiment and an increased propensity to save as well as increased volumes due to Ulster Bank and KBCI exiting the Irish market.

Retail Ireland Income statement	2022 €m	*Restated*[1] 2021 €m	Change %
Net interest income[1]	1,153	961	20%
Net other income	276	217	27%
Operating income	**1,429**	**1,178**	**21%**
Operating expenses	(703)	(668)	5%
Operating contribution before net impairment losses on financial instruments	**726**	**510**	**42%**
Net impairment gains on financial instruments	112	30	n/m
Share of results of associates and joint ventures (after tax)	8	7	14%
Underlying contribution	**846**	**547**	**55%**
Net impairment gains / (losses) on financial instruments			
Loans and advances to customers at amortised cost	112	20	n/m
Residential mortgages	*40*	*(58)*	*n/m*
Non-property SME and corporate	*28*	*37*	*(24%)*
Property and construction	*37*	*35*	*6%*
Consumer	*7*	*6*	*17%*
Other financial instruments: loan commitments and guarantees	–	10	(100%)
Net impairment gains on financial instruments	**112**	**30**	**n/m**
Balance sheet			
Loans and advances to customers (net) (€bn)			
At 31 December	32.8	32.2	2%
Average in year	32.3	32.4	–
Customer deposits (€bn)			
At 31 December	76.0	65.0	17%
Average in year	70.0	62.3	12%

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

Divisional review *(continued)*

Wealth and Insurance

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

€432 million New Ireland Life and Pensions APE, 10% increase from 2021.

Continued rollout of digital capability & launch of new products for customers in New Ireland.

Davy wealth net fund inflows of €0.8bn.

The Group notes the following achievements under our three strategic pillars for 2022:

Transform the Bank

- Continued roll-out of New Ireland digital advice platform to our customers. This full personal advice journey suite results in a greatly improved customer experience and won two major Customer Experience Awards in 2022.
- Ongoing adoption of our New Ireland broker portal which enables customers and advisors to access products and services via a single source, with strategic products available digitally to customers via Portals tripling in 2022 to c.95% including protection products, pensions, savings and investment. Adoption of digital journeys for new pensions increased by 12% to 88% in 2022, while adoption of digital journeys for new investments increased by 18% to 75% in 2022.
- Increasing business volumes on the New Ireland pension platform MyPension365 which provides customers with a modern, digital and customer-friendly experience.
- Bank of Ireland Insurance Services (BIIS) launched a new panel proposition allowing the Group to provide home insurance quotes from both RSA and FBD providing choice, value and more competitive pricing for all customers. BIIS is the first bank assurance provider in Ireland to offer this service.
- Enhanced our Davy wealth management client portal to support digital on boarding for select clients, automate client anti-money laundering documentation renewal and add further client self-service features to maintain personal data.
- We continued to drive efficiency and scalability across our Davy operations by automating wealth management client payments processes to improve customer experience, consolidating our wealth management operations onto one core platform for both the RoI and UK and automating back-office processes for corporate actions and the management of unlisted instruments.
- Established a new Davy data insights and analytics function to expand revenue potential through greater client and market analysis capabilities, provide simplification and automation of regulatory reporting and enhance employee experience and efficiency through data availability.

Serve customers brilliantly

- Continued focus on delivery for New Ireland customers, including winning 'Best Use of Investment Strategy' for the New Ireland Master Trust, and 'Marketing Campaign of the Year' for Pensions Odyssey series of pension thought leadership webinars at the 2022 Irish Pension Awards.
- New Ireland Contact Centre won the Contact Centre of the Year 2022 award for the 4th year in a row at Customer Contact Management Association, while there was a 2 point increase in our Transactional Net Promoter (TNPS) which is a reflection of the customer's experience with New Ireland Contact Centre.
- Launch of new propositions in New Ireland to help support customers, including PruFunds for customers with a low to medium or medium appetite for investment risk.
- New Ireland customer webinar series covering investments, pensions and protection formed a cornerstone for the Group's highly successful financial wellbeing seminars in 2022, with a pension campaign launched to discuss the ingredients for a great retirement plan.
- New Ireland were first to market for our customers with our executive pension replacement product, One Member Arrangement (OMA).
- Launch of new brand identity and proactive customer engagement programme in New Ireland which is anchored in financial wellbeing.
- Integration of customer sustainability preferences into the advice process for the various New Ireland distribution channels.
- Delivered strong investment returns for our Davy clients, with Davy outperforming peer group by 2.8% in 2022.
- Davy sustained market leading client engagement scores, with highest ever performance recorded in the final quarter of 2022.
- Davy evolved our institutional and corporate account planning capability, and retained our status as the number one trader on Euronext Dublin[1].

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 339.

[1] *Formerly the Irish Stock Exchange.*

Divisional review *(continued)*

Wealth and Insurance financial results

Grow sustainable profits

Compared to 2021:

- Operating income of €378 million was 46% higher than 2021, partially due to inclusion of 7 months of Davy (€84 million). Excluding Davy there was €36 million or 14% growth in income, reflecting resilient overall business performance in W&I and the benefit of assumption changes.
- Operating expenses were €80 million or 58% higher primarily due to inclusion of 7 months of Davy (€78 million). Excluding Davy operating expenses were €2 million higher reflecting strong cost discipline offsetting the impact of inflation and continued investment in digital change.
- Life and Pensions Annual Premium Equivalent (APE) new business sales were €432 million in 2022, an increase of €38 million or 10% higher than 2021, driven by sales growth within New Ireland Broker Channel. Life and Pensions market share is 20% (2021: 20%).
- Unit-linked fund prices decreased due to market volatility in 2022 impacted by increasing interest rates, inflation and Russia's invasion of Ukraine. This led to a negative investment return of €58 million (2021: €38 million positive investment return).
- Lower investment returns on non-linked and shareholder funds resulted in a €70 million loss compared to a €4 million loss in 2021.
- Underlying contribution decreased by €123 million. Excluding Davy (€6 million) underlying contribution decreased by €129 million, with the resilient business performance offset by the adverse performance of investment markets in 2022.

Wealth and Insurance (including Davy) Income statement	2022 €m	2021 €m	Change %
Net interest expense	(8)	(7)	14%
Net other income	386	266	45%
Operating income	**378**	**259**	**46%**
Operating expenses	(218)	(138)	58%
Operating contribution	**160**	**121**	**32%**
Interest rate movement	(70)	(4)	n/m
Unit-linked investment variance	(58)	38	n/m
Underlying contribution	**32**	**155**	**(79%)**

Embedded value

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

Operating profit of €191 million for 2022 was €58 million or 44% higher than 2021, primarily due to existing business profits.

Embedded value profit before tax of €42 million (2021: €187 million) was €145 million lower than 2021 due to the impact of investment market movements. Unit-linked fund prices decreased due to negative performance of investment markets as a result of market volatility. The adverse variance to assumed growth led to a negative investment variance of €88 million (2021: €54 million positive investment return). The reduction in asset values relative to insurance liabilities due to widening credit spreads on matching assets resulted in €61 million loss (2021: nil).

The table opposite summarises the overall balance sheet of Wealth and Insurance on an MCEV basis, which increased to €1,169 million at 31 December 2022 (31 December 2021: €1,098 million). The Value of in Force (ViF) asset represents the after tax value of future income from the existing book.

W&I (excluding Davy) Income statement (MCEV)	2022 €m	2021 €m
New business profits	15	17
Existing business profits	182	122
Expected return	*69*	*58*
Experience variance	*14*	*19*
Assumption changes	*99*	*45*
Interest payments	(6)	(6)
Operating profit	**191**	**133**
Unit-linked investment variance	(88)	54
Interest rate movements	(61)	–
Embedded value profit before tax	**42**	**187**

W&I (excluding Davy) Summary balance sheet (MCEV)	2022 €m	2021 €m
Net assets	534	562
ViF	806	759
Less Tier 2 subordinated capital / debt	(162)	(162)
Less pension scheme deficit	(9)	(61)
Total embedded value	**1,169**	**1,098**

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].

Bespoke mortgages represented almost 50% of mortgage new business.

Customer cost of living support hub launched.

Tailored mortgages for A and B EPC rated homes.

The Group notes the following achievements under our three strategic pillars for 2022:

Transform the Bank

- Over 95% (2021: 80%) of UK online banking is carried out by customers via the Banking 365 mobile banking app with over 139,000 customers accessing the platform with an average of 642,000 (2021: 450,000) logins per week.
- In a significant step in the UK digital transformation journey, card controls features were launched within our mobile banking app. This allows customers to view their card PIN, freeze and unfreeze their cards, order replacement cards, provide real-time balances for credit cards, provision cards for Apple Pay and Google Pay.
- To help mitigate climate change and support customers on their own green transition journeys, the Division is:
  - offering UK mortgage products with enhanced terms for A & B EPC-rated new build houses under the Bespoke mortgage proposition; and
  - rolling out bio-sourced debit cards across our entire UK cards portfolio.

Serve customers brilliantly

- A new portal was launched for Northridge customers allowing online self-serve functionality to view and amend documents.
- The UK mortgage team launched the mortgage Bespoke Platinum service giving customers and intermediaries an enhanced service with direct access to an underwriter prior to case submission and a mortgage document upload functionality.
- For a third year running 'Complaints per 1000 accounts' metrics have improved. An upgraded complaints workflow capture system went live in October 2022 providing improved data quality, enabling better use of the data being captured to generate better insight into our customer's experiences.
- A cost of living support hub has been launched on our website to encourage customers to get in touch if they are experiencing financial difficulty, as well as signposting to the existing supports and tools available including virtual financial wellbeing sessions.
- The division is committed to ensuring both our people and services are equipped to support and assist any of our customers who may be experiencing either temporary or longer term challenges:
  - Continued investment in tailored staff training including the launch of a new Vulnerable Customers Curriculum, specifically designed to expand the skills and knowledge of our customer facing colleagues.
  - Ability to offer a suite of alternative communication options to support our visually impaired customers including braille, large print and audio files.
  - This is supplemented by bespoke outputs on coloured paper to support specific visual or cognitive challenges.
- 2022 was another award-winning year:
  - UK mortgages: Five stars at the Financial Adviser Service Awards, Best Loan Lender at the Mortgage Strategy Awards and Intermediary Partner of the Year at the L&G Mortgage Club Awards.
  - Northridge Finance: Best Finance Product at Motor Finance Europe Awards, Best Independent Lender (Bank Owned) and Car Finance Personality of the Year at the Annual Car Finance awards.
  - Personal loans: two Gold Ribbons for customer experience at the UK Fairer Finance Spring Awards.
  - Marshall Leasing: Highly Commended in the Best Leasing Company (under 25,000 vehicles) category at the Business Car Awards and won the Customer Service Team Award at the FN50 Customer Service Awards.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 339.

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

Divisional review *(continued)*

Retail UK financial results

Grow sustainable profits
Compared to 2021:

- Operating income has increased by £29 million, due to higher margins in a higher interest rate environment, supported by lending and deposit margins and mix.
- Operating expenses are £1 million lower, as a result of maintaining a strong cost discipline throughout the year 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 £92 million reflecting a return to normalised impairment charges and a more uncertain economic outlook. The loss also incorporates a charge for the sale of non-performing residential mortgages in the second half the year.
- FRES income of £28 million is £30 million higher, reflecting improvement in the UK foreign travel market during the second half of 2022.

Compared to 31 December 2021:

- Loans and advances to customers (after impairment loss allowances) are £3.8 billion lower, reflecting the UK strategy of value rather than volume with reduction in new mortgage volumes of £1.0 billion.
- Customer deposits are £3.5 billion lower reflecting further optimisation of the balance sheet and funding positions.

Retail UK **Income statement**	2022 £m	Restated[1] 2021 £m	Change %
Net interest income	590	536	10%
Net other income	(21)	4	n/m
Operating income	**569**	**540**	**5%**
Operating expenses (before impairment of goodwill)	(244)	(245)	–
Operating contribution before impairment losses on financial instruments	**325**	**295**	**10%**
Net impairment (losses) / gains on financial instruments	(92)	65	n/m
Share of results of associates and joint ventures (after tax)	28	(2)	n/m
Underlying contribution	**261**	**358**	**(27%)**
Underlying contribution (€m equivalent)	**305**	**418**	**(27%)**
Net impairment (losses) / gains on financial instruments			
Loans and advances to customers at amortised cost	(91)	65	n/m
Residential mortgages	*(53)*	*14*	*n/m*
Non-property SME and corporate	*(11)*	*21*	*n/m*
Property and construction	*–*	*(1)*	*(100%)*
Consumer	*(27)*	*31*	*n/m*
Other financial instruments: loan commitments and guarantees	(1)	–	n/m
Net impairment (losses) / gains on financial instruments	**(92)**	**65**	**n/m**
Balance sheet			
Loans and advances to customers (net) (£bn)[1]			
At 31 December	18.2	22.0	(17%)
Average in year	20.9	22.8	(8%)
Customer deposits (£bn)			
At 31 December	12.3	15.8	(22%)
Average in year	13.6	16.5	(18%)

[1]*Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

Divisional review *(continued)*

Corporate and Markets

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

Enabling post pandemic economic recovery through accessible & sustainable lending.

Disciplined approach delivered gross new annual lending of €4.4bn.

Transformation of IT estate to de-risk business processes & simplify customer engagement.

The Group notes the following achievements under our three strategic pillars for 2022:

Transform the Bank

- Significant investment in internal and customer-facing systems that will deliver improved customer journeys and support progression on our digital transformation.
- Progress achieved across a number of key customer-focused programmes, including interest rate benchmark reform and streamlining existing customer onboarding processes.
- FXPay upgrade implemented resulting in positive customer feedback and improved service stability. This has resulted in improved financial performance, volume and income, with both up 20% compared to 2021.

Serve customers brilliantly

- Supporting customers in our Corporate Banking and Global Markets businesses during a transitional phase following increased consolidation in the Irish corporate banking market.
- Number 1 Bank for international companies establishing in Ireland retained in 2022.
- Supporting and advising customers in a period of market volatility. Interest rate hedging transactions doubled year on year and volatile currency markets led to increased FX volumes and currency hedging.
- Positive Global Markets customer satisfaction survey results at 89% (2021: 88%), which indicated high levels of satisfaction with treasury products and services provided.
- Pro-active engagement with a return to in-person meetings, events and thought leadership activities. Corporate Banking won 9 awards in the Finance Dublin 2022 Deals of the Year, with Corporate and Markets winning the CX impact in Financial Services Award at the Irish Customer Experience Impact Awards.
- Established a dedicated ESG forum which has resulted in increased engagement with customers on ESG topics, with growth in sustainability linked loans, lending on renewable energy projects and increased Green Bond eligible lending.
- By the end of 2022, sustainability linked pricing mechanisms were incorporated in c.€1.4 billion of lending commitments to corporate customers.
- Delivery of emissions hedging solutions to Irish corporates. Completion of Tranche II of an award-winning Nature financing transaction.
- At end of 2022 Corporate Banking had over €550 million of finance committed to supporting the delivery of c.11k homes (including 600 social housing units).

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 339.

Divisional review *(continued)*

Corporate and Markets financial results

Grow sustainable profits
Compared to 2021:
- Net interest income and business income was €20 million higher, mainly due to higher deposit earnings.
- Operating expenses are €17 million higher reflecting among other factors the inflationary impact of salary costs, higher pension costs, increases arising from the resumption of normal business activity post pandemic and adverse FX impact.
- An impairment loss of €199 million (2021: €95 million gain) reflecting a more uncertain economic outlook and a number of legacy loan asset disposals.

Compared to 31 December 2021:
- Loan book is €0.5 billion higher reflecting strong lending activity in the year.

Corporate and Markets Income statement	2022 €m	*Restated*[1,2] 2021 €m	Change %
Net interest income[1]	651	643	1%
Net other income	185	191	(3%)
Operating income	**836**	**834**	**–**
Net interest income and business income	*820*	*800*	*3%*
Financial Instruments valuation adjustments	*16*	*28*	*(43%)*
Other debt instruments at FVOCI gains	*–*	*6*	*(100%)*
Operating expenses	(188)	(171)	10%
Operating contribution before impairment losses on financial instruments	**648**	**663**	**(2%)**
Net impairment (losses) / gains on financial instruments	(199)	95	n/m
Underlying contribution	**449**	**758**	**(41%)**
Net impairment (losses) / gains on financial instruments			
Loans and advances to customers at amortised cost	(195)	52	n/m
Non-property SME and corporate	*(139)*	*43*	*n/m*
Property and construction	*(56)*	*9*	*n/m*
Other financial instruments: loan commitments and guarantees	(4)	43	n/m
Net impairment (losses) / gains on financial instruments	**(199)**	**95**	**n/m**
Balance sheet			
Loans and advances to customers (net) (€bn)			
At 31 December	18.6	18.1	3%
Average in year	18.3	17.2	6%
Customer deposits (€bn)[2]			
At 31 December	9.3	9.1	2%
Average in year	9.2	9.0	2%
Euro liquid asset bond portfolio (€bn)			
At 31 December	7.8	14.1	(45%)
Average in year	11.0	14.8	(26%)

[1] *Comparative figures have been restated to reflect a change in the Group's allocation of internal funding costs between divisions, following cessation of an inter segmental fee previously paid to the Corporate and Markets division for managing the Group's structural balance sheet. This has resulted in a decrease of €39 million in net interest income for Corporate and Markets and a corresponding increase of €39 million in net interest income for Retail Ireland.*
[2] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

Divisional review *(continued)*

Group Centre

Group Centre incorporates the Group's central support and control functions, which establish governance and oversee policies and provide management services to the Group. It also provides and manages processes and delivery platforms for the trading divisions and includes gains on disposal from liquid asset portfolios.

Supporting acquisitions of Davy & KBC.

Inaugural Responsible & Sustainable report issued Q1 2022.

Advances on our Inclusion & Diversity agenda.

The Group notes the following achievements under our three strategic pillars for 2022:

Transform the Bank

- Relentless focus on right-sizing and simplifying the IT estate, while delivering new digital features (e.g. Cards Controls, Mi365 Financial Welling, Biometrics) and building capacity for organic and inorganic growth opportunities. Uplifts to Enterprise Infrastructure and new cybersecurity capabilities deployed to further protect customers. On-going delivery against a busy regulatory agenda.
- A full review of the Group Risk Framework has been completed with a new Framework being adopted. This is in the process of being implemented and will result in a modern Risk Framework addressing historic and emerging risks with greater delineation between First, Second and Third Line of Defence activities.
- The Group Culture Embedding Index is 76%, which is 22 points higher than when first measured in 2018. It is aligned to the external global financial services benchmark.
- Our colleague engagement score is 68% which is up five points on 2021, and 19 points higher than when it was first measured in 2017.
- Throughout 2022, progress was made on our Inclusion and Diversity agenda. Key highlights include:
  - launch of progressive policies including Domestic Abuse Leave Policy, Menopause Support Policy and an improved Paternity Leave Policy that tripled the Bank's previous paid paternity leave from two to six weeks and is open to all colleagues;
  - launched a female talent community via EMERGE; and
  - partnered with LGBT+ organisation BelongTo to deliver an eLearning platform.
- The Group continued to support colleague wellbeing by equipping and empowering them via innovative solutions. Studio Recharge, a new state of the art wellness centre was launched in our Cabinteely office.
- New ways of working in 2022 saw the launch of divisional neighbourhoods to all colleagues, creating additional desk capacity across the bank. This marked a key milestone for the activation of the Group's full hybrid working model.
- The Group's 2022 Recognition Awards took place in December 2022, celebrating our collective achievements and announcing this year's winners. There were 66 finalists with an additional 10 Wild Card finalists and 6 Gold Sovereign, selected from over 3,000 colleague nominations. The "Group Recognition Shout Out" Community had over 6,700 posts and more than 12,000 social media interactions.

Serve customers brilliantly

- The Group supported the Ukrainian community through the collection of donations of essential supplies across our branch network for onward shipping to Poland through UNICEF. Bank charges for customers sending money to family, friends or colleagues in Ukraine were refunded, backdated to 24 February 2022. The Group also offered employment to Ukrainian nationals, to support account opening and provide translation services.
- The inaugural standalone Responsible and Sustainable report issued in Q1 2022 marked a significant deepening of the Group's disclosures of environmental, social and governmental matters. ESG targets have been integrated into the Group's strategy and business models.
- Strong customer service performance supported record customer volumes across the Group's Digital Channels including Mobile App, Payments, Open Banking and Cards Strong Customer Authentication.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 339.

Divisional review *(continued)*

Group Centre financial results

Grow sustainable profits

- Central function support for the Davy and KBC acquisitions and market exits.
- 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 2021:

- Net operating income was €47 million higher, primarily due to gains on disposal of Government bonds.
- Operating expenses of €357 million were €36 million or 9% lower, reflecting lower staff costs and other cost reductions arising from rationalisation of business activities and other items.
- Levies and regulatory charges were €14 million higher, primarily due to increase in DGS and SRF levies.

Group Centre **Income statement**	**2022 €m**	*Restated*[1] **2021 €m**	**Change %**
Net operating income	55	8	n/m
Operating expenses (before levies and regulatory charges)	(357)	(393)	(9%)
Levies and regulatory charges	(136)	(122)	11%
Net impairment losses on financial instruments	7	(8)	n/m
Gain on disposal / liquidation of business activities and property	1	–	n/m
Underlying contribution	**(430)**	**(515)**	**17%**

[1] *The Group is no longer incurring transformation investment charges. Accordingly prior period comparatives have been restated to ensure consistency with 2022, with the 2021 transformation investment charge of €29 million reallocated, 'operating expenses (excluding levies and regulatory charges)' increased by €29 million to €393 million.*

Divisional review *(continued)*

Income statement - operating segments

In the tables below, 'underlying' excludes the impact of non-core items (page 53).

2022	Net interest income / (expense) €m	Net insurance premium income €m	Other income / (expense) €m	Total operating income / (expense) €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating profit / (loss) before net impairment losses on financial instruments €m	Net impairment (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Divisional underlying contribution												
Retail Ireland	1,153	–	276	**1,429**	–	**1,429**	(703)	**726**	112	8	–	**846**
Wealth and Insurance	(8)	2,051	(1,413)	**630**	(380)	**250**	(218)	**32**	–	–	–	**32**
Retail UK	691	–	(25)	**666**		**666**	(286)	**380**	(107)	32	–	**305**
Corporate and Markets	651	–	185	**836**		**836**	(188)	**648**	(199)	–	–	**449**
Group Centre	(5)	(5)	63	**53**	2	**55**	(493)	**(438)**	7	–	1	**(430)**
Other reconciling items	–	–	(2)	**(2)**	–	**(2)**	(2)	**(4)**	–	–	–	**(4)**
Group - underlying	**2,482**	**2,046**	**(916)**	**3,612**	**(378)**	**3,234**	**(1,890)**	**1,344**	**(187)**	**40**	**1**	**1,198**
Total non-core items												
Acquisition costs	–	–	–	**–**	–	**–**	(54)	**(54)**	–	–	–	**(54)**
Transformation programme costs	–	–	–	**–**	–	**–**	(50)	**(50)**	–	–	–	**(50)**
Customer redress charges	5	–	–	**5**	–	**5**	(34)	**(29)**	–	–	–	**(29)**
Investment return on treasury stock held for policyholders	–	–	(8)	**(8)**	–	**(8)**	–	**(8)**	–	–	–	**(8)**
Gross-up for policyholder tax in the Wealth and Insurance business	–	–	(2)	**(2)**	–	**(2)**	–	**(2)**	–	–	–	**(2)**
Portfolio divestments	–	–	2	**2**	–	**2**	(1)	**1**	–	–	–	**1**
Gain on liquidation of business activities	–	–	–	**–**	–	**–**	–	**–**	–	–	–	**–**
IT service continuity framework	–	–	–	**–**	–	**–**	–	**–**	–	–	–	**–**
Group total	**2,487**	**2,046**	**(924)**	**3,609**	**(378)**	**3,231**	**(2,029)**	**1,202**	**(187)**	**40**	**1**	**1,056**

Divisional review *(continued)*

Income statement - operating segments *(continued)*

Restated[1]

2021	Net interest income / (expense) €m	Net insurance premium income €m	Other income / (expense) €m	Total operating income / (expense) €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating profit / (loss) before net impairment losses on financial instruments €m	Net impairment gains / (losses) on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Divisional underlying contribution												
Retail Ireland	961	–	217	**1,178**	–	**1,178**	(668)	**510**	30	7	–	**547**
Wealth and Insurance	(7)	2,019	1,370	**3,382**	(3,089)	**293**	(138)	**155**	–	–	–	**155**
Retail UK	623	–	5	**628**	–	**628**	(285)	**343**	77	(2)	–	**418**
Corporate and Markets	643	–	191	**834**	–	**834**	(171)	**663**	95	–	–	**758**
Group Centre	(2)	(1)	11	**8**	–	**8**	(515)	**(507)**	(8)	–	–	**(515)**
Other reconciling items	1	–	2	**3**	–	**3**	–	**3**	–	–	–	**3**
Group - underlying	**2,219**	**2,018**	**1,796**	**6,033**	**(3,089)**	**2,944**	**(1,777)**	**1,167**	**194**	**5**	**–**	**1,366**
Total non-core items												
Acquisition costs	–	–	–	**–**	–	**–**	(2)	**(2)**	–	–	–	**(2)**
Transformation programme costs	–	–	–	**–**	–	**–**	(122)	**(122)**	–	–	–	**(122)**
Customer redress charges	8	–	–	**8**	–	**8**	(30)	**(22)**	–	–	–	**(22)**
Investment return on treasury stock held for policyholders	–	–	(8)	**(8)**	–	**(8)**	–	**(8)**	–	–	–	**(8)**
Gross-up for policyholder tax in the Wealth and Insurance business	–	–	24	**24**	–	**24**	–	**24**	–	–	–	**24**
Portfolio divestments	–	–	21	**21**	–	**21**	(13)	**8**	–	–	–	**8**
Gain on liquidation of business activities	–	–	–	**–**	–	**–**	–	**–**	–	–	2	**2**
IT service continuity framework	–	–	–	**–**	–	**–**	(25)	**(25)**	–	–	–	**(25)**
Group total	**2,227**	**2,018**	**1,833**	**6,078**	**(3,089)**	**2,989**	**(1,969)**	**1,020**	**194**	**5**	**2**	**1,221**

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

Governance

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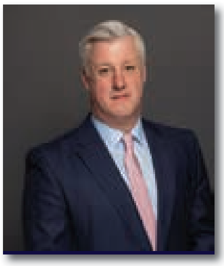
Chairman's Introduction



Patrick Kennedy
Chairman

Dear Shareholders,

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

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

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

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

A key objective of the Group's governance framework is to ensure compliance with applicable corporate governance requirements. During 2022, the Group complied fully with the following corporate governance requirements:

- Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 (Irish Code), except in relation to compliance by Bank of Ireland Mortgage Bank Unlimited Company (BoIMB) with parts of S. 22, and Ss. 7.1 and 7.2 of Appendix 1, of the Irish Code, further details of which are provided under Subsidiary Governance on page 93;
- Statutory Instruments 158/2014 European Union (Capital Requirements) Regulations 2014 & 159/2014 European Union (Capital Requirements) (No.2) Regulations 2014, both as amended;
- European Banking Authority (EBA) Guidelines on internal governance under Directive 2013/36/EU, as amended;
- Joint European Securities and Markets Authority (ESMA) and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU, as amended.

The Group is also subject to the 2018 UK Corporate Governance Code published by the Financial Reporting Council in the UK (UK Code) and the Irish Corporate Governance Annex to the Listing Rules of Euronext Dublin (formerly the Irish Stock Exchange). During 2022, the Group applied the main principles and complied with all provisions of the UK Code other than in instances related to Section 3, Provision 19, the rationale and explanation for which is set out on page 82 and Section 5: Remuneration, in particular principle R and provisions 36 and 37. The rationale and explanation for non-compliance with these provisions are set out below:

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

Coronavirus pandemic (COVID-19)

As COVID-19 continued to impact society and business during 2022, the Board continued to focus on ensuring the health and safety of our colleagues and customers, the continuity of the Group's operations and the availability and reliability of service to our customers. The majority of our colleagues continued to work remotely in 2022, or, where appropriate, in a hybrid manner (a combination of working remotely and on-site) supported by our technology colleagues. Other colleagues ensured that the safety of customers, as well as staff required at the Bank's locations, was prioritised.

Corporate Governance Statement *(continued)*

Eileen Fitzpatrick, our Workforce Engagement Director, continued to provide a positive additional point of connection between the Board and the workforce during 2022. Later in the Report, we share some activities undertaken by Eileen in 2022. Eileen's activities, coupled with the Board's direct engagement with senior colleagues during 'visibility sessions' (held in the absence of the CEO, CFO and wider Executive team) complemented the pre-existing mechanisms through which the Board gains valuable insights into how colleagues were experiencing the work environment and, importantly, the leadership and culture of the Group.

People and culture

Our people remain at the very core of what we do, and I continue to be impressed by the commitment shown by all of our colleagues. The Board appreciates that the pandemic continued to impact us all personally and professionally in 2022 and the way in which the Group's workforce worked to support one another and our customers has been notable. The Board has worked with the Executive team to ensure a continued focus on the Group's culture during 2022. The Board is satisfied that the Group's culture, its purpose, values and strategic priorities are aligned.

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

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

For this reason the Group's Open View colleague survey, conducted in Q4 2022, continues to provide rich insights into colleague sentiment. The survey included a broad range of employee engagement and culture topics with benchmarking data provided by a specialist engagement consultancy. I am pleased to report that, in 2022, colleague participation reached its highest level to date (79%), with colleagues clearly welcoming the opportunity to share their views and opinions.

Engagement has risen by 5 points this year, led by increases in job enjoyment and "recommending the Group as a place to work" (+5 points and +8 points respectively). The Culture Embedding Index has also increased and remains in line with external trends. Awareness and Understanding of purpose and values remains high, with increases in Belief in and Demonstration (of Values) (+3 points each), suggesting greater engagement with putting the values into practice. Notably, more colleagues are feeling positive about their work life (+11 points), including better work-life balance and feeling supported and connected as the organisation embraces post-pandemic flexible ways of working, including hybrid working. There is also greater positivity on key inclusion metrics and colleague ability to share opinions openly, contributing to the development of psychological safety. The Board appreciates that such positive results are directly attributable to the combined efforts of all colleagues and the leadership of the Executive. The Board is aware that the Group's approach to ways of working post the pandemic is an area of interest for colleagues and the Executive is taking due care in maintaining a watching brief on the Group and market practices to ensure safe and effective working arrangements for the workforce.

Another important aspect of our culture is embedding diversity and inclusion throughout the organisation. Gender diversity has been an area of focus for the Group at both workforce and Board-level. Currently, the representation of females on our Board is at 36%. The Group signed up to the Race at Work Charter during 2020 and is committed to meeting, and in certain cases exceeding, the standards set out in that Charter, which is composed of five principal calls to action for leaders and organisations to ensure their workplaces are tackling barriers that ethnic minorities face in recruitment and progression. Supporting equality in the workplace is the responsibility of all leaders and the Board has pledged its commitment to zero tolerance for any form of racial harassment, bullying or inappropriate behaviours from any source, be it management, colleagues, customers or contractors.

For more information on the Board's Diversity Policy, click here or go to:

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

Board composition in 2022

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

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

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

Francesca and Myles' departures reflected the continuing impact on the tenure of executives in financial services arising from the restrictions by the Irish Government on Irish bank boards' autonomy to determine remuneration policies that are appropriate to attract and retain talent and align Executives' interests to the long term sustainable success of the Bank. On 29 November 2022, we welcomed the announcement regarding the lifting of a number of restrictions following the Bank's return to full private ownership in September. The restrictions were put in place during the financial crisis and the Bank will always be grateful for the support received, which should never have been required. It was a priority of the Bank to repay the taxpayer in full as quickly as possible, and this was completed by 2013.

Corporate Governance Statement *(continued)*

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

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

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

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

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

Other Committee changes

Ian Buchanan joined the Group Remuneration Committee (GRC) on 1 January 2022. Reflecting the increasing importance of environmental and social activities, the Board-level Group Responsible and Sustainable Committee (renamed the Group Sustainability Committee (GSC)) commenced activities in February 2022 and is supported by the Group's Chief Sustainability & Investor Relations Officer. The Committee is comprised of the following four NEDs, selected with regard to, inter alia, their backgrounds, skillsets, activity levels across the Group and subject matter interest:

Director	Position on the Group Sustainability Committee
Fiona Muldoon	Chair
Giles Andrews	Member
Evelyn Bourke	Member
Michele Greene	Member

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

Board and individual effectiveness evaluation

During 2022, Heidrick & Struggles, a specialist board recruitment and evaluation consultancy, conducted the annual effectiveness evaluation of the Board. Detail on the outcome of this evaluation, which, in summary, concluded that the Board is effective, can be found on page 85. I also conducted a review of the performance of individual Directors, following which I concluded that individual Directors continue to demonstrate commitment to their roles, with such commitment evidenced further during 2022 given the significantly heightened activity levels arising from the acquisition of Davy and of the KBCI portfolios. All Directors are considered to be experienced and knowledgeable, and I am confident that they each bring valuable skills to the Board and provide an objective perspective. The Board considers that the effective contribution of each of the individual Directors and the Board as a whole is, and continues to be, important to the long-term sustainable success of the Group. As part of the evaluation process, we have identified some areas for enhancement. Such enhancements are always welcomed and I look forward to reporting on progress on those areas in the next report. Updates on the areas for enhancement identified in the 2021 Board effectiveness evaluation are also reported on page 85.

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

Looking ahead

The Board will continue to work effectively with the Executive team in 2023 to ensure continued challenge to and delivery of the Group's strategy in order to create sustainable long-term value for our shareholders. The Group's governance framework will be subject to continuous review to ensure it remains robust and facilitates effective decision making and appropriate Board oversight. Alongside the Group's transformation agenda, the health and safety of our colleagues and customers and the Bank's wider role in the community, and the ongoing integration of Davy and the migration of the KBCI portfolios, will remain top priorities.

Patrick Kennedy
Chairman

6 March 2023

Your Board

Board

Group Audit Committee	**Group Risk Committee**	**Group Remuneration Committee**	**Group Nomination and Governance Committee**	**Group Transformation Oversight Committee**	**Group Sustainability Committee**
Evelyn Bourke *(Chair)*	Richard Goulding *(Chair)*	Steve Pateman *(Chair)*	Patrick Kennedy *(Chair)*	Ian Buchanan *(Chair)*	Fiona Muldoon *(Chair)*
Eileen Fitzpatrick	Giles Andrews	Giles Andrews	Eileen Fitzpatrick	Giles Andrews	Giles Andrews
Richard Goulding	Evelyn Bourke	Ian Buchanan	Richard Goulding	Richard Goulding	Evelyn Bourke
Fiona Muldoon	Ian Buchanan	Eileen Fitzpatrick	Fiona Muldoon	Michele Greene	Michele Greene
Steve Pateman	Michele Greene	Fiona Muldoon		Patrick Kennedy	
	Steve Pateman				

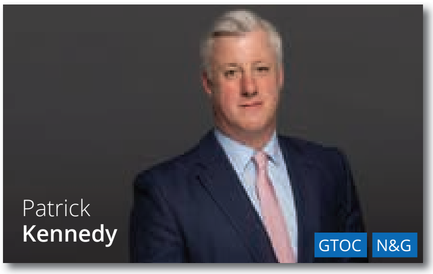
Group Executive Committee

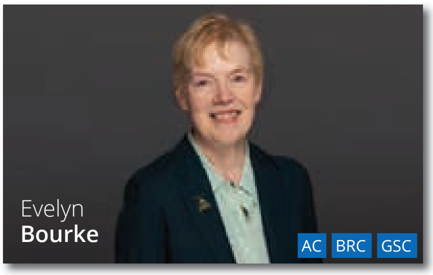
Myles O'Grady *(Group Chief Executive Officer)*
Mark Spain *(Group Chief Financial Officer)*
Matt Elliott *(Group Chief People Officer)*
Gavin Kelly *(Chief Executive, Retail Ireland)*
Paul McDonnell *(Interim Chief Executive, Corporate & Markets)*
Ian McLaughlin *(Chief Executive, Retail UK)*[1]
Gabrielle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

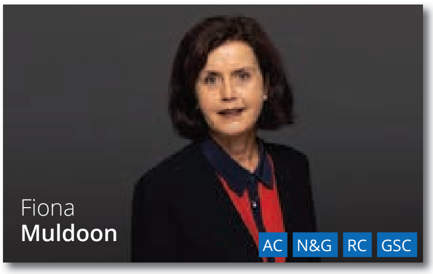
The above list reflects GEC membership on 6 March 2023, including new appointments during 2022 and early 2023.

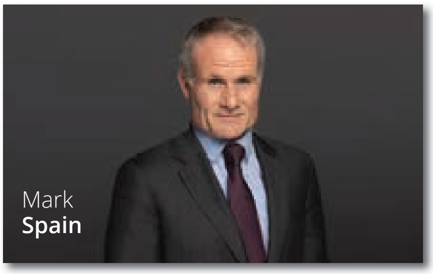
[1] *Ian McLaughlin has indicated his intention to depart the Group in 2023.*

Your Board *(continued)*





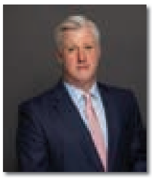




Abbreviations

AC	Audit Committee
BRC	Board Risk Committee
GTOC	Group Transformation Oversight Committee
N&G	Nomination & Governance Committee
RC	Remuneration Committee
GSC	Group Sustainability Committee

Your Board *(continued)*



Patrick **Kennedy**

Chairman and Non-Executive Director

Bank of Ireland Role Appointments
Appointed Independent Non-Executive Director in July 2010 and Chair in August 2018.

Committee Memberships
Chair of the Nomination & Governance Committee.

Member of Group Transformation Oversight Committee.

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

Richard **Goulding**

Deputy Chair and Senior Independent Director

Bank of Ireland Role Appointments
Appointed Independent Non-Executive Director in July 2017.

Appointed Chair of the Risk Committee in August 2018.

Appointed Deputy Chair and Senior Independent Director in January 2021.

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

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

Committee Membership
Chair of the Risk Committee.

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

Chair of the Remuneration Committee of J & E Davy.

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

Myles **O'Grady**

Group Chief Executive Officer and Executive Director

Bank of Ireland Role Appointments
Appointed Group Chief Executive Officer and Executive Director in November 2022.

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

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

Your Board *(continued)*

Giles **Andrews**

Independent Non-Executive Director

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

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

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

Ian **Buchanan**

Independent Non-Executive Director

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

Appointed Chair of Group Transformation Oversight Committee in August 2018.

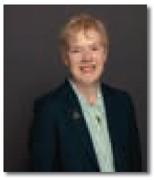
Appointed Non-Executive Director of Bank of Ireland (UK) plc in September 2018.

Committee Membership
Chair of Group Transformation Oversight Committee.

Member of the Risk Committee and Remuneration Committee.

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

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



Evelyn **Bourke**

Independent Non-Executive Director

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

Appointed Chair of the Audit Committee in January 2021.

Committee Membership
Chair of the Audit Committee.

Member of the Risk Committee and the Group Sustainability Committee.

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

Your Board *(continued)*

Eileen **Fitzpatrick**

Independent Non-Executive Director

Bank of Ireland Role Appointments

Appointed Independent Non-Executive Director in May 2019.

Appointed Workforce Engagement Director in January 2020.

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

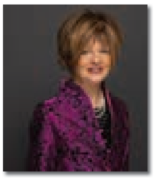
Committee Membership

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

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

Experience

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



Michele **Greene**

Independent Non-Executive Director

Bank of Ireland Role Appointments

Appointed Non-Executive Director in December 2019.

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

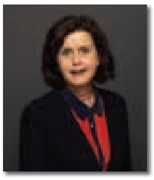
Committee Membership

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

Chair of the Nomination Committee of J & E Davy.

Experience

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



Fiona **Muldoon**

Independent Non-Executive Director

Bank of Ireland Role Appointments

Appointed Independent Non-Executive Director in June 2015.

Appointed Chair of the Group Sustainability Committee in December 2021.

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

Committee Membership

Chair of the Group Sustainability Committee.

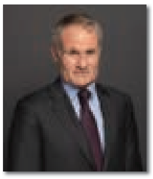
Member of the Nomination & Governance Committee, the Audit Committee, and the Remuneration Committee.

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

Experience

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

Your Board *(continued)*



Mark **Spain**

Group Chief Financial Officer and Executive Director

Bank of Ireland Role Appointments
Appointed Group Chief Financial Officer and Executive Director in March 2022.

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

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

Steve **Pateman**

Independent Non-Executive Director

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

Appointed Chair of the Remuneration Committee in January 2020.

Committee Membership
Chair of the Remuneration Committee.

Member of the Audit Committee and Risk Committee.

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

Your Board *(continued)*

Chairman's tenure

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

In the Annual Reports for 2019-2021, the Board's consideration of Patrick's continued strength of leadership was outlined against the backdrop of the UK Code recommendations. The UK Code and the supporting Guidance on Board Effectiveness identify service on the Board for more than nine years from the date of first appointment as a specific consideration in the evaluation of the independence of NEDs. The Chairman is not subject to the UK Code's independence test other than on appointment. However, the UK Code recommends that the Chairman is subject to similar length of service considerations and should not remain in post longer than nine years. The UK Code provides for extension of the Chairman's tenure to facilitate succession planning and the development of a diverse Board, particularly in those cases where the Chairman was an existing NED on appointment.

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

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

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

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

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

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

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

In relation to the senior management team, having regard to the recent appointment of the CFO in March 2022, the recent departure of the former CEO in September and subsequent appointment of the new CEO in November 2022, the Board is satisfied that there is no issue of significant concurrent service arising as a governance concern.

Patrick combines a detailed understanding of the Group with exceptional commercial acumen gained from a highly successful career in national and international business. He continues to demonstrate clear independence of mind and objective judgement. He has focused on strong succession at Board level with appointments of Directors with experience of banking, technology, transformation and government policy. He has promoted diversity and constructive challenge amongst Board members and has reinforced relationships with the Group's stakeholders and, in the Board's view, with the Irish Government. His commercial skills and the knowledge he has acquired of banking are unique in an Irish-based director. Patrick's performance remains at a consistently high level. As part of the Board's external annual review process, conducted by Heidrick & Struggles, in 2022, Patrick was, once again, considered to be a highly effective Chairman and continues to provide strong leadership to the Board.

Recommendation to shareholders

At the time of his appointment in 2018, the Board's expectation was that Patrick would serve two three-year terms, in line with the tenure of previous Chairmen and the Board's views on succession planning and the need for retention of corporate memory as other long-standing directors depart the Board. The Board has carefully considered the implications of the UK Code and is of the view that Patrick's tenure should be extended to 2024 to allow his services to be retained in the best interests of the Company and its shareholders, and subject always to

Your Board *(continued)*

annual performance assessments and the annual re-election by shareholders at the Company's AGM.

The Board has considered carefully its succession plan over the short to medium term and has given due consideration to the process through which an appropriate successor to Patrick would be identified and the timeframe thereof. The process to select an external third-party firm to work with the SID and the wider N&G on the search commenced in the second half of 2022. Further updates on the matter will be provided in due course.

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

Board Committees

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

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

The terms of reference of the GAC, the BRC, the N&G, the GRC, the GTOC and the GSC are available on the Group's website.

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

In addition to the aforementioned Committees, the Board has in place a Committee, the Group Transformation Oversight Committee (GTOC), which has a mandate to support the Board in overseeing, supporting, and challenging the actions being taken by management in relation to the execution of the Group's strategic transformation, focused on technology related change. As the Group pivots towards a more customer-focused, digital banking model, with greater levels of customer digital engagement and automation of servicing and processes, the Committee oversees the step change required in the Group's business and technology practices alongside changes required to optimise digital skills, organisational models and ways of working in order to deliver the right customer experience, systems, and processes to deliver the desired outcomes.

As referenced earlier, a standalone GSC commenced operation in February 2022 which has responsibility for assisting the Board in overseeing the Group's performance as a responsible and sustainable business and in delivering the Group's Sustainability strategy, in order to achieve the Group's purpose.

Both GTOC and GSC have shared membership in place with each of BRC and GAC.

In carrying out their duties, Board Committees are entitled to take independent professional advice, at the Group's expense, where deemed necessary or desirable by the Committee Members.

Reports from the GAC, the BRC, the N&G and the GRC are presented on pages 94 to 112.

Board composition and succession

The Board comprises eleven Directors: two Executive Directors, the Chairman, who was independent on appointment, and eight independent NEDs. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pages 78 to 81.

The Board considers that a board size of ten to twelve Directors allows for a good balance between having the full range of skills necessary on the Board and to populate its Committees and retaining a sense of accountability by each Director for Board decisions. The Board acknowledges that this number may go below ten or beyond twelve for a short term as may be required to accommodate succession planning activities and to ensure the timely induction and development of new Directors.

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

Both on an individual and a collective basis, the Directors are considered to have the range of skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group and that high corporate governance standards are maintained. The N&G leads the process for appointments to the Board and ensures plans are in place for orderly succession to both the Board and Executive positions.

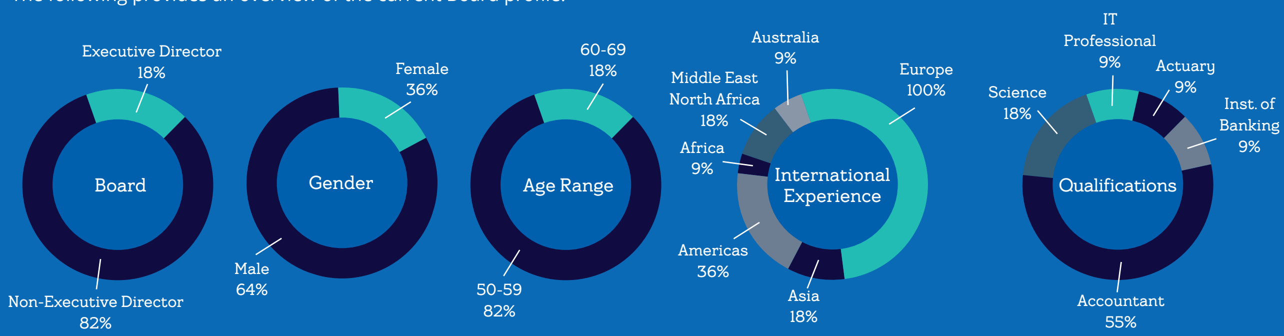
The process has regard for the impact of expected retirements of Directors and the Group's desired culture and its strategic direction. As part of the process, the N&G approves a detailed role profile, based on its analysis of the skills and experiences needed and selects, where appropriate, an external search firm to facilitate the process. The N&G ensures that a comprehensive due diligence process is undertaken, which includes the candidate's self-certification of probity and financial soundness, external references and external checks. The due diligence process facilitates the N&G in satisfying itself as to the candidate's independence, fitness and probity, and capacity to devote sufficient time to the role before making a formal recommendation to the Board. Regulatory assessment and formal approval is required and received for all Board appointments.

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

Your Board *(continued)*

Diversity
The Board is fully committed to diversity in all forms and truly believes that diversity is an essential ingredient of sound decision-making. As of 1 January 2023, the Board comprises of 36% female representation. The Board's approach to diversity in all its forms is set out in the Board Diversity Policy which has retained the specific gender target of maintaining a minimum of 33% female representation on the Board, with a medium term aspiration of achieving broadly equal gender representation on the Board. The Board values diversity and strives to achieve minority ethnic representation on the Board in the medium-term. When setting diversity objectives, the Committee will consider diversity benchmarking results published by competent authorities, the European Banking Authority or other relevant international bodies or organisations.

The following provides an overview of the current Board profile.



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

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

The Board's Professional Development and Continuous Education Programme

- Formal Induction Programme: A suite of induction documentation is furnished to all incoming Directors to facilitate their understanding of how the Group operates and the key issues that it faces. A series of meetings with senior management are arranged on matters such as Group and Divisional strategy, the Group's Risk Appetite and Group Risk Framework, the regulatory environment, people strategies, technology and operations, capital and liquidity management and the Group's financial position. The induction programme is supplemented with an additional bespoke programme, developed in conjunction with the incoming Director to address any specific requirements.
- Continuous Education Programme: The continuous development requirements of the Board and individual Directors are informed by the outcome of annual effectiveness reviews, the annual review of the collective skillset of the Board, emerging external developments and areas the Board has identified for further focus. The Continuous Education Programme is delivered through varying means and facilitated by internal and external experts where appropriate. The approach to Directors' induction and continuous development is set out in a Board-approved Director Induction, Training and Development Policy which is reviewed annually by the N&G.
- Subject to constraints imposed by COVID-19 restrictions, site visits across the Group including meetings with colleagues and customers.

Assessing the effectiveness of the Board

The Board seeks to continually enhance its operations and, each year, conducts a formal effectiveness evaluation of the Board, Board Committees and individual Directors. In addition to reviewing the Board's operations, composition and overall effectiveness, the evaluation reviews past performance with the aim of identifying possible opportunities for improvement, determines whether the Board and its Committees are as a whole effective in discharging their responsibilities and, in the case of individual Directors, determines whether each Director continues to contribute effectively and to demonstrate commitment to their role. The Board is required to have an external evaluation conducted once every three years. During 2022, an external evaluation was carried out by Heidrick & Struggles (H&S), a specialist board recruitment and evaluation consultancy, which concluded positively regarding the effectiveness of the Board. The external evaluation conducted every three years was complemented by the internal process undertaken in 2020 and 2021. The outcome of the 2021 review was reported in the 2021 Annual Report and a report on progress against opportunities identified for improvement in 2021 is set out on page 85.

Your Board *(continued)*

The external evaluation of the Board effectiveness included:

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

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

Chairman

The performance of the Chairman was assessed during the H&S evaluation and, led by the SID, the Board met to discuss the Chairman's performance, in his absence. The SID subsequently provided an update on the positive outcome of the review to the Chairman. Patrick Kennedy is considered to be a highly effective Chairman and continues to provide very strong leadership to the Board. The Board confirmed its continued support for Patrick Kennedy and his continuation in office, including his proposal for re-election at the 2023 Annual General Meeting (AGM). Further details on the Chairman's tenure can be found on page 82.

Individual Directors

In addition to the H&S evaluation process, the Chairman met with Directors on a one to one basis to discuss their individual performance, taking account of their feedback submitted in advance of the meetings on a number of topics including, their individual contributions and performance at the Board. The Chairman assessed each Director as being fully effective, with all Directors demonstrating strong commitment to their role, noting that in 2022 they were each required to go above and beyond their normal required time commitment to the role, and that their contributions continued to be important to the company's long-term sustainable success.

2022 Conclusion

A consolidated report on the findings of the full evaluation process was presented to the Board. The outcome of the evaluation was positive. Overall the effectiveness of the Board and its Committees continued to be enhanced year on year. The key themes identified through the Board evaluation as having contributed to the Board's effectiveness in 2022 included the strong leadership of the Chair, the Board's diligence and commitment, open dialogue, inclusive culture and a balanced skillset and expertise on the Board. The Board evaluation also identified the following areas for enhancement;

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

Progress against the 2021 Board Effectiveness Evaluation

A summary of the Board's progress against the actions arising from the 2021 effectiveness review is set out below:

- the strength of the commercial and customer focus in deep dives conducted into each business division: the Board engaged in regular customer focus sessions and deep dives throughout 2022 across each business division. In particular, the Board conducted customer impact assessments on the migration of the KBC portfolios and on the three NPE transactions conducted in 2022;
- incorporation of a longer-term risk management discussion on the Board agenda: over 2022, extensive changes were made in the risk management function and processes in the Group, including further enhancements to the Group Risk Management Framework and implementation of a more comprehensive and complete risk library to define risk mitigation standards at a granular level, particularly for operational risk types. The objective was to uplift risk management capabilities across operational, conduct and regulatory risks, including longer-term risk management, by driving a simplified common and consistent approach and sound methodologies for management of these risks. The BRC also conducted a series of deep dives across a number of key credit portfolios and other risk areas. These reviews were forward-looking detailed examinations of the organisation of risk management, control effectiveness and changing market dynamics. Further detail on these enhancements can be found in the Report of the Board Risk Committee on pages 109 to 112.

Board Focus in 2022

The Board held 11 meetings during the year ended 31 December 2022. Further details on the number of Board and Committee meetings and attendance by individual Directors are set out on page 113.

Your Board *(continued)*

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

Governance
- Key Board Governance policies and documents.
- CEO and CFO succession.
- Tracker Mortgage Updates/Resolution.
- Corporate Governance frameworks.
- Board, Committee and Individual Directors Effectiveness Evaluation.
- Endorsement of Material Risk Takers (MRTs) and Key Function Holders (KFHs).
- Subsidiary oversight.
- Tracking of agreed actions.

Culture and values
- Group Culture Programme.
- Colleague engagement and culture survey outcomes.
- Talent and capability updates.
- Workforce Engagement Director Reports on colleague engagements.
- Customer efforts scores and net promoter score.
- Financial wellbeing.

Regular updates
- Chairman's activities.
- CEO activities and key areas of focus.
- Business and financial performance.
- Organisational Balanced Scorecard: Performance relative to strategic, financial and non-financial key performance indicators.
- Risk Management.
- Board Committee activities.

Financial
- 2021 full year results.
- 2022 half-year results and interim management statement.
- Impairments.
- Funding and Liquidity Policy.
- Internal Capital Adequacy Assessment.
- Internal Liquidity Adequacy Assessment.
- Financial and investment plans.
- Cost and Efficiency.

Environment
- Investor relations.
- Economic environment.
- Stakeholder engagements.
- Responsible & Sustainable Business.

Risk management
- Group Risk Appetite Statement.
- Risk Policies and Frameworks.
- Approval of new Group Risk Framework.
- Group's Remuneration Policy.
- Group Recovery Plan.
- Regulatory interactions.
- General material risks, including those related to Brexit, COVID-19.
- Russia's invasion of Ukraine and the wider macro economy.
- Non-financial risk.
- AML and combating of financing of terrorism updates.
- The Group Control environment and conduct risk.
- Risk assessments of the two acquisitions (Davy and KBCI portfolios).
- Risk Mitigation Plan action progress updates and approval requests.
- Process improvement/operational risk.

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

Your Board *(continued)*

Roles and Responsibilities

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

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

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

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

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

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

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

The Board approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types. Further information on risk management and the Board's role in the risk governance of the Group is set out in the Risk Management Report on pages 133 to 179.

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

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

Role of the Deputy Chair and Senior Independent Director
The Deputy Chair adopts the role of Senior Independent Director (SID) and deputises for the Chairman as required and is a Trustee of the Bank Staff Pensions Fund. The SID provides a sounding board for the Chairman and serves as an intermediary for the other Directors and shareholders if they have concerns that contact through the normal channels of Chairman, Group CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate. As appropriate and when required, the SID meets a range of major shareholders in order to develop a balanced understanding of their views. The SID leads the evaluation of the Chairman in conjunction with the other Directors and would normally take responsibility for an orderly succession process for the Chairman working closely with the N&G.

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

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

In the assessment of independence on appointment, Michele Greene had been designated as non-independent by virtue of her nomination by the Minister for Finance. However, as previously reported, based on her performance, the Board was satisfied that she too brought independent challenge and judgement to the deliberations of the Board and, in May 2022, it approved Michele's status as an Independent NED as she met all of the relevant criteria.

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

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

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

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

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

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

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

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

Your Board *(continued)*

Stakeholder Engagement

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

During 2022, the SID consulted with a significant number of major shareholders on the matter of the Chairman's tenure, details of which are reported on page 82.

The Board was updated on the outcome of the Chairman's discussions and the SID shareholder consultation.

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

Institutional equity investors and analysts
Communication with shareholders is given high priority. One of the responsibilities of the Chairman is to ensure effective communication with shareholders and to ensure that Directors develop an understanding of the views of major investors. Group Investor Relations has primary responsibility for managing and developing the Group's external relationships with existing and potential institutional equity investors and analysts. The Group has an active and well-developed Investor Relations programme, which involves regular meetings by Executive Directors, selected Senior Executives and the Director of Group Investor Relations and other authorised officers with the Group's principal institutional shareholders, other investors, financial analysts and brokers. During 2022, c. 400 such meetings and presentations were held. All meetings are conducted in such a way as to ensure that price sensitive information is not divulged. A dedicated Investor Relations section of the Group website provides access to relevant information, including presentations, publications and public announcements.

Retail shareholders
The Group Secretary's team, supported by the Group's Registrar, Computershare Investor Services (Ireland) Limited ('Computershare'), maintains the Group's share register, engages with retail shareholders and delivers the Group's AGM and EGMs as required. With the assistance of Computershare, the Group addresses shareholder queries and, through its online facilities, enables shareholders to view their portfolio and amend their information securely.

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

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

At the 2022 AGM, separate resolutions were proposed on each substantially separate issue and voting was conducted by way of poll. The results of every general meeting, including details of votes cast for, against and withheld on each resolution, are posted on the Group's website and released to Euronext Dublin and the London Stock Exchange. As soon as the results of the 2022 AGM were calculated and verified, they were released to applicable exchanges, as set out above, and were made available on the Group's website. At the 2022 AGM all resolutions passed, with no resolution receiving less than 92.65% approval.

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

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

Customers
The Group's aim is to serve customers brilliantly by being the number one bank for service and having the best brand in our target markets including supporting our partnerships in the UK. The Board consistently reviews the strategy, receives updates on implementation and reviews progress as part of the governance process.

The Group's approach to customer engagement and progress against customer metrics through which the experience of customers when dealing with the Bank is assessed, is a key focus for the GEC. Customer outcomes is a key focus area required of all formal governance across the Group. The Board receives regular updates on progress against customer metrics and reports from the Group CEO, the Chief Marketing Officer and the respective business CEOs. In addition, its understanding of customers' perspectives is informed by deep dives on customer themes and customer complaints, and in the absence of visits by Directors to customer call centres due to COVID-19, other tools to enable the Board to hear customer voices at first hand.

Colleagues
The Board receives regular updates on the progress of the Group Culture Programme and reviews the outputs from the Group's Open View staff surveys and receives updates on progress in implementing actions in response to staff feedback. The Board pays particular attention to the Group Code of Conduct and Speak Up Policy, and the N&G reviews their effectiveness annually. The Board strives to create an environment in which staff are encouraged to speak up where they have any concerns. During 2022, Evelyn Bourke, on behalf of the Board, actively sponsored the Speak Up Policy on behalf of the Board.

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

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

As the Board-designated Workforce Engagement NED, Eileen Fitzpatrick works to enhance existing engagement and feedback mechanisms between the Board and the workforce and to strengthen the 'employee voice' at the Board. The Workforce Engagement Director (WED) role operates under formal terms of reference and reports regularly to the Board on direct feedback from colleagues across the Group. This direct colleague connection supplements various existing regular feedback and reporting mechanisms on culture and behaviour to the Board and is intended to further assist the Board in understanding colleague concerns and where relevant enhance colleague-centred decision making.

During 2022, Eileen undertook a number of valuable activities which provided great insights for the Board and facilitated further consideration of the workforce in Board decisions. These activities included, but are not limited to:
- numerous 'Open Door' sessions with groups of colleagues drawn from various businesses and divisional teams and with senior management groups,
- listening sessions with various representative groups;
- engagement with UK colleagues and with the UK Board Workforce Engagement Director,
- Burnout training awareness,
- Attendance at the Group Recognition Awards.

Your Board *(continued)*

Stakeholder Engagement *(continued)*

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

Regulators and Government
The Chairman and members of the Board regularly meet with representatives from the regulators and government bodies, including the Joint Supervisory Team (JST), the CBI, BoE, Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA), ECB and the Department of Finance. Core themes discussed at these meetings include regulation and supervision, risk governance and oversight, challenges facing the banking industry, strategic challenges and rebuilding trust and culture. The Chairman and Group CEO update the Board on their meetings with regulators and government representatives at each Board meeting. Management provide regular briefings to the Board on regulatory engagement and correspondence which ensures that the Board remains aware of regulatory expectations and areas of focus.

Communities
The Group's communities are those where it has a physical presence, where colleagues live and work, as well as other local and global groups and partners. The Group supports the wider community through its community investment programme, Begin Together, its support of local enterprise and through its financial wellbeing programmes as well as playing an active role in society.

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

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

Board's oversight of risk management and internal control systems

Accountability and audit

The Report of the Directors, including a Going Concern Statement and a Viability Statement, is set out on page 114 to 116. This Corporate Governance Statement forms part of the Report of the Directors.

Board Responsibility

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

In establishing and reviewing the risk management and internal control systems, the Directors carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity, the likelihood of a risk event occurring and the costs of control. The principal risks are detailed at page 133 to 141. The process for identification, evaluation and management of the principal risks faced by the Group is integrated into the Group's overall framework for risk governance. The Group is forward-looking in its risk identification processes to ensure emerging risks are identified. The risk identification, evaluation and management process also identifies whether the controls in place result in an acceptable level of risk. At Group level, a consolidated risk report and risk appetite dashboard is reviewed and regularly debated by the BRC and the Board to ensure satisfaction with the overall risk profile, risk accountabilities and mitigating actions.

The report and dashboard provide a monthly view of the Group's overall risk profile, key risks and management actions, together with performance against risk appetite and an assessment of emerging risks which could affect the Group's performance over the life of the operating plan.

Information regarding the main features of the internal control and risk management systems is provided within the risk management report on pages 142 to 179. The Board concluded that the Group's risk management arrangements are adequate to provide assurance that the risk management systems put in place are suitable with regard to the Group's profile and strategy.

Control systems

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

Your Board *(continued)*

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

The main features are as follows:

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

Reviews by the Board

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

Continuous improvement

The Group's risk management and internal control systems are regularly reviewed by the Board and are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council and compliant with the requirements of the CRDV. They have been in place for the year under review and up to the date of approval of the annual report. The Group continues to work towards compliance with the Basel Committee on Banking Supervision (BCBS) 239 risk data aggregation on risk reporting requirements and continues to actively manage enhancements.

The Group's controls frameworks are continuously improved and enhanced, addressing known issues and keeping pace with the dynamic environment. Progress continues to be made in operational (including IT and Information Security), regulatory and conduct risks. The 2022 internal control assessment provides reasonable assurance that the Group's controls are effective, or that, where control weaknesses are identified, they are subject to management oversight and action plans. The GAC, in conjunction with the BRC, following an assessment of whether the significant challenges facing the Group are understood and are being addressed, concluded that the assessment process was effective and made a positive recommendation to the Board in that regard.

Board Governance

Conflicts of interest

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

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

Time commitment

The Group ensures that individual Board Directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Company and the Bank have each been classified as 'significant institutions' under CRD. During the year ended 31 December 2022, all Directors were within the Directorship limits set out for significant institutions under CRD.

All newly-appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of NEDs can be inspected during normal business hours by contacting the Group Secretary. Directors are required to devote adequate time to the business of the Group, which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units. In addition, NEDs are normally required to sit on at least one Board Committee, which involves the commitment of additional time. Certain NEDs, such as the Deputy Chair, SID and Committee Chairs, are required to allocate additional time in fulfilling those roles.

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

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

A number of Directors took additional external roles during 2022, following receipt of requisite approvals. Details of Directors external roles can be found on pages 78 to 81.

The Group has an obligation to report the reasons for permitting significant appointments. The following appointments which took place in 2022 are considered significant in terms of

Your Board *(continued)*

additional external appointments and were duly considered by the Board.

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

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

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

Balance and Independence

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

Term of Appointment and Re-election of Directors

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

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

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

It is Group practice that, following evaluation, all Board Directors are subject to annual re-election by shareholders. All Directors retired at the AGM held on 26 May 2022. The following Directors, being eligible, offered themselves for election and were elected at the AGM in 2022:

- Giles Andrews
- Evelyn Bourke
- Ian Buchanan
- Eileen Fitzpatrick
- Richard Goulding
- Michele Greene
- Patrick Kennedy
- Francesca McDonagh
- Fiona Muldoon
- Steve Pateman
- Mark Spain

The names of Directors submitted for election or re-election are accompanied by sufficient biographical details and any other relevant information in the AGM documentation to enable shareholders to take an informed decision on their election. The 2023 AGM is scheduled for 23 May 2023 and, in line with previous AGMs, all Directors will retire from office at the date of the AGM and may choose to offer themselves for re-election.

Organisational structure

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

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

Group Executive Committee

The most senior executive committee in the Group, the GEC, acts in an advisory capacity to the CEO and assists the CEO in the management and leadership of the Group on a day to day basis, making decisions on matters affecting the operations and performance of the Group’s business and the delivery of the Board approved strategy. It is supported by a number of senior executive committees, encompassing:

Your Board *(continued)*

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

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

The Committee's purpose is to assist the CEO in leading the Group's day to day operations and developing and leading the execution of the Group's Strategy in line with the Group's Purpose to enable its customers, colleagues and communities to thrive. The CEO and CFO, both Executive Directors of the Board, are members of the GEC.

In addition to the two Executive Directors, Myles O'Grady, CEO, and Mark Spain, CFO, whose biographical details can be found on pages 78 and 81, the GEC is currently composed of the following Members:

Matt Elliott
Chief People Officer
Matt Elliott was appointed to the role of Chief People Officer for the Group in February 2019. He is responsible for transforming the culture of the Bank and developing a company where colleagues thrive.

Prior to that he was Group People Director with Virgin Money. Under Matt's leadership, Virgin Money successfully acquired and integrated Northern Rock. Matt was part of the executive team who successfully listed the company on the London Stock Exchange, and created a company widely acknowledged to be a cultural leader in the UK.

A passionate advocate for inclusion and diversity, Matt appeared as a leading ally in the 2018 Financial Times lists for gender, ethnicity and LGBT+, the only leader to appear in all three lists.

Gavin Kelly
Chief Executive Officer, Retail Ireland
Gavin was appointed Retail Ireland CEO in March 2018 and to the role of Interim CEO from 3 September to 17 November 2022, pending the appointment of a permanent CEO. He oversees the provision of banking products and related financial services to personal, business and wealth management customers and the New Ireland Assurance Company.

Gavin joined Bank of Ireland in 2007 and has held a number of senior management positions. He was President of the Banking and Payments Federation, Ireland (BPFI) from January 2019 to December 2020.

Enda Johnson
Chief Strategy & Transformation Officer
Enda Johnson was appointed to the new role of Transformation Director for the Group in February 2022. He is responsible for driving the simplification agenda and ensuring strategy is delivered consistently across the Group.

Prior to joining Bank of Ireland, Enda was Interim CFO with Virgin Money, having previously held the role of Group Corporate Development Director for CYBG PLC. Enda led the acquisition of Virgin Money by CYBG PLC and broader strategic planning in the Group. Prior to Virgin Money / CYBG, Enda held a number of senior strategy, corporate development and investment banking roles at AIB, the NTMA and Merrill Lynch. Enda is a graduate of Brown University with degrees in Engineering and Economics and is a Main Board Trustee for Action for Children.

Paul McDonnell
Interim Chief Executive Officer, Corporate and Markets
Paul joined Bank of Ireland in 1986 and held various roles in Retail Banking, Business Banking and Private Banking before joining the Corporate Division in 2002. Paul was appointed Head of Property Finance in 2010 with responsibility for large property exposures in the commercial and residential property sectors in Ireland, the UK & the USA; he was also responsible for Corporate Lending activities in Great Britain. He previously held the role of Head of International Property Finance with responsibilities across London, Frankfurt and New York. Paul is a graduate of UCD and is a member of the Institute of Taxation in Ireland.

Ian McLaughlin[2]
Chief Executive Officer, Bank of Ireland (UK)
Ian was appointed CEO of Bank of Ireland (UK) plc and Retail UK Division in December 2019. Ian has over 25 years' financial services experience, having joined Bank of Ireland from Royal Bank of Scotland, where he held the roles of Managing Director, Home Buying and Ownership and Managing Director Specialist Banking. Prior to this, he held a number of senior management roles at Lloyds Banking Group and Zurich Financial Services.

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

Gabrielle Ryan
Interim Group Secretary and Head of Corporate Governance and Group General Counsel
Gabrielle is the Group's General Counsel, heading the Group's legal function, and is also the Interim Group Secretary and Head of Corporate Governance during Sarah McLaughlin's maternity leave. She is a financial services lawyer whose areas of expertise include corporate governance. As Interim Group

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

Your Board *(continued)*

Secretary, her responsibilities include assisting the Chairman in devising and developing the policies that the Board requires to function properly and efficiently and in advising the Board on all governance matters. Gabrielle holds a senior management role in the Group. She is a graduate of UCC (B.C.L. and L.L.M), together with other post-graduate qualifications, and is a practising solicitor.

Sharon Donnelly

Interim Chief Technology and Payments Officer

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

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

Stephen Roughton-Smith

Chief Risk Officer

Stephen Roughton-Smith joined Bank of Ireland in December 2021 as Group Chief Risk Officer. Stephen has over 30 years' risk and leadership experience working across large and medium sized UK and global financial institutions, having joined Bank of Ireland from Belmont Green Finance, where he held the role of Chief Risk Officer at this Fintech-orientated mortgage lender.

Prior to this, Stephen held a number of senior positions in international financial services organisations including: Head of Credit Risk for the Abu Dhabi Investment Authority, Deputy Chief Risk Officer at Lloyds Bank and UK Chief Risk Officer with ABN AMRO. In addition, he led teams through periods of strong growth and significant economic uncertainty and has operated both at Board and Executive Committee level. Stephen is a Chartered Accountant (ACA) with a BSc. Honours in Physics and MPhil in Semiconductor Physics.

Oliver Wall

Group Chief of Staff and Head of Corporate Affairs

Oliver joined Bank of Ireland as Group Chief of Staff in 2017, taking on additional responsibility as Head of Corporate Affairs in 2019. He joined the Bank from HSBC, where he was Head of External Affairs UK and Europe. Oliver previously held a range of roles in both the public and private sectors, including working in the Department of the Taoiseach. Oliver represents the Bank as a Director on the Irish Banking Culture Board.

Subsidiary governance

The interaction between the Group Board and the boards of our strategically significant subsidiaries is closely monitored. The Chairman meets regularly with the Chairmen of these subsidiaries in order to ensure good communication and alignment and attends a number of subsidiary board meetings during the year. Enhanced engagement between Subsidiary Committee Chairs and the equivalent Group Committee Chairs was arranged during 2022 and will continue into 2023 and beyond. The Group Board receives reports conducted on the effectiveness of these significant subsidiaries. Ian Buchanan, Mark Spain and Enda Johnson are also NEDs of Bank of Ireland (UK) plc and Ian Buchanan is a member of its Risk and Remuneration Committees.

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

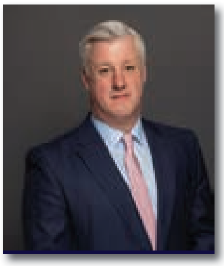
The Chairs of the Board Audit and Risk Committees of the strategically significant subsidiaries attend and present at the Group Audit and Board Risk Committees annually to provide an account of the subsidiary Board Committees' activities in these important areas.

In 2022, the Board reviewed the Group Subsidiary Governance Policy including the New Subsidiary / Entity process document, which sets out the key aspects of the Group's governance and oversight mechanisms, clear escalation routes where issues may arise to ensure they are addressed, and governance standards required of subsidiary entities. It also includes the required procedure should any party in the Group wish to set up a new Group subsidiary or entity in which the Group will have a controlling interest. This is reviewed annually.

The Group's corporate simplification programme, designed to remove a number of subsidiaries from the Group, made further progress in 2022 with the dissolution of eight (8) entities. Since its inception c. five years ago, this programme has enabled the Group to dissolve forty-four (44) entities. The purpose of this programme is to simplify the corporate structure of the Group with a view to generating efficiencies and cost savings and reducing risk.

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

Report of the Group Nomination & Governance Committee



Patrick Kennedy
Chair

Dear Shareholders,

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

Committee responsibilities

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

Committee membership and meeting attendance

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

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

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

Committee activities in 2022

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. An external effectiveness evaluation of the Board and its Committees was conducted during 2022 by Heidrick & Struggles. For more information, see page 75.

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

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

Matters considered and action taken by the Committee in 2022

Board Composition, renewal, succession and effectiveness

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

A search for a new INED with an agreed experience, skills and diversity profile commenced during 2021 and continued in 2022, supported by external search consultancy firm Board Works Ltd. Board Works Ltd provides similar services to the Irish market generally and through this work has engaged with firms associated with individual Directors on occasion. Board Works Ltd has no connection with the Company other than in a recruitment capacity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Committee considered the Chairman's tenure during 2022 and recommended his continued leadership of the Board for 2023. On behalf of the Committee, the SID led a further shareholder consultation on the subject of the Chairman's tenure during H2 2022. A separate report on the Chairman's tenure can be found on page 82.

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

The 2022 external effectiveness review of the Board and its Committees was conducted and a report was shared in January 2023 with the Board; actions for further enhancement were agreed as required, and will be tracked by the Board throughout the year. A separate report on the outcome of the Board, Group Chair and individual Directors' assessments can be found on pages 84 to 85.

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

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

Executive

Committee considerations
The Committee considered GEC and Key Function Holder appointments, including Suitability and Fitness and Probity assessments and focused on GEC succession planning.

In line with the UK Code, the Committee receives reports on the gender balance of senior management and their direct reports. Focus on ethnic diversity increased during 2022, with the Committee requesting supporting data to assess the Group's performance and enhancement actions are underway in that regard.

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

A GEC succession plan is in place to ensure the orderly succession of GEC positions in the event of any departures; the Committee continues to work with the Group CEO and Group CPO to ensure internal talent and potential external talent are in focus and the Group is appropriately positioned to respond to any departures. The Committee considered the process to determine the appropriateness of individuals being appointed to or holding Key Function Holder roles across the Group and made recommendations to the Board in that regard.

The Group is targeting enhancements in gender and ethnic diversity representation across the workforce and the Committee continues to challenge the Executive in that regard.

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

Group and Board level Governance

Committee considerations
The Committee continued to assess the Group and Board governance arrangements and, during 2022, considered and approved, where relevant:
- the Group Code of Conduct;
- the Annual Corporate Governance Statement of compliance with the Irish Code for filing with the CBI;
- updates on Corporate Governance Developments;
- governance disclosures;
- the Group's Modern Slavery Statement for publication on the Group website;
- the Group's Fitness and Probity and Suitability Assessment Policy;
- the Board terms of reference and Matters Reserved for the Board;
- the Board Conflicts of Interest Policy;
- the Director Assessment Policy;
- the Board Diversity Policy and progress against targets set out therein, for publication on the Group website; and
- policies reviewed triennially: the Director Assessment Policy; the Board Training, Development and Induction Policy.

Committee conclusion
The Committee approved changes to internal policies to ensure continued compliance with all applicable corporate governance requirements and best practice guidelines, including updated EBA Guidelines which came into force on 31 December 2021.

At 31 December 2022, there was 36% female representation on the Board. The Board Diversity Policy included a target of ensuring a minimum of 33% female representation on the Board, with a medium-term aspiration to have broadly equal gender representation. The target for female representation on the Board increased to 40% effective 1 January 2023. Diversity, not just of gender but of social and ethnic backgrounds, cognitive and personal strengths are all top of mind and will continue to form part of any external Director search brief.

The external communication of the Group's corporate governance standards through disclosures on the Group website and the annual report was approved.

The Group remains compliant with applicable regulations in respect of the Board level governance. More detail on the Group's compliance with corporate governance requirements can be found on pages 114 to 118.

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

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

Subsidiary Governance

Committee considerations
The Committee continued to focus on the subsidiary governance policy and practice of material subsidiaries and related appointments and succession plans. During 2022, the Committee:
- oversaw appointments to and succession plans for the boards of material, regulated subsidiaries;
- considered the outcome of effectiveness evaluations conducted of the boards of material, regulated subsidiaries;
- considered the most appropriate composition of the Board of the Davy Group post acquisition, including appropriate Group representation on that board and succession plans for the Davy Board, including the Chair and Audit Committee Chair roles;
- considered Pension Scheme trustee appointments, in line with the relevant Trust Deeds;
- approved a refreshed Group Subsidiary Governance Policy and associated Guidelines, seeking to provide greater clarity to the Group and enhanced alignment with the various applicable regulations and best practice guidelines.

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

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

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

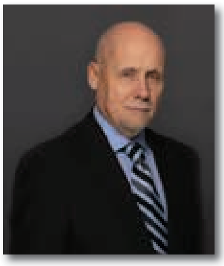
For more information on the Committee's responsibilities click here or go to:

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

Patrick Kennedy
Chair of the Nomination & Governance Committee

6 March 2023

Report of the Group Remuneration Committee



Steve Pateman
Chair

Dear Shareholders,

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

Strategic Acquisitions

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

Changes to Remuneration Restrictions in 2022

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

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

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

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

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

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

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

Changes to the Directors' remuneration policy

In 2023, the remuneration policy is due for renewal at the AGM. I have consulted with a number of shareholders on the opportunity to restructure Executive Director remuneration in the Group for the first time in over a decade and was pleased with the overwhelmingly positive feedback from shareholders. Shareholders raised the attraction and retention issues caused by the restrictions which were amended towards the end of 2022 and acknowledged the measured approach taken by the Committee in determining proposals, while stating their preference that variable pay, linked to individual and company performance should form a more significant element of remuneration than that allowed under the €20,000 cap. The Committee was mindful of the views of shareholders in the proposed policy and implementation, as well as workforce remuneration trends and the remaining remuneration restrictions. The Executive Directors' remuneration policy is set out in full at pages 119 to 128.

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

Report of the Group Remuneration Committee *(continued)*

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

Report of the Group Remuneration Committee *(continued)*

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

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

In addition, the Committee noted that

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

Committee responsibilities

At a high level, the Committee is established by the Board to ensure that the Group's remuneration policies and practices are designed to support strategy and promote long-term sustainable success.

The Committee is responsible for the oversight of Group-wide remuneration policy and has responsibility for: (i) overseeing the design and implementation of the Group's overall Remuneration Policy for employees and Directors, which is designed to support the long-term business strategy, values and culture of the Group as well as to promote effective risk management and comply with applicable legal and regulatory requirements; (ii) overseeing the operation of Group-wide remuneration policies and practices for all employees, with specific reference to Executive Directors, GEC Members, Heads of Control Functions, the Group Company Secretary and Material Risk Takers; and (iii) performing any other functions appropriate to a Remuneration Committee or assigned to it by the Board.

The Remuneration Restrictions were in operation for the Bank of Ireland for the entirety of 2022, but are subject to a partial release, which affords the Board, and this Committee, greater autonomy and the ability to ensure, to a limited degree, that the Group's remuneration policies and practices are aligned to the Group's purpose and values, clearly linked to the successful delivery of the Company's long-term strategy and aligned to relevant legal and regulatory requirements. The Group continues to engage with the Department of Finance in this regard and if the remaining restrictions were removed, the Group would consider, and seek shareholder approval to, update the remuneration policy, as appropriate, including the possible introduction of a market competitive variable pay scheme for Executive Directors.

Committee membership and meeting attendance

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

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

The Committee acts independently of the Executive and is comprised of independent NEDs. On 31 December 2022, the Committee was comprised of five independent NEDs from diverse backgrounds, who provide a balanced and independent view on remuneration matters. The Committee's composition is compliant with the requirements and provisions of the applicable Irish, UK and EBA Governance Codes and Guidelines.

In order to ensure that remuneration policies and procedures are consistent with effective risk management, shared membership is in place between the Committee and the Board Risk Committee via Giles Andrews, Ian Buchanan and I, who were members of both Committees in 2022. In addition, Eileen Fitzpatrick, who serves as Workforce Engagement Director, is a member of this Committee.

The Group Chair, the Group CEO, Chief People Officer, Group CRO and the Head of Reward also attend meetings, as appropriate, and at my invitation as Committee Chair. Representatives from PricewaterhouseCoopers LLP ('PwC UK') also attend for certain topics to provide technical support and advice to the Committee in their role as remuneration adviser, including remuneration benchmarking and market pay practices.

PwC UK was appointed as remuneration adviser by the Committee in 2020, following a review of potential advisers and the services provided. An annual review of the quality of advice was undertaken during 2022, following which the Committee agreed to retain the services of PwC UK. PwC UK is a signatory to the voluntary code of conduct in relation to remuneration consulting in the UK.

PwC UK, and its network firms, provides professional services in the ordinary course of business, including assurance, advisory and tax advice to Bank of Ireland. The Committee is satisfied that the advice received is independent and objective and receives an annual statement setting out protocols that have been followed by PwC UK to maintain independence. There are no connections between PwC and individual Directors to be disclosed.

Committee activities in 2022

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. An external effectiveness evaluation of the Board and its Committees was conducted during 2022 by Heidrick & Struggles, and that evaluation was reviewed by the Board in January 2023. The Committee continuously highlights the challenge faced in discharging the Committee's duties and ensuring that the Group's remuneration policies and practices are designed to support strategy and promote long-term

Report of the Group Remuneration Committee *(continued)*

sustainable success and to ensure that executive remuneration is aligned to company purpose and values and clearly linked to the successful delivery of the Company's long-term strategy.

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

Matters considered and action taken by the Committee in 2022

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

Committee Considerations
- Approval of Group Remuneration Policy and of governance and monitoring of that policy.
- Review of the Group risk profile and implications of remuneration policies for risk and risk management.
- Exploratory discussions on variable pay structures and engagements in that regard with the Department of Finance, as appropriate.
- Review of the remuneration approach for the workforce in the context of the continuing COVID-19 pandemic and the cost of living challenges experienced by our workforce.
- Review of the subsidiary remuneration practices.
- Consideration of the Davy Group remuneration model and approval of related aspects of remuneration in the new subsidiary, post acquisition.

Committee conclusion
- Current Remuneration Policy is properly governed and implemented and does not lead to inappropriate risk taking.
- Any potential incentive scheme design will be subject to the remaining cap on variable remuneration and shareholder approval.
- The Committee's desired remuneration policy continues to be the implementation of a competitive, market-aligned, performance-related remuneration model, fully compliant with regulatory requirements, which will allow the Group to clearly link Group culture and values, risk culture, customer outcomes and Group performance to remuneration and enable the achievement of the Group's strategic objectives. However, during 2022, due to the Remuneration Restrictions, this has yet to be achieved.
- The acquisition of Davy is transformative for the Group over the long-term. In 2022, the Committee focused on remuneration aspects of the acquisition and codified how remuneration governance of Davy as a wholly-owned subsidiary operates post acquisition.

Remuneration Disclosure

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

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

Performance and Remuneration of senior management

Committee Considerations
- Objective setting and performance appraisal of Senior Executives to inform the setting of remuneration, including for heads of independent control functions.
- Review of the approach to remuneration of Senior Officers in independent control functions.
- Benchmarking and approval of changes to remuneration of Senior Executives (existing and incoming).
- Review of Executive Director Remuneration Policy and practice, with a view to clarity, simplicity, risk predictability, proportionality, and alignment to culture.
- Engagement with the Department of Finance on Executive and senior management remuneration in the context of the Remuneration Restrictions.

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

Report of the Group Remuneration Committee *(continued)*

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

Governance and review of remuneration practice.

Committee Considerations
- Approval of the Group Remuneration Policy.
- Approval of Group Material Risk Taker Policy.
- Approval of Group Material Risk Taker list and the review of Material Risk Taker suitability.
- Review of workforce remuneration, top earners, staff with specific Minister for Finance approvals and compliance with remuneration restrictions.
- Review of regulatory developments.
- Review of internal audits relevant to remuneration policy or practice.

Committee conclusion
- There is good governance around remuneration, particularly of Executive Directors, Senior Management and those who could materially impact the Group's risk profile (Material Risk Takers).
- The Committee has responsibility for Material Risk Takers, including oversight of their remuneration and ongoing suitability for the role.
- Throughout 2022, due to certain agreements in place with the Irish State, the Committee and the Board were restricted in their ability to fully comply with UK Code Principle R, that Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, wider circumstances and associated provisions and guidance. Under such agreements, the implementation of variable remuneration structures was not permitted, the Board's discretion was limited and, as such, the Committee and the Board could not be in compliance with the recommendation to exercise independent judgement in relation to remuneration matters. Under the partial release, a very limited variable remuneration scheme will be introduced, but it remains capped at €20,000 under the remaining restrictions. The Group will fully adhere to these principles and associated provisions and guidance in the design, implementation and operation of variable remuneration structures, as far as is possible under the remaining restrictions.
- The Committee keeps aspects of remuneration and reward for the Board Chairman, Executive Directors, members of the GEC and the wider employee population under review. In determining remuneration arrangements for Executive Directors, regard is given to the conditions of the wider workforce. Wider workforce engagement on pay arrangements at the Bank takes place with the Bank's Staff Representative Bodies.

Board Chairman and subsidiary NED fees

Committee Considerations
- Review of the fees paid to the Board Chairman and NEDs of subsidiary boards.

Committee conclusion
- The Group Chairman's fee remained unchanged and will be subject to review and benchmarking in 2023.
- Subsidiary NED fees were reviewed in 2022, including fees for the Davy Board, benchmarking of the NIAC and BoIMB Chair fees, and benchmarking of the BoIMB NED fees. Subsidiary NED fees are kept under review, with a view to attracting and retaining NEDs with the necessary knowledge, skills and experience.
- The remuneration of Group NEDs is not a matter for the Committee and is instead reviewed by the Board Chairman in consultation with the Group CEO, the Chief People Officer and the Group Company Secretary. NED fees shall be determined by the Board within the limits set by shareholders in accordance with the Constitution. Remuneration for all NEDs should not include share options or other performance-related elements. No Director should be involved in deciding their own remuneration outcome.

Steve Pateman
Chair of the Group Remuneration Committee

6 March 2023

Report of the Group Audit Committee

Evelyn Bourke
Chair

Dear Shareholders,

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

Committee responsibilities

Together, the BRC and the GAC oversee the Group's risk framework and internal control environment. Based on the oversight activities of the GAC and the BRC, the Committee is satisfied that a strong financial risk management and control environment is in place, with the Committee having specific focus on protecting the interests of the shareholders in relation to internal controls as they relate to financial reporting.

The Committee also evaluates the independence and performance of Group Internal Audit (GIA) and the external auditor, KPMG, and considers and recommends the interim and annual financial statements to the Board for approval.

During 2022, the Committee oversaw the updates to the Group's Speak-Up Policy and related processes which are in place to support colleagues to confidently and confidentially raise concerns identified in the workplace.

Committee membership and meeting attendance

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

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

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

The Committee acts independently of the Executive. All members of the Committee are independent NEDs with relevant competence in the financial sector and their biographies can be found on pages 78 to 81. The members of the Committee have extensive knowledge of financial markets, treasury, risk management and International Financial Reporting Standards (IFRS) and the Committee's composition is considered to meet all of the applicable requirements, including the need for recent and relevant financial experience and competence in accounting or auditing.

The members of the Committee maintain their knowledge base on relevant Committee matters through continuous development opportunities, Board deep dives and training. During 2022, the Committee received a number of briefings on the Group's progress in relation to the implementation of the IFRS 17 Accounting standard as well as a Board-wide training on the same topic.

Common membership between the Committee and the BRC was maintained through Richard Goulding's, Steve Pateman's and my membership of both Committees; this facilitates appropriate co- ordination and effective governance across key areas of internal control.

The Group Chief Financial Officer (CFO), Group Financial Controller, the Group Chief Internal Auditor (GCIA), the Group Chief Executive Officer (CEO), the Group Chief Compliance Officer and the Group Chief Risk Officer (CRO) each attend meetings of the Committee, when appropriate and at the Committee's request.

The Committee also holds private sessions with senior management. During 2022, the Committee met in private session (without other members of executive management being present) with each of the Internal and External Audit teams and with the Group CFO.

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

Committee Activities in 2022

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. While not intending to be an exhaustive list of the Committee's considerations and activities in 2022, a number of areas that were subject to Committee focus during the year are outlined below.

Group Internal Audit

In monitoring the activities and effectiveness of GIA, the Committee approved the Internal Audit Charter, the annual audit plan and budget, including resources and reviewed progress against the plan throughout the year.

The Committee received regular reports from GIA on internal audit activities across the Group which outlined details of the audit approach, management engagement and areas identified during audits requiring further strengthening across the Group's risk management and internal control framework. These reports also covered matters of relevance to the Committee's assessment of the effectiveness of the internal controls over the financial reporting processes. Reports are rated based on the strength of the control environment in operation, management's awareness of the risks facing their business areas and the controls in place to mitigate those risks. In conjunction with the GIA reports, the Committee considers management's responses to and the timeliness of the remediation of, identified issues on key audits.

[1] *Including joint meetings with the Board Risk Committee*

Report of the Group Audit Committee *(continued)*

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

During 2021, responsibility for the Group's Speak-Up reporting merged with the Special Investigations Unit within GIA to form the Speak-Up and Investigations Unit (SUI). Following this merger, the Committee's responsibilities in respect of SUI were enhanced with quarterly reporting to the Committee during 2022. I continued to act as Sponsor of the Speak Up Policy during 2022 and significant work has gone into enhancing the Group's Speak Up processes and procedures to ensure complete alignment with the Protected Disclosures Act and increase awareness of Speak Up across the Group.

Having regard for GIA activities and the Committee's review of the extent of the work undertaken by the Finance and Risk teams across the Group, the Committee is satisfied that internal controls over financial reporting were appropriately designed and operating effectively. Full details of the internal control and risk management systems in relation to the financial reporting process are detailed within the risk management report on pages 142 to 179.

External audit

The Committee oversees the relationship with KPMG and Patricia Carroll, KPMG's lead audit partner, attends Committee meetings, following the conclusion of Niamh Marshall's tenure as lead audit partner in April 2022. KPMG was appointed as external auditor to the Group on 19 April 2018 following an external tender process. KPMG has been re-appointed as external auditor on an annual basis since appointment.

During the year, the Committee considered KPMG's terms of engagement (including remuneration), independence and objectivity, audit quality / performance and plans for the interim review and year-end audit. The Committee also assessed KPMG's findings, conclusions and recommendations arising from the interim review and year-end audit.

The Committee considers that the Group has appropriate safeguards in place to protect the independence and objectivity of KPMG. The Committee operates a policy to regulate the use of KPMG for non-audit services, to ensure compliance with the revised Ethical Standards for Auditors (Ireland) 2020 from the Irish Auditing Accounting Supervisory Authority (IAASA), the Financial Reporting Council (FRC)'s revised Ethical Standards 2019 and applicable legislation.

In order to ensure the objectivity and independence of the external auditor, the policy formalises certain restrictions on the provision of non-audit services and requires that all non-audit services provided by KPMG must be approved in advance by the Committee, or, in exceptional circumstances by the Committee Chair, prior to engagement with KPMG. Additional provision is made for the approval by certain members of senior management of non-material services. Annually, details of expected non-audit services for the coming year are presented to the Committee for pre-approval. Any proposed additional services exceeding these levels require additional specific pre-approval.

The fees payable to KPMG for the year ended 31 December 2022 amounted to €7.2 million (2021: €5.7 million), of which €1.4 million (2021: €0.9 million) was payable in respect of non audit assurance services. Assurance services represented 24% of the statutory audit fee (2021: 19%). Further information on fees paid in respect of audit and assurance services, along with details of assurance services provided during the year are set out in note 15 to the consolidated financial statements 'auditor's remuneration'. The interim fee of €0.2 million is reflected on the assurance services line as in similar years and is included in the statutory fee.

In considering the independence and effectiveness of the external audit process, the Committee reviewed the robustness and quality of performance across key categories of process, delivery, reporting, people and service. The Committee concluded that it was satisfied with the independence, quality and performance of KPMG in respect of the year ended 31 December 2022 and recommended that the Board propose KPMG for re-appointment approval at the 2023 AGM.

Financial reporting

A key activity for the Committee is the consideration of significant matters relating to the annual financial report, with key accounting judgements and disclosures subject to in-depth discussion with management and KPMG. The Committee provides robust challenge to key judgements in advance of making a recommendation to the Board that all financial reports are considered to be a fair, balanced and understandable assessment of the Group's financial position.

Due to increased economic uncertainty and geopolitical events, the GAC and BRC continued their specific focus on the approach to and implementation of management overlays for the Expected Credit Loss (ECL) model to account for the expected impairment arising from Russia's invasion of Ukraine, the high inflationary environment and the deteriorating economic outlook, prior to the publication of the interim and year-end financial statements. Much of this consideration took place in conjunction with the BRC, following which the Committees made recommendations to the Board regarding the approach and quantum of the proposed net impairment loss applied to the Group's financial statements.

The Committee also considers, provides challenge to and ultimately recommends, the annual and semi-annual Pillar 3 Disclosures to the Board for approval. It also considers and approves the Country-by-Country report required under the CRD.

Further information on some of these significant items is set out in note 2 Critical Accounting Estimates and Judgements. Overall, the Committee was satisfied that the 2022 annual report, including the financial statements, is fair, balanced and understandable.

Report of the Group Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2022

IFRS 9 and impairment of financial instruments

Committee Considerations
The Committee reviewed management papers and discussed and challenged management judgements used in determining the following, based on IFRS 9 requirements:
- correct classification and measurement of financial instruments;
- model parameter updates incorporating Forward Looking Information (FLI);
- Group management adjustments to reflect management judgement in impairment model parameters and other Post-Model Management Adjustments;
- net impairment loss for the year; and
- quantum of Non-performing exposures (NPE).

The Group's approach to the measurement of impairment is set out in the Group Impairment Policy. The policy includes the Group's criteria for allocating financial instruments to stages, the method used to measure impairment for each material portfolio, core impairment model methodologies and the criteria for classifying financial assets as NPEs. The policy was approved by the Board in December 2022 on the recommendation of the Committee, following recommendation by the Executive Risk Committee and the Group Credit Risk Committee.
The impairment models are approved for use by the Risk Measurement Committee and are maintained and executed by a specialist central unit within Group Risk. The Committee reviewed the impact of key model changes and of management overlays made during the reporting period.

Committee conclusion
The Committee is satisfied that the classification and measurement of financial assets, stage allocations, model parameter updates (including FLI), impairment loss allowances and the net impairment loss for the year, has been appropriately determined in accordance with the Group's methodologies and IFRS 9. The Committee is also satisfied that the associated disclosures were appropriate based on the relevant accounting standards including IAS 1 and IFRS 7.

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

Retirement benefit obligations

Committee Considerations
The Committee considered management's key assumptions and judgements used in determining the actuarial values of the liabilities of each of the Group's sponsored defined benefit pension schemes under IAS 19 'Employee Benefits'. Management considered advice from independent actuaries, Willis Tower Watson (WTW), for the determination of significant actuarial assumptions. The key assumptions proposed by management and considered by the Committee were the discount rates and inflation rates applied in valuing liabilities in both Ireland and the UK.

Committee conclusion
The Committee is satisfied that the inflation rates, discount rates and other significant assumptions are appropriate and that the accounting for the Group's sponsored defined benefit pension schemes and related disclosures are in accordance with IAS 19.

Report of the Group Audit Committee *(continued)*

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

Deferred taxation

Committee Considerations
The Committee considered the extent of deferred tax assets (DTA) to be recognised in respect of unutilised tax losses and in particular the projections for future taxable profits against which those losses may be utilised. In order for the Group to recognise these assets, it must be probable that sufficient future taxable profits will be available against which the losses can be utilised.

The Group has prepared financial projections which are used to support the Group's Internal Capital Adequacy Assessment Process (ICAAP). The financial projections are prepared for the purpose of the Group's assessment of its capital adequacy. They are subjected to considerable internal governance at a divisional and Group level and are reviewed and approved by Executive management and the Board. Management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the DTA recognised arising from unused tax losses.

In relation to DTA arising from Irish tax losses carried forward by The Governor and Company of the Bank of Ireland (the 'Bank') management considered the following:
- IAS 12 provides that a DTA can only be recognised when it is probable that taxable profits will be available against which the losses and deductible temporary differences can be utilised.
- European Securities & Markets Authority (ESMA) guidance issued in 2019 discusses considerations regarding the reliability of forecasting and its impact on probability in the context of the DTA.
- Whilst management and the Committee believe that the Bank will continue to be profitable for the foreseeable future, there was an acknowledgement of the external challenges facing the banking industry such as the accelerated transformation of banking business models. However, recent improvements in the interest rate environment have led to a significant improvement in the ICAAP financial projections which has resulted in a decrease in the recovery period of the DTA.

The most recent financial projections indicate a recovery period of 6 years for the Bank and thus the carrying value of DTA relating to trading losses carried forward is not required to be reduced for the year ended 31 December 2022.

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

Life assurance accounting

Committee Considerations
The Committee considered management's key assumptions and judgements used in determining the valuations of the Value of in Force (ViF) asset and insurance contract liabilities. The key assumptions in projecting future surpluses and other net cash flows attributable to the shareholder arising from business written were the interest rate and unit growth rates, lapse rates, mortality, morbidity and expenses. Interest rates and unit-growth rates are based on a range of duration-specific rates determined by a risk-free yield curve. This yield curve is provided by the European Insurance and Occupational Pensions Authority (EIOPA).

Committee conclusion
The Committee is satisfied that the significant assumptions are appropriately applied and that the accounting for the Group's ViF and insurance contract liabilities is appropriate.

Intangible assets - capitalisation and impairment

Committee Considerations
The Committee considered the appropriateness of management's internal controls and governance surrounding the capitalisation of costs related to internally generated intangible assets associated with the transformation investment asset. The Committee also considered management's assessment of the existence of impairment indicators in respect of the asset and the impact on the carrying value of the associated intangible assets.

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

Report of the Group Audit Committee *(continued)*

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

Viability statement

Committee Considerations
In accordance with the requirements of the UK Corporate Governance Code, the Committee considered whether it had a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment and made a recommendation to the Board in that regard. This required a robust assessment of the principal risks facing the Group, including those that would threaten its business model and future performance, solvency and liquidity.

Committee conclusion
The Committee undertook a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and concludes that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Group adopted a three-year period, having regard to existing relevant process and frameworks which are performed over time periods ranging from six months to three years.

Going concern

Committee Considerations
The Committee considered management's assessment of the appropriateness of preparing the financial statements of the Group for the year ended 31 December 2022 on a going concern basis. In making this assessment, matters considered included the performance of the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios, including consideration of the impact of the deteriorating economic outlook. The considerations assessed by the Committee are set out on page 198 in the Going Concern disclosure within the Accounting Policies in note 1 to the consolidated financial statements.

Committee conclusion
On the basis of the review performed and the discussions with management, the Committee is satisfied that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment. This assessment together with the Going Concern disclosure (as set out on page 198) was subsequently approved by the Board.

IT risk

Committee Considerations
The Committee considered and discussed management's assessment of IT risks and the ongoing risk management programme to identify, rate, mitigate and report on IT risks, including GIA and KPMG's findings of the internal control environment and actions arising therefrom.

Committee conclusion
On the basis of the review performed, discussions with management and the continued operation of the comprehensive internal control framework over financial reporting, the Committee is satisfied that these risks do not impact financial reporting processes.

IFRS 17

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

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

Report of the Group Audit Committee *(continued)*

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

Acquisition of Davy

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

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

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

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

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

The Committee also:
- considered the valuation at 31 December 2022, under IFRS 9, of the commitment to acquire a portfolio of c.€7.8 billion of loans and €2 billion of deposits from KBC Bank Ireland plc. The committee also considered the disclosure under IAS 10 of the estimated financial effect of the completion of the acquisition of those portfolios on 3 February 2023;
- considered and approved an update to the Group's accounting policies to include a new policy on 'Client Properties" and an addition to its current accounting policy on Fee and Commission income, as a result of the Group's acquisition of Davy on 1 June 2022;
- considered and approved a voluntary change in accounting policy on the presentation of portfolio fair value hedge adjustments on the Group balance sheet as a separate line item;
- dedicated time to the consideration of semi-annual Regulatory Reporting updates;
- considered updates from the Audit Committee Chairs and Head of Audit of each of the Group's material subsidiaries as well as minutes of the respective subsidiary Audit Committee meetings; and
- reviewed talent development in and succession planning for the Finance function.

A full list of responsibilities are detailed in the Committee's terms of reference, which can be found at Board / Court Committee's - Bank of Ireland Group Website:

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

Evelyn Bourke
Chair of the Group Audit Committee

6 March 2023

Report of the Board Risk Committee

Richard Goulding
Chair

Dear Shareholders,

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

Committee purpose and responsibilities

The Committee was established to advise and support the Board on oversight of risk management and to ensure that the Group's risks are properly identified, reported and assessed; that risks are properly controlled; and that strategy is informed by, and aligned with the Group's risk appetite. It makes recommendations to the Board, or approves under delegation, certain risk matters and maintains oversight of the Group's risk profile, including adherence to Group risk principles, policies and standards. The Committee oversees the implementation of the Group's Risk Management Framework, constituent policies, adherence to risk appetite and management of risk within operational limits.

Committee membership and meeting attendance

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

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

The Committee acts independently of the Executive and comprises six NEDs. Michele Greene had been designated as non-independent by virtue of her nomination by the Minister for Finance. Further details on Michele Greene's status as an independent NED can be seen on page 80.

The Committee's composition ensures appropriate coverage of core banking skills and competence in the financial sector, with experience and expertise in risk that is considered appropriate to the scale and complexity of the Group. Committee members have extensive knowledge of financial markets, consumer banking and risk management, together with broad experience in technology, digital and operations. There is also a keen awareness of the importance of taking all reasonable steps to ensure good customer outcomes for both consumer and commercial customers. Members' biographies can be found on pages 78 to 81.

Board consideration of risk-related issues is considered to be enhanced by Members serving on more than one Board sub-committee. The BRC is required under regulation to have one shared member with each of the Group Audit Committee (GAC) and the Group Remuneration Committee (GRC). Given the Group's ongoing focus on transformation activities and related risk considerations, the Group has determined that shared membership with the Group Transformation Oversight Committee (GTOC) is also appropriate. During the course of 2022, the Group established a Group Sustainability Committee and shared membership between the BRC and the Group Sustainability Committee is also considered appropriate in the context of risk management in respect of Group Sustainability Committee, particularly climate-related activities.

Shared-membership between the BRC and each of the GAC, GRC, GTOC and Group Sustainability Committee is currently maintained as follows:

Committee	Shared Members with the BRC
GAC	Evelyn Bourke, Richard Goulding and Steve Pateman
GRC	Steve Pateman, Giles Andrews and Ian Buchanan
GTOC	Giles Andrews, Ian Buchanan, Richard Goulding and Michele Greene
Group Sustainability Committee	Giles Andrews, Evelyn Bourke and Michele Greene

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

The Group CRO has full access to the Committee and normally attends all meetings. The Group Chief Internal Auditor and members of the wider Executive also attend meetings as appropriate and at my invitation as Committee Chair.

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

Committee activities in 2022

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

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

Report of the Board Risk Committee *(continued)*

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

Risk Management Framework, library and organisation

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

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

Risk Assessments

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

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

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

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

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

Matters considered and action taken by the Committee in 2022

Credit Risk

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

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

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

Capital Adequacy

Committee Considerations
Regular reviews are undertaken to ensure that Regulatory and Fully Loaded capital ratios have appropriate buffers above the Group's own minimum targets and regulatory requirements. The BRC considered the impacts of future capital requirements and capital availability and reviewed in detail the ICAAP, including stress scenarios, with updates considered post changes in macroeconomic assumptions midyear.

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

Report of the Board Risk Committee *(continued)*

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

Funding and Liquidity Risk

Committee Considerations
Regular reviews are undertaken to ensure that the Group is compliant with all risk appetite measures and regulatory liquidity requirements. The Committee reviewed the results of regular stress testing and of the Internal Liquidity Adequacy Assessment Process (ILAAP).

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

Market Risk

Committee Considerations
Regular reviews are undertaken to ensure that the Group is compliant with all risk appetite measures across credit spread risk, discretionary risk, Value at Risk (VaR) and scenario-based stress testing. The Committee also considered a deep dive into market risk assessing the general control environment, framework and related governance.

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

Operational Risk

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

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

Regulatory Risk

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

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

Report of the Board Risk Committee *(continued)*

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

Conduct Risk

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

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

Business and Strategic Risk

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

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

People risk

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

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

Richard Goulding
Chair of the Board Risk Committee

6 March 2023

Attendance table

The table below reports Directors' attendance at scheduled and out of course Board and Committee meetings in 2022.

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

Column A: Indicates the number of meetings held during the year the Director was a member of the Board and / or the Committee and was eligible to attend.
Column B: Indicates the number of meetings attended.

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

Report of the Directors

Results
In 2022, the Group made a profit before tax of €1,056 million (2021: €1,221 million) and an after tax profit of €897 million (2021: €1,055 million). €889 million (2021: €1,048 million) of profit after tax is attributable to ordinary shareholders and €8 million of profit after tax (2021: €7 million) is attributable to non-controlling interests (NCI).

Distributions
In respect of the 2022 financial year, the Board proposed a distribution of €350 million including an ordinary dividend of €225 million, equivalent to 21 cents per share, subject to ordinary shareholder approval and a share buyback of €125 million subject to regulatory approval. The dividend of 21 cents per share will be paid on 13 June 2023 to ordinary shareholders who appear on the Company's register on 12 May 2023, the record date for the dividend, subject to shareholder approval.

The Group has updated its distribution policy. 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.

Group activities
The Group provides a range of banking and other financial services. The Strategic Report on pages 3 to 47 and Financial Review on pages 48 to 71 contains a review of the results and operations of the Group, of most recent events, and of likely future developments.

In relation to the Group's business, no contracts of significance to the Group within the meaning of LR 6.1.77(10) of the Euronext Dublin Listing Rules existed at any time during the year ended 31 December 2022.

Principal Risks and Uncertainties
Information concerning the Principal Risks and Uncertainties facing the Group is set out on pages 133 to 141 in the Risk Management Report.

Financial risk management objectives and policies
Information regarding the financial risk management objectives and policies of the Group, in relation to the use of financial instruments, is set out in the Risk Management Report on pages 132 to 179.

Share capital
At 31 December 2022, the Group had 1,070,326,651 ordinary shares of €1.00 each in issue, of which 1,270,095 were treasury shares. Further detail on the structure of the Group's capital is set out in note 48.

Takeover Bids Regulations
The disclosures required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 are set out in the Schedule to the Report of the Directors on page 117.

Directors
The names of the members of the Board of Directors of the Company at 31 December 2022, together with a short biographical note on each Director appear on pages 78 to 81.

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

Remuneration
See Remuneration Report on pages 119 to 131.

Directors' and Secretary's interests
The interests of the Directors and Secretary in office at 31 December 2022 in the shares issued by the Company as disclosed to the Company are shown in the Remuneration Report on page 119.

Listing rules disclosures
Information required under UK Listing Rule LR 9.8.4C can be found on pages 123 to 124 for Directors' Emoluments and above under 'Group activities' for Contracts of Significance.

Substantial shareholdings
There were 81,750 registered holders of ordinary shares of the Company at 31 December 2022. In accordance with LR 6.1.82 (2) of the Euronext Dublin Listing Rules, details of notifications received by the Company in respect of substantial interests in its ordinary shares are provided in Table 1 below at 31 December 2022 and 6 March 2023. Other than the Directors' interests set out on page 131 there were no other interests disclosed to the Company in accordance with the Market Abuse Regulation and Part 5 of the Transparency Regulations and the related transparency rules during the period from 31 December 2022 to 6 March 2023.

For information on acquisition or disposal of own shares, refer to note 48.

Table: 1	31 December 2022 %	6 March 2023 %
Blackrock, Inc.	8.48%	9.02%
Norges Bank	4.81%	4.81%
Orbis Investment Management Limited	4.01%	3.98%
Massachusetts Financial Services Company	4.09%	5.06%
FMR LLC	3.03%	3.03%

Authority to purchase own ordinary shares
At the AGM held on 26 May 2022, the members gave the Company, and any of its subsidiaries, the authority to make market purchases up to c.10% of its own ordinary shares. This authority will expire on close of business on the date of the AGM of the Company in 2023 or on 26 August 2023, whichever is earlier.

Report of the Directors *(continued)*

Any such purchases would be made only at a price level that the Directors considered to be in the best interest of shareholders generally, after taking into account the Company's overall financial position and regulatory capital obligations and requirements. In addition, the authority provides that the minimum price which may be paid for such Shares shall not be less than the nominal value of the Shares and the maximum price shall be the higher of 105% of the average market price of such ordinary shares and the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052.

Corporate governance

The Company is subject to the 2018 UK Corporate Governance Code published by the Financial Reporting Council in the UK (UK Code) and the Irish Corporate Governance Annex to the Listing Rules of Euronext Dublin (formally the Irish Stock Exchange).

The Corporate Governance Statement forms part of the Report of the Directors. Statements by the Directors in relation to the Bank's compliance with the CBI's Corporate Governance Requirements for Credit Institutions 2015, (the 'Irish Code') and additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions, and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the CRD IV), respectively, are set out on page 73 to 116.

Directors' Compliance Statement

As required by Section 225 of the Companies Act 2014, as amended, of Ireland, the Directors acknowledge that they are responsible for securing the Company's compliance with its 'relevant obligations' (as defined in that legislation). The Directors further confirm that a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations. A review of those arrangements and structures has been conducted in the financial year to which this report relates.

Political donations

Political donations are required to be disclosed under the Electoral Acts 1992 to 2014. The Directors, on enquiry, have satisfied themselves that there were no political donations made during 2022.

Branches outside the State

The Company has no branches established outside the State. The Bank has branches in the UK, France, Germany, the US and Spain.

Going concern

The Directors have considered the appropriateness of the going concern basis in preparing the financial statements for 2022 on page 198, which forms part of the Report of the Directors and on page 107, in the Corporate Governance Statement.

Viability Statement

In accordance with the requirements of the UK Code, the Directors have assessed the viability of the Group, taking account of the Group's current position and the potential impact of the principal risks facing the Group.

The Directors have selected a three-year period for this assessment, reflecting the time horizon that they consider fits with the various risk and planning frameworks taken into account in arriving at the viability statement.

The Directors have assessed the prospects of the Group through a number of frameworks, including the ICAAP, the ILAAP, each of which include an assessment of the uncertain geopolitical environment and the macro-economic outlook, the monitoring of key risks identified under the Group's risk identification process by the Executive Risk Committee (ERC), the BRC and the Board (see page 142 of the Risk Management Report), and the assessment of Principal Risks and Uncertainties (pages 133 to 141) together with the Group's strategic direction as set out in the Strategic report (pages 3 and 47). Within the Principal Risks and Uncertainties, the Directors consider Credit risk, Funding and Liquidity risk and Capital Adequacy, together with Environmental, Social and Governance risk and Operational risk (including Digital) to be the most relevant to the viability assessment.

The ICAAP process facilitates the Board and senior management in adequately identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile. ICAAP is subject to review by the Group's prudential regulator, the ECB Single Supervisory Mechanism (SSM). Underpinning the ICAAP process, the Group prepares detailed financial projections under both a base case and a stress case. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions, and the stress case is prepared based on a severe but plausible stress economic scenario, (Risk Management Report sections 3.2). The ICAAP process demonstrates that the Group has sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives, having regard to Board approved risk appetite and strategy, and to meet its CRD IV regulatory capital, leverage and liquidity requirements.

The economic impact of uncertainty in the geopolitical environment and the impact in the Group's core markets as the COVID-19 crisis abates have been among the items considered in a number of areas of the Group's ILAAP, which demonstrates that the volume and capacity of liquidity resources available to the Group are adequate to support its business model, to achieve its strategic objectives under both business as usual and severe but plausible stress scenarios and to meet regulatory requirements including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Directors confirm that their assessment of the principal risks facing the Group, through the processes set out above, was robust. Based upon this assessment, and their assessment of the Group's prospects, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2025.

Report of the Directors *(continued)*

Accounting records
The Directors ensure that adequate accounting records are kept at the Company's registered office, through the appointment of suitably qualified competent personnel, the implementation of appropriate computerised systems and the use of financial and other controls over the systems and the data.

Auditor
KPMG, Chartered Accountants, were appointed statutory auditor on 19 April 2018. They have been re-appointed annually since that date and will continue in office in accordance with section 383(2) of the Companies Act 2014.

Relevant audit information
The Directors in office at the date of this report have each confirmed that as far as they are aware, there is no relevant audit information of which the Group's Auditor is unaware; and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Non-financial information
Information required in accordance with the EU (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 can be found in the Strategic Report on page 42. The strategic report also includes information on topics such as the Environment and Employee matters.

Post balance sheet events
These are described in note 64 to the financial statements.

Patrick Kennedy
Chairman

Richard Goulding
Deputy Chair

Bank of Ireland Group plc
Registered Office
40 Mespil Road,
Dublin 4

6 March 2023

Schedule to the Report of the Directors

Information required under the European Communities (Takeover Bids (Directive 2004/ 25/EC)) Regulations 2006.

As required by these Regulations, the information contained below represents the position at 31 December 2022.

1. Structure of the Company's capital

The capital of the Company is divided into ordinary shares and preference shares.

At 31 December 2022, there were 1,070,326,651 ordinary shares in issue. At 31 December 2022, there were no preference shares in issue.

Further detail on the structure of the Company's capital is set out in note h to the financial statements.

Rights and Obligations attaching to the classes of shares

Ordinary shares

Dividend rights

Under Irish law, dividends are payable on the ordinary shares of the Company only out of profits available for distribution. Subject to the provisions of the Companies Act 2014 (the 'Companies Act'), holders of the ordinary shares of the Company are entitled to receive such dividends as may be declared by the Company by ordinary resolution, provided that the dividend cannot exceed the amount recommended by the Directors. The Company may pay shareholders interim dividends if it appears to the Directors that they are justified by the profits of the Company available for distribution. Any dividend which has remained unclaimed for twelve years from the date of its declaration may be forfeited and cease to remain owing by the Company.

Voting rights

Voting at any general meeting is by a show of hands or by poll. On a show of hands, every shareholder who is present in person or by proxy has one vote regardless of the number of ordinary shares held by him or her. On a poll, every shareholder who is present in person or by proxy has one vote for every ordinary share of €1.00 each.

A poll may be demanded by:
(i) the Chair of the meeting;
(ii) at least three members of the Company present in person or by proxy having the right to vote at the meeting;
(iii) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
(iv) a member or members present in person or by proxy holding shares in the Company conferring the right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The necessary quorum for a general meeting is two persons present in person or by proxy and entitled to vote. All business is considered to be special business if it is transacted at an Extraordinary General Meeting (EGM) as is all business transacted at an AGM other than the declaration of a dividend, the consideration of the Company's statutory financial statements and reports of the Directors and Auditors on those statements, the review by the members of the Company's affairs, the election of Directors in the place of those retiring, the reappointment of the retiring Auditors (subject to Sections 380 and 382 to 385 of the Companies Act), the fixing of the remuneration of the Auditors and the consideration of a special resolution for the purpose of Section 1102(2)(b) of the Companies Act. Any business that is required to be dealt with by way of special resolution must be passed by not less than 75 per cent of the votes cast by such members as, being entitled to do so, vote in person or by proxy at a general meeting at which not less than twenty one clear days' notice specifying the text or substance of the proposed resolution has been duly given.

Any business that is required to be dealt with by way of ordinary resolution must be passed by a simple majority of the votes cast by the members as, being entitled to do so, vote in person or by proxy at a general meeting.

An EGM (other than an EGM called for the passing of a special resolution) may be called on at least 14 days' notice where:
(i) the Company offers the facility for members to vote by electronic means accessible to all members who hold shares that carry rights to vote at general meetings; and
(ii) a special resolution reducing the period of notice to fourteen days has been passed at the immediately preceding AGM or at an EGM held since the immediately preceding AGM.

Liquidation rights

In the event of any surplus arising on the occasion of the liquidation of the Company, the ordinary shareholders would be entitled to a share in that surplus in proportion to the capital at the commencement of the liquidation paid up or credited as paid up on the ordinary shares held by them respectively.

Preference shares

At 31 December 2022, there were no preference shares in issue. Where authorised to issue authorised but unissued shares in the capital of the Company (including where relevant, by shareholder approval under Section 1021 of the Companies Act), and subject to the scope of any such authority, in accordance with the Company's articles of association (the 'Articles'), the Directors are authorised to issue all or any of the authorised but unissued preference shares from time to time in one or more classes or series, and to fix for each such class or series such voting power, full or limited or no voting power, and such designations, preferences or special rights and qualifications, limitations or restrictions thereof in any resolution adopted by the Directors providing for the issuance of such class or series of preference shares.

Variation of class rights

Whenever the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, either while the Company is a going concern or during or in contemplation of a winding-up.

Percentage of the Company's capital represented by class of share

The ordinary shares represent 99.9% of the authorised share capital and 100% of the issued share capital. The preference shares represent 0.1% of the authorised share capital and 0% of the issued share capital.

Schedule to the Report of the Directors *(continued)*

2. Restrictions on the transfer of shares in the Company
There are no restrictions imposed by the Company on the transfer of shares, nor are there any requirements to obtain the approval of the Company or other shareholders for a transfer of shares, save in certain limited circumstances set out in the Articles. A copy of the Articles may be found on the Company's website:

www.bankofireland.com.

3. Persons with a significant direct or indirect holding of stock in the Company.
Details of significant shareholdings may be found on page 114 of the Report of the Directors.

4. Special rights with regard to the control of the Company
There are no special rights with regard to control of the Company.

5. Shares relating to an employee share scheme that carry rights with regards to the control of the Company that are not exercisable directly by employees.
The Bank of Ireland Inland Revenue Approved UK Stock Incentive Plan (SIP) provides that in respect of resolutions proposed at general meetings of the Company, voting rights in respect of shares held in trust for employees who are participants in the SIP are to be exercised in accordance with the employees' written instructions to the trustees of the SIP. In the case of 'any other business' at an AGM of the Company, the SIP trustees are entitled to vote (or refrain from voting) as they think fit.

6. Restrictions on voting rights
There are no unusual restrictions on voting rights.

7. Agreements between shareholders that are known to the Company and may result in restrictions on the transfer of securities or voting rights.
There are no arrangements between shareholders, known to the Company, which may result in restrictions on the transfer of securities or voting rights.

8. Rules of the Company concerning the:

Appointment and replacement of Directors
All Directors nominated between AGMs are submitted to shareholders for election at the first AGM following their co-option. In accordance with the UK Code, all Directors retire by rotation every year and, if eligible, may offer themselves for re-election, subject to satisfactory performance evaluation. In proposing the election or re-election of any individual Director to the AGM, the reasons why the Board believes that the individual should be elected or re-elected are provided in the Chairman's Letter to shareholders.

Amendment of the Company's Constitution
The Company's Constitution may be amended by special resolution passed at an AGM or EGM. An AGM and a Meeting called for the passing of a special resolution shall be called by at least twenty one clear days' notice. Special resolutions must be approved by not less than 75 per cent of the votes cast by such members as, being entitled to do so, vote in person or by proxy. No business may be transacted at any General Meeting unless a quorum of members is present at the time when the Meeting proceeds to business. Two persons present in person or by proxy and entitled to vote shall constitute a quorum.

9. Powers of the Company's Directors, including powers in relation to issuing or buying back by the Company of its shares
Under its Articles, the business of the Company is managed by the Directors, who exercise all powers of the Company as are not, by the Articles or by the Companies Act, required to be exercised by the Company in General Meeting. The Directors may exercise all the borrowing powers of the Company and may give security in connection therewith. These borrowing powers may be amended or restricted only by the shareholders in General Meeting. The members of the Company in General Meeting may at any time and from time to time by resolution increase the share capital of the Company by such amount as they think proper. Whenever the share capital of the Company is so increased, the Directors may, subject to various provisions of the Articles, issue shares to such amount not exceeding the amount of such enlargement as they think proper. All ordinary shares so issued shall rank in equal priority with existing ordinary shares.

Subject to provisions of the Companies Act, to any rights conferred on any class of shares in the Company and to the Articles, the Company may purchase any of its shares of any class and may cancel any shares so purchased or hold such shares as treasury shares (the 'treasury shares') with liberty to re-issue any such treasury shares in accordance with Section 109 of the Companies Act 2014. The Company shall not make market purchases of its own shares unless such purchases shall have been authorised by a special resolution of the Company and by a special resolution passed at a separate general meeting of the holders of each class of shares.

10. Significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a bid and the effects of any such agreements.
There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a bid, however, certain Group agreements may be altered or terminated upon a change of control of the Bank or Bank of Ireland (UK) plc following a takeover. Those that may be deemed to be significant in terms of their potential impact on the business of the Group as a whole are the joint ventures between Bank of Ireland (UK) plc and Post Office Limited in the UK (in respect of FX and Post Office branded retail financial services products) and the agreement between Bank of Ireland (UK) plc, AA plc and AA Financial Services Limited in the UK (in respect of AA branded financial services products).

11. Agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a bid.
There are no agreements between the Company and its Executive Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a bid.

The service contracts for NEDs do not make provision for benefits on termination in the event of bid.

Remuneration Report

How this Remuneration Report is structured

- This **'Remuneration at a glance'** section provides a key overview of the key decisions made by the Committee during the year.
- The **Remuneration policy (the Policy)** section outlines the elements of the remuneration policy to be put to an advisory vote at the 2023 AGM.
- The **proposed implementation of policy** section outlines how we are planning to apply the policy going forward.
- The **'Annual Report on Remuneration'** details the remuneration outcomes for 2022.
- A **wider remuneration context** section includes our framework for reward across the Group and the key decision-making process for our staff during the year.
- Additional detail on the rationale for decisions made for 2022 and the new remuneration policy can be found in the Remuneration Chair statement on page 98.

At a glance

History of executive remuneration at Bank of Ireland

The current policy was written to comply with the Minister's letter of July 2011, which prohibited Bank of Ireland operating variable compensation schemes within its overall remuneration framework. It also included a cap on the maximum total compensation level that can be awarded in a year to €500,000 (unless specific approvals were obtained from the Department of Finance). Any proposals for increases above this level had to be approved by the Department of Finance before being implemented.

These restrictions naturally created a challenging policy construct which resulted in a competitive disadvantage for Bank of Ireland in the recruitment, reward and retention of senior executives and the wider employee base.

Given these restrictions a fixed pay only Remuneration Policy construct has been applied over this period.

As part of the discussions in 2021, regarding the acquisition of J&E Davy (Davy), it was agreed with the Department of Finance that the remuneration restrictions that apply to BoI would not apply to Davy employees, and that they could continue to receive variable remuneration.

Changes to restrictions in 2022

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

- a removal of the de facto €500,000 cap on total compensation and requirement to consult the Minister for Finance;
- a lifting of the restriction of variable pay, allowing for awards to be made to individuals up to a maximum value of €20,000; and
- in the event of the €20,000 pay cap being lifted, any variable pay above this amount would be subject to the Excess Bankers Remuneration Charge on RoI tax residents in Covered Institutions and taxed at 89%.

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

The Group maintains an ongoing dialogue with the Department of Finance in this regard and if the remaining restrictions were to be lifted, the Group would consider these changes and seek shareholder approval to update the existing remuneration policy, as appropriate, including the possible introduction of a market competitive variable pay scheme for Executive Directors.

Key changes in personnel during the year

Group CEO

In April 2022, Francesca McDonagh indicated her intention to leave the CEO role, with her formal departure in September. During the intervening period before the appointment of a successor, Gavin Kelly took on the role in an interim capacity, with his compensation aligned to that of Francesca for the period served.

In November 2022, Myles O'Grady (Chief Financial Officer until March 2022) was appointed as the CEO. His construct was set at the same level as for his predecessor at the point of hire which included the non-entitlement to a pension or pension allowance. As part of Myle's joining arrangements a 9 month notice period was included in his contract, which is above the minimum required by the remuneration policy and above that of his predecessor.

Group CFO

As previously set out in the 2021 annual report, Myles O'Grady indicated his intention to leave the role of CFO, with his formal departure from the role in March 2022. In his place the Group appointed Mark Spain who was promoted from his previous role as Chief Strategy Officer. Mark's overall fixed pay was set in line with his predecessor, with the exception of retaining his defined benefit pension, in line with his legacy contractual arrangements. Myles had a salary of €471,500 and a car allowance of €27,500. Mark's salary was set at €500,000, with no eligibility for a car allowance. Mark's notice period is set at 6 months in line with the policy.

Changes to the Directors' remuneration policy

The current remuneration policy, which was put to shareholder vote in May 2020 receiving 97.8% shareholder support, is now due for renewal at the 2023 AGM. As such the Committee has reviewed the elements of the existing policy to ensure that it is fit for purpose based on the current market conditions to which the Group is subject, as well as considering market trends on best practice.

The current policy contains a number of challenges which the Committee were keen to address as part of the review.

- **Size and complexity changes within the Group** - Bank of Ireland have acquired both J&E Davy and the performing loan business from KBC Ireland, which has significantly increased the roles and responsibilities for the Executive Directors.
- **Attrition at Executive Director level for Bank of Ireland** - Bank of Ireland has had a high turnover at the Executive Director level, with individuals taking on similar roles in firms whose compensation package is not as heavily restricted.
- **No movement in pay** - There has been no change in the CEO total compensation level since 2014, meaning it has not kept pace with that of relevant competitors, or the wider workforce within Bank of Ireland. Comparisons with the market indicate that total compensation levels are out of line for both Executive Directors while CFO base pay is also out of line.
- **Lack of business alignment** - The current Executive Director's remuneration package is delivered entirely in fixed cash. With no remuneration delivered in equity over a multi-year period, this results in limited to no alignment to the performance of the business or the experience of our shareholders.

Remuneration Report *(continued)*

The Committee has reviewed extensively the range of options that are available to the Group under a new construct, reflecting the latest changes in remuneration restrictions and taking into account the expectations of our shareholders (including feedback received from our shareholders when consulted earlier this year). A summary of the proposed changes to the Policy, and how it is intended to be implemented is provided in the table below.

Full details of the new Directors' remuneration policy are set out on pages 119 to 131.

Pay element	Current policy	Proposed policy and implementation	Rationale
Salary	**Implementation in 2022** CEO - €950,000 CFO - €500,000	**Implementation in 2023** CEO - €950,000 (no increase) CFO - €550,000 (+10% increase) For the CFO, the Committee is planning to increase the salary in 2024 to €600,000 (+9% increase).	• This change reflects the increase in scope and responsibility for the CFO role over recent years. • The Committee reviewed the role against the current market positioning both internally and externally, noting proposed total compensation will still remain well below the market benchmarks for both Executive Directors.
Pension	CEO - Not currently eligible for a pension CFO - Member of a legacy Defined Benefit (DB) scheme. External hires - Invited to join RetireWell scheme on same terms as wider workforce.	CEO - Invited to join the RetireWell defined contribution scheme with terms consistent with that of the wider workforce (11% – 17% of salary). Alternatively, the CEO may elect for a Pension Cash Allowance, currently set at 15% of salary, which is available to other members of RetireWell who meet set conditions. CFO - No change proposed. Alternatively, the CFO may elect for a Pension Cash Allowance, currently set at 20% of salary, which is available to other members of a Defined Benefit scheme who meet set conditions. External hires - No change in policy proposed.	• As the only Group member not entitled to a pension allowance this aligns the CEO to the benefits provided to the wider workforce.
Fixed share award (FSA)	n/a	• FSA introduced with maximum allowance level of 50% of salary. • Paid quarterly in BoI shares and released in instalments over 3 years (33% per year). • The FSA is not subject to any performance conditions. • Phased implementation across policy life (3 years), with no allowance paid in 2023, an allowance of 25% of salary from 2024 and an allowance of 50% of salary from 2025 onwards.	• The use of a FSA allows for direct shareholder alignment through awards made in equity, with c. 30% of total compensation provided in equity. • Allowances are delivered over a multi-year period aligning to longer term shareholder interests. • FSA calibration chosen positions the CEO total target compensation below the lower quartile of the UK mid-tier banks peer group and between the lower quartile and median of the ISEQ-15 peer group. The CFO is positioned below the lower quartile of both peer groups. • Given the payment timing and the phased approach, receipt will be gradual over time.

Remuneration Report *(continued)*

Pay element	Current policy	Proposed policy and implementation	Rationale
Variable pay - Profit Share	n/a	• Executive Directors are not eligible for annual bonus or LTIP awards, in line with the wider workforce. • Introduction of an all-employee profit share award with terms consistent across the wider workforce. Award levels, as a percentage of salary will vary based on individuals' performance rating and be subject to overall Group performance. • For 2023, the award level will vary based on individual performance ratings and overall Group performance, but will be no higher than 10% of salary. • Award size limited based on the prevailing remuneration restrictions, currently €20,000. • The appropriateness of the final profit share will be assessed against a mix of financial and non-financial criteria, including profit and related metrics, affordability, customer, and ESG, with the pool as a whole subject to risk adjustment. • Executive Directors individual performance assessment will be assessed on the same terms as the wider employee population with their personal rating determining the award level. Their personal objectives will be considered as part of a framework by the Committee with judgement applied to outcomes without reference to formulaic targets or weightings. • Details on the assessment will be set out in each relevant annual report on remuneration.	• The variable pay structure/profit share allows for a consistent approach to be applied across the Group, with all individuals sharing in the success of the Group. • The Committee felt that introducing more traditional variable pay elements (e.g. a standard annual bonus structure or LTIP) would not be achievable at this stage given continued limitations on variable quantum.
Shareholding requirement	n/a as no award of equity within the Executive package.	• In-employment level of 100% of salary. Under the FSA, the net amount of shares, post application of tax, cannot be disposed until the requirement is met. • Post employment requirement of the minimum of the in-employment level or actual shareholding at time of departure. To be held for 2 years post departure from the Group.	• Introduction of shareholding requirement helps align Executive Directors with long-term shareholder experience. • The shareholding requirement has been set at a level commensurate with the level of share allowance being made under the FSA. A requirement of 100% represents a larger multiple of the annual share allowance than is typically seen within the market, and has been set such that it can be achieved within a reasonable timeframe (expected to be c.5 years).

Impact of new remuneration policy on total target remuneration

The Committee is sensitive to the current cost of living and economic challenges as well as the timing of these changes relative to the recent relaxation in remuneration restrictions but has balanced these considerations against the significant gap in Executive Director remuneration levels relative to peers which has caused considerable retention and recruitment challenges.

The decision to make upward adjustments in remuneration predominantly in equity and on a phased basis reflects the desire to align Executive Director reward with shareholder outcomes and recognises the headline levels proposed are not insignificant in absolute terms.

The approach to phasing is outlined below. The Committee notes that the full impact of the proposed construct does not pay out in full until 2028.

- **2023**: Increase in CFO salary and introduction of CEO pension eligibility (to apply from date of AGM). Introduction of profit share (with first award paid in Q1 2024).
- **2024**: Increase in CFO salary and introduction of a FSA of 25% of salary for CEO and CFO. Due to the holding period, delivery phased pro-rata over 2025, 26 and 27.
- **2025**: FSA of 50% of salary for CEO and CFO. Holding period as per 2024 FSA with delivery phased pro-rata over 2026, 27 and 28.

Remuneration Report *(continued)*

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

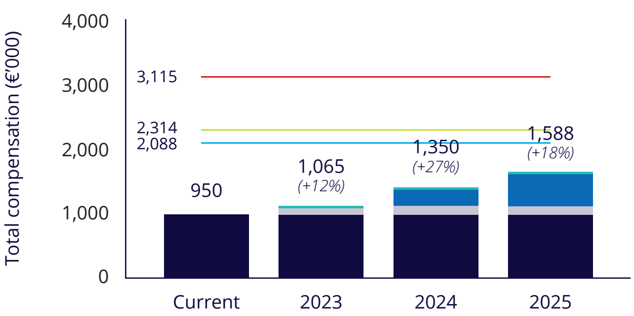
CEO total target compensation is:
- below the lower quartile total target compensation of the UK mid-tier banks;
- between the lower quartile and median total target compensation of the ISEQ-15; and
- below the median fixed pay for level 1 UK banks.

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

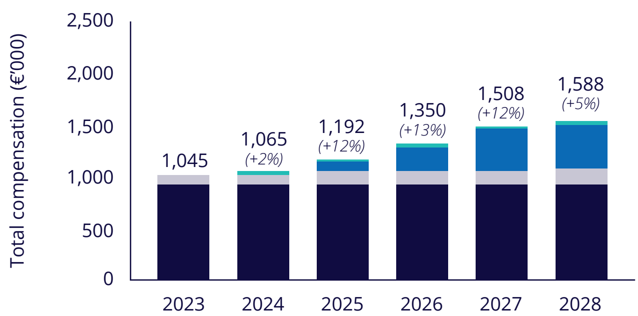
In addition, the Committee noted that
- A FSA of 50% of salary is below the percentage levels typically applied, which are often in excess of 100% of salary.
- The total compensation levels for the CEO and CFO role have been unchanged since 2014 and 2016 respectively.
- The graphs below illustrate the total target compensation for the CEO and CFO over the period of the FSA, and against the external benchmarks.

Underlying assumptions applied to the graphs:
- A 15% pension cash allowance for the CEO (to apply from date of 2023 AGM).
- The CFO is a member of a legacy defined benefit pension scheme with terms consistent with those eligible employees.
- A value of c.23% of salary has been included here as an estimate of the equivalent employer contribution from the date of appointment annually through to 2028.
- Payment of profit share is dependent on criteria set out on page 121, however is included at maximum outcome possible for illustrative purposes.
- FSA release profile illustrates receipt for the Executive Directors over time, given deferral of FSA.

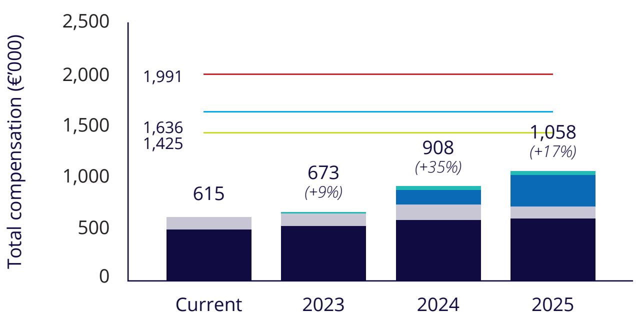
CEO in year award levels



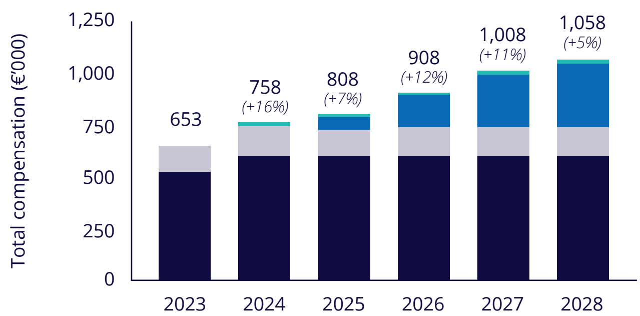
CEO release profile



CFO in year award levels



CFO release profile



Large UK banks fixed pay median · ISEQ-15 median · Mid-tier UK bank median
Profit share · FSA · Pension · Salary

2022 outcomes

Bank of Ireland company performance

Strong FY22 financial performance:
- Profit before tax of €1.1bn (2021: €1.2bn). Underlying profit before tax of €1.2bn.
- Total underlying income +11% year on year, reflecting higher net interest income and growth in fee income.
- Strong costs discipline maintained; like for like costs lower; underlying cost income ratio reduces to 54%.
- NPEs down 40%, NPE ratio 3.6% from 5.5% in 2021.

Remuneration Report *(continued)*

Strategic progress accelerates in 2022:
- Assets under management (AUM) c.75% to c.€39bn, including €18.4bn following J&E Davy ('Davy') acquisition.
- c.240k new current accounts opened (+c.100% year on year); €11bn growth in Irish deposit balances.
- Bank of Ireland is the only privately held domestic bank in Ireland, following State sell down.
- €7.8bn KBC Bank Ireland plc (KBCI) portfolio acquisition completed and portfolios successfully migrated.

This progress has been made despite the volatile backdrop that has characterised much of that period – extended Brexit uncertainties; the COVID-19 pandemic; Russia's invasion of Ukraine; and multi-decade highs in inflation with a resultant step change in interest rate expectations.

Remuneration outcomes for the wider workforce

- A salary review budget of 4% was agreed for 2022 and implemented with effect from 1 January 2022. The actual individual colleague level of salary increase was dependent on each colleagues' 2021 performance evaluation.
- The global cost of living crisis is impacting people in all countries where the Group operates. To reflect the impact a once-off voucher of €1,000 was made to RoI based colleagues in November 2022, with colleagues in the UK receiving a payment of £1,250. Similar payments were made to colleagues in other Group locations. Executives, Group Executive Committee members and Executive Directors were not in scope for this voucher/payment.

For 2023, reflecting the continued impact of the global cost of living crisis, it is envisaged that additional support will be implemented following engagement with employee representatives.

Following the change to restrictions at the end of 2022 the Group is now able to award variable pay to individuals up to a cap of €20,000. The Committee considered carefully the options available following this announcement, and it determined that in order to ensure simplicity and fairness, and recognising the €20,000 cap, that this would best be implemented through a profit share approach in which all employees are eligible to participate on consistent terms.

A target pool is set at the beginning of the year, which is then adjusted based on the level of profit achieved by the Group over the year. In approving the final pool level, the Committee will also consider the overall performance of the Group with reference to a number of financial and non-financial factors including profit and related metrics, affordability, customer and ESG with the pool as a whole subject to risk adjustment.

Average employee salary increase under the salary review process
4% increase

All employee cost of living voucher / payment in November 2022
€1,000 in RoI & £1,250 in UK

Annual report on Remuneration

Single total figure of Remuneration for Executive Directors in 2022

The information below forms an integral part of the audited financial statements as described in the basis of preparation in Note 1 to the financial statements.

Executive Directors	Reported Year	Gross Salary €'000	Benefits[1] €'000	Pension[2] €'000	Total fixed pay €'000	Annual Bonus[3] €'000	Total €'000
M O'Grady[4]	2022	249	7	13	269	–	269
	2021	472	28	52	552	–	552
M Spain[5]	2022	375	2	90	467	–	467
	2021	–	–	–	–	–	–
F McDonagh[6]	2022	663	4	–	667	–	667
	2021	950	10	–	960	–	960
G Kelly[7]	2022	176	2	20	198	–	198
	2021	–	–	–	–	–	–

[1] The figures include car allowances and, where applicable, benefits in kind.
[2] All pension amounts have been determined by Willis Towers Watson, the Group's actuarial advisors.
[3] No bonuses were awarded in respect of 2022 or 2021.
[4] M O'Grady held the role of CFO until 31 March 2022 and was appointed CEO on 17 November 2022.
[5] M Spain was appointed CFO on 31 March 2022.
[6] F McDonagh stood down as Group CEO on 2 September 2022.
[7] G Kelly was appointed interim CEO on 3 September 2022 and stood down on 17 November 2022.

Remuneration Report *(continued)*

Non-Executive Directors	Reported Year	Fees €'000	Benefits €'000	Total €'000
Chairman: P Kennedy	2022	394	–	394
	2021	394	–	394
Deputy Chair: R Goulding	2022	180	–	180
	2021	145	–	145
G Andrews	2022	94	–	94
	2021	87	–	87
I Buchanan	2022	169	–	169
	2021	166	–	166
E Bourke	2022	110	–	110
	2021	102	–	102
E Fitzpatrick	2022	139	–	139
	2021	102	–	102
M Greene	2022	123	–	123
	2021	79	–	79
F Muldoon	2022	174	–	174
	2021	136	–	136
S Pateman	2022	98	–	98
	2021	98	–	98

Notice periods

Role	Notice period required	
	from role holder	from company
Myles O'Grady	9 Months	9 Months
Mark Spain	6 Months	6 Months

2023 Remuneration policy

This section sets out the proposed forward-looking remuneration policy for Executive Directors. It is intended to apply for a maximum of three years, beginning on the date of the 2023 AGM, subject to shareholder approval.

Base salary

Purpose	To provide a competitive level of fixed remuneration reflecting the skills and experience required, supporting recruitment and retention in the market environment.
Operation	Base salary is determined based on the individual's role, skills and experience with reference to market practice and market data (on which the Committee receives independent advice). This is paid in cash on a monthly basis and is reviewed annually with any increase usually taking effect from 1 January. In normal circumstances the increase in salary for Executive Directors will be no more than that awarded to the wider workforce.
Maximum	The Committee, when considering what may represent an appropriate base salary increase, makes an objective assessment of: • the individual's responsibilities and the size and scope of their role; • pay for comparable roles in comparable publicly listed companies of a similar size (benchmarking); and • any increases paid to the wider Group population. The Committee recognises that a greater base salary increase may be appropriate in certain circumstances, for example, if an Executive Director's Remuneration is uncompetitive, or where there has been a material increase in responsibilities.

Remuneration Report *(continued)*

Non-salary benefits

Purpose	To provide a range of market competitive benefits which are valued and assist the Executive Directors to carry out their duties.
Operation	These are agreed on a case-by-case basis, within a framework and may include, but are not limited to: • life insurance; • mobile phone; • cash allowance - health; • cash allowance - car; and • relocation costs.
Maximum	• The level of benefit provision can vary depending on cost and individual circumstances. • The value of the total benefits will be reported annually in the Remuneration Report.

Pension

Purpose	To encourage planning for retirement and provide retirement benefits that are appropriately competitive in the market.
Operation	Paid as an employer contribution to the relevant pension scheme or as a cash allowance.
Maximum	Where the Director is a member of the RetireWell defined contribution (DC) pension scheme, their maximum potential employer contribution level, depending on the Rules of the scheme, is 17% of salary which is in line with that afforded to the wider eligible workforce. Alternatively, the Director may elect for a Pension Cash Allowance currently set at 15% of salary, which is available to other members of RetireWell who meet set conditions. Where the director is a member of a legacy defined benefit (DB) pension scheme, their benefit award level is set out in the rules of the scheme, the cost of which is determined in the actuarial valuation based on a number of factors including years of service, salary level, scheme accrual rate, etc., with terms consistent with that of other participants. Alternatively, the Director may elect for a Pension Cash Allowance, currently set at 20% of salary, which is available to others members of a DB pension scheme who meet set conditions. Following the DB scheme Pension Reviews in 2010 and 2013, some DB scheme members may have a portion of their total salary excluded for employer pension contribution purposes, and they may also have their DB pensionable salary capped in line with the changes agreed during the Pension Reviews. The balance of salary, which is not excluded or considered for DB pensions purposes may be pensioned on a DC basis in the RetireWell Supplementary scheme, with terms consistent with that of other participants. New internally appointed Directors will retain their current pension arrangements, noting that the terms provided will be on the same terms as those provided to other employees who are members of the same pension scheme. New externally appointed Directors will participate in a DC scheme (currently RetireWell) in line with the rules of the scheme and on the same terms as those available to other employees. Alternatively, the new externally appointed Director may elect for a Pension Cash Allowance, currently set at 15% of salary, which is available to other members of RetireWell who meet set conditions.

Fixed share allowance

Purpose	Additional fixed pay that reflects the skill and experience required and the complexities and responsibilities of the role. The FSA supports the delivery of long-term shareholder alignment.
Operation	The fixed share allowance will be delivered entirely in shares (typically quarterly) with individuals in receipt of shares that vest immediately subject to any deductions required for tax purposes. A retention period will also apply with shares released annually on a pro-rata basis over three years from the date of payment of the allowance. The FSA is not subject to any performance conditions.
Maximum	50% of salary.

Remuneration Report *(continued)*

Profit share award	
Purpose	To provide all employees an opportunity to share in the success of the business based on Group and individual performance.
Operation	All-employee profit share award with terms consistent across the wider workforce. Award levels, as a percentage of salary, are consistent for all employees, based on their individual performance rating and subject to overall Group performance. These are set at the beginning of each year with the appropriateness of the final profit share assessed against a mix of financial and non-financial criteria, including profit. Awards will also be subject to the relevant regulatory requirements, including risk adjustment and clawback where required. Executive Directors individual performance assessment will be assessed on the same terms as the wider employee population with their personal rating determining the award level. Their personal objectives will be considered in line with the wider workforce without reference to formulaic targets or weightings.
Maximum	Award levels based on a percentage of salary but capped at €20,000, in line with the remuneration restrictions.

Other policy elements for Executive Directors

Shareholding requirements	
Purpose	To provide long term alignment between the experience of Executive Directors and Bank of Ireland shareholders during and post employment.
Operation	To the extent shares are paid to the Executive Directors under the FSA, a shareholding requirement will apply. Eligible shares include any beneficially owned shares. Where the shareholding requirement is not met, the Executive Directors are required to hold 100% of shares awarded under the FSA post tax.
Maximum	In employment level of 100% of salary. Post employment level of the minimum of in-employment requirement and actual shareholding level at the point of departure from the Group. This level will be held for 2 years post departure.

Executive Directors recruitment	
Purpose	To provide a competitive structure in line with the elements outlined in our policy, to support recruitment of Executive Directors.
Operation	The Committee may agree remuneration proposals on hiring a new Executive Director which are outside the standard policy to facilitate the hiring of someone of the calibre required to deliver the Group's strategy. When determining appropriate remuneration arrangements, the GRC will take into account all relevant factors including (among other things) the level and type of remuneration being forfeited and the Jurisdiction the candidate was recruited from.
Maximum	A buy-out may be offered to a new Director if the individual holds any outstanding unvested awards or payments that are forfeited on resignation from a previous employer in line with regulatory requirements. The awards will be no more generous than the original awards or payments they are replacing, as far as possible.

Remuneration Report *(continued)*

Notice and termination provisions	
Operation	Standard termination provisions, which apply to all senior roles of the Group, apply to Executive Director roles too. Continuation of fixed pay, pension allowance and other contractual benefits while an employee is working during their notice period. The notice period can be no shorter than 6 months' provided by the Group or by the individual. When determining leaving arrangements for an Executive Director, the GRC considers applicable provisions of Irish law, contractual arrangements and the performance and conduct of the individual.
Maximum	n/a

Remuneration policy for the Chairman and independent Non-Executive Directors

Fees	
Purpose	To reflect appropriately, attract and retain non-executives and a Chair whose knowledge and skills as a collective Board determine the Group strategy and its execution.
Operation	Fees are paid for Chair and membership of the Board and Committees of the Group and are paid monthly in cash.
Maximum	The remuneration of Non-Executive Directors (NEDs) is not a matter for the Committee and is instead reviewed, periodically, by the Chair of the Board in consultation with the Chief Executive Officer, the Chief People Officer, and the Group Company Secretary. They review the amount of each component of fees periodically to assess whether individually and in aggregate they are appropriate in light of changes in roles, responsibilities and / or the time commitment of the NEDs and ensure that individuals of the appropriate calibre are able to be retained or appointed. A similar review is undertaken by the GRC in the case of the Chair of the Board. Non-Executive Directors' fees are determined by the Board within the limits set by shareholders in accordance with the Articles of Association. Remuneration for all NEDs does not include share options or other performance-related elements. No Director is involved in deciding their own remuneration outcome.

Expenses	
Purpose	To reflect individual responsibilities and membership of Board Committees.
Operation	Reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of duties. The full amount of expenses incurred is reimbursed, with a gross-up where tax is due on such expenses, to ensure no loss to the individual.
Maximum	n/a

Remuneration Report *(continued)*

The proposed implementation of policy for the Executive Directors in 2023 is set out in the table below. In the event of any changes in the restrictions applicable to BoI that would materially change the below, we would expect to consult with shareholders where appropriate.

	Summary of operation	CEO - Myles O'Grady	CFO - Mark Spain
Base salary	No change to CEO salary. Increase in CFO salary level of 10% to €550,000 and increase of 9% to €600,000 in 2024.	€950,000	€550,000
Pension	CEO will be invited to join the DC RetireWell pension scheme, with employer contribution level in line with the wider workforce of 11% to 17% of salary, as per scheme rules. Alternatively, the CEO may elect for a Pension Cash Allowance currently set at 15%, which is available to other members of RetireWell who meet set conditions.	€142,500	€127,000[1]
FSA	No FSA will be awarded for 2023. In 2024 a FSA of 25% of salary will be applied, and 50% of salary in 2025.	€nil	€nil
Profit share	• A profit share pool has been determined based on affordability and market competitiveness across the organisation. Award levels, as a percentage of salary will vary based on individuals' performance rating and be subject to overall Group performance. • For 2023, the award level will vary based on individual performance ratings and overall Group performance, but and will be no higher than 10% of salary, capped at €20,000. At the end of the year the Committee will assess the appropriateness of this pool with reference to the following financial and non-financial factors to determine whether an adjustment upwards or downwards is required: - Profit and related metrics / affordability - Customer - ESG - With the pool as a whole subject to risk adjustment. Executive Directors will participate on consistent terms to all employees, with their individual award dependent on their end of year performance rating, capped at €20,000.	Up to a maximum of €20,000	Up to a maximum of €20,000

[1] The CFO is a member of a legacy defined benefit pension scheme with terms consistent with those eligible employees. A value of c.23% of salary has been included here as an estimate of the equivalent employer contribution for 2023.

Wider remuneration context

Remuneration ethos and principles

The Remuneration ethos is to reward employees fairly and competitively for their contribution to the Group. Reward structures are reviewed on a regular basis to assess the competitiveness of the total reward arrangements against market norms and ensure compliance with the prevailing regulatory requirements and remuneration restrictions. The following principles exist, however their application is impacted/ negated by the €20,000 cap on variable pay:

Motivating
Colleagues are motivated to deliver in the best interest of Customers, Colleagues, Community and wider Group stakeholders.

Simple
Simplicity in operation. Transparent and easy for colleagues to understand their reward package and how reward is determined.

Collective incentive
Supports the Group value of One Group, One team.

Shareholder Aligned
Variable pay should have a long term focus and is aligned to shareholders experience.

Flexible & Cost Effective
Provides a cost effective remuneration structure (fixed and variable) which flexes to reflect company performance.

Values & Culture
Supports the Group values and culture.

Strategy Led
Performance assessment focused on Group success of the strategy but not overly complex in terms of measurement.

Inclusivity
Designed and implemented on a fair, diverse and inclusive basis, including gender-neutrality and ethnicity.

Market Competitive
Helps the Group attract, engage and retain high calibre employees to deliver the Group Strategy.

Remuneration Report *(continued)*

Compensation alignment across the Group

	Executive directors and the wider workforce
Base salary	Base salaries are set at a level to reflect the skills and experience required, supporting recruitment and retention in the market environment. Salary levels are reviewed on an annual basis and will increase with reference to a number of factors including market rates of pay, inflation, cost of living and Group performance.
Benefits	Access to benefits and benefit levels can vary based on seniority. Benefit provision is kept under regular review to ensure the benefits provided are valued by employees, competitive versus the market, and cost effective.
Pension	The Group operates a Defined Contribution scheme (RetireWell) for all new hires. Employees hired prior to September 2014 are entitled to be a member of the Group’s legacy DB or hybrid pension schemes, with terms consistent across the eligible populations.
Fixed share allowance	Currently not operated for any individuals. A review will be carried out in 2023 for the eligibility of a FSA for senior colleagues, noting that the Executive Directors will not be eligible for a FSA until 2024.
Profit Share	All employees of participating Group entities, who meet certain criteria will be eligible for a profit share award in 2023 on consistent terms. The award will consider individual and Group performance over the year and the maximum value will be capped where required by relevant remuneration regulations, restrictions or tax rules.
All Employee Share Plans	To promote share ownership by all employees. In the event that the Group operates all employee share plans, Executive Directors will also be entitled to participate on the same basis as other employees.

The Group continues to prioritise workforce engagement to good effect; the colleague engagement metric is up 19 points since it was first measured in 2017 to 68%. This is due to a number of initiatives including those undertaken by the Workforce Director, who is a member of the GRC and during 2022 undertook the following:

- ‘Open Door’ sessions with groups of colleagues drawn from various businesses and divisional teams and with senior management groups;
- listening sessions with various representative groups;
- sessions on Irish Banking Culture Board (IBCB) reports; and
- deep dives on the Open View survey results and Speak Up and Wellbeing surveys.

A two-year pay deal was reached in early 2022 providing clarity and certainty for colleagues for 2022 and 2023, following a rigorous process with employee representative bodies, including external conciliation at the Irish Workplace Relations Commission (WRC). The Group continues to invest in a culture where colleagues can thrive, enjoy flexibility, and build a fulfilling career.

Cost of living response

In response to the cost of living crisis and the impact of the unstable economic environment within financial year 2022 on our colleagues, the Group determined that a one off voucher of €1,000 in RoI and a payment of £1,250 in the UK would be paid to all Irish and UK colleagues in November 2022. A similar level was applied across other jurisdictions. Executives, Group Executive Committee members and Executive Directors were not in scope for this voucher/payment.

For 2023, reflecting the continued impact of the global cost of living crisis, it is envisaged that additional support will be implemented following engagement with employee representatives.

In line with the requirements of the Shareholders' Rights Directive II (SRD II), the table below shows the year on year change and percentage change in Directors’ remuneration and the year on year change and percentage change in the average remuneration of employees during the year ended 31 December 2022 compared to the year ended 31 December 2021, 31 December 2020 and 31 December 2019.

Remuneration Report *(continued)*

Unaudited:	2022 vs 2021		2021 vs 2020		2020 vs 2019	
Year on year change in remuneration of Directors compared to employee average	**Change in remuneration 2022 v 2021 €'000**	**% change in remuneration 2022 v 2021 %**	**Change in remuneration 2021 v 2020 €'000**	**% change in remuneration 2021 v 2020 %**	**Change in remuneration 2020 v 2019 €'000**	**% change in remuneration 2020 v 2019 %**
Executive Directors						
F McDonagh *(stood down as CEO in 2022)*	(293)	(31%)	(1)	–	2	–
M O'Grady *(appointed CEO in 2022)*	(283)	(51%)	2	–	n/a	n/a
Mark Spain *(appointed CFO in 2022)*	467	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors						
P Kennedy	–	–	–	–	–	–
G Andrews *(appointed NED in 2020)*	7	8%	–	–	n/a	n/a
E Bourke	8	7%	24	30%	–	–
I Buchanan	3	2%	6	4%	19	14%
E Fitzpatrick	37	36%	16	18%	8	10%
R Goulding	35	24%	27	23%	20	21%
M Greene	44	55%	–	–	8	11%
F Muldoon	38	28%	62	66%	16	20%
S Pateman	–	–	–	–	11	13%
P Haren *(stood down 2020)*	n/a	n/a	n/a	n/a	–	–
P Mulvihill *(stood down in 2020)*	n/a	n/a	n/a	n/a	8	7%
Change in average employee remuneration year on year	1	1%	1	1%	2	3%
Group profit after tax (€m)	897		1,055		(707)	
Percentage change in Group result after tax (%)		(15%)		249%		(258%)

The table above is required under the Companies Regulations 2019 (Directors' Remuneration Policy and Directors' Remuneration Report), which implement Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive or SRD).

NED fees are annualised. Changes to NED fees reflect additional responsibilities associated with membership of additional committees or appointment as Chair of committees, or as Workforce Director, or to boards of subsidiaries.

Executive share options held by Directors and Secretary

No share options were granted or exercised during 2022 and there were no options to subscribe for ordinary shares outstanding in favour of the Executive Directors or Secretary at 31 December 2022.

Directors' pension benefits

M O'Grady, in his previous role as Chief Financial Officer and Executive Director, was a member of the staff defined contribution scheme, RetireWell. The Company contribution to this scheme for M O'Grady was €12,788 (2021: €51,865). M O'Grady is not a contributing member of a pension scheme under the terms of his Group Chief Executive Officer contract. He is insured for Death in Service benefits under the RetireWell scheme; for the year ending 31 December 2022 , the cost of providing cover amounted to €321.

Set out below are details of the change in accrued pension benefits for the Directors during the year ended 31 December 2022.

	(a) Additional inflation-adjusted accrued DB pension in the year €	**(b) Increase/ (decrease) in DB transfer value €**	**(c) Accrued DB Pension Benefits at 31 December 2022 €**	**(d) Bank DC contributions €**
Executive Directors				
M Spain[1]	(724)	(24,408)	171,459	12,078
G Kelly[2]	n/a	16,308	n/a	2,905

Column (a) represents the inflation-adjusted increase in each individual's accrued DB pension during the year. Increases are shown after the opening position has been adjusted for statutory revaluation, and comprise allowance for additional pensionable service, any increases in pensionable earnings and any agreed adjustment in the individual's pension accrual. This is in line with the requirements of the Listing Rules and the related actuarial professional guidance.

Remuneration Report *(continued)*

Column (b) is the additional/(reduced) capital value, less each Director's contributions, of Column (a) which could arise if the DB pension were to be transferred to another pension plan on the Director leaving the Group and is calculated using factors supplied by the actuary in accordance with actuarial guidance notes ASP PEN-2, and is based on leaving service pension benefits becoming payable at normal retirement date, age 60.

Column (c) is the aggregate DB pension benefit payable at normal retirement age based on each Director's pensionable service with the Group at 31 December 2022.

Column (d) is the Bank's contributions to the supplementary section of its RetireWell DC arrangement (Mr Spain) or to the member's LifeBalance pension scheme DC top-up account (Mr Kelly).

[1]Mr Spain became a Director with effect from 31 March 2022 and the disclosure is based upon benefits accrued over the period from that date up to 31 December 2022. As the amount of pension accrued over the period was lower than the impact of statutory revaluation over the period on his original accrued pension, columns (a) and (b) are negative in his case. Column (d) illustrates the Bank's contribution to Mr Spain's DC arrangement only. The total Bank contribution for all pension benefits accrued in the relevant period is €90k.

[2]Mr Kelly was a Director from 3 September 2022 to 17 November 2022 and the disclosure is based upon benefits accrued over that period. Mr Kelly is a member of the LifeBalance pension scheme. While this is a DB scheme, the benefits earned are not defined in pension form, therefore columns (a) and (c) are not applicable.

Directors' and Secretary's interests in shares

A shareholding of a minimum of 34 shares is required by each Director within two months of their appointment to the Board, increasing to 4000 shares within six months. The beneficial interests of the Directors and Secretary in shares issued by the Group as disclosed to the Group are detailed below in accordance with the Euronext Dublin Listing Rules.

The information below forms an integral part of the audited financial statements as described in the basis of preparation in Note 1 to the financial statements.

	Number of €1.00 ordinary shares in BOIG plc at 31 December 2022	Number of €1.00 ordinary shares in BOIG plc at 1 January 2022 or at date of appointment
Directors		
M O'Grady	5,000	5,000
M Spain	4,000	942
G Andrews	20,000	20,000
E Bourke	18,339	18,339
I Buchanan	5,034	5,034
E Fitzpatrick	5,000	5,000
R Goulding	25,000	25,000
M Greene	4,000	1,000
P Kennedy	180,156	180,156
F Muldoon	4,033	4,033
S Pateman	4,000	1,250
Secretary		
S McLaughlin	–	–
G Ryan (Interim)	327	327

Apart from the interests set out above, the Directors and Secretary had no other interests in the shares / securities of the Company or its Group undertakings at 31 December 2022.

There has been no change in the interests of each Director disclosed to the Company under the provisions of article 19 of the Market Abuse Regulation occurring between the end of the period under review and 6 March 2023.

Advice to the Committee

The Committee was assisted in its considerations by PwC UK, who was formally appointed by the Committee as its remuneration adviser in 2020 following a review of potential advisors and the quality of advice received. An annual review of the quality of advice was undertaken during 2022, following which the Committee agreed to retain the services of PwC UK. PwC UK is a signatory to the voluntary Code of Conduct in relation to remuneration consulting in the UK.

PwC UK and its network firms, provide professional services in the ordinary course of business including assurance, advisory and tax advice to Bank of Ireland. The Committee is satisfied that the advice received is independent and objective and receives an annual statement setting out protocols that have been followed by PwC UK to maintain independence. There are no connections between PwC and individual Directors to be disclosed.

The Group Chairman, the Group CEO, Group Chief People Officer, Group CRO and the Head of Reward also attend meetings as appropriate at the invitation of the Committee Chair.

Risk Management Report

Contents

The information below in sections or paragraphs denoted as audited in sections 3.2, 3.4, 3.5, 3.6 and 3.7 and all the tables (except those denoted unaudited) in the Risk Management Report form an integral part of the audited financial statements as described in the basis of preparation in Note 1 to the financial statements.

All other information, including charts and graphs, in the Risk Management Report is additional disclosure and does not form an integral part of the audited financial statements.

1 Principal Risks and Uncertainties

Principal risks and uncertainties facing the Group are set out below. For many of the risks, the allocation of capital against potential loss is a key mitigant; other mitigating considerations include those outlined below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants; nor can it confirm that the mitigants would apply to fully eliminate or reduce the corresponding principal risks. Additionally, other factors not yet identified, or not currently material, may adversely affect the Group.

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

Business and strategic risk (Section 3.1)

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

Key points

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

Key mitigating considerations

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

1 Principal Risks and Uncertainties *(continued)*

Business and strategic risk (Section 3.1) *(continued)*

Environmental, Social and Governance risk (including Climate risk)

The Group recognises ESG and climate-related considerations continue to be a growing agenda item for financial institutions and stakeholders. ESG risks and opportunities will continue to impact how the Group implements its strategy, business model, customer offering and how it manages risk in the Group. Accelerating climate change could lead to sooner than anticipated physical risk impacts to the Group and the wider economy and there is uncertainty in the scale and timing of technology, commercial and regulatory changes associated with the transition to a low carbon economy. In addition the focus from a stakeholders (investors, regulators, customers, colleagues etc) and wider societal expectations is seeing an expanding of expectations from largely climate driven focus to the wider ESG agenda with increasing emphasis on a fairer and inclusive society.

Key mitigating considerations

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

Capital Adequacy risk (Section 3.2)

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

Capital Adequacy risk includes Pension risk and Recovery and Resolution requirements. While all material risks impact on the Group's capital adequacy to some extent, capital adequacy is primarily impacted by significant increases in credit risk or RWAs, materially worse than expected financial performance and changes to minimum regulatory requirements.

Key points

- CET1 ratio of 15.9% under regulatory rules and 15.4% on a fully loaded basis at 31 December 2022.
- The Group is required to maintain a minimum CET1 ratio of 10.04% on a regulatory basis at 31 December 2022:
  - this includes a Pillar 1 requirement of 4.5%, a Pillar 2 requirement (P2R) of 1.27%, a capital conservation buffer (CCB) of 2.5%, an Other Systemically Important Institutions (O-SII) buffer of 1.5% and a countercyclical buffer of 0.27%;
  - Pillar 2 guidance (P2G) is not disclosed in accordance with regulatory preference.
- Total capital ratio of 21.0% under regulatory rules at 31 December 2022.
- Leverage ratio of 6.5% on a regulatory basis and 6.4% on a fully loaded basis at 31 December 2022.
- MREL ratio of 31.5% at 31 December 2022, c.655bps basis points above 1 January 2022 requirement of 24.95%.

Key mitigating considerations

- The Group closely monitors capital and leverage ratios to ensure all regulatory requirements and internal targets are met. In addition, these metrics are monitored against the Board approved Risk Appetite Statement and suite of Recovery Indicators.
- Comprehensive stress tests / forward-looking ICAAP financial projections are prepared, reviewed and challenged by the Board to assess the adequacy of the Group's capital, liquidity and leverage positions.
- The Group has a contingency capital plan which sets out the framework and reporting process for identifying the emergence of capital concerns and potential options to remediate same.

1 Principal Risks and Uncertainties *(continued)*

Capital Adequacy risk (Section 3.2) *(continued)*

Pension risk

A number of the Group sponsored defined benefit pension schemes are currently in deficit under the IAS 19 accounting definition, requiring the Group to set aside capital to mitigate these risks.

The defined benefit pension schemes are subject to market fluctuations and these movements impact on the Group's capital position, particularly the Group's CET1 capital ratio, which amongst other things, could impact on the Group's dividend capacity. See note 46 Retirement benefit obligations.

Key mitigating considerations

- Board approved risk appetite limits.
- To help manage pension risk, defined benefit schemes were closed to new entrants in 2007 and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in 2014 and a new defined contribution scheme was introduced for new entrants to the Group from that date.
- In addition, the Group implemented two Pension Review programmes in 2010 and 2013 resulting in significant restructuring of defined benefit scheme benefits which were accepted by unions and by staff through individual staff member consent.
- In return for the deficit reduction achieved through these programmes, the Group also agreed to increase its support for the schemes, above existing arrangements, so as to broadly match the IAS 19 deficit reduction arising from the benefit changes and to facilitate a number of de-risking initiatives
- The Group monitors on an ongoing basis the opportunities at an appropriate cost to increase the correlation between the assets and liabilities of the scheme.

Conduct risk (Section 3.3)

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

The Group is exposed to conduct risk as a direct and indirect consequence from all the activities that the Group engages in during the normal conduct of its business. These risks may materialise from failures to comply with regulatory requirements or expectations, as an outcome of risk events in other principal risk categories, from changes in external market expectations or conditions, provision of sales and services and the various activities performed by staff, contractors and third party suppliers. Conduct risk includes Market Integrity, Customer Protection, Financial Crime and Data Privacy risks.

Key points

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

Key mitigating considerations

- Board approved risk appetite statement informed by a set of key risk indicators.
- A suite of policies are in place for the management of conduct risk across the Group. Requirements for risk mitigation for each risk are outlined in the respective risk policies and procedures.
- Group-wide processes in place to identify, assess, plan, develop and implement key conduct requirements.
- Processes in place to identify, assess, manage, monitor and report conduct risks as well as controls to mitigate those risks.
- Regular status updates and monitoring at senior levels in the Group including reporting to the BRC and the Board.
- Processes in place to support the reporting, investigation, resolution and remediation of incidents of non-compliance.
- Culture strategy developed based on the outcomes we wish to deliver guided by the Group's values.
- Group-wide education and training in place.

1 Principal Risks and Uncertainties *(continued)*

Credit risk (Section 3.4)

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

Credit risk arises from loans and advances to customers and from certain other financial transactions such as those entered into by the Group with financial institutions, sovereigns and state institutions.

Key points

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

Key mitigating considerations

- Board approved Group Credit Policy and risk appetite limits, including credit category limits, together with a framework for cascade to businesses and portfolios.
- Exposure limits for credit concentration risk.
- Defined credit processes and controls, including credit policies, independent credit risk assessment and defined authority levels for sanctioning lending.
- Processes to monitor compliance with policies and limits.
- Enhanced management of credit risk associated with customers affected by the economic impacts of elevated inflation and interest rates (as detailed on page 168 of the Risk Management Report).
- Dedicated structures focused on the management of customers in financial difficulty.

Funding and liquidity risk (Section 3.5)

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by, amongst other things, the maturity structure of loans and investments held by the Group, while cash outflows are driven by items such as the term maturity of debt issued by the Group and outflows from customer deposit accounts.

Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding (including securitisations) maturities.

The Group funds an element of its sterling balance sheet in part from euro (via cross currency derivatives), which creates an exposure to the cost of this hedging.

Key points

- Group customer deposits of €99.2 billion are €6.4 billion higher due to growth in Retail Ireland of €11.0 billion predominantly driven by higher household and SME volumes combined with customer migration from banks exiting the Irish market, partially offset by lower Retail UK deposits of €4.8 billion arising from deleveraging in line with strategy. Corporate and Markets deposit volumes marginally increased by €0.2 billion. On a constant currency basis, Group customer deposits increased by €7 billion (see page 339 for further information on alternative performance measures).
- The Group's LDR reduced by 9% to 73% at 31 December 2022 (31 December 2021: 82%).
- The Group's LCR at 31 December 2022 was 221% (31 December 2021 was 181%). The Group's NSFR at 31 December 2022 was 163% (31 December 2021 was 144%).

Key mitigating considerations

- Board approved risk appetite limits.
- Group funding and liquidity policy, procedures and methodologies.
- Comprehensive liquidity monitoring framework.
- Annual Board approved forward looking ILAAP.
- Strategic plan articulating and quantifying deposit projections, wholesale funding and lending projections for all divisions.
- Contingency Funding Plan and Recovery Plan in place with annual updates.
- Maintenance of liquid assets and contingent liquidity available for use with market counterparties and / or in liquidity operations offered by Monetary Authorities.
- The maturity profile of the Group's cross currency hedging is broadly spread over 24 months.

1 Principal Risks and Uncertainties *(continued)*

Life insurance risk (Section 3.6)

Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits. This variation, arising from changing customer mortality, life expectancy, health or behavioural characteristics, may be short or long-term in nature.

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

Key points

- NIAC remains focused on the Irish insurance market, selling a core suite of products across a range of distribution channels, including the Bank of Ireland customer base. The risk profile in respect of life insurance risk is largely stable. The processes of appropriate underwriting at both the new business and claims stages, as well as reinsuring a proportion of the life insurance risk written, all remain principal risk management tools.
- The 2022 Own Risk and Solvency Assessment (ORSA) has been completed and reported to the NIAC Board. The process confirmed the robustness of NIAC's financial position in the face of extreme but plausible adverse scenarios.
- NIAC maintains sufficient capital and liquid resources to enable it to meet cash flows associated with establishing and maintaining a portfolio of life insurance business. Available resources have been tested for adequacy under a wide range of adverse sensitivities and scenarios, with no significant weaknesses identified. The Company's capital structure is consistent with its risk profile.
- Experience in 2022 was stable and broadly positive relative to assumptions.

Key mitigating considerations

- Board approved risk appetite limits.
- Underwriting standards and limits are in place and apply throughout the policy lifecycle from risk acceptance to claim settlement.
- Reinsurance is used to manage the volatility from both individual claims and aggregate risk exposures. Coverage is placed with a diversified list of approved counterparties. High levels of reinsurance act as a significant mitigant if there were adverse mortality developments, together with the diversification effect of mortality and longevity risk.
- The sensitivity of the Group's exposure to life insurance risk is assessed regularly and appropriate levels of capital are held to meet ongoing capital adequacy requirements.
- A range of sensitivities and scenario tests are performed as part of the annual ORSA process.
- Management undertakes a rigorous analysis of claims and persistency experience on a regular basis and monitors these against the assumptions in its valuation and pricing bases so that these can be adjusted to reflect experience. Management undertakes pro-active operational initiatives in order to manage persistency risk.

Market risk (Section 3.7)

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

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

Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk taking. Additionally, market risk arises through the conduct of customer business, particularly in respect to fixed-rate lending and the execution of derivatives and FX business. The market risk profile of the Group may, in addition to the above risks which arise in the usual course of a business cycle, be impacted by the market volatility as experienced during the COVID-19 pandemic. Earnings for NIAC are also indirectly exposed to changes in equity and property markets through fee income generated on unit-linked customer investments.

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

Structural market risk arises from the presence of non-interest bearing liabilities (equity and some current accounts), the multi-currency nature of the Group's balance sheet and changes in the volume of impaired assets and the floating interest rates to which the Group's assets and liabilities are linked.

Key points

- The VaR arising from discretionary risk-taking remained at relatively low levels during 2022. Through 2022 the Group took moderate interest rate positions in both Trading and Banking books in addition to positions in FX, equity and traded credit markets. As of end 2022, the Group has ceased proprietary trading in its Global Markets business with the remaining discretionary risk assumed in Davy.
- With the exception of market basis risks, the Group manages structural market risks arising from interest rate and FX positions according to passive Asset Liability Management conventions, which are regularly reviewed by the Asset and Liability Committee (ALCO).

Key mitigating considerations

- Board approved risk appetite limits.
- Group Market Risk Policy.
- Comprehensive framework for monitoring compliance with the Board's market risk appetite limits, more granular market risk limits and other controls.
- The Group substantially reduces its market risk through hedging in external markets.
- VaR and extensive stress testing of market risks.

1 Principal Risks and Uncertainties *(continued)*

Operational risk (Section 3.8)

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

Operational risk arises as a direct or indirect consequence of the Group's normal business activities through the day-to-day execution of business processes, the functioning of its technologies and in the various activities performed by its staff, contractors and third party suppliers. This also includes the risks associated with major change and the failure to deliver on the Group's multi-year transformation agenda. It includes people risks such as challenges attracting and retaining talent due to increased competition in the employment market for certain skills and experience, along with colleague wellbeing and health and safety. Operational risk includes the risk of damage to physical infrastructure due to suboptimal physical infrastructure management.

Operational risk arises from the risk of cybersecurity attacks which remains material as their frequency, sophistication and severity continue to develop. Information Technology risk (including Cloud) continues to be a focus area in an increasingly digital world requiring heightened service continuity and operational resilience. Operational risk also includes model risk which is the risk of not having the required models, or the right models, with the right accuracy, appropriately calibrated, and validated / assessed with the right frequency; whilst data risk is the risk of negative outcomes in the event of the unavailability of data, poor data quality, inadequate data retention and destruction management, the use or protection of data in accordance with legal and regulatory requirements, impacting the competent running of the Group's operations. Furthermore, operational risk includes the risk of inaccurate or delayed financial & regulatory reporting due to misinterpretation of requirements, preparation errors or omissions. It includes legal risk which is the risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations, including regulatory or contractual requirements.

In addition, preparing for management of internal and external business disruption events through business continuity planning and management and monitoring of third party suppliers continues as part of operational risk management. Russia's invasion of Ukraine and the worldwide COVID-19 pandemic are examples of external events, not caused by the actions of the Group, to which the Group must respond and manage. The risk of such external events, which includes natural disasters, civil unrest etc., presents potential significant disruption and are therefore considered material. The pandemic has caused significant changes for our customers and corresponding operational changes for the Group, including the deployment of interventions to mitigate model risk. The potential for increased operational risk arising from external events and the legacy of changes to ways of working for our customers and colleagues is kept under continuous review by the Group.

Key points

- The management of operational risk has continued to mature across the Group resulting in enhanced risk identification and assessment, leading to improved risk based decisions and prioritisation of mitigating activities.
- During 2022, enhancements were made to the operational risk library, with new sub risks added including financial & regulatory reporting risk; operational resilience risk; people risk and tax risk. Progress continues on the implementation of the revised library and on transitioning over time to a process driven and risk control approach for operational risks, which is critical to building operational resilience throughout the Group.
- The Group is managing a significant amount of change across culture, business model and systems, including continuing the multi-year programme to make substantial investment in its IT systems and given the risk attendant to any large transformation, there is continued focus to ensure the sustainability and integrity of the Group's operations.
- The Group announced this year the acquisition of Davy and continued to progress the proposed acquisition of KBCI mortgage assets and deposits. These acquisitions support the Group's strategic aim but can lead to increased operational risk as the integrations are executed.
- The global pandemic, resulting from COVID-19, impacted on how the Group provided its services to customers and accelerated the adoption of remote working and digital solutions. Business disruption was avoided by the swift and effective utilisation of the Group's Crisis Management Framework and business continuity arrangements.
- The Group continues to proactively manage its exposure to model risk through investment in model redevelopment and enhancement programmes and updating standards and tooling to deal with the evolving nature of model risk as more digital solutions are adopted across the Group.
- The increased employment market activity seen in late 2021 continued during 2022, with natural (non-redundancy) attrition at pre-pandemic levels throughout the year, albeit voluntary redundancy levels were much reduced versus the previous 12 to 14 months. Activity associated with business growth plans and market dynamics, such as KCB and Ulster Bank exit from the Irish market, and ECB interest rate changes, increased demand for resources in some areas.

Key mitigating considerations

- Board approved risk appetite limits.
- The Group utilises a number of strategies in controlling its exposure to operational risk, with the primary strategy being the maintenance of an effective control environment, coupled with appropriate management actions.
- The RMF consisting of processes and policy standards, aims to embed adequate and effective risk management practices within business units throughout the Group.
- Processes to identify, assess, manage, monitor and report risks as well as controls to mitigate those risks are in place.
- Processes to support the reporting, investigation, resolution and remediation of incidents are in place.
- Given the significant developments in digital and changed customer preferences and behaviours when engaging with our services, the Group continues to invest significantly in transformation of our systems and processes. This transformation is underpinned by a Group Operating Plan along with clearly defined objectives and key results, to ensure the transformation is managed effectively, taking into account risk, capacity to deliver and financial constraints.
- Due diligence, clear contracts and accountability is in place for third party engagement, management and governance.
- Regular internal audits and testing is carried out to ensure adequacy of controls.
- Business Continuity Management combined with Incident Management and the Crisis Management Framework of the Group enables resilience, swift response and recovery from external events.
- Since the onset of COVID-19, there has been proactive management intervention applied to credit models in particular. The level of model intervention has reduced over successive reporting periods as models have been updated and outputs return to an appropriate range.
- The Group has a Board approved people strategy providing it with a range of programmes and initiatives to enable the Group to retain appropriate numbers and / or calibre of staff having regard to remuneration restrictions in place for most of 2022 imposed by government, tax or regulatory authorities.
- The Group continues to evolve and hone its colleague wellbeing supports including physical, mental and financial, with a structured Wellbeing programme in place across the Group.

1 Principal Risks and Uncertainties *(continued)*

Operational risk (Section 3.8) *(continued)*

Litigation and regulatory proceedings

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

Key mitigating considerations

- The Group has processes in place to seek to ensure the Group's compliance with legal and regulatory obligations, together with clear controls in respect of the management and mitigation of such disputes, proceedings and investigations as may be instigated against the Group from time to time.

Tax risk

Tax risk is the risk that the Group fails to comply with all applicable tax laws and regulations including reporting and filing obligations, or is aware of a tax liability. The Group's financial position and outlook are exposed to the risks associated with a change in tax laws, tax rates, regulations or practice and the risks associated with non-compliance with existing requirements.

Key mitigating considerations

- The Group has clearly defined tax governance procedures to identify, assess, manage, monitor and report tax risks and to ensure controls mitigating those risks are in place and operate effectively.
- The Group monitors potential changes to tax legislation or government policy and considers any appropriate remedial actions.

Regulatory risk (Section 3.9)

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

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

Key points

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

Key mitigating considerations

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

1 Principal Risks and Uncertainties *(continued)*

Key themes under focus

Digital

Banking models are rapidly evolving, for both consumers and businesses in Ireland and globally. Rapidly shifting consumer behaviours and available technologies are changing how customers consume products and services (with some existing trends accelerated by COVID-19 pandemic).

These developments affect the manner in which customers manage their day to day financial affairs. Money transmission and data driven integrated services are also forecast to rapidly evolve in the coming years, underpinned by regulatory developments including the revised Payment Services Directive. How the Group adapts to these developments could impact the realisation of market strategies and financial plans, dilute customer propositions and cause reputational damage.

Key mitigating considerations

- In the context of the overall business strategy, the Group assesses and develops its complementary technology strategy to support and mitigate these risks.
- Given the significant developments in digital demands on technology as well as increased regulatory requirements, the Group rigorously manages these demands within risk, capacity and financial constraints.
- The Group's policies, standards, governance and control models undergo ongoing review to ensure continued alignment with the Group's strategy to accelerate its pivot to digital and the resulting solutions, engaging appropriate external experts as required.

Macroeconomic conditions and geopolitical uncertainty

The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in Ireland and the UK, post-Brexit trade disruption, unfavourable exchange rate movements and changes in interest rates, with international tax reform and the threat of increased global protectionism posing additional risks.

Geopolitical uncertainties could impact economic conditions in countries where the Group has exposures, market risk pricing and asset price valuations thereby potentially reducing returns.

The Group businesses may be affected by political, economic, financial and regulatory uncertainty from time to time in its key markets.

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

Key mitigating considerations

- The Group monitors the risks and impact of changing current and forecast macroeconomic conditions on the likely achievement of the Group's strategy and objectives.
- The Group manages its exposures in accordance with principal risk policies including maximum single counterparty limits and defined country limits.
- The Group has in place a comprehensive stress and scenario testing process.
- The Group is diversified in terms of asset class, industry and funding source.

1 Principal Risks and Uncertainties *(continued)*

Key themes under focus *(continued)*

Reputation risk

Reputation risk is defined as the risk to earnings or franchise value arising from adverse perception of the Group's image on the part of customers, suppliers, counterparties, shareholders, investors, colleagues, legislators, regulators, partners or wider society.

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

Key mitigating considerations

- A dedicated team (Group Corporate Affairs) in place to provide advice and guidance on the management and mitigation of damage to reputation which may arise in the course of the Group's commercial or strategic activities.
- Group ambition, purpose, values and strategic priorities communicated to all stakeholders.
- Potential impact on reputation is considered in the decision making process.
- Media, government, political, regulatory and administrative stakeholder engagement is actively managed.
- Print, broadcast, online and social media reportage and commentary is monitored.
- Process of 'Early Warning Reports' - to alert senior management on emerging issues that have the potential to expose the Group to reputational damage - is embedded across the Group.
- Group Sponsorship and Group Sustainability programmes in place.
- Proactive external communications with key stakeholders on all key elements of the Group's strategic delivery.
- Strong focus on internal communications to ensure that colleagues are kept informed on all important Group announcements, issues and developments.
- Colleagues are required to comply with all Group policies and procedures including the Group Code of Conduct.

Transformation risk

The Group is undergoing significant transformation across culture, business model and systems including material integration / migration programmes related to the Davy and KBCI portfolio acquisitions which presents challenges and risks and significant customer considerations. Failure to transform successfully could prevent the Group from realising its strategic priorities.

Key mitigating considerations

- The Board has responsibility for developing the Group's strategic priorities. The Group has completed a Board approved refresh of its strategy for the period 2023 - 2025 setting out the Group's strategic priorities.
- The Group has mobilised a number of significant change programmes under each of the key Transformational change areas to deliver against this strategy. A transformation focused management function co-ordinates and support the safe delivery of this scale of change.
- The GTOC oversees the business and strategy aspects of the programme for its duration including review of updates relating to risks associated with key transformational initiatives.

2 Risk Management Framework

Risk statement

Risk appetite sets the boundaries the Group, including subsidiaries, is prepared to take in its risk taking and related business activities. The Groups approach to risk management, controls and optimises the risk-return profile of the Group and ensures that the Group's overall business strategy and remuneration practices are aligned with its risk and capital management strategies.

The Risk Management Framework (RMF) is the foundation stone for how we manage risk at Bank of Ireland. The RMF is reviewed and approved annually by the Group CRO and by the Board following consideration and recommendation by the BRC. It establishes the:
- Common principles for the risk management process of identifying, assessing, monitoring and mitigating risks to the Group.
- Standard definitions of risk terms and classifications to ensure consistent application across the Group.
- Clear roles and accountabilities for the management of risk across the Group.
- Governance mechanisms by which risk oversight is exercised and risk decisions taken.
- Group standards on risk policies, committee papers and reporting to ensure consistent application across the Group.
- Standard methods to identify and classify risks faced by the Group.
- Process for setting risk appetite to define the level of risk the Group is willing to tolerate.
- Role of risk policies and procedures within risk management in implementing the RMF, and
- Minimum requirements for reporting of risk as part of business-as-usual risk management information in the Group.

Ultimately, our RMF will help protect the Group and support our business. It will deliver better risk management with better outcomes and will enable our customers, colleagues, and communities to thrive.

2.1 Risk management

Risk management is the set of activities and mechanisms through which we make risk taking decisions and how we control and optimise the risk-return profile of the Group. Good risk management aligns with strategic objectives, code of conduct and stakeholder priorities.

Risk management is central to the financial and operational management of financial service companies and fundamental to the Group's strategic priorities.

It is a Group-wide process of identifying, assessing, monitoring and mitigating risks to the Group's earnings, solvency, and franchise and is structured across five activities:
- Risk Identification and Assessment;
- Risk Policies;
- Risk Appetite;
- Stress Testing and Scenario Analysis; and
- Risk Monitoring and Reporting.

Within each category the Group maintains risk management standards. Collectively these standards represent the Group's risk management approach.

1. Risk Identification and Assessment

The Group ensures appropriate identification of risk through both top-down and bottom-up risk identification processes. A standard risk library is used to categorise all of the Group's risks in a consistent manner.

The risk library document outlines the Group's risk classification system. This system provides the structure through which accountability for risk management is assigned, and risk is reported.

Principal (Level 1) risks are the highest-level categorisation used to assist with identifying, assessing, monitoring and mitigating risks to which the Group is exposed. They guide the assignment of risk management resourcing and organisation of the Group Risk division. The risk library is used to define and categorise risks and to cover the totality of gross risks to which the Group is exposed.

The Group maintains and updates the risk library in two ways:
- Firstly, during the annual review of its RMF, Group risk conducts a top-down risk classification process. This establishes risk management's view of the primary categories of risk facing the Group. These primary categories of risk are identified as the Group's Principal risks;
- Secondly, in addition to the top-down risk identification process, all Group colleagues are required to continuously consider risks which may arise from the processes that they are conducting. This is the bottom-up risk assessment process, which identifies the granular level risks that arise from all the activities that the Group engages in.

Financial risks originate in the Group's business and primarily reside in the financial balance sheet. Financial risks are identified and quantified once products or contracts are brought into scope. The financial risk exposure is therefore quantified at business origination, assessed and monitored on an ongoing basis for the duration of the exposure. Financial risk is assessed using the respective financial risk measurement models for credit, market, liquidity, and life insurance risks. In addition, for funding, liquidity and capital adequacy risks, risk assessment processes such as the ICAAP and ILAAP are used to identify, categorise, quantity, and control the risks to the Group.

Operational risks originate in the activities the Group conducts. Once identified, the risk is assessed to determine the level of gross risk exposure and, after consideration of any mitigants, the residual risk exposure can be determined. These measurements (gross risk exposure and residual risk exposure) inform metrics used to monitor and control the Group's risk profile against risk appetite.

2.1 Risk management *(continued)*

The nine principal risks are outlined below:

Principal Risk Types

Credit	Market	Funding and Liquidity
Life Insurance	Capital Adequacy	Business & Strategic
Conduct	Regulatory	Operational

2. Risk Policies

To ensure that the Group is managed within risk appetite there is one set of high-level instructions ('Risk Policy') covering Principal risks and sub risks. These Risk Policies are owned by Group Risk and set out the mandatory minimum standards for the management and mitigation of each such risk. First line functions (1LOD) taking the risk are responsible for ensuring that they have appropriate procedures in place to ensure they meet the requirements of the Risk Policies.

3. Risk Appetite

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

- Address its target market with confidence;
- Protect its balance sheet; and
- Deliver sustainable profitability.

Risk Appetite flows from the Group's risk identity and is within the Group's risk capacity. Risk identity reflects the Groups chosen business strategy within the externally imposed constraints within risk capacity as follows:

- The National Champion Bank in Ireland focused on having long-term relationships with our retail, commercial and corporate customers.
- Our core franchise is in Ireland, with income and risk diversification through a meaningful presence in the UK and selected international activities where we have proven competencies.
- The Group will pursue an appropriate return for risks taken, and on capital deployed while operating within prudent Board-approved risk appetite parameters to have and maintain a robust, standalone financial position.

Risk capacity defines the externally imposed constraints within which the Group must operate.

The Risk Appetite Statement articulates a tolerance for the adverse outcomes of taking risk. It is set in conjunction with the Group's business strategy and sets the risk the Group is prepared to take. It sets outer boundaries in terms of tolerances the Group, including its subsidiaries, is prepared to take in its risk taking and related business activities. It forms the risk identity of the organisation which is linked to the capital adequacy, desired risk profile, reputation and strategic business intent of the Group. It is reviewed and approved by Board at least annually.

For financial risks, tolerances for negative outcomes are expressed as tolerances for earnings and capital volatility, and as tolerances for how long the Group can survive under liquidity stress.

Risk appetite metrics consist of:

- Metrics that confirm that risk management standards in risk policies are being adhered to; and
- Limits based on exposure.

Supplementing the Group's risk appetite tolerances, the Group maintains a suite of risk appetite indicators, which inform whether we are operating within the risk appetite tolerances. This suite of indicators includes:

- Key Control Indicators: Based on process control performance and are the primary measure for confirming that risk mitigation standards are being reliably embedded in day to day operations;
- Key Risk Indicators: Measures of risk including known issues, which indicate gaps and weaknesses in the control environment; and
- Early Warning Indicators: Including trend information on backward looking data points.

4. Stress Testing and Scenario Analysis

While predictable and probable events are factored into business-as-usual planning and budgeting, risk arises when less predictable or unanticipated events materialise. These types of events may result in severe impacts to the Group and therefore it is important that they are considered, and that mitigating controls and actions are put in place to ensure that the Group can continue to operate within risk appetite. Stress testing and scenario analysis is the activity that addresses this requirement.

The identified principal risks are actively analysed and measured in line with the formalised policies and management processes in place for each risk type.

For credit, funding and liquidity, life insurance, market, operational and pension risks, risk models are used to measure, manage and report on these respective risk types. Risk limits and diversification, together with regular review processes, are in place to manage potential credit risk and funding and liquidity risk concentrations which in turn could lead to increased volatility in the Group's expected financial outcomes. Additionally, the Group's calculation of economic capital takes into consideration the extent to which credit concentration risk exists in respect of single name, sector and geography.

At Group level, common measures and approaches for risk aggregation and measurement have also been adopted, in order to inform operational and strategic plans and to steer the business within the boundaries of its risk appetite. These include one-year or multi-year forecasting / stress testing and a capital allocation framework which incorporates economic capital modelling and risk adjusted return analysis. The Group uses a suite of risk measurement models and systems to support decision making processes at transaction and portfolio levels, e.g. approving a loan facility to a borrower.

The common measure of return on risk used by the Group is Risk Adjusted Return on Capital (RAROC). RAROC is used to objectively assess the return of individual loans, portfolios and businesses and is a key performance metric for the Group in the context of the allocation of capital.

Forecasting and stress testing are risk management tools used by the Group to alert management to potential adverse outcomes related to a variety of risks and inform risk appetite and contingent mitigating action.

2.1 Risk management *(continued)*

The Group conducts:
- loan loss forecasting which informs senior management about potential outcomes related to loan loss evolution under chosen macroeconomic scenarios. This information is regularly used as an input into the Group's budget, strategic plan and ICAAP. Additionally, it can be used to forecast future provisioning needs and / or to understand, and therefore anticipate, earnings volatility and future capital utilisation, such at portfolio / transaction level. Results of forecasting are used by the Group to enhance the understanding of potential vulnerabilities and to make decisions around risk appetite and capital adequacy or to help prepare mitigating actions;
- solvency stress tests evaluate the Group's financial position under 'severe but plausible' scenarios or sensitivities and provide an indication of how much capital might be needed to absorb losses should such a shock occur. Scenarios for solvency stress testing are approved by ALCO but regulators can also request that a mandated stress scenario be run to assess capital needs across banks in a particular jurisdiction. The approved scenarios are applied to the Group's balance sheet and risks, in order to generate the potential stressed impact on earnings, including loan losses, and the Group's capital position. The outputs of the solvency stress testing are reviewed and approved by the Board, and used by the Group to inform risk appetite, strategy and capital planning and are an integral component of the Group's ICAAP process. They are also used by regulators to assess the Group's ability to continue to meet its capital requirements under severe adverse conditions; and
- reverse stress testing evaluates the Group's ability to address an unforeseen severe event or combination of events that would cause the Group's business model to become unviable. Reverse stress testing complements and builds on solvency stress testing by exploring more extreme scenarios / events beyond the likelihood thresholds looked at in solvency stress testing. This is achieved as reverse stress testing is developed in reverse, working back from an outcome of business failure to causal analysis, while the more typical solvency stress testing works towards defining a range of outcomes or probabilities given defined inputs.

The outlook for the macroeconomic environment, in particular with respect to higher levels of price inflation and rising interest rates, and the resulting impacts in the Group's key economies, has been a key focus of loan losses forecasting and solvency stress testing activities during 2022. In parallel the Group continued to develop its capabilities in the climate risk scenario modelling space (refer to page 27).

The Group also runs more frequent and / or ad hoc stress tests for general risk management purposes. These cover:

Market risk: The following market risks are subject to stress testing as part of its normal risk measurement and management process:

- market risk, consisting of trading book exposures in Global Markets and interest rate gap risk in the banking book;
- structural IRRBB consisting of balance sheet basis risk; and
- structural FX, the sensitivity of Group capital ratios to exchange rate movement.

Discretionary risk and basis risk are stressed using empirically-based scenario analyses. In the case of discretionary risk, the stress test results are potential changes in the economic value of positions; in the case of basis risk, the results are potential changes in one year-ahead net interest income.

Operational risk: Operational risk stresses are modelled based on a scenario-based approach. Severe, yet plausible operational risk loss scenarios are applied on a Group-basis and are used to inform the assessment of the Group's economic capital requirement.

Life insurance risk: Life insurance regulations require each life company to complete an annual ORSA. The ORSA process is intended to consider severe but plausible risks to the business and the capital or mitigating actions required to withstand those risks within the context of its business plans. This assessment considers a range of sensitivities and scenario tests, including deterioration in the insurance risk experience.

Funding and liquidity risk: The Group stresses its exposure to liquidity risk through liquidity stress testing which provides senior management with the ability to assess the degree to which the Group is vulnerable to extreme but plausible adverse liquidity conditions. It is used to identify the potential impact of a range of adverse shocks, including the impacts of rating downgrades and the reduction / withdrawal of certain funding markets such as customer deposits or wholesale markets on the Group's ability to fund its outflows (asset financing and / or contractual obligations) at the required time and at a reasonable cost.

5. Risk Monitoring and Reporting

Reporting of risk is how we ensure management and governance forums can monitor the maintenance of the Group's risk profile within risk appetite. Furthermore, it is a means for bringing management attention to where significant changes in the risk profile bring into question whether, the Group can remain within risk appetite in the future, thereby enabling the Group to respond effectively and in a timely manner.

The Group's risk monitoring and reporting process operates within Group Risk.
- It is the responsibility of the second line to ensure that the Group is within risk appetite for each principal risk.
- The Office of the Chief Risk Officer is responsible for reporting on the Group's risk profile at an aggregate level by consolidating reporting from each second line Group risk function.
- Risk reports are designed to report against principal risks and sub risks in a structured and consistent way so that the usability of reports is consistent across risk types and risk committees.
- Reports are designed with reference to regulatory principles for Effective Risk Data Aggregation and Risk Reporting (BCBS 239), addressing report accuracy, comprehensiveness, clarity, usefulness, frequency and distribution.
- The specific processes for monitoring, reporting and reviewing risks are set out in the relevant policy and procedural documents consistent with an overarching risk reporting policy.
- At Group level, the risk monitoring, reporting and review process is the responsibility of the ERC and its appointed committees. All the key identified risk types are reported monthly, with monthly reporting of risk dashboards including associated risk appetite metrics compliance.

This risk management approach is enabled by an operating model where responsibilities for each activity are clearly assigned and adequately resourced. The design, implementation and performance of this risk management approach is subject to risk governance.

2.2 Risk roles and responsibilities

Three lines of Defence

Every colleague has a specific responsibility for ensuring the Group operates within its risk appetite. These responsibilities are defined in terms of the role of colleagues in the 'Three Lines of Defence' as set out below. The role of each of the Three Lines of Defence is:

First line of defence (1LOD): Primary responsibility for managing risk within Risk Appetite and pre-defined triggers. These are revenue generating and customer facing areas of the Group and all associated functions.

Second line of defence (2LOD): Group Risk is responsible for establishing the policies under which first line activities shall be performed and taking reasonable steps to ensure that the Group does not suffer outcomes outside of Risk Appetite. This involves:

- Setting and owning risk policy, establishing the policies and standards under which first line activities shall be performed.
- Ensure that standards are reliably adhered to and thereby ensure a high level of confidence that there are no outcomes outside of risk appetite.
- Establishing limits and triggers, consistent with the risk appetite of the Group.
- Using standard methods to conduct oversight of the risks associated with activity and inadequate controls.
- Independently review, oversee and monitor the performance of the financial balance sheet and process universe against pre-defined control tolerances.
- Reporting and escalation obligations are adhered to.

Third line of defence (3LOD): Ensuring the First and Second lines of defence assess whether all significant risks are identified and appropriately reported by management to the executive and board of management, as well as assessing whether risks are adequately controlled.

Group Internal Audit (GIA) provides independent, reasonable assurance to key stakeholders on the effectiveness of the Group's risk management and internal control framework. GIA carries out risk based assignments covering Group businesses and functions (including outsourcing providers - subject to the right to audit), with ratings assigned as appropriate. Findings are communicated to senior management and other key stakeholders, with remediation plans monitored for progress against agreed completion dates.

Group Risk Organisational Structure

Group Risk comprises of Group Risk functions and Group Compliance. It is structured so that there is a 1 to 1 mapping of each Principal Risk, and for each sub risk for Operational Risk, to an oversight team within Group Risk. This ensures that there is unambiguous 2LOD oversight responsibility for every Principal Risk, and every Operational Risk sub risk – with no gaps or duplication. In addition, for colleagues throughout the Group, the Board, and regulators, it is clear who they should approach within Group Risk regarding any given type of risk.

Group Risk is responsible for the Group's overall risk strategy and integrated risk reporting to the Board, the BRC and Group Executive team. The function is led by the Group CRO who is a member of the Group Executive team and reports directly to the Group CEO and may directly influence business decisions.

2.3 Risk culture

The Group Risk Appetite Statement articulates a tolerance for the adverse outcomes of taking risk. It is set in conjunction with the Group's business strategy and sets the risk the Group is prepared to take. It sets outer boundaries in terms of tolerances the Group, including its subsidiaries, is prepared to take in its risk taking and related business activities. The culture of the Group reflects the balance between:

- risk management and financial return; and
- risk taking and incentives.

Risk culture within the Group requires all colleagues to have a holistic understanding of the risks posed by the activities they undertake. It is underpinned by the Group's Purpose and Values that should act as a behavioural compass. The Group's risk culture is a key element of the Group's effective RMF, which enables decisions to be taken in a sound and informed manner.

Standards of behaviour are detailed in the Group Code of Conduct to which all management and staff must adhere and affirm annually. The Speak Up Policy sets out the steps staff can take to raise any concerns they might have of wrongdoing, risk or malpractice in the Group.

2.4 Recovery and resolution planning

In line with the provisions of the SRM Regulation and the BRRD the Group maintains a recovery plan which sets out options to restore financial stability and viability of the Group in the event of the relevant circumstances arising. The Group's recovery plan is approved by the Board on the recommendation of BRC and ALCO.

The Group resolution plan is prepared by the Single Resolution Board in cooperation with the Central Bank of Ireland, rather than by the bank itself. The plan establishes how the resolution authorities intend to approach the bank's resolution and for the Group the Preferred Resolution Strategy is a single point of entry (SPE) bail-in at BoI Group plc level. The Group works closely with the resolution authorities to support the preparation of the resolution plan, to identify and address any impediments to the execution of the resolution strategy and to demonstrate that it is resolvable and prepared for crisis management. The resolution authorities also determine the Minimum Requirements for own funds and Eligible Liabilities (MREL) corresponding to the loss absorbing capacity necessary to execute the resolution strategy.

2.5 Risk governance

Risk Governance

The Board has ultimate responsibility for the governance of risk at the Group. Oversight of risk activities is achieved through a risk governance structure designed to facilitate the risk identification, assessment, monitoring, mitigating and ultimate reporting on risk activities and material considerations to the Board.

The Board is assisted in its risk governance responsibilities by the delegated sub-committees of the Board, primarily the Board Risk and Group Audit Committees (BRC and GAC respectively) and at executive level by the Executive Risk Committee (ERC), ALCO and their supporting appointed executive committees, namely the GCRC, Group Regulatory and Conduct Risk Committee (GRCRC), Group Operational Risk Committee (GORC), Private Equity Risk Committee (PERC), Risk Measurement Committee (RMC), Balance Sheet and Structural Risk Committee, Market Risk Committee, Group Securitisation Committee and Group Liquidity / Capital Committee (if required).

The Board of Directors is ultimately accountable for the effective management of risks and for the system of internal controls in the Group. The system of internal control is designed to ensure thorough and regular evaluation of the nature and extent of risks and the ability of the Group to react accordingly. The Board is supported by the BRC on risk oversight matters and the GAC in relation to the effectiveness of the system of internal controls. Each of the Board committees and the executive committees that form part of the risk governance framework operate in accordance with clear terms of reference, approved by the Board or parent executive committee, setting out their respective roles and responsibilities. Further detail outlining the key responsibilities of the Group's Board-level risk committees can be found on pages 109 to 112 within the Governance section.

The **ERC** and **ALCO** are the Group’s most senior management risk committees and operate with delegated authority from the Group Executive Committee (GEC), which monitors and oversees the performance of these committees. The Board Risk Committee (BRC) also exercises oversight of these committees, as outlined in their respective terms of reference.

The ERC is chaired by the Group CRO and the ALCO is chaired by the Group CFO. The membership of these committees comprises members of the Group Executive team and Group-wide divisional and control function executives. The ERC met 27 times and the ALCO met 12 times, during 2022.

The ERC is responsible for managing all risk types across the Group, with the exception of Market risk, Funding & Liquidity risk and Capital adequacy risk, which are managed by the ALCO. Responsibilities of both committees include monitoring and reviewing the Group’s risk profile and compliance with risk appetite and other approved policy limits and approving risk policies and actions within their respective delegated discretion. The ERC and ALCO delegate specific responsibility for oversight of major classes of risk to specific appointed committees and individuals that are accountable to them.

The Board, ERC, ALCO and their appointed committees are subject to annual effectiveness reviews, which may result in further enhancement, as endorsed by the Board.

The relevant ERC appointed committees are set out in the following table.

Committee	Delegated responsibility
Group Credit Risk Committee	Oversight of Credit risk related matters.
Group Regulatory and Conduct Risk Committee	Oversight of Conduct and regulatory risk.
Group Operational Risk Committee	Oversight of Operational risk.
Risk Measurement Committee	Approval and oversight of all aspects of credit risk measurement systems and may also oversee other risk model classes used for management purposes within the Group.
Private Equity Risk Committee	Oversight of Private Equity risk.

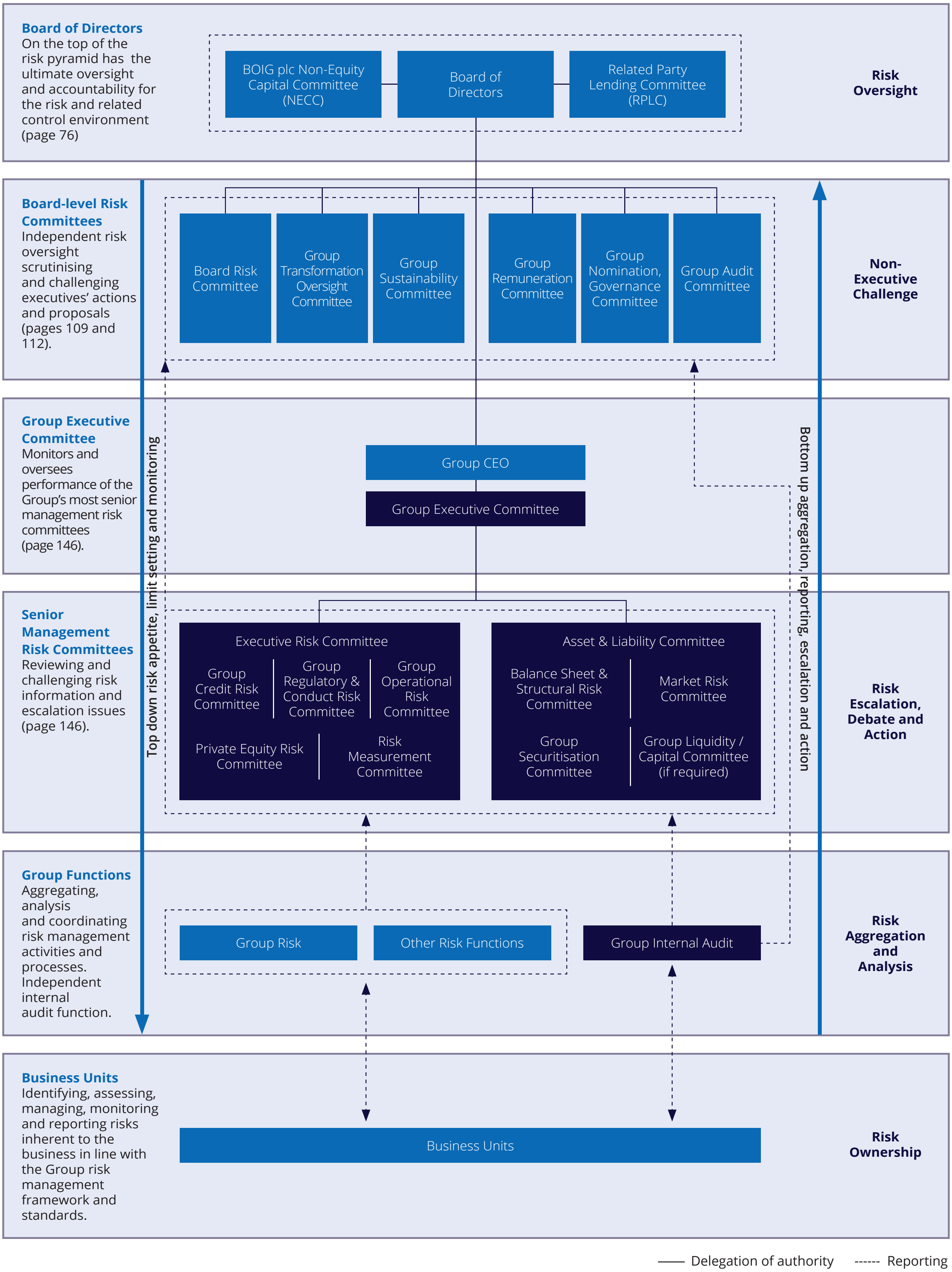
The relevant ALCO appointed committees are set out in the following table.

Committee	Delegated responsibility
Balance Sheet & Structural Risk Committee	Responsible for supporting ALCO in the areas of Funding Transfer Pricing (FTP) and structural risk.
Market Risk Committee	Responsible for supporting ALCO in the governance, measurement and control of discretionary market risk and oversight of derivative activity.
Group Securitisation Committee	Supports ALCO in providing oversight of collateral management & asset encumbrance.
Group Liquidity / Capital Committee	May be established in line with the escalation process outlined in the Group's Recovery Plan to assist in the management of the Group's response to a stress scenario.

Subsidiary Oversight

The Board has the overall responsibility for ensuring that there is an appropriate governance framework in place for the Group. The Board exercises oversight over Group subsidiaries, while respecting the independent legal and regulatory responsibilities that apply to the boards of such subsidiaries. The Group Subsidiary Governance Policy sets out how the Board exercises oversight of Group subsidiaries and the high-level governance standards that shall be applied across the Group in a proportionate manner.

2.5 Risk governance *(continued)*



3 Management of principal risks

3.1 Business and strategic risk

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

Risk management, measurement and reporting
The Group's risk monitoring and reporting process operates within Group Risk. Business and Strategic risk is a Principal Risk type in the RMF with a dedicated second line of defence (2LOD) owner in Group Risk. It is the responsibility of the Head of Business, Strategic and Sustainability Risk to take reasonable steps to ensure that the Group does not suffer outcomes outside of Business and Strategic risk appetite.

Divisions and business units are responsible for delivery of their business plans and management of such factors as pricing, sales and loan volumes, operating expenses and other factors that may introduce earnings volatility. Business, divisional and portfolio strategy is developed within the boundaries of the Group's strategy as well as the Group's Risk Appetite Statement.

A detailed Board Risk Report is produced quarterly and is reviewed by the Executive Risk Committee prior to review by the Group's management body (Board and Board Risk Committee). The Board Risk Report is the report used by the Group to review and monitor the Group's Risk Profile across all Principal Risks and sub risks, compliance with risk appetite and risk policies. Updates on risk dashboards and risk appetite compliance are provided on a monthly basis to Board and are reviewed in advance by the Executive Risk Committee.

The key dimensions evaluated within business and strategic risk are:
- the strength of the Group's returns;
- the Group's performance against business plans including strength of returns;
- evaluation and risk assessment of the Group's strategy and implementation of the strategy;
- strength of the Group's competitive position;
- impact of the economic and geopolitical environment on the Group's strategy; and
- ESG factors as a risk driver.

The Group also reviews Business and Strategic risk as part of the annual risk identification process.

Risk mitigation
The Group mitigates business risk through business planning methods, such as the diversification of revenue streams, cost base management and oversight of business plans, which are informed by expectations of the external environment and the Group's strategic priorities.

At an operational level, the Group's annual budget process sets expectation at a business unit level for lending volumes, margins and costs. The tracking of actual and regularly forecasted volumes, margins and costs against budgeted levels is a key financial management process in the mitigation of business risk.

In the case of strategic risk, this risk is mitigated through regular updates to the Board on industry developments, the macroeconomic environment and associated trends which may impact the Group's activities, review of the competitive environment and strategies at a divisional and business unit level. On an annual basis, the Board reviews the Group's strategic objectives and key underlying assumptions to confirm that the strategic shape and focus of the Group remains appropriate.

3.2 Capital adequacy risk

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

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

Capital management objectives and policies *(audited)*
The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy and, at all times, to comply with regulatory capital requirements. It seeks to minimise refinancing risk by managing the maturity profile of non-equity capital while the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. The capital adequacy requirements set by the regulatory authorities and economic capital based on internal models are used by the Group as the basis for its capital management. The Group seeks to maintain sufficient capital to ensure that these requirements are met.

The current status of capital adequacy, including risk dashboards and risk appetite compliance, is reported to Senior Executives and the Board through the Board Risk Report on a monthly basis.

Internal Capital Adequacy Assessment Process *(unaudited)*
The ICAAP process facilitates the Board and senior management in adequately identifying, measuring and monitoring the Group's risk profile to ensure the Group holds sufficient capital to cover these risks and support its strategy. Underpinning the ICAAP process, the Group prepares detailed financial projections. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions and the stress case is prepared based on a severe but plausible stress economic scenario.

The ICAAP process demonstrates that the Group has sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives having regard to Board approved Risk Appetite and Strategy and to meet its regulatory capital, leverage and liquidity requirements.

The Board approved ICAAP Report and supporting documentation is submitted to the ECB and CBI on an annual basis and is subject to regulatory review as part of the SREP.

3.2 Capital adequacy risk *(continued)*

CRD IV - 2021 *(unaudited)* Regulatory €m	CRD IV - 2021 *(unaudited)* Fully loaded €m		CRD IV - 2022 *(unaudited)*[1] Regulatory €m	CRD IV - 2022 *(unaudited)*[1] Fully loaded €m
		Capital Base		
11,338	11,338	Total equity	11,932	11,932
(104)	(104)	*less foreseeable distribution deduction*[2]	(350)	(350)
(975)	(975)	*less AT1 capital*	(975)	(975)
10,259	**10,259**	**Total equity less foreseeable distribution deduction and equity instruments not qualifying as Common equity tier 1**	**10,607**	**10,607**
(725)	**(1,244)**	**Regulatory adjustments being phased in / out under CRD IV**	**(917)**	**(1,147)**
(750)	*(1,071)*	*Deferred tax assets*[3]	*(802)*	*(1,002)*
(126)	*(173)*	*10% / 15% threshold deduction*	*(145)*	*(145)*
151	*–*	*IFRS 9 transitional adjustment*	*30*	*–*
(1,638)	**(1,633)**	**Other regulatory adjustments**	**(2,147)**	**(2,147)**
(5)	*–*	*Expected loss deduction*	*(165)*	*(165)*
(515)	*(515)*	*Intangible assets and goodwill*	*(981)*	*(981)*
(607)	*(607)*	*Pension asset deduction*	*(625)*	*(625)*
(511)	*(511)*	*Other adjustments*[4]	*(376)*	*(376)*
7,896	**7,382**	**Common equity tier 1**	**7,543**	**7,313**
		Additional tier 1		
975	975	AT1 instruments (issued by parent entity BOIG plc)	975	975
8,871	**8,357**	**Total tier 1 capital**	**8,518**	**8,288**
		Tier 2		
1,595	1,595	Tier 2 instruments (issued by parent entity BOIG plc)	1,632	1,632
34	34	Instruments issued by subsidiaries that are given recognition in Tier 2 capital	–	–
–	62	Provisions in excess of expected losses on defaulted assets	–	–
		Regulatory adjustments		
(160)	(160)	Other adjustments	(160)	(160)
1,469	**1,531**	**Total tier 2 capital**	**1,472**	**1,472**
10,340	**9,888**	**Total capital**	**9,990**	**9,760**
46.4	**46.2**	**Total risk weighted assets (€bn)**	47.5	47.5
		Capital ratios[5,6]		
17.0%	16.0%	Common equity tier 1	15.9%	15.4%
19.1%	18.1%	Tier 1	17.9%	17.4%
22.3%	21.4%	Total capital	21.0%	20.5%
6.6%	6.2%	Leverage ratio	6.5%	6.4%

[1] Capital ratios have been presented including the benefit of the retained profit in the year. Under Article 26 (2) of the Capital Requirements Regulation, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the ECB and such permission has been obtained.
[2] A foreseeable distribution of €350 million (31 December 2021: €104 million) has been deducted reflecting proposed ordinary dividend of €225 million, as required under Article 2 of European Union Regulation No. 241/2014, and proposed share buyback of €125 million which is subject to regulatory approval.
[3] Deduction relates to deferred tax assets on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 80% in 2022, increasing annually at a rate of 10% thereafter.
[4] Includes technical items such as non-qualifying Common equity tier 1 items, Prudential Valuation adjustment, calendar provisioning, 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.
[5] The capital ratios are calculated using unrounded risk weighted asset amounts.
[6] The calculation of the Group's Total Capital and related ratios (including Leverage ratio) at 31 December 2022 are stated after a prudent application of the requirements of Article 87 of CRR. As a result of the establishment of BOIG plc, and due to the requirements of Article 87 of the CRR, regulatory capital instruments issued by subsidiaries (i.e. The Governor and Company of the Bank of Ireland) cannot be recognised in full in the prudential consolidation.

3.2 Capital adequacy risk *(continued)*

CRD IV - 2021 *(unaudited)* Regulatory €bn	CRD IV - 2021 *(unaudited)* Fully loaded €bn		CRD IV - 2022 *(unaudited)* Regulatory €bn	CRD IV - 2022 *(unaudited)* Fully loaded €bn
		Risk weighted assets		
35.6	35.5	Credit risk	35.9	35.9
1.0	1.0	Counterparty credit risk	0.8	0.8
1.2	1.2	Securitisation	1.4	1.4
0.3	0.3	Market risk	0.4	0.4
4.3	4.3	Operational risk	4.8	4.8
4.0	3.9	Other assets / 10% / 15% threshold deduction	4.2	4.2
46.4	**46.2**	**Total RWA**	**47.5**	**47.5**

Risk weighted assets *(unaudited)*
Risk weighted assets (RWAs) in the table above reflect the application of certain CBI required Balance Sheet Assessment adjustments and the updated treatments of expected loss. Further details on RWA can be found in the Group's Pillar 3 disclosures which are available on the Group's website.

RWAs on a regulatory basis were €47.5 billion at 31 December 2022 (31 December 2021: €46.4 billion). The increase of €1.1 billion in RWA is primarily due to loan book movements, the acquisition of Davy and other movements.

Capital Requirements Directive IV *(unaudited)*
The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent amendments, including EU Regulation 2019/876 (CRR II) and EU Directive 2019/878 (CRD V) published on 7 June 2019 and EU Regulation 2020/873 published on 26 June 2020 (COVID-19 Quick Fix).

In line with the above regulations, the Group's regulatory capital ratios reflect the phased implementation of the DTAs (dependent on future profitability) deduction and the transitional implementation of IFRS 9. These items will be fully implemented in 2024 and 2025 respectively.

Regulatory Capital Developments *(unaudited)*
The CRD IV rules continue to evolve through amendments to current regulations, directives and the adoption of new technical standards. There were no changes that materially impacted the capital ratios at 31 December 2022.

The revisions to the capital requirements for Market Risk, originally intended to apply in 2021, have been deferred until 2023.

The Basel Committee revisions to the Basel Framework focus on the standardised and internal ratings-based approaches to measuring credit risk. These include the introduction of an aggregate output floor to ensure banks' RWAs calculated via internal models are no lower than 72.5% of RWAs calculated under the standardised approach. The revised standards which were originally due to take effect from 1 January 2022, are now deferred to 1 January 2025 following a European Commission review in October 2021, with a phase-in period of five years for the aggregate output floor. The Group continues to monitor developments with any impact dependent on the implementation at EU level.

Capital actions *(unaudited)*
In 2022, the Group issued two Tier 2 capital instruments; a £300 million 'Green' 10.25 year (callable at any time between 6 September 2027 and 6 December 2027) with a coupon of 7.59% in September 2022 and a €500 million 10.25 year (callable at any time between 1 December 2027 and 1 March 2028) with a coupon of 6.75% in December 2022. These issuances supported the redemption in September 2022 of the $500 million and £300 million Tier 2 capital instruments.

Regulatory ratio *(unaudited)*
The Group's regulatory CET1 ratio is 15.9% at 31 December 2022 (31 December 2021: 17.0%). The decrease of c.110 basis points since 31 December 2021 is primarily due to the completion of Davy acquisition (c.-80 basis points), a foreseeable distribution deduction (c.-75 basis points), an increase in impairment / reduction in IFRS 9 regulatory addback (c.-50 basis points), RWA growth (c.-45 basis points) and the impact of CRD phasing for 2022 (c.-35 basis points) offset by the benefit of organic capital generation (c.+165 basis points), and other net movements, including in the Group's defined benefit pension schemes (c.+10 basis points).

Fully loaded ratio *(unaudited)*
The Group's fully loaded CET 1 ratio is 15.4% at 31 December 2022 (31 December 2021: 16.0%). The decrease of c.60 basis points since 31 December 2021 is primarily due to the completion of Davy acquisition (c.-80 basis points), a foreseeable distribution deduction (c.-75 basis points) and RWA growth (c.-50 basis points), offset by the benefit of organic capital generation (c.+135 basis points) and other net movements, including in the Group's defined benefit pension schemes (c.+10 basis points).

Leverage ratio *(unaudited)*
The leverage ratio at 31 December 2022 is 6.5% on a CRD IV regulatory basis (31 December 2021: 6.6%) and 6.4% on a proforma fully loaded basis (31 December 2021: 6.2%). A binding leverage requirement of 3.0% is applicable. The Group expects to remain well in excess of this requirement.

Capital requirements / buffers *(unaudited)*
The table below sets out the Group's CET1 capital requirements for 2022 and the authorities responsible for setting those requirements.

The Group is required to maintain a CET 1 ratio of 10.04% on a regulatory basis at 31 December 2022. This includes a Pillar 1 requirement of 4.5%, a CET1 P2R of 1.27%, a CCB of 2.5%, an O-SII Buffer of 1.5% and a Countercyclical buffer of 0.27%. P2G is not disclosed in accordance with regulatory preference.

3.2 Capital adequacy risk *(continued)*

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.0.6% 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. It is expected to increase again to c.0.9% in 2024.

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

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

Minimum Requirement for Own Funds and Eligible Liabilities *(unaudited)*

The Group's interim binding MREL requirements, to be met by 1 January 2022, are 24.95% on RWA basis and 7.59% on a leverage basis.

The MREL RWA requirement consists of a 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% on 1 January 2022 (comprising the Capital Conservation Buffer of 2.5% and an O-SII buffer of 1.5%).

The SRB target is subject to annual review; while the CBR is dynamic, updating as changes in capital requirements become effective. Therefore the Group's 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 31 December 2022 is 31.5% on an RWA basis and 11.5% on a leverage basis. The Group expects to maintain a buffer over its MREL requirements.

Pro forma CET1 Regulatory Capital Requirements *(unaudited)*	**Set by**	**2021**	**2022**	**2023**
Pillar 1 - CET1	CRR	4.50%	4.50%	4.50%
Pillar 2 Requirement	SSM	1.27%	1.27%	1.27%
Capital Conservation Buffer	CRD	2.50%	2.50%	2.50%
Countercyclical buffer				
Ireland (c.61% of RWA)	CBI	–	–	0.61%
UK (c.26% of RWA)	BOE	–	0.26%	0.52%
US and other (c.13% of RWA)	Fed / Various	–	0.01%	0.01%
O-SII Buffer	CBI	1.50%	1.50%	1.50%
Pro forma Minimum CET1 Regulatory Requirements		**9.77%**	**10.04%**	**10.91%**
Pillar 2 Guidance	**Not disclosed in line with regulatory preference**			

Distribution policy *(unaudited)*

In respect of the 2022 financial year, the Board proposed a distribution of €350 million including an ordinary dividend of €225 million, equivalent to 21 cents per share, subject to ordinary shareholder approval and a share buyback of €125 million subject to regulatory approval. The ordinary dividend of 21 cents per share will be paid on 13 June 2023 to ordinary shareholders who appear on the Company's register on 12 May 2023, the record date for the dividend, subject to shareholder approval.

The Group has updated its distribution policy. 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 *(unaudited)*

The Group completed the €50 million buyback programme on 9 May 2022 repurchasing 8,496,221 ordinary shares for cancellation at a volume weighted average price of €5.885 per share. In addition, the Group paid an ordinary dividend of €54 million, equivalent to 5 cents per share, on 14 June 2022.

Distributable items *(unaudited)*

At 31 December 2022, the Company had reserves available for distribution of €6.1 billion (2021: €6.2 billion). Further information on the Company's equity is provided on page 328.

3.2 Capital adequacy risk *(continued)*

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

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

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

At 31 December 2022, own funds were in excess of the required minimum requirement.

3.3 Conduct risk

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

The Group is exposed to conduct risk as a direct and indirect consequence from all the activities that the Group engages in during its normal conduct of business activities. These risks may materialise from failures to comply with regulatory requirements or expectations, in the day-to-day conduct of its business, as an outcome of risk events in other principal risk categories, from changes in external market expectations or conditions, provision of products and services and the various activities performed by the Group, its staff, contractors and by third party suppliers.

The key conduct risk exposure areas managed by the Group include the following:

Market Integrity: The risk that the Group fails to ensure that business activities, and those carrying them out, are authorised and comply with regulatory requirements, manage conflicts of interest, observe proper standards of market conduct and enable employees to raise concerns without fear of retaliation.

Customer Protection: The risk that Group sales (including advice), execution and remediation of our products and services fail to meet the expectations of our customers and regulators.

Financial Crime: The risk that the Group's associated persons (employees or third parties) commit or facilitate financial crime, and / or the Group's products and services are used to facilitate financial crime and therefore undermines the Group's market integrity and may result in:

- detriment to clients, customers, counterparties or employees;
- diminished confidence in financial products or services;
- damage to the Group's reputation;
- regulatory breaches and / or financial penalties.

Data Privacy: The Group does not comply with relevant data protection and data privacy laws and regulations.

Risk management and measurement
The Group manages conduct risk under the RMF. The framework establishes the common principles for the risk management process of identifying, assessing, monitoring and mitigating risks to the Group. This is implemented by accountable executives and monitored by the GRCRC, the ERC, the BRC and Board in line with the overall Group risk governance structure outlined on pages 146 and 147. The effective management of conduct risk is primarily the responsibility of business management and is supported by Group Compliance.

The Group acknowledges that a level of residual conduct risk arises from the provision of a full range of financial services across a range of systems and processes, and it is committed to continually reducing same. There is no appetite for the Group and / or its staff conducting business in an inappropriate or negligent manner that leads to adverse outcomes for customers, colleagues and communities (including shareholders, suppliers and regulators). Where residual risk remains above prescribed levels, it should be managed and tracked through risk reduction plans.

Risk mitigation
Risk mitigants include the early identification, appropriate assessment, measurement and reporting of risks. The primary risk mitigants for conduct risk are the establishment, through Group conduct policies, of standard mitigating requirements throughout the business. The standards of behaviour are detailed in the Group Code of Conduct policy to which all management and staff must adhere and affirm annually. The Speak-Up Policy sets out the steps staff can take to raise any concerns they might have of wrongdoing, risk or malpractice in the Group. A training schedule is in place across the Group to support staff and management in this regard.

Risk reporting
The current status of conduct risk is reported to the ERC and to the Board members through the Board Risk Report on a monthly basis. The Group Chief Compliance Officer reports to the GRCRC on the status of conduct risk in the Group, including the status of the top conduct risks, the progress of risk mitigation plans, issues and breaches, and significant regulatory interactions on a monthly basis, and quarterly to the ERC and BRC by way of the quarterly Group Chief Compliance Officer Report.

3.4 Credit risk

Definition *(audited)*

Credit risk is the risk of loss resulting from a customer or counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions.

This risk includes debt underwriting risk, loan origination risk, credit concentration risk, cross border transfer risk, credit quality deterioration risk, default risk and collateral valuation risk. At portfolio level, credit risk is assessed in relation to the degree of name, product, industry and geographic concentration to inform the setting of appropriate risk mitigation and transfer mechanisms, and to assess risk capital requirements. Risk appetite measures for credit risk are set by the Board.

Credit risk arises from loans and advances to customers and from certain other financial transactions such as those entered into by the Group with financial institutions, sovereigns and state institutions.

Credit facilities can be largely grouped into the following categories:

- cash advances (e.g. loans, overdrafts, revolving credit facilities (RCFs) and bonds), including associated commitments and letters of offer;
- credit related contingent facilities (issuing of guarantees / performance bonds / letters of credit);
- derivative instruments; and
- settlement / clearing lines.

The manner in which the Group's exposure to credit risk arises, its policies and processes for managing it and the methods used to measure and monitor it are set out below.

Debt underwriting risk

Debt underwriting risk is the risk of loss arising from movements in credit spreads or other changes in market conditions in respect of debt underwriting transactions.

Loan origination risk

Loan origination risk is the risk of loss from originating credit exposures where asset quality is outside risk appetite.

Credit concentration risk

Credit concentration risk is the risk of loss due to exposures to a single name, product, industry or geography engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Cross border transfer risk

Cross border transfer risk is the risk that sovereign or other counterparties within a country may be unable, unwilling or precluded from fulfilling their cross-border obligations due to changing political, financial or economic circumstances such that a loss to the Group may arise.

Credit quality deterioration risk

Credit quality deterioration risk is the potential for loss due to an internal / external ratings downgrade which signals a change in the credit quality of the loan exposure.

Default risk

Default risk is the risk that companies or individuals (counterparties) will be unable to meet the required payment on their debt obligations.

Collateral valuation risk

Collateral valuation risk is the risk of loss arising from a change in the value of security or an inability to enforce security held due to errors in the nature, quantity, pricing, or characteristics of security held in respect of a transaction with credit risk.

Credit risk management *(audited)*

Credit risk statement

The Group actively seeks opportunities to provide appropriately remunerated credit facilities to borrowers who are assessed as having the capacity to service and discharge their obligations and to allow growth in the volume of loan assets in line with the Group's risk appetite and to provide a solid foundation for sustained growth in earnings and shareholder value.

The Group's credit strategy is to underwrite credit risk within a clearly defined Board-approved risk appetite and risk governance framework through the extension of credit to customers and financial counterparties in a manner that results in an appropriate return for the risks taken and on the capital deployed while operating within prudent Board-approved risk parameters and to maximise recoveries on loans that become distressed.

Credit risk management

The Group's approach to the management of credit risk is focused on a detailed credit analysis at origination followed by early intervention and active management of accounts where creditworthiness has deteriorated.

Through its ongoing credit review processes, the Group seeks early identification of deteriorating loans with a view to taking corrective action to prevent a loan becoming credit-impaired. Typically, loans that are at risk of becoming credit-impaired are managed by dedicated specialist units / debt collection teams focused on working out loans. For loans that become credit-impaired, the focus is to minimise the loss that the Group will incur. This may involve implementing forbearance solutions, entering into restructuring arrangements, action to enforce security, asset / portfolio disposals or securitisations.

The Group Credit Risk function has responsibility for the independent oversight of credit risk and for overall risk reporting to the GCRC, ERC, the BRC and the Board on developments in credit risk and compliance with specific risk limits. It is led by the Chief Credit Officer who reports directly to the Group CRO. The function provides independent oversight and management of the Group's credit risk strategy, credit risk management information and credit risk underwriting. A separate Customer Loans Solutions function provides experienced and dedicated management of challenged assets.

Credit policy

The core values and principles governing the provision of credit are contained in Group Credit Policy which is approved by the Board. Individual business unit credit policies (which include specific sectoral / product credit policies) define in greater detail the credit approach appropriate to the units concerned. These policies are aligned with and have regard to, the Group's Risk Appetite Statement and applicable credit limits, the lessons learned from the Group's loss history, the markets in which the business units operate and the products which they provide.

Lending authorisation

The Group's credit risk management systems operate through a hierarchy of lending authorities which are related to internal loan ratings. All exposures above certain levels require approval by the Group Credit Transactions Committee (GCTC). Other exposures are approved according to a system of tiered individual authorities, which reflect credit competence, proven judgement and experience. Material lending proposals are referred to credit units for independent assessment / approval or formulation of a recommendation for subsequent adjudication by the applicable approval authority. Certain retail loan applications may be approved automatically where they

3.4 Credit risk *(continued)*

meet both approved policy rules and minimum thresholds for the score produced by internal credit scoring tools.

Controls and limits

The Group imposes credit risk control limits and guide points to mitigate significant concentration risk. These limits and guide points are informed by the Group's Risk Appetite Statement which is approved annually by the Board.

It includes specific long-term limits for each category and maximum exposure limits to a customer or a group of connected customers.

The Board approves a framework of country maximum exposure guide points which are used as benchmarks for the setting of country limits. A maximum exposure limit framework for exposures to banks is also approved by the GCRC for each rating category. Limits are set and monitored for countries, sovereign obligors and banks in accordance with these frameworks.

Credit risk measurement *(audited)*

All credit transactions are assessed at origination for credit quality and the borrower is assigned a credit grade based on a predefined credit rating scale. The risk and consequently the credit grade, is reassessed periodically. The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

Loan impairment

Under IFRS 9, essentially all credit risk exposures not measured at fair value through profit or loss (FVTPL) are subject to recognition of an impairment loss allowance for expected credit losses (ECL). The Group's impairment modelling methodologies are approved by Model Risk Committee (MRC) and / or RMC and the quantum of the Group's impairment gain or loss, NPEs and impairment loss allowances are reviewed by the GCRC and by the ERC in advance of providing a recommendation to the GAC.

The Group's credit risk rating systems and impairment models and methodologies play a key role in quantifying the appropriate level of impairment loss allowance. Further details are provided in the section on credit risk methodologies on page 164.

An analysis of the Group's impairment loss allowances at 31 December 2022 is set out in note 27 on page 260.

Credit risk mitigation *(audited)*

An assessment of the borrower's ability to service and repay the proposed level of debt (principal repayment source) is undertaken for credit requests and is a key element in the Group's approach to mitigating risk. In addition, the Group mitigates credit risk through the adoption of both proactive preventative measures (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks should these materialise, including hedging, securitisation, the taking of collateral (which acts as a secondary repayment source) and selective asset / portfolio disposals and securitisations.

Risk transfer

The objective of risk mitigation / transfer is to limit the risk impact to acceptable levels. At portfolio level, credit risk is assessed in relation to the degree of name, sector and geographic concentration. Where possible emergence of undue risk concentrations are identified, the risk capital implications are assessed and, where appropriate, risk transfer and mitigation options (e.g. disposals, securitisations, hedging strategies) are explored.

Collateral

Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product and local market practice, as set out in the Group's policies and procedures. The Group takes collateral as a secondary repayment source, which can be called upon if the borrower is unable or unwilling to service and repay debt as originally envisaged. Various types of collateral are accepted, including property, securities, cash, guarantees and insurance.

The nature and level of collateral required depends on a number of factors including, but not limited to, the amount of the exposure, the type of facility made available, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or Probability of Default (PD).

The Group's requirements around completion, valuation and management of collateral are set out in appropriate Group or business unit policies and procedures. The extent to which collateral and other credit enhancements mitigate credit risk in respect of the Group's Residential mortgage portfolio is set out in the tables on pages 162 and 163.

Counterparty credit risk arising from derivatives

Trading in over-the-counter (OTC) derivatives is governed by the European Market Infrastructure Regulation. The Group has executed standard internationally recognised documents such as International Swaps and Derivatives Association (ISDA) agreements and Credit Support Annexes (CSAs) with all of its derivative financial counterparties. In addition, the Group has Cleared Derivatives Execution Agreements (CDEAs) with its principal interbank derivative counterparties enabling the Group to clear eligible derivatives through an EU approved and regulated central counterparty. If a derivative contract cannot be cleared through a central counterparty, a CSA serves to limit the potential cost of replacing that contract at market price in the event of a default by the financial counterparty. All of the Group's interbank derivatives are covered by CDEAs or CSAs and are hence collateralised.

Credit risk reporting / monitoring *(audited)*

Credit risk at a Group, divisional and significant operating unit / product type level is reported on a monthly basis to senior management. This monthly reporting includes information and detailed commentary on loan book growth, quality of the loan book (credit grade and PD profiles and RWAs), impairment loss allowances and individual large credit-impaired exposures.

Credit risk, including compliance with key credit risk limits, is monitored and reported monthly in the Board Risk Report. This report is presented to and discussed by the ERC and the Board. The quarterly Board Risk Report is also presented to and discussed by the BRC. A report on exceptions to credit policy is presented to and reviewed by the GCRC, ERC, the BRC and the Board on a quarterly basis.

On a regular basis the GCRC considers credit concentration reports which track changes in portfolio, product / sectoral and single name concentrations measured under agreed parameters.

In addition, other reports are submitted to senior management and the Board as required.

Credit Review (CR), an independent function within Group Risk, reviews the quality and management of credit risk assets across the Group. Using a risk based approach, CR carries out periodic reviews of Group lending portfolios, lending units and credit units.

3.4 Credit risk *(continued)*

Management of challenged assets *(audited)*

The Group has in place a range of initiatives to manage challenged and non-performing credit. These include:

- enhanced collections and recoveries processes;
- specialist work-out teams to ensure early intervention for borrowers in or potentially in financial difficulty;
- intensive review cycles for 'at risk' exposures and the management of arrears and excess positions; and
- support from central teams in managing 'at risk' portfolios at a business unit level.

Group forbearance strategies

A forbearance measure is a concession to a borrower for reasons relating to the actual or apparent financial difficulties of that borrower. A concession is any change to the terms and conditions of a credit agreement (e.g. term extension, margin change, release of security, covenant waiver) or a total or partial refinancing of a credit facility. If the concession to a borrower is not granted for reasons relating to the actual or apparent financial difficulty of that borrower, then it does not represent a forbearance measure.

The key objective of granting forbearance measures is to prevent performing borrowers entering arrears, from reaching a non-performing status or to pave the way for non-performing borrowers to return to performing status. Forbearance measures should always aim to return the exposure to a sustainable repayment situation.

Forbearance strategies adopted by the Group seek to maximise recoveries and minimise losses arising from non-repayment of debt, while providing suitable and sustainable restructure options that are supportive of customers in challenged circumstances. Such strategies may include, where appropriate, one or a combination of measures such as a temporary reduction in contractual payments, a term extension, capitalisation of arrears, adjustment or non-enforcement of covenants and / or more permanent restructuring measures. Forbearance requests are assessed on a case by case basis, taking due consideration of the individual circumstances and risk profile of the borrower.

A request for forbearance will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances and ability to repay prior to any decision to grant a forbearance treatment. This assessment may result in a deterioration in the credit grade assigned to the loan, potentially impacting how frequently the loan must be formally reviewed. This assessment may also result in a loan being considered to have experienced a 'significant increase in credit risk' or becoming classified as credit-impaired.

The Group Forbearance Policy outlines the core principles and parameters underpinning the Group's approach to forbearance with individual business unit procedures defining in greater detail the forbearance strategies appropriate to each unit.

Borrower compliance with revised terms and conditions may not be achieved in all cases. Non-compliance could, for example, arise because the individual circumstances and risk profile of the borrower continue to deteriorate, or fail to show an expected improvement, to the extent that an agreed reduced level of repayment can no longer be met. In the event of non-compliance, a request for further forbearance may be considered. It is possible that the Group, by virtue of having granted forbearance to a borrower, could suffer a loss that might otherwise have been avoided had enforcement action instead been taken - this could, for example arise, where the value of security held in respect of a loan diminishes over the period of a forbearance arrangement which ultimately proves unsustainable.

It is the Group's policy to measure the effectiveness of forbearance arrangements over the lifetime of those arrangements. A forbearance arrangement is considered to be effective where the risk profile of the affected borrower stabilises or improves over the measured time period, resulting in an improved outcome for the Group and the borrower. The measurement of effectiveness takes account of the nature and intended outcome of the forbearance arrangement and the period over which it applies.

Asset quality - Loans and advances to customers *(audited except where denoted unaudited)*

Asset quality methodology

The Group has allocated financial instruments into one of the following categories at the reporting date:

- **Stage 1 - 12 month expected credit losses (not credit-impaired)**
  Financial instruments which have not experienced a significant increase in credit risk since initial recognition and are not credit-impaired. An impairment loss allowance equal to 12-month ECL is recognised, which is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

- **Stage 2 - Lifetime expected credit losses (not credit-impaired)**
  Financial instruments which have experienced a 'significant increase in credit risk since initial recognition' and are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised, being the ECL resulting from all possible default events over the expected life of the financial instrument. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument.

- **Stage 3 - Lifetime expected credit losses (credit-impaired)**
  Credit-impaired financial instruments, other than Purchased or Originated Credit-impaired (POCI) financial assets. An impairment loss allowance equal to lifetime ECL is recognised. The manner in which the Group identifies financial assets as credit-impaired results in the Group's population of credit-impaired financial assets being consistent with its population of defaulted financial assets (in accordance with regulatory guidelines including European Banking Authority (EBA) Guidelines on the application of the definition of default under Article 178 of the Capital Requirements Regulation (CRR). This encompasses loans where: (i) the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security and / or (ii) the borrower is greater than or equal to 90 days past due and the arrears amount is material.

- **POCI financial assets**
  Financial assets that were credit-impaired at initial recognition. A POCI is not subject to any initial impairment loss allowance but an impairment loss allowance is subsequently recognised for the cumulative changes in lifetime ECL since initial recognition. A POCI remains classified as such until it is derecognised, even if assessed as no longer credit-impaired at a subsequent reporting date.

Further information on the approach to identifying a 'significant increase in credit risk since initial recognition' and in identifying credit-impaired assets is outlined in the Credit risk methodologies section on page 166.

3.4 Credit risk *(continued)*

The Group continued to apply the following classifications at the reporting date.

Forborne loans
Loans where a forbearance measure has been granted and where the criteria to exit a forborne classification, in line with EBA guidance, are not yet met. Loans that have never been forborne or loans that are no longer required to be reported as 'forborne' are classified as 'non-forborne'.

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

The tables below provide an analysis of loans and advances to customers that are non-performing by asset classification at 31 December 2022. The tables include NPEs relating to loans and advances to customers at amortised cost of €2,584 million (31 December 2021: €4,280 million) and loans and advances to customers measured at FVTPL of €33 million (31 December 2021: €31 million).

2022 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non- property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired	453	1,550	415	146	2,564
Not credit-impaired	34	12	6	1	53
Total	**487**	**1,562**	**421**	**147**	**2,617**

2021 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non- property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired	1,774	1,320	1,034	137	4,265
Not credit-impaired	31	8	6	1	46
Total	**1,805**	**1,328**	**1,040**	**138**	**4,311**

Credit-impaired includes Stage 3 and POCI assets which remain credit-impaired at the reporting period. Not credit-impaired NPEs of €53 million (31 December 2021: €46 million) include forborne loans that had yet to satisfy internal exit criteria for NPE reporting purposes.

The tables below summarise the composition, NPEs and related impairment loss allowance of the Group's loans and advances to customers at 31 December 2022 and 31 December 2021. The tables include NPEs relating to loans and advances to customers at amortised cost of €2,584 million (31 December 2021: €4,280 million) and loans and advances to customers measured at FVTPL of €33 million (31 December 2021: €31 million).

3.4 Credit risk *(continued)*

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%**

Restated[1] 2021 **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	43,262	1,805	4.1%	504	28%
Retail Ireland	*22,398*	*1,078*	*4.7%*	*426*	*41%*
Retail UK	*20,864*	*727*	*3.5%*	*78*	*11%*
Non-property SME and corporate	20,850	1,328	6.4%	755	57%
Republic of Ireland SME	*7,014*	*689*	*9.8%*	*433*	*63%*
UK SME	*1,748*	*136*	*7.8%*	*50*	*37%*
Corporate	*12,088*	*503*	*4.2%*	*272*	*54%*
Property and construction	8,613	1,040	12.1%	527	51%
Investment	*7,552*	*1,009*	*13.4%*	*508*	*50%*
Development	*1,061*	*31*	*2.9%*	*19*	*61%*
Consumer	5,229	138	2.6%	172	125%
Total	**77,954**	**4,311**	**5.5%**	**1,958**	**46%**

Unaudited
NPEs decreased to €2.6 billion at 31 December 2022 from €4.3 billion at 31 December 2021. The movement in NPEs in the year is consistent with the movements in credit-impaired loans as set out in the composition and impairment section on below. At 31 December 2022, the Group's NPE impairment loss allowance cover ratio was 49% (31 December 2021: 46%), with the increase reflecting the impact of a change in NPE asset mix following three separate portfolio disposals and other resolution activity, combined with the €0.2 billion impairment loss on loans and advances to customers in the year.

Risk profile of forborne loans and advances to customers
The Group's total risk profile of loans and advances to customers at amortised cost at 31 December 2022 of €73.0 billion (31 December 2021: €77.9 billion) is available in note 26. The tables below exclude €217 million of loans and advances to customers at 31 December 2022 (31 December 2021: €426 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9. Exposures are before impairment loss allowance.

[1] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

3.4 Credit risk *(continued)*

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

At 31 December 2022, forborne POCI loans included €1 million (31 December 2021: €1 million) of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvement in credit risk. These loans will remain classified as POCI loans until derecognition.

3.4 Credit risk *(continued)*

Restated[2]

2021 Loans and advances to customers at amortised cost - Composition	Stage 1 (not credit-impaired) €m	Stage 2 (not credit-impaired) €m	Stage 3 (credit-impaired) €m	Purchased / originated credit-impaired €m	Total €m
Non-forborne loans and advances to customers					
Residential mortgages	38,707	2,407	876	1	41,991
Retail Ireland	*19,572*	*1,486*	*293*	*1*	*21,352*
Retail UK	*19,135*	*921*	*583*	*–*	*20,639*
Non-property SME and corporate	14,430	2,899	352	–	17,681
Republic of Ireland SME	*4,258*	*1,702*	*240*	*–*	*6,200*
UK SME	*1,161*	*356*	*77*	*–*	*1,594*
Corporate	*9,011*	*841*	*35*	*–*	*9,887*
Property and construction	3,280	3,583	55	–	6,918
Investment	*2,596*	*3,304*	*44*	*–*	*5,944*
Development	*684*	*279*	*11*	*–*	*974*
Consumer	4,863	228	133	–	5,224
Total non-forborne loans and advances to customers	**61,280**	**9,117**	**1,416**	**1**	**71,814**
Forborne loans and advances to customers					
Residential mortgages	1	372	897	1	1,271
Retail Ireland	*1*	*290*	*754*	*1*	*1,046*
Retail UK	*–*	*82*	*143*	*–*	*225*
Non-property SME and corporate	–	2,201	953	15	3,169
Republic of Ireland SME	*–*	*374*	*440*	*–*	*814*
UK SME	*–*	*94*	*60*	*–*	*154*
Corporate	*–*	*1,733*	*453*	*15*	*2,201*
Property and construction	–	716	915	64	1,695
Investment	*–*	*649*	*895*	*64*	*1,608*
Development	*–*	*67*	*20*	*–*	*87*
Consumer	–	1	4	–	5
Total forborne loans and advances to customers	**1**	**3,290**	**2,769**	**80**	**6,140**

Risk profile of non-performing exposures

The tables below include NPEs relating to loans and advances to customers at amortised cost of €2,584 million (31 December 2021: €4,280 million and loans and advances to customers measured at FVTPL of €33 million (31 December 2021: €31 million).

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**

[2]*Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

3.4 Credit risk *(continued)*

2021 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	877	352	55	133	1,417
Not credit-impaired	31	7	6	1	45
Total non-forborne loans and advances to customers	**908**	**359**	**61**	**134**	**1,462**
Forborne loans and advances to customers					
Credit-impaired	897	968	979	4	2,848
Not credit-impaired	–	1	–	–	1
Total forborne loans and advances to customers	**897**	**969**	**979**	**4**	**2,849**

Composition and impairment

The table below summarises the composition, credit-impaired volumes and related impairment loss allowance of the Group's loans and advances to customers at amortised cost at 31 December 2022. These tables exclude €217 million of loans and advances to customers at 31 December 2022 (31 December 2021: €426 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9. Credit-impaired includes Stage 3 and POCI assets which remain credit-impaired at the reporting period.

2022 Total loans and advances to customers at amortised cost - 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	38,020	453	1.2%	90	20%
Retail Ireland	*22,472*	*254*	*1.1%*	*70*	*28%*
Retail UK	*15,548*	*199*	*1.3%*	*20*	*10%*
Non-property SME and corporate	21,468	1,550	7.2%	565	36%
Republic of Ireland SME	*7,175*	*561*	*7.8%*	*269*	*48%*
UK SME	*1,578*	*121*	*7.7%*	*45*	*37%*
Corporate	*12,715*	*868*	*6.8%*	*251*	*29%*
Property and construction	8,201	415	5.1%	132	32%
Investment	*7,084*	*399*	*5.6%*	*127*	*32%*
Development	*1,117*	*16*	*1.4%*	*5*	*31%*
Consumer	5,350	146	2.7%	81	55%
Total	**73,039**	**2,564**	**3.5%**	**868**	**34%**

3.4 Credit risk *(continued)*

Restated[3]

2021 Total loans and advances to customers at amortised cost - 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	43,262	1,774	4.1%	416	23%
Retail Ireland	*22,398*	*1,048*	*4.7%*	*362*	*35%*
Retail UK	*20,864*	*726*	*3.5%*	*54*	*7%*
Non-property SME and corporate	20,850	1,320	6.3%	441	33%
Republic of Ireland SME	*7,014*	*680*	*9.7%*	*258*	*38%*
UK SME	*1,748*	*137*	*7.8%*	*30*	*22%*
Corporate	*12,088*	*503*	*4.2%*	*153*	*30%*
Property and construction	8,613	1,034	12.0%	439	42%
Investment	*7,552*	*1,003*	*13.3%*	*431*	*43%*
Development	*1,061*	*31*	*2.9%*	*8*	*26%*
Consumer	5,229	137	2.6%	76	55%
Total	**77,954**	**4,265**	**5.5%**	**1,372**	**32%**

At 31 December 2022, loans and advances to customers (pre-impairment loss allowance) of €73 billion were €4.9 billion lower than 31 December 2021, reflecting the combined impacts of currency translation, NPE resolution activity (including portfolio disposals and utilisation of impairment loss allowances) and net redemptions in the period.

Credit-impaired loans decreased to €2.6 billion or 3.5% of customer loans at 31 December 2022 from €4.3 billion or 5.5% at 31 December 2021. This decrease reflected resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty. Resolution strategies include the disposal of non-performing portfolios, realisation of cash proceeds from property sales activity and, where appropriate, have given rise to utilisation of impairment loss allowance against loan amounts for which there is no reasonable expectation of recovery. In the second half of the year the Group completed the disposal of a pool of non-performing residential mortgages and business banking loans with a gross carrying value of €1.3 billion, with an associated €9 million net impairment loss (including the full utilisation of the €130 million post-model adjustment recognised at 30 June 2022).

The decrease from resolution strategies was partly offset by the emergence of new defaults for case specific reasons primarily in the Corporate and Property and construction portfolios.

The application of updated FLI, individually assessed risk ratings, credit risk assessments, and re-assessment for post-model adjustments resulted in net migration of €0.2 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 the deterioration in economic conditions, including elevated inflation rates and interest rates, on the credit risk in the loan book, offset by the diminished latent credit risk associated with COVID-19 that was reflected in the balance sheet at 31 December 2021. The stock of impairment loss allowance on credit-impaired loans was €0.9 billion at 31 December 2022, which was €0.5 billion lower than the stock at 31 December 2021. The net decrease incorporates impairment loss allowance utilisation of €0.9 billion, including c.€0.4 billion associated with NPE portfolio disposals. This was partly offset by the impact of the impairment loss on credit impaired loans of €0.4 billion and the impact of currency translation and other movements.

The total impairment loss allowance at 31 December 2022 includes a total Group management adjustment of €60 million (31 December 2021: €392 million), all of which was recognised against loans and advances to customers. Details on the Group management adjustment are provided in note 2 on page 220.

Impairment loss allowance cover for credit-impaired loans increased to 34% from 32% in 2022. This incorporates the impact of changes in the underlying asset / portfolio mix of the stage 3 population following the completion of the NPE portfolio disposals and other resolution activity. Impairment cover for credit impaired assets increased for the non property SME and corporate portfolio primarily reflecting an updated LGD model approach for micro-SME loans and the recognition of losses associated with potential greater utilisation of portfolio sales in resolution strategies for business banking loans. This was offset by a decrease in impairment cover for residential mortgages and property and construction portfolios, reflecting lower impairment requirements for the residual stage 3 books following the completion of NPE resolution strategies, including portfolio sales and case specific actions.

[3]*Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

3.4 Credit risk *(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 during 2022 and 2021. Excluded from the tables below are POCI loans of €3 million (2021: €2 million), €1 million (2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI until derecognition.

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

	Owner occupied			Buy to let			Total		
2021 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%	8,759	212	8,971	1,036	46	1,082	9,795	258	10,053
51% to 70%	6,662	152	6,814	304	41	345	6,966	193	7,159
71% to 80%	3,316	73	3,389	47	15	62	3,363	88	3,451
81% to 90%	966	53	1,019	61	43	104	1,027	96	1,123
91% to 100%	95	48	143	18	24	42	113	72	185
Subtotal	**19,798**	**538**	**20,336**	**1,466**	**169**	**1,635**	**21,264**	**707**	**21,971**
101% to 120%	22	58	80	18	25	43	40	83	123
121% to 150%	12	51	63	9	29	38	21	80	101
Greater than 151%	8	82	90	16	95	111	24	177	201
Subtotal	**42**	**191**	**233**	**43**	**149**	**192**	**85**	**340**	**425**
Total	**19,840**	**729**	**20,569**	**1,509**	**318**	**1,827**	**21,349**	**1,047**	**22,396**
Weighted average LTV:									
Stock of Retail Ireland mortgages at year end			54%			58%			54%
New Retail Ireland mortgages during the year			71%			53%			71%

3.4 Credit risk *(continued)*

Weighted average loan to value ratios are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage. Property values are determined by reference to the property valuations held, indexed to the 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 October 2022.

The CSO RPPI for October 2022 reported that average national residential property prices were 2.9% above peak (2021: 6.0% below peak), with Dublin residential prices 5.7% below peak and outside of Dublin residential prices 1.8% above peak (2021: 12.8% and 8.0% below peak respectively). In the 10 months to October 2022, residential property prices at a national level increased by 7.3%.

At 31 December 2022, €22.4 billion or 99.5% of Retail Ireland mortgages were classified as being in positive equity, 99.7% for Owner occupied mortgages and 95.9% 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 during 2022 and 2021. 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		
2022 Loan to value ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,265	30	2,585	28	485	17	5,335	75	5,410
51% to 70%	3,059	33	2,159	31	276	19	5,494	83	5,577
71% to 80%	1,615	7	189	3	20	2	1,824	12	1,836
81% to 90%	728	3	7	–	4	–	739	3	742
91% to 100%	208	1	2	–	1	–	211	1	212
Subtotal	**7,875**	**74**	**4,942**	**62**	**786**	**38**	**13,603**	**174**	**13,777**
101% to 120%	6	–	–	–	2	–	8	–	8
121% to 150%	2	–	–	–	–	–	2	–	2
Greater than 150%	–	–	1	1	–	1	1	2	3
Subtotal	**8**	**–**	**1**	**1**	**2**	**1**	**11**	**2**	**13**
Total	**7,883**	**74**	**4,943**	**63**	**788**	**39**	**13,614**	**176**	**13,790**
Weighted average LTV:									
Stock of Retail UK mortgages at year end	59%	54%	49%	53%	45%	52%	55%	53%	55%
New Retail UK mortgages during year	77%	77%	65%	40%	42%	–	75%	75%	75%

	Standard		Buy to let		Self certified		Total		
2021 Loan to value ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,526	81	2,908	64	529	74	5,963	219	6,182
51% to 70%	3,411	87	3,067	79	388	106	6,866	272	7,138
71% to 80%	2,588	32	330	16	50	22	2,968	70	3,038
81% to 90%	977	12	18	3	9	10	1,004	25	1,029
91% to 100%	101	4	3	1	–	4	104	9	113
Subtotal	**9,603**	**216**	**6,326**	**163**	**976**	**216**	**16,905**	**595**	**17,500**
101% to 120%	9	5	2	1	2	4	13	10	23
121% to 150%	3	2	–	–	1	1	4	3	7
Greater than 150%	–	1	–	–	–	1	–	2	2
Subtotal	**12**	**8**	**2**	**1**	**3**	**6**	**17**	**15**	**32**
Total	**9,615**	**224**	**6,328**	**164**	**979**	**222**	**16,922**	**610**	**17,532**
Weighted average LTV:									
Stock of Retail UK mortgages at year end	61%	57%	51%	54%	48%	58%	56%	57%	56%
New Retail UK mortgages during year	76%	71%	65%	55%	29%	–	74%	65%	74%

3.4 Credit risk *(continued)*

Credit risk methodologies *(audited)*
The Group's credit risk methodologies encompass internal credit rating models and scoring tools and impairment models and are set out below.

Internal credit rating models
The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

The primary model measures used are:
- PD: the probability of a given counterparty defaulting on any of its borrowings from the Group within the next twelve months;
- Exposure at Default (EAD): the exposure the Group has to a defaulting borrower at the time of default; and
- LGD: the loss incurred (after the realisation of any collateral) on a specific transaction should the borrower default, expressed as a percentage of EAD.

These measures are used to calculate regulatory expected loss and are fully embedded in and from an essential component of the Group's operational and strategic credit risk management and credit pricing practices.

The structure of internal rating systems
The Group divides its internal rating systems into non-retail and retail approaches.

For the Group's retail consumer and smaller business portfolios, the credit risk assessment is grounded on application and behavioural scoring tools. For larger commercial and corporate customers, the risk assessment is underpinned by statistical risk rating models which incorporate quantitative information from the customer (e.g. financial statements) together with a qualitative assessment of non-financial risk factors such as management quality and market / trading outlook. Lending to financial institutions is assigned an internal rating supported by external ratings of the major rating agencies.

PD calculation
For the purposes of internal credit rating models, the Group produces estimates of PD on either or both of the following bases:
- Through-the-Cycle (TtC) estimates are estimates of default over an entire economic cycle, averaged to a twelve month basis. These are in effect averaged expectations of PD for a borrower over the economic cycle; and
- Cyclical estimates are estimates of default applicable to the next immediate twelve months. These cyclical estimates partially capture the economic cycle in that they typically rise in an economic downturn and decline in an economic upturn but not necessarily to the same degree as default rates change in the economy.

Non-retail internal rating systems
The Group has adopted the Foundation Internal Rating Based (FIRB) approach for most of its non-retail portfolios. Under this approach, the Group calculates its own estimates for PD and uses supervisory estimates of LGD and credit conversion factors.

To calculate PD under the FIRB approach, the Group assesses the credit quality of borrowers based on transaction and borrower specific characteristics. Scorecards are developed for each significant portfolio or type of lending, with outputs used to assign a PD grade to each borrower.

In the case of financial institutions, external credit agency ratings are used to provide a significant challenge within the Group's ratings approach. For exposures other than financial institutions, external ratings, when available for borrowers, play a role in the independent validation of internal estimates.

For non-retail exposures, the Group calculates its own estimates of PD on a TtC basis and on a cyclical basis. The TtC PD estimates are based on internal default experience, or where default data is limited, statistical model estimates combined with available data to reflect the average default rate over the course of an economic cycle. The TtC PDs do not vary with the economic cycle and are used to calculate risk weighted exposure amounts and to determine minimum regulatory capital requirements. The cyclical PD estimates which capture a change in borrower risk over the economic cycle are used for internal credit management purposes. Both measures are estimated from the same borrower risk factors.

Retail internal rating systems
The Group has adopted the Retail Internal Rating Based (IRB) approach for the majority of its retail exposures. Under this approach, the Group calculates its own estimates for PD, LGD and credit conversion factors.

External ratings do not play a role within the Group's retail internal rating systems, however, external credit bureau data can play a role in assessing certain borrowers.

Under the Retail IRB approach, scorecards based on internal behavioural data and, where relevant, transaction-specific characteristics are developed for specific portfolios or product types, the output from the scorecard is used to determine the PD estimate.

The Group calculates retail PDs on a TtC or cyclical basis depending on the portfolio. The TtC estimates are calibrated based on long run average default rates over the course of an economic cycle (based on internal default experience) within identified discrete risk pools. The cyclical estimates are calibrated based on a weighted average of the expected long run default rate over the course of an economic cycle and the most recently observed annual default rate. These retail PDs are used for both the calculation of risk weighted exposure amounts and for internal credit management purposes.

LGD estimates are based on historic loss experience and associated costs for all observed defaults for a defined time period. The time period is set for each model to ensure LGD estimates are representative of economic downturn conditions. Estimates of credit conversion factors (which determine the extent to which a currently undrawn amount is assumed to be drawn and outstanding at point of default) are similarly derived based on historic experience from observed defaults and are calibrated to produce estimates of behaviour characteristic of an economic downturn if those are more conservative than the long run average.

The assumption that the time periods and data used for the estimation of LGD and credit conversion factors remain representative of economic downturn conditions is subject to review and challenge on an ongoing basis.

Other uses of internal estimates
Internal estimates play an essential role in risk management and decision making processes as well as the credit approval functions, the internal capital allocation function and the corporate governance functions of the Group. The specific uses of internal estimates differ from portfolio to portfolio, and for retail and non-retail approaches, but typically include:
- credit decisioning / automated credit decisioning and borrower credit approval;
- credit management;
- calculation of RAROC;

3.4 Credit risk *(continued)*

- internal reporting; and
- internal capital allocation between businesses of the Group.

For other purposes, the cyclical PD estimates typically are used. Both estimates feature within internal management reporting.

Control mechanisms for credit rating and impairment models

The Group Model Risk Policy and Group Model Risk Standards, as approved by the BRC and ERC respectively, set out the Group's overall approach to model risk management. The Group also sets out more detailed requirements with respect to development, monitoring and validation of credit rating and impairment models. These standards are approved by the RMC and / or the MRC. Model development and redevelopment for credit rating and impairment models are approved by the RMC and the results of model performance monitoring are reported to the MRC with onward reporting at the RMC on a regular basis.

The Group mitigates model risk for credit rating and impairment models as follows:

- **model development standards:** the Group adopts centralised standards and methodologies over the operation and development of models. This ensures a common approach in key areas such as documentation, data quality and management and model testing;
- **model governance:** the Group adopts a uniform approach to the governance of all risk rating model related activities and impairment model related activities, ensuring the appropriate involvement of relevant stakeholders;
- **model performance monitoring:** credit risk rating and impairment models are subject to testing on a quarterly basis which is reported to the relevant committee. This includes assessment of model performance against observed outcomes, including:
  - rank order of borrowers;
  - accuracy of parameter estimates;
  - the stability of the rating;
  - the quality of data; and
  - the appropriateness of model use.
- **independent validation:** models are subject to in-depth analysis on a periodic basis, which includes an assessment of model performance against observed outcomes, including: rank order of borrowers; accuracy of parameter estimates; the stability of the rating population; the quality of data; and the appropriateness of model use. This analysis is carried out by a dedicated unit (the Independent Validation Unit) which is independent of credit origination and management functions.

When issues are raised on risk rating or impairment models, plans are developed to remediate or replace such models within an agreed timeframe.

In addition, GIA regularly reviews the risk control framework, including policies and standards, to ensure that these are being adhered to, meet industry good practices and are compliant with regulatory requirements.

Methodology for loan loss provisioning under IFRS 9

Approach to measurement of impairment loss allowances

Impairment is measured in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Impairment is measured through the use of impairment models, individual discounted cash flow (DCF) analysis and modelled loss rates; supplemented where necessary by Group management adjustments.

In general, a loss allowance is recognised for all financial instruments in scope for the impairment requirements of IFRS 9. There have been no significant changes in the quality of collateral or credit enhancements as a result of changes in the Group's collateral policies during the year. The Group's methodologies for valuation of property collateral are set out on page 168, noting further that FLI (page 215) is applied as appropriate to RoI and UK property collateral values in measuring impairment loss allowances under IFRS 9. The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments, are set out in note 2 on page 215.

An analysis of the Group's net impairment losses on financial instruments and impairment loss allowances is set out in notes 16, 26 and 27 of the consolidated financial statements.

Impairment models

The Group has in place a suite of IFRS 9 compliant impairment models which are executed on a monthly basis. The ECL framework allocates financial instruments to Stage 1, 2 or 3 and measures the applicable 12 month or lifetime ECL. The characteristics of an exposure determine which impairment model is applied, with influencing factors including product type (e.g. residential mortgage, unsecured personal loan, business loan) and market segment (e.g. owner occupier, Buy to Let (BTL), general corporate lending, general business lending).

ECLs are calculated as the sum of the marginal losses for each time period from the reporting date. The key components of the ECL calculation are PD, EAD and LGD and are described below. Other components include discount rate and maturity. The current contractual interest rate is generally used as the discount rate as it is considered a suitable approximation of the effective interest rate determined at initial recognition. For term lending including committed RCFs, contractual maturity is used in the ECL calculation. For other revolving facilities, behavioural life is generally used.

IFRS 9 Probability of Default

Where available, the ratings or underlying scores from internal credit rating models are used as a starting point for IFRS 9 PD calibration. While calibration techniques are similar to those used for regulatory purposes, the IFRS 9 PD differs from through-the-cycle PDs as it is a point-in-time PD measure based on current conditions adjusted to reflect FLI under a range of scenarios.

A current point-in-time IFRS 9 PD is calculated as the expected default rate over the next 12 months. This PD is used in the calculation of 12-month ECL and as a starting point in the calculation of lifetime PD. Future point-in-time IFRS 9 PDs are also calculated, being the expected default rates for each year from the start of year two to maturity of the financial instrument. Transition matrices are used to determine how an exposure moves between different PD bands over time.

Together, the current point-in-time IFRS 9 PD and future point-in-time IFRS 9 PDs are used to calculate an IFRS 9 lifetime PD expectation for each FLI scenario. The scenario-weighted averages are used to generate an overall IFRS 9 lifetime PD expectation. At origination of a new financial instrument, these expectations are stored, together with prepayment estimates where relevant and allow for comparison at future reporting dates as one of the key determinants as to whether a 'significant increase in credit risk' has occurred. As lifetime PD was not calculated historically, the Group used reasonable and

3.4 Credit risk *(continued)*

supportable information available without undue cost or effort to approximate the residual IFRS 9 lifetime PD expectations at initial recognition for most financial instruments originated prior to the adoption of IFRS 9 on 1 January 2018.

The PD component of the model utilised for the relationship managed segment of the RoI SME portfolio was updated in 2022. The macro-economic variables utilised in the PD component of the model were reviewed and updated, with RoI Gross National Product replacing RoI Gross Domestic Product as one of the macro-economic model factors. The updated approach resulted in an increase in impairment loss allowance of c.€20 million noting that the Group management adjustment for the RoI SME model recognised at 31 December 2021 is no longer considered to be required.

Further details are provided on page 220, note 2 Critical Accounting Estimates and Judgements.

IFRS 9 Exposure at Default

Current point-in-time EAD is the expected EAD were the borrower to default within the next 12 months. Future point-in-time EAD also incorporates expected contractual cash flows. IFRS 9 EAD differs from regulatory EAD in that it incorporates expected contractual cash flows and caps the exposure at the contractual limit.

IFRS 9 Loss Given Default

Current point-in-time LGD is the loss that would be incurred should default occur in the next 12 months. To facilitate the calculation of lifetime ECL, future point-in-time LGDs are calculated for each year from the start of year 2 to maturity of the exposure. The starting point for individual components of the calculation is historical data. Cure rate is incorporated as appropriate into the calculation and represents the expected propensity of borrowers to return to the non-defaulted book without a loss having been realised. FLI is also incorporated into LGD as appropriate where RoI or UK property collateral is held. IFRS 9 LGD may differ from regulatory LGD as conservatism and downward assumptions are generally removed.

The residential mortgages LGD component in the ECL model framework was reviewed in 2022 and enhanced to improve the ability of the model to calibrate LGD estimates for variances between indexed property values and individual property values for distressed sales. The enhanced approach also utilises observed data with respect to alternative resolution strategies such as portfolio sales. The enhancements to the LGD component of the residential mortgage impairment models, resulted in an increase in impairment loss allowance of c.€49 million (c.€34 million for the RoI mortgage portfolio and c.€15 million for the UK mortgage portfolio). Following these enhancements, the Group management adjustment for LGD in residential mortgage portfolios recognised at 31 December 2021 is no longer considered to be required.

The ECL model framework was updated in 2022 to reflect an enhanced approach to applying forward-looking information within the LGD component of the impairment models for Corporate Banking and Business Banking portfolios The changes to the LGD component of the Corporate Banking and Business Banking impairment models, results in a decrease in impairment loss allowance of c.€25 million, noting that the Group management adjustment for LGD in Corporate portfolios recognised at 31 December 2021 is no longer considered to be required.

An internal model validation review completed in 2022 incorporated a number of observations on the estimation of LGD for the micro-SME portfolio. Accordingly, an updated approach for the estimation of LGD for stage 3 assets in the micro-SME portfolio was implemented in 2022. The updated approach in the impairment model resulted in an increase in impairment loss allowance of c.€45 million.

Further details are provided in note 2 Critical Accounting Estimates and Judgements page 220.

Individual Discounted Cash Flow analysis

For credit-impaired financial instruments in Business Banking, Corporate Banking and certain other relationship-managed portfolios, the impairment loss allowance is primarily determined by an individual DCF analysis completed by lenders in business units and subject to review, challenge and, potentially, revision by independent credit professionals in underwriting units within Group Risk. The expected future cash flows are based on an assessment of future recoveries and include forecasted principal and interest payments (not necessarily contractual amounts due) and expected cash flows, if any, from the realisation of collateral / security held, less realisation costs.

Modelled loss rates

For some smaller and / or lower risk portfolios, (primarily UK unsecured consumer lending and RoI asset finance portfolios) impairment loss allowances are measured by applying modelled loss rates to exposure amounts. Modelled loss rates are generally determined on a component basis taking into account factors such as the nature and credit quality of the exposures and past default and recovery experience on the portfolio or on portfolios with similar risk characteristics. Generally, a number of different loss rates will be set for a portfolio to allow differentiation of individual financial instruments within the portfolio based on their credit quality.

Identifying a significant increase in credit risk

The Group’s standard criteria to identify financial instruments which have had a ‘significant increase in credit risk since initial recognition’ are applied to the vast majority of loans and advances to customers. ‘Credit risk’ in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument. Unless credit-impaired or a POCI, a financial instrument is generally allocated to Stage 2 if any of the following criteria are met at the reporting date:

- remaining lifetime PD is more than double and more than 50 basis points higher than the remaining lifetime PD at the reporting date as estimated based on facts and circumstances at initial recognition (adjusted where relevant for changes in prepayment expectations);
- a contractual payment is greater than 30 days past due;
- the credit management PD risk rating for individually assessed / relationship managed assets is above a defined risk threshold;
- the exposure is a forborne loan or a NPE.

The above criteria are automatically applied as part of the monthly execution of the Group’s impairment models. In addition, the Group considers other reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred. In this regard, the Group has assessed the impact of elevated inflation and rising interest rates on asset quality. Credit risk assessments on the impact of higher inflation and rising interest rates on debt affordability were completed across the residential mortgage and consumer portfolios. Where appropriate, outputs have been utilised to identify significant increases in credit risk and the classification of assets in stage 2. These credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to classify

3.4 Credit risk *(continued)*

c.€1.9 billion of assets as stage 2 at the reporting date, with an associated €12 million increase in impairment loss allowance.

Where a financial asset has been modified but not derecognised, the quantitative assessment of 'significant increase in credit risk' continues to be based on the remaining lifetime PD at the reporting date as estimated based on facts and circumstances at initial recognition (adjusted where relevant for changes in prepayment expectations).

The Group assesses the effectiveness of its staging criteria semi-annually, taking into account considerations such as the extent to which: (i) exposures have moved directly from Stage 1 to Stage 3; (ii) exposures have moved to Stage 3, having spent only a short period in Stage 2; (iii) exposures have moved frequently between Stages 1 and 2; and (iv) there is potential over-reliance on backstop or qualitative criteria in identifying Stage 2 exposures.

The Group applies the low credit risk expedient to all debt securities in scope for the impairment requirements of IFRS 9 (with the exception of a small amount of debt securities associated with corporate banking relationships) and similarly to loans and advances to banks, central banks and investment firms. 'Low credit risk' encompasses PD grades 1 to 5 on the Group's internal PD rating system, which broadly aligns with ratings of AAA to BBB- for the external major rating agencies. Such financial instruments are allocated to Stage 1.

For some smaller and / or low risk portfolios, the Group identifies a 'significant increase in credit risk since initial recognition' solely by reference to whether a contractual payment is greater than 30 days past due.

Identifying defaulted assets and credit-impaired assets

The Group's population of credit-impaired financial assets are consistent with its population of defaulted financial assets and closely aligned with the Group's definition of NPEs. Where default criteria are no longer met, the credit facility (obligor for non-retail exposures) exits credit-impaired (Stage 3), subject to meeting defined probation criteria, in line with regulatory requirements.

Under the definition of default the Group considers certain events as resulting in mandatory default and credit-impaired classification without further assessment. These include:

- greater than or equal to 90 days past due and the past due amount is material;
- more than 3 full monthly payments past due (retail credit facilities only);
- a forbearance arrangement is put in place and that arrangement involves debt forgiveness or reduction in interest rate / margin;
- legal action is underway by the Group to enforce repayment or realise security;
- the Group or a receiver takes security into possession;
- the Group has formally sought an insolvency arrangement in respect of the borrower;
- the exposure is classified as non-performing forborne for supervisory reporting purposes; and
- residential mortgages where default has occurred on another credit facility secured on the same property collateral, or more than 20% of overall balance sheet exposure to the customer in the mortgage portfolio is in default.

Certain other events necessitate a lender assessment and, if the outcome of the lender assessment is that the contractual amount of principal and interest will not be fully repaid in what is assessed to be the most likely cash flow scenario or will be repaid only via recourse by the Group to actions such as realising security, default and credit-impaired classification is mandatory. For larger value commercial lending cases (typically greater than €1 million or £850,000), the lender assessment involves production of an individual discounted cash flow analysis. The events differ by portfolio and include those set out below.

All portfolios:

- a forbearance measure has been requested by a borrower and formally assessed;
- the non-payment of interest (e.g. via interest roll-up, arrears capitalisation etc.) as a result of the terms of modification of loans, including refinancing and renegotiation of facilities where during the renegotiation process, the lender becomes aware that the borrower is under actual or apparent financial distress;
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows;
- a borrower's sources of recurring income are no longer available to meet regular loan repayments;
- evidence of fraudulent activity by the borrower or another party connected with the loan;
- the contractual maturity date has passed without repayment in full;
- repayment of a credit obligation is suspended because of a law allowing this option or other legal restrictions;
- it becomes known that an insolvency arrangement is in force in respect of the borrower or that the borrower has formally sought an insolvency arrangement.

Residential mortgage portfolios:

- offer of voluntary surrender of security or sale of security at a possible shortfall; or
- it becomes known that the borrower has become unemployed with no comparable new employment secured.

Larger Small and Medium Enterprise / corporate and property loans:

- the borrower has breached the covenants of a credit contract with the Group;
- there is a crisis in the sector in which the counterparty operates combined with a weak position of the counterparty in this sector;
- external credit rating has been downgraded below a certain level;
- financial statements or financial assessment indicates inability of the borrower to meet debt service obligations and / or a negative net assets position;
- the borrower has ceased trading;
- a fall in the assessed current value of security such that the LTV ratio is greater than or equal to 120% (Property and construction only);
- a fall in net rent such that it is inadequate to cover interest with little / no other income to support debt service capacity (investment property exposures only); or
- a fall in the assessed gross development value such that sale proceeds are no longer expected to fully repay debt (development exposures only);
- the borrower has been granted multiple forbearance arrangements over a period of 3 years.

Review of credit-impaired loans

It is Group policy to review credit-impaired loans above agreed thresholds semi-annually or on receipt of material new information, with the review including a reassessment of the recovery strategy and the continued appropriateness of a credit-impaired classification. The minimum requirements for a credit-impaired loan to return to non credit-impaired status are that the borrower must not be greater than 90 days past due on a material amount, the borrower must be considered

3.4 Credit risk *(continued)*

likely to pay in full without recourse by the Group to actions such as realising security and there must be no forbearance arrangement in place where future reliance on realisation of collateral is expected for repayment in full when this was not originally envisaged. Typically, an updated assessment of the borrower's current financial condition and prospects for repayment is required with the borrower to have satisfactorily met repayments required under the original or modified agreement regularly for a reasonable period of time.

Methodologies for valuation of property collateral

The Group's approach to the determination of the market value of property collateral is set out in a Board-approved Group Property Collateral Valuation Policy, supported by GCRC approved Group Property Collateral Valuation Guidelines and is summarised below. The Group's approach to applying FLI to those values for the purposes of measuring impairment loss allowance for the year ended 31 December 2022 is set out in the Board-approved Group Impairment Policy and is described below.

Retail Ireland mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the CSO RPPI. Retail UK mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Nationwide UK house price index.

Commercial property valuations may include formal written valuations from external or internal professionals, or 'internally assessed valuations' completed by business units. Internally assessed valuations are informed by the most appropriate sources available for the assets in question. This may include property specific information / characteristics, local market knowledge, comparable transactions, professional advice (e.g. asset management reports) or a combination thereof, in line with more detailed guidance approved by the GCRC. This guidance is informed by both internal and externally sourced market data / valuation information, including input from the Group's Real Estate Advisory Unit.

Internally assessed valuations are subject to review, challenge and, potentially, revision by independent credit professionals in underwriting units within the Group Risk function and are approved as part of the normal credit process.

Typically, more frequent valuations are required for properties held as security for NPEs with an annual valuation required for NPEs in excess of €300,000.

Credit risk associated with Russia's invasion of Ukraine, cost of living, inflation and interest rates

In 2022 the Group conducted a number of assessments in relation to credit risk associated with Russia's invasion of Ukraine. While the Group has minimal direct exposure to Russia or Ukraine, a comprehensive review of customers whose business models are impacted by the conflict have been completed. Associated risk is considered to be captured in case specific credit management PD ratings.

Likewise, as outlined on page 166 above, the Group has assessed the impact of elevated inflation and rising interest rates on asset quality. Credit risk assessments were completed across the residential mortgage and consumer portfolios and, where appropriate, outputs have been utilised to identify significant increases in credit risk and the classification of assets in stage 2. These credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to classify c.€1.9 billion of assets as stage 2 at the reporting date, with an associated €12 million increase in impairment loss allowance.

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

Furthermore, the final set of probability weightings applied FLI scenarios utilised in the Group's impairment models incorporated the application of management judgement to the initial probability weightings to reflect economic uncertainty associated with factors including Russia's invasion of Ukraine; elevated inflation rates; supply chain disruption; and interest rate expectations in the Group's key economies. The estimated impact of this judgement was a c.€37 million increase in impairment loss allowance.

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

Further details on the selected FLI scenarios for the reporting period, Group management adjustments and management judgement incorporated into impairment model parameters are provided in note 2 Critical Accounting Estimates and Judgements.

Quantitative information about credit risk within financial instruments held by the Group can be found in note 27 Credit risk exposures.

Forward Looking Information

Changes in estimates

Forward Looking Information (FLI) refers to probability-weighted future macroeconomic scenarios approved semi-annually by the ERC and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 31 December 2022, comprised of a central scenario, an upside scenario, and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for property price growth for years beyond the forecast period. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The central FLI scenario for the year ending 31 December 2022 is based on internal and external information and management judgement and follows the same process as used in prior periods.

The upside and downside scenarios in previous reporting periods were generated using a simulation model that uses historical volatilities and correlations for key macroeconomic variables to generate a distribution around the central forecast.

However, due to the idiosyncratic nature of recent events i.e. Russia's invasion of Ukraine, the COVID-19 economic shock and Brexit, the Group has employed an amended approach for the selection of the upside and downside FLI scenarios for reporting periods since 31 December 2020, in order to avoid counterintuitive trends in the respective scenarios.

In order to incorporate available, reasonable and supportable information and apply meaningful upside and downside FLI scenarios, three narrative-driven alternative scenarios (one upside and two downside) were constructed to reflect different levels of energy disruption arising from Russia's invasion of

3.4 Credit risk *(continued)*

Ukraine (and associated sanctions), varying impacts of inflation and interest rates on the cost of living; depth of downturn in the RoI, UK and global economies; and pace of economic recovery.

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

The narrative-driven scenarios were assessed relative to the simulated distribution. The model-derived probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The final weightings were also informed by other qualitative factors and expert judgment.

The overall ECL for an exposure is determined as a probability weighted average of the ECL calculated for each scenario, weighted by the probability of each scenario occurring. Beyond the forecast period, default rates are assumed to revert over time to an observed long run average and the value of property collateral for LGD purposes is assumed to grow at an observed long run rate.

Typically, one or two macroeconomic variables are incorporated into each impairment model, being those determined through macro regression techniques to be most relevant to forecasting default of the credit risk exposures flowing through that model.

The lifetime PD expectation for an exposure generated under each of the scenarios, weighted by the probability of each scenario occurring, is used to generate the lifetime PD expectations used for the assessment of 'significant increase in credit risk.

Forecasts of residential and commercial property price growth are incorporated as appropriate into the LGD component of the ECL calculation.

The application of property price growth forecasts for the estimation of stage 3 impairment loss allowances ensures that the property collateral value at the point of liquidation does not incorporate an improvement on the current market condition.

Forward-looking information is also taken into account in relation to the estimation of impairment loss allowances for relationship-managed corporate and business banking portfolios where recovery values are dependent on non-property cash flows and / or collateral.

For further information, see note 2 Critical Accounting Estimates and Judgements.

The development of climate risk modelling capabilities is a key objective of the Group's Climate Risk Action Plan. Methodology development is in the early stages across the industry. Initial implementation has focused on development of scenario analysis capabilities which is expected to be followed by integration into impairment models and internal credit ratings models in the medium term.

3.5 Funding and liquidity risk

Definition *(audited)*

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by, amongst other things, the maturity structure of loans and investments held by the Group, while cash outflows are driven by items such as the term maturity of debt issued by the Group and outflows from customer deposit accounts. The liquidity risk of the Group may also be impacted by external events which could result in a sudden withdrawal of deposits or the potential changes in customer behaviour.

Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding (including securitisations) maturities. The Group's ability to access funding markets at a sustainable cost and in a sufficient volume can be negatively impacted by a disruption to wholesale and / or currency funding markets, credit rating downgrade(s) or deterioration in market sentiment which in turn could impact the financial position of the Group.

Liquidity risk statement *(audited)*

Funding and liquidity risk arises from a fundamental part of the Group's business model; the maturity transformation of primarily short term deposits into longer term loans. The Group's funding and liquidity strategy is to maintain a stable funding base with loan portfolios substantially funded by retail originated customer deposit portfolios.

Liquidity risk framework *(audited)*

The Group has established a liquidity risk management framework which encompasses the liquidity policy, procedures and methodologies in place to ensure that the Group is positioned to address its daily liquidity obligations and to withstand a period of liquidity stress. Principal components of this framework are the Group's Risk Appetite Statement and associated limits and the Group's Funding and Liquidity Policy, both of which are approved by the Board on the recommendation of ALCO.

The Group Funding and Liquidity Policy outlines the Group's governance process with respect to funding and liquidity risk and sets out the core principles that govern the manner in which the risk is mitigated, monitored and managed. The operation of this policy is delegated to the Group's ALCO.

These principal components are supported by further liquidity, procedures and methodologies which the Group has to manage funding and liquidity risk.

Liquidity risk management *(audited)*

Liquidity risk management within the Group focuses on the control, within prudent limits, of risk arising from the mismatch in contracted maturities of assets and liabilities and the risks arising from undrawn commitments and other contingent liabilities. The Group manages its liquidity by jurisdiction with liquid assets predominantly held in the currency of each jurisdiction.

3.5 Funding and liquidity risk *(continued)*

The Group's treasury function within Group Finance provides top down centralised management of the Group's funding and liquidity position including overall responsibility for the management of the Group's liquidity position and funding strategy. This ensures a coordinated approach to balance sheet management and is accomplished through the incorporation of funding and liquidity risk appetite metrics into risk appetite at a consolidated level, monitoring liquidity metrics for each jurisdiction and compliance by the business units with the Group's funds transfer pricing methodology.

The Group Market and Liquidity Risk function provides independent oversight of funding and liquidity risk and is responsible for proposing and maintaining the Group's funding and liquidity risk management framework and associated risk appetite metrics.

Liquidity risk management consists of two main activities:
- structural liquidity management focuses on the balance sheet structure, the funding mix, the expected maturity profile of assets and liabilities and the Group's debt issuance strategy; and
- tactical liquidity management focuses on monitoring current and expected daily cash flows to ensure that the Group's liquidity needs can be met.

The Group is required to comply with the regulatory liquidity requirements of the SSM and the requirements of local regulators in those jurisdictions where such requirements apply to the Group. SSM requirements include compliance with CRR / CRD IV and associated Delegated Acts. The Group has remained in full compliance with the regulatory liquidity requirements throughout 2022 and at 31 December 2022 maintained a buffer significantly in excess of regulatory liquidity requirements.

Bank of Ireland (UK) plc is authorised by the PRA and is subject to the regulatory liquidity regime of the PRA. Bank of Ireland (UK) plc has remained in full compliance with the regulatory liquidity regime in the UK throughout 2022 and at 31 December 2022 maintained a buffer significantly in excess of regulatory liquidity requirements.

The annual ILAAP enables the Board to assess the adequacy of the Group's funding and liquidity risk management framework, to assess the key liquidity and funding risks to which it is exposed; and details the Group's approach to determining the level of liquid assets and contingent liquidity that is required to be maintained under both business as usual and severe stress scenarios.

A key part of this assessment is cash flow forecasting that includes assumptions on the likely behavioural cash flows of certain customer products. Estimating these behavioural cash flows allows the Group assess the stability of its funding sources and potential liquidity requirements in both business as usual and stressed scenarios. The stressed scenarios incorporate Group specific and systemic risks and are run at different levels of possible, even if unlikely, severity. Actions and strategies available to mitigate the impacts of the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, the BRC and the Board.

The Group also monitors a suite of Recovery Indicators and Early Warning Signals in order to identify the potential emergence of a liquidity stress. As part of its contingency and recovery planning, the Group has identified a suite of potential funding and liquidity options, which could be exercised to help the Group to restore its liquidity position on the occurrence of a major stress event.

Liquidity risk reporting *(audited)*

The Group's liquidity risk appetite is defined by the Board to ensure that funding and liquidity are managed in a prudent manner. The Board monitors adherence to the liquidity risk appetite through the monthly Board Risk Report.

Management informs the Board in the monthly Board Risk Report of any significant changes in the Group's funding or liquidity position. The Board Risk Report includes the results of the Group's liquidity stress testing. This estimates the potential impact of a range of stress scenarios on the Group's liquidity position including its available liquid assets and contingent liquidity.

Management reviews funding and liquidity reports and stress testing results on a daily, weekly and monthly basis against the Group's Risk Appetite Statement. It is the responsibility of ALCO to ensure that the measuring, monitoring and reporting of funding and liquidity is adequately performed and complies with the governance framework.

Liquidity risk measurement *(audited)*

The Group's cash flow and liquidity reporting processes provide management with daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on-balance sheet and off-balance sheet transactions.

The tables below summarise the maturity profile of the Group's financial assets and liabilities, excluding those arising from insurance and participating investment contracts at 31 December 2022 and 31 December 2021. These maturity profiles are based on the remaining contractual maturity period at the reporting date (discounted). The Group measures liquidity risk by adjusting the contractual cash flows on deposit books to reflect their behavioural stability.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,870 million and €14,280 million respectively (2021: €6,671 million and €15,399 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

Customer accounts include a number of term accounts that contain access features. These allow the customer to access a portion or all of their deposits notwithstanding that this withdrawal could result in a financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'Demand' category in the following table.

'Other financial assets at FVTPL' exclude equity shares which have no contractual maturity (note 22).

3.5 Funding and liquidity risk *(continued)*

2022 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Assets						
Cash and balances at central banks	36,749	106	–	–	–	36,855
Trading securities	–	–	–	–	–	–
Derivative financial instruments	272	102	356	2,614	1,794	5,138
Other financial assets at FVTPL	1,701	13	18	404	3,394	5,530
Loans and advances to banks	342	2,645	57	–	–	3,044
Debt securities at amortised cost	1,418	63	–	1,350	1,641	4,472
Financial assets at FVOCI	334	237	280	2,304	1,099	4,254
Loans and advances to customers (before impairment loss allowance)	1,497	4,921	8,359	29,800	28,679	73,256
Total	**42,313**	**8,087**	**9,070**	**36,472**	**36,607**	**132,549**
Liabilities						
Deposits from banks	143	708	–	–	–	851
Monetary authorities secured funding	–	–	–	2,594	–	2,594
Customer accounts	92,197	4,889	1,377	581	156	99,200
Derivative financial instruments	268	416	338	3,085	2,419	6,526
Debt securities in issue	–	4	908	5,714	1,148	7,774
Subordinated liabilities	–	–	–	–	1,656	1,656
Lease liabilities	–	13	42	165	203	423
Short positions in trading securities	–	3	–	–	–	3
Total	**92,608**	**6,033**	**2,665**	**12,139**	**5,582**	**119,027**

Restated[1] 2021 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Assets						
Cash and balances at central banks	31,360	–	–	–	–	31,360
Trading securities	–	–	–	–	20	20
Derivative financial instruments	126	42	118	650	635	1,571
Other financial assets at FVTPL	1,725	31	35	459	4,046	6,296
Loans and advances to banks	244	2,327	179	–	–	2,750
Debt securities at amortised cost	–	531	466	1,364	3,647	6,008
Financial assets at FVOCI	–	239	342	5,419	3,457	9,457
Loans and advances to customers (before impairment loss allowance)[1]	1,721	4,731	8,449	31,959	31,520	78,380
Total	**35,176**	**7,901**	**9,589**	**39,851**	**43,325**	**135,842**
Liabilities						
Deposits from banks	92	235	–	–	–	327
Monetary authorities secured funding	–	–	–	13,467	–	13,467
Customer accounts[1]	84,602	5,064	1,992	903	213	92,774
Derivative financial instruments	177	63	251	823	871	2,185
Debt securities in issue	–	236	957	4,237	2,205	7,635
Subordinated liabilities	–	–	255	3	1,723	1,981
Lease liabilities	–	12	35	169	236	452
Short positions in trading securities	–	60	–	–	–	60
Total	**84,871**	**5,670**	**3,490**	**19,602**	**5,248**	**118,881**

[1]*Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

3.5 Funding and liquidity risk *(continued)*

Funding strategy *(unaudited)*
The Group seeks to maintain a stable funding base with loan portfolios funded substantially by granular retail originated deposits with any residual funding requirements principally met through term wholesale funding and equity.

Customer deposits *(unaudited)*
The Group's customer deposit strategy is to:
- maintain and optimise its stable retail customer deposit base in line with balance sheet requirements;
- prudently manage deposit pricing and margins; and
- optimise stable funding levels in line with regulatory liquidity requirements.

Group customer deposits of €99.2 billion were €6.4 billion higher due to growth in Retail Ireland of €11.0 billion predominantly driven by higher household and SME volumes combined with customer migration from banks exiting the Irish market, partially offset by lower Retail UK deposits of €4.8 billion arising from deleveraging in line with strategy. Corporate and Markets deposit volumes marginally increased by €0.2 billion.

Customer deposits do not include €0.3 billion (2021: €0.4 billion) of savings and investment products sold by Wealth and Insurance. These products have fixed terms (typically five to seven years) and consequently are an additional source of stable funding for the Group.

Wholesale funding *(unaudited)*
The Group in the normal course aims to maintain funding diversification, minimise concentrations across funding sources and minimise refinancing maturity concentrations.

The Group issued €2 billion of MREL eligible senior debt and down-streamed it to the Bank in 2022 (2021: €2.1 billion).

Foreign exchange funding mismatch *(unaudited)*
The Group's strategy is to originate all new retail lending in the UK through Bank of Ireland (UK) plc which is funded primarily via sterling deposits.

The Group also provides banking services in the UK through its UK branch. This comprises corporate and business banking activities and the management of certain residential mortgage contracts which have been retained by the UK branch and which are funded primarily via cross currency derivatives.

At 31 December 2022, the stock of sterling denominated assets funded by cross currency derivatives was c.£6.7 billion (2021: c.£10.0 billion) of which £450 million relates to funding provided to Bank of Ireland (UK) plc.

Customer deposits *(audited)*	**2022 €bn**	*Restated*[2] **2021 €bn**
Retail Ireland	76	65
- Deposits	*27*	*24*
- Current account credit balances	*49*	*41*
Retail UK	14	19
Retail UK (Stg£bn equivalent)	*12*	*16*
- UK Post Office	*6*	*9*
- Other Retail UK	*6*	*7*
Corporate and Markets	9	9
Total customer deposits	**99**	**93**
Loan to deposit ratio	**73%**	**82%**

Wholesale funding maturity analysis (unaudited)	**2022** Unsecured funding €bn	**2022** Secured funding from Monetary Authorities €bn	**2022** Secured funding private sources €bn	**2022** Total wholesale funding €bn	**2021** Unsecured funding €bn	**2021** Secured funding from Monetary Authorities €bn	**2021** Secured funding private sources €bn	**2021** Total wholesale funding €bn
Less than three months	1	–	–	1	–	–	–	–
Three months to one year	1	–	–	1	–	–	1	1
One to five years	5	2	1	8	2	14	1	17
More than five years	–	–	1	1	2	–	1	3
Wholesale funding	**7**	**2**	**2**	11	**4**	**14**	**3**	**21**

The maturity analysis in the table above has been prepared using the expected maturity of the liabilities.

Funding and liquidity position *(unaudited)*
During 2022, Moody's upgraded the BoI Group senior debt rating by one notch to A3 (from Baa1) and the BoI GovCo senior debt rating to A1 (from A2). In May 2022, Standard & Poor's (S&P) revised the outlook to Positive (from Negative) and affirmed the senior debt ratings of BBB- for BoI Group and A- for BoI GovCo. The senior debt credit ratings from Fitch of BBB for BoI Group and BBB+ for BoI GovCo have remained unchanged during 2022.

BOIG plc - Senior debt *(unaudited)*	**2022**	**2021**
Standard & Poor's	BBB- (Positive)	BBB- (Negative)
Moody's	A3 (Stable)	Baa1 (Stable)
Fitch	BBB (Stable)	BBB (Stable)

The Governor and Company of the Bank of Ireland - Senior debt *(unaudited)*	**2022**	**2021**
Standard & Poor's	A- (Positive)	A- (Negative)
Moody's	A1 (Stable)	A2 (Stable)
Fitch	BBB+ (Stable)	BBB+ (Stable)

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

3.5 Funding and liquidity risk *(continued)*

Balance sheet encumbrance *(audited)*
It is Group policy to ensure that the level of encumbrance of the balance sheet is consistent and supportive of the Group's unsecured funding issuance plans.

As part of managing its funding requirements, the Group from time to time encumbers assets as collateral to support wholesale funding initiatives. This would include covered bonds, asset backed securities, securities repurchase agreements and other structures that are secured over customer loans. At 31 December 2022, €14 billion (2021: €24 billion) of the Group's assets and collateral received were encumbered, primarily through these structures. The Group's overall encumbrance level was 10% (2021: 18%). The decrease in encumbered assets is primarily due to the repayment of TLTRO III funding by the Group.

The Group's overall encumbrance is prepared on a regulatory group basis, in accordance with the Capital Requirements Directive IV, which comprises banking and other relevant financial institutions within the Bank of Ireland Group, but excludes non-banking related institutions such as insurance entities. For further information, see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.

Covered bonds, a key element of the Group's long-term funding strategy are issued through its subsidiary Bank of Ireland Mortgage Bank Unlimited Company (BoIMB). BoIMB is registered as a designated mortgage credit institution to issue Irish Asset Covered Securities in accordance with relevant legislative requirements. BoIMB is required to maintain minimum contractual overcollateralisation of 5% and minimum legislative overcollateralisation of 3% (both on a prudent market value basis). This is monitored by the Covered Asset Monitor on behalf of the CBI.

3.6 Life insurance risk

Definition *(audited)*
Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits.

This variation, arising from changing customer mortality, life expectancy, health or behavioural characteristics, may be short or long term in nature.

Risk management *(audited)*
Life insurance risk is underwritten and managed by NIAC, a wholly owned subsidiary of the Group. The management of insurance risk is the responsibility of the board of NIAC which is delegated through internal governance structures. Aggregate life insurance risk exposure and exposure to the sub-categories of life insurance risk are monitored through a suite of management reporting metrics.

The risks that arise as a result of writing life insurance business are also managed by a number of governance fora as well as senior management. The minimum standards required when managing these risks are set out in a suite of NIAC Board approved policies.

The Group transfers some life insurance risk to reinsurance companies who then meet an agreed share of the claims that arise on a book of business in return for a premium. This creates a credit exposure to these reinsurance companies which is managed within the NIAC risk management framework with responsibilities delegated through the Reinsurance Risk Policy. A review of the panel of reinsurers that may be used and the structure of reinsurance arrangements is carried out at least annually. Senior members of the management team with actuarial and underwriting expertise, contribute to the effective oversight of this risk.

Risk measurement *(audited)*
Risk experience is monitored regularly with actual claims experience being compared to the underlying risk assumptions. The results of this analysis are used to inform management of the appropriateness of those assumptions for use in pricing, capital management and new product design.

Exposure to life insurance risk is measured by means of sensitivity and scenario testing. Risk capital is calculated for each individual risk type by stressing the best estimate assumptions of future experience by extreme, but plausible, factors. The stress factors are pre-defined by regulation and are set at a level with an expected frequency of occurrence of one year in every 200. NIAC also carries out an ORSA annually which is overseen by the NIAC board. Within the ORSA, NIAC's risk profile is considered, both quantitatively and qualitatively, in a holistic manner with potential areas of risk identified along with conclusions in respect of how those risks will be mitigated. Further details can be found in note 36.

Risk mitigation *(audited)*
The Group mitigates the potential impact of insurance risk through a number of measures. Capital is held against exposure to life insurance risk. Exposure to risk is also managed and controlled by the use of medical and financial underwriting, risk mitigating contract design features and reinsurance, as detailed in risk management policies.

Risk reporting *(audited)*
An update on the status of life insurance risk is included in the Board Risk Report on a quarterly basis. Updates on risk dashboards and risk appetite compliance are included in the Board Risk Report on a monthly basis. NIAC's ORSA report in respect of the NIAC annual assessment is also presented to the ERC on an annual basis.

3.7 Market risk

Definition and background *(audited)*
Market risk is the risk of loss arising from movements in interest rates, FX rates or other market prices (including equity and credit spreads).

Market risk arises from the structure of the balance sheet, the Group's business mix and includes discretionary risk-taking. Additionally, market risk arises through the conduct of customer business, particularly in respect to fixed-rate lending and the execution of derivatives and foreign exchange business. The market risk profile of the Group may, in addition to the above risks which arise in the usual course of a business cycle, be impacted by shifts in market volatility as a result of external factors. Earnings for NIAC are also indirectly exposed to changes in equity and property markets through fee income generated on unit-linked customer investments.

Risk management, measurement and reporting *(audited)*
The management of market risk in the Group is governed by the Group's Risk Appetite Statement and by the Group Policy on Market Risk, both of which are approved by the Board. These are supplemented by a range of ALCO approved limits and controls. The Group has an established governance structure for market risk that involves the Board, its risk committees (BRC and ERC) and ALCO, which has primary responsibility for the oversight of market risk in the Group.

The Board monitors adherence to market risk appetite through the monthly Board Risk Report.

Group Market & Liquidity Risk (GM&LR) provides second line oversight of the Group's exposure to market risk, ensuring that the Group correctly identifies and assesses the market risks to which it is exposed. GM&LR is a part of the Group Risk Function reporting to the Group CRO.

It is Group policy to minimise exposure to market risk, subject to defined limits for discretionary risk. Nonetheless, certain structural market risks remain and, in some cases, are difficult to eliminate fully. In addition, the Group bears economic exposure to adverse movements in the credit spreads of bonds held as liquid assets, or held as matching assets in the NIAC. The latter is the predominant economic exposure arising on the NIAC fixed interest portfolio.

Market risks that arise are transferred to and managed by Bank of Ireland Global Markets (BoIGM), the treasury execution arm of the Group. These market risks are hedged by BoIGM as a matter of course with the external market. Prior to the cessation of proprietary risk taking, a small quantum of the risks concerned, were permitted to be run as short-term discretionary risk positions subject to policy and limits.

Similarly, market risks in the Group's life assurance business, NIAC, are managed within defined tolerances. However, certain residual risks are inherent in this business, notably exposure to credit spreads on assets held to match policyholder liabilities and indirect exposure to equity markets through changes in the discounted value of fees applied to equity assets held by policyholders in insurance contracts. This is outlined in greater detail below.

Classification of market risk *(unaudited)*
In accordance with regulatory requirements and guidance the Group classifies market risk as follows:

- Interest Rate Risk in the Banking Book: This is interest rate risk that arises naturally through the conduct of retail and wholesale banking business. This is broken down into re-pricing risk, yield curve risk, basis risk and optionality risk. It also includes earnings risk arising from non-interest bearing, floored or perpetually fixed assets and liabilities.
- Trading Book Risk: This consists of risk positions that are pro-actively assumed or generated on the back of customer business, and are booked in the Trading Book in compliance with the CRR.
- Other market-related risks to earnings and / or capital: Risks to earnings and / or capital that do not fall naturally within the regulatory-defined categories of Trading Book and IRRBB fall under this heading. For the most part, these risks reflect the application of mark-to-market accounting to particular portfolios or the impact of FX rate movements on what is a dual-currency balance sheet. The most material risks arise from the fair valuation of credit risk in securities portfolios and derivative books.

Balance sheet linkage *(audited)*
The market risk linkage table on the following page classifies the balance sheet in terms of Banking Book, Trading Book (as defined above) and Insurance assets and liabilities. The principal risk factors which drive changes in earnings or value in relation to each line item are also outlined. Trading Book assets and liabilities were a small proportion of the balance sheet at 31 December 2022 and this is representative of the position throughout the year. Interest rates are the most significant risk factor.

Discretionary market risk *(audited)*
Discretionary risk is a risk that is carried in the expectation of gain from near-term movements in liquid financial markets. As of end 2022, Davy is the Group's only business unit permitted to run discretionary market risk. Prior to cessation of proprietary risk taking in BoIGM, discretionary risk had been permitted in interest rate risk (including inflation exposure), FX risk, equity risk (Davy) and traded credit risk.

3.7 Market risk *(continued)*

Market risk linkage to the balance sheet 2022 *(audited)*	**Total €m**	**Trading €m**	**Non- trading €m**	**Insurance €m**	**Primary Risk Sensitivity**
Assets					
Cash and balances at central banks	36,855	–	36,855	–	Interest Rate
Derivative financial instruments	5,138	1,069	4,069	–	Interest Rate, FX, Credit Spread, Equity
Other financial assets at FVTPL	18,553	–	140	18,413	Interest Rate, FX, Credit Spread, Equity
Loans and advances to banks	3,044	–	2,897	147	Interest Rate
Loans and advances to customers	71,961	–	71,961	–	Interest Rate
Fair value changes due to interest rate risk of the hedged items in portfolio hedge	(738)	–	(738)	–	Interest Rate
Debt securities at amortised cost	4,472	–	4,472	–	Interest Rate
Financial assets at FVOCI	4,254	–	4,254	–	Interest Rate, FX, Credit Spread
ViF asset	–	–	(738)	738	Equity
Other assets	7,785	–	5,403	2,382	Interest Rate
Total assets	**151,324**	**1,069**	**128,575**	**21,680**	
Liabilities					
Deposits from banks	3,445	–	3,445	–	Interest Rate
Customer deposits	99,200	–	99,200	–	Interest Rate
Fair value changes due to interest rate risk of the hedged items in portfolio hedge	(2,824)	–	(2,824)	–	Interest Rate
Derivative financial instruments	6,526	968	5,558	–	Interest Rate, FX, Credit Spread, Equity
Debt securities in issue	7,774	–	7,774	–	Interest Rate
Liabilities arising from insurance and investment contracts	5,870	–	–	5,870	Interest Rate, FX, Credit Spread, Equity
Insurance contract liabilities	14,280	–	–	14,280	Interest Rate, FX, Credit Spread, Equity
Allowance provision on loan commitments and financial guarantees	55	–	55	–	Interest Rate
Lease Liabilities	423	–	423	–	Interest Rate, FX
Other liabilities	2,987	–	2,246	741	Interest Rate, FX
Subordinated liabilities	1,656	–	1,656	–	Interest Rate
Total liabilities	**139,392**	**968**	**117,533**	**20,891**	

Discretionary market risk is subject to strict controls which set out the markets and instruments in which risk can be assumed, the types of positions which can be taken and the limits which must be complied with. Discretionary risk is managed by an approved framework of limits and controls, based on VaR (see below), scenario stress tests and sensitivities.

The Group employs a VaR approach to measure and set limits on, discretionary market risk. The Group utilises a monte-carlo simulation model approach for the calculation of the interest rate risk component and a parametric VaR approach for the FX, inflation and credit risk components at a 99% (two tailed) confidence level, using a one day holding period and based on one year of historic data. The volatilities and correlations which are used to generate these VaR numbers are estimated using the exponentially weighted moving average approach which gives more weight to recent data and responds quickly to changes in market volatility.

For the nature of risks assumed by the Group, VaR remains a reliable basis of risk measurement, supplemented by stress testing.

The Group uses VaR to allocate capital to discretionary trading book risk in its ICAAP but uses the standardised approach (TSA) for Pillar 1 Trading Book capital.

The Group recognises that VaR is subject to certain inherent limitations and therefore VaR limits are supplemented by scenario-based stress tests. These are particularly important in periods of low market volatility when VaR numbers can understate the risks of loss from large adverse market moves.

The table below shows total VaR at 31 December 2022 was €1.0 million (2021: €0.5 million). Total VaR is the sum of overall interest rate, equity, FX and traded credit VaR. Overall Interest Rate VaR is a correlated measure of trading book interest rate and discretionary IRRBB.

Total VaR *(audited)*	**2022 €m**	**2021 €m**
Total	1.0	0.5

The Group's peak, average and end-period VaR numbers for the Trading Book by risk class and discretionary IRRBB are shown in the 'VaR' table below for 31 December 2022 and 2021.

3.7 Market risk *(continued)*

Total VaR *(audited)*	**2022 €m**	**2021 €m**
Discretionary IRRBB		
Peak	1.5	0.4
Average	0.4	0.2
End period	0.6	0.2
Trading book interest rate VaR		
Peak	1.2	1.1
Average	0.5	0.5
End period	0.3	0.2
Foreign exchange VaR		
Peak	1.2	0.8
Average	0.3	0.2
End period	–	0.1
Traded credit risk VaR		
Peak	0.6	0.4
Average	0.2	0.2
End period	–	0.1
Traded equity risk VaR		
Peak	0.4	–
Average	0.1	–
End period	0.1	–

Structural and other risks *(audited)*
Notwithstanding the overriding objective of running minimal levels of market risk, certain structural market risks remain and are managed centrally as part of the Group's asset and liability management process.

Structural interest rate risk *(unaudited)*
Structural interest rate risk is predominantly the exposure of Group earnings to interest rate changes arising from the presence of non-interest bearing or behaviourally fixed-rate assets and liabilities on the balance sheet or variable rate deposits that are deemed insensitive to changes in market rates. The principal non-interest bearing liabilities are equity and non-interest bearing current accounts. It is Group policy to invest its net non-interest bearing liabilities (or free funds) in a portfolio of swaps with an average life of 3.5 years and a maximum life of seven years. The Group also has in place a hedge of deposits that are deemed insensitive to changes in market rates. This has the effect of helping to mitigate the impact of the interest rate changes on interest income. The table outlines the Group's average volumes of structural hedges and contribution to interest income.

Structural hedge *(unaudited)*	**2022**	**2021**
Average structural hedge volume (€bn)	43.9	36.2
Interest income from structural hedge (€m)	199.0	84.0

Other structural risks arise from credit-impaired loans and floored loans and deposits. The Group also has a portfolio of swaps which hedge fixed rate assets (including fixed rate lending) on the Balance Sheet. These swaps partially offset the Group's structural hedge.

Net interest income sensitivity analysis *(unaudited)*
The Group uses net interest income sensitivity analysis to measure the responsiveness of earnings to scenarios for short and long-term rates.

The following table shows the estimated sensitivity of the Group's net interest income (before tax) to an instantaneous and sustained 1% parallel movement in interest rates. The estimates are based on management assumptions primarily related to the repricing of customer transactions; the relationship between key official interest rates set by Monetary Authorities and market determined interest rates; and the assumption of a constant balance sheet by size and composition. The sensitivities should not be considered a forecast of future performance in these rate scenarios as they do not capture potential management action in response to unexpected changes in the interest rate environment.

Estimated sensitivity of Group income (1 year horizon) *(unaudited)*	**2022 €m**	**2021 €m**
100bps higher	c.270	c.275
100bps lower	(c.380)	(c.215)

Basis risk *(unaudited)*
Basis risk is the exposure of the Group's earnings to sustained changes in the differentials between the floating market related benchmark rates to which the Group's assets, liabilities and derivative hedges are linked. In the Group's case, the principal rates used for product and derivative repricing are one, three and six month Euro Inter Bank Offered Rate (EURIBOR), Sterling Overnight Index Average, EUR short-term rate, the ECB refinancing rate and the BoE base rate. In addition, the Group funds an element of its sterling balance sheet in part from euro which creates a structural exposure to the cost of this hedging.

The Group applies notional limits and stress scenario analysis to its basis positions.

Credit spread risk *(unaudited)*
Credit spread risk arises from the potential impact of changes to the spread between the bond yield and swap rates. Bonds purchased primarily as liquid assets and classified as fair value through other comprehensive income (FVOCI) are held at fair value on the balance sheet and as such, movements in the credit spreads can result in adverse impacts on the fair value of these holdings. At 31 December 2022, the Group held €4.3 billion in securities classified as FVOCI (2021: €9.5 billion). A 1 % increase in the average credit spread of the book in 2022 would have reduced its value by €168 million (2021: €404 million).

An analogous economic risk exists in relation to securities held by NIAC to match policyholder liabilities and to invest its capital. At 31 December 2022, NIAC's bond portfolio had a market value of €1.3 billion (2021: €1.5 billion). At 31 December 2022, a 1% widening of all credit spreads (measured as bond yields minus the corresponding swap rate) would have had an impact on earnings of €92 million negative, while a 1% tightening would have a positive impact of €104 million (2021: €109 million negative and €125 million positive respectively).

The Group also models the spread risk for both the FVOCI and NIAC portfolios over a one-year horizon using a delta-normal VaR model and deterministic spread stress model respectively. They approximate a potential one-year loss in portfolio value due to changes in credit spreads.

3.7 Market risk *(continued)*

Interest rate risk in New Ireland Assurance Company plc *(unaudited)*
In managing the interest rate risk in its business, NIAC has regard to the sensitivity of its capital position, as well as its IFRS earnings, to market movements. NIAC follows a policy of asset / liability matching to ensure that the exposure of its capital position to interest rate movements remains within tolerances, while also managing the impact on IFRS profits. At 31 December 2022, a 1% fall in swap and yield rates would have reduced its excess own funds (own funds less solvency capital requirement (SCR)) by €12 million and increased its IFRS profit by €18 million (2021: €46 million negative and €6 million negative respectively).

Equity risk *(unaudited)*
NIAC's earnings are also indirectly exposed to changes in equity markets. This arises because a management fee is charged on the value of €5.9 billion of equities held for policyholders in insurance contracts in its unit linked book. As equity markets move up and down, this gives rise to a change in current and discounted future streams of equity-related fees which is reflected in NIAC's earnings. Every 1% fall in equity markets applied to positions at 31 December 2022 would have reduced NIAC's earnings by €3 million (2021: €3 million reduction). Every 1% increase in equity markets would have had a broadly equal and opposite impact.

Equity risk arises within Davy Capital Markets market making business from the potential impact of changes in equity prices. Davy Institutional Equities is responsible for the underwriting, distribution and trading of Irish and European equities. At 31 December 2022, the Group held €1 million in listed equities.

Structural FX *(unaudited)*
The Group defines structural FX risk as the exposure of its key capital ratios to changes in exchange rates. Changes in exchange rates can increase or decrease the overall euro-equivalent level of RWAs. It is Group policy to manage structural FX risk by ensuring that the currency composition of its RWAs and its structural net asset position by currency are broadly similar. This is designed to minimise the impact of exchange rate movements on the principal capital ratios.

At 31 December 2022, the estimated sensitivity of the Group's fully loaded CET1 ratio to a combined 10% movement of sterling and dollar combined against the euro was one basis point.

The structural FX positions at 31 December 2022 and the preceding year end were as follows:

Structural FX position *(audited)*	**2022 €m**	**2021 €m**
Sterling - net asset position	2,276	2,799
US dollar - net asset position	607	412
Total structural FX position	**2,883**	**3,211**

Use of derivatives in the management of market risk *(audited)*
The activities set out above involve, in many instances, transactions in a range of derivative instruments. The Group makes extensive use of derivatives to hedge its balance sheet and service its customer needs. The Group's participation in derivatives markets is subject to policy approved by the ALCO. The Group makes a clear distinction between derivatives which must be transacted on a perfectly hedged basis and those whose risks can be managed within broader interest rate or FX books.

The approach to hedging and managing market risk is governed by policies explicitly designed to ensure that all hedging activities are risk reducing. Interest rate risk arising on customer lending and term deposit-taking is centralised by way of internal hedging transactions with BoIGM. This exposure is, in turn, substantially eliminated by BoIGM through external hedges.

Structural risk is managed by way of selective and strategic hedging initiatives which are executed under ALCO's authority.

Policy requires that, where behavioural optionality hedging relies on assumptions about uncertain customer behaviour and where material, it is subject to limits or other controls.

3.8 Operational risk

Definition
Operational risk is the risk of loss resulting from suboptimal or failed internal processes, systems, human factors or from external events.

This risk includes information technology, change management, information security and cyber, sourcing, business continuity management, operational resilience, people, physical infrastructure, legal, data, model, financial and regulatory reporting and tax risks.

Risk management
The Group faces operational risks in the normal pursuit of its business objectives. The primary goals of operational risk management are ensuring the sustainability and integrity of the Group's operations and the protection of its reputation by controlling, mitigating or transferring the impact of operational risk. Operational risk cannot be fully eliminated. The Group has established a formal approach to the management of operational risk in the form of a 'RMF' which defines the Group's approach to identifying, assessing, managing, monitoring and reporting the operational risks which may impact the achievement of the Group's business objectives.

This framework outlines, inter alia the following:
- formulation and dissemination of operational risk policies specifying the risk management obligations of management and staff within the Group;
- maintaining organisational structures for the oversight, monitoring and management of operational risk throughout the Group;
- setting aside capital and maintaining a suite of insurance policies;
- setting out the boundary conditions in which operational risks are to be managed, by way of Board approved Risk Appetite Statement; and
- embedding formal operational risk management processes and standards throughout the Group.

Operational risk policies and governance
The Group continues to maintain its ongoing oversight and control of its exposure to operational risk. A critical component of operational risk management are the operational risk policies which set out the Group's objectives and the obligations of management in respect of operational risk.

Governance and oversight of operational risk forms part of the RMF which aims to ensure that risk management activities are adequate and commensurate with the Board approved risk appetite. The GORC is appointed by the ERC and is responsible for the oversight and monitoring of operational risk within the Group and material subsidiaries. Business units hold primary responsibility for the management of operational risk and compliance with internal control requirements.

The Operational Risk Function is accountable for the development and maintenance of operational risk policies to ensure a robust, consistent and systematic approach is applied to managing operational risk exposures across the Group.

Operational risk appetite
The Board has set out its appetite for operational risk in terms of both qualitative factors and quantitative measures reflecting the nature of operational risks. As such, the monitoring of operational risk indicators is supplemented with qualitative review and discussion at senior management executive committees to ensure appropriate actions are taken to enhance controls.

Risk assessment
A systematic identification and assessment of the operational risks faced by the Group is a core component of the RMF. This is known as the Risk and Control Self Assessment (RCSA) and is a framework for capturing, measuring and managing operational risk as well as providing a mechanism for consistent identification, monitoring, reviewing, updating and reporting of risks throughout the Group. A key element of this process is the classification of risks in the Group's risk library.

Risk mitigation and transfer
In addition to business unit risk mitigation initiatives, the Group implements specific policies and risk mitigation measures for key operational risks including, but not limited to, sourcing, technology and business disruption risks. This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme, whereby selected risks are insured externally. The Group Insurance programme is reviewed annually to ensure coverage remains appropriate to the Group's risk management objectives. The Group's capital requirements arising from operational risk are calculated for Pillar 1 using TSA and Pillar 2 as assessed under the Group's ICAAP process.

Risk reporting
Regular reporting of operational risk is a key component of the RMF.

The Board receives monthly updates on the operational risk profile via the Board Risk Report which provides a timely assessment of material operational risks against risk appetite.

At least four times a year, the Head of Operational Risk reports to GORC on the status of operational risk in the Group, including the status of the material operational risks, the progress of risk mitigation initiatives and programmes, significant loss events and the nature, scale and frequency of overall losses.

In addition, specified operational risk information is collated for the purposes of reporting to regulatory supervisors in the jurisdictions in which the Group operates.

3.9 Regulatory risk

Definition

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

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

Ineffective regulatory change governance is the risk that regulatory change is not identified and there is inappropriate governance in place to govern regulatory change programmes.

Ineffective regulatory engagement is the risk of inappropriate or unprofessional interaction with our regulators.

Risk management and measurement

The Group manages regulatory risk under the RMF. The framework establishes the common principles for the risk management process of identifying, assessing, monitoring and mitigating risks to the Group.

This is implemented by accountable executives and monitored by the GRCRC, the ERC, the BRC and Board in line with the overall Group risk governance structure outlined on pages 146 and 147. The effective management of regulatory risk is primarily the responsibility of business management and is supported by Group Compliance.

The Group has no tolerance for knowingly failing to meet regulatory expectations. However, we recognise that mistakes and errors of judgement or failures of processes, can and do lead to regulatory failings which we have limited tolerance for.

Risk mitigation

Risk mitigants include the early identification, appropriate assessment and measurement and reporting of risks. The primary risk mitigants for regulatory risk are the existence of appropriate controls in place throughout the business.

Risk reporting

The current status of regulatory risk is reported to the ERC and the Board members through the Board Risk Report on a monthly basis. The Group Chief Compliance Officer reports to the GRCRC on the status of regulatory risk in the Group, including the status of the top regulatory risks, the progress of risk mitigation plans, issues and breaches, and significant regulatory interactions, on a monthly basis, and quarterly to ERC and BRC by way of the quarterly Group Chief Compliance Officer report.

Financial Statements

Contents

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Independent Auditor's Report set out on the following pages, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with IFRS adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS, the EU (Credit Institutions: Financial Statements) Regulations 2015 and, in respect of the consolidated financial statements, Article 4 of the IAS Regulation. Company law requires the Directors to prepare Group and Company financial statements for each financial year.

The Directors are responsible for preparing the Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 'Reduced disclosure framework', and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the Directors shall not approve the Group's and Company's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Company's assets, liabilities and financial position at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with IFRS adopted by the EU, and the Company financial statements have been prepared in accordance with Financial Reporting Standards (FRS) 101, and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:
- correctly record and explain the transactions of the Company; and
- enable, at any time, the assets, liabilities financial position and profit or loss of the Company to be determined with reasonable accuracy.

The Directors are also responsible under section 282 of the Companies Act 2014 for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014, including Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are responsible for monitoring the effectiveness of the Company's systems of internal control in relation to the financial reporting process, and have a general responsibility for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish and London Stock Exchanges, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and the Central Bank (Investment Market Conduct) Rules to include a management report containing a fair review of the business and a description of the Principal Risks and Uncertainties facing the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of each Director's knowledge and belief:
- they have complied with the above requirements in preparing the financial statements;
- the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group and of the profit of the Group;
- the Company financial statements, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company;
- the management report contained in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the Principal Risks and Uncertainties that they face; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board by

6 March 2023

Patrick Kennedy	Richard Goulding	Myles O'Grady
Chairman	Deputy Chair	Group Chief Executive Officer

Independent Auditor's Report
to the members of Bank of Ireland Group plc

Opinion
We have audited the financial statements of Bank of Ireland Group plc (the 'Company' and 'Parent') and its consolidated undertakings (the 'Group') for the year ended 31 December 2022 set out on pages 190 to 331, contained within the reporting package boigroupplc-2022-12-31-en.zip which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity and related notes, including Group accounting policies set out in note 1 and the Company accounting policies set out on page 329. Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are incorporated in the financial statements by cross-reference and are identified as audited.

The financial reporting framework that has been applied in preparation of the Group financial statements is Irish Law, including the Commission Delegated Regulation 2019/815 regarding the single electronic reporting format ('ESEF') and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the Company financial statements, Irish Law and FRS 101 Reduced Disclosure Framework issued in the United Kingdom by the Financial Reporting Council.

In our opinion:
- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our reporting to the Group Audit Committee ('GAC').

We were appointed as auditor by the Board of Directors on 19 April 2018. The period of total uninterrupted engagement is therefore five years ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ('IAASA') as applied to public interest entities. No non-audit services prohibited by that standard were provided.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included the following:
- we used our knowledge of the Group and Company, the financial services industry, and the general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period were;
  - the availability of funding and liquidity in the event of a market wide stress scenario; and
  - the impact on regulatory capital requirements in the event of an economic slowdown or recession.
- we also considered whether these risks could plausibly affect the availability of financial resources in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

In relation to the Group and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Detecting irregularities including fraud
We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud,

using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the Directors. In addition, our risk assessment procedures included:

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

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

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

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

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

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

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

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

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

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

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

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

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

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

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

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

Refer to page 201 and 202 (accounting policy) and note 26 (financial statement disclosures)

The key audit matter

The calculation of credit provisions requires a high degree of judgement to reflect recent developments in credit quality, arrears experience and / or emerging macroeconomic risks.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's compliance with IFRS 9 include but are not limited to:

Accuracy of Probability of Default (PD) models and Loss Given Default (LGD) models

Owing to the complexity and uncertainty in certain PD models, including the underlying assumptions, we have identified a significant risk of error in expected credit losses as a result of inaccurate PDs being generated by the PD models.

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

Post model adjustments

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

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

Economic Scenarios

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

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

Identification and quantification of Stage 3 loans

There is a risk that individually assessed ECLs held against counterparties are incorrectly or inappropriately calculated by management. Management judgement is applied to value the collateral, in determining the probability weighting of scenarios used to calculate the level of provisioning required and the impact of the likely courses of action with borrowers on ECL.

We have identified a significant risk due to error with respect to the measurement of impairment of stage 3 individually assessed loans.

How the matter was addressed in our audit

Accuracy of PD models and LGD models

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

Post model adjustments

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

Economic scenarios

- We performed end to end process walkthroughs, and tested the design, implementation and operating effectiveness of key controls relating to the estimation of macroeconomic forecasts used in measuring ECL including the economic scenarios and probability weightings applied to them.
- In conjunction with our economic specialists, we held probing inquiries with the Real Estate Advisory Unit (REAU) and Economic Research Unit (ERU) and inspected related documentation to assess whether the basis for significant management assumptions and judgements are reasonable and consistent with independent consensus forecasts.
- We challenged the reasonableness of management's forward-looking information (FLI) upside / downside scenario weightings were reasonable, having regard to relevant available information at year-end.

- In conjunction with our economics specialist, we challenged and assessed the reasonableness of the significant assumptions underpinning management's economic scenarios which we determined to be GDP / GNP, unemployment and property prices by comparing to independent and observable economic forecasts, leveraging a number of external data points.

Identification and quantification of Stage 3 loans

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

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

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

Refer to page 208 and 209 (accounting policy) and note 46 (financial statement disclosures)

The key audit matter

The Group operates a number of defined benefit pension schemes which in total are significant in the context of both the overall balance sheet and the results of the Group. The schemes have an aggregate IAS 19 defined benefit pension asset of €700 million at 31 December 2022.

The valuations of the pension obligations are calculated with reference to a number of actuarial assumptions. We identified a significant risk relating to the assumptions which we consider to be most subjective and to which the valuation of the defined benefit pension net asset is most sensitive, being the discount rate and the inflation rates.

We regard the determination of the Group's defined benefit pension net asset as a key audit matter because its valuation is complex and requires judgement in the application of the appropriate actuarial assumptions.

How the matter was addressed in our audit

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

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

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

Refer to page 210 and 211 (accounting policy) and notes 36 and 40 (financial statement disclosures)

The key audit matter

We consider the valuation of insurance contract liabilities and the related ViF asset to be a key audit matter owing to the complex calculations and the use of detailed methodologies and significant judgements.

The valuation of the insurance contract liabilities and the ViF asset includes a component which is also considered to be a significant risk owing to the complex calculations and the use of detailed methodologies and significant judgements related to the ultimate settlement value of long term policyholder liabilities including a number of significant assumptions such as mortality, morbidity, persistency, lapses, longevity, expenses and PHI recovery rates.

How the matter was addressed in our audit

In testing the valuation of the insurance contract liabilities and ViF asset:

- We performed end to end process walkthroughs and tested the design and implementation of key controls relevant to the valuation of the insurance contract liabilities and the ViF asset.
- In conjunction with our actuarial specialists, we evaluated the methodologies applied and the significant assumptions and judgements including consideration of alternatives used in the valuation of the insurance contract liabilities and the ViF asset.
- We assessed and challenged the methodologies and basis used to set the underlying significant assumptions used in the insurance contract liabilities and the ViF asset with reference to guidance issued by the European Insurance

and Occupational Pensions Authority (EIOPA), the Group's actuarial experience investigations and our experience of similar companies in the marketplace, as applicable.
- We tested, on a sample basis, the completeness and accuracy of the data used within the valuation calculation of the insurance contract liabilities and the ViF asset.
- We assessed the calculation of insurance contract liabilities and the ViF asset through;
  - agreeing all significant assumptions and key data inputs into the actuarial models to those we have evaluated;
  - testing the design, implementation and operating effectiveness of management's key controls over the output of the calculations;
  - evaluating the reports of the Group's external actuarial expert in relation to the examination of management's methodologies, significant assumptions, and calculations; and
  - replicating the best estimate liability for a cohort of policies.

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

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

Refer to page 205 (accounting policy) and note 54 (financial statement disclosures).

The key audit matter

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

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

How the matter was addressed in our audit

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

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

IT Operational Risk

The key audit matter

As with many banks, the Group is highly dependent on IT systems for the processing and recording of significant volumes of transactions. Our audit approach relies extensively on automated controls and therefore on the effectiveness of controls over IT systems.

In particular, we consider privileged user access management controls to be critical in ensuring that only appropriately authorised changes are made to relevant IT systems. Moreover, appropriate access controls contribute to mitigating the risk of potential fraud or error as a result of changes to applications and data.

We regard this area as a key audit matter owing to the high level of IT dependency within the Group as well as the associated complexity and the risk that automated controls are not designed and operating effectively.

How the matter was addressed in our audit

- In conjunction with our IT audit specialists, we performed end to end walkthroughs and tested the design, implementation and operating effectiveness, of the key automated controls that are relevant to financial reporting.
- We updated our understanding of the Group's IT environment having particular regard for developments with respect to the Group's IT strategy.
- We inspected internal governance reporting relating to IT (including Risk, Cyber, Internal Control functions) to identify any IT matters that may impact integrity of financial reporting.
- We inquired of Group Internal Audit (GIA) and divisional leads and inspected the relevant GIA reports produced during the period to understand the nature of findings, if any, to date and consider the impact on our audit.
- We inquired of management about any significant changes in internal controls and considered the potential effect of any such changes on the preparation of the financial statements.
- We tested relevant General IT Controls for IT applications considered relevant to the financial reporting process, including access management, program development, change management and computer operations.
- We continued to focus on testing privileged access and change processes for in-scope systems given their pervasiveness and criticality to our ability to rely on IT controls for audit purposes.

While we continue to identify certain design and operating effectiveness deficiencies with user access controls, the existence of compensating controls provided us with sufficient evidence to rely on the operation of the Group's IT systems for the purposes of our audit.

Recoverability of deferred tax assets (DTAs) €989 million (2021: €1,044 million)

Refer to page 209 (accounting policy) and note 34 (financial statement disclosures)

The key audit matter

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

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

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

How the matter was addressed in our audit

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

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

Recoverability of the carrying value of the investment by BOIG plc in the Governor and Company of the Bank of Ireland (Company only risk and key audit matter) €8,010 million (2021: €8,010 million)

Refer to page 329 (accounting policy) and note c (financial statement disclosures)

The key audit matter

The Group completed a corporate reorganisation during 2017 which included the creation of a new Group holding company, Bank of Ireland Group plc (the 'Company').

The Company balance sheet includes an €8 billion investment in The Governor and Company of the Bank of Ireland (GovCo).

The accounting policy followed by the Company is to carry the investment at cost less impairment. Impairment testing includes the comparison of the carrying value with its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs of disposal or its value in use.

The assessment of the recoverability of the investment does not involve significant judgement due to the value of the underlying business at 31 December 2022. However, we consider this a key audit matter due to the significance of the investment based on its magnitude to the Company.

How the matter was addressed in our audit

- We performed an end-to-end process walkthrough over the recoverability of the carrying value of the investment by BOIG plc in GovCo.
- We evaluated management's assessment that the carrying value of the investment in subsidiary was not impaired at year end. This was based on the market capitalisation both before and after year end and on external broker reports.
- We assessed the adequacy of the financial statement disclosures in respect of the investments in the BOIG company only financial statements.

On the basis of the work performed, we found that the market capitalisation at year end exceeded the carrying value of the investment in subsidiary and that management's judgements were appropriate in assessing the carrying value.

Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at €52.0 million (2021: €44.8 million), determined with reference to a benchmark of profit before taxation of €1,056 million, (of which it represents 4.9% (2021: 3.6%). We consider profit before taxation to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

The materiality for the Company financial statements is €87.3 million (2021: €91 million) which represents 1% of net assets. The Company is the ultimate holding company of the Group and its activities to date have been limited to its investment in GovCo and the issue of subordinated liabilities and debt securities. Hence a benchmark based on net assets reflects the focus of the users of the financial statements.

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

3.7% (2021: 2.8%) and 0.76% (2021: 0.78%) respectively. We reported to the GAC any corrected or uncorrected identified misstatements exceeding €2.6m (2021: €2.2m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit work addressed each of the Group's five operating segments which are headquartered in Ireland and the UK: Retail Ireland, Wealth and Insurance, Retail UK, Corporate and Markets and Group Centre. In planning the audit, we used materiality to assist in making the determination to perform full scope audits of the financial information of the Retail Ireland, Wealth and Insurance (excluding Davy), Retail UK, Corporate and Markets and Group Centre. Davy was not individually financially significant to require a full scope audit for group purposes but was included in the scope of our group reporting work in order to provide further coverage over the Group's results.

We applied materiality to assist us determine what risks were significant risks and the Group audit team instructed component auditors as to the significant areas to be covered by them, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the materiality for components which ranged from €5 million to €29 million, having regard to the mix of size and risk profile of the Group across the components.

The Group team undertook an assessment of the audit risk and strategy and regular video-conference meetings were held with component auditors. At these meetings, the findings reported to the Group team were discussed in more detail and any further work required by the Group team was then performed by the component auditor.

Audit coverage for individual line items within the consolidated income statement and consolidated balance sheet falls above 90% in most instances. The work on 3 of the 7 components was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

Other information

The Directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Strategic Report on pages 3 to 47, the unaudited sections of the Risk Management Report on pages 132 to 179, the Financial review on pages 48 to 71, the Governance section (including Report of the Directors) on pages 72 to 131 (except for the Remuneration Report on pages 123 and 124), the unaudited parts of Other Information on pages 332 to 345.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit we report that, in those parts of the Directors' report specified for our consideration:

- we have not identified material misstatements in the Directors' report;
- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

Corporate governance statement

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

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 115;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 115;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 115;
- Directors' statement on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy set out on page 181;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated set out on page 89 and 90;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 89; and
- Section describing the work of the audit committee set out on pages 103 to 108.

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

We have nothing to report in this regard.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 72 to 131 that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2006 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act;
- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- the Corporate Governance Statement contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion:

- the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made;
- the Company has not provided the information required by Section 1110N in relation to its remuneration report for the financial year ended 31 December 2021;
- the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2021 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

Respective responsibilities and restrictions on use

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 181, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

6 March 2023

Consolidated financial statements

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

	Note	2022 €m	2021 €m
Interest income calculated using the effective interest method	4	2,772	2,398
Other interest income	4	378	372
Interest income		**3,150**	**2,770**
Interest expense	5	(663)	(543)
Net interest income		**2,487**	**2,227**
Net insurance premium income	6	2,046	2,018
Fee and commission income	7	579	448
Fee and commission expense	7	(268)	(179)
Net trading income	8	34	111
Life assurance investment income, gains and losses	9	(1,471)	1,284
Other leasing income	10	71	63
Other leasing expense	10	(45)	(47)
Other operating income	11	176	153
Total operating income		**3,609**	**6,078**
Insurance contract liabilities and claims paid	12	(378)	(3,089)
Total operating income, net of insurance claims		**3,231**	**2,989**
Operating expenses	13	(2,012)	(1,859)
Cost of restructuring programme	14	(17)	(110)
Operating profit before impairment (losses) / gains on financial instruments		**1,202**	**1,020**
Net impairment (losses) / gains on financial instruments	16	(187)	194
Operating profit		**1,015**	**1,214**
Share of results of associates and joint ventures (after tax)	17	40	5
Gain on disposal / liquidation of business activities		1	2
Profit before tax		**1,056**	**1,221**
Taxation charge	18	(159)	(166)
Profit for the year		**897**	**1,055**
Attributable to shareholders		889	1,048
Attributable to non-controlling interests	50	8	7
Profit for the year		**897**	**1,055**
Earnings per ordinary share	19	76.6c	91.2c
Diluted earnings per ordinary share	19	76.6c	91.2c

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

	2022 €m	2021 €m
Profit for the year	**897**	**1,055**
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss in subsequent years:		
Debt instruments at FVOCI reserve, net of tax:		
Changes in fair value	(61)	(20)
Transfer to income statement - asset disposal	(85)	(14)
Net change in debt instruments at FVOCI reserve	**(146)**	**(34)**
Cash flow hedge reserve, net of tax:		
Changes in fair value	309	(801)
Transfer to income statement	(304)	791
Net change in cash flow hedge reserve	**5**	**(10)**
Foreign exchange reserve:		
Foreign exchange translation (losses) / gains	(93)	183
Transfer to income statement	–	1
Net change in foreign exchange reserve	**(93)**	**184**
Total items that may be reclassified to profit or loss in subsequent years	**(234)**	**140**
Items that will not be reclassified to profit or loss in subsequent years:		
Remeasurement of the net defined benefit pension asset, net of tax	91	597
Revaluation of property, net of tax	(3)	–
Net change in liability credit reserve, net of tax	15	(5)
Total items that will not be reclassified to profit or loss in subsequent years	**103**	**592**
Other comprehensive (expense) / income for the year, net of tax	**(131)**	**732**
Total comprehensive income for the year, net of tax	**766**	**1,787**
Total comprehensive income attributable to equity shareholders	758	1,780
Total comprehensive income attributable to non-controlling interests	8	7
Total comprehensive income for the year, net of tax	**766**	**1,787**

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

Consolidated balance sheet *(at 31 December 2022)*

	Note	2022 €m	Restated[1] 2021 €m
Assets			
Cash and balances at central banks	51	36,855	31,360
Items in the course of collection from other banks		140	159
Trading securities		–	20
Derivative financial instruments	20	5,138	1,571
Fair value changes due to interest rate risk of the hedged items in portfolio hedges[1]	21	(738)	(76)
Other financial assets at FVTPL	22	18,553	20,078
Loans and advances to banks	23	3,044	2,750
Debt securities at amortised cost	24	4,472	6,008
Financial assets at FVOCI	25	4,254	9,457
Assets classified as held for sale		2	5
Loans and advances to customers	26	71,961	76,422
Interest in associates	29	83	59
Interest in joint ventures	30	82	57
Intangible assets and goodwill	31	1,276	852
Investment properties	32	883	992
Property, plant and equipment	33	802	820
Current tax assets		36	38
Deferred tax assets	34	989	1,044
Other assets	35	2,756	2,912
Retirement benefit assets	46	736	740
Total assets		**151,324**	**155,268**
Equity and liabilities			
Deposits from banks	37	3,445	12,946
Customer accounts	38	99,200	92,774
Items in the course of transmission to other banks		232	207
Derivative financial instruments	20	6,526	2,185
Fair value changes due to interest rate risk of the hedged items in portfolio hedges[1]	21	(2,824)	(20)
Debt securities in issue	39	7,774	8,483
Liabilities to customers under investment contracts	40	5,870	6,671
Insurance contract liabilities	40	14,280	15,399
Other liabilities	41	2,535	2,364
Leasing liabilities	42	423	452
Current tax liabilities		8	18
Provisions	43	79	190
Allowance provision on loan commitments and financial guarantees	45	55	48
Deferred tax liabilities	34	97	90
Retirement benefit obligations	46	36	142
Subordinated liabilities	47	1,656	1,981
Total liabilities		**139,392**	**143,930**
Equity			
Share capital	48	1,070	1,079
Share premium account		456	456
Retained earnings		9,640	8,842
Other reserves		(257)	(53)
Own shares held for the benefit of life assurance policyholders		(10)	(20)
Shareholders' equity		**10,899**	**10,304**
Other equity instruments - Additional Tier 1	49	966	966
Total equity excluding non-controlling interests		**11,865**	**11,270**
Non-controlling interests	50	67	68
Total equity		**11,932**	**11,338**
Total equity and liabilities		**151,324**	**155,268**

Patrick Kennedy
Patrick Kennedy
Chairman

R Goulding
Richard Goulding
Deputy Chair

Myles O'Grady
Group Chief Executive Officer

Gabrielle Ryan
Gabrielle Ryan
Interim Group Secretary

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

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

				Other reserves									
	Share capital €m	Share premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Foreign exchange reserve €m	Capital reserve €m	Other reserves €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	**1,079**	**456**	**8,842**	**129**	**(36)**	**(693)**	**509**	**38**	**(20)**	**10,304**	**966**	**68**	**11,338**
Profit for the year	–	–	889	–	–	–	–	–	–	889	–	8	897
Other comprehensive (expense) / income for the year	–	–	91	(146)	5	(93)	–	12	–	(131)	–	–	(131)
Total comprehensive income for the year	**–**	**–**	**980**	**(146)**	**5**	**(93)**	**–**	**12**	**–**	**758**	**–**	**8**	**766**
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 (note 48)	–	–	–	–	–	–	–	(50)	–	(50)	–	–	(50)
Changes in value and amount of shares held	–	–	–	–	–	–	–	–	10	10	–	–	10
Dividends paid to NCI - preference stock (note 50)	–	–	–	–	–	–	–	–	–	–	–	(8)	(8)
Preference stock eliminated on acquisition of Davy	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Share buyback - cancellation of shares (note 48)	(9)	–	(50)	–	–	–	9	50	–	–	–	–	–
Total transactions with owners	**(9)**	**–**	**(173)**	**–**	**–**	**–**	**9**	**–**	**10**	**(163)**	**–**	**(9)**	**(172)**
Transfer from capital reserve to retained earnings	–	–	(9)	–	–	–	9	–	–	–	–	–	–
Balance at 31 December 2022	**1,070**	**456**	**9,640**	**(17)**	**(31)**	**(786)**	**527**	**50**	**(10)**	**10,899**	**966**	**67**	**11,932**

Other reserves includes the amalgamation of the merger reserve €17 million, liability credit reserve €9 million, and revaluation reserve €24 million.

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

				Other reserves									
	Share capital	Share premium account	Retained earnings	Debt instruments at FVOCI reserve	Cash flow hedge reserve	Foreign exchange reserve	Capital reserve	Other reserves	Own shares held for benefit of life assurance policyholders	Attributable to equity holders of Parent	Other equity instruments	Non-controlling interests	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2021	**1,079**	**456**	**7,337**	**163**	**(26)**	**(877)**	**437**	**43**	**(25)**	**8,587**	**966**	**68**	**9,621**
Profit for the year	–	–	1,048	–	–	–	–	–	–	1,048	–	7	1,055
Other comprehensive (expense) / income for the year	–	–	597	(34)	(10)	184	–	(5)	–	732	–	–	732
Total comprehensive income for the year	**–**	**–**	**1,645**	**(34)**	**(10)**	**184**	**–**	**(5)**	**–**	**1,780**	**–**	**7**	**1,787**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution on other equity instruments AT1 Coupon	–	–	(68)	–	–	–	–	–	–	(68)	–	–	(68)
Dividends on ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–
Share buyback - repurchase of shares (note 48)	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes in value and amount of shares held	–	–	–	–	–	–	–	–	5	5	–	–	5
Dividends paid to NCI- preference stock (note 50)	–	–	–	–	–	–	–	–	–	–	–	(7)	(7)
Preference stock eliminated on acquisition of Davy	–	–	–	–	–	–	–	–	–	–	–	–	–
Share buyback - cancellation of shares (note 48)	–	–	–	–	–	–	–	–	–	–	–	–	–
Total transactions with owners	**–**	**–**	**(68)**	**–**	**–**	**–**	**–**	**–**	**5**	**(63)**	**–**	**(7)**	**(70)**
Transfer from capital reserve to retained earnings	–	–	(72)	–	–	–	72	–	–	–	–	–	–
Balance at 31 December 2021	**1,079**	**456**	**8,842**	**129**	**(36)**	**(693)**	**509**	**38**	**(20)**	**10,304**	**966**	**68**	**11,338**

Other reserves includes the amalgamation of the merger reserve €17 million, liability credit reserve (€6) million, and revaluation reserve €27 million.

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

	Note	2022 €m	Restated[1] 2021 €m
Cash flows from operating activities			
Profit before tax		1,056	1,221
Share of results of associates and joint ventures	17	(40)	(5)
Gain on disposal / liquidation of business activities		(1)	(2)
Depreciation and amortisation	10, 13	237	247
Net impairment losses / (gains) on financial instruments, excluding cash recoveries	16	267	(159)
Impairment of property, plant and equipment	13, 14, 33	14	30
Impairment of intangible assets and goodwill	31	7	2
Reversal of impairment on property	14	–	(2)
Revaluation of investment property	32	71	17
Interest expense on subordinated liabilities	5	84	78
Interest expense on lease liabilities	5	12	11
Charge for pension and similar obligations	46	58	99
Net change in accruals and interest payable		89	7
Net change in prepayments and interest receivable		89	(60)
Charge for provisions	43	55	102
Non-cash and other items		(113)	94
Cash inflows from operating activities before changes in operating assets and liabilities		**1,885**	**1,680**
Net change in items in the course of collection from other banks		44	(2)
Net change in trading securities		20	(20)
Net change in derivative financial instruments		2,015	934
Net change in fair value changes due to interest rate risk of the hedged items in portfolio hedges[1]		(2,142)	(252)
Net change in other financial assets at FVTPL		1,545	(2,681)
Net change in loans and advances to banks		123	(38)
Net change in loans and advances to customers[1]		3,056	2,174
Net change in other assets		325	(33)
Net change in deposits from banks		(9,355)	10,396
Net change in customer accounts[1]		7,255	3,168
Net change in debt securities in issue		(570)	2,083
Net change in liabilities to customers under investment contracts		(801)	779
Net change in insurance contract liabilities		(1,119)	1,920
Net change in other operating liabilities		(580)	(264)
Net cash (outflows) / inflows from operating assets and liabilities		**(184)**	**18,164**
Net cash inflows from operating activities before tax		**1,701**	**19,844**
Tax paid		(72)	(87)
Net cash inflows from operating activities		**1,629**	**19,757**
Investing activities (section a below)		4,686	842
Financing activities (section b below)		(574)	293
Effect of exchange translation and other adjustments		170	(226)
Net change in cash and cash equivalents		**5,911**	**20,666**
Opening cash and cash equivalents		33,931	13,265
Closing cash and cash equivalents	51	**39,842**	**33,931**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

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

	Note	2022 €m	2021 €m
(a) Investing activities			
Disposal / redemption of financial assets at FVOCI	25	4,785	2,620
Disposal / redemption of debt securities at amortised cost		1,003	432
Additions to financial assets at FVOCI	25	(283)	(1,446)
Acquisition of subsidiary, net of cash and cash equivalents acquired	54	(281)	–
Additions to intangible assets	31	(264)	(247)
Additions to debt securities at amortised cost		(232)	(312)
Additions to property, plant and equipment - owned assets	33	(104)	(73)
Proceeds from disposal of property, plant and equipment		45	22
Additions to investment property	32	(65)	(157)
Proceeds from disposal of investment property	32	95	1
Net change in interest in associates	29	(16)	2
Dividends received from joint ventures	30	3	–
Cash inflows from investing activities		**4,686**	**842**
(b) Financing activities			
Redemption of subordinated liabilities	52	(1,091)	–
Net proceeds from issue of subordinated liabilities	52	843	498
Interest paid on subordinated liabilities	52	(80)	(73)
Distribution on other equity instruments - AT1 coupon	49	(69)	(68)
Dividend paid to ordinary shareholders		(54)	–
Payment of lease liability	42	(53)	(46)
Repurchase of shares through share buyback	48	(50)	–
Interest paid on lease liability	42	(12)	(11)
Dividend paid to non-controlling interests - preference stock	50	(8)	(7)
Cash (outflows) / inflows from financing activities		**(574)**	**293**

Net cash flows from operating activities includes interest received of €3,237 million (2021: €2,785 million) and interest paid of €435 million (2021: €336 million).

Notes to the consolidated financial statements

1 Group accounting policies

Basis of preparation

These consolidated financial statements are financial statements of the Bank of Ireland Group plc ('BoIG plc' or the 'Company') and its subsidiaries (collectively the 'BoIG plc Group' or the 'Group').

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statements of changes in equity, the Consolidated cash flow statement, the notes to the consolidated financial statements on pages 197 to 325 and the notes to the Company financial statements on pages 326 to 331.

The financial statements include the information that is described as being an integral part of the audited financial statements contained in:

- sections 3.2, 3.4, 3.5, 3.6 and 3.7 of the Risk Management Report as described further on the bottom of page 132;
- the Remuneration Report as described further on page 119; and
- other information - Group exposures to selected countries as described further on the top of page 333.

The amounts presented in the financial statements are rounded to millions.

The consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the EU (Credit Institutions: Financial Statements) Regulations 2015 and the Asset Covered Securities Acts 2001 and 2007.

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements applied in the consolidated financial statements is set out in note 2.

The accounting policies and critical accounting estimates applied by the Company are included in note a to the Company financial statements.

FX rates used during the year are as follows:

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

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

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for 2022 is a period of twelve months from the date of approval of these financial statements (the 'period of assessment').

In making this assessment, the Directors considered the Group's business, profitability projections, funding and capital plans, together with a range of other factors such as the economic outlook for the Irish economy and the current global macroeconomic and geopolitical environment.

The matters of primary consideration by the Directors are set out below:

Capital

The Group has developed capital plans under base and stress scenarios and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment.

Funding and liquidity

The Directors have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment.

Conclusion

On the basis of the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

Adoption of new and amended accounting standards

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

Voluntary change in accounting policy on the presentation of the portfolio fair value hedge adjustment

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

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

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

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

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

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

This change in accounting policy has been applied retrospectively as required under IAS 8 and the comparative period has been restated to reflect this change. The effect of this change is explained further in note 21.

1 Group accounting policies *(continued)*

Comparatives
Comparative figures have been restated where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period. Any adjustments to comparatives are disclosed in the relevant note or supplementary asset disclosures as appropriate.

Interest income and expense
Interest income and expense are recognised in the income statement using the effective interest method for financial instruments measured at amortised cost and financial assets which are debt instruments measured at FVOCI, in accordance with IFRS 9.

The Group presents interest resulting from negative effective interest rates on financial liabilities as interest income. The Group presents interest resulting from negative effective interest rates on financial assets as interest expense.

The effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or liability and in the allocation and recognition of interest revenue or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the ECL (except, in accordance with IFRS 9 in the case of POCI financial assets where ECL is included in the calculation of a 'credit-adjusted effective interest rate'). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In the case of a financial asset that is neither credit-impaired nor a POCI financial asset, interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

In the case of a financial asset that is not a POCI financial asset but is credit-impaired at the reporting date, interest revenue is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount adjusted for any impairment loss allowance.

In the case of a POCI financial asset, interest revenue is recognised by applying the credit-adjusted effective interest rate to the amortised cost.

Where the Group revises its estimates of payments or receipts on a financial instrument (excluding modifications of a financial asset and changes in ECL), it recalculates the gross carrying amount of the financial asset or amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The adjustment is recognised as interest income or expense.

Interest income or expense on derivatives designated as hedging instruments are presented in net interest income, in line with the underlying hedged asset or liability.

For portfolio fair value hedges of financial liabilities and portfolio fair value hedges and cash flow hedges of financial assets, the Group aggregates the interest income or expense on the hedged assets or liabilities with the interest income or expense on the related derivatives designated as hedging instruments. Where the resulting total is an expense, the amount is presented as interest expense on the assets or liabilities. Where the resulting total is income, it is presented as interest income on the assets or liabilities.

For micro fair value hedges of financial assets or liabilities, the Group aggregates, for each hedged asset or liability separately, the interest income or expense on the asset or liability with the interest income or expense on the related derivative or derivatives designated as hedging instruments. Where the resulting total for an asset or liability is an expense, the amount is presented as interest expense on the asset or liability. Where the resulting total is income, it is presented as interest income on the asset or liability.

Interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges) is included in other interest income or expense. Interest income or expense on derivatives held with trading intent is included in trading income.

Interest income on debt financial assets measured at FVTPL, excluding assets held for trading and those within the Group's life assurance operations, is recognised when earned and presented within other interest income.

Interest expense on debt financial liabilities measured at FVTPL, excluding liabilities held for trading, is recognised when incurred and presented in other interest expense.

Modifications
Where the contractual cash flows of a financial asset are modified and the modification does not result in derecognition of the financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate and recognises a modification gain or loss in the income statement. Where a modification is a forbearance measure which does not result in derecognition, the modification gain or loss is included in the income statement within net impairment gains or losses. Otherwise, the modification gain or loss is included within interest income.

As a result of the Interest Rate Benchmark Reform, on transition to an alternative benchmark rate (BMR), changes in the basis of determining the contractual cash flows of a financial instrument are treated in the same way as changes to market rates for a floating rate instrument by updating the effective interest rate, without the recognition of a modification gain or loss. This practical expedient is only applied where:
- the change to the contractual cash flows is necessary as a direct consequence of the BMR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Where additional changes to the basis for determining the contractual cash flows of a financial instrument are made at the same time as changes required by the BMR reform, the Group first applies the practical expedient noted above to the changes arising as a direct consequence of the BMR reform and then applies its existing policy to account for the additional modifications.

Financial assets
Recognition, classification and measurement
A financial asset is recognised in the balance sheet when and only when, the Group becomes a party to its contractual provisions. At initial recognition, a financial asset is measured at fair value (plus, in the case of a financial asset not at FVTPL, directly attributable transaction costs) and is assigned one of the following classifications for the purposes of subsequent measurement:

1 Group accounting policies *(continued)*

- financial assets at amortised cost;
- financial assets at FVOCI; or
- financial assets at FVTPL.

The Group determines the appropriate classification based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the financial asset is held.

In determining the business model for a group of financial assets, the Group considers factors such as how performance is evaluated and reported to key management personnel (KMP); the risks that affect performance and how they are managed; how managers are compensated; and the expected frequency, value and timing of sales of financial assets.

In considering the contractual cash flow characteristics of a financial asset, the Group determines whether the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In this context, 'principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In making the determination, the Group assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers contingent events, leverage features, prepayment and term extensions, terms which limit the Group's recourse to specific assets and features that modify consideration of the time value of money.

Financial assets at amortised cost

Debt instruments

A debt instrument is measured, subsequent to initial recognition, at amortised cost where it meets both of the following conditions and has not been designated as measured at FVTPL:

- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model whose objective is achieved by holding financial assets to collect contractual cash flows.

Purchases and sales of debt securities at amortised cost are recognised on trade date: the date on which the Group commits to purchase or sell the asset. Loans measured at amortised cost are recognised when cash is advanced to the borrowers.

Interest revenue using the effective interest method is recognised in the income statement. An impairment loss allowance is recognised for ECL with corresponding impairment gains or losses recognised in the income statement.

Financial assets at fair value through other comprehensive income

Debt instruments

A debt instrument is measured, subsequent to initial recognition, at FVOCI where it meets both of the following conditions and has not been designated as measured at FVTPL:

- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Purchases and sales of debt instruments at FVOCI are recognised on trade date. Gains and losses arising from changes in fair value are included in other comprehensive income (OCI). Interest revenue using the effective interest method and FX gains and losses on the amortised cost of the financial asset are recognised in the income statement.

The impairment loss allowance for ECL does not reduce the carrying amount but an amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the income statement. On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified to the income statement.

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

Equity instruments

Where an irrevocable election has been made by the Group at initial recognition, an investment in an equity instrument that is neither 'held for trading' nor contingent consideration recognised by the acquirer in a business combination to which IFRS 3 'Business Combinations' applies, is measured at FVOCI. Amounts presented in OCI are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss

All other financial assets are measured, subsequent to initial recognition, at FVTPL. Financial assets at FVTPL comprise:

Financial assets mandatorily measured at fair value through profit or loss

Financial assets meeting either of the conditions below are mandatorily measured at FVTPL (other than in respect of an equity investment designated as at FVOCI):

- financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- financial assets held within a business model whose objective is achieved neither by collecting contractual cash flows nor both collecting contractual cash flows and selling financial assets. This includes financial assets held within a portfolio that is managed and whose performance is evaluated on a fair value basis, such as investments held by the Group's life assurance business. It further includes portfolios of financial assets which are 'held for trading', which includes financial assets acquired principally for the purpose of selling in the near term and financial assets that on initial recognition are part of an identified portfolio where there is evidence of a recent pattern of short-term profit-taking.

Financial assets designated as measured at fair value through profit or loss

A financial asset may be designated at FVTPL only if doing so eliminates or significantly reduces measurement or recognition inconsistencies (an 'accounting mismatch') that would otherwise arise from measuring financial assets or liabilities or recognising gains and losses on them on different bases.

Regular way purchases and sales of financial assets at FVTPL are recognised on trade date. They are carried on the balance sheet at fair value, with all changes in fair value included in the income statement.

Reclassification

When and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. Reclassification is applied prospectively from the

1 Group accounting policies *(continued)*

reclassification date, which is the first day of the first reporting period, interim or annual, following the change in business model that results in the reclassification. Any previously recognised gains, losses or interest are not restated.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has transferred substantially all the risks and rewards of ownership. Where the Group retains the obligation to service the transferred financial asset, the transferred asset is derecognised if it meets the derecognition criteria and an asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (an asset) or is less than adequate (a liability) for performing the servicing.

Where a modification results in a substantial change on a quantitative or qualitative basis, to the contractual cash flows of a financial asset, it may be considered to represent expiry of the contractual cash flows, resulting in derecognition of the original financial asset and recognition of a new financial asset at fair value. The Group reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Impairment of financial instruments

Scope

The Group recognises impairment loss allowances for ECL on the following categories of financial instruments unless measured at FVTPL:
- financial assets that are debt instruments;
- loan commitments;
- lease receivables recognised under IFRS 16 'Leases';
- financial guarantee contracts issued and not accounted for under IFRS 4 'Insurance Contracts'; and
- receivables and contract assets recognised under IFRS 15 'Revenue from Contracts with Customers'.

Basis for measuring impairment

The Group allocates financial instruments into the following categories at each reporting date to determine the appropriate accounting treatment.

Stage 1: 12-month expected credit losses (not credit-impaired)

These are financial instruments where there has not been a significant increase in credit risk since initial recognition. An impairment loss allowance equal to 12- month ECL is recognised. This is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

Stage 2: Lifetime expected credit losses (not credit-impaired)

These are financial instruments where there has been a significant increase in credit risk since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised. Lifetime ECL are the ECL resulting from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime expected credit losses (credit-impaired)

These are financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognised.

Purchased or Originated Credit-impaired financial assets

These are financial assets that were credit-impaired at initial recognition. They are not subject to any initial impairment loss allowance but an impairment loss allowance is subsequently recognised for the cumulative changes in lifetime ECL since initial recognition. A POCI financial asset remains classified as such until it is derecognised, even if assessed as no longer credit impaired at a subsequent reporting date.

With the exception of POCI financial assets, a financial instrument may migrate between stages from one reporting date to the next.

Significant increase in credit risk

In determining if a financial instrument has experienced a significant increase in credit risk since initial recognition, the Group assesses whether the risk of default over the remaining expected life of the financial instrument is significantly higher than had been anticipated at initial recognition, taking into account changes in prepayment expectations where relevant. The Group uses reasonable and supportable information available without undue cost or effort at the reporting date, including forward-looking information. A combination of quantitative, qualitative and backstop indicators are generally applied in making the determination. For certain portfolios, the Group assumes that no significant increase in credit risk has occurred if credit risk is 'low' at the reporting date.

Credit-impaired

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Measurement of expected credit losses and presentation of impairment loss allowances

ECL are measured in a way that reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL are measured as follows:
- Financial assets that are not credit-impaired at the reporting date: the present value of the difference between all contractual cash flows due to the Group in accordance with the contract and all the cash flows the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments: the present value difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive.
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover, discounted at an appropriate risk-free rate.

1 Group accounting policies *(continued)*

Expected cash flows arising from the sale on default of a loan are included in the measurement of expected credit losses under IFRS 9 where the following conditions are met:
- selling the loan is one of the recovery methods that the Group expects to pursue in a default scenario;
- the Group is neither legally nor practically prevented from realising the loan using that recovery method; and
- the Group has reasonable and supportable information upon which to base its expectations and assumptions.

For financial assets, the discount rate used in measuring ECL is the effective interest rate (or 'credit-adjusted effective interest rate' for a POCI financial asset) or an approximation thereof. For undrawn loan commitments, it is the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment.

Impairment loss allowances for ECL are presented in the financial statements as follows:

Financial assets at amortised cost: as a deduction from the gross carrying amount in the balance sheet.

Loan commitments and financial guarantee contracts: generally, as a provision in the balance sheet.

Debt instruments at fair value through other comprehensive income: an amount equal to the allowance is recognised in OCI as an accumulated impairment amount.

Utilisation of impairment loss allowances
The Group reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include the collection process having been exhausted or it becoming clear during the collection process that recovery will fall short of the amount due to the Group. The Group considers, on a case-by-case basis, whether enforcement action in respect of an amount that has been written off from an accounting perspective is or remains appropriate. Any subsequent recoveries are included in the income statement as an impairment gain.

Forbearance
Forbearance occurs when a borrower is granted a concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred if the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower.

Prior to any decision to grant forbearance, the Group performs an assessment of a customer's financial circumstances and ability to repay and assesses whether the loan is credit-impaired. Where the loan is credit-impaired, it is allocated to Stage 3 (unless a POCI financial asset). If a forborne loan has a variable interest rate, the discount rate for measuring ECL is the current effective interest rate determined under the contract before the modification of terms.

Financial assets to which forbearance has been applied continue to be reported as forborne until such time as they satisfy conditions to exit forbearance in line with EBA guidance on non-performing and forborne classifications. Forborne financial assets which are not credit-impaired are generally classified as Stage 2. A financial asset can only be reclassified from Stage 3 when certain conditions are met over a pre-defined period of time or probation period, in line with regulatory requirements.

Where the cash flows from a forborne loan are considered to have expired, due to the loan being restructured in such a way that results in a substantial modification, the original financial asset is derecognised and a new financial asset is recognised, initially measured at fair value. Any difference between the carrying value of the original financial asset and the fair value of the new financial asset on initial recognition are recognised in the income statement. The new financial asset may be initially allocated to Stage 1 or, if credit-impaired, be categorised as a POCI financial asset.

Where a forbearance measure represents a modification of the contractual cash flows of a financial asset and does not result in its derecognition, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate (before any modification of terms) and a modification gain or loss is included in the income statement within net impairment gains or losses.

Financial liabilities
The Group classifies its financial liabilities as being measured at amortised cost unless it has designated liabilities at FVTPL or is required to measure liabilities mandatorily at FVTPL, such as derivative liabilities. Financial liabilities are initially recognised at fair value, (normally the issue proceeds i.e. the fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For financial liabilities carried at amortised cost, any difference between the proceeds, net of transaction costs and the redemption value is recognised in the income statement using the effective interest method.

When a financial liability that is measured at amortised cost is modified without resulting in derecognition, a gain or loss is recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified contractual cash flows discounted at the original effective interest rate.

Preference shares which carry a mandatory coupon are classified as financial liabilities. The dividends on these preference shares are recognised in the income statement as interest expense using the effective interest method.

A financial liability may be designated as at FVTPL only when:
- it eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
- a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The Group designates certain financial liabilities at FVTPL as set out in note 59 to the financial statements.

The movement in own credit risk related to financial liabilities designated at FVTPL is recorded in OCI unless this would create or enlarge an accounting mismatch in profit or loss for the Group (in which case all gains or losses are recognised in profit or loss).

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

1 Group accounting policies *(continued)*

Targeted Longer-Term Refinancing Operations

In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of Targeted Longer-Term Refinancing Operations (TLTRO III), which provides funding to banks at interest rates which can be as low as 50 basis points below the average interest rate on the ECB's deposit facility over the period to 23 June 2022, with the actual rate dependent on whether the Group equals or exceeds benchmark net lending targets.

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

The Group considers TLTRO funding provided by the ECB to be on market terms on the basis that the ECB has established a separate market with TLTRO programmes. They have specific terms which are different from other sources of funding available to banks, including those provided by the ECB. Consequently, the rate under TLTRO is considered to be a market conforming rate and TLTRO funding is recognised fully as a financial liability.

The Group interprets the rate set by the ECB as consisting of a floating rate element (average interest rate on the ECB's deposit facility) and a fixed rate element (amount receivable for equalling or exceeding benchmark net lending targets) on the TLTRO financial liability.

For floating-rate financial liabilities, periodic re-estimation of cash flows to reflect movements in the market interest rates alters the effective interest rate. Changes in the Group's expectations of meeting the benchmark lending targets are treated as an adjustment of the amortised cost of the TLTRO financial liability, to reflect actual and revised estimated contractual cash flows. This adjustment is recognised in profit or loss as income or expense.

Sale and repurchase agreements and lending of assets

Assets sold subject to repurchase agreements ('repos') are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or customer accounts, as appropriate.

Securities purchased under agreements to resell ('reverse repos') are treated as collateralised loans and recorded as loans and advances to banks or customers, as appropriate.

The difference between sale and repurchase price is treated as interest and recognised in the income statement over the life of the agreement using the effective interest method.

Securities lent to counterparties are also retained on the balance sheet. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return the securities is recorded at fair value as a trading liability.

Issued debt and equity securities

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The coupons on these instruments are recognised in the income statement as interest expense using the effective interest method. Where the Group has absolute discretion in relation to the payment of coupons and repayment of principal, the instrument is classified as equity and any coupon payments are classified as distributions in the period in which they are made.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in other operating income, net of any costs or fees incurred.

Derivative financial instruments and hedge accounting

The Group has made the accounting policy choice allowed under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39.

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each reporting date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments that are not financial assets are separated from the host contract and accounted for as derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the entire host contract is not carried at FVTPL.

Fair value gains or losses on derivatives are normally recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

The Group designates certain derivatives as either:
- hedges of the exposure to changes in the fair value of recognised assets or liabilities that is attributable to a particular risk (fair value hedge); or
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge).

Hedge accounting is applied to these derivatives provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge relationships are concluded to be effective if the hedging instruments that are used in hedging transactions offset the changes in fair value or cash flow of the hedged items within a range of 80% to 125%.

Where a hedging instrument is novated to a clearing counterparty, the Group does not discontinue hedge accounting where the following criteria are met:
- the novation arises due to laws or regulations, or the introduction of laws and regulations;
- the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and
- the novation does not result in changes to the terms of the original instrument except for those changes necessary to effect the change in counterparty.

Hedges directly affected by the BMR reform

When there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the formal hedge designations and documentation

1 Group accounting policies *(continued)*

to reflect one or more of specified changes required by the BMR reform, without discontinuing those hedge accounting relationships. The hedge designations and documentations are amended by the end of the reporting period during which a change required by BMR reform is made to the hedged risk, hedged item or hedging instrument and only to make one or more of the following changes:

- designating an alternative BMR as the hedged risk;
- amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- amending the description of the hedging instrument.

The description of the hedging instrument is only amended if the following conditions are met:

- the Group makes a change required by the BMR reform using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen transition approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

When performing retrospective hedge effectiveness assessment for hedge accounting relationships where hedge designations are amended as a direct result of the BMR reform, the Group elects on the amendment date to reset the cumulative fair value changes of the hedging instrument and the hedged item to zero.

When the description of the hedged item designated in a cash flow hedge is amended to reference the alternative BMR, the amount accumulated in the cash flow hedge reserve in equity is deemed to be based on the alternative BMR on which the hedged future cash flows are determined.

When an item in a group of items designated as the hedged items is amended as a direct result of the BMR reform, the Group allocates hedged items to subgroups based on the benchmark rate being hedged and designates the benchmark rate for each subgroup as the hedged risk.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The hedged item in a micro fair value hedge is a single specified item e.g. a fixed rate commercial loan or a FVOCI bond.

The hedged item in a portfolio fair value hedge is a pool of assets or liabilities with similar risk characteristics and profiles, such as a pool of fixed rate mortgages. Unlike micro fair value hedge accounting, portfolio fair value hedge accounting is not discontinued if an individual asset or liability within the pool of hedged items is sold, so long as the overall pool of hedged items retains its characteristics as documented at inception of the hedge. In addition, hedge effectiveness testing is performed on a portfolio basis rather than on an individual hedge relationship by hedge relationship basis.

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

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

The Group also avails of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. The Group applies these relaxed provisions to portfolio fair value hedges of interest rate risk on its demand deposit and mortgage lending books. The Group resets portfolio fair value hedges of its demand deposit book on a weekly basis and other portfolio fair value hedges are reset either fortnightly or on a monthly basis.

If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the straight line method for macro hedges and the effective interest method for micro hedges. When a hedged item held at amortised cost that is designated in a micro fair value hedge or included in a repricing time period of a portfolio hedge is derecognised, the unamortised fair value adjustment included in the carrying value of that hedged item is immediately reclassified to the income statement.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in OCI are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised in the income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately reclassified to the income statement.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is not a financial asset within the scope of IFRS 9, an embedded derivative is separated from the host and accounted for as a derivative if and only if, its economic characteristics and risks are not closely related to those of the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at FVTPL.

Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the original or modified terms of a debt instrument.

Financial guarantees held by the Group

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Where the Group is the holder of such a guarantee and it is considered integral to the contractual terms of the guaranteed debt instrument(s), the guarantee is not accounted for separately but is considered in the determination of the impairment loss allowance for ECL of the guaranteed instrument(s).

1 Group accounting policies *(continued)*

Financial guarantees issued by the Group
The Group issues financial guarantees to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities and in connection with the performance of customers under payment obligations related to contracts and the payment of import duties. The Group's liability under an issued financial guarantee contract is initially measured at fair value. The liability is subsequently measured at the higher of the amount of the impairment loss allowance for ECL determined in accordance with the requirements of IFRS 9 and the initial measurement less the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Any change in the liability is taken to the income statement and recognised on the balance sheet within provisions. Where the Group issues a financial liability which contains a financial guarantee, the liability is measured at amortised cost using the effective interest method.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. No impairment loss allowance for ECL is recognised on a financial asset, or portion thereof, which has been offset.

Valuation of financial instruments
The Group recognises trading securities, other financial assets and liabilities designated at FVTPL, derivatives and financial assets at FVOCI at fair value in the balance sheet. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants. To the extent possible, these valuation techniques use observable market data. Where observable data does not exist, the Group uses estimates based on the best information available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price in an arm's length transaction, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which uses only observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price. Any day one profit is deferred and recognised in the income statement to the extent that it arises from a change in a factor that market participants would consider in setting a price. Straight line amortisation is used where it approximates to that amount. Subsequent changes in fair value are recognised immediately in the income statement without the reversal of deferred day one profits or losses.

Where a transaction price in an arm's length transaction is not available, the fair value of the instrument at initial recognition is measured using a valuation technique.

For liabilities designated at FVTPL, the fair values reflect changes in the Group's own credit spread.

Transfers between levels of the fair value hierarchy
The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

Group accounts
Subsidiaries
Subsidiary undertakings are investees controlled by the Group. The Group controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control. The existence and effect of potential voting rights are considered when assessing whether the Group controls an investee only if the rights are substantive.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. The Group assesses whether it has control over such entities by considering factors such as: the purpose and design of the entity; the nature of its relationship with the entity; and the size of its exposure to the variability of returns from the entity.

Assets, liabilities and results of all Group undertakings have been included in the Group financial statements on the basis of financial statements or, where relevant, additional financial information, made up to the end of the financial year.

Business combinations
Except for where predecessor accounting applies, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. In addition, FX gains and losses which arise on the retranslation to functional currency of intercompany monetary assets and liabilities are not eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

1 Group accounting policies *(continued)*

Associates and Joint Ventures

Associates are all entities over which the Group has significant influence, but not control, over the entity's financial and operating decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights. A joint arrangement is an arrangement of which two or more parties have joint control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group utilises the venture capital exemption for investments where significant influence is present and the business operates as a venture capital business. These investments are designated at initial recognition at FVTPL.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Accounting policies of associates and joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Non-controlling interests

Transactions with non-controlling interests where the Group has control over the entity are accounted for using the Economic entity model. This accounting model requires that any surplus or deficit that arises on any transaction(s) with non-controlling interests to dispose of or to acquire additional interests in the entity that does not result in loss of control is recognised in equity.

Securitisations

Certain Group undertakings have entered into securitisation transactions in order to finance specific loans and advances to customers.

All financial assets continue to be held on the Group balance sheet and a liability recognised for the proceeds of the funding transaction, unless:

- the rights to the cash flows have expired or been transferred;
- substantially all the risks and rewards associated with the financial instruments have been transferred outside the Group, in which case the assets are derecognised in full; or
- a significant portion, but not all, of the risks and rewards have been transferred outside the Group. In this case the asset is derecognised entirely if the transferee has the ability to sell the financial asset. Otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

Where the above conditions apply to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

Foreign currency translation

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements of the Group and the financial statements of the Company are presented in euro.

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the dates of the transactions. FX gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated into the appropriate functional currency using the exchange rate at the transaction date and those measured at fair value are translated at the exchange rate at the date the fair value was determined. Exchange rate differences on non-monetary items are recognised based on the classification of the underlying items.

Assets, liabilities and equity of all the Group entities that have a functional currency different from the presentation currency ('foreign operations') are translated at the closing rate at the reporting date and items of income and expense are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). All resulting exchange differences are recognised in OCI and accumulated in a separate component of equity. On disposal of a foreign operation the amount accumulated in the separate component of equity is reclassified from equity to profit or loss. The Group may dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital, abandonment or through loss of control or significant influence.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Operating profit / loss

Operating profit / loss includes the Group's earnings from ongoing activities after net impairment losses on financial instruments and before share of profit or loss on associates and joint ventures (after tax), profit / loss on disposal of property and gain / loss on disposal / liquidation of business activities.

Fee and commission income

The Group accounts for fee and commission income when the contract with the customer is agreed and each party's rights under the contract, together with the payment terms, are identified. In addition it must be probable that the Group will collect the consideration to which it is entitled. Fee and commission income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Fee income on the provision of current accounts to customers is recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Loan syndication and arrangement fees are recognised at a point in time when the performance obligation is completed. Stockbroking commission income arising from the Davy Stockbroking business is recognised as earned in the period in which the related deals are executed on behalf of clients and the performance obligation is satisfied. Other fees including interchange income, ATM fees and FX fees

1 Group accounting policies *(continued)*

are recognised on completion of the transaction and once the Group has completed its performance obligations under the contract.

Leases

Identifying a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A Group company is the lessee

The Group recognises a Right of Use (RoU) asset and lease liability at the lease commencement date. This policy is applied to contracts entered into (or changed) on or after 1 January 2019. RoU assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurement of lease liabilities. The recognised RoU assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. RoU assets are subject to impairment under IAS 36 'Impairment of Assets'.

The Group has elected not to recognise Right of Use asset (RoU) assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

RoU assets, comprised of leases of buildings which do not meet the definition of investment properties and computer equipment, are presented in property, plant and equipment. RoU assets which meet the definition of investment properties are presented within investment properties.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Incremental Borrowing Rate (IBR) if the interest rate implicit in the lease is not readily determinable. Lease payments include fixed rental payments. Generally, the Group uses its IBR as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonable certain not to be exercised.

When the lease liability is remeasured a corresponding adjustment is made to the RoU asset and / or profit or loss, as appropriate.

The Group has applied judgement in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and RoU assets recognised.

The Group has a number of leases which contain break options and applies judgement in evaluating whether it is reasonably certain not to exercise the option. That is, on commencement of a lease the Group considers all relevant factors that create an incentive for it to exercise the option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Under IFRS 16, where the Group is an intermediate lessor the subleases are classified with reference to the RoU asset arising from the head lease, not with reference to the underlying asset. Where the Group continues to retain the risks and rewards of ownership as the intermediate lessor, it retains the lease liability and the RoU asset relating to the head lease in its balance sheet. If the Group does not retain the risks and rewards of ownership as the intermediate lessor, these subleases are deemed finance leases. During the term of the sublease, the Group recognises both finance lease income on the sublease and interest expense on the head lease.

A Group company is the lessor

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

When assets are held under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is included within net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

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

Property, plant and equipment

Freehold land and buildings are initially recognised at cost and subsequently are revalued annually to fair value by independent external valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the reporting date.

RoU assets recognised as property, plant and equipment are measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurement of lease liabilities.

All other property, plant and equipment, including freehold and leasehold adaptations, are stated at historical cost less accumulated depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings, are recognised in OCI. Decreases that offset previous increases on the same asset are recognised in OCI: all other decreases are charged to the income statement.

The Directors consider that residual values of freehold and long leasehold property based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not material.

Depreciation is calculated on the straight line method to write down the carrying value of other items of property, plant and equipment to their residual values over their estimated useful lives as follows:

- adaptation works on freehold and leasehold property - 15 years, or the remaining period of the lease;
- computer and other equipment - maximum of ten years; and

1 Group accounting policies *(continued)*

- the recognised RoU assets are depreciated on a straight-line basis over the earlier of the end of the useful life of the RoU asset or the end of the lease term.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its Value in Use (VIU).

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. If the asset being disposed of had previously been revalued then any amount in OCI relating to that asset is reclassified directly to retained earnings on disposal rather than the income statement.

Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property, except where the property is used by the Group for administrative purposes or the supply of services, in which case it is classified as owner occupied property. Investment property comprises freehold and long leasehold land and buildings. It is carried at fair value in the balance sheet based on annual revaluations at open market value as determined by external qualified property surveyors and is not depreciated. Changes in fair values are recorded in the income statement. Rental income from investment properties is recognised as it becomes receivable over the term of the lease.

Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with research activities or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, which is normally between five and ten years.

Other intangible assets

Other intangible assets are carried at cost less amortisation and impairment, if any and are amortised on a straight line basis over their useful lives, which range from five years to twenty years.

Computer software and other intangible assets are assessed for impairment indicators annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indicators exist, the asset's recoverable amount is estimated. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell and its VIU.

Goodwill

Goodwill represents the excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment or more frequently if there is any indication that it may be impaired and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGU) for the purpose of impairment testing. An impairment loss arises if the carrying value of the CGU exceeds the recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the CGU.

Client Property

In the normal course of business, the Group (through Davy) provides the following services to certain of its clients:

- investment of funds at the sole discretion of the Group in securities and the placing of deposits in separately designated accounts with recognised banks and building societies, the income from which accrues for the benefit of these clients, and
- custodianship of securities held on behalf of clients.

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. A levy payable to a Government is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

Employee benefits

Pension obligations

The Group operates both defined contribution and defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

1 Group accounting policies *(continued)*

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Plans in surplus are shown as assets and plans in deficit are shown as liabilities. A surplus is only recognised as an asset to the extent that it is recoverable through a refund from the plan or through reduced contributions in the future.

Where a plan amendment, curtailment or settlement occurs and the net defined benefit liability is remeasured to determine past service cost or the gain or loss on settlement, the current service cost and net interest for the remainder of the period are remeasured using the same assumptions.

Service cost and net interest on the net defined benefit liability / (asset) are recognised in profit or loss, within operating expenses. Remeasurements of the net defined benefit liability / (asset) that are recognised in OCI include:
- actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions; and
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability / (asset).

A settlement is a transaction that eliminates all further legal and constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

For defined contribution plans, contributions are recognised as employee benefit expense when they are due.

Short-term employee benefits
Short-term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employees' service is rendered.

Termination payments
Termination payments are recognised as an expense at the earlier of:
- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

For this purpose, in relation to termination benefits for voluntary redundancies, the Group is considered to be no longer able to withdraw the offer on the earlier of the following dates:
- when the employee accepts the offer; and
- when a restriction (e.g. a legal, regulatory or contractual requirement) on the Group's ability to withdraw the offer takes effect.

Income taxes
Current income tax
Income tax payable on profits, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date, is recognised as an expense in the period in which profits arise.

Tax provisions are provided on a transaction by transaction basis using either the 'most likely amount' method or the 'expected value' method as appropriate for the particular uncertainty and by management assessing the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that there will be a future outflow of funds to a fiscal authority to settle the obligation. Interest on tax liabilities is recognised as interest expense.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of income tax losses available for carry forward are recognised as DTAs to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. DTAs and deferred tax liabilities are not discounted.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax on items taken to OCI is also recognised in OCI and is subsequently reclassified to the income statement together with the deferred gain or loss. Income tax on items recognised directly in equity is recognised directly in equity, except for the income tax consequences of dividends on a financial instrument classified as equity, which are recognised according to where the previous transactions or events that generated distributable profits were recognised.

Uncertain tax positions
The Group considers uncertain tax positions together or separately depending on which approach better predicts how the uncertainties will be resolved. Where the Group concludes it is not probable that a tax authority will accept its assessment of an uncertain tax position, it reflects the effect of the uncertainty using either the 'most likely amount' method or the 'expected value' method, as appropriate for the particular uncertainty.

Where the Group concludes it is probable that a tax authority will accept its assessment of an uncertain tax position, the taxable profit or loss, the tax bases, unused tax losses, unused tax credits and the tax rates are determined consistently with the tax treatment used or planned to be used in the income tax filing.

Share capital and reserves
Equity transaction costs
Incremental external costs directly attributable to equity transactions, including the issue of new equity shares or options, are shown as a deduction from the component of equity in which the equity transaction is recognised, net of tax.

1 Group accounting policies *(continued)*

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

Treasury shares
Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. Any changes in the value of treasury shares held are recognised in equity at the time of the disposal and dividends are not recognised as income or distributions.

Capital reserve
The capital reserve represents transfers from share capital, retained earnings and other reserves in accordance with relevant legislation. The capital reserve is not distributable.

Foreign exchange reserve
The FX reserve represents the cumulative gains and losses on the translation of the Group's net investment in its foreign operations since 1 April 2004. Gains and losses accumulated in this reserve are reclassified to the income statement when the Group loses control, joint control or significant influence over the foreign operation or on disposal or partial disposal of the operation.

Revaluation reserve
The revaluation reserve represents the cumulative gains and losses on the revaluation of property occupied by Group businesses, included within property, plant and equipment and non-financial assets classified as held for sale. The revaluation reserve is not distributable.

Share premium account
Where the Company issues shares at a premium, a sum equal to the aggregate amount or value of the premiums on those shares is transferred to the share premium account. Where, pursuant to Section 84 of the Companies Act 2014, there has been a reduction of the Company's share capital by the cancellation of share premium, the resulting profits available for distribution, as defined by Section 117 of the Companies Act 2014, are reclassified from the share premium account to retained earnings.

Cash flow hedge reserve
The cash flow hedge reserve represents the cumulative changes in fair value, excluding any ineffectiveness, of cash flow hedging derivatives. These are transferred to the income statement when hedged transactions impact the Group's profit or loss.

Merger reserve
In the Company balance sheet, the merger reserve represents the difference between the carrying value of the Company's initial investment in the Bank arising from the corporate reorganisation in 2017 and the nominal value of the shares issued as part of that reorganisation, less amounts capitalised as share premium. In the Consolidated balance sheet, the merger reserve also includes an adjustment to eliminate the capital stock, share premium, capital reserve and retained earnings of the Bank at the date of corporate reorganisation, which do not carry forward to the balance sheet of the Group.

Debt instruments at fair value through other comprehensive income reserve
The debt instruments at FVOCI reserve comprises the cumulative net change in the fair value of debt securities measured at FVOCI together with the impact of fair value hedge accounting, less the ECL allowance recognised in profit or loss.

Liability credit reserve
The liability credit reserve represents the cumulative changes in the fair value of financial liabilities designated as at FVTPL that are attributable to changes in the credit risk of those liabilities, other than those recognised in profit or loss.

Life assurance operations
In accordance with IFRS 4, the Group classifies all life assurance products as either insurance or investment contracts for accounting purposes.

Insurance contracts are those contracts that transfer significant insurance risk. These contracts are accounted for using an embedded value basis.

Investment contracts are accounted for in accordance with IFRS 9. All of the Group's investment contracts are unit-linked in nature. These contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit-linked funds. The value of the unit-linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the reporting date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

The Group recognises an asset for deferred acquisition costs relating to investment contracts. Upfront fees received for investment management services are deferred. These amounts are amortised over the period of the contract.

Non unit-linked insurance liabilities are calculated using a gross premium method of valuation. The computation is made on the basis of recognised actuarial methods annually by an actuary, with due regard to the applicable actuarial principles recognised in the European framework for the prudential and financial monitoring of direct life assurance business.

The Group recognises the ViF life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. This represents the present value of expected future cash flows, using appropriate assumptions in assessing factors such as future mortality, lapse rates and levels of expenses and discounting using the risk free interest rate curve. Thus, the use of best estimate assumptions in the valuation of the ViF asset ensures that the net carrying amount of insurance liabilities less the ViF asset is adequate.

The ViF asset in the consolidated balance sheet and movements in the asset in the income statement are presented on a gross of tax basis. The tax charge comprises both current and deferred tax expense and includes tax attributable to both shareholders and policyholders for the period.

Premiums and claims
Premiums receivable in respect of non unit-linked insurance contracts are recognised as revenue when due from policyholders.

Premiums received in respect of unit-linked insurance contracts are recognised in the same period in which the related policyholder liabilities are created. Claims are recorded as an expense when they are incurred.

1 Group accounting policies *(continued)*

Reinsurance

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are dealt with as insurance contracts, subject to meeting the significant insurance risk test in IFRS 4. The impairment requirements of IFRS 4 are applied to these assets. Outward reinsurance premiums are accounted for in accordance with the contract terms when due for payment.

Collateral

The Group enters into master agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customers' assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is, in general, not recorded on the Group balance sheet.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the balance sheet. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

Operating segments

The Group's reportable operating segments have been identified on the basis that the chief operating decision maker uses information based on these segments to make decisions about assessing performance and allocating resources. The analysis of results by operating segment is based on management accounts information.

Impact of new accounting standards

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

IFRS 17 'Insurance Contracts'

Nature of change

IFRS 17 replaces IFRS 4 'Insurance Contracts', which was introduced as an interim standard in 2004. IFRS 17 addresses the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosures of insurance and reinsurance contracts, ensuring an entity provides relevant information that faithfully represents those contracts. The description for insurance contracts issued that follows also applies, the appropriate changes, to reinsurance contracts held. Items relevant specifically to reinsurance contracts held are dealt with in a separate section.

The Standard was endorsed by the EU on 19 November 2021, with an optional exemption from applying annual cohort requirements that relates to the timing of the recognition of the profit in the contract, the contractual service margin (CSM), in profit or loss. The Group does not intend to use this exemption.

Effective date

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

Impact

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

Impact on operating segments and operations

The Group issues insurance contracts through its subsidiary New Ireland Assurance Company (NIAC), which forms part of the Wealth and Insurance operating segment. The Group expects that IFRS 17 is likely to have a material impact on the recognition, measurement, presentation and disclosure of the insurance business in the Group's financial statements. There are also no changes to the underlying fundamentals and operations of the operating segment or the operations of the Wealth and Insurance segment.

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

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

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

As permitted by IFRS 17, the Group also plans to elect the following accounting policies on first time adoption of IFRS 17:
- changes in the risk adjustment for non-financial risk will be disaggregated between the insurance services result and the insurance finance income or expenses (IFIE);
- IFIE will not be disaggregated between amounts included in profit or loss and amounts included in other comprehensive income; and
- the financial performance of groups of reinsurance contracts held will be presented on a net basis in net income (expense) from reinsurance contracts held.

1 Group accounting policies *(continued)*

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

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

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

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

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

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

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

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

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

Reinsurance
The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

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

Risk adjustment for non-financial risk
The risk adjustment reflects the compensation that the Group requires to compensate for the risk in the level and timing of future cash flows arising from non-financial risks. The Group plans to determine the risk adjustment for non-financial risk as follows:

- a value at risk approach (also referred to as a confidence interval approach) will be applied at a confidence interval of 90% over one year, which reflects the Group's risk appetite for insurance business. In addition to the disclosure of the one year confidence interval of 90% the Group intends to

1 Group accounting policies *(continued)*

disclose the approximate confidence interval over the run-off of the in force business (ultimate confidence interval);
- the effect of assumed adverse experience will be determined as a one-off sensitivity at the reporting date that persists for the duration of contracts;
- the Group will allow for diversification of non-financial risks with financial risks and with investment contracts, based on the Solvency II (the prudential regime for insurance and reinsurance undertakings in the EU) standard formula diversification factors;
- the risk adjustment for contracts issued will allow for the effect of sensitivities net of reinsurance plus the expected cost of reinsurance; and
- the risk adjustment for reinsurance contracts held will be based on the reinsured proportions of risks included in the risk adjustment for contracts issued.

Value of in Force (VIF)

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

Discount rates

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

Directly Attributable Expenses (DAE)

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

Presentation and disclosure

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

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

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

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

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

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

Difference between IFRS 17 and Solvency II

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

1 Group accounting policies *(continued)*

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

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

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

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

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

Pronouncement: Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current
Nature of change
The purpose of these amendments is to promote consistency in application and to clarify the requirements on determining whether a liability is current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments also clarify the situations that are considered to be the settlement of a liability.

The amendments are still subject to EU endorsement.

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

Impact
The amendments are not expected to have a significant impact on the Group.

Pronouncement: Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2: Disclosure of Accounting policies.
Nature of change
The effect of the amendment is that an entity will disclose its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. To support the amendments, IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments were endorsed by the EU on 2 March 2022.

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

Impact
The amendments are not expected to have a significant impact on the Group.

Pronouncement: Amendments to IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'
Nature of change
The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments were endorsed by the EU on 2 March 2022.

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

Impact
The amendments are not expected to have a significant impact on the Group.

Pronouncement: Amendments to IAS 12 'Income Taxes' Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Nature of change
The amendments were introduced to address potential issues of inconsistency and interpretation by users in respect of the initial recognition exemption detailed in paragraphs 15 and 24 (for deferred tax liabilities and assets respectively). The amendments introduce an exception to the initial recognition exemption in IAS 12. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

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

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

Impact
The amendments are not expected to have a significant impact on the Group.

2 Critical accounting estimates and judgements

In preparing the financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in estimating the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Group's financial statements are set out below.

Impairment loss allowance on financial assets

The measurement of impairment loss allowance requires significant judgement and estimation and is dependent on complex impairment models.

In arriving at impairment loss allowances, accounting estimates which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include:

- generation of forward looking macroeconomic scenarios and their probability weightings which are used in both the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances; and
- valuing property collateral (including residential property).

Accounting judgements which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include determining if Group management adjustments may be necessary to impairment model outputs to address impairment model limitations or late breaking events.

Other key accounting estimates which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:

- determining the period over which to measure ECL for uncommitted RCFs; and
- determining timeframes to realisation and likely net sale proceeds.

Other key accounting judgements which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:

- the Group's criteria for assessing if there has been a significant increase in credit risk since initial recognition such that a loss allowance for lifetime rather than 12 month ECL is required;
- the selection of appropriate methodologies and model factors for internal risk rating and impairment models;
- the approximation made at transition to IFRS 9 of the residual lifetime PD expectations for most exposures originated prior to adoption of IFRS 9; and
- selection of the most relevant macroeconomic variables for particular portfolios and determining associations between those variables and model components such as PD and LGD.

The Group's approach to measurement of impairment loss allowances and associated methodologies is set out in the credit risk methodologies section on pages 165 to 169.

Changes in estimates

Forward Looking Information

FLI refers to probability weighted future macroeconomic scenarios approved semi-annually by the Executive Risk Committee and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 31 December 2022, comprising a central scenario, an upside scenario, and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for property for years beyond the forecast period. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The central FLI scenario for year ending 31 December 2022 is based on internal and external information and management judgement and follows the same process as used in prior periods.

The upside and downside scenarios in previous reporting periods were generated using a simulation model that uses historical volatilities and correlations for key macroeconomic variables to generate a distribution around the central forecast.

However, due to the idiosyncratic nature of recent events i.e. Russia’s invasion of Ukraine, the COVID-19 economic shock and Brexit, the Group has employed an amended approach for the selection of the upside and downside FLI scenarios for reporting periods since 31 December 2020, in order to avoid counterintuitive trends in the respective scenarios.

In order to incorporate available reasonable and supportable information and apply meaningful upside and downside FLI scenarios, three narrative driven alternative scenarios comprising one upside and two downside scenarios have been constructed.

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

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

The probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The final set of probability weightings used in ECL estimates reflected the application of management judgement to the initial probability weightings. Increased weight was assigned to the central scenario and downside scenario 2, with an offsetting decrease in the upside scenario weight. External forward looking information informed the application of this management judgement, and reflected economic uncertainty associated with a combination of factors including: Russia’s invasion of Ukraine; elevated inflation rates; supply chain disruption; and interest rate expectations in the Group’s key economies. The estimated impact of this judgement was a c.€37 million increase in reported impairment loss allowance.

2 Critical accounting estimates and judgements *(continued)*

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

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

	Republic of Ireland				United Kingdom			
			Downside				Downside	
2021	**Central scenario**	**Upside scenario**	**Scenario 1**	**Scenario 2**	**Central scenario**	**Upside scenario**	**Scenario 1**	**Scenario 2**
Scenario probability weighting	**45%**	**20%**	**25%**	**10%**	**45%**	**20%**	**25%**	**10%**
Gross Domestic Product (GDP) - annual growth rate	3.8%	4.2%	3.2%	2.1%	2.3%	2.8%	1.7%	0.7%
Gross National Product (GNP) - annual growth rate	3.8%	4.1%	3.1%	2.0%	n/a	n/a	n/a	n/a
Unemployment - average yearly rate	5.9%	5.1%	7.3%	9.3%	4.4%	3.8%	5.8%	8.0%
Residential property price growth - year end figures	2.2%	3.4%	(0.8%)	(3.0%)	1.8%	3.0%	(1.2%)	(3.6%)
Commercial property price growth - year end figures	1.4%	2.4%	(0.4%)	(3.4%)	1.6%	2.8%	(0.4%)	(3.4%)

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

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

2 Critical accounting estimates and judgements *(continued)*

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

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

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

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

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

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

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

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

The quantum of impairment loss allowance is impacted by the application of four probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 31 December 2022, excluding post-model Group management adjustments to impairment loss allowances, was increased by virtue of applying multiple scenarios rather than only a central scenario. This analysis excludes post-model Group management adjustments, as such adjustments to impairment loss allowance are applied using management judgement outside of the macro-economic conditioned ECL model framework (refer to the Management Judgement in Impairment Measurement section below). The scenarios outlined in the following tables are based on the FLI weightings outlined on previous page.

Comparative figures at 31 December 2021 are also outlined below (and in subsequent tables in this section). Changes in the figures at 31 December 2022 compared to the previous reporting date reflect a number of inter related dynamics including changes in forward-looking scenarios and associated probability weights; impairment model methodology updates in the year; and the composition of the underlying portfolios at the respective reporting dates.

2 Critical accounting estimates and judgements *(continued)*

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

2021 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	2	37%	3	74%	6	2%	11	4%
Retail Ireland	*1*	*24%*	*2*	*82%*	*4*	*2%*	*7*	*3%*
Retail UK	*1*	*49%*	*1*	*62%*	*2*	*7%*	*4*	*14%*
Non-property SME and corporate	7	14%	24	20%	–	–	31	5%
Property and construction	1	6%	10	19%	4	1%	15	3%
Consumer	4	10%	3	12%	–	–	7	5%
Total	**14**	**13%**	**40**	**19%**	**10**	**1%**	**64**	**4%**

The following table indicates the approximate extent to which impairment loss allowance, excluding Group management adjustments, would be higher or lower than reported were a 100% weighting applied to the central, upside and downside future macroeconomic scenarios respectively:

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

2 Critical accounting estimates and judgements *(continued)*

2021 Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios	Multiple scenarios	Central scenario		Upside scenario		Downside scenario 1		Downside scenario 2	
	Impairment loss allowance €m	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Residential mortgages	287	(11)	(4%)	(12)	(4%)	19	7%	93	32%
Retail Ireland	*251*	*(7)*	*(3%)*	*(7)*	*(3%)*	*7*	*3%*	*42*	*17%*
Retail UK	*36*	*(4)*	*(14%)*	*(5)*	*(14%)*	*12*	*33%*	*51*	*142%*
Non-property SME and corporate	619	(31)	(5%)	(59)	(10%)	48	8%	205	33%
Property and construction	510	(15)	(3%)	(26)	(5%)	18	4%	89	17%
Consumer	153	(7)	(5%)	(13)	(8%)	10	7%	34	22%
Total	**1,569**	**(64)**	**(4%)**	**(110)**	**(7%)**	**95**	**6%**	**421**	**27%**

The following table indicates the approximate extent to which impairment loss allowances for the residential mortgage portfolios, excluding post model Group management adjustments, would be higher or lower than the application of a central scenario if there was an immediate change in residential property prices as at the reporting date. Although such changes would not be observed in isolation, as economic indicators tend to be correlated in a coherent scenario, this gives insight into the sensitivity of the Group's impairment loss allowance to a once-off change in residential property values.

2022 Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances	Impairment loss allowance - central scenario €m	Residential property price reduction of 10%		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%)*

2021 Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances	Impairment loss allowance - central scenario €m	Residential property price reduction of 10%		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	276	50	18%	24	9%	(20)	(7%)	(38)	(14%)
Retail Ireland	*244*	*34*	*14%*	*17*	*7%*	*(14)*	*(6%)*	*(28)*	*(11%)*
Retail UK	*32*	*16*	*50%*	*7*	*22%*	*(6)*	*(19%)*	*(10)*	*(31%)*

2 Critical accounting estimates and judgements *(continued)*

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

Management judgement in impairment measurement

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

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

Credit risk assessment for significant increase in credit risk

As outlined on page 166 of the Risk Management Report, the Group considers other reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred. In this regard, for the year ending 31 December 2022, the Group has assessed the impact of inflation and rising interest rates on asset quality.

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

Management judgement in impairment model parameters

As outlined on page 166 of the Risk Management Report, the ECL model framework was updated in the year to reflect an enhanced approach to Loss Given Default (LGD) components for the residential mortgages, micro-SME, Corporate Banking and Business Banking portfolios.

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

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

An enhanced approach to the application of FLI within the LGD component of the impairment models for Corporate Banking and Business Banking portfolios (as outlined on page 166 in the asset quality section of the Risk Management Report) was adopted. The changes to the LGD component of the Corporate Banking and Business Banking impairment models resulted in a decrease in impairment loss allowance of c.€25 million, noting that the Group management adjustment for LGD in Corporate portfolios recognised at 31 December 2021 is no longer considered to be required (as outlined below).

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

As outlined on page 166 of the Risk Management Report, the Probability of Default (PD) component of the model utilised for the relationship managed segment of the RoI SME portfolio was updated in the year. The macro-economic variables utilised in the PD component were reviewed and updated, with RoI GNP replacing RoI GDP as one of the macro-economic model factors. The updated approach resulted in an increase in impairment loss allowance of c.€20 million, noting that the Group management adjustment for the RoI SME model recognised at 31 December 2021 is no longer considered to be required (as outlined below).

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

Post-model Group management adjustment

To ensure that the measurement of impairment reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, the need for a post-model Group management adjustment to the outputs of the Group's staging and impairment measurement methodologies is considered at each reporting date in arriving at the final impairment loss allowance. Such a need may arise, for example, due to a model limitation or a late breaking event. At 31 December 2022, the Group's stock of impairment loss allowance of €1.3 billion includes a €60 million total post-model Group management adjustment (31 December 2021: €392 million). Details of the components of the post-model Group management adjustment, as well as the rationale for the removal and / or utilisation of previous management adjustments, are outlined below. The following table provides an overview of Group management adjustments.

2 Critical accounting estimates and judgements *(continued)*

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

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

Group management adjustment for NPE

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

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

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

As outlined on page 161 of the Risk Management Report, the Group completed the disposal of €1.3 billion of NPEs in the second half of 2022. Accordingly the post-model adjustment of €80 million recognised at 31 December 2021 (increased to €130 million at 30 June 2022) associated with these transactions was utilised in full and is no longer required.

Group management adjustment for COVID-19

At 31 December 2022, the Group considered the risk associated with the impact of COVID-19, including the availability of government supports and the general availability of payment breaks in 2020 and early 2021 to all customers regardless of credit status.

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

2 Critical accounting estimates and judgements *(continued)*

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

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

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

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

Taxation
The current taxation charge of €80 million (note 18) accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates, based on a judgement of the application of law and practice in certain cases, to determine the quantification of any liabilities arising. At 31 December 2022, the net DTA was €892 million (2021: €954 million), of which €1,026 million (2021: €1,118 million) related to trading losses. The closing DTA includes €951 million of Irish trading losses, €70 million of UK trading losses, and €5 million of US trading losses.

A significant judgement relates to the Group's assessment of the recoverability of the portion of the DTA relating to trading losses.

The recognition of a DTA relies on management's estimate of the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences against which the losses can be utilised. Under current UK and Irish legislation, there is no time limit on the utilisation of these losses.

RoI deferred tax asset
Judgement
The Group's judgement takes into consideration the impact of both positive and negative evidence in assessing the recoverability of the deferred tax asset. Positive factors which have been considered include:
- as evidenced by the profitability of the current year, and with the exception of 2020 and the years of the financial crisis, the Group has a sustained history of Irish operating profits and a large market share and it is considered likely that the Group's Irish activities will be profitable into the future;
- the absence of any expiry dates for Irish and UK tax losses; and
- external economic forecasts for Ireland and the UK which indicate continued economic growth and employment levels.

The Group also considered negative evidence and the inherent uncertainties in any long term financial assumptions and projections, including:
- the absolute level of deferred tax assets compared to the Group's equity;
- the quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised;
- the challenge of projecting over a long period, taking account of the level of competition and the evolving interest rate environment; and
- accelerated transformation of banking business models.

Based on the Group's financial projections, the DTA in respect of tax losses is estimated to be recovered in full by the end of 2028 (2021: 2032). The decrease in the recovery period is due to improved underlying profitability projections, primarily driven by higher lending volumes and margins due to the projected higher interest rate environment.

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

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

UK deferred tax assets
Judgement
UK legislation restricts the proportion of a bank's annual taxable profit that can be offset by carried forward losses to 25%. This restriction significantly lengthens the period over which the Group could use its UK trading losses and has been considered in the context of the measurement and recognition of the deferred tax asset at 31 December 2022.

UK Branch
Judgement
Notwithstanding the absence of any expiry date for trading losses in the UK, the Group continues to conclude that, for the purpose of valuing its DTA, its brought forward trading losses within the Bank's UK branch (the 'UK branch') will be limited by reference to a ten year period of projected UK branch profits at the prevailing UK tax rates. This ten year timescale is the period over which the Group believes it can conclude that it is probable that future taxable profits will be available in the UK branch. Any remaining unutilised UK branch carried forward trading losses have been recognised for DTA purposes at the Irish tax rate, on the basis that it is expected that these will be utilised against future Bank profits in Ireland as permitted by current tax legislation.

The DTA of the UK Branch relating to trading losses has been reassessed and reduced to nil at 31 December 2022 (31 December 2021: increase of €7 million).

2 Critical accounting estimates and judgements *(continued)*

Bank of Ireland (UK) plc

Judgement

The Directors believe that Bank of Ireland (UK) plc will be profitable for the foreseeable future but acknowledge external challenges facing the UK banking industry and wider economy. In particular, during 2020 and 2021 the economic environment in which the Bank operates became more uncertain with changing customer product and service expectations, accelerated transformation of the banking business models, increased volatility in interest rate projections and residual uncertainties over the medium term impacts of the COVID-19 pandemic.

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

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

Sources of estimation uncertainty

To the extent that the recognition of a DTA is dependent on sufficient future profitability, a degree of estimation and the use of assumptions are required to support the conclusion that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The Group's profitability projections are based on its strategic priorities where the focus will be to increase overall returns, improve cost efficiencies and grow sustainable profits. The projections also reflect the external challenges facing the banking industry.

The Group's assessment of deferred tax recoverability is based on its financial projections covering its five year initial planning period with an annual 2% growth rate thereafter. The forecast for after year five is based on the projections within that fifth year of the initial planning period and the deferred tax recoverability is most sensitive to the forecast in the initial planning period.

If the projected rate of growth of taxable profits after the fifth year of the strategic planning period was decreased by two percentage points or increased by one percentage point, the Group estimates that this would have no impact on the DTA recovery period.

Retirement benefit obligations

The Group sponsors a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial values of the liabilities of the schemes are calculated by external actuaries. This involves modelling their future development and requires management to make assumptions as to discount rates, price inflation, salary and pensions increases, member mortality and other demographic assumptions.

Sources of estimation uncertainty

There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. A quantitative analysis of the sensitivity of the defined benefit pension liability to changes in the key assumptions is set out in note 46.

Life assurance operations

The Group accounts for the value of the shareholders' interest in its long-term assurance business using MCEV Principles and Guidelines. Embedded value is comprised of the net tangible assets of Bank of Ireland Wealth and Insurance and the ViF asset. The ViF asset represents the expected future profits on insurance contracts and this is calculated using an embedded value approach with market consistent assumptions. The ViF asset is measured by projecting expected future surpluses using best estimate and market consistent assumptions and a risk free interest rate curve.

Sources of estimation uncertainty

The estimation of future surpluses will depend on experience in a number of areas such as investment returns, lapse rates, mortality and investment expenses. Surpluses are projected by making assumptions about future experience, having regard to both actual experience and projected long-term economic trends.

Changes to these assumptions may cause the present value of future surpluses to differ from those assumed at the reporting date and could significantly affect the value attributed to the in force business. The ViF asset could also be affected by changes in the amounts and timing of other net cash flows (principally annual management charges and other fees levied upon the policyholders) or the rate at which the future surpluses and cash flows are discounted. In addition, the extent to which actual experience is different from that assumed will be recognised in the income statement for the period. A quantitative analysis of the sensitivity of profit to changes in the key life assurance assumptions is set out in note 36.

Davy acquisition

The Group acquired Davy, Ireland's leading provider of wealth management and capital markets services, on 1 June 2022. The Davy transaction is being treated as a business combination in line with the requirements of IFRS 3. Further detail on the accounting considerations and related key management judgements are outlined in note 54, Davy acquisition.

Impairment review of goodwill in relation to Davy acquisition

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

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

Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its Value in Use ('VIU'), where the VIU is the present value of the future cash flows expected to be derived from the asset. As it is not possible to estimate the recoverable amount of the goodwill recognised, the recoverable amount of the Davy CGU has been determined. The recoverable amount is based on VIU. The VIU of the Davy CGU was determined to be €539 million, which was €12 million higher than the carrying amount of €527 million. As a result no impairment of the assets in the Davy CGU was recognised at 31 December 2022.

2 Critical accounting estimates and judgements *(continued)*

Judgement
Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate and growth rate appropriate to the business.

Sources of estimation uncertainty
Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a long-term growth rate appropriate for the business is applied. The initial five years' cash flows are consistent with approved plans for each business prepared under the Group's ICAAP process. Underpinning the ICAAP process, the Group prepares detailed financial projections, with the base case projections prepared using consensus macroeconomic forecasts together with Group-specific assumptions.

Growth rates
Growth rates beyond five years are determined by reference to local economic growth rates. The assumed long term growth rate for the purpose of the impairment assessment is 2%.

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

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

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

3 Operating segments

The Group has five reportable operating segments which reflect the internal financial and management reporting structure and are organised as follows:

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

Wealth and Insurance
On 1 June 2022, the Group acquired Davy, Ireland's leading provider of wealth management and capital markets services. Wealth and Insurance now includes Davy, and the Group's life assurance subsidiary, NIAC, which distributes protection, investment and pension products to the Irish market, across three core channels made up of the Group's distribution channels, independent financial brokers and its own financial advisor network as well as corporate partners. It also includes investment markets, and the Group's general insurance brokerage, Bank of Ireland Insurance Services, which offers home, car and travel insurance cover through its agency with insurance providers.

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

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

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

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

Basis of preparation of segmental information
The analysis of results by operating segment is based on the information used by the chief operating decision maker to allocate resources and assess performance. The Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO) are considered to be the chief operating decision 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

3 Operating segments *(continued)*

pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The measures of segmental assets and liabilities provided to the chief operating decision maker are not adjusted for transfer pricing adjustments or revenue sharing agreements as the impact on the measures of segmental assets and liabilities is not significant.

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

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

External revenue comprises interest income, net insurance premium income, fee and commission income, net trading income / (expense), life assurance investment income gains and losses, other operating income, other leasing income and share of results of associates and joint ventures.

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

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Underlying profit or loss' in its internal management reporting systems. Underlying profit or loss excludes:

- acquisition costs;
- transformation programme costs;
- customer redress charges;
- investment return on treasury shares held for policyholders;
- gross-up for policyholder tax in the Wealth and Insurance business;
- portfolio divestments;
- IT Service Continuity Framework; and
- gain on disposal / liquidation of business activities.

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

2022	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	**1,153**	**(8)**	**691**	**651**	**(5)**	**–**	**2,482**
Other income, net of insurance claims	276	258	(25)	185	60	(2)	752
Total operating income, net of insurance claims	**1,429**	**250**	**666**	**836**	**55**	**(2)**	**3,234**
Other operating expenses	(654)	(203)	(259)	(181)	(361)	2	(1,656)
Other operating expenses (before levies and regulatory charges)	*(654)*	*(201)*	*(254)*	*(181)*	*(225)*	*2*	*(1,513)*
Levies and regulatory charges	*–*	*(2)*	*(5)*	*–*	*(136)*	*–*	*(143)*
Depreciation and amortisation	(49)	(15)	(27)	(7)	(124)	(4)	(226)
Impairment of goodwill and intangibles	–	–	–	–	(7)	–	(7)
Total operating expenses	**(703)**	**(218)**	**(286)**	**(188)**	**(492)**	**(2)**	**(1,889)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**726**	**32**	**380**	**648**	**(437)**	**(4)**	**1,345**
Net impairment gains / (losses) on financial instruments	112	–	(107)	(199)	7	–	(187)
Share of results of associates and joint ventures	8	–	32	–	–	–	40
Underlying profit / (loss) before tax	**846**	**32**	**305**	**449**	**(430)**	**(4)**	**1,198**

3 Operating segments *(continued)*

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

2022 **Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax	1,198
Acquisition costs	(54)
Transformation programme costs	(50)
Customer redress charges	(29)
Investment return on treasury shares held for policyholders	(8)
Gross-up for policyholder tax in the Wealth and Insurance business	(2)
Portfolio divestments	1
IT Service Continuity Framework	–
Gain on disposal / liquidation of business activities	–
Profit before tax	**1,056**

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

2021 **Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax	1,366
Acquisition costs	(2)
Transformation programme costs	(122)
Customer redress charges	(22)
Investment return on treasury shares held for policyholders	(8)
Gross-up for policyholder tax in the Wealth and Insurance business	24
Portfolio divestments	8
IT Service Continuity Framework	(25)
Gain on disposal / liquidation of business activities	2
Profit before tax	**1,221**

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

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

3 Operating segments *(continued)*

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

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

2021 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**59**	**–**	**56**	**–**	**1**	**–**	**116**
External assets	33,010	23,537	33,407	36,197	29,120	(3)	155,268
Inter segment assets	83,620	483	1,313	108,501	28,289	(222,206)	–
Total assets	**116,630**	**24,020**	**34,720**	**144,698**	**57,409**	**(222,209)**	**155,268**
External liabilities	66,061	22,841	23,274	23,653	8,105	(4)	143,930
Inter segment liabilities	45,609	247	9,085	122,447	44,835	(222,223)	–
Total liabilities	**111,670**	**23,088**	**32,359**	**146,100**	**52,940**	**(222,227)**	**143,930**

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

3 Operating segments *(continued)*

2021 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	Group €m
External revenue	**1,291**	**3,464**	**776**	**1,323**	**(1)**	**(1)**	**6,852**
Inter segment revenues	567	23	136	361	292	(1,379)	–
Revenue before claims paid	**1,858**	**3,487**	**912**	**1,684**	**291**	**(1,380)**	**6,852**
Insurance contract liabilities and claims paid	–	(3,089)	–	–	–	–	(3,089)
Revenue	**1,858**	**398**	**912**	**1,684**	**291**	**(1,380)**	**3,763**
Interest expense	**(33)**	**–**	**(84)**	**(225)**	**(246)**	**45**	**(543)**
Capital expenditure	**18**	**24**	**93**	**45**	**144**	**–**	**324**

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

2021 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	Total €m
External revenue	**5,747**	**1,014**	**91**	**–**	**6,852**
Inter segment revenues	83	76	13	(172)	–
Revenue before claims paid	**5,830**	**1,090**	**104**	**(172)**	**6,852**
Insurance contract liabilities and claims paid	(3,089)	–	–	–	(3,089)
Revenue	**2,741**	**1,090**	**104**	**(172)**	**3,763**
Capital expenditure	**228**	**93**	**3**	**–**	**324**
External assets	119,034	34,498	1,736	–	155,268
Inter segment assets	12,192	2,259	779	(15,230)	–
Total assets	**131,226**	**36,757**	**2,515**	**(15,230)**	**155,268**
External liabilities	120,056	23,797	77	–	143,930
Inter segment liabilities	2,309	10,692	2,231	(15,232)	–
Total liabilities	**122,365**	**34,489**	**2,308**	**(15,232)**	**143,930**

4 Interest income

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

In 2022, interest income of €170 million (2021: €170 million) was recognised and €189 million (2021: €169 million) was received on total forborne loans and advances to customers.

Transferred from cash flow hedge reserve
Interest income is presented net of a charge of €170 million (2021: €82 million) transferred from the cash flow hedge reserve (note 18).

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

Interest income recognised on debt securities at FVOCI
Interest income on FVOCI financial assets is recognised net of negative interest on derivatives which are in a hedge relationship with the relevant financial asset of €11 million (2021: €25 million).

Interest income on TLTRO III
In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of TLTRO (TLTRO III).

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

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

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

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

5 Interest expense

Interest expense recognised on debt securities in issue
Interest expense on debt securities in issue is recognised on an Effective Interest Rate basis net of interest income of €5 million (2021: €49 million) on derivatives which are in a hedge relationship with the relevant liability.

Interest expense recognised on subordinated liabilities
Interest expense on subordinated liabilities is recognised on an Effective Interest Rate basis, net of interest income of €6 million (2021: €15 million) on derivatives which are in a hedge relationship with the relevant liability.

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

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

	2022 €m	*Restated*[1] 2021 €m
Financial liabilities measured at amortised cost		
Debt securities in issue	173	70
Subordinated liabilities	78	63
Customer accounts	55	74
Deposits from banks	47	3
Lease liabilities	12	11
Interest expense on financial liabilities measured at amortised cost	**365**	**221**
Negative interest on financial assets		
Cash and balances at central banks	74	75
Debt securities at FVOCI	6	34
Loans and advances to banks	3	2
Debt securities at amortised cost	2	20
Negative interest on financial assets	**85**	**131**
Interest expense calculated using effective interest rate method	**450**	**352**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	208	189
Customer accounts at FVTPL	4	2
Other interest expense	1	–
Other interest expense	**213**	**191**
Interest expense	**663**	**543**

6 Net insurance premium income

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

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

7 Fee and commission income and expense

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

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

Expense

Fee and commission expense of €268 million (2021: €179 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

8 Net trading income

Net trading income includes the gains and losses on financial instruments mandatorily measured at FVTPL and those designated at FVTPL (other than unit linked life assurance assets and investment contract liabilities). It includes the fair value movement on these instruments and the realised gains and losses arising on the purchase and sale. It also includes the interest income receivable and expense payable on financial instruments held for trading and €21 million of a net gain arising from FX (2021: €13 million).

It does not include interest income on debt financial assets mandatorily measured at FVTPL, interest expense on financial liabilities designated at FVTPL and interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges).

Net income from financial instruments mandatorily measured at FVTPL includes dividend income from equities, realised and unrealised gains and losses. Non-trading equities and debt securities mandatorily measured at FVTPL are reported in the balance sheet under the caption 'other financial assets at fair value through profit or loss'. The income from life assurance investments which also comprise other financial assets at FVTPL is reported in note 9.

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

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

9 Life assurance investment income, gains and losses

Life assurance investment income, gains and losses comprise the investment return, realised gains and losses and unrealised gains and losses which accrue to the Group on all investment assets held by the Wealth and Insurance division (excluding Davy), other than those held for the benefit of policyholders whose contracts are considered to be investment contracts. These instruments are mandatorily measured at FVTPL.

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

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

10 Other leasing income and expense

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

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

11 Other operating income

	2022 €m	2021 €m
Transfer from debt instruments at FVOCI reserve on asset disposal (note 25)	98	16
Other insurance income	43	52
Movement in Value of in Force asset (note 36)	38	85
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	(3)	(3)
Dividend income	–	3
Other operating income	**176**	**153**

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

12 Insurance contract liabilities and claims paid

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

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

13 Other operating expenses

Administrative expenses and staff costs	2022 €m	*Restated*[1] 2021 €m
Staff costs excluding transformation programme staff costs	861	815
Amortisation of intangible assets (note 31)	152	150
Levies and regulatory charges	143	130
Irish bank levy	*25*	*25*
Other	*118*	*105*
Depreciation of property, plant and equipment (note 33)	60	72
Impairment of property, plant and equipment (note 33)	14	2
Lease expenses (note 42)	3	2
Impairment of intangible assets (note 31)	7	1
Other administrative expenses	772	687
Total	**2,012**	**1,859**
Total staff costs are analysed as follows:		
Wages and salaries	690	626
Social security costs	79	72
Retirement benefit costs (defined benefit plans) (note 46)	59	105
Retirement benefit costs (defined contribution plans)	42	35
Other staff expenses	27	14
	897	**852**
Staff costs capitalised	(36)	(37)
Staff costs excluding transformation programme staff costs	**861**	**815**
Additional transformation programme staff costs:		
Included in transformation programme costs (note 14)	9	23
Total staff costs recognised in the income statement	**870**	**838**

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

13 Other operating expenses *(continued)*

Other administrative expenses

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

Staff numbers

At 31 December 2022, the number of staff (full time equivalents) was 10,153 (2021: 8,696). This year end figure includes 829 Davy staff post acquisition on 1 June 2022.

The following table outlines the increase in the average number of staff employed by the Group.

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

14 Cost of restructuring programme

In 2022, the Group recognised a restructuring charge of €17 million (2021: €110 million) relating to the Group's transformation programme costs. Further details can be found on page 53.

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

15 Auditor's remuneration (excluding Value Added Tax)

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

Disclosure of Auditor's fees is made in accordance with Section 322 of the Companies Act which mandates the disclosure of fees in particular categories and that fees payable to the Group Auditor (KPMG) for services provided to the Group be disclosed in this format. All years presented are on that basis.

The GAC has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

i. Fees paid to the Statutory Auditor, KPMG.
ii. Fees paid to overseas auditors consist of fees paid to KPMG UK in the UK.
iii. Other assurance services consist primarily of review of the interim financial statements, letters of comfort, Davy assurance services, ESG related reporting, fees in connection with reporting to regulators including the CBI and review of compliance with the Government Guarantee Schemes.

16 Net impairment (losses) / gains on financial instruments

	2022 €m	2021 €m
Loans and advances to customers at amortised cost	(188)	147
Movement in impairment loss allowances (note 26)	*(268)*	*112*
Cash recoveries	*80*	*35*
Loan commitments	(5)	52
Guarantees and irrevocable letters of credit	(2)	1
Other financial assets	8	(6)
Net impairment (losses) / gains on financial instruments	**(187)**	**194**

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

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

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

During 2022, the Group completed three transactions whereby it derecognised €0.9 billion of loans and advances to customers (after impairment loss allowance). Expected cash flows arising from the sale of a loan are included in the measurement of expected credit losses under IFRS 9, where certain conditions are met. As the transactions satisfied these conditions, the cash flows have been included in the impairment calculation. See note 26 for further information.

As a result, net impairment (losses) / gains on financial instruments includes a net impairment loss of €9 million arising on the transactions. See note 26 for further information.

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

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

18 Taxation

The taxation charge for the year is €159 million with an effective statutory taxation rate of 15% (2021: taxation charge of €166 million and taxation rate of 14%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses and the re-assessment of the tax losses carried forward.

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

Recognised in income statement	2022 €m	2021 €m
Current tax		
Irish corporation tax		
Current year	*16*	*30*
Adjustments in respect of prior year	*(2)*	*(7)*
Foreign tax		
Current year	*60*	*91*
Adjustments in respect of prior year	*6*	*(4)*
Current tax charge	**80**	**110**
Deferred tax		
Current year profit	100	95
Adjustments in respect of prior year	12	3
Origination and reversal of temporary differences	(23)	28
Impact of corporation tax rate change	5	(13)
Reassessment of value of tax losses carried forward	(15)	(57)
Deferred tax charge	**79**	**56**
Taxation charge	**159**	**166**

Reconciliation of tax on the profit before taxation at the standard Irish corporation tax rate to actual tax charge	2022 €m	2021 €m
Profit before tax multiplied by the standard rate corporation tax in Ireland of 12.5% (2021: 12.5%)	132	153
Effects of:		
Reassessment of value of tax losses carried forward	(15)	(57)
Foreign earnings subject to different rates of tax	39	70
Wealth and Insurance companies - different basis of accounting	(15)	17
Adjustments in respect of prior year	16	(8)
Share of results of associates and joint ventures shown post tax in the income statement	(4)	–
Impact of corporation tax rate change	5	(13)
Other adjustments for tax purposes	1	4
Taxation charge	**159**	**166**

18 Taxation *(continued)*

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

19 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 2022 and 2021, there was no difference in the weighted average number of units of share used for basic and diluted earnings per share.

	2022 €m	2021 €m
Basic and diluted earnings per share		
Profit attributable to shareholders	889	1,048
Distributions on other equity instruments - AT1 coupon	(69)	(68)
Profit attributable to ordinary shareholders	**820**	**980**
	Shares	**Shares**
Weighted average number of shares in issue excluding treasury shares (millions)	1,071	1,075
Basic and diluted earnings per share (cent)	76.6c	91.2c

20 Derivative financial instruments

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in the Risk Management Report. The notional amounts of certain types of derivatives do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit risk. The derivative instruments give rise to assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

Derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Group does not apply hedge accounting. Derivatives classified as held for hedging

20 Derivative financial instruments *(continued)*

comprise only those derivatives to which the Group applies hedge accounting.

The Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €5.1 billion at 31 December 2022 (2021: €1.6 billion):

- €5.0 billion (2021: €1.4 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities;
- cash collateral of €0.6 billion (2021: €0.1 billion) was held against these assets and is reported within deposits from banks (note 37); and
- €0.1 billion (2021: €0.2 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the reporting date.

€1.4 billion (2021: €0.8 billion) of cash collateral is included in placements with other banks (note 23) and €0.05 billion (2021: €0.1 billion) in loans and advances to customers (note 26) is placed with derivative counterparties in respect of a net derivative liability position of €1.2 billion (2021: €0.9 billion).

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

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

20 Derivative financial instruments *(continued)*

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

Included within the Group's derivative financial liabilities of €6.5 billion at 31 December 2022 is €275 million relating to a derivative contract recognised as part of the commitment to purchase the performing retail book of KBCI. The fair value of this derivative financial instrument was immaterial at 31 December 2021. On the 22 October 2021, the Group entered into a binding agreement with KBCI and KBC Group for the acquisition of their mortgage, commercial loan, consumer loan and deposit portfolios. This transaction completed on 3 February 2023. See note 64 for additional information on the portfolio. This agreement is considered to represent a derivative financial instrument, with a fair value of €275 million recognised at 31 December 2022.

Interest rate benchmark reform

At 31 December 2022, USD LIBOR represented the most significant interbank offered rate benchmarks subject to reform to which the Group's fair value and cash flow hedge relationships of interest rate risk are exposed.

The process being used by the Group to manage the transition to alternative benchmark rates is further discussed in note 63.

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships. The Group has applied judgement in relation to market expectations when determining the fair value of the hedging instrument and the present value of the estimated cash flows of the hedged item.

The key judgement is that the cash flows for contracts indexing rates subject to the BMR reform are currently expected to be broadly equivalent to the cash flows when those contracts transition to alternative BMRs. However, if upon transition to an alternative benchmark rate, the new basis for determining contractual cash flows is not economically equivalent to the previous basis and the modification is deemed to be substantial, the hedging instrument and / or hedged item will be required to be derecognised, which would imply discontinuation of the corresponding hedge accounting relationship. Any subsequent re-designation of such hedge relationships may increase hedge ineffectiveness.

The timing of the nominal amounts of hedging instruments (excluding those subject to a dynamic macro-hedging process) and the applicable average rates were as follows.

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

Fair value hedges

Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and FX exposure on the Group's fixed rate debt held, fixed rate mortgages, customer accounts and debt issued portfolios. The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year are shown in the tables below. In the tables below

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

20 Derivative financial instruments *(continued)*

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

2021 Items designated as hedging instruments and hedge ineffectiveness Risk category	Hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Liabilities €m	Changes in value used to calculate hedge ineffectiveness €m	Ineffectiveness recognised in profit or loss €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk	Interest rate swaps	52,979	482	(513)	37	3	980
Foreign Exchange Risk	Cross Currency Interest Rate Swaps	82	–	(7)	(2)	–	–
Total		**53,061**	**482**	**(520)**	**35**	**3**	**980**

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

The main cause of ineffectiveness in the Group's fair value hedge relationships are differences in maturities between certain interest rate swaps and their related hedged items. In the tables below, the fair value adjustment on loans and advances to customers and customer accounts is presented separately on the balance sheet.

2022 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI	4,070	–	(482)	–	(569)	–
Debt securities at amortised cost	3,982	–	(659)	–	(703)	–
Loans and advances to customers	15,068	–	(47)	–	(721)	(1)
Customer accounts	–	(44,562)	–	–	2,780	–
Debt securities in issue	–	(6,773)	–	417	481	(1)
Subordinated liabilities	–	(1,543)	–	98	100	–
Foreign exchange risk						
Debt securities in issue	–	(67)	–	5	6	–
Total	**23,120**	**(52,945)**	**(1,188)**	**520**	**1,374**	**(2)**

20 Derivative financial instruments *(continued)*

Restated[1]

2021 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item[1] Assets €m	 Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item[1] Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges[1] €m
Interest rate risk						
Debt instruments measured at FVOCI	9,021	–	8	–	(213)	27
Debt securities at amortised cost	5,053	–	43	–	(173)	1
Loans and advances to customers[1]	10,902	–	2	–	(155)	(1)
Customer accounts[1]	–	(20,750)	–	–	373	–
Debt securities in issue	–	(6,161)	–	(57)	110	(1)
Subordinated liabilities	–	(1,865)	–	(7)	24	–
Foreign exchange risk						
Debt securities in issue	–	(75)	–	2	2	–
Total	**24,976**	**(28,851)**	**53**	**(62)**	**(32)**	**26**

Cash flow hedges

The Group designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from floating rate assets and liabilities and from foreign currency assets.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year are shown in the tables below:

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

In the comparative table below, 'Nominal amount of the hedging instruments affected by BMR reform' includes one cross-currency interest rate swap covered by the ISDA fallback protocol, which was triggered immediately after the GBP LIBOR cessation date of 31 December 2021.

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

20 Derivative financial instruments *(continued)*

2021 Risk category and hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or (loss) €m	Amount reclassified from the cash flow hedge reserve to profit or (loss) €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk								
Interest rate swaps	217	–	(11)	20	(20)	–	(6)	–
Foreign exchange risk								
Cross currency interest rate swaps	10,989	–	(471)	(838)	838	–	912	5
Total	**11,206**	**–**	**(482)**	**(818)**	**818**	**–**	**906**	**5**

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

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

2022 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discontinued hedges €m
Interest rate risk	(17)	32	8
Foreign exchange risk	(516)	–	–
Total	**(533)**	**32**	**8**

2021 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discontinued hedges €m
Interest rate risk	(20)	16	12
Foreign exchange risk	838	14	–
Total	**818**	**30**	**12**

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

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

21 Impact of voluntary change in fair value hedge adjustment accounting policy

As outlined in the Group accounting policies note 1, 'Voluntary change in accounting policy' on page 198, the Group has voluntarily changed its accounting policy during 2022 for the presentation of portfolio fair value hedge adjustments.

The change in accounting policy has been accounted for retrospectively as required under IAS 8, and the comparative period has been restated to reflect this change. The effect of this change on the current period and the prior period is explained in this note.

The table below includes the relevant financial statement line items only which have been impacted by the change in accounting policy:

	2022			2021		
Consolidated balance sheet (selected lines)	**Before change in accounting policy €m**	**Impact of change in accounting policy €m**	**Total €m**	**Published €m**	**Impact of change in accounting policy €m**	**Total €m**
Loans and advances to customers	71,223	738	71,961	76,346	76	76,422
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	(738)	(738)	–	(76)	(76)
Total	**71,223**	**–**	**71,223**	**76,346**	**–**	**76,346**
Customer accounts	96,376	2,824	99,200	92,754	20	92,774
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	(2,824)	(2,824)	–	(20)	(20)
Total	**96,376**	**–**	**96,376**	**92,754**	**–**	**92,754**

22 Other financial assets at fair value through profit or loss

Other financial assets at FVTPL include assets managed on a fair value basis by the life assurance business and those assets which do not meet the requirements in order to be measured at FVOCI or amortised cost.

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the policyholders. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal change in the value of the amounts due to policyholders. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet. At 31 December 2022, such assets were €16,666 million (2021: €17,991 million). Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €12,068 million (2021: €13,108 million) (note 57).

Other financial assets of €1,887 million (2021: €2,087 million) include €1,747 million (2021: €1,964 million) relating to assets held by the Group's life assurance business for solvency margin purposes or as backing for non-linked policyholder liabilities. Further details on financial assets mandatorily measured at FVTPL is set out in note 60. Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €764 million (2021: €303 million) (note 57).

	2022 €m	**2021 €m**
Assets linked to policyholder liabilities		
Equity securities	12,376	13,674
Debt securities	1,864	1,900
Unit trusts	1,482	1,450
Government bonds	944	967
	16,666	**17,991**
Other financial assets		
Equity securities	647	108
Debt securities	519	868
Government bonds	502	836
Unit trusts	219	275
	1,887	**2,087**
Other financial assets at fair value through profit or loss	**18,553**	**20,078**

23 Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost or financial assets mandatorily at FVTPL. The associated impairment loss allowance on loans and advances to banks is measured on a 12-month or lifetime ECL approach.

Loans and advances to banks at FVTPL include assets managed on a fair value basis by the life assurance business and those assets which do not meet the requirements in order to be measured at FVOCI or amortised cost. At 31 December 2022, the Group's loans and advances to banks includes €160 million (2021: €184 million) of assets held on behalf of Wealth and Insurance life policyholders.

Mandatory deposits with central banks includes €1.0 billion relating to collateral in respect of the Group's issued bank notes in NI (2021: €1.2 billion).

Placements with other banks includes cash collateral of €1.4 billion (2021: €0.8 billion) placed with derivative counterparties in relation to net derivative liability positions (note 20).

The Group enters into transactions to purchase securities with agreement to resell and accepts collateral that it is permitted to be sold or repledged in the absence of default by the owner of the collateral. At 31 December 2022, there was no collateral included in the loans and advances to banks at FVTPL (2021: €61 million).

	2022 €m	2021 €m
Placements with banks	1,788	1,172
Mandatory deposits with central banks	1,076	1,263
Funds placed with central banks not on demand	34	36
	2,898	**2,471**
Less impairment loss allowance on loans and advances to banks	(1)	(1)
Loans and advances to banks at amortised cost	**2,897**	**2,470**
Loans and advances to banks at FVTPL	147	280
Loans and advances to banks	**3,044**	**2,750**

There has been no significant change in the impairment loss allowance on loans and advances to banks held at amortised cost during the year. The composition of loans and advances to banks at amortised cost by stage is set out on page 259 and the asset quality of loans and advances to banks at amortised cost is set out on page 271.

Loans and advances to banks at FVTPL are not subject to impairment under IFRS 9.

24 Debt securities at amortised cost

The following table details the significant categories of debt securities at amortised cost.

At 31 December 2022, there were no debt securities at amortised cost that had been pledged to third parties in sale and repurchase agreements (2021: €4,712 million). In 2021, this related to government and corporate bonds pledged to the CBI as part of the TLTRO III drawdown. This funding under TLTRO III was repaid in full by the Group in November 2022. The Group did not derecognise any securities delivered in such sale and repurchase agreements on the balance sheet.

The composition of debt securities at amortised cost by stage is set out on page 259 and the asset quality of debt securities at amortised cost is set out on page 271.

	2022 €m	2021 €m
Government bonds	3,752	5,231
Other debt securities at amortised cost	671	737
Asset backed securities	50	41
Less impairment loss allowance	(1)	(1)
Debt securities at amortised cost	**4,472**	**6,008**

25 Financial assets at fair value through other comprehensive income

At 31 December 2022, there were no debt instruments at FVOCI that had been pledged to third parties in sale and repurchase agreements (2021: €5,326 million). In 2021, this related to government and corporate bonds pledged to the CBI as part of the TLTRO III drawdown. This funding under TLTRO III was repaid in full by the Group in November 2022. The Group did not derecognise any securities delivered in such sale and repurchase agreements on the balance sheet.

The impairment loss allowance for ECL of €1 million (2021: €3 million) on debt instruments at FVOCI does not reduce the carrying amount, but an amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the income statement. The composition of debt instruments at FVOCI by stage is set out on page 259 and the asset quality of debt instruments at FVOCI is set out on page 271.

In 2022, the Group disposed of debt instruments at FVOCI of €4,201 million (2021: €1,924 million) which resulted in a transfer of €98 million (2021: €16 million) from the debt instruments at FVOCI reserve to the income statement.

At 31 December 2022, financial assets at FVOCI included €2,745 million (2021: €5,486 million) placed with Monetary Authorities as collateral, to access intraday and other funding facilities, if required.

	2022 €m	2021 €m
Debt instruments at FVOCI		
Other debt securities - listed	3,524	4,375
Government bonds	730	5,082
Total debt instruments at FVOCI	**4,254**	**9,457**
Impairment loss allowance on debt instruments at FVOCI	**(1)**	**(3)**

Fair value	2022 €m	2021 €m
Opening balance	**9,457**	**10,942**
Additions	283	1,446
Redemptions and disposals	(4,785)	(2,620)
Revaluation, exchange and other adjustments	(701)	(311)
Closing balance	**4,254**	**9,457**

26 Loans and advances to customers

Loans and advances to customers at amortised cost

Loans and advances to customers at amortised cost (after impairment loss allowance) at 31 December 2022 were €71.7 billion (2021: €76.0 billion) and included cash collateral of €45 million (2021: €118 million) placed with derivative counterparties in relation to net derivative liability positions.

Loans and advances to customers at FVTPL

Loans and advances to customers at fair value through profit or loss are not subject to impairment under IFRS 9. At 31 December 2022, loans and advances to customers at FVTPL included €217 million (2021: €225 million) relating to the Life Loan mortgage product, which was offered by the Group until November 2010. The cash flows of the Life Loans are not considered to consist solely of payments of principal and interest, and as such are classified as FVTPL.

There are no loans and advances to customers at FVTPL related to syndicated corporate facilities for year ended 31 December 2022 (2021: €201 million). As the Group's objective is to realise cash flows through the sale of these assets, they were classified as loans and advances to customers at FVTPL.

Included within loans and advances to customers is €257 million (2021: €360 million) of lending in relation to the UK government-backed Bounce Back Loan and Coronavirus Business Interruption schemes.

During 2022, the Group completed three transactions whereby it derecognised €0.9 billion of loans and advances to customers (after impairment loss allowance) as follows:

- In April 2022, the Group disposed of a portfolio of non-performing RoI residential mortgage loans. The portfolio disposed of had a gross carrying value of €83 million (before impairment loss allowance) and a net carrying value of €72 million (after impairment loss allowance);
- In November 2022, the Group entered into a securitisation arrangement for a portfolio of non-performing UK residential mortgage loans through an unconsolidated SPV, Temple Quay No.1 Plc (note 57). The portfolio had a gross carrying value of €527 million (before impairment loss allowance) and a net carrying value of €462 million (after impairment loss allowance). The Group transferred the beneficial interest in the loans to Temple Quay No. 1 which in turn has issued notes backed by these loans. The Group has retained 5% of the risks, rewards and cash flows in the securitisation by way of a Vertical Risk Retention (VRR) Loan which is held in debt securities at amortised cost; and
- In November 2022, the Group disposed of a portfolio of RoI non-performing loans (comprising primarily of owner occupier and BTL NPEs, together with a smaller portfolio of non-mortgage NPEs) with a gross carrying value of €742 million (before impairment loss allowance) and a net carrying value of €385 million (after impairment loss allowance).

All loans included in these transactions have been derecognised from the balance sheet.

The Group has recognised an impairment loss of €9 million relating to the disposal of these loans which has been reported through net impairment losses on financial instruments (note 16).

26 Loans and advances to customers *(continued)*

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost. The POCI assets of €80 million at 31 December 2022 (2021: €81 million) included €1 million (2021: €1 million) of assets with an impairment loss allowance of €nil (2021: €nil) which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.

	2022 €m	*Restated*[1] 2021 €m
Loans and advances to customers at amortised cost	69,454	74,400
Finance leases and hire purchase receivables	3,585	3,554
	73,039	**77,954**
Less allowance for impairment charges on loans and advances to customers	(1,295)	(1,958)
Loans and advances to customers at amortised cost	**71,744**	**75,996**
Loans and advances to customers at fair value through profit or loss	217	426
Total loans and advances to customers	**71,961**	**76,422**
Amounts include:		
Due from joint ventures and associates	84	131

2022 Gross carrying amount at amortised cost (before impairment loss allowance)	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	34,020	15,253	3,864	4,694	57,831
Stage 2 - Lifetime ECL (not credit-impaired)	3,546	4,665	3,922	510	12,643
Stage 3 - Lifetime ECL (credit-impaired)	450	1,534	355	146	2,485
Purchased / originated credit-impaired	4	16	60	–	80
Gross carrying amount at 31 December 2022	**38,020**	**21,468**	**8,201**	**5,350**	**73,039**

2022 Impairment loss allowance	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	18	65	10	49	142
Stage 2 - Lifetime ECL (not credit-impaired)	38	153	53	41	285
Stage 3 - Lifetime ECL (credit-impaired)	89	563	102	81	835
Purchased / originated credit-impaired	1	2	30	–	33
Impairment loss allowance at 31 December 2022	**146**	**783**	**195**	**171**	**1,295**

Restated[1] **2021 Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages €m**	**Non-property SME and corporate[1] €m**	**Property and construction €m**	**Consumer €m**	**Total[1] €m**
Stage 1 - 12 month ECL (not credit-impaired)[1]	38,708	14,430	3,280	4,863	61,281
Stage 2 - Lifetime ECL (not credit-impaired)	2,779	5,100	4,299	229	12,407
Stage 3 - Lifetime ECL (credit-impaired)	1,773	1,305	970	137	4,185
Purchased / originated credit-impaired	2	15	64	–	81
Gross carrying amount at 31 December 2021	**43,262**	**20,850**	**8,613**	**5,229**	**77,954**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

26 Loans and advances to customers *(continued)*

2021 Impairment loss allowance	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	28	67	10	65	170
Stage 2 - Lifetime ECL (not credit-impaired)	60	247	78	31	416
Stage 3 - Lifetime ECL (credit-impaired)	416	439	416	76	1,347
Purchased / originated credit-impaired	–	2	23	–	25
Impairment loss allowance at 31 December 2021	**504**	**755**	**527**	**172**	**1,958**

The following tables show the changes in gross carrying amount and impairment loss allowances of loans and advances to customers at amortised cost for the year ended 31 December 2022. The tables are prepared based on a combination of aggregation of monthly movements for material term loan portfolios (i.e. incorporating all movements a loan in these portfolios has made during the year) and full year movements for revolving-type facilities and less material (primarily Consumer) portfolios.

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a 'significant increase in credit risk' or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in the credit risk section of the Risk Management Report on page 166 and the Group accounting policies note on page 201 with updates for 2022 (including the impact of the implementation of a revised definition of default) outlined in the Credit Risk section of the Risk Management Report on pages 164 to 168.

Transfers between each stage reflect the balances and impairment loss allowances prior to transfer. The impact of re-measurement of impairment loss allowance on stage transfer is reported within 're-measurement' in the new stage that a loan has transferred into. For those tables based on an aggregation of the months transfers between stages, transfers may include loans which have subsequently transferred back to their original stage or migrated further to another stage.

'Net changes in exposure' comprise the movements in the gross carrying amount and impairment loss allowance as a result of new loans originated and repayments of outstanding balances throughout the reporting period.

'Net impairment losses / (gains) in income statement' does not include the impact of cash recoveries which are recognised directly in the income statement (note 16).

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

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

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

'Measurement reclassification and other movements' includes a fair value hedge adjustment on loans to customers.

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**

26 Loans and advances to customers *(continued)*

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2022 includes €312 million of contractual amounts outstanding that are still subject to enforcement activity.

2022 Impairment loss allowance	Stage 1 - 12 month ECL (not credit impaired) €m	Stage 2 - Lifetime ECL (not credit impaired) €m	Stage 3 - Lifetime ECL (credit impaired) €m	Purchased / originated credit impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**170**	**416**	**1,347**	**25**	**1,958**
Total net transfers	143	(164)	21	–	–
To 12 month ECL (not credit impaired)	*188*	*(185)*	*(3)*	–	–
To lifetime ECL (not credit impaired)	*(43)*	*126*	*(83)*	–	–
To lifetime ECL (credit impaired)	*(2)*	*(105)*	*107*	–	–
Net impairment losses / (gains) in income statement	(166)	34	391	9	268
Re-measurement	*(240)*	*68*	*529*	*7*	*364*
Net changes in exposure	*41*	*(97)*	*(200)*	–	*(256)*
ECL model parameter and / or methodology changes	*33*	*63*	*62*	*2*	*160*
Impairment loss allowances utilised	–	–	(927)	–	(927)
Exchange adjustments	(4)	(3)	(8)	(2)	(17)
Measurement reclassification and other movements	(1)	2	11	1	13
Impairment loss allowance at 31 December 2022	**142**	**285**	**835**	**33**	**1,295**
Impairment coverage at 31 December 2022 (%)	**0.25%**	**2.25%**	**33.60%**	**41.23%**	**1.77%**

Total gross loans and advances to customers decreased during the period by €4.9 billion from €77.9 billion at 31 December 2021 to €73.0 billion at 31 December 2022.

The Group's approach for identifying a significant increase in credit risk is outlined on page 166 of the Risk Management Report.

Stage 1 loans have decreased by €3.5 billion primarily reflecting the impact of net transfers of €3.8 billion to other risk stages and adverse FX movements of €1.2 billion partly offset net new lending of €1.5 billion. Net transfers to other risk stages reflect the impact of the deterioration in the economic conditions, including elevated inflation rates and interest rates on the credit risk in the loan book, offset by the diminished latent credit risk associated with COVID-19 that was reflected in the balance sheet at 31 December 2021.

Impairment loss allowances on Stage 1 loans have decreased by €28 million, resulting in a decrease in coverage on Stage 1 loans from 0.28% at 31 December 2021 to 0.25% at 31 December 2022. The impact of the staging transfers resulted in a further increase to impairment loss allowances of €143m and ECL model parameter changes, which includes the impact of impairment model parameter updates and changes in the macroeconomic outlook, resulted in a further increase of €33 million during 2022. Remeasurements contributed a decrease of €240 million reflecting the impact of re-measuring net transfers from other stages from lifetime ECL to 12-month ECL, as well as the removal of the stage 1 component of the Group's post model adjustments at 31 December 2021.

Stage 2 loans have increased by €0.2 billion, with transfers from other stages of €2.8 billion offset by net repayments of €2.4 billion and other adjustments of €0.2 billion. The net increase in stage 2 loans reflects the application of updated FLI at the reporting date, individually assessed risk ratings, credit risk assessments and re-assessment for post-model adjustments. The relative stability in the stage 2 population reflects the deterioration in economic conditions, including elevated inflation rates and rising interest rates, that emerged in 2022, offset by the diminished latent credit risk associated with COVID-19 that was reflected in the balance sheet at 31 December 2021.

Coverage on Stage 2 loans has decreased from 3.35% at 31 December 2021 to 2.25% at 31 December 2022. The impact of the net repayment of Stage 2 exposures noted above was a reduction in impairment loss allowances with net transfers to other stages resulting in a reduction of €164 million. This is partially offset by a net €34 million charge comprising of remeasurement, repayments, ECL model parameter or methodology changes and the removal of the Stage 2 component of the Group's post model adjustments at 31 December 2021.

Stage 3 loans have decreased by €1.7 billion, with the key drivers being the impact of repayments of €1.3 billion from portfolio disposals and €0.3 billion from case specific resolution activities, the utilisation of impairment loss allowances of €0.9 billion and FX of €0.1 billion offset by a net migration from other stages of €0.9 billion. The net reduction in stage 3 was delivered via portfolio disposals as well as case specific resolution strategies, particularly in relation to a small number of large, defaulted cases in the Investment property portfolio. These decreases were partly offset by the emergence of new defaults for case specific reasons primarily in the corporate portfolio.

Stage 3 ILAs have decreased by €512 million due to the utilisation of ILAs of €927 million from the portfolio disposals and the impact of net reductions in exposure of €200 million across all portfolios offset by re-measurement of €529 million and ECL parameter changes of €62 million.

Cover on Stage 3 loans has increased from 32.19% at 31 December 2021 to 33.60% at 31 December 2022. The increase is primarily driven by an increase in Stage 3 Non-property SME and corporate from 34% to 37% reflecting case specific impairment assessments for some larger defaulted assets.

26 Loans and advances to customers *(continued)*

Restated[2] 2021 **Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit impaired)[2] €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[2] €m**
Opening balance 1 January 2021	**58,253**	**15,743**	**4,376**	**90**	**78,462**
Total net transfers	(1,049)	173	876	–	–
To 12 month ECL (not credit impaired)	*9,095*	*(9,086)*	*(9)*	–	–
To lifetime ECL (not credit impaired)	*(9,828)*	*10,356*	*(528)*	–	–
To lifetime ECL (credit impaired)	*(316)*	*(1,097)*	*1,413*	–	–
Net changes in exposure	2,034	(3,910)	(937)	2	(2,811)
Impairment loss allowances utilised	–	–	(244)	(16)	(260)
Exchange adjustments	2,050	387	113	5	2,555
Measurement reclassification and other movements[2]	(7)	14	1	–	8
Gross carrying amount at 31 December 2021	**61,281**	**12,407**	**4,185**	**81**	**77,954**

'Measurement reclassification and other movements' includes a fair value hedge adjustment on loans to customers.

2021 **Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**346**	**552**	**1,312**	**32**	**2,242**
Total net transfers	128	(166)	38	–	–
To 12 month ECL (not credit impaired)	*235*	*(232)*	*(3)*	–	–
To lifetime ECL (not credit impaired)	*(102)*	*165*	*(63)*	–	–
To lifetime ECL (credit impaired)	*(5)*	*(99)*	*104*	–	–
Net impairment losses / (gains) in income statement	(315)	22	174	7	(112)
Re-measurement	*(186)*	*249*	*313*	*7*	*383*
Net changes in exposure	*9*	*(130)*	*(165)*	–	*(286)*
ECL model parameter and / or methodology changes	*(138)*	*(97)*	*26*	–	*(209)*
Impairment loss allowances utilised	–	–	(244)	(16)	(260)
Exchange adjustments	10	6	16	2	34
Measurement reclassification and other movements	1	2	51	–	54
Impairment loss allowance at 31 December 2021	**170**	**416**	**1,347**	**25**	**1,958**
Impairment coverage at 31 December 2021 (%)	**0.28%**	**3.35%**	**32.19%**	**30.86%**	**2.51%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2021 includes €97 million of contractual amounts outstanding that are still subject to enforcement activity.

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.

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

26 Loans and advances to customers *(continued)*

Residential Mortgages

2022 Residential mortgages - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 -Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2022	**38,708**	**2,779**	**1,773**	**2**	**43,262**
Total net transfers	(1,479)	1,346	133	–	–
To 12 month ECL (not credit impaired)	*3,028*	*(3,028)*	*–*	–	–
To lifetime ECL (not credit impaired)	*(4,350)*	*4,654*	*(304)*	–	–
To lifetime ECL (credit impaired)	*(157)*	*(280)*	*437*	–	–
Net changes in exposure	(2,230)	(524)	(1,053)	1	(3,806)
Impairment loss allowances utilised	–	–	(365)	–	(365)
Exchange adjustments	(1,002)	(53)	(37)	–	(1,092)
Measurement reclassification and other movements	23	(2)	(1)	1	21
Gross carrying amount at 31 December 2022	**34,020**	**3,546**	**450**	**4**	**38,020**

2022 Residential mortgages - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**28**	**60**	**416**	**–**	**504**
Total net transfers	61	(29)	(32)	–	–
To 12 month ECL (not credit impaired)	*68*	*(68)*	*–*	–	–
To lifetime ECL (not credit impaired)	*(7)*	*48*	*(41)*	–	–
To lifetime ECL (credit impaired)	*–*	*(9)*	*9*	–	–
Net impairment losses / (gains) in income statement	(70)	8	85	1	24
Re-measurement	*(68)*	*(8)*	*90*	*1*	*15*
Net changes in exposure	*(13)*	*(14)*	*(22)*	*–*	*(49)*
ECL model parameter and / or methodology changes	*11*	*30*	*17*	*–*	*58*
Impairment loss allowances utilised	–	–	(365)	–	(365)
Exchange adjustments	(1)	(1)	(3)	–	(5)
Measurement reclassification and other movements	–	–	(12)	–	(12)
Impairment loss allowance at 31 December 2022	**18**	**38**	**89**	**1**	**146**
Impairment coverage at 31 December 2022 (%)	**0.05%**	**1.07%**	**19.78%**	**25%**	**0.38%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2022 includes €12 million of contractual amounts outstanding that are still subject to enforcement activity.

26 Loans and advances to customers *(continued)*

2021 Residential mortgages- Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**40,016**	**2,528**	**2,196**	**2**	**44,742**
Total net transfers	(890)	743	147	–	–
To 12 month ECL (not credit impaired)	*3,820*	*(3,820)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(4,519)*	*4,859*	*(340)*	*–*	*–*
To lifetime ECL (credit impaired)	*(191)*	*(296)*	*487*	*–*	*–*
Net changes in exposure	(1,857)	(540)	(581)	–	(2,978)
Impairment loss allowances utilised	–	–	(37)	–	(37)
Exchange adjustments	1,435	46	48	–	1,529
Measurement reclassification and other movements	4	2	–	–	6
Gross carrying amount at 31 December 2021	**38,708**	**2,779**	**1,773**	**2**	**43,262**

2021 Residential mortgages Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired €m)	Purchased / originated credit-impaired allowance €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**74**	**31**	**374**	**–**	**479**
Total net transfers	59	(44)	(15)	–	–
To 12 month ECL (not credit impaired)	*75*	*(75)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(15)*	*42*	*(27)*	*–*	*–*
To lifetime ECL (credit impaired)	*(1)*	*(11)*	*12*	*–*	*–*
Net impairment losses / (gains) in income statement	(109)	72	83	1	47
Re-measurement	*(68)*	*81*	*101*	*1*	*115*
Net changes in exposure	*(18)*	*(8)*	*(34)*	*–*	*(60)*
ECL model parameter and / or methodology changes	*(23)*	*(1)*	*16*	*–*	*(8)*
Impairment loss allowances utilised	–	–	(37)	–	(37)
Exchange adjustments	4	1	3	(1)	7
Measurement reclassification and other movements	–	–	8	–	8
Impairment loss allowance at 31 December 2021	**28**	**60**	**416**	**–**	**504**
Impairment coverage at 31 December 2021 (%)	**0.07%**	**2.16%**	**23.46%**	**–**	**1.16%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2021 includes €6 million of contractual amounts outstanding that are still subject to enforcement activity.

26 Loans and advances to customers *(continued)*

Non-property SME and corporate

2022 Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 -Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2022	**14,430**	**5,100**	**1,305**	**15**	**20,850**
Total net transfers	(1,332)	641	691	–	–
To 12 month ECL (not credit impaired)	*2,131*	*(2,125)*	*(6)*	–	–
To lifetime ECL (not credit impaired)	*(3,394)*	*3,602*	*(208)*	–	–
To lifetime ECL (credit impaired)	*(69)*	*(836)*	*905*	–	–
Net changes in exposure	2,218	(1,084)	(283)	–	851
Impairment loss allowances utilised	–	–	(161)	–	(161)
Exchange adjustments	3	(3)	(19)	1	(18)
Measurement reclassification and other movements	(66)	11	1	–	(54)
Gross carrying amount at 31 December 2022	**15,253**	**4,665**	**1,534**	**16**	**21,468**

2022 Non-property SME and corporate - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**67**	**247**	**439**	**2**	**755**
Total net transfers	68	(105)	37	–	–
To 12 month ECL (not credit impaired)	*94*	*(93)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(25)*	*57*	*(32)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(69)*	*70*	–	–
Net impairment losses / (gains) in income statement	(69)	12	236	(1)	178
Re-measurement	*(138)*	*41*	*248*	*(1)*	*150*
Net changes in exposure	*51*	*(51)*	*(50)*	–	*(50)*
ECL model parameter and / or methodology changes	*18*	*22*	*38*	–	*78*
Impairment loss allowances utilised	–	–	(161)	–	(161)
Exchange adjustments	(1)	(1)	(2)	1	(3)
Measurement reclassification and other movements	–	–	14	–	14
Impairment loss allowance at 31 December 2022	**65**	**153**	**563**	**2**	**783**
Impairment coverage at 31 December 2022 (%)	**0.43%**	**3.28%**	**36.7%**	**12.5%**	**3.65%**

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

26 Loans and advances to customers *(continued)*

Restated[3] **2021** **Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired)[3] €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total gross carrying amount[3] €m**
Opening balance 1 January 2021	**10,637**	**8,181**	**1,014**	**26**	**19,858**
Total net transfers	681	(1,175)	494	–	–
To 12 month ECL (not credit impaired)	*3,896*	*(3,890)*	*(6)*	–	–
To lifetime ECL (not credit impaired)	*(3,137)*	*3,260*	*(123)*	–	–
To lifetime ECL (credit impaired)	*(78)*	*(545)*	*623*	–	–
Net changes in exposure	2,683	(2,150)	(132)	3	404
Impairment loss allowances utilised	–	–	(95)	(16)	(111)
Exchange adjustments	341	228	21	1	591
Measurement reclassification and other movements[3]	88	16	3	1	108
Gross carrying amount at 31 December 2021	**14,430**	**5,100**	**1,305**	**15**	**20,850**

2021 **Non-property SME and corporate - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**134**	**368**	**416**	**13**	**931**
Total net transfers	60	(91)	31	–	–
To 12 month ECL (not credit impaired)	*138*	*(136)*	*(2)*	–	–
To lifetime ECL (not credit impaired)	*(76)*	*100*	*(24)*	–	–
To lifetime ECL (credit impaired)	*(2)*	*(55)*	*57*	–	–
Net impairment losses / (gains) in income statement	(128)	(34)	70	4	(88)
Re-measurement	*(91)*	*143*	*106*	*4*	*162*
Net changes in exposure	*22*	*(88)*	*(46)*	–	*(112)*
ECL model parameter and / or methodology changes	*(59)*	*(89)*	*10*	–	*(138)*
Impairment loss allowances utilised	–	–	(95)	(16)	(111)
Exchange adjustments	–	2	2	1	5
Measurement reclassification and other movements	1	2	15	–	18
Impairment loss allowance at 31 December 2021	**67**	**247**	**439**	**2**	**755**
Impairment Coverage at 31 December 2021 (%)	**0.46%**	**4.84%**	**33.64%**	**13.33%**	**3.62%**

Impairment loss allowances utilised on Non-property SME and corporate during 2021 includes €40 million of contractual amounts outstanding that are still subject to enforcement activity.

[3] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

26 Loans and advances to customers *(continued)*

Property and construction

2022 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2022	**3,280**	**4,299**	**970**	**64**	**8,613**
Total net transfers	(552)	438	114	–	–
To 12 month ECL (not credit impaired)	*1,145*	*(1,145)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(1,696)*	*1,781*	*(85)*	*–*	*–*
To lifetime ECL (credit impaired)	*(1)*	*(198)*	*199*	*–*	*–*
Net changes in exposure	1,165	(773)	(349)	(1)	42
Impairment loss allowances utilised	–	–	(355)	–	(355)
Exchange adjustments	(27)	(48)	(25)	(2)	(102)
Measurement reclassification and other movements	(2)	6	–	(1)	3
Gross carrying amount at 31 December 2022	**3,864**	**3,922**	**355**	**60**	**8,201**

2022 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**10**	**78**	**416**	**23**	**527**
Total net transfers	9	(18)	9	–	–
To 12 month ECL (not credit impaired)	*13*	*(13)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(4)*	*12*	*(8)*	*–*	*–*
To lifetime ECL (credit impaired)	*–*	*(17)*	*17*	*–*	*–*
Net impairment losses / (gains) in income statement	(9)	(8)	28	9	20
Re-measurement	*(10)*	*(6)*	*149*	*7*	*140*
Net changes in exposure	*3*	*(9)*	*(128)*	*–*	*(134)*
ECL model parameter and / or methodology changes	*(2)*	*7*	*7*	*2*	*14*
Impairment loss allowances utilised	–	–	(355)	–	(355)
Exchange adjustments	–	–	(1)	(3)	(4)
Measurement reclassification and other movements	–	1	5	1	7
Impairment loss allowance at 31 December 2022	**10**	**53**	**102**	**30**	**195**
Impairment coverage at 31 December 2022 (%)	**0.26%**	**1.35%**	**28.73%**	**50%**	**2.38%**

Impairment loss allowances utilised on Property and construction during 2022 includes €188 million of contractual amounts outstanding that are still subject to enforcement activity.

26 Loans and advances to customers *(continued)*

2021 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**2,639**	**4,869**	**1,021**	**62**	**8,591**
Total net transfers	(649)	469	180	–	–
To 12 month ECL (not credit impaired)	*1,268*	*(1,268)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(1,915)*	*1,968*	*(53)*	*–*	*–*
To lifetime ECL (credit impaired)	*(2)*	*(231)*	*233*	*–*	*–*
Net changes in exposure	1,333	(1,141)	(205)	(1)	(14)
Impairment loss allowances utilised	–	–	(64)	–	(64)
Exchange adjustments	58	106	40	4	208
Measurement reclassification and other movements	(101)	(4)	(2)	(1)	(108)
Gross carrying amount at 31 December 2021	**3,280**	**4,299**	**970**	**64**	**8,613**

2021 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**9**	**126**	**442**	**19**	**596**
Total net transfers	6	(25)	19	–	–
To 12 month ECL (not credit impaired)	*12*	*(12)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(6)*	*12*	*(6)*	*–*	*–*
To lifetime ECL (credit impaired)	*–*	*(25)*	*25*	*–*	*–*
Net impairment losses / (gains) in income statement	(5)	(24)	(9)	2	(36)
Re-measurement	*(8)*	*3*	*72*	*2*	*69*
Net changes in exposure	*6*	*(22)*	*(82)*	*–*	*(98)*
ECL model parameter and / or methodology changes	*(3)*	*(5)*	*1*	*–*	*(7)*
Impairment loss allowances utilised	–	–	(64)	–	(64)
Exchange adjustments	–	1	9	2	12
Measurement reclassification and other movements	–	–	19	–	19
Impairment loss allowance at 31 December 2021	**10**	**78**	**416**	**23**	**527**
Impairment Coverage at 31 December 2021 (%)	**0.30%**	**1.81%**	**42.89%**	**35.94%**	**6.12%**

Impairment loss allowances utilised on Property and construction during 2021 includes €7 million of contractual amounts outstanding that are still subject to enforcement activity.

26 Loans and advances to customers *(continued)*

Consumer

2022 Consumer - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2022	**4,863**	**229**	**137**	**–**	**5,229**
Total net transfers	(399)	331	68	–	–
To 12 month ECL (not credit impaired)	*186*	*(180)*	*(6)*	–	–
To lifetime ECL (not credit impaired)	*(545)*	*549*	*(4)*	–	–
To lifetime ECL (credit impaired)	*(40)*	*(38)*	*78*	–	–
Net changes in exposure	389	(46)	(11)	–	332
Impairment loss allowances utilised	–	–	(46)	–	(46)
Exchange adjustments	(160)	(4)	(2)	–	(166)
Measurement reclassification and other movements	1	–	–	–	1
Gross carrying amount at 31 December 2022	**4,694**	**510**	**146**	**–**	**5,350**

2022 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**65**	**31**	**76**	**–**	**172**
Total net transfers	5	(12)	7	–	–
To 12 month ECL (not credit impaired)	*13*	*(11)*	*(2)*	–	–
To lifetime ECL (not credit impaired)	*(7)*	*9*	*(2)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(10)*	*11*	–	–
Net impairment losses / (gains) in income statement	(18)	22	42	–	46
Re-measurement	*(24)*	*41*	*42*	–	*59*
Net changes in exposure	–	*(23)*	–	–	*(23)*
ECL model parameter and / or methodology changes	*6*	*4*	–	–	*10*
Impairment loss allowances utilised	–	–	(46)	–	(46)
Exchange adjustments	(2)	(1)	(2)	–	(5)
Measurement reclassification and other movements	(1)	1	4	–	4
Impairment loss allowance at 31 December 2022	**49**	**41**	**81**	**–**	**171**
Impairment Coverage at 31 December 2022 (%)	**1.04%**	**8.04%**	**55.48%**	**–**	**3.20%**

Impairment loss allowances utilised on Consumer during 2022 includes €49 million of contractual amounts outstanding that are still subject to enforcement activity.

26 Loans and advances to customers *(continued)*

2021 Consumer - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**4,961**	**165**	**145**	**–**	**5,271**
Total net transfers	(191)	136	55	–	–
To 12 month ECL (not credit impaired)	*111*	*(108)*	*(3)*	–	–
To lifetime ECL (not credit impaired)	*(257)*	*269*	*(12)*	–	–
To lifetime ECL (credit impaired)	*(45)*	*(25)*	*70*	–	–
Net changes in exposure	(125)	(79)	(19)	–	(223)
Impairment loss allowances utilised	–	–	(48)	–	(48)
Exchange adjustments	216	7	4	–	227
Measurement reclassification and other movements	2	–	–	–	2
Gross carrying amount at 31 December 2021	**4,863**	**229**	**137**	**–**	**5,229**

2021 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**129**	**27**	**80**	**–**	**236**
Total net transfers	3	(6)	3	–	–
To 12 month ECL (not credit impaired)	*10*	*(9)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(5)*	*11*	*(6)*	–	–
To lifetime ECL (credit impaired)	*(2)*	*(8)*	*10*	–	–
Net impairment losses / (gains) in income statement	(73)	8	30	–	(35)
Re-measurement	*(19)*	*22*	*34*	–	*37*
Net changes in exposure	*(1)*	*(12)*	*(3)*	–	*(16)*
ECL model parameter and / or methodology changes	*(53)*	*(2)*	*(1)*	–	*(56)*
Impairment loss allowances utilised	–	–	(48)	–	(48)
Exchange adjustments	6	2	2	–	10
Measurement reclassification and other movements	–	–	9	–	9
Impairment loss allowance at 31 December 2021	**65**	**31**	**76**	**–**	**172**
Impairment Coverage at 31 December 2021 (%)	**1.34%**	**13.54%**	**55.47%**	**–**	**3.29%**

Impairment loss allowances utilised on Consumer during 2021 includes €44 million of contractual amounts outstanding that are still subject to enforcement activity.

26 Loans and advances to customers *(continued)*

Finance leases and hire purchase receivables

The Group's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and business customers.

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed in the table below. The net investment in finance leases at 31 December 2022 was €3,585 million, an increase of €31 million since 31 December 2021. This was primarily driven by increase in syndicated loans balances.

	2022 €m	2021 €m
Gross investment in finance leases		
Not later than 1 year	1,039	1,081
1 to 2 years	906	1,017
2 to 3 years	928	845
3 to 4 years	751	595
4 to 5 years	248	256
Later than 5 years	16	13
	3,888	**3,807**
Unearned future finance income on finance leases	(303)	(253)
Net investment in finance leases	**3,585**	**3,554**
The net investment in finance leases is analysed as follows:		
Not later than 1 year	956	1,008
1 to 2 years	835	948
2 to 3 years	857	790
3 to 4 years	691	556
4 to 5 years	232	240
Later than 5 years	14	12
	3,585	**3,554**

Securitisations

Loans and advances to customers include balances that have been securitised but not derecognised, comprising both residential mortgages and commercial loans. In general, the assets, or interests in the assets, are transferred to structured entities, which then issue securities to third party investors or to other entities within the Group. With the exception of Mulcair Securities No.2 DAC and Temple Quay No.1, all of the Group's securitisation structured entities are consolidated. See note 57 for further details.

27 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the credit risk methodologies are set out on pages 164 to 168.

In addition to credit risk, the primary risks affecting the Group through its use of financial instruments are: funding and liquidity risk, market risk and life insurance risk. The Group's approach to the management of these risks, together with its approach to Capital management, are set out in sections 3.2 (capital adequacy risk), 3.4 (credit risk), 3.5 (funding and liquidity risk), 3.6 (life insurance risk) and 3.7 (market risk) of the Risk Management Report.

The table below illustrates the relationship between the Group's internal credit risk rating grades as used for credit risk management purposes and PD percentages, and further illustrates the indicative relationship with credit risk ratings used by external rating agencies.

Internal credit risk ratings		
PD Grade	**PD %**	**Indicative S&P type external ratings**
1-4	0% ≤ PD < 0.26%	AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB
5-7	0.26% ≤ PD < 1.45%	BBB-, BB+, BB, BB-
8-9	1.45% ≤ PD < 3.60%	B+
10-11	3.60% ≤ PD < 100%	B, Below B
12 (credit-impaired)	100%	n/a

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 €16,871 million at 31 December 2022 (2021: €16,023 million) that are subject to impairment (note 45).

At 31 December 2022, POCI assets included €1 million of assets (2021: €1 million) with an impairment loss allowance of €nil (2021: €nil) which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.

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**

27 Credit risk exposures *(continued)*

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**

Loans and advances to customers excludes €217 million (2021: €426 million) of loans mandatorily at FVTPL at 31 December 2022 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (note 26). At 31 December 2022, other financial assets includes: cash and balances at central banks of €36,861 million (2021: €31,371 million) and items in the course of collection from other banks of €140 million (2021: €159 million).

Restated[1] 2021 Financial assets exposure by stage (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit- impaired)[1] €m	Stage 2 - Lifetime ECL (not credit- impaired) €m	Stage 3 - Lifetime ECL (credit- impaired) €m	Purchased / originated credit- impaired €m	Total[1] €m
Financial assets measured at amortised cost					
Loans and advances to customers[1]	61,281	12,407	4,185	81	77,954
Loans and advances to banks	2,470	1	–	–	2,471
Debt securities	6,006	3	–	–	6,009
Other financial assets	31,530	–	–	–	31,530
Total financial assets measured at amortised cost	**101,287**	**12,411**	**4,185**	**81**	**117,964**
Debt instruments at FVOCI	9,457	–	–	–	9,457
Total	**110,744**	**12,411**	**4,185**	**81**	**127,421**

2021 Impairment loss allowance on financial assets	Stage 1 - 12 month ECL (not credit- impaired) €m	Stage 2 - Lifetime ECL (not credit- impaired) €m	Stage 3 - Lifetime ECL (credit- impaired) €m	Purchased / originated credit- impaired €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	170	416	1,347	25	1,958
Loans and advances to banks	1	–	–	–	1
Debt securities	1	–	–	–	1
Other financial assets	11	–	–	–	11
Total financial assets measured at amortised cost	**183**	**416**	**1,347**	**25**	**1,971**
Debt instruments at FVOCI	3	–	–	–	3
Total	**186**	**416**	**1,347**	**25**	**1,974**

[1] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

27 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.

Excluded from the table below are POCI assets of €80 million (2021: €81 million), €1 million (2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as POCI until derecognition. The table below excludes also impairment loss allowance of €33 million (2021: €25 million) on POCI assets.

Loans and advances to customers Composition and risk profile (before impairment loss allowance)	2022 Not credit-impaired €m	2022 Credit-impaired €m	2022 Total €m	2022 Total %	Restated[2] 2021 Not credit-impaired[2] €m	Restated[2] 2021 Credit-impaired €m	Restated[2] 2021 Total[2] €m	Restated[2] 2021 Total[2] %
Residential mortgages	37,566	450	38,016	52%	41,487	1,773	43,260	56%
Retail Ireland	*22,217*	*251*	*22,468*	*31%*	*21,349*	*1,047*	*22,396*	*29%*
Retail UK	*15,349*	*199*	*15,548*	*21%*	*20,138*	*726*	*20,864*	*27%*
Non-property SME and corporate[2]	19,918	1,534	21,452	29%	19,530	1,305	20,835	26%
Republic of Ireland SME[2]	*6,614*	*561*	*7,175*	*10%*	*6,334*	*680*	*7,014*	*9%*
UK SME[2]	*1,457*	*121*	*1,578*	*2%*	*1,611*	*137*	*1,748*	*2%*
Corporate	*11,847*	*852*	*12,699*	*17%*	*11,585*	*488*	*12,073*	*15%*
Property and construction	7,786	355	8,141	12%	7,579	970	8,549	11%
Investment	*6,685*	*339*	*7,024*	*10%*	*6,549*	*939*	*7,488*	*10%*
Development	*1,101*	*16*	*1,117*	*2%*	*1,030*	*31*	*1,061*	*1%*
Consumer	5,204	146	5,350	7%	5,092	137	5,229	7%
Total	**70,474**	**2,485**	**72,959**	**100%**	**73,688**	**4,185**	**77,873**	**100%**
Impairment loss allowance on loans and advances to customers	**427**	**835**	**1,262**	**2%**	**586**	**1,347**	**1,933**	**2%**

Asset quality - not credit-impaired

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are not credit-impaired.

Excluded from the tables below are POCI assets of €80 million (2021: €81 million), €1 million (2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as POCI until derecognition.

2022 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1 Loans €m	Stage 1 Loans as % of total advances %	Stage 1 Impairment loss allowance €m	Stage 1 Impairment loss allowance as % of loans %	Stage 2 Loans €m	Stage 2 Loans as % of total advances %	Stage 2 Impairment loss allowance €m	Stage 2 Impairment loss allowance as % of loans %
Residential mortgages	34,020	47%	18	0.05%	3,546	4%	38	1.07%
Retail Ireland	*19,733*	*27%*	*8*	*0.04%*	*2,484*	*3%*	*22*	*0.89%*
Retail UK	*14,287*	*20%*	*10*	*0.07%*	*1,062*	*1%*	*16*	*1.51%*
Non-property SME and corporate	15,253	22%	65	0.43%	4,665	6%	153	3.28%
Republic of Ireland SME	*4,931*	*7%*	*39*	*0.79%*	*1,683*	*2%*	*63*	*3.74%*
UK SME	*1,177*	*2%*	*4*	*0.34%*	*280*	*–*	*12*	*4.29%*
Corporate	*9,145*	*13%*	*22*	*0.24%*	*2,702*	*4%*	*78*	*2.89%*
Property and construction	3,864	5%	10	0.26%	3,922	6%	53	1.35%
Investment	*3,216*	*4%*	*7*	*0.22%*	*3,469*	*5%*	*47*	*1.35%*
Development	*648*	*1%*	*3*	*0.46%*	*453*	*1%*	*6*	*1.32%*
Consumer	4,694	6%	49	1.04%	510	1%	41	8.04%
Total	**57,831**	**80%**	**142**	**0.25%**	**12,643**	**17%**	**285**	**2.25%**

[2] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

27 Credit risk exposures *(continued)*

	Restated[3]							
	Stage 1				Stage 2			
2021 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	**Loans[3] €m**	**Loans as % of total advances %**	**Impairment loss allowance €m**	**Impairment loss allowance as % of loans %**	**Loans €m**	**Loans as % of total advances %**	**Impairment loss allowance €m**	**Impairment loss allowance as % of loans %**
Residential mortgages	38,708	50%	28	0.07%	2,779	4%	60	2.16%
Retail Ireland	*19,573*	*25%*	*17*	*0.09%*	*1,776*	*2%*	*47*	*2.65%*
Retail UK	*19,135*	*25%*	*11*	*0.06%*	*1,003*	*2%*	*13*	*1.30%*
Non-property SME and corporate[3]	14,430	18%	67	0.46%	5,100	7%	247	4.84%
Republic of Ireland SME[3]	*4,258*	*5%*	*39*	*0.92%*	*2,076*	*3%*	*136*	*6.55%*
UK SME[3]	*1,161*	*1%*	*4*	*0.34%*	*450*	*1%*	*16*	*3.56%*
Corporate	*9,011*	*12%*	*24*	*0.27%*	*2,574*	*3%*	*95*	*3.69%*
Property and construction	3,280	4%	10	0.30%	4,299	5%	78	1.81%
Investment	*2,596*	*3%*	*6*	*0.23%*	*3,953*	*5%*	*71*	*1.80%*
Development	*684*	*1%*	*4*	*0.58%*	*346*	*–*	*7*	*2.02%*
Consumer	4,863	6%	65	1.34%	229	–	31	13.54%
Total	**61,281**	**78%**	**170**	**0.28%**	**12,407**	**16%**	**416**	**3.35%**

The table below provides analysis of the asset quality of loans and advances to customers at amortised cost based on mapping the IFRS 9 twelve month PD of each loan to a PD grade based on the table provided on page 259.

Excluded from the tables below are POCI assets of €80 million (2021: €81 million), of which €1 million (2021: €1 million) 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.

[3] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

27 Credit risk exposures *(continued)*

2022 Loans and advances to customers Asset quality - PD grade	Residential mortgages		Non-property SME and corporate		Property and Construction		Consumer		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%
Stage 1										
1-4	8,838	23%	4,412	20%	200	2%	7	–	13,457	18%
5-7	22,072	58%	5,996	28%	2,870	35%	2,071	39%	33,009	45%
8-9	2,420	6%	3,603	17%	578	7%	1,289	24%	7,890	11%
10-11	690	2%	1,242	6%	216	3%	1,327	25%	3,475	5%
Total Stage 1	**34,020**	**89%**	**15,253**	**71%**	**3,864**	**47%**	**4,694**	**88%**	**57,831**	**79%**
Stage 2										
1-4	479	1%	1,469	7%	140	2%	–	–	2,088	4%
5-7	1,874	5%	410	2%	1,845	23%	178	3%	4,307	5%
8-9	309	1%	1,423	7%	1,180	14%	103	2%	3,015	4%
10-11	884	2%	1,363	6%	757	9%	229	4%	3,233	4%
Total Stage 2	**3,546**	**9%**	**4,665**	**22%**	**3,922**	**48%**	**510**	**9%**	**12,643**	**17%**
Not credit-impaired										
1-4	9,317	24%	5,881	27%	340	4%	7	–	15,545	22%
5-7	23,946	63%	6,406	30%	4,715	58%	2,249	42%	37,316	50%
8-9	2,729	7%	5,026	24%	1,758	21%	1,392	26%	10,905	15%
10-11	1,574	4%	2,605	12%	973	12%	1,556	29%	6,708	9%
Total not credit-impaired	**37,566**	**98%**	**19,918**	**93%**	**7,786**	**95%**	**5,204**	**97%**	**70,474**	**96%**
Credit-impaired (Stage 3)										
12	450	2%	1,534	7%	355	5%	146	3%	2,485	4%
Total-credit-impaired	**450**	**2%**	**1,534**	**7%**	**355**	**5%**	**146**	**3%**	**2,485**	**4%**
Total	**38,016**	**100%**	**21,452**	**100%**	**8,141**	**100%**	**5,350**	**100%**	**72,959**	**100%**

27 Credit risk exposures *(continued)*

Restated[4] 2021 Loans and advances to customers Asset quality - PD grade	Residential mortgages		Non-property SME and corporate[4]		Property and Construction		Consumer		Total[4]	
	€m	%	€m	%	€m	%	€m	%	€m	%
Stage 1										
1-4[4]	3,523	8%	4,712	24%	226	3%	11	–	8,472	12%
5-7	31,746	73%	6,534	31%	2,507	29%	612	12%	41,399	53%
8-9	2,465	6%	2,327	11%	399	5%	2,785	53%	7,976	10%
10-11	974	2%	857	4%	148	2%	1,455	28%	3,434	4%
Total Stage 1[4]	**38,708**	**89%**	**14,430**	**70%**	**3,280**	**39%**	**4,863**	**93%**	**61,281**	**79%**
Stage 2										
1-4	32	–	211	1%	–	–	–	–	243	–
5-7	1,515	4%	1,567	8%	2,352	28%	2	–	5,436	7%
8-9	435	1%	1,658	8%	1,153	13%	67	1%	3,313	5%
10-11	797	2%	1,664	8%	794	9%	160	3%	3,415	4%
Total Stage 2	**2,779**	**7%**	**5,100**	**25%**	**4,299**	**50%**	**229**	**4%**	**12,407**	**16%**
Not credit-impaired										
1-4[4]	3,555	8%	4,923	25%	226	3%	11	–	8,715	12%
5-7	33,261	77%	8,101	39%	4,859	57%	614	12%	46,835	60%
8-9	2,900	7%	3,985	19%	1,552	18%	2,852	54%	11,289	15%
10-11	1,771	4%	2,521	12%	942	11%	1,615	31%	6,849	8%
Total not credit-impaired[4]	**41,487**	**96%**	**19,530**	**94%**	**7,579**	**89%**	**5,092**	**97%**	**73,688**	**95%**
Credit-impaired (Stage 3)										
12	1,773	4%	1,305	6%	970	11%	137	3%	4,185	5%
Total credit-impaired	**1,773**	**4%**	**1,305**	**6%**	**970**	**11%**	**137**	**3%**	**4,185**	**5%**
Total	**43,260**	**100%**	**20,835**	**100%**	**8,549**	**100%**	**5,229**	**100%**	**77,873**	**100%**

Asset quality - credit-impaired

Credit-impaired loans include loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, and loans where the borrower is greater than 90 days past due and the arrears amount is material. All credit- impaired loans and advances to customers are risk rated PD grade 12.

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are credit-impaired (i.e. Stage 3). Excluded from the table below are POCI assets of €80 million (2021: €81 million), €1 million (2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI loans until derecognition.

[4] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

27 Credit risk exposures *(continued)*

Credit-impaired loans and advances to customers Composition and impairment loss allowance	2022 Credit-impaired loans €m	2022 CI Loans as % of total advances %	2022 Impairment loss allowance €m	2022 ILA as % of loans %	2021 Credit-impaired loans €m	2021 CI Loans as % of total advances %	2021 Impairment loss allowance €m	2021 ILA as % of loans %
Residential mortgages	450	–	89	20%	1,773	2%	416	23%
Retail Ireland	*251*	*–*	*69*	*27%*	*1,047*	*1%*	*362*	*35%*
Retail UK	*199*	*–*	*20*	*10%*	*726*	*1%*	*54*	*7%*
Non-property SME and corporate	1,534	2%	563	37%	1,305	2%	439	34%
Republic of Ireland SME	*561*	*1%*	*269*	*48%*	*680*	*1%*	*258*	*38%*
UK SME	*121*	*–*	*45*	*37%*	*137*	*–*	*30*	*22%*
Corporate	*852*	*1%*	*249*	*29%*	*488*	*1%*	*151*	*31%*
Property and construction	355	–	102	29%	970	1%	416	43%
Investment	*339*	*–*	*97*	*29%*	*939*	*1%*	*408*	*43%*
Development	*16*	*–*	*5*	*31%*	*31*	*–*	*8*	*26%*
Consumer	146	–	81	55%	137	–	76	55%
Total credit-impaired	**2,485**	**2%**	**835**	**34%**	**4,185**	**5%**	**1,347**	**32%**

Segmental analysis

The tables below provide an analysis of the risk profile of loans and advances to customers at amortised cost by division. Credit - impaired loans include Stage 3 and POCI assets which remain credit - impaired at the reporting period. Not credit - impaired figures include forborne loans that had yet to satisfy exit criteria in line with European Banking Authority guidance to return to performing.

2022 Risk profile of loans and advances to customers (before impairment loss allowance)	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Markets €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit-impaired)	27,348	18,367	12,116	57,831
Stage 2 - Lifetime ECL (not credit-impaired)	4,858	1,900	5,885	12,643
Stage 3 - Lifetime ECL (credit-impaired)	999	457	1,029	2,485
Purchased / originated credit-impaired	4	60	16	80
Gross carrying amount at 31 December 2022	**33,209**	**20,784**	**19,046**	**73,039**

Restated[5]

2021 Risk profile of loans and advances to customers (before impairment loss allowance)	**Retail Ireland[5] €m**	**Retail UK[5] €m**	**Corporate & Markets €m**	**Total Group[5] €m**
Stage 1 - 12 month ECL (not credit-impaired)[5]	26,213	23,397	11,671	61,281
Stage 2 - Lifetime ECL (not credit-impaired)	4,790	1,865	5,752	12,407
Stage 3 - Lifetime ECL (credit-impaired)	2,010	1,224	951	4,185
Purchased / originated credit-impaired	2	64	15	81
Gross carrying amount at 31 December 2021	**33,015**	**26,550**	**18,389**	**77,954**

[5] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

27 Credit risk exposures *(continued)*

2022 Risk profile of loans and advances to customers - non-performing exposures	Retail Ireland €m	Retail UK €m	Corporate & Markets €m	Total Group €m
Credit-impaired	1,002	517	1,045	2,564
Not credit-impaired	44	9	–	53
Total	**1,046**	**526**	**1,045**	**2,617**

2021 Risk profile of loans and advances to customers - non-performing exposures	Retail Ireland €m	Retail UK €m	Corporate & Markets €m	Total Group €m
Credit-impaired	2,011	1,288	966	4,265
Not credit-impaired	42	4	–	46
Total	**2,053**	**1,292**	**966**	**4,311**

Loans and advances to customers - other credit risk information

Geographical and industry analysis of loans and advances to customers

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

27 Credit risk exposures *(continued)*

2022 Geographical / industry analysis	Gross carrying amount (before impairment loss allowance) RoI €m	UK €m	RoW €m	Total €m	Impairment loss allowance RoI €m	UK €m	RoW €m	Total €m
Personal	**24,630**	**18,740**	**–**	**43,370**	**165**	**152**	**–**	**317**
Residential mortgages	*22,472*	*15,548*	*–*	*38,020*	*100*	*46*	*–*	*146*
Other consumer lending	*2,158*	*3,192*	*–*	*5,350*	*65*	*106*	*–*	*171*
Property and construction	**7,632**	**569**	**–**	**8,201**	**121**	**74**	**–**	**195**
Investment	*6,549*	*535*	*–*	*7,084*	*110*	*71*	*–*	*181*
Development	*1,083*	*34*	*–*	*1,117*	*11*	*3*	*–*	*14*
Non-property SME & corporate	**18,459**	**1,829**	**1,180**	**21,468**	**631**	**73**	**79**	**783**
Manufacturing	*3,997*	*289*	*536*	*4,822*	*111*	*10*	*53*	*174*
Administrative and support service activities	*2,624*	*298*	*227*	*3,149*	*82*	*14*	*2*	*98*
Wholesale and retail trade	*1,857*	*281*	*47*	*2,185*	*56*	*4*	*–*	*60*
Agriculture, forestry and fishing	*1,562*	*170*	*–*	*1,732*	*57*	*4*	*–*	*61*
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**

27 Credit risk exposures *(continued)*

Restated[6]	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
2021 Geographical / industry analysis	**RoI[6] €m**	**UK[6] €m**	**RoW €m**	**Total[6] €m**	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**
Personal	**24,436**	**24,055**	**–**	**48,491**	**487**	**189**	**–**	**676**
Residential mortgages	*22,398*	*20,864*	*–*	*43,262*	*426*	*78*	*–*	*504*
Other consumer lending	*2,038*	*3,191*	*–*	*5,229*	*61*	*111*	*–*	*172*
Property and construction	**7,585**	**1,028**	**–**	**8,613**	**243**	**284**	**–**	**527**
Investment	*6,557*	*995*	*–*	*7,552*	*226*	*282*	*–*	*508*
Development	*1,028*	*33*	*–*	*1,061*	*17*	*2*	*–*	*19*
Non-property SME & corporate	**17,380**	**2,292**	**1,178**	**20,850**	**652**	**75**	**28**	**755**
Manufacturing	*3,432*	*311*	*499*	*4,242*	*62*	*6*	*15*	*83*
Administrative and support service activities	*2,147*	*380*	*175*	*2,702*	*91*	*9*	*1*	*101*
Wholesale and retail trade	*1,963*	*299*	*45*	*2,307*	*70*	*5*	*–*	*75*
Agriculture, forestry and fishing	*1,482*	*228*	*–*	*1,710*	*49*	*5*	*–*	*54*
Accommodation and food service activities	*1,561*	*101*	*39*	*1,701*	*89*	*5*	*4*	*98*
Human health services and social work activities	*1,352*	*207*	*104*	*1,663*	*37*	*17*	*2*	*56*
Financial and Insurance activities	*1,005*	*49*	*–*	*1,054*	*11*	*2*	*–*	*13*
Transport and storage	*744*	*87*	*76*	*907*	*59*	*7*	*1*	*67*
Other services	*707*	*52*	*127*	*886*	*55*	*3*	*3*	*61*
Real estate activities	*596*	*176*	*–*	*772*	*58*	*8*	*–*	*66*
Professional, scientific and technical activities	*618*	*28*	*57*	*703*	*16*	*–*	*–*	*16*
Arts, entertainment and recreation	*429*	*56*	*7*	*492*	*30*	*6*	*1*	*37*
Education	*297*	*78*	*29*	*404*	*3*	*–*	*–*	*3*
Other sectors[6]	*1,047*	*240*	*20*	*1,307*	*22*	*2*	*1*	*25*
Total	**49,401**	**27,375**	**1,178**	**77,954**	**1,382**	**548**	**28**	**1,958**
Analysed by stage:								
Stage 1[6]	36,578	23,842	861	61,281	104	62	4	170
Stage 2	10,219	1,939	249	12,407	336	68	12	416
Stage 3	2,587	1,530	68	4,185	940	395	12	1,347
Purchased / originated credit-impaired	17	64	–	81	2	23	–	25
Total	**49,401**	**27,375**	**1,178**	**77,954**	**1,382**	**548**	**28**	**1,958**

[6] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

27 Credit risk exposures *(continued)*

The following tables provide an analysis of loans and advances to customers at amortised cost, and the associated impairment loss allowances, by portfolio, sub-sector and stage. 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				
2022 Sectoral analysis by stage	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI €m**	**Total €m**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI €m**	**Total €m**
Personal										
Residential mortgages	34,020	3,546	450	4	38,020	18	38	89	1	146
Other consumer	4,694	510	146	–	5,350	49	41	81	–	171
Motor lending UK	*1,553*	*225*	*27*	*–*	*1,805*	*3*	*4*	*9*	*–*	*16*
Loans UK	*1,216*	*126*	*45*	*–*	*1,387*	*31*	*25*	*34*	*–*	*90*
Motor lending RoI	*736*	*–*	*23*	*–*	*759*	*4*	*–*	*10*	*–*	*14*
Loans RoI	*686*	*137*	*40*	*–*	*863*	*8*	*9*	*21*	*–*	*38*
Credit cards - RoI	*503*	*22*	*11*	*–*	*536*	*3*	*3*	*7*	*–*	*13*
	38,714	**4,056**	**596**	**4**	**43,370**	**67**	**79**	**170**	**1**	**317**
Property and construction	**3,864**	**3,922**	**355**	**60**	**8,201**	**10**	**53**	**102**	**30**	**195**
Investment	*3,216*	*3,469*	*339*	*60*	*7,084*	*7*	*47*	*97*	*30*	*181*
Development	*648*	*453*	*16*	*–*	*1,117*	*3*	*6*	*5*	*–*	*14*
Non-property SME & corporate	**15,253**	**4,665**	**1,534**	**16**	**21,468**	**65**	**153**	**563**	**2**	**783**
Manufacturing	*3,388*	*1,114*	*320*	*–*	*4,822*	*11*	*36*	*127*	*–*	*174*
Administrative and support service activities	*2,544*	*428*	*161*	*16*	*3,149*	*12*	*17*	*67*	*2*	*98*
Wholesale and retail trade	*1,713*	*395*	*77*	*–*	*2,185*	*7*	*10*	*43*	*–*	*60*
Agriculture, forestry and fishing	*1,282*	*350*	*100*	*–*	*1,732*	*10*	*11*	*40*	*–*	*61*
Accommodation and food service activities	*608*	*794*	*195*	*–*	*1,597*	*3*	*16*	*56*	*–*	*75*
Human health services and social work activities	*880*	*444*	*199*	*–*	*1,523*	*3*	*17*	*40*	*–*	*60*
Financial and Insurance activities	*921*	*40*	*10*	*–*	*971*	*1*	*3*	*5*	*–*	*9*
Transport and storage	*562*	*165*	*107*	*–*	*834*	*2*	*6*	*43*	*–*	*51*
Professional, scientific and technical activities	*643*	*154*	*32*	*–*	*829*	*3*	*5*	*21*	*–*	*29*
Other services	*579*	*91*	*97*	*–*	*767*	*2*	*6*	*25*	*–*	*33*
Real estate activities	*390*	*246*	*98*	*–*	*734*	*5*	*9*	*49*	*–*	*63*
Education	*418*	*51*	*1*	*–*	*470*	*2*	*2*	*1*	*–*	*5*
Arts, entertainment and recreation	*241*	*142*	*47*	*–*	*430*	*1*	*8*	*18*	*–*	*27*
Other sectors	*1,084*	*251*	*90*	*–*	*1,425*	*3*	*7*	*28*	*–*	*38*
Total	**57,831**	**12,643**	**2,485**	**80**	**73,039**	**142**	**285**	**835**	**33**	**1,295**

27 Credit risk exposures *(continued)*

Restated[7]	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
2021 Sectoral analysis by stage	**Stage 1[7] €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI €m**	**Total[7] €m**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI €m**	**Total €m**
Personal										
Residential mortgages	38,708	2,779	1,773	2	43,262	28	60	416	–	504
Other consumer	4,863	229	137	–	5,229	65	31	76	–	172
Motor lending UK	*1,731*	*46*	*26*	*–*	*1,803*	*7*	*3*	*11*	*–*	*21*
Loans UK	*1,297*	*48*	*43*	*–*	*1,388*	*39*	*19*	*33*	*–*	*91*
Motor lending RoI	*720*	*–*	*27*	*–*	*747*	*8*	*–*	*9*	*–*	*17*
Loans RoI	*653*	*122*	*30*	*–*	*805*	*9*	*7*	*16*	*–*	*32*
Credit cards - RoI	*462*	*13*	*11*	*–*	*486*	*2*	*2*	*7*	*–*	*11*
	43,571	**3,008**	**1,910**	**2**	**48,491**	**93**	**91**	**492**	**–**	**676**
Property and construction	**3,280**	**4,299**	**970**	**64**	**8,613**	**10**	**78**	**416**	**23**	**527**
Investment	*2,596*	*3,953*	*939*	*64*	*7,552*	*6*	*71*	*408*	*23*	*508*
Development	*684*	*346*	*31*	*–*	*1,061*	*4*	*7*	*8*	*–*	*19*
Non-property SME & corporate	**14,430**	**5,100**	**1,305**	**15**	**20,850**	**67**	**247**	**439**	**2**	**755**
Manufacturing	*3,239*	*876*	*127*	*–*	*4,242*	*12*	*39*	*32*	*–*	*83*
Administrative and support service activities	*1,803*	*762*	*122*	*15*	*2,702*	*7*	*41*	*51*	*2*	*101*
Wholesale and retail trade	*1,895*	*301*	*111*	*–*	*2,307*	*10*	*16*	*49*	*–*	*75*
Agriculture, forestry and fishing	*1,427*	*159*	*124*	*–*	*1,710*	*11*	*7*	*36*	*–*	*54*
Accommodation and food service activities	*243*	*1,231*	*227*	*–*	*1,701*	*1*	*44*	*53*	*–*	*98*
Human health services and social work activities	*994*	*604*	*65*	*–*	*1,663*	*5*	*30*	*21*	*–*	*56*
Financial and Insurance activities	*988*	*50*	*16*	*–*	*1,054*	*2*	*4*	*7*	*–*	*13*
Transport and storage	*568*	*189*	*150*	*–*	*907*	*3*	*8*	*56*	*–*	*67*
Other services	*619*	*170*	*97*	*–*	*886*	*2*	*11*	*48*	*–*	*61*
Real estate activities	*418*	*242*	*112*	*–*	*772*	*5*	*15*	*46*	*–*	*66*
Professional, scientific and technical activities	*578*	*99*	*26*	*–*	*703*	*4*	*3*	*9*	*–*	*16*
Arts, entertainment and recreation	*199*	*233*	*60*	*–*	*492*	*–*	*21*	*16*	*–*	*37*
Education	*375*	*28*	*1*	*–*	*404*	*2*	*1*	*–*	*–*	*3*
Other sectors[7]	*1,084*	*156*	*67*	*–*	*1,307*	*3*	*7*	*15*	*–*	*25*
Total	**61,281**	**12,407**	**4,185**	**81**	**77,954**	**170**	**416**	**1,347**	**25**	**1,958**

Repossessed collateral

At 31 December 2022, the Group had collateral held as security, as follows:

Repossessed collateral is sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

Repossessed Collateral	**2022 €m**	**2021 €m**
Residential Properties		
Ireland	3	9
UK & Other	–	4
	3	**13**
Other	–	1
Total	**3**	**14**

[7] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

27 Credit risk exposures *(continued)*

Asset quality - other financial assets

The tables below summarise the asset quality of debt instruments at FVOCI, debt securities at amortised cost and loans and advances to banks at amortised cost by IFRS 9 twelve month PD grade.

Debt instruments at FVOCI Asset quality	2022						2021					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,172	98%	–	–	4,172	98%	8,882	94%	–	–	8,882	94%
5-7	82	2%	–	–	82	2%	575	6%	–	–	575	6%
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**4,254**	**100%**	**–**	**–**	**4,254**	**100%**	**9,457**	**100%**	**–**	**–**	**9,457**	**100%**

Debt securities at amortised cost (before impairment loss allowance) Asset quality	2022						2021					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,471	100%	1	100%	4,472	100%	6,006	100%	3	100%	6,009	100%
5-7	–	–	–	–	–	–	–	–	–	–	–	–
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**4,471**	**100%**	**1**	**100%**	**4,472**	**100%**	**6,006**	**100%**	**3**	**100%**	**6,009**	**100%**

Loans and advances to banks at amortised cost before impairment loss allowance) Asset quality	2022						2021					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,878	99%	–	–	2,878	99%	2,400	97%	–	–	2,400	97%
5-7	20	1%	–	–	20	1%	7	–	–	–	7	–
8-9	–	–	–	–	–	–	63	3%	1	100%	64	3%
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**2,898**	**100%**	**–**	**–**	**2,898**	**100%**	**2,470**	**100%**	**1**	**100%**	**2,471**	**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, other financial instruments at FVTPL (excluding equity instruments) and any reinsurance assets. The table summarises the asset quality of these financial instruments by equivalent external risk ratings.

Other financial instruments with ratings equivalent to:	2022		2021	
	€m	%	€m	%
AAA to AA-	4,085	33%	4,952	50%
A+ to A-	6,055	50%	2,525	26%
BBB+ to BBB-	1,683	14%	1,780	18%
BB+ to BB-	67	1%	354	4%
B+ to B-	199	2%	242	2%
Lower than B-	40	–	42	–
Total	**12,129**	**100%**	**9,895**	**100%**

28 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.

	2022 €m	2021 €m
Financial assets modified during the year		
Amortised cost before modification	517	1,294
Net modification gains (i.e. net of impairment gains impact)	(4)	(2)
Financial assets modified since initial recognition		
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month expected credit losses during the year	1,249	1,400

29 Interest in associates

The Group has availed of the venture capital exemption in accounting for a number of its interests in associates. In line with the accounting policy set out in note 1, these interests have been designated at initial recognition at FVTPL. Changes in the fair value of these interests are included in the share of results of associates (after tax) line on the income statement.

The Group's other investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

In July 2022, the Bank together with the Irish State, AIB and Permanent TSB became a founding member and shareholder in the 'First Home' Shared Equity Scheme which is a key part of the Irish Government's "Housing for All" strategy. It aims to provide greater access to homes for eligible buyers by bridging the gap between their deposit and mortgage and the purchase price of the new home, which would otherwise be deemed unaffordable. The Bank has committed to provide an investment of €70 million out of the €400 million total initial investment. The initial investment between the founding members has been based on a mortgage market share calculation and will be as follows: Irish State (50%), the Bank (17.5%), AIB (19%) and Permanent TSB (13.5%). The first tranche was effective as of 7 July 2022 with an initial investment of €14 million.

In presenting details of the associates of the Group, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Group will annex a full listing of associates to its annual return to the Companies Registration Office.

	2022 €m	2021 €m
At beginning of year	59	54
Increase in investments	25	15
Decrease in investments	(9)	(17)
Share of results after tax (note 17)	8	7
At end of year	**83**	**59**
Interest in associates FVTPL	65	55
Interest in associates using equity method	18	4
At end of year	**83**	**59**

30 Interest in joint ventures

For further information on joint ventures refer to note 57 Interests in other entities.

	2022 €m	2021 €m
At beginning of year	57	54
Additions	–	1
Share of results after tax (note 17) - FRES	32	(2)
Exchange adjustments	(4)	4
Dividends received	(3)	–
At end of year	**82**	**57**

31 Intangible assets and goodwill

	2022					2021				
	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost										
At 1 January	**36**	**72**	**2,475**	**197**	**2,780**	**34**	**71**	**2,219**	**180**	**2,504**
Additions	–	–	264	–	264	–	–	238	9	247
Acquisitions	273	5	–	48	326	–	–	–	–	–
Disposals / write-offs	–	–	–	–	–	–	–	–	(1)	(1)
Exchange adjustments	(1)	(1)	(15)	(10)	(27)	2	1	18	9	30
At 31 December	**308**	**76**	**2,724**	**235**	**3,343**	**36**	**72**	**2,475**	**197**	**2,780**
Amortisation and impairment										
At 1 January	**(9)**	**(72)**	**(1,677)**	**(170)**	**(1,928)**	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**
Disposals / write-offs	–	–	–	–	–	–	–	–	1	1
Impairment	–	–	(7)	–	(7)	–	–	(1)	(1)	(2)
Amortisation charge (note 13)	–	(1)	(142)	(9)	(152)	–	–	(140)	(10)	(150)
Exchange adjustments	–	1	12	7	20	–	(1)	(14)	(9)	(24)
At 31 December	**(9)**	**(72)**	**(1,814)**	**(172)**	**(2,067)**	**(9)**	**(72)**	**(1,677)**	**(170)**	**(1,928)**
Net book value	**299**	**4**	**910**	**63**	**1,276**	**27**	**–**	**798**	**27**	**852**

Computer software internally generated
The category 'computer software internally generated' comprises assets with a carrying value of €910 million (31 December 2021: €798 million). This includes amortising assets with a carrying value of €531 million (31 December 2021: €533 million) with amortisation periods normally ranging from five to ten years, and reflects investment in technical infrastructure, applications and software licences primarily comprising of Payments and Regulatory assets, with remaining amortisation periods ranging up to 10 years. It also includes assets under construction of €379 million (31 December 2021: €265 million) on which amortisation will commence once the assets are available for use.

Impairment review - computer software internally generated
During 2022, the Group reviewed its internally generated computer software for any indicators of impairment and concluded that €7 million impairment is required (31 December 2021: €1 million).

Other externally purchased intangible assets
The Group acquired the Davy business on 1 June 2022. As part of the acquisition, the Group identified intangible assets valued at €48 million relating to customer relationships and brand value at the date of acquisition.

Impairment review – other externally purchased intangible assets
During 2022, the Group reviewed other externally purchased intangible assets for any indicators of impairment and concluded that no impairment is required (31 December 2021: €1 million).

Goodwill
At 31 December 2022, goodwill on the Group's balance sheet is €299 million and relates to the acquisitions of Davy €273 million, Ireland's leading provider of wealth management and capital markets services (Note 54), and MLL €26 million, a car commercial leasing and fleet management business in the UK. On 1 April 2022, the business of Marshall Leasing and the related goodwill was transferred to N.I.I.B Group Limited, a wholly-owned subsidiary of the Group.

Impairment Review - Goodwill
Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the asset.

Impairment reviews of Davy and Marshall Leasing were carried out during 2022, and no impairment of goodwill was required.

Impairment testing of goodwill
Goodwill is allocated to cash generating units (CGU) at a level which represents the smallest identifiable group of assets that generate largely independent cash flows.

The calculation of the recoverable amount of goodwill for each of these CGU is based upon a VIU calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the CGU. The determination of both requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and

31 Intangible assets and goodwill *(continued)*

to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance.

The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a growth factor appropriate for the business is applied. Initial cash flows are based on performance in the twelve month period ended 31 December 2022 and the next three years' cash flows are consistent with approved plans for each business.

Growth rates
Growth rates beyond five years are determined by reference to local economic growth, inflation projections or long term bond yields. The assumed long term growth rate for Davy is 2% and Marshall Leasing is 0% (2021: 0%).

Discount rate
The discount rates applied to Davy and Marshall Leasing are the pre-tax weighted average cost of capital for the Group increased to include a risk premium to reflect the specific risk profile of the CGU to the extent that such risk is not already reflected in the forecast cash flows. A rate of 11% for Davy and 14% for Marshall Leasing has been used in the models.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. The Directors consider that reasonably possible changes in key assumptions used to determine the recoverable amount of Marshall Leasing would not result in an impairment of goodwill. For an assessment of reasonably possible changes in key assumptions used to determine Davy's recoverable amount, refer to note 2 Critical accounting estimates and judgements.

32 Investment properties

At 31 December 2022, the Group held investment property of €883 million (2021: €992 million) on behalf of Wealth and Insurance policyholders.

Investment properties are carried at fair value as determined by external qualified Property Surveyors (the 'Surveyors') appropriate to the properties held. The Surveyors arrive at their opinion of fair value by using their professional judgement in applying comparable current trends in the property market such as rental yields in the retail, office and industrial property sectors, to both the existing rental income stream and also to the future estimated recovery value (ERV). Other inputs taken into consideration include occupancy forecasts, rent free periods that may need to be granted to new incoming tenants, capital expenditure and fees. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

In 2022, rental income from investment property amounted to €55 million (2021: €59 million). Expenses directly attributable to investment properties generating rental income was €15 million (2021: €11 million).

	2022 €m	2021 €m
At beginning of year	992	843
Additions	65	157
Revaluation	(71)	(17)
Exchange adjustment	(10)	10
Disposals	(93)	(1)
At end of year	**883**	**992**

33 Property, plant and equipment

2022	Freehold land & buildings & long leaseholds (FV) of which; own-use €m	of which; subject to operating lease €m	Adaptations (at cost) of which; own-use €m	of which; subject to operating lease €m	Computer & other equipment (at cost) of which; own-use €m	of which; subject to operating lease €m	Payments on accounts & assets in the course of construction (at cost) €m	Total owned assets €m	Right of Use assets, excluding investment property Buildings €m	Computer & other equipment €m	Total right of use assets €m	Total property plant and equipment €m
Cost or valuation at 1 January 2022	**161**	**20**	**151**	**6**	**242**	**166**	**9**	**755**	**506**	**54**	**560**	**1,315**
Additions	1	–	1	–	3	80	19	**104**	4	7	**11**	**115**
Acquisitions	–	–	2	–	3	–	–	**5**	9	–	**9**	**14**
Disposals / write-offs	(14)	–	(2)	(1)	(4)	(36)	–	**(57)**	(3)	(1)	**(4)**	**(61)**
Revaluation recognised in OCI	(4)	–	–	–	–	–	–	**(4)**	–	–	**–**	**(4)**
Reclassifications	1	–	6	3	5	–	(15)	**–**	–	–	**–**	**–**
Adjustment of lease liability	–	–	–	–	–	–	–	**–**	2	–	**2**	**2**
Exchange adjustments	(2)	(2)	(1)	1	(3)	(9)	–	**(16)**	(2)	–	**(2)**	**(18)**
At 31 December 2022	**143**	**18**	**157**	**9**	**246**	**201**	**13**	**787**	**516**	**60**	**576**	**1,363**
Accumulated Depreciation at 1 January 2022	**–**	**–**	**(101)**	**(2)**	**(191)**	**(38)**	**–**	**(332)**	**(147)**	**(16)**	**(163)**	**(495)**
Charge for the year (notes 10,13)	–	–	(9)	(1)	(14)	(23)	–	**(47)**	(27)	(11)	**(38)**	**(85)**
Impairment for the year	–	–	–	–	–	–	–	**–**	(14)	–	**(14)**	**(14)**
Disposals / write-offs	–	–	1	–	2	19	–	**22**	3	1	**4**	**26**
Reclassifications	–	–	1	(1)	–	–	–	**–**	–	–	**–**	**–**
Exchange adjustments	–	–	1	–	3	2	–	**6**	1	–	**1**	**7**
At 31 December 2022	**–**	**–**	**(107)**	**(4)**	**(200)**	**(40)**	**–**	**(351)**	**(184)**	**(26)**	**(210)**	**(561)**
Net book value at 31 December 2022	**143**	**18**	**50**	**5**	**46**	**161**	**13**	**436**	**332**	**34**	**366**	**802**

At 31 December 2022, property, plant and equipment held at fair value was €161 million (2021: €181 million). The historical cost of property, plant and equipment held at fair value was €72 million (2021: €78 million). The net book value of property, plant and equipment held at cost less accumulated depreciation and impairment (excluding RoU assets) was €275 million (2021: €242 million) and RoU assets was €366 million (2021: €397 million).

At 31 December 2022, €13 million (2021: €5 million) of freehold land and buildings held for own use were transferred to assets classified as held for sale.

33 Property, plant and equipment *(continued)*

2021	Freehold land & buildings & long leaseholds (FV) of which; own-use €m	Freehold land & buildings & long leaseholds (FV) of which; subject to operating lease €m	Adaptations (at cost) of which; own-use €m	Adaptations (at cost) of which; subject to operating lease €m	Computer & other equipment (at cost) of which; own-use €m	Computer & other equipment (at cost) of which; subject to operating lease €m	Payments on accounts & assets in the course of construction (at cost) €m	Total owned assets €m	Right of Use assets, excluding investment property Buildings €m	Right of Use assets, excluding investment property Computer & other equipment €m	Total right of use assets €m	Total property plant and equipment €m
Cost or valuation at 1 January 2021	**161**	**19**	**158**	**6**	**256**	**130**	**17**	**747**	**510**	**54**	**564**	**1,311**
Additions	–	–	–	–	1	64	8	**73**	3	1	**4**	**77**
Disposals / write-offs	–	–	(14)	–	(30)	(37)	–	**(81)**	(4)	(2)	**(6)**	**(87)**
Impairment	–	–	–	–	–	–	(1)	**(1)**	–	–	**–**	**(1)**
Revaluation recognised in OCI	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Reclassifications	(2)	–	6	–	10	–	(15)	**(1)**	1	–	**1**	**–**
Adjustment of lease liability	–	–	–	–	–	–	–	**–**	(7)	–	**(7)**	**(7)**
Exchange adjustments	2	1	1	–	5	9	–	**18**	3	1	**4**	**22**
At 31 December 2021	**161**	**20**	**151**	**6**	**242**	**166**	**9**	**755**	**506**	**54**	**560**	**1,315**
Accumulated Depreciation at 1 January 2021	**–**	**–**	**(101)**	**(2)**	**(194)**	**(32)**	**–**	**(329)**	**(85)**	**(8)**	**(93)**	**(422)**
Charge for the year (notes 10,13)	–	–	(10)	–	(15)	(27)	–	**(52)**	(35)	(10)	**(45)**	**(97)**
Impairment for the year	–	–	–	–	(2)	–	–	**(2)**	(27)	–	**(27)**	**(29)**
Disposals / write-offs	–	–	11	–	23	23	–	**57**	1	2	**3**	**60**
Reclassifications	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Exchange adjustments	–	–	(1)	–	(3)	(2)	–	**(6)**	(1)	–	**(1)**	**(7)**
At 31 December 2021	**–**	**–**	**(101)**	**(2)**	**(191)**	**(38)**	**–**	**(332)**	**(147)**	**(16)**	**(163)**	**(495)**
Net book value at 31 December 2021	**161**	**20**	**50**	**4**	**51**	**128**	**9**	**423**	**359**	**38**	**397**	**820**

33 Property, plant and equipment *(continued)*

Future capital expenditure

This table shows future capital expenditure in relation to both property, plant and equipment and intangible assets.

Future capital expenditure	2022 €m	2021 €m
Contracted but not provided for in the financial statements	141	135
Authorised by the Directors but not contracted	74	265
Total future capital expenditure	**215**	**400**

Group as lessor

Computer and other equipment subject to an operating lease relates to the business activities of Marshall Leasing, which were conducted through Marshall Leasing Limited up until 1 April 2022, at which point the business transferred to N.I.I.B Group Limited. Both entities are wholly-owned subsidiaries of Bank of Ireland UK plc, whose ultimate parent is the Group. The Marshall Leasing business enters into operating leases, as lessor, through its car and commercial leasing activities. The terms of the leases vary but the majority of the leases typically run for a non-cancellable period of two to four years through which the Group is exposed to residual value risk on the vehicles leased.

The Group ensures that residual value risk is effectively managed to minimise exposure. The residual values used mirror those utilised in the creation of the original client contract. Residual values for the Marshall Leasing fleet of vehicles are benchmarked against industry standards using third party valuation tools. The residual values for the entire portfolio are reassessed using an independent vehicle valuation estimate on a regular basis throughout the life of the underlying contracts to determine if impairment is required. The process of realising asset values at the end of lease contracts is effectively managed to maximise net sale proceeds. The Group received operating lease income of €44 million in 2022 relating to the Marshall Leasing business (2021: €37 million) (note 10).

The Group has also entered into a small number of operating leases and operating sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements. The Group received operating lease income of €nil in 2022 (2021: €nil).

The table sets out the future undiscounted operating lease payments receivable.

Operating lease receivables	2022 €m	2021 €m
Not later than 1 year	34	29
1 to 2 years	22	20
2 to 3 years	11	10
3 to 4 years	4	3
4 to 5 year	1	1
Later than 5 years	–	–
Total operating lease receivables	**72**	**63**

34 Deferred tax

The DTA of €989 million (31 December 2021: €1,044 million) includes an amount of €1,026 million (31 December 2021: €1,118 million) in respect of operating losses which are available to shelter future profits from tax, of which €951 million relates to Irish tax losses carried forward by the 'Bank', €70 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the bank, and €5 million relates to US tax losses carried forward by the US branch of the Bank.

The recognition of a DTA in respect of tax losses carried forward requires the Directors to be satisfied that it is probable that the Group will have sufficient future taxable profits against which the losses can be utilised.

In considering the available evidence to support recognition of the DTA, the Group takes into consideration the impact of both positive and negative evidence including historical financial performance, projections of future taxable income and the impact of tax legislation.

The key judgements and estimates applied in the recognition of deferred tax assets on unused tax losses are set out in Critical Accounting Estimates and Judgements (note 2).

Net DTAs at 31 December 2022 of €0.9 billion (2021: €1.0 billion) are expected to be recovered after more than one year.

Deferred tax liabilities have not been recognised for tax that may be payable if distributable reserves of certain overseas subsidiaries and joint ventures were remitted to Ireland as the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Distributable reserves for overseas subsidiaries and joint ventures totalled €1.3 billion at 31 December 2022 (2021: €1.5 billion).

The Group has not recognised a DTA of €164 million (2021: €226 million) in respect of temporary differences, unused tax losses and tax credits of which €49 million (2021: €47 million) relates to US tax losses which are subject to a 20 year life and are scheduled to expire unused in the period 2028 - 2030 due to an annual limitation of use. The balance relates to UK tax losses which have no expiry date but are currently not projected to be recovered within 10 years.

The Group's Annual Report for the year ended 31 December 2021 noted that the Organisation for Economic Co-operation and Development (OECD) had released the 15% minimum effective tax rate Model Rules in December 2021 with the new rules expected to be effective from 1 January 2023. On 15 December 2022, the European Council confirmed that the EU Directive had been endorsed and EU Member States have until 31 December 2023 to transpose the provisions of the Directive into their national laws with the provisions generally applying for fiscal years beginning on or after 31 December 2023. The legislation has not been substantively enacted at the balance sheet date and the Group will continue to monitor the evolving national legislation including any disclosures required, or exemptions available, under IAS 12 in the year ending 31 December 2023 as it is currently too early to indicate the possible quantitative effects.

34 Deferred tax *(continued)*

2022	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December Net €m	Balance at 31 December Deferred tax assets €m	Balance at 31 December Deferred tax liabilities €m
Unutilised tax losses	1,118	(92)	–	–	1,026	1,026	–
Pensions and other post retirement benefits	(116)	3	7	–	(106)	–	(106)
Assets used in the business	41	(16)	–	–	25	25	–
Impact of adopting IFRS 9	14	(4)	–	–	10	10	–
Cash flow hedge reserve	6	–	3	–	9	9	–
Other temporary differences - assets	70	2	–	(7)	65	65	–
Wealth & Insurance *Different Basis of Accounting*	(70)	12	–	–	(58)	–	(58)
Debt instruments at FVOCI	(18)	–	20	–	2	2	–
Property revaluation surplus	(18)	2	1	–	(15)	–	(15)
Liability credit reserve	2	–	(5)	–	(3)	–	(3)
Other temporary differences - liabilities	(75)	14	–	(2)	(63)	–	(63)
Tax assets / (liabilities) before set-off	**954**	**(79)**	**26**	**(9)**	**892**	**1,137**	**(245)**
Set-off of tax					**–**	**(148)**	**148**
Net tax assets / (liabilities)					**892**	**989**	**(97)**

2021	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December Net €m	Balance at 31 December Deferred tax assets €m	Balance at 31 December Deferred tax liabilities €m
Unutilised tax losses	1,157	(39)	–	–	1,118	1,118	–
Pensions and other post retirement benefits	5	(8)	(113)	–	(116)	–	(116)
Assets used in the business	36	5	–	–	41	41	–
Impact of adopting IFRS 9	15	(1)	–	–	14	14	–
Cash flow hedge reserve	1	–	5	–	6	6	–
Other temporary differences - assets	38	21	–	11	70	70	–
Wealth & Insurance *Different Basis of Accounting*	(51)	(19)	–	–	(70)	–	(70)
Debt instruments at FVOCI	(24)	1	5	–	(18)	–	(18)
Property revaluation surplus	(18)	–	–	–	(18)	–	(18)
Liability credit reserve	1	–	1	–	2	2	–
Other temporary differences - liabilities	(59)	(16)	–	–	(75)	–	(75)
Tax assets / (liabilities) before set-off	**1,101**	**(56)**	**(102)**	**11**	**954**	**1,251**	**(297)**
Set-off of tax					**–**	**(207)**	**207**
Net tax assets / (liabilities)					**954**	**1,044**	**(90)**

35 Other assets

	2022 €m	2021 €m
Reinsurance asset	1,090	1,302
ViF asset (note 36)	738	700
Sundry and other debtors	562	482
Interest receivable	234	328
Accounts receivable and prepayments	83	78
Trade receivables	42	18
Contract assets	7	4
Other assets	**2,756**	**2,912**
Other assets are analysed as follows:		
Within 1 year	868	849
After 1 year	1,888	2,063
	2,756	**2,912**
The movement in the reinsurance asset is noted below:		
At beginning of year	1,302	1,352
New business	151	91
Changes in business	(363)	(141)
At end of year	**1,090**	**1,302**

For the purpose of disclosure of credit risk exposures, the reinsurance asset is included within other financial instruments of €12.1 billion (2021: €9.9 billion) in note 27 on page 271.

Interest receivable is subject to impairment under IFRS 9; the impairment loss allowance on interest receivable is presented in the balance sheet along with the financial asset to which it relates.

36 Life assurance business

The Group recognises the ViF life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. The ViF asset, which is presented gross of attributable tax, represents the present value of future profits, less an allowance for the cost of required capital, expected to arise from insurance contracts written by the reporting date. It is determined by projecting the future surpluses and other cash flows attributable to the shareholder arising from these contracts and discounting using risk free interest rates as specified under the Solvency II directive.

The process used in determining the key economic and experience assumptions is as follows:

Interest rates and unit growth rate

Interest rates and unit-growth rates are based on a range of duration-specific rates determined by a risk free yield curve. This yield curve is provided by the EIOPA.

The Group's Life Assurance business has also received regulatory approval to use the Volatility Adjustment (VA). The VA is an addition to the risk-free curve under the Solvency II regulations which is designed to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. It is based on a risk corrected spread on the assets in a reference portfolio.

Shareholder tax rate

The current rate of corporation tax is assumed to be maintained over the term of the business. Deferred tax has been allowed for on future surpluses attributable to shareholders estimated to arise from insurance contracts.

Mortality and morbidity

The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant market data.

Persistency rate

Persistency rates refer to the rate of policy termination for insurance policies. Best estimate policy lapse rate assumptions are set with regard to the Group's actual experience and other relevant market data.

Maintenance expenses

Allowance is made for future policy costs and expense inflation explicitly.

Changes in assumptions during the year reflect the strong performance and experience on the back-book across a number of metrics. The changes in assumptions impact the value of in force business and insurance contract liabilities.

The main impact of assumption changes in the year were due to:

- Disciplined cost management within the business has resulted in a reduction of €3.5 million per year in renewal expenses leading to an associated release in technical provisions of €24 million.
- Durational lapse assumptions modelling has been applied to the product suite, resulting in a reduction in the future lapse assumption for some key product lines leading to a release of technical provisions in aggregate of €30 million.

Sensitivities

This table indicates the standalone impact of changes in the key assumptions on profit.

While this table shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions. The impact of a 10% improvement in longevity rates relates to the Annuity book of business. A 0.5% widening in bond spreads includes the impact of Volatility Adjustment.

Value of in Force asset	2022 €m	2021 €m
At beginning of year	700	615
Income statement movement in Value of in Force asset (gross of tax)	38	85
At end of year	**738**	**700**

Sensitivities: Impact on annual profit before tax	2022 €m	2021 €m
1% increase in interest rates and unit growth rates	(23)	(8)
1% decrease in interest rates and unit growth rates	18	(6)
10% improvement in mortality	22	23
10% improvement in longevity	(24)	(35)
10% improvement in morbidity	17	12
10% deterioration in persistency	(19)	(17)
10% increase in equity and property markets	40	33
5% improvement in maintenance expenses	17	21
0.5% widening in bond spreads	(47)	(55)

37 Deposits from banks

Deposits from banks include cash collateral of €0.6 billion (2021: €0.1 billion) received from derivative counterparties in relation to net derivative asset positions (note 20).

	2022 €m	2021 €m
Monetary Authority secured funding	2,594	12,619
Deposits from banks	851	327
Deposits from banks	**3,445**	**12,946**

37 Deposits from banks *(continued)*

Monetary Authority secured funding	2022 TFSME €m	2022 TLTRO III €m	2022 Total €m	2021 TFSME €m	2021 TLTRO III €m	2021 Total €m
Deposits from banks	2,594	–	2,594	2,737	9,882	12,619
Debt securities in issue (note 39)	–	–	–	–	848	848
Total	**2,594**	**–**	**2,594**	**2,737**	**10,730**	**13,467**

During 2021, the Group secured funding from the ECB under TLTRO III. The Group had expected to retain the funding until March 2024, however, following changes made by the ECB to the terms and conditions of the TLTRO III the funding was repaid in full on the 23 November 2022.

Negative interest on the TLTRO III is recognised in interest income. The interest rate applicable to the TLTRO III from June 2022 until repayment in November 2022 was the average deposit facility rate of -0.29% over the life of the instrument.

Drawings under the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) from the Bank of England (BoE) will be repaid by October 2026.

The Group's Monetary Authority funding is secured by debt securities at amortised cost, financial assets at FVOCI and loans and advances to customers.

38 Customer accounts

The movement in own credit risk related to the Group's customer accounts designated at FVTPL for the year is shown below.

The carrying amount of the customer accounts designated at FVTPL at 31 December 2022 is €414 million, €49 million lower than the contractual amount due at maturity of €463 million (2021: the carrying amount was €417 million, €3 million higher than the contractual amount due at maturity of €414 million). This is set out in note 59.

At 31 December 2022, the Group's largest 20 customer deposits amounted to 4% (2021: 4%) of customer accounts. Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products. Information on the contractual maturities of customer accounts is on page 171 in the Risk Management Report.

At 31 December 2022, customer accounts include client deposits amounting to €2,346 million whereby Davy, which became a Group undertaking effective 1 June 2022, acts as a financial intermediary. Further details on client property are disclosed in note 55.

Term deposits and other products include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in note 58 Liquidity risk and profile.

Under the European Communities (Deposit Guarantee Scheme) Regulations 2015, eligible deposits of up to €100,000 per depositor per credit institution are covered. Eligible deposits includes credit balances in current accounts, demand deposit accounts and term deposit accounts. The scheme is administered by the CBI and is funded by the credit institutions covered by the scheme.

On 24 November 2015, the EC released a proposal, European Deposit Insurance Scheme (EDIS), designed to achieve a common European deposit protection scheme by 2024. Under the current proposal, when fully implemented, the EDIS would completely replace the national schemes and be the sole insurance scheme for deposits in the euro-area banks.

	2022 €m	*Restated*[1] 2021 €m
Current accounts	59,330	52,090
Demand deposits	29,511	28,556
Term deposits and other products[1]	9,945	11,711
Customer accounts at amortised cost	**98,786**	**92,357**
Term deposits at FVTPL	414	417
Total customer accounts	**99,200**	**92,774**
Amounts include:		
Due to associates and joint ventures	46	3

Movement in own credit risk on deposits at FVTPL	2022 €m	2021 €m
Balance at beginning of the year	4	(2)
Recognised in other comprehensive income	(17)	6
Balance at end of the year	**(13)**	**4**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

38 Customer accounts *(continued)*

Bail-in is a key resolution tool provided for in the BRRD. The bail-in tool enables a resolution authority to write down the value of certain liabilities or convert them into equity, to the extent necessary to absorb losses and recapitalise an institution. It also introduces 'depositor preference', where shareholders' equity and other unsecured creditors (including senior bondholders) will have to be fully written down before losses are imposed on preferred depositors. The bail-in rules allow in exceptional circumstances for the exclusion or partial exclusion of certain liabilities (with a key focus being eligible deposits) from the application of the write down or conversion powers. The EU (Bank Recovery and Resolution) Regulations 2015, which transposed the BRRD into Irish Law, provides that covered deposits (i.e. eligible deposits up to €100,000) are excluded from the scope of this bail-in tool.

In addition to the deposits covered by these Regulations, certain other Group deposits are covered by the deposit protection schemes in other jurisdictions, chiefly the UK Financial Services Compensation Scheme (FSCS) (in respect of eligible deposits with Bank of Ireland (UK) plc).

39 Debt securities in issue

The carrying amount of bonds and medium term notes has increased by €0.6 billion at 31 December 2022 (2021: €0.9 billion) due to senior issuances amounting to €2.0 billion (2021: €1.7 billion) in bonds, offset by the redemption of notes and bonds amounting to €0.9 billion (2021: €0.7 billion) during the year. A further decrease of €0.5 billion (2021: €0.1 billion) in the carrying amount of bonds and medium term notes are attributable to foreign exchange adjustments, amortisation of discount and movements in fair value hedges.

The Monetary Authority secured funding classified as debt securities in issue amounted to €nil at 31 December 2022 (2021: €0.8 billion) due to the repayment in full by the Group of TLTRO III in November 2022.

The carrying amount of the debt securities in issue designated at FVTPL at 31 December 2022 was €250 million, €37 million lower than the contractual amount due at maturity of €287 million (2021: the carrying amount was €307 million, €23 million higher than the contractual amount due at maturity of €284 million). This is set out in note 59.

	2022 €m	2021 €m
Bonds and medium term notes	6,807	6,228
Monetary Authorities secured funding	–	848
Other debt securities in issue	717	1,100
Debt securities in issue at amortised cost	**7,524**	**8,176**
Debt securities in issue at FVTPL	250	307
Total debt securities in issue	**7,774**	**8,483**

	2022 €m	2021 €m
Balance at beginning of the year	8,483	6,367
Issued during the year	3,859	2,984
Redemptions	(3,976)	(817)
Repurchases	–	(11)
Other movements	(592)	(40)
Balance at end of the year	**7,774**	**8,483**

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	2022 €m	2021 €m
Balance at beginning of the year	3	3
Recognised in other comprehensive income	(3)	–
Balance at end of the year	**–**	**3**

40 Liabilities to customers under investment and insurance contracts

The Wealth and Insurance division writes the following life assurance contracts that contain insurance risk:

Non-unit linked life assurance contracts
These contracts provide the policyholder with insurance in the event of death, critical illness or permanent disability (principally mortality and morbidity risk).

Non-unit linked annuity contracts
These contracts provide the policyholder with an income until death (principally longevity and market risk).

Unit linked insurance contracts
These contracts include both policies primarily providing life assurance protection and policies providing investment but with a level of insurance risk deemed to be significant (principally mortality and market risk).

Insurance contract liabilities, which consist of both unit linked and non-unit linked liabilities, are calculated based on recognised actuarial methods with due regard to the applicable actuarial principles recognised in the European framework for the prudential and financial monitoring of direct life assurance business.

Unit linked liabilities reflect the value of the underlying funds in which the policyholder is invested. Non-unit linked liabilities are calculated using a gross premium method of valuation.

The key assumptions used in the valuation of insurance contract liabilities are:

Interest rate
The interest rates used are based on risk free rates published by EIOPA in line with the Solvency II Directive.

Mortality and morbidity
The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.

Maintenance expenses
Allowance is made for future policy costs and expense inflation explicitly.

Options and guarantees
The Group has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit linked without investment guarantees. Where investment guarantees do exist they are either hedged with an outside party or matched through appropriate investment assets.

Investment contract liabilities	2022 €m	2021 €m
Liabilities to customers under investment contracts, at fair value	5,870	6,671

The movement in gross life insurance contract liabilities is analysed as follows:

Insurance contract liabilities	2022 €m	2021 €m
At beginning of year	15,399	13,479
New business	2,037	2,020
Changes in existing business	(3,156)	(100)
At end of year	**14,280**	**15,399**

Uncertainties associated with insurance contract cash flows and risk management activities
For life assurance contracts where death is the insured risk, the most significant factors that could adversely affect the frequency and severity of claims are the incidence of disease and general changes in lifestyle. Where the insured risk is longevity, advances in medical care is the key factor that increases longevity. The Group manages its exposures to insurance risks through a combination of applying strict underwriting criteria, asset and liability matching, transferring risk to reinsurers and the establishment of insurance contract liabilities.

Credit risk
Reinsurance programmes are in place to restrict the amount of exposure on any single life. The Group uses a panel of highly rated reinsurance companies to diversify credit risk.

Capital management and available resources
The Solvency II framework came into full effect from 1 January 2016 and introduced new capital, risk management, governance and reporting requirements for all European insurance entities. Under Solvency II, insurance entities are required to hold technical provisions to meet liabilities to policyholders using best estimate assumptions plus a risk margin. In addition, entities are required to hold a risk based SCR which is calculated by considering the capital required to withstand a number of shock scenarios.

As part of the disclosure requirements, the Group's life assurance entity, NIAC, annually publishes a public document called the Solvency and Financial Condition Report setting out more detail on its solvency and capital management.

41 Other liabilities

	2022 €m	2021 €m
Notes in circulation	900	1,066
Sundry creditors	451	377
Operating expenses accrued	292	253
Accrued interest payable	139	107
Accruals and deferred income	80	28
Short position in trading securities	3	60
Other	670	473
Other liabilities	**2,535**	**2,364**
Other liabilities are analysed as follows:		
Within 1 year	2,437	2,296
After 1 year	98	68
	2,535	**2,364**

42 Leasing

Group as lessee
The principal contracts where the Group is a lessee under IFRS 16 are in relation to property leases and computer equipment. Further qualitative information on the nature of the leases is set out in the Group accounting policies (note 1) and the undiscounted contractual maturity of total lease liabilities is set out in note 58 Liquidity risk and profile.

Total cash outflows on leases amounted to €87 million in 2022 (2021: €79 million).

Amounts recognised in the balance sheet and income statement
The carrying amount of the Group's RoU assets and the movements during 2022 are set out in note 33.

The carrying amount of the lease liabilities and the movements during 2022 is set out in the tables below.

Group as lessor
Accounting for lessors is outlined in the Group accounting policies (note 1). The Group is engaged in finance lease and operating lease activities.

Finance leasing activity and a maturity analysis of the Group's net investment in finance leases are included within Loans and advances to customers (note 26) along with a gross to net reconciliation of the investment in finance leases. Associated income on finance leases is included in Interest income (note 4). Operating leases where the Group is a lessor primarily relate to the Marshall Leasing business, which has been conducted through the subsidiary N.I.I.B Group Limited since 1 April 2022. Further detail on the nature of the company's leasing activities, risks and risk management is outlined in note 33.

In addition, the Group has also entered into a small number of operating leases and operating sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements. The Group received operating lease income of €nil in 2022 (2021: €nil) (note 10).

Variable lease payments on RoU assets relate to computer equipment that has a varying cost dependant on usage with the contracts on which the payments arise maturing within two years.

A maturity analysis of undiscounted operating lease receivables set out on an annual basis is included in note 33. Income and expense associated with the Group's operating lease activities is included in note 10.

Lease liabilities	2022 €m	2021 €m
At 1 January	**452**	**498**
Payment of lease liability and interest	(65)	(57)
Interest expense (note 5)	12	11
Additions (note 33)	11	4
Acquisitions (note 33)	9	–
Other movements	2	3
Lease liability adjustment	2	(7)
At 31 December	**423**	**452**

42 Leasing *(continued)*

Summary of amounts recognised in the income statement under IFRS 16 'Leases'	2022 €m	2021 €m
Amounts recognised in interest expense (note 5)		
Interest expense on lease liabilities	12	11
Amounts recognised in interest income (note 4)		
Finance lease interest	169	161
Amounts recognised in other operating expense (note 13)		
Depreciation of RoU assets in property, plant and equipment	38	45
Impairment of RoU assets	14	–
Variable lease expenses	2	1
Short-term lease expenses	1	1
	55	**47**
Amounts recognised in cost of restructuring (note 14)		
Impairment of RoU assets	–	27

43 Provisions

The Group has recognised provisions in relation to restructuring costs, onerous contracts, legal and other. Such provisions are sensitive to a variety of factors, which vary depending on their nature. The estimation of the amounts of such provisions is judgemental because the relevant payments are due in the future and the quantity and probability of such payments is uncertain.

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date.

	2022			2021		
	Restructuring €m	Legal and other €m	Total €m	Restructuring €m	Legal and other €m	Total €m
Opening balance at 1 January	**55**	**135**	**190**	**148**	**120**	**268**
Exchange adjustment	(1)	(1)	(2)	3	–	3
Charge to income statement	16	39	55	61	41	102
Transfers	–	–	–	–	1	1
Other	–	(2)	(2)	–	3	3
Utilised during the year	(37)	(131)	(168)	(147)	(19)	(166)
Unused amounts reversed and released to profit or loss	(5)	(6)	(11)	(10)	(11)	(21)
Acquisitions	–	17	17	–	–	–
At 31 December	**28**	**51**	**79**	**55**	**135**	**190**

Restructuring provisions of €28 million at 31 December 2022 (2021: €55 million) largely relates to building exit costs of €22 million (2021: €32 million) in line with the Group's property strategy and Voluntary Redundancy Programme costs of €6 million (2021: €21 million).

43 Provisions *(continued)*

Expected utilisation	2022 Restructuring €m	2022 Legal and other €m	2022 Total €m	2021 Restructuring €m	2021 Legal and other €m	2021 Total €m
Less than 1 year	17	34	51	39	129	168
1 to 2 years	3	11	14	4	3	7
2 to 5 years	4	3	7	6	3	9
5 to 10 years	4	3	7	6	–	6
Total	**28**	**51**	**79**	**55**	**135**	**190**

At 31 December 2022, the Group held a provision of €14 million (2021: €94 million) in respect of the industry wide Tracker Mortgage Examination Review ('Review'). The provision represents the Group's best estimate of the costs of remediation of any remaining impacted customers, addressing customer appeals and closing out all other outstanding costs of the exercise. In September 2022, the Group was fined €100.5 million by the CBI under its administrative sanctions procedure.

Since 31 December 2021, €116 million of the provision has been utilised to cover payment of this fine, customer redress and compensation, and related costs. During 2022, the Group set aside a further €36 million provision to cover the operational costs associated with the length and nature of the Review and the estimated costs of closing out the Review including the fine incurred under the CBI's administrative sanctions procedure.

Acquisitions of €17 million at 31 December 2022, relate to provisions identified from the acquisition of Davy, see note 54, Davy acquisition.

44 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.

Loss allowance provisions of €55 million (2021: €48 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 45. Provisions on all other contingent liabilities are shown in note 43.

Similar to other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Guarantees and letter of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

An **acceptance** is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. **Endorsements** are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Other contingent liabilities
Other contingent liabilities primarily include performance bonds and are generally short-term commitments to third parties which are not directly dependent on the customers' credit worthiness. The Group is also party to legal, regulatory, taxation and other actions arising out of its normal business operations.

The Group is currently reviewing its application of certain charges that have been applied in its Retail Ireland business. In addition, the Group's Retail UK motor finance business, similar to industry peers, has received, and is reviewing, a number of complaints in relation to its historical commission arrangements, some of which are with the Financial Ombudsman Service. It is not currently practicable to estimate the amount or timing of any impact from these reviews. There is significant uncertainty around the scope and / or nature of complaints and of any remediation, if required, given the challenges to the interpretation and / or validity of complaints.

Loan commitments
On 24 May 2022, the Competition and Consumer Protection Commission (CCPC) confirmed clearance of the Group's acquisition of certain assets and liabilities of KBCI. As part of the agreement, the Group committed to support the growth of non-bank lenders in the Irish mortgage market, making €1 billion in total funding available to certain non-bank lenders through the purchase of securities issued by them, to increase their funding capacity and reduce their cost of funding. At 31 December 2022, €821 million remains available to the lenders.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Included within total commitments is an amount of €187 million of undrawn loan commitments to the Group's joint ventures (2021: €51 million). Details of the Group's acquisition of Davy are set out in note 54.

Capital commitments
In the normal course of business, the Group sources investment opportunities for private clients principally in respect of private equity investments from leading international private equity groups who require Davy to enter into commitments in relation

44 Contingent liabilities and commitments *(continued)*

to meeting any future capital calls as investments are made. The total of such commitments at 31 December 2022 was €252 million (2021: €nil). In turn, Davy obtain legally binding commitments from private clients to meet their share of potential future cash calls up to indicative levels as outlined in the individual investment memoranda. The total of such cash calls at 31 December 2022 was €54 million (2021: €nil).

At 31 December 2022, there were no unpaid cash calls in respect of third-party investment providers (2021: €nil). The amounts and timing of any future cash calls are uncertain and are dependent on the investment activities and funding requirements of the relevant third party private equity providers. The Directors believe that, based on conditions in existence at the balance sheet date, there is no potential liability that would result in a loss for Davy arising from future potential cash calls which may be made. When cash calls are made, the normal risk management procedures in relation to counterparty & settlement risk are applied.

	2022 €m	2021 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	595	507
Acceptances and endorsements	5	6
Other contingent liabilities	172	145
	772	**658**
Loan commitments		
Documentary credits and short-term trade related transactions	24	33
Undrawn formal standby facilities, credit lines and other commitments to lend	16,252	15,483
Revocable or irrevocable with original maturity of 1 year or less	*8,805*	*7,949*
Irrevocable with original maturity of over 1 year	*7,447*	*7,534*
	16,276	**15,516**
Capital commitments	**252**	**–**

45 Loss allowance provision on loan commitments and financial guarantees

The loss allowance on loan commitments are presented as a provision in the balance sheet (i.e. as a liability under IFRS 9) and separate from the impairment loss allowance. To the extent a facility includes both a loan and an undrawn commitment, it is only the impairment attributable to the undrawn commitment that is presented in this table. The impairment loss allowance attributable to the loan is shown as part of the financial asset to which the loan commitment relates.

	2022		2021	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 44)	16,276	49	15,516	44
Guarantees and irrevocable letters of credit (note 44)	595	6	507	4
	16,871	**55**	**16,023**	**48**
Loss allowance of which are:				
Stage 1		22		21
Stage 2		19		23
Stage 3		14		4
		55		**48**

45 Loss allowance provision on loan commitments and financial guarantees *(continued)*

The following tables summarise the asset quality of loan commitments and financial guarantees by IFRS 9 twelve month PD grade which are not credit-impaired.

2022 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,739	38%	673	58%	6,412	40%	267	50%	19	35%	286	49%
5-7	6,756	46%	156	13%	6,912	43%	254	48%	4	8%	258	45%
8-9	2,298	15%	279	24%	2,577	16%	4	1%	16	30%	20	3%
10-11	124	1%	61	5%	185	1%	2	1%	14	27%	16	3%
Total	**14,917**	**100%**	**1,169**	**100%**	**16,086**	**100%**	**527**	**100%**	**53**	**100%**	**580**	**100%**

At 31 December 2022, credit-impaired loan commitments are €190 million (2021: €125 million) while credit-impaired guarantees and irrevocable letters of credit are €15 million (2021: €15 million).

2021 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,044	36%	117	9%	5,161	34%	173	43%	–	–	173	35%
5-7	6,703	48%	720	53%	7,423	48%	184	46%	53	59%	237	48%
8-9	2,189	15%	399	29%	2,588	17%	46	11%	21	24%	67	14%
10-11	94	1%	125	9%	219	1%	–	–	15	17%	15	3%
Total	**14,030**	**100%**	**1,361**	**100%**	**15,391**	**100%**	**403**	**100%**	**89**	**100%**	**492**	**100%**

46 Retirement benefit obligations

The Group sponsors a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement, the Group has been advised by independent actuaries, which in the case of the majority of the Group's schemes is Willis Towers Watson.

The most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pensions Fund (BSPF) which accounts for c.74% of the total liabilities across all Group sponsored defined benefit schemes at 31 December 2022. The BSPF and all of the Group's other RoI and UK defined benefit schemes were closed to new members during 2007 and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in late 2014 and a new defined contribution scheme, RetireWell, was introduced for new entrants to the Group from that date.

Retirement benefits under the BSPF and a majority of the other defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date.

Regulatory Framework

The Group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the BSPF are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation, including the EU directive on the activities and supervision of Institutions for Occupational Retirement Provision (the IORP II Directive). These responsibilities include ensuring that contributions are received, investing the scheme assets and making arrangements to pay the benefits and developing appropriate Risk Management and Internal Audit frameworks. Plan assets are held in trusts and are governed by local regulations and practice in each country.

In order to assess the level of contributions required, triennial valuations are carried out with plan obligations generally measured using prudent assumptions and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

The BSPF is also subject to an annual valuation under the Irish Pensions Authority Minimum Funding Standard (MFS). The MFS valuation is designed to assess whether the scheme has sufficient funds to provide a minimum level of benefits in a wind- up scenario. If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS by a specified future point in time.

The responsibilities of the Trustees and the regulatory framework, are broadly similar for the Group's other defined

46 Retirement benefit obligations *(continued)*

benefit schemes and take account of pension regulations in each specific jurisdiction. The Group works closely with the Trustees of each scheme to manage the plans.

The nature of the relationship between the Group and the Trustees is governed by local regulations and practice in each country and by the respective legal documents underpinning each plan.

BSPF plan details at last valuation date (31 December 2021)	Number of members	Proportion of funding liability
Active members	3,176	27%
Deferred members	7,636	28%
Pensioner members	5,891	45%
Total	**16,703**	**100%**

The significant financial assumptions used in measuring the Group's defined benefit obligations under IAS 19 are set out in the table below.

Financial assumptions	2022 % p.a.	2021 % p.a.
Irish schemes		
Discount rate	3.60	1.35
Inflation rate	2.60	1.85
Rate of general increase in salaries[1]	3.10	2.35
Rate of increase in pensions in payment[1]	1.57	1.05
Rate of increase to deferred pensions	2.45	1.80
UK schemes		
Discount rate	5.00	1.90
Consumer Price Inflation	2.70	2.75
Retail Price Inflation	3.30	3.35
Rate of general increase in salaries[1]	3.80	3.85
Rate of increase in pensions in payment[1]	2.13	2.13
Rate of increase to deferred pensions	2.70	2.75

Actuarial Valuation of the BSPF

The last formal valuation of the BSPF was carried out at 31 December 2021.

The triennial valuation disclosed the fair value of the scheme assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions. As a result, no deficit contributions were required following the valuation.

In respect of future service benefits, the actuary recommended an employer contribution of €52 million per annum, payable for the remaining period in 2022 and €59 million per annum from 1 January 2023 until the next valuation (decreased from €59.5 million at the last valuation). However, given the substantial movement in bond and swap yields since the valuation date and the resulting impact of the movement in those yields on the cost of new benefits being accrued, it was agreed to incorporate an interim contribution mechanism into the calculation of future service contributions until the next triennial valuation. The interim contribution calculation (if applicable) will take place each 1 October to determine the future service contribution to apply for the following calendar year where there is a substantial change in long-term (e.g. 20-year term) Euro yields after allowing for inflation, over an agreed period.

For 2023, the interim contribution mechanism will apply given the substantial change in long-term Euro yields between the triennial valuation date and 1 October 2022, and the future service contribution for calendar year will be €44 million for 2023 as a result.

It was also agreed in principle by the Trustees and the Group that future service contributions for the period from 1 October 2022 to 30 September 2025 will be paid into an Escrow Account. It is expected that the Escrow Account will be operational from the first quarter of 2023. The Group contributions in respect of that period will be held in the Escrow Account until certain conditions are met. These conditions primarily relate to the strength of BSPF's funding position. For example, if the BSPF funding position weakens and falls below agreed levels, the monies in the Escrow Account will be paid to BSPF over an agreed time period. If the funding position strengthens above agreed levels, payments will be made to the Group over an agreed time period. Under the exceptional circumstances where BSPF fails to satisfy its statutory funding requirements or if there is significant risk to the Group's covenant, the monies in the Escrow Account would be paid immediately to BSPF.

The next formal triennial valuation of the BSPF will be carried out during 2025 based on the position at 31 December 2024.

The actuarial valuations are available for inspection by members but are not available for public inspection.

Plan details

The table above sets out details of the membership of the BSPF.

Negative Past Service Cost

During 2022, negative past service cost of €1 million (2021: €6 million) arising from the Group's restructuring programme was recognised across a number of schemes.

Financial and Demographic assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension plans, as detailed below, are set by the Directors after consultation with independent actuaries.

Discount rates are determined in consultation with the Group's independent actuary, with reference to market yields at the reporting date on high quality corporate bonds (AA rated or equivalent) issued in the relevant currency, with a term corresponding to the term of the benefit payments.

At 31 December 2021 and other recent reporting dates, the assumption for RoI price inflation was set by reference to the long-term expectation for eurozone inflation as implied by the difference in yields between eurozone fixed interest and index-linked bonds. At 31 December 2022, the Group has set the RoI price inflation assumption by reference to the Eurozone Harmonised Index of Consumer Prices (HICP) inflation swap curve, as the HICP inflation swap curve is now more aligned to the duration of the Group's RoI plans liabilities than eurozone index-linked bonds.

[1] *Weighted average increase across all Group schemes in the relevant jurisdiction.*

46 Retirement benefit obligations *(continued)*

The RoI inflation rate determined using the HICP inflation swap curve was 2.60%. The RoI inflation rate determined using the previous approach would have been 2.50%, which, if used, would have increased the net pension surplus by c.€56 million at 31 December 2022.

The assumptions for UK price inflation are determined with reference to the Group's independent actuary's standard cash flow matching inflation assumption methodology, except for UK Consumer Price Index (CPI) inflation, which is set by reference to retail price index (RPI) inflation, with an adjustment applied, as there are insufficient CPI-linked bonds from which to derive an assumption.

The salary assumption takes into account inflation, promotion and current employment markets relevant to the Group. Other financial assumptions are reviewed in line with changing market conditions to determine best estimate assumptions. Demographic assumptions are reviewed periodically in line with the actual experience of the Group's schemes.

Mortality assumptions

The mortality assumptions adopted for Irish pension arrangements reflect both a base table and projected table developed from various Society of Actuaries in Ireland mortality investigations that are considered a best fit for the Group's expected future mortality experience.

Mortality assumptions	2022 years	2021 years
Longevity at age 70 for current pensioners		
Males	18.4	18.2
Females	19.8	19.7
Longevity at age 60 for active members currently aged 60 years		
Males	27.9	27.7
Females	29.6	29.5
Longevity at age 60 for active members currently aged 40 years		
Males	30.1	30.0
Females	31.6	31.5

Amounts recognised in financial statements

The table below outlines where the Group's defined benefit plans are recognised in the financial statements. The UK Pension Plans include a portion of the Bank of Ireland Staff Pension Fund which relates to UK members.

	2022			2021		
	Irish Pension Plans €m	UK Pension Plans €m	Total €m	Irish Pension Plans €m	UK Pension Plans €m	Total €m
Income statement credit / (charge)						
Other operating expenses	(49)	(10)	(59)	(87)	(18)	(105)
Cost of restructuring programme	1	–	1	3	3	6
Statement of OCI						
Impact of remeasurement	165	(81)	84	592	118	710
Balance sheet obligations	**571**	**129**	**700**	**395**	**203**	**598**
This is shown on the balance sheet as:						
Retirement benefit asset			736			740
Retirement benefit obligation			(36)			(142)
Total net asset			**700**			**598**

46 Retirement benefit obligations *(continued)*

The movement in the net defined benefit obligation over the year in respect of the Group's defined benefit plans is as follows:

	2022			2021		
	Present value of obligation €m	**Fair value of plan assets €m**	**Surplus/ (deficit) of plans €m**	**Present value of obligation €m**	**Fair value of plan assets €m**	**Surplus/ (deficit) of plans €m**
At 1 January	**(9,004)**	**9,602**	**598**	**(9,047)**	**8,921**	**(126)**
Cost of restructuring programme						
Negative past service cost	1	–	1	6	–	6
Other operating expenses	(244)	185	(59)	(195)	90	(105)
Current service cost	*(85)*	*–*	*(85)*	*(107)*	*–*	*(107)*
Negative past service cost	*–*	*–*	*–*	*–*	*–*	*–*
Interest (expense) / income	*(159)*	*185*	*26*	*(92)*	*94*	*2*
Impact of settlements	*–*	*–*	*–*	*4*	*(4)*	*–*
Return on plan assets not included in income statement	–	(2,601)	(2,601)	–	706	706
Change in demographic assumptions	49	–	49	(2)	–	(2)
Change in financial assumptions	2,795	–	2,795	149	–	149
Experience losses	(163)	–	(163)	(116)	–	(116)
Employer contributions	–	76	76	–	113	113
Deficit reducing	*–*	*4*	*4*	*–*	*23*	*23*
Other	*–*	*72*	*72*	*–*	*90*	*90*
Employee contributions	(7)	7	–	(8)	8	–
Benefit payments	298	(298)	–	334	(334)	–
Changes in exchange rates	69	(65)	4	(125)	98	(27)
At 31 December	**(6,206)**	**6,906**	**700**	**(9,004)**	**9,602**	**598**
The above amounts are recognised in the financial statements as follows: (charge) / credit						
Other operating expenses	(244)	185	(59)	(195)	90	(105)
Cost of restructuring programme	1	–	1	6	–	6
Total amount recognised in income statement	**(243)**	**185**	**(58)**	**(189)**	**90**	**(99)**
Changes in financial assumptions	2,795	–	2,795	149	–	149
Return on plan assets not included in income statement	–	(2,601)	(2,601)	–	706	706
Change in demographic assumptions	49	–	49	(2)	–	(2)
Changes in exchange rates	69	(65)	4	(125)	98	(27)
Experience losses	(163)	–	(163)	(116)	–	(116)
Total remeasurements in OCI	**2,750**	**(2,666)**	**84**	**(94)**	**804**	**710**
Total past service cost comprises						
Cost of restructuring programme	1	–	1	6	–	6
Other operating expenses	–	–	–	–	–	–
Total	**1**	**–**	**1**	**6**	**–**	**6**

46 Retirement benefit obligations *(continued)*

The retirement benefit schemes' assets include one property occupied by Group companies to the value of €31 million (2021: €36 million) and BOIG plc shares of €nil (2021: €5 million).

Asset breakdown	2022 €m	2021 €m
Liability Driven Investment (unquoted)	2,973	3,530
Property and infrastructure (unquoted)	1,053	1,064
Cash and other (quoted)	930	678
Private equities (unquoted)	578	567
Hedge funds (unquoted)	354	371
Equities (quoted)	335	931
Reinsurance (unquoted)	301	282
Corporate bonds (quoted)	217	1,168
Government bonds (quoted)	139	360
Property and infrastructure (quoted)	26	337
Senior secured loans (unquoted)	–	314
Total fair value of assets	**6,906**	**9,602**

Sensitivity of defined benefit obligation to key assumptions

This table sets out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible at the reporting date.

While the defined benefit obligation sensitivity table shows the estimated impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Some of the reasonably possible changes in defined benefit obligation assumptions may have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

The table on the following page sets out the estimated sensitivity of plan assets to changes in equity markets, interest rates and inflation rates.

The sensitivity analysis is prepared by the independent actuaries calculating the defined benefit obligation under the alternative assumptions and the fair value of plan assets using alternative asset prices.

Impact on defined benefit obligations	Increase / (decrease) 2022 €m	Increase / (decrease) 2021 €m
RoI schemes		
Discount rate		
Increase of 0.25%	(212)	(357)
Decrease of 0.25%	226	384
Inflation rate		
Increase of 0.10%	57	96
Decrease of 0.10%	(56)	(94)
Salary growth		
Increase of 0.10%	17	32
Decrease of 0.10%	(17)	(31)
Life expectancy		
Increase of 1 year	146	247
Decrease of 1 year	(146)	(245)
UK schemes		
Discount rate		
Increase of 0.25%	(39)	(87)
Decrease of 0.25%	41	94
RPI inflation		
Increase of 0.10%	9	22
Decrease of 0.10%	(9)	(22)
Salary growth		
Increase of 0.10%	2	5
Decrease of 0.10%	(2)	(5)
Life expectancy		
Increase of 1 year	25	62
Decrease of 1 year	(25)	(62)

Future cash flows

The plans' liabilities represent a long-term obligation and most of the payments due under the plans will occur several decades into the future.

The duration or average term to payment for the benefits due, weighted by liability, is c.18 years (2021: c.21 years) for the Irish plans and c.16 years (2021: c.20 years) for the UK plans.

Expected employer contributions for 2023 are €34 million.

Expected employee contributions for 2023 are €7 million.

Risks and risk management

The Group's defined benefit pension plans have a number of areas of risk.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Changes in bond yields, interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. As part of its risk management, the largest Group sponsored pension scheme, the BSPF, has invested 48% of its assets in a Liability Driven Investment (LDI) approach to help manage its interest rate and inflation risk.

46 Retirement benefit obligations *(continued)*

Impact on plan assets	Increase / (decrease) 2022 €m	Increase / (decrease) 2021 €m
All schemes		
Sensitivity of plan assets to a movement in global equity markets with allowance for other correlated diversified asset classes		
Increase of 5.00%	78	137
Decrease of 5.00%	(78)	(137)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
Increase of 0.25%	(265)	(409)
Decrease of 0.25%	281	433
Sensitivity of liability-matching assets to a 10bps movement in inflation rates		
Increase of 0.10%	82	115
Decrease of 0.10%	(80)	(113)

The key areas of risk and the ways in which the Group has sought to manage them, are set out below:

Asset volatility
The defined benefit pension plans hold a proportion of their assets in equities and other return-seeking assets. The returns on such assets tend to be volatile. For the purposes of the triennial valuation, the defined benefit liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio.

For measurement of the obligation in the financial statements under IAS 19, however, the defined benefit obligation is calculated using a discount rate set with reference to high-quality corporate bond yields.

The movement in the asset portfolio is not fully correlated with the movement in the two liability measures and this means that the funding level is likely to be volatile in the short-term, potentially resulting in short-term cash requirements and a reduction in the net defined benefit surplus recorded on the balance sheet.

In order to limit the volatility in asset returns, the schemes' assets are well-diversified by investing in a range of asset classes, including listed equity, private equity, hedge funds, infrastructure, reinsurance, property, government bonds and corporate bonds.

At 31 December 2022, BSPF was in the process of de-risking its investment strategy, and as a result the allocation of assets was not representative of its intended future investment strategy. Under the outgoing investment strategy, approximately 60% of the BSPF assets were invested in asset classes seeking a return above liabilities. This is to transition to 30% being retained for this purpose. The increased 70% allocation to liability matching asset classes is intended to be invested in the current LDI portfolio, as well as a range of high quality cash flow matching bonds during 2023.

Changes in bond yields
The LDI approach invests in cash, government bonds, interest rate and inflation swaps and other financial derivatives to create a portfolio which is both inflation-linked and of significantly longer duration than possible in the physical bond market. It also provides a closer match to the expected timing of cash flow / pension payments. The portfolio broadly hedges against movements in long-term interest rates although it only hedges a portion of the BSPF's interest rate risks. The portfolio does not hedge against changes in the credit spread on corporate bonds used to derive the accounting liabilities.

However, the investment in corporate and government bonds offers a further degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is further reduced.

Inflation risk
The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although, in most cases, caps on the level of inflationary increases are in place to protect the plans against high inflation and the 2013 Group Pensions Review changes have further limited this exposure. The LDI portfolio broadly hedges against movements in inflation expectations although it only hedges a portion of the BSPF's inflation risks.

Furthermore, the portfolio does not protect against differences between expectations for eurozone average inflation and the fund's Irish inflation exposure.

Life expectancy
The majority of the plans' obligations are to provide a pension for the life of the member, which means that increases in life expectancy will result in an increase in the plans' liabilities.

Investment decisions are the responsibility of the Trustees and the Group supports the efficient management of risk including through the appointment of a Group Pensions Chief Investment Officer. The role of Group Pensions Chief Investment Officer is to advise and support the Trustees of the Group sponsored pension schemes in the design, implementation and management of investment strategy to meet the various scheme liabilities. The duties include, but are not limited to, the identification and management of risks such as the risk of insufficient asset returns, changing interest rates, inflation, FX risk, counterparty exposures, geographical risk, asset concentration risk, liquidity risk, regulatory risk, manager risk and longevity risk.

47 Subordinated liabilities

	Note	2022 €m	2021 €m
Undated loan capital			
The Governor and Company of the Bank of Ireland			
£75 million 13.375% Perpetual Subordinated Bonds	(a)	85	90
Bristol & West plc			
£32.6 million 8.125% Non-Cumulative Preference Shares	(b)	37	39
		122	**129**
Dated loan capital			
The Governor and Company of the Bank of Ireland			
€250 million 10% Fixed Rate Subordinated Notes due 2022	(c)	–	255
Bank of Ireland Group plc			
€500 million 6.750% Fixed Rate Reset Callable Subordinated Notes due 2033	(d)	485	–
€500 million 1.375% Fixed Rate Reset Callable Subordinated Notes due 2031	(e)	443	498
£300 million 7.594% Fixed Rate Reset Callable Subordinated Notes due 2032	(f)	326	–
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes due 2029	(g)	280	297
$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes due 2027	(h)	–	445
£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes due 2027	(h)	–	357
		1,534	**1,852**
Total subordinated liabilities		**1,656**	**1,981**

Subordinated liabilities in issue at 31 December 2022

Undated loan capital

The principal terms and conditions of the subordinated liabilities which were in issue by the Group at 31 December 2022 are set out below.

a. **The 13.375% Perpetual Subordinated Bonds** were revalued as part of the fair value adjustments on the acquisition by Bristol & West plc of the business of Bristol & West Building Society in July 1997. The Bank became the issuer of these bonds in 2007 in connection with the transfer of the business of Bristol & West plc to the Bank.

b. **These preference shares,** which are non-redeemable, non-equity shares, rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc.

   Holders of the preference shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. This preference dividend will only be payable to the extent that payment can be made out of profits available for distribution at each dividend payment date in accordance with the provisions of the UK Companies Acts.

   On 1 October 2007 in connection with the transfer of the business of Bristol & West plc to the Bank, the Bank entered into a Guarantee and Capital Maintenance Commitment (the Guarantee) with respect to the preference shares. Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of business would be protected. Under the Guarantee, the Bank agreed, subject to certain conditions, to (i) contribute capital to Bristol & West plc to the extent required to ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends on the preference shares and to the extent required, repay the preference share capital and (ii) guarantee Bristol & West plc's obligations to make repayment of the dividends and preference share capital.

   The Guarantee contains provisions to the effect that the rights of the Bank's creditors under the Guarantee are subordinated to (i) unsubordinated creditors and unsubordinated depositors of the Bank and (ii) subordinated creditors of the Bank other than those whose claims rank, or are expressed to rank, pari passu or junior to the payments under the Guarantee.

Dated loan capital

Dated loan capital instruments, which includes bonds and notes, constitute unsecured obligations of the Group subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

The table above provides a description of the dated loan capital, including:
- the currency of the issue;
- if the issue is fixed, floating or a combination of both; and
- maturity.

All of the dated notes in issue in 2022 were issued under the Group's Euro Note Programme.

c. **€250 million 10% Subordinated Notes 2022**
   On 18 December 2012, the Bank issued 10 year fixed rate notes with a coupon rate of 10%. The notes matured and were repaid on 19 December 2022.

47 Subordinated liabilities *(continued)*

d. €500 million 6.750% Fixed Rate Reset Callable Subordinated Notes due 2033
On 1 December 2022, the Company issued a €500 million 10.25 year (callable between 1 December 2027 and 1 March 2028) 'Green' Tier 2 capital instrument. The bond carries a coupon of 6.750%.

e. €500 million 1.375% Fixed Rate Callable Subordinated Notes due 2031
On 11 May 2021, the Company issued a €500 million 10.25 year (callable between 11 May 2026 and 11 August 2026) 'Green' Tier 2 capital instrument. The bond carries a coupon of 1.375%.

f. £300 million 7.594% Fixed Rate Reset Callable Subordinated Notes due 2032
On 6 September 2022, the Company issued a £300 million 10.25 year (callable between 6 September 2027 and 6 December 2027) 'Green' Tier 2 capital instrument. The bond carries a coupon of 7.594%.

g. €300 million 2.375% Subordinated Notes due 2029
On 14 October 2019, the Company issued a €300 million 10 year (callable at the end of year five) Tier 2 capital instrument. The bond carries a coupon of 2.375%.

h. Bank of Ireland Group plc subordinated notes
On 19 September 2017, the Company completed a dual tranche issuance of £300 million and $500 million 10 year (callable at the end of year five) Tier 2 capital instruments. The sterling bond has a coupon of 3.125% and the US dollar bond has a coupon of 4.125%. The notes were redeemed on their optional redemption date, 19 September 2022.

These instruments are loss absorbing at the point of non-viability under the EU (Bank Recovery and Resolution) Regulations 2015, as amended and Noteholders acknowledge that the notes may be subject to the exercise of Irish statutory loss absorption powers by the relevant resolution authority. Redemption in whole but not in part is at the option of the Company upon (i) regulatory reasons (capital event), or (ii) tax reasons (additional amounts payable on the notes). Any redemption before the maturity date is subject to such approval by the Competent Authority, namely ECB or SRB as may be required by the CRR and / or such other laws and regulations which are applicable to the Company.

48 Share capital

Ordinary shares

All of the company's issued share capital comprising 1,070,326,651 ordinary shares of €1.00 each are listed on the Irish Stock Exchange trading as Euronext Dublin and the London Stock Exchange.

All ordinary shares carry the same voting rights.

There were no outstanding options on ordinary shares under employee schemes at 31 December 2022 or 2021.

At 31 December 2022, NIAC plc held 1,270,095 ordinary shares of BOIG plc as 'treasury shares' (2021: 3,235,852).

The consideration paid for these shares amounted to €10 million (2021: €20 million).

In 2022, 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.

Authorised	2022 €m	2021 €m
Bank of Ireland Group plc		
10 billion ordinary shares of €1.00 each	10,000	10,000
100 million preference shares of €0.10 each	10	10

Allotted and fully paid	2022 €m	2021 €m
Bank of Ireland Group plc		
1,069 million ordinary shares of €1.00 each (2021: 1,076 million units)	1,069	1,076
1 million treasury shares of €1.00 each (2021: 3 million units)	1	3
	1,070	**1,079**

	2022		2021	
Movement in ordinary and treasury shares	**Ordinary shares**	**Treasury shares**	**Ordinary shares**	**Treasury shares**
At the beginning of the year	1,075,587,020	3,235,852	1,073,746,613	5,076,259
Change in treasury shares held	1,965,757	(1,965,757)	1,840,407	(1,840,407)
Share buyback - repurchase of shares	(8,496,221)	8,496,221	–	–
Share buyback - cancellation of shares	–	(8,496,221)	–	–
At end of year	**1,069,056,556**	**1,270,095**	**1,075,587,020**	**3,235,852**

49 Other equity instruments - Additional Tier 1

In May and September 2020, BOIG issued Additional Tier 1 (AT1) securities with a par value of €675 million and €300 million respectively at an issue price of 100%.

The principal terms of the AT1 securities are as follows:
- the securities constitute direct, unsecured, unguaranteed and subordinated obligations of BOIG, rank behind Tier 2 instruments and preference shareholders and in priority to ordinary shareholders;
- the securities have no fixed redemption date, and the security holders will have no right to require BOIG to redeem or purchase the securities at any time;
- BOIG may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities at any time from and including the first call date (19 May 2025 for the €675 million issue and 1 September 2025 for the €300 million issue) to and including the first reset date (19 November 2025 for the €675 million issue and 1 March 2026 for the €300 million issue), or semi-annually on any interest payment date thereafter;
- the €675 million securities bear a fixed rate of interest of 7.5% until the first reset date (19 November 2025), while the €300 million issue bear a fixed rate of interest of 6.0% until its first reset date (1 March 2026). After the initial reset date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;
- BOIG may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date for either set of securities;
- both sets of securities will be written down and any unpaid interest will be cancelled if BOIG’s CET 1 ratio falls below 7%; and
- subsequent to any write-down event BOIG may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

	2022 €m	2021 €m
Balance at the beginning and end of the year	**966**	**966**

50 Non-controlling interests

Preference stock

The preference stock and related stock premium of the Bank are classified as non-controlling interests, as they are not attributable to the owners of the parent BOIG plc.

At 31 December 2022 and 2021, 1,876,090 units of sterling preference stock and 3,026,598 units of euro preference stock were in issue.

At 31 December 2022, Davy which was acquired by the Group on 1 June 2022, held 32,735 units of the Bank's sterling preference stock and 34,966 units of euro preference stock, which have been eliminated from the balance of non-controlling interest at 31 December 2022. The consideration paid for these stocks amounted to €0.6 million and €0.8 million respectively.

The preference stock is non-redeemable. The holders of preference stock are entitled to receive at the discretion of the Bank a non-cumulative preferential dividend, which in the case of the sterling preference stock is payable in sterling, in a gross amount of Stg£1.2625 per unit per annum and in the case of euro preference stock is payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on 20 February and 20 August in each year.

On a winding up of, or other return of capital, by the Bank (other than on a redemption of stock of any class in the capital of the Bank) the holders of preference stock will be entitled to receive an amount equal to the amount paid up or credited as paid up on each unit of the preference stock held (including the premium) out of the surplus assets available for distribution to the Bank’s members. Subject to the Bank’s Bye-Laws, the preference stockholders may also be entitled to receive a sum in respect of dividends payable.

	2022 €m	2021 €m
Balance at the beginning of the year	68	68
Profit attributable to non-controlling interest	8	7
Dividends paid to non-controlling interests - preference stock	(8)	(7)
Preference stock eliminated on acquisition of Davy	(1)	–
Balance at the end of the year	**67**	**68**

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances. Such circumstances did not arise during 2022 and consequently the preference stockholders were not entitled to vote at the Annual General Court (AGC) held on 26 May 2022.

51 Cash and cash equivalents

Cash and cash equivalents are classified as amortised cost financial assets. Impairment loss allowance on cash and cash equivalents is measured at amortised cost on a 12 month or lifetime ECL approach as appropriate. The composition of cash and balances at central banks by stage is included in other financial assets set out in note 27 on page 259.

Cash and cash equivalents comprise cash in hand and balances with central banks and banks which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

The Group is required to hold an average balance with the Central Bank over the published ECB reserve maintenance (six weeks) periods in order to meet its minimum reserve requirement, which at 31 December 2022 was €948 million (2021: €816 million).

Cash and balances at central banks of €36.9 billion increased by €5.5 billion since 31 December 2021 primarily due to higher deposit volumes of c.€7.1 billion (constant currency basis), bond sales and maturities of c.€4.9 billion, lower gross lending volumes of c.€3.9 billion (constant currency basis), other inflows of €0.5 billion, partially offset by lower wholesale funding volumes of €10.2 billion, primarily due to repayment of all Group TLTRO funding in November 2022, lower Tier 2 volumes of €0.3 billion and the Davy acquisition of €0.4 billion.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2022 €m	2021 €m
Cash and balances at central banks	36,861	31,371
Less impairment loss allowance on cash and balances at central banks	(6)	(11)
Cash and balances at central banks net of impairment loss allowance	**36,855**	**31,360**
Loans and advances to banks (with an original maturity of less than 3 months)	2,987	2,571
Cash and cash equivalents at amortised cost	**39,842**	**33,931**

Cash and balances at central banks (net of impairment loss allowance) is made up as follows:

	2022 €m	2021 €m
Republic of Ireland (Central Bank of Ireland)	33,149	26,330
United Kingdom (Bank of England)	2,587	4,190
United States (Federal Reserve)	705	456
Other (cash holdings)	414	384
Total	**36,855**	**31,360**

52 Changes in liabilities arising from financing activities

This table sets out the changes in liabilities arising from financing activities between cash and non-cash items. For more information on subordinated liabilities, see note 47. Interest accrued on subordinated liabilities is included within other liabilities. For more information on lease liabilities, see note 42.

	2022				2021			
	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m
At beginning of year	1,981	47	452	–	1,434	42	498	–
Cash flows	(248)	(80)	(53)	(12)	498	(73)	(46)	(11)
Proceeds from issue of subordinated liabilities	*843*	–	–	–	*498*	–	–	–
Repayment of subordinated liabilities	*(1,091)*	–	–	–	–	–	–	–
Interest paid on subordinated liabilities	–	*(80)*	–	–	–	*(73)*	–	–
Payment of lease liability	–	–	*(53)*	–	–	–	*(46)*	–
Interest paid on lease liabilities	–	–	–	*(12)*	–	–	–	*(11)*
Non-cash changes	(77)	84	24	12	49	78	–	11
Charge to income statement	–	*84*	–	*12*	–	*78*	–	*11*
Exchange adjustments	*26*	–	*(1)*	–	*66*	–	*3*	–
Lease liability adjustment	–	–	*2*	–	–	–	*(7)*	–
Additions to lease liabilities	–	–	*20*	–	–	–	*4*	–
Fair value hedge adjustments	*(105)*	–	–	–	*(19)*	–	–	–
Other movements	*2*	–	*3*	–	*2*	–	–	–
At end of year	**1,656**	**51**	**423**	**–**	**1,981**	**47**	**452**	**–**

53 Related party transactions

Related parties to the Group include the parent company, BOIG plc, subsidiary undertakings, associated undertakings, joint arrangements, post-employment benefits, KMP and connected parties. A number of banking transactions are entered into between the Company and its subsidiaries in the normal course of business. These include extending secured and unsecured loans, investing in debt securities issued by subsidiaries, taking of deposits and undertaking foreign currency transactions.

(a) Associates, joint ventures and joint operations

The Group provides to and receives from its associates, joint ventures and joint operations, certain banking and financial services, which are not material to the Group, on similar terms to third party transactions. These include loans, deposits and foreign currency transactions. The amounts outstanding during 2022 are set out in notes 29 and 30.

(b) Pension funds

The Group provides a range of normal banking and financial services, which are not material to the Group, to various pension funds operated by the Group for the benefit of its employees (principally to the BSPF), which are conducted on similar terms to third party transactions. Details on the Group's contributions to the pension funds are set out in note 46.

The Group occupies one property owned by the BSPF. At 31 December 2022, the total value of this property was €31.5 million (2021: €36 million). In 2022, the rental income paid to BSPF was €2.25 million (2021: €2 million).

At 31 December 2022, BSPF assets included BOIG plc shares amounting to €nil (2021: €5 million).

(c) Transactions with the State

At 31 December 2022, the Group no longer considers the State a related party under IAS 24 as it is no longer in a position to exercise significant influence over the Group.

Strategic Banking Corporation of Ireland Scheme

Through its participation in the Strategic Banking Corporation of Ireland (SBCI) Support loan Schemes (the 'Schemes') the Group benefits from an 80% Government guarantee related to amounts advanced under the Schemes including during the period when the State was a related party. At 31 December 2022, c.€700 million (2021: c.€518 million) has been advanced across the following individual schemes: Future Growth Loan Scheme (€285 million), Brexit / COVID-19 Working Capital Loan Scheme (€90 million), the COVID-19 Credit Guarantee Scheme (€195 million) and Brexit Impact Loan Scheme (€130 million).

Other transactions with the State and entities under its control or joint control

During the year the Group entered into transactions in the normal course of business with the State, while it was a related party, its agencies and entities under its control or joint control. This included transactions with AIB, Permanent TSB Group Holdings plc, Government departments, local authorities, county councils, embassies and the NTMA which are all considered to be 'controlled' by the Government. These transactions included the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks. At 31 December 2022, as the State is no longer considered a related party the outstanding balances are not disclosed. At 31 December 2021, the amounts outstanding are outlined in the table below. During 2022, the Group also paid an annual Irish bank levy of €25 million (2021: €25 million). The Group had no liabilities guaranteed under the Credit Institutions (Eligible Liabilities Guarantee) Scheme during 2021 or 2022.

	2021 €m
Assets	
Financial assets at FVOCI: Unguaranteed senior bonds issued by AIB	101
Debt securities at amortised cost: Bonds issued by the State	7,827
Derivative financial assets	70
Liabilities	
Customer accounts: State (including agencies & entities under its control or joint control)	606

(d) Transactions with Directors and Key Management Personnel

(i) Loans to Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Acts disclosures, Directors means the Board of Directors and any past Directors who were Directors during the relevant period. Directors' emoluments are set out in the Remuneration Report on pages 119 to 131.

Where no amount is shown in the tables below, this indicates either a credit balance, a balance of €nil, or a balance of less than €500. The value of arrangements at the beginning and end of the financial year as stated below in accordance with Section 307 of the Companies Act 2014, expressed as a percentage of the net assets of the Group at the beginning and end of the financial year, is less than 1%. In the tables below, 'balances' include principal and interest and 'repayments' include principal and interest; revolving credit facilities are not included. The 'aggregate maximum amount outstanding' includes credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.

53 Related party transactions *(continued)*

Companies Acts disclosure Loans	Balance at 1 January 2022 €'000	Balance at 31 December 2022 €'000	Aggregate maximum amount outstanding during the year ended 31 December 2022 €'000	Repayments during the year ended 31 December 2022 €'000
Directors at 31 December 2022				
E Bourke				
Credit card total	3	4	10	–
Total	**3**	**4**	**10**	**–**
P Kennedy				
Credit card total	–	13	4	–
Total	**–**	**13**	**4**	**–**
F Muldoon				
Mortgage total	–	–	–	–
Credit card total	7	5	12	–
Total	**7**	**5**	**12**	**–**
E Fitzpatrick				
Loan total	31	26	31	5
Total	**31**	**26**	**31**	**5**
M Greene				
Mortgage total	–	–	–	–
Total	**–**	**–**	**–**	**–**
M Spain				
Mortgage total	322	300	322	31
Total	**322**	**300**	**322**	**31**
Directors no longer in office at 31 December 2022				
G Kelly	28	14	28	14
F McDonagh	750	724	751	46
Total	**778**	**738**	**779**	**60**

G Andrews, I Buchanan, R Goulding, M Greene, M O'Grady and S Pateman had no loans from the Group in 2022. No advances were made during the year. No amounts were waived during 2022.

None of the loans were credit-impaired at 31 December 2022 or at 31 December 2021. There is no interest which having fallen due on the above loans has not been paid in 2022 (2021: €nil).

All Directors have other transactions with the Bank. The nature of these transactions includes investments, pension funds, deposits, general insurance, life assurance and current accounts with credit balances. The relevant balances on these accounts are included in the aggregate figure for deposits on page 301.

Other than as indicated, all loans to Directors are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected with the Group and of similar financial standing and do not involve more than normal risk of collectability.

53 Related party transactions *(continued)*

Companies Acts disclosure Loans	Balance at 1 January 2021 €'000	Balance at 31 December 2021 €'000	Aggregate maximum amount outstanding during the year ended 31 December 2021 €'000	Repayments during the year ended 31 December 2021 €'000
Directors at 31 December 2021				
E Bourke				
Credit card total	6	3	6	–
Total	**6**	**3**	**6**	**–**
P Kennedy				
Credit card total	2	–	3	–
Total	**2**	**–**	**3**	**–**
F McDonagh				
Mortgage total	926	748	926	203
Credit card total	4	2	5	–
Total	**930**	**750**	**931**	**203**
F Muldoon				
Mortgage total	50	–	50	50
Credit card total	6	7	9	–
Total	**56**	**7**	**59**	**50**
E Fitzpatrick				
Loan total	15	31	45	15
Total	**15**	**31**	**45**	**15**
M Greene				
Mortgage total	17	–	18	19
Total	**17**	**–**	**18**	**19**

(ii) Loans to connected persons on favourable terms

Connected persons of Directors are defined by Section 220 of the Companies Act 2014. On terms, including interest rates and collateral, similar to those available to staff generally. In the tables below, 'balances' include principal and interest. The 'maximum amounts outstanding' includes credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.

2022 Loans to connected persons on favourable terms	Balance at 31 December 2022 €'000	Maximum amounts outstanding during 2022 €'000	Number of persons at 31 December 2022	Maximum number of persons during 2022
E Bourke	1	3	2	2

2021 Loans to connected persons on favourable terms	Balance at 31 December 2021 €'000	Maximum amounts outstanding during 2021 €'000	Number of persons at 31 December 2021	Maximum number of persons during 2021
E Bourke	1	5	2	2

53 Related party transactions *(continued)*

(iii) Loans to connected persons - Central Bank licence condition disclosures

Under its banking licence, the Bank is required to disclose in its annual audited financial statements details of:

- the aggregate amount of lending to all connected persons, as defined in Section 220 of the Companies Act 2014; and
- the aggregate maximum amount outstanding during the year for which those financial statements are being prepared.

Disclosure is subject to certain de minimis exemptions and to exemptions for loans relating to principal private residences where the total of such loans to an individual connected person does not exceed €1 million.

The following tables are presented in accordance with this licence condition. In these tables, 'balances' include principal and interest. The 'maximum amounts outstanding' includes credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.

2022 Connected persons of the following Directors	Balance at 31 December 2022 €'000	Maximum amounts outstanding during 2022 €'000	Number of persons at 31 December 2022	Maximum number of persons during 2022
Persons connected to P Kennedy	1,930	2,045	1	1
Persons connected to M Spain	234	243	1	1

2021 Connected persons of the following Directors	Balance at 31 December 2021 €'000	Maximum amounts outstanding during 2021 €'000	Number of persons at 31 December 2021	Maximum number of persons during 2021
Persons connected to P Kennedy	2,036	2,152	1	1

(iv) Key management personnel - loans and deposits (IAS 24)

For the purposes of IAS 24 'Related party disclosures', the Group has 23 KMP (2021: 24) which comprise the Directors, the members of the GEC and any past KMP who was a KMP during the relevant period.

In addition to Executive Directors, the GEC comprises the Group Secretary & Head of Corporate Governance, Chief of Staff and Head of Group Corporate Affairs, Chief Executive - Retail UK, Chief People Officer, Interim Chief Executive - Corporate and Markets, Chief Executive - Retail Ireland, Group Chief Risk Officer, Chief Operating Officer, Chief Strategy & Transformation Officer, Interim Chief Technology and Payments Officer, and Interim Group Secretary & Head of Corporate Governance and Group General Counsel. KMP, including Directors, hold products with Group companies in the ordinary course of business.

Other than as indicated, all loans to NEDs are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected to the Group and do not involve more than the normal risk of collectability. Loans to KMP other than NEDs are made on terms similar to those available to staff generally and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding, in respect of all loans, quasi-loans and credit transactions between the Bank and its KMP, as defined above, together with members of their close families and entities influenced by them are shown in the following table.

IAS 24 Disclosures 2022 Key management personnel	Balance at 1 January 2022 €'000	Balance at 31 December 2022 €'000	Maximum amounts outstanding during 2022 €'000	Total number of relevant KMP at 1 January 2022	Total number of relevant KMP at 31 December 2022
Loans	3,338	2,170	2,688	14	13
Deposits	6,842	4,707	14,755	20	18

IAS 24 Disclosures 2021 Key management personnel	Balance at 1 January 2021 €'000	Balance at 31 December 2021 €'000	Maximum amounts outstanding during 2021 €'000	Total number of relevant KMP at 1 January 2021	Total number of relevant KMP at 31 December 2021
Loans	3,139	3,338	4,124	17	14
Deposits	14,060	6,842	18,576	23	20

53 Related party transactions *(continued)*

In the tables above, 'balances' include principal and interest. The 'opening balance' includes balances and transactions with key management personnel who retired during 2021 and are not related parties during 2022. Therefore these key management personnel are not included in the maximum amounts outstanding. The 'maximum amounts outstanding' include credit card exposures at the maximum statement balance. In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €25,000 (2021: €25,000). The maximum amount outstanding was calculated using the maximum balance on each account. The highest maximum outstanding liability for any member of key management personnel, close family and entities influenced by them did not exceed €2 million during 2022 (2021: €4 million). In some cases with investment type products (i.e. funds based products, life assurance and other policies) the maximum balance amounts were not available, in which case the greater of the balance at the start of the year and the balance at the end of the year has been included as the maximum balance amount. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.

KMP have other protection products with the Bank. The nature of these products includes mortgage protection, life assurance and critical illness cover. It also includes general insurance products which are underwritten by a number of external insurance companies and for which the Bank acts as an intermediary only. None of these products has any encashment value at 31 December 2022 (2021: €nil).

Included in the above IAS 24 loan disclosure figures are loans to KMP and close family members of KMP on preferential staff rates, amounting to €nil (2021: €4,219).

None of the loans were credit-impaired at 31 December 2022 or at 31 December 2021. There is no interest which having fallen due on the above loans has not been paid in 2022 (2021: €nil).

There are no guarantees entered into by the Bank in favour of KMP of the Bank and no guarantees in favour of the Bank have been entered into by KMP of the Bank.

(v) Compensation of KMP

Details of compensation paid to KMP are provided in the table below:

- **'Salaries and other short-term benefits'** comprises gross salary, Employer Pay Related Social Insurance contributions, fees, cash in lieu of pension, car allowance and other short-term benefits paid in the year.
- **'Post employment benefits'** comprises Employer contributions paid to pension funds.
- **'Termination benefits'** include, inter alia, contractual payments due in lieu of notice periods.

Remuneration	**2022 €'000**	**2021 €'000**
Salaries and other short-term benefits	9,683	9,097
Post employment benefits	523	506
Termination benefits	238	–
Total	**10,444**	**9,603**
Number of KMP	23	24

54 Davy acquisition

The accounting policy for business combinations is set out in Note 1.

On 1 June 2022, following receipt of all regulatory approvals, the Group acquired 100% of the voting equity interests of Amber Note Unlimited Company and its subsidiaries including J&E Davy Holdings ('Davy'), Ireland's leading provider of wealth management and capital markets services. The acquisition of Davy strongly supports the Group's commercial and strategic objectives of growing its Wealth and Insurance business, with the aim of unlocking growth opportunities in Ireland, increasing fee income, and generating sustainable profits.

Davy has been acquired for an enterprise value of c.€427 million as of 1 June 2022. 75% (€320 million) was paid upfront on 1 June 2022 and 25% (€107 million) of the enterprise value (split €63 million consideration to non-employees and €44 million consideration to Davy employees, which is deemed remuneration under accounting rules) will be paid two years after completion, subject to Davy's pre-existing shareholders meeting a number of agreed criteria. In addition, as announced on 22 July 2021, Bank of Ireland also paid for excess cash which amounts to €124 million and deferred a payment of €2 million, following the sale (prior to the acquisition date) of Davy's pre-existing shareholding in Davy Global Fund Management (DGFM) and in Rize ETF Limited.

An additional contingent consideration of up to €20 million may be payable to certain Davy's pre-existing shareholders within one year, upon the satisfaction of a composite capital requirement.

Davy's financial performance for the period from 1 June 2022 to 31 December 2022 is reported within the Wealth and Insurance operating segment.

Consideration recognised for the acquisition of Davy

A total consideration (before pre-existing relationships) of €513 million has been recognised by the Group, €389 million of which relates to an upfront cash payment of €320 million along with deferred and contingent consideration of €69 million (€2 million of which relates to DGFM). The Group additionally paid €124 million on acquisition date, for excess cash comprised of the proceeds from the disposal to a third party of DGFM and Rize ETF Limited. After excluding pre-existing relationships, the total consideration transferred is €403 million.

The following table summarises the acquisition date fair value of each major class of consideration transferred and has been restated to reflect reporting period adjustments made after 30 June 2022 (date of the interim report):

54 Davy acquisition *(continued)*

	1 June 2022 €m
Upfront cash payment	320
Deferred consideration	37
Contingent consideration	32
Total consideration before excess cash	**389**
Payment for excess cash arising from sale of DGFM and Rize ETF Limited (excluding €2 million included in deferred consideration)	124
Total consideration before pre-existing relationships	**513**
Pre-existing relationships	(110)
Total consideration transferred	**403**

Pre-existing relationships mainly consist of current and savings deposit accounts balances, partly offset by a term loan and bank overdraft balance, which were held between Davy and Bank of Ireland Group entities at the date of acquisition.

Deferred consideration

The deferred consideration of €37 million represents amounts payable to pre-existing shareholders two years after the acquisition date. The deferred consideration was recognised at fair value on acquisition date and subsequently measured at amortised cost.

Contingent consideration

The contingent consideration is made up of €20 million payable to pre-existing shareholders of Davy within two years after acquisition date subject to certain criteria being met in relation to indemnity claims and dividend withhold tax. In addition, the Group has also recognised €10 million in contingent consideration relating to the satisfaction of a composite capital requirement and €2 million relating to proceeds from the sale of DGFM that are held back in escrow, subject to certain criteria being satisfied. The contingent consideration amounts have been recognised at fair value based on the probabilities of expected payment and subsequently measured at fair value through profit or loss.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Davy at the date of acquisition, which have been restated to include reporting period adjustments made after 30 June 2022 (date of the interim report) and exclude pre-existing relationships are as follows:

	1 June 2022 €m
Assets	
Property, plant and equipment	14
Intangible assets	53
Investment in joint ventures	1
Deferred tax asset	2
Trade receivables and other assets	297
Financial assets held at fair value through profit or loss	10
Current tax receivable	1
Cash and cash equivalents	53
Total assets	**431**
Liabilities	
Lease liabilities	9
Deferred tax liability	7
Trade payables and other liabilities	268
Provisions	17
Total liabilities	**301**
Fair value of identifiable net assets	**130**

Fair value of identifiable net assets

The intangible asset substantially reflects the fair value determined by the Group for customer relationships and brand value in the Davy business at the date of acquisition.

The fair value of receivables amounted to €283 million. The gross amount of those receivables was €284 million and it is expected that the full contractual amounts can be collected.

Goodwill

	1 June 2022 €m
Consideration transferred	403
Fair value of identifiable net assets	130
Goodwill arising on acquisition	**273**

54 Davy acquisition *(continued)*

The principal factor contributing to the recognition of goodwill of €273 million is Davy's growth potential, further supported by access to the Group's distribution reach and other intangible assets that would not have otherwise qualified for separate recognition in Davy's financial statements. None of the goodwill recognised is expected to be deductible for income tax purposes.

Reporting period adjustments

The initial accounting for the acquisition of Davy had been provisionally determined at 30 June 2022, at which point the measurement of certain items of contingent consideration, deferred remuneration and provisions reflected management's best estimate using information available. Subsequent to that date, the deferred consideration has been increased by €5 million from €32 million to €37 million and the contingent consideration has increased by €2 million from €30 million to €32 million, in order to reflect the final allocation between deferred consideration and remuneration. The pre-existing relationships identified also increased by €4 million from €106 million to €110 million and as a result, the total consideration transferred increased by €3 million, from €400 million previously reported at 30 June 2022, to €403 million.

The value of intangible assets identified on acquisition decreased by €2 million from €55 million to €53 million, financial assets at fair value through profit or loss decreased by €3 million from €13 million to €10 million, trade payables and other liabilities increased by €13 million from €255 million to €268 million and provisions increased by €1 million from €16 million to €17 million, which reflect the updated measurement and identification of additional assets and liabilities acquired from Davy at 1 June 2022. The above reporting period adjustments resulted in a net decrease in the fair value of identifiable net assets of €19 million from €149 million to €130 million and a net increase in goodwill of €22 million from €251 million to €273 million.

Management has applied judgements and assumptions in determining the fair values of certain items of contingent consideration and the net identifiable assets and liabilities of Davy at the date of acquisition. The key judgements relate to the probabilities of future specified events such as indemnity claims and specified tax liabilities occurring where such events affect the timing and amount of contingent consideration payable. Attributing 100% probability would increase both the consideration transferred and the goodwill by €16 million.

Management also determined that bonuses amounting to €13 million, which were conditional on the acquisition of Davy being completed and payable to employees of Davy between 1 June 2022 and 1 January 2023 as being part of the identifiable liabilities of Davy at the acquisition date.

Davy's contribution to the Group results

For the period from 1 June 2022 to 31 December 2022, Davy contributed revenue[1] amounting to €84 million and an underlying profit before tax of €6 million to the Group's results. If the acquisition had occurred on 1 January 2022, Davy's revenue[1] would have been €256 million, and profit before tax would have been €113 million for the period. However, these numbers include the profit from disposal of DGFM of €97 million and exclude Davy deal and transaction related costs amounting to €27 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

Separate transactions

During 2022, the Group recognised an employee remuneration charge of €11 million in the income statement related to the incurred portion of a deferred consideration payable to certain employees of Davy on satisfaction of certain conditions.

On the date of acquisition, the Group had pre-existing relationships amounting to €110 million with Davy consisting of €209 million in customer accounts, €2 million in the Group's ordinary shares, €1 million in non-cumulative preference shares included in the Group's non-controlling interests; and partly offset by €109 million in loans and advances to customers. Post acquisition, these balances were accounted for as balances due from / to group undertakings and eliminated on consolidation. The effective settlement of these relationships has been treated as a separate transaction in the financial statements and Davy's balance sheet values at the date of acquisition were deemed to represent the effective settlement amounts.

Acquisition related costs

The Group incurred acquisition related costs amounting to €44 million on employee remuneration, due diligence costs, stamp duty and legal fees which were incurred and expensed as part of the transaction. These are included in 'Other operating expenses' (note 13).

55 Client property

In the normal course of business, the Group (through Davy) provides the following services to certain of its clients:

- investment of funds at the sole discretion of the Group in securities and the placing of deposits in separately designated accounts with recognised banks and building societies, the income from which accrues for the benefit of these clients; and
- custodianship of securities held on behalf of clients.

Client deposits placed with the Group whereby Davy acts as the financial intermediary amounted to €2,346 million at 31 December 2022 and have been included in customer accounts (note 38). All other client property whereby Davy acts as the financial intermediary has been excluded from the financial statements.

[1] *Revenue consists of net interest income, net fee and commission income, other operating income and net trading income.*

56 Principal undertakings

The Parent company of the Group is Bank of Ireland Group plc. The principal Group undertakings for 2022 were:

Name	Principal activity	Registered office	Country of Incorporation	Statutory year end
The Governor and Company of the Bank of Ireland	Banking and financial services	40 Mespil Road, Dublin 4, D04 C2N4	Ireland	31 December
Bank of Ireland (UK) plc	Retail financial services	Bow Bells House, 1 Bread Street, London, EC4M 9BE	England and Wales	31 December
New Ireland Assurance Company plc	Life assurance business	5-9 Frederick Street South, Dublin 2, D02 DF29	Ireland	31 December
Bank of Ireland Mortgage Bank Unlimited Company	Mortgage lending and mortgage covered securities	40 Mespil Road, Dublin 4, D04 C2N4	Ireland	31 December
J&E Davy Holdings ('Davy')	Wealth management, capital markets and related financial services	Davy House, 49 Dawson Street, Dublin 2, D02 PY05	Ireland	30 December
First Rate Exchange Services Limited	Foreign exchange	Great West House, Great West Road, Brentford, London, TW8 9DF	England and Wales	31 March
N.I.I.B. Group Limited	Personal finance and leasing	1 Donegall Square South, Belfast, BT1 5LR	Northern Ireland	31 December

All the Group undertakings are included in the consolidated financial statements. Unless stated otherwise, the Group owns 100% of the equity of the principal Group undertakings and 100% of the voting shares of all these undertakings.

First Rate exchange Services Limited is a subsidiary of First Rate Exchange Services Holdings Limited, a joint venture with the UK Post Office, in which the Group holds 50% of the equity of the business.

In presenting details of the principal subsidiary undertakings, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Company will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

Bank of Ireland Mortgage Bank Unlimited Company

BoIMB's principal activities are the issuance of Irish Residential mortgages and mortgage covered securities in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007 as amended. BoIMB asset covered securities may be purchased by the Bank and other members of the Group or third parties.

In 2022, the total amount outstanding in respect of mortgage covered securities issued was €4.0 billion (2021: €4.9 billion).

In 2022, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €9.1 billion (2021: €11.0 billion).

BoIMB issues other debt securities under BoIMB's obligation to the CBI within the terms of the Special Mortgage Backed Promissory Note programme. At 31 December 2022, BoIMB had no such debt securities in issue (2021: €nil).

J&E Davy Holdings ('Davy')

J&E Davy Holdings was acquired on 1 June 2022 (see note 54).

57 Interests in other entities

General

The Group holds ordinary shares and voting rights in a significant number of entities. Management has assessed its involvement in all such entities in accordance with the definitions and guidance in:

- IFRS 10 'Consolidated financial statements';
- IFRS 11 'Joint arrangements';
- IAS 28 'Investments in associates and joint ventures'; and
- IFRS 12 'Disclosure of interests in other entities'.

See note 1 Group accounting policies for additional information.

Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

Regulated banking and insurance subsidiaries are required to maintain minimum regulatory liquidity and solvency ratios and are subject to other regulatory restrictions that may impact on transactions between these subsidiaries and the Company, including on the subsidiaries' ability to make distributions.

Certain transactions between Bank of Ireland (UK) plc and the Group are subject to regulatory limits and approvals agreed with the PRA. Total assets of Bank of Ireland (UK) plc at 31 December 2022 were €21.3 billion (2021: €27.0 billion) and liabilities were €19.4 billion (2021: €24.9 billion).

The activities of BoIMB are subject to the Asset Covered Securities Act 2001 to 2007 which imposes certain restrictions over the assets of BoIMB. Total assets of BoIMB at 31 December 2022 were €20.3 billion (2021: €19.6 billion) and liabilities were €18.8 billion (2021: €18.1 billion).

The Group's life assurance entity, NIAC, is required to hold shareholder equity that exceeds a solvency capital requirement: see note 40 for details. In addition, the Group's Isle of Man insurance entity is required to hold shareholder equity that exceeds the solvency requirements specified by the Isle of Man Financial Services Authority.

Under Section 357 (1)(b) of the Companies Act 2014, the Bank has given an irrevocable guarantee to meet the liabilities, commitments and contingent liabilities entered into by certain Group undertakings. At 31 December 2022, the commitments of these undertakings amounted to €454 million (2021: €83 million). The increase is due to the inclusion of Davy entities.

57 Interests in other entities *(continued)*

Consolidated structured entities

In the case of structured entities, in considering whether it controls the investee, the Group applies judgement around whether it has the ability to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. The Group generally considers it has control over the investee in the following situations:

- securitisation vehicles whose purpose is to finance specific loans and advances to customers; or
- defeasance companies set up to facilitate big-ticket leasing transactions.

In each case the Group generally considers that it has power over the entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, even though the Group normally owns less than half of the voting rights of those entities.

The Group does not consider it controls an investee when:

- the Group's only involvement in the arrangement is to administer transactions, for which the Group receives a fixed fee, on the basis that the Group is acting as an agent for the investors; or
- an entity is in the process of being liquidated, on the basis that the entity is controlled by the liquidator.

In the case of some venture capital investments, in considering whether it controls the investee the Group applies judgement around whether it has the ability to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. The Group has been considered to have significant influence, rather than control of the entity because the Group is not involved in directing the relevant activities of the entity and does not have the right to remove the manager of the entity.

The Group holds interests in a structured entity (Bowbell No 2 plc) whose purpose is to acquire mortgage loans and other financial assets and issue mortgage backed securities. All of the assets and liabilities of this entity are restricted. Total assets amounted to €0.8 billion (2021: €1.3 billion) and liabilities amounted to €0.8 billion (2021: €1.3 billion).

In 2017, the Group entered into a Credit Default Swap (CDS) transaction transferring a portion of the credit risk on a reference portfolio of performing leveraged acquisition finance exposures to Mespil Securities DAC (Mespil). During 2019, the Group transferred an additional portion of the credit risk on the portfolio to Mespil. The Group exercised the call option to terminate the transaction in January 2022.

In 2019, the Group entered into a Credit Protection Deed (CPD) transaction transferring a portion of the credit risk on a reference portfolio of performing loans originated by the Group's Corporate Banking team to Vale Securities Finance DAC (Vale).

In October 2021, the Group entered into another CPD transaction transferring a portion of the credit risk on a reference portfolio of performing mortgage loans to Glen Securities Finance DAC (Glen).

In December 2021, the Group entered into a Financial Guarantee (FG) transaction transferring a portion of the credit risk on a reference portfolio of predominately European, North American and UK performing leveraged acquisition finance exposures to Mespil Securities No. 2 DAC (Mespil II).

No assets or liabilities were transferred to Mespil, Vale, Glen or Mespil II as part of the transactions. All transactions have cash collateralised their exposure through the issue of credit linked notes to third party investors while Vale, Glen and Mespil II also include some unfunded protection. The protection provided by Mespil was terminated in 2022. The protection provided by Vale matures in 2029, by Glen in 2036 and by Mespil II in 2032.

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support. In 2022 and 2021 the Group did not provide financial or other support, nor does it expect or intend to do so.

In accordance with IFRS 10, all of these entities are consolidated in the Group's financial statements.

Treatment of changes in control of a subsidiary during the reporting period

From time to time, the Group may wind up a wholly owned company. During this process, the Group voluntarily appoints a liquidator to manage the winding up of relevant entities. Upon appointment of the liquidator, the Group is considered to have lost control of the companies and accounts for this loss of control as a disposal. In accordance with IAS 21, the Group must reclassify net cumulative FX gains / losses relating to these companies from the FX reserve to the income statement. In 2022, €nil million of a gain/loss was transferred (2021: €1 million gain).

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control i.e. contractually agreed sharing of control of an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control. These arrangements are identified by reference to the power sharing agreements, ensuring that unanimous consent of all parties is a requirement. Where the arrangement has been structured through a separate vehicle, the Group has accounted for it as a joint venture.

The table below shows the Group's principal joint arrangements for the year ended 31 December 2022.

All joint venture investments are unquoted and are measured using the equity method of accounting. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group; nor is there any unrecognised share of losses either for 2022 or cumulatively in respect of these entities. Other than disclosed in note 44, the Group does not have any further commitments or contingent liabilities in respect of these entities other than its investment to date.

57 Interests in other entities *(continued)*

Joint arrangement	Holding	Classification	Country of operation	Nature of activities
First Rate Exchange Services Holdings Limited	50%	Joint venture	UK	Sale of financial products through the UK Post Office relationship
Enterprise 2000 Fund Limited	50%	Joint venture	Ireland	Investment in venture capital companies

Associates

An associated undertaking is an entity for which the Group has significant influence, but not control, over the entity's operating and financial policy decisions. If the Group holds 20% or more of the voting power of an entity, it is presumed that the Group has significant influence, unless it could be clearly demonstrated that this was not the case. There are no such cases where the Group holds 20% or more of the voting power of an entity, and is not considered to have significant influence over that entity.

The Group holds a number of investments in associates, none of which is individually material. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group; nor is there any unrecognised share of losses either for 2022 or cumulatively in respect of these entities. The Group does not have any contingent liabilities in respect of these entities other than its investment to date.

Unconsolidated structured entities

Unconsolidated collective investment vehicles

The Group holds investments in unconsolidated structured entities arising from investments in collective investment undertakings, carried at fair value of €12,832 million (2021: €13,411 million). The value included in assets held to cover unit-linked policyholder liabilities is €12,068 million (2021: €13,108 million) and €764 million (2021: €303 million) is held for non-unit linked liabilities (note 22). At 31 December 2022, the total asset value of these unconsolidated structured entities, including the portion in which the Group has no interest, was €39.2 billion (2021: €45.1 billion).

The Group's maximum exposure to loss is equal to the carrying value of the investment. However, the Group's investments in these entities are primarily held to match policyholder liabilities in the Group's life assurance business and the majority of the risk from a change in the value of the Group's investment is matched by a change in policyholder liabilities. The collective investment vehicles are primarily financed by investments from investors in the vehicles.

During the year the Group has not provided any non- contractual financial or other support to these entities and has no current intention of providing any financial or other support. The Group does not sponsor any of these unconsolidated structured entities.

Mulcair Securities DAC

In April 2019, the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs, through an unconsolidated special purpose vehicle, Mulcair Securities DAC (Mulcair). The Group transferred the beneficial interest in the loans to Mulcair which in turn issued notes backed by these loans. In April 2022, the securitisation was terminated following the exercise of the optional call by the equity noteholder. The Group's holdings in the notes issued by Mulcair were repaid in full at termination.

At 31 December 2022, the current volume of the loans under management is €nil (2021: €271 million).

Mulcair was not consolidated but the associated income in relation to the services provided to the company is recognised in the Group's financial statements as follows:

	2022 €m	2021 €m
Trading income	–	1
Fee and commission income	–	1
Total income related to Mulcair	**–**	**2**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2022 €m	2021 €m
Debt securities at amortised cost	–	12
Other financial assets held at fair value through profit or loss	–	2
Total carrying value of assets held related to Mulcair	**–**	**14**

The Group's maximum exposure to loss in respect of Mulcair is equal to the carrying value of the retained issuance which is €nil at 31 December 2022 (2021: €14 million). There are no contractual arrangements that require the Group to provide financial support to Mulcair.

Mulcair Securities No.2 DAC

In June 2021, the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs, through an unconsolidated special purpose vehicle, Mulcair Securities No. 2 DAC (Mulcair 2). The portfolio transferred had a gross carrying value of €339 million (before ECL allowance) and a net carrying value of €301 million (after ECL allowance). The Group transferred the beneficial interest in the loans to Mulcair 2 which in turn issued notes backed by these loans. The Group considers that it sponsors this company and it continues to be involved with it as Servicer of the transferred assets and as it is in receipt of income from the provision of these services. At 31 December 2022, the current volume of the loans under management is €294 million (2021: €331 million).

The Group holds 5% of the risks, rewards and cash flows in Mulcair 2 by way of a Vertical Risk Retention (VRR) loan. This is held in debt securities at amortised cost.

Mulcair 2 is not consolidated but the associated income in relation to the services provided to the company is recognised in the Group's financial statements as follows:

57 Interests in other entities *(continued)*

	2022 €m	2021 €m
Fee and commission income	1	1
Total income related to Mulcair 2	**1**	**1**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2022 €m	2021 €m
Debt securities at amortised cost	15	16
Total carrying value of assets held related to Mulcair 2	**15**	**16**

The Group's maximum exposure to loss in respect of Mulcair 2 is equal to the balance of the VRR which is €15 million at 31 December 2022 (2021: €16 million). There are no contractual arrangements that require the Group to provide financial support to Mulcair 2.

Temple Quay No.1 PLC

In November 2022, the Group entered into a securitisation arrangement for a portfolio of UK residential mortgage NPEs, through an unconsolidated special purpose vehicle, Temple Quay No. 1 plc. The portfolio transferred had a gross carrying value of €527 million (before ECL allowance) and a net carrying value of €462 million (after ECL allowance). The Group transferred the beneficial interest in the loans to Temple Quay No. 1 plc which in turn issued notes backed by these loans. The Group considers that it sponsors this company and continues to be involved with it as Servicer of the transferred assets and is in receipt of income from the provision of these services. At 31 December 2022, the current volume of the loans under management is €513 million. The Group holds 5% of the risks, rewards and cash flows in Temple Quay No.1 plc by way of a Vertical Risk Retention (VRR) loan note. This note is held in debt securities at amortised cost.

Temple Quay No. 1 plc is not consolidated but the associated income in relation to the services provided to the company is recognised in the Group's financial Statements as follows:

	2022 €m	2021 €m
Fee and commission income	–	–
Total income related to Temple Quay No.1 plc	**–**	**–**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2022 €m	2021 €m
Debt securities at amortised cost	26	–
Total carrying value of assets held related to Temple Quay No.1 plc	**26**	**–**

The Group's maximum exposure to loss in respect of Temple Quay No. 1 plc is equal to the balance of the VRR loan note which is €26 million at 31 December 2022. There are no contractual arrangements that require the Group to provide financial support to Temple Quay No. 1 plc.

Davy investment companies

As part of the Davy acquisition on 1 June 2022, there are certain types of structured entities that the Group does not consolidate but in which it may hold an interest through the receipt of management fees and performance fees. These entities are constituted as open ended investment companies and unit trusts and invest in a range of asset classes as described in the relevant prospectuses. The total amount of management and performance fees recognised in the Group's income statement from 1 June 2022 to the period ended 31 December 2022 amounted to €18 million of which €9 million is receivable at 31 December 2022. At 31 December 2022, the Group also held investments in relation to these entities amounting to €2 million, which are included in Other financial assets at FVTPL in the Group's financial statements. The Group's maximum exposure to loss at 31 December 2022 in respect of these unconsolidated entities is €11 million. Since the acquisition of Davy, the Group has not provided financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

BOI investment companies

The Group has incorporated certain entities to provide investment opportunities to clients in international commercial properties. The Group considers that it sponsors these entities where it continues to be involved in the entity or if it is in receipt of income from the entity during the year. At 31 December 2022, there were two entities (2021: three). At 31 December 2022, the total gross asset value of these entities was €nil (2021: €0.6 million).

With regard to the above unconsolidated structured entities, they are infrastructure fund managers whose principal activity is managing property investments. In 2022 and 2021, the Group did not receive asset management fees from these entities.

The structured entities are not consolidated; the associated fee and commission income in relation to these entities was €nil for 2022 (2021: €nil). The carrying amount of assets and liabilities in relation to these entities in the Group's financial statements is €nil (2021: €nil). The Group's maximum exposure to loss in respect of these unconsolidated entities is €nil (2021: €nil). In relation to these entities, there are no contractual arrangements that require the Group to provide financial support.

Coterminous year end dates

The Group consolidates certain entities where the entity does not have the same year end reporting date as the Group. This is to ensure the reporting dates of these Group entities are kept consistent with the principal legal agreements used to engage in their core business.

58 Liquidity risk and profile

The tables below summarise the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in the Wealth and Insurance division) at 31 December 2022 and 2021 based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The Group's approach to the liquid risk management is set out in section 3.5 of the Risk Management Report.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,870 and €14,280 respectively (2021: €6,671 million and €15,399 million respectively) are excluded from this analysis as their repayment is linked to the financial assets backing these contracts.

Customer accounts include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'Demand' category in the table below.

The balances in the table below will not agree directly to the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

2022 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	143	708	–	–	–	851
Monetary Authorities secured funding	–	41	68	2,698	–	2,807
Customer accounts	94,836	4,965	1,404	618	170	101,993
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	**110,463**	**5,898**	**3,650**	**11,371**	**4,402**	**135,784**

Restated[1] 2021 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	92	235	–	–	–	327
Monetary Authorities secured funding	–	3	5	13,272	–	13,280
Customer accounts[1]	84,626	5,084	2,011	916	211	92,848
Debt securities in issue	–	295	1,049	4,747	2,479	8,570
Subordinated liabilities	–	9	320	218	1,841	2,388
Lease liabilities	–	15	44	203	286	548
Contingent liabilities	417	36	103	88	14	658
Commitments	14,913	62	488	53	–	15,516
Short positions in trading securities	–	60	–	–	–	60
Total	**100,048**	**5,799**	**4,020**	**19,497**	**4,831**	**134,195**

As set out in note 20, derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Group does not apply hedge accounting. Derivatives held with hedging intent include all derivatives to which the Group applies hedge accounting.

The following tables summarise the maturity profile of the Group's derivative liabilities. The Group manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'Demand' time bucket.

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

58 Liquidity risk and profile *(continued)*

2022 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	–	1,068	1,565	14	90	2,737
Gross settled derivative liabilities - inflows	–	(1,037)	(1,501)	(3)	(73)	(2,614)
Gross settled derivative liabilities - net flows	**–**	**31**	**64**	**11**	**17**	**123**
Net settled derivative liabilities	–	252	1,279	3,602	442	5,575
Total derivatives held with hedging intent	**–**	**283**	**1,343**	**3,613**	**459**	**5,698**
Derivative liabilities held with trading intent	980	–	–	–	–	980
Total derivative cash flows	**980**	**283**	**1,343**	**3,613**	**459**	**6,678**

2021 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	–	182	4,620	6,126	445	11,373
Gross settled derivative liabilities - inflows	–	(149)	(4,353)	(5,729)	(436)	(10,667)
Gross settled derivative liabilities - net flows	**–**	**33**	**267**	**397**	**9**	**706**
Net settled derivative liabilities	–	65	167	687	220	1,139
Total derivatives held with hedging intent	**–**	**98**	**434**	**1,084**	**229**	**1,845**
Derivative liabilities held with trading intent	575	–	–	–	–	575
Total derivative cash flows	**575**	**98**	**434**	**1,084**	**229**	**2,420**

59 Measurement basis of financial assets and financial liabilities

The table below analyses the carrying amounts of the financial assets and financial liabilities by accounting treatment and by balance sheet heading.

2022	FVTPL Mandatory €m	FVTPL Designated €m	FVOCI Debt Instruments €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	–	–	–	36,855	–	–	36,855
Items in the course of collection from other banks	–	–	–	140	–	–	140
Trading securities	–	–	–	–	–	–	–
Derivative financial instruments	2,831	–	–	–	2,307	–	5,138
Other financial assets at FVTPL	18,553	–	–	–	–	–	18,553
Loans and advances to banks	147	–	–	2,897	–	–	3,044
Debt securities at amortised cost	–	–	–	4,472	–	–	4,472
Financial assets at FVOCI	–	–	4,254	–	–	–	4,254
Assets classified as held for sale	2	–	–	–	–	–	2
Loans and advances to customers	217	–	–	71,744	–	–	71,961
Interest in associates	–	65	–	–	–	–	65
Other financial assets	–	–	–	234	–	–	234
Total financial assets	**21,750**	**65**	**4,254**	**116,342**	**2,307**	**–**	**144,718**
Financial liabilities							
Deposits from banks	–	–	–	3,445	–	–	3,445
Customer accounts	–	414	–	98,786	–	–	99,200
Items in the course of transmission to other banks	–	–	–	232	–	–	232
Derivative financial instruments	3,012	–	–		3,514	–	6,526
Debt securities in issue	–	250	–	7,524	–	–	7,774
Liabilities to customers under investment contracts	–	5,870	–	–	–	–	5,870
Insurance contract liabilities	–	–	–	–	–	14,280	14,280
Other financial liabilities	32	–	–	2,500	–	–	2,532
Lease liabilities	–	–	–	423	–	–	423
Loss allowance provision on loan commitments and financial guarantees	–	–	–	55	–	–	55
Short positions in trading securities	3	–	–	–	–	–	3
Subordinated liabilities	–	–	–	1,656	–	–	1,656
Total financial liabilities	**3,047**	**6,534**	**–**	**114,621**	**3,514**	**14,280**	**141,996**

Insurance investment contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit-linked funds.

59 Measurement basis of financial assets and financial liabilities *(continued)*

Restated[1,2] 2021	FVTPL Mandatorily €m	FVTPL Designated €m	FVOCI Debt Instruments €m	Held at amortised cost[2] €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	–	–	–	31,360	–	–	31,360
Items in the course of collection from other banks	–	–	–	159	–	–	159
Trading securities	20	–	–	–	–	–	20
Derivative financial instruments	1,089	–	–	–	482	–	1,571
Other financial assets at FVTPL	20,078	–	–	–	–	–	20,078
Loans and advances to banks	280	–	–	2,470	–	–	2,750
Debt securities at amortised cost	–	–	–	6,008	–	–	6,008
Financial assets at FVOCI	–	–	9,457	–	–	–	9,457
Assets classified as held for sale	5	–	–	–	–	–	5
Loans and advances to customers[2]	426	–	–	75,996	–	–	76,422
Interest in associates	–	55	–	–	–	–	55
Other financial assets	–	–	–	328	–	–	328
Total financial assets	**21,898**	**55**	**9,457**	**116,321**	**482**	**–**	**148,213**
Financial liabilities							
Deposits from banks	–	–	–	12,946	–	–	12,946
Customer accounts[2]	–	417	–	92,357	–	–	92,774
Items in the course of transmission to other banks	–	–	–	207	–	–	207
Derivative financial instruments	1,183	–	–	–	1,002	–	2,185
Debt securities in issue	–	307	–	8,176	–	–	8,483
Liabilities to customers under investment contracts	–	6,671	–	–	–	–	6,671
Insurance contract liabilities	–	–	–	–	–	15,399	15,399
Other financial liabilities[1]	–	–	–	2,304	–	–	2,304
Lease liabilities	–	–	–	452	–	–	452
Loss allowance provision on loan commitments and financial guarantees	–	–	–	48	–	–	48
Short positions in trading securities	60	–	–	–	–	–	60
Subordinated liabilities	–	–	–	1,981	–	–	1,981
Total financial liabilities	**1,243**	**7,395**	**–**	**118,471**	**1,002**	**15,399**	**143,510**

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

	2022 Fair values €m	2022 Contractual amount due on maturity €m	2021 Fair values €m	2021 Contractual amount due on maturity €m
Customer accounts	414	463	417	414
Liabilities to customers under investment contracts	5,870	5,870	6,671	6,671
Debt securities in issue	250	287	307	284
Financial liabilities designated at fair value through profit or loss	**6,534**	**6,620**	**7,395**	**7,369**

For financial assets and financial liabilities which are measured at FVTPL or through OCI, a description of the methods and assumptions used to calculate those fair values is set out in note 60.

[1] *Comparative figures for 'Other financial Liabilities' have been restated from €2,364 million to €2,304 million as Short positions of €60 million were incorrectly included in this line.*
[2] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

60 Fair values of assets and liabilities

Fair value of assets and liabilities
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include DCF models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or of recent arm's length market transactions. These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1
Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable inputs for the asset or liability.

Transfers between different levels are assessed at the end of all reporting periods.

(a) Financial assets and financial liabilities recognised and subsequently measured at fair value
All financial instruments are initially recognised at fair value. The Group subsequently measures the following instruments at FVTPL or at FVOCI: trading securities, other financial assets and financial liabilities designated at FVTPL, derivatives, loans and advances to customers held at fair value, loans and advances to banks held at fair value, financial assets held at FVOCI, customer accounts held at fair value and debt securities in issue held at fair value.

A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below. For fair value measurements categorised within level 3 of the fair value hierarchy, the valuation policies and procedures are developed by the management of the relevant business unit. The valuation process is documented before being reviewed and approved by senior management to ensure that the valuation method is consistent with market practice, that the output is reasonable and that the methodology is consistent both across the Group and compared to prior reporting periods.

Loans and advances to customers held at fair value
These consist of assets mandatorily measured at FVTPL, of which €217 million (2021: €225 million) are 'Life loan mortgage products'. Unlike a standard mortgage product, borrowers do not make any periodic repayments and the outstanding loan balance increases through the life of the loan as interest due is capitalised. The mortgage is typically repaid out of the proceeds of the sale of the property. These assets are valued using DCF models which incorporate unobservable inputs (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. €nil million (2021: €201 million) of loans and advances to customers held at fair value relate to syndicated corporate facilities. These assets are valued by applying a discount based on a secondary market loan index and the Group's ECL models (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Loans and advances to banks held at fair value
These consist of assets mandatorily measured at FVTPL, and include assets managed on a fair value basis by the life assurance business and those assets that do not meet the requirements in order to be measured at FVOCI or amortised cost.

The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Financial assets at fair value through other comprehensive income
Financial assets at FVOCI predominantly consist of government bonds and listed debt securities. For these assets where an active market exists, fair value has been determined directly from observable market prices (level 1 inputs) or yields through a recognised pricing source or an independent broker, price-provider or investment bank (level 2 inputs).

Financial assets and financial liabilities held for trading
These instruments are valued using observable market prices (level 1 inputs), directly from a recognised pricing source or an independent broker or investment bank.

Derivative financial instruments
The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of DCF and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, FX rates, equity prices and counterparty credit (level 2 inputs). The base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk, own credit and / or funding costs.

The fair values of the Group's derivative financial liabilities reflect the impact of the cost of funding derivative positions (funding valuation adjustment (FVA)). The funding cost is derived from observable market data; however the model may perform numerical procedures in the pricing such as interpolation when market data input values do not directly correspond to the exact parameters of the trade.

Credit valuation adjustment (CVA) represents an estimate of the adjustment to fair value that market participants would make to incorporate the counterparty credit risk inherent in derivative exposures. Debit valuation adjustment (DVA) reflects the impact of changes in own credit spreads. Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, and own credit spread which are sourced from independent brokers. These unobservable input may be significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives at 31 December 2022 is immaterial. Where the impact of unobservable inputs

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

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 binding agreement with KBCI and KBC Group to acquire their mortgage, commercial loan, consumer loan and deposit portfolios. The transaction completed on 3 February 2023 and BOI acquired €7.8 billion of performing mortgages, €214 million of non-performing mortgages, €118 million of commercial and consumer loans and €2.0 billion of deposits. The Group acquired the performing mortgages for 105.2% of par value. This agreement is considered to represent a derivative financial instrument, the fair value of which was a liability of €275 million at 31 December 2022. The derivative was valued using unobservable inputs, in this case, the behavioural maturity and credit quality of the KBC mortgages (level 3 inputs). Using reasonably possible alternative assumptions for behavioural maturity and credit quality would result in an increase or decrease of up to €25 million in the liability. Interest rate swaps, with a fair value of €270 million at 31 December 2022, which have been traded to economically hedge the interest rate risk on the acquisition of KBCI mortgages, substantially offset this derivative financial instrument within net trading income / (expense).

Other financial assets at fair value through profit or loss

These consist of assets mandatorily at FVTPL, which are predominantly held for the benefit of unit linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have readily available prices. Substantially all of these assets are valued using valuation techniques which use observable market data i.e. level 1 or level 2 inputs. A small number of assets have been valued using DCF models and discounted equity value method, which incorporate unobservable inputs (level 3). Certain private equity funds, which predominantly invest in properties, are valued with reference to the underlying property value which in itself incorporate unobservable inputs (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Interest in associates

Investments in associates, which are venture capital investments, are accounted for at FVTPL and are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of various inputs such as DCF analysis and comparison with the earnings multiples of listed comparative companies amongst others. Although the valuation of unquoted equity instruments is subjective by nature, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time. As the inputs are unobservable, the valuation is deemed to be based on level 3 inputs. Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Customer accounts

Customer accounts designated at FVTPL consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The Group incorporates the effect of changes in its own credit spreads when valuing these instruments. The Group sources own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads are not available. Where the impact of unobservable inputs is material to the valuation of a customer account, that account is categorised as level 3 on the fair value hierarchy.

A small number of customer accounts are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to those unobservable inputs.

Liabilities to customers under insurance and investment contracts

In line with the accounting policy set out in note 1, the fair value of liabilities to customers under both insurance and investment unit linked contracts is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the reporting date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Debt securities in issue

Debt securities in issue with a fair value of €250 million (2021: €307 million) are measured at FVTPL, in order to reduce an accounting mismatch which would otherwise arise from hedging derivatives. Their fair value is typically based on valuation techniques incorporating observable market data. The Group incorporates the effect of changes in its own credit spread when valuing these instruments. The Group sources own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads are not available. Where the impact of unobservable inputs is material to the valuation of a debt security in issue, that issuance is categorised as level 3 on the fair value hierarchy. Where the impact of unobservable inputs is immaterial to the valuation of a debt security in issue, that issuance is categorised as level 2 on the fair value hierarchy.

A small number of the debt securities in issue are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these debt securities in issue would not have a significant impact.

Other liabilities

Other liabilities carried at fair value consist of contingent consideration balances recognised for the acquisition of Davy, the payment of which is subject to certain criteria being met relating to indemnity claims, composite capital requirement and dividend withholding tax. The fair value is based on DCFs and probabilities of expected payment. As the probabilities of the set conditions for payment being met are unobservable and their impact is significant, the contingent consideration is categorised as level 3 on the fair value hierarchy. See Note 54 Davy Acquisition for additional information, including the sensitivity to reasonably possible alternative assumptions.

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

(b) Financial assets and liabilities held at amortised cost

For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placings which are held at amortised cost is their carrying amount. The estimated fair value of fixed interest bearing placements which are held at amortised cost is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers held at amortised cost

The fair value of both fixed and variable rate loans and advances to customers held at amortised cost is estimated using valuation techniques which include the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the reporting date and estimates of market participants' expectations of credit losses over the life of the loans (level 3 inputs).

Debt securities at amortised cost

For debt securities at amortised cost for which an active market exists, fair value has been determined directly from observable market prices (level 1 inputs). Debt securities at amortised cost consist mainly of government bonds, asset backed securities and other debt securities.

Deposits from banks and customer accounts

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. For the estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices, a DCF model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 2 and level 3 inputs).

Debt securities in issue and subordinated liabilities

The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). For those notes where quoted market prices are not available, a DCF model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 2 and level 3 inputs).

(c) Fair value on offsetting positions

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

(d) Fair value of non-financial assets

Investment properties

Investment properties are carried at fair value as determined by external qualified property surveyors (the 'Surveyors') appropriate to the properties held. The Surveyors arrive at their opinion of fair value by using their professional judgement in applying comparable current trends in the property market such as rental yields in the retail, office and industrial property sectors, to both the existing rental income stream and also to the future estimate of rental income (ERV). Other inputs taken into consideration include occupancy forecasts, rent free periods that may need to be granted to new incoming tenants, capital expenditure and fees. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

Property

A revaluation of Group property was carried out at 31 December 2022. All freehold and long leasehold commercial properties were valued by Lisney Ltd (or its partner, Sanderson Weatherall) as external valuers, with the exception of some select properties which were valued internally by the Group's qualified surveyors. The valuations have been carried out in accordance with the Royal Institution of Chartered Surveyors Valuation– Global Standards. The valuers arrive at their valuation by using their professional judgement in applying market comparable methods of valuation such as the utilisation of comparable market rental values and rental yields. Other considerations taken into account include the individual property profile, lot size, layout and presentation of accommodation. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

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

The following table sets out the level of the fair value hierarchy for assets and liabilities held at fair value. Information is also given for items carried at amortised cost where the fair value is disclosed.

	2022				*Restated*[1] 2021			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value								
Trading securities	–	–	–	–	20	–	–	20
Derivative financial instruments	10	5,115	13	5,138	–	1,497	74	1,571
Other financial assets at FVTPL	17,980	214	359	18,553	19,412	330	336	20,078
Loans and advances to banks	–	147	–	147	–	280	–	280
Financial assets at FVOCI	4,254	–	–	4,254	9,457	–	–	9,457
Loans and advances to customers	–	–	217	217	–	–	426	426
Interest in associates	–	–	65	65	–	–	55	55
Non-financial assets held at fair value								
Investment property	–	–	883	883	–	–	992	992
Property held at fair value	–	–	161	161	–	–	181	181
	22,244	**5,476**	**1,698**	**29,418**	**28,889**	**2,107**	**2,064**	**33,060**
Financial liabilities held at fair value								
Customer accounts	–	397	17	414	–	402	15	417
Derivative financial instruments	10	6,224	292	6,526	–	2,125	60	2,185
Debt securities in issue	–	250	–	250	–	307	–	307
Liabilities to customers under investment contracts	–	5,870	–	5,870	–	6,671	–	6,671
Insurance contract liabilities	–	14,280	–	14,280	–	15,399	–	15,399
Short positions in trading securities	3	–	–	3	60	–	–	60
Other liabilities	–	–	32	32	–	–	–	–
	13	**27,021**	**341**	**27,375**	**60**	**24,904**	**75**	**25,039**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	60	2,837	–	2,897	2	2,468	–	2,470
Debt securities at amortised cost	4,487	42	7	4,536	6,063	27	11	6,101
Loans and advances to customers[1]	6	5	70,043	70,054	–	1	74,377	74,378
Fair value of financial liabilities held at amortised cost								
Deposits from banks	–	3,445	–	3,445	–	12,964	–	12,964
Customer accounts[1]	1	98,747	–	98,748	–	92,372	–	92,372
Debt securities in issue	6,731	88	614	7,433	6,265	749	1,231	8,245
Subordinated liabilities	41	1,533	87	1,661	53	1,885	120	2,058

In the table above, 'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 54).

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

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

Movements in level 3 assets **2022**	**Loans advances customers at FVTPL €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Investment property €m**	**Property held at fair value €m**	**Total €m**
Opening balance	**426**	**336**	**74**	**55**	**992**	**181**	**2,064**
Exchange adjustment	–	–	(4)	–	(10)	(4)	(18)
Total gains or losses in:							
Profit or loss							
Interest income	14	1	–	–	–	–	15
Net trading income / (expense)	4	13	(8)	–	–	–	9
Share of results of associates	–	–	–	8	–	–	8
Revaluation	–	(1)	–	–	(71)	–	(72)
Impairment charges	–	–	–	–	–	–	–
Life assurance investment income & gains	–	(19)	–	–	–	–	(19)
Other comprehensive income	–	–	–	–	–	(4)	(4)
Additions	12	26	–	11	65	1	115
Disposals	(219)	(1)	–	(9)	(93)	(14)	(336)
Redemptions	(20)	(22)	–	–	–	–	(42)
Reclassifications	–	–	–	–	–	1	1
Transfers out of level 3							
from level 3 to level 2	–	–	(49)	–	–	–	(49)
Transfers into level 3							
from level 1 to level 3	–	20	–	–	–	–	20
from level 2 to level 3	–	6	–	–	–	–	6
Closing balance	**217**	**359**	**13**	**65**	**883**	**161**	**1,698**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**12**	**(6)**	**9**	**8**	**(80)**	**–**	**(57)**
Net trading income	*3*	*11*	*9*	*–*	*–*	*–*	*23*
Interest income	*9*	*–*	*–*	*–*	*–*	*–*	*9*
Life assurance investment income and gains	*–*	*(17)*	*–*	*–*	*(57)*	*–*	*(74)*
Share of results of associates	*–*	*–*	*–*	*8*	*–*	*–*	*8*
Other operating income	*–*	*–*	*–*	*–*	*(23)*	*–*	*(23)*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2022. The transfer from level 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and 2.

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

Movements in level 3 assets 2021	Loans advances customers at FVTPL €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Investment property €m	Property held at fair value €m	Total €m
Opening balance	**361**	**152**	**7**	**54**	**843**	**180**	**1,597**
Exchange adjustment	–	–	1	–	10	3	14
Total gains or losses in:							
Profit or loss							
Interest income	18	–	–	–	–	–	18
Net trading income	1	21	62	–	–	–	84
Share of results of associates	–	–	–	7	–	–	7
Revaluation	–	–	–	–	(17)	–	(17)
Life assurance investment income & gains	–	1	–	–	–	–	1
Other comprehensive income	–	–	–	–	–	–	–
Additions	287	18	–	11	157	–	473
Disposals	(208)	(7)	(2)	(17)	(1)	–	(235)
Redemptions	(33)	(12)	–	–	–	–	(45)
Reclassifications	–	–	–	–	–	(2)	(2)
Transfers out of level 3							
from level 3 to level 2	–	–	(2)	–	–	–	(2)
Transfers into level 3							
from level 1 to level 3	–	77	–	–	–	–	77
from level 2 to level 3	–	86	8	–	–	–	94
Closing balance	**426**	**336**	**74**	**55**	**992**	**181**	**2,064**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**13**	**17**	**59**	**7**	**(6)**	**–**	**90**
Net trading income	*–*	*16*	*59*	*–*	*–*	*–*	*75*
Interest income	*13*	*–*	*–*	*–*	*–*	*–*	*13*
Share of results of associates	*–*	*–*	*–*	*7*	*–*	*–*	*7*
Life assurance investment income and gains	*–*	*1*	*–*	*–*	*(6)*	*–*	*(5)*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2021. The transfer from level 1 and 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and 2.

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

Movements in level 3 liabilities	2022 Customer accounts €m	2022 Derivative financial instruments €m	2022 Other liabilities €m	2022 Total €m	2021 Customer accounts €m	2021 Derivative financial instruments €m	2021 Other liabilities €m	2021 Total €m
Opening balance	**15**	**60**	**–**	**75**	**5**	**8**	**–**	**13**
Exchange Adjustment	–	(3)	–	(3)	–	1	–	1
Total gains or losses in:								
Profit or loss								
Net trading expense	–	285	–	285	2	52	–	54
Other comprehensive income	(1)	–	–	(1)	–	–	–	–
Additions	17	–	32	49	15	–	–	15
Disposals	–	–	–	–	–	–	–	–
Redemptions	–	–	–	–	–	–	–	–
Transfers out of level 3								
from level 3 to level 2	(14)	(50)	–	(64)	(7)	(1)	–	(8)
Closing balance	**17**	**292**	**32**	**341**	**15**	**60**	**–**	**75**
Total unrealised (gains) / losses for the year included in profit or loss for level 3 liabilities at the end of the year								
Net trading (income) / expense	(2)	291	–	289	(3)	59	–	56

'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 54).

The transfers from level 3 to level 2 arose due to unobservable inputs becoming less significant to the fair value measurement of these liabilities.

There were no transfers between levels 1 and 2, or from levels 1 and 2 to level 3.

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

Level 3 assets	Valuation technique	Unobservable input	Fair value 2022 €m	Fair value 2021 €m	Range 2022 %	Range 2021 %
Loans and advances to customers	Discounted Cash Flow	Discount market rate	217	225	4.5% - 5.25%	2.75% -4.50%
		Collateral Charges			0% - 6.7%	1.00% -5.80%
	Par value less discount	Discount	–	201	n/a	0%
Other financial assets at fair value through profit or loss	Discounted Cash Flow	Discount rate	359	336	0% - 15%	0% -15%
	Equity value less discount	Discount			0% - 50%	0% - 50%
	Market comparable property transaction	Yield			3.09% - 9.24%	2.92% - 7.75%
Derivative financial instruments	Discounted Cash Flow / Option Pricing Model	Counterparty credit spread	13	74	0% - 0.7%	0.0% - 1.7%
		Own credit spread			0.87%-1.75%	
Interest in associates	Market comparable companies	Price of recent investment	65	55	–	–
		Earnings multiple				
		Revenue multiple				
Investment property	Market comparable property transaction	Yield	883	992	3.09% - 9.24%	2.92% - 7.75%
Property held at fair value	Market comparable property transaction	Yield	161	181	5.60% - 11.89%	5.18% -12.25%

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

Level 3 liabilities	Valuation technique	Unobservable input	Fair Value 2022 €m	Fair Value 2021 €m	Range 2022 %	Range 2021 %
Customer accounts	Discounted cash flow Option pricing model	Own credit spread	17	15	1.87% - 1.96%	0.4%-0.5%
Derivative financial instruments	Discounted cash flow / Option pricing model	Counterparty credit spread Own credit spread	17	60	0% - 0.7% 0.87% - 1.75%	0.0%-1.7% n/a
		Maturity profile and credit quality of the KBC mortgages	275	–	–	–
Other liabilities	Discounted cash flow	Probabilities of set conditions being met	32	n/a	50% - 100%	n/a

Note: 100 basis points = 1%

Valuation techniques and unobservable inputs

In the tables above:

- Discount market rate represent a range of discount rates that market participants would use in valuing these assets.
- Holdings in real estate property funds (within other financial assets at fair value through profit and loss) are valued through market comparable property transactions.
- Counterparty and own credit spreads represent the range of credit spreads that market participants would use in valuing these contracts.
- Earnings and revenue multiples represent multiples that market participants would use in valuing these investments.
- The Group does not disclose the ranges for interests in associates. Given the wide range of diverse investments and correspondingly large difference in prices, the Group believes disclosure of ranges would not provide meaningful information without a full list of underlying investments which would be impractical.
- The Group does not disclose the ranges associated with the behavioural maturity and counterparty credit of the underlying cash flows of the binding commitment to purchase the KBC / KBCI mortgages, which have been recognised as a derivative liability. Given the incomplete information that is available and the resulting variability in values, the Group believes disclosure would not provide meaningful information and would be impractical to do so.

The carrying amount and the fair value of the Group's financial assets and liabilities which are carried at amortised cost are set out in the table below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

Financial instruments	2022 Carrying amount €m	2022 Fair values €m	Restated[2] 2021 Carrying amount €m	Restated[2] 2021 Fair values €m
Assets				
Loans and advances to banks	2,897	2,897	2,470	2,470
Debt securities at amortised cost	4,472	4,536	6,008	6,101
Loans and advances to customers (including assets held for sale)[2]	71,744	70,054	75,996	74,378
Liabilities				
Deposits from banks	3,445	3,445	12,946	12,964
Customer accounts	98,786	98,748	92,357	92,372
Debt securities in issue	7,524	7,433	8,176	8,245
Subordinated liabilities	1,656	1,661	1,981	2,058

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

61 Transferred financial assets

	Carrying amount of transferred assets €m	Carrying amount of associated liabilities €m	Fair value of transferred assets €m	Fair value of associated liabilities €m	Net fair value position €m
2022					
Securitisation					
Loans and receivables					
Residential mortgages book (Bowbell II Special Purpose Entity)	126	89	152	89	63
Sale and repurchase / similar products	–	–	–	–	–
2021					
Securitisation					
Loans and receivables					
Residential mortgages book (Bowbell II Special Purpose Entity)	198	177	210	178	32
Sale and repurchase / similar products					
Debt securities at amortised cost	4,626	4,609	4,712	4,609	103
Financial assets at FVOCI	5,323	5,210	5,326	5,210	116

The Group has transferred certain financial assets that are not derecognised from the Group’s balance sheet. Such arrangements are securitisations and sale or repurchase agreements. The Group is exposed to substantially all risks and rewards including credit and market risk associated with the transferred assets.

For the purposes of this disclosure, 'associated liabilities' include liabilities issued by securitisation special purpose entities, held by other Group entities.

For each securitisation the relevant loan book / pool is ring-fenced whereby the cash flows associated with these assets can only be used to repay the related notes holders plus associated issuance fees /costs.

Assets sold or transferred subject to repurchase agreements or similar products are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits from banks or customer accounts, as appropriate. The difference between the original sale price of the bonds and the repurchase price is the repo rate. During the year, the Group entered into a small amount of repurchase transactions, however at 31 December 2022 the balance was nil.

The Group has not entered into any agreements on the sale of assets that entail the Group’s continuing involvement in derecognised financial assets other than assets transferred to Mulcair 2 and Temple Quay No. 1 plc (note 57).

In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of TLTRO III. A mix of government and corporate bonds with a total fair value of €10.0 billion at 31 December 2021 were pledged to the CBI as part of the TLTRO drawdown. The funding secured under TLTRO III was repaid in full by the Group in November 2022.

62 Offsetting financial assets and liabilities

The following tables set out the effect or potential effect of netting arrangements on the Group's financial position. This includes the effect or potential effect of rights of set-off associated with the Group's recognised financial assets and recognised financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are set off in accordance with paragraph 42 of IAS 32.

The 'Financial Instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements such as an International Swaps and Derivatives Association (ISDA) Master agreement. The agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis: however each party to the master netting agreement has the option to settle all such amounts on a net basis in the event of default of the other party.

				Related amounts not set off in the balance sheet		
Assets	**Gross amounts of recognised financial assets €m**	**Gross amounts of recognised financial liabilities set off in the balance sheet €m**	**Net amounts of financial assets presented in the balance sheet €m**	**Financial instruments €m**	**Cash collateral received €m**	**Net amount €m**
2022						
Derivative financial assets	5,127	–	5,127	(4,696)	(317)	114
Loans and advances to customers	207	(207)	–	–	–	–
Total	**5,334**	**(207)**	**5,127**	**(4,696)**	**(317)**	**114**
2021						
Derivative financial assets	1,569	–	1,569	(1,244)	(43)	282
Loans and advances to customers	215	(215)	–	–	–	–
Total	**1,784**	**(215)**	**1,569**	**(1,244)**	**(43)**	**282**

Included in the gross amounts of recognised derivative financial assets, are amounts of €4,696 million that do not meet the offsetting criteria (2021: €1,244 million). Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported in deposits from banks.

				Related amounts not set off in the balance sheet		
Liabilities	**Gross amounts of recognised financial liabilities €m**	**Gross amounts of recognised financial assets set off in the balance sheet €m**	**Net amounts of financial liabilities presented in the balance sheet €m**	**Financial instruments €m**	**Cash collateral pledged €m**	**Net amount €m**
2022						
Derivative financial liabilities	6,243	–	6,243	(4,696)	(1,117)	430
Customer deposits	207	(207)	–	–	–	–
Total	**6,450**	**(207)**	**6,243**	**(4,696)**	**(1,117)**	**430**
2021						
Derivative financial liabilities	2,176	–	2,176	(1,244)	(680)	252
Customer deposits	215	(215)	–	–	–	–
Total	**2,391**	**(215)**	**2,176**	**(1,244)**	**(680)**	**252**

Included in the gross amounts of recognised derivatives financial liabilities are amounts of €4,696 million that do not meet the offsetting criteria (2021: €1,244 million). Cash collateral amounts disclosed reflect the maximum collateral available for offset.

63 Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates to alternative or nearly risk free rates has become a priority for global regulators. The Group's exposures to benchmark interest rates will be replaced or reformed as part of this market wide initiative.

As Euro Interbank Offered Rate (EURIBOR) was reformed during 2019 and currently complies with the EU Benchmarks Regulation under a new hybrid methodology, the Group Expects EURIBOR to continue as a benchmark interest rate for the foreseeable future. Therefore, the Group does not consider EURIBOR to be directly affected by the benchmark rate (BMR) reform at 31 December 2022.

On 5 March 2021, the FCA formally announced the cessation timeline for all LIBOR settings subject to the BMR reform and as a result of that announcement, the ISDA and Bloomberg confirmed that the spread adjustment published by Bloomberg was fixed on that date for all the LIBOR settings. The cessation date for Euro, GBP, Swiss Franc (CHF), Japanese Yen (JPY) and One-Week and Two Month USD LIBOR was 31 December 2021 while the cessation date for USD LIBOR is 30 June 2023.

During 2021 the FCA extended the use of GBP and JPY LIBOR on a synthetic basis. Subsequent to this, JPY LIBOR ceased on 31 December 2022. On 29 September 2022, the FCA announced the permanent cessation of 1 and 6 month synthetic sterling LIBOR at end of March 2023. On 23 November 2022, the FCA announced the permanent cessation of 3 month synthetic sterling LIBOR at end March 2024.

In line with regulatory guidance and now established market practice, new benchmarks or risk free rates (RFR) have replaced LIBOR in the Groups contracts. Sterling Overnight Index Average (SONIA) has replaced GBP LIBOR, Secured Overnight Financing Rate (SOFR) has replaced USD LIBOR and Euro Short term rate (€STR) has replaced EONIA.

Transition progress

Over 99% of the Group's GBP and JPY LIBOR exposures have now transferred to compliant risk free rates or in the case of small or medium enterprise accounts, to alternative market acceptable replacement benchmark rates such as the Bank of England base rate.

Engagement with a small number of customers continuing to rely on synthetic LIBOR contract continues so as to actively transition all of these contracts in advance of the permanent cessation dates outlined above. A Group wide Benchmark Reform Programme continues to manage the orderly transition of the Group's USD exposures to new regulatory compliant benchmarks. This effort is supported by the US regulatory support for the use of a forward looking term SOFR and progress is well underway in transitioning customers to new regulatory supported benchmarks.

Risks

The BMR reform exposed the Group to various risks. The material risks identified include:

- **Conduct and litigation risk:** There is a risk that unfavourable customer outcomes are brought about as a direct result of inappropriate or negligent conduct on the part of the Group, in connection with the BMR transition.
- **Operational risk:** The Benchmark Programme encompasses a number of business products and functions, giving rise to additional operational risks.
- **Financial risk:** There is a risk that markets are disrupted due to the BMR reform. This could give rise to financial losses should the Group be unable to operate effectively in financial markets.
- **Income statement volatility risk:** There is a risk that if contracts subject to reform are transitioned at different times, to different benchmarks or using differing conventions, it could lead to the emergence of new or additional basis risk exposures and increase hedge accounting ineffectiveness, resulting in volatility to the income statement.

The risks identified above are not expected to result in material changes to the Group's risk management strategy. The key mitigating considerations include:

- a Group wide Benchmark Reform Programme continues to leverage experience and approach from GBP transition in the management and orderly transition to new regulatory compliant Benchmarks for USD LIBOR contracts;
- the Group Regulatory and Conduct Risk Committee in conjunction with Group ALCO provide oversight to the programme and updates as required are provided to the Regulatory bodies (the Joint Supervisory Team and the Prudential Regulation Authority); and
- the Group will adhere to the ISDA 2020 interbank offered rate fallback protocol, where applicable, to support the smooth transition of derivative products.

The Group wide Benchmark Reform Programme is expected to conclude after 30 June 2023.

The table below shows the principal values of the Group's non-derivative exposures which remain subject to BMR Reform at 31 December 2022, excluding USD LIBOR exposures with contractual maturities prior to the cessation date of 30 June 2023.

63 Interest rate benchmark reform *(continued)*

	2022				2021			
	GBP LIBOR €m	USD LIBOR €m	Other €m	Total €m	GBP LIBOR €m	USD LIBOR €m	Other €m	Total €m
Non-derivative financial assets								
Loans and advances to customers	118	2,203	–	2,321	676	3,110	2	3,788
Debt securities at amortised cost	8	1	–	9	8	3	–	11
Other financial assets at FVTPL	–	–	–	–	47	–	–	47
Total derivative financial assets	**126**	**2,204**	**–**	**2,330**	**731**	**3,113**	**2**	**3,846**
Non-derivative financial liabilities								
Debt securities in issue	–	4	–	4	–	237	–	237
Total derivative financial liabilities	**–**	**4**	**–**	**4**	**–**	**237**	**–**	**237**
Off balance sheet exposures								
Undrawn loan commitments	19	310	–	329	45	648	–	693
Total off-balance sheet exposures	**19**	**310**	**–**	**329**	**45**	**648**	**–**	**693**

The Group also had loans and advances to customers amounting to €599 million, which reference USD LIBOR at 31 December 2022 which have been contracted to transition at a future interest roll date. These loans and advances are 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 31 December 2022, excluding USD LIBOR exposures with contractual maturities prior to the cessation date of 30 June 2023:

	2022			2021		
	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	–	782	782
Interest rate swaps	51	778	829	509	1,252	1,761
Cross currency interest rate swaps	–	119	119	–	114	114
Total derivative financial assets	**51**	**2,033**	**2,084**	**509**	**2,148**	**2,657**
Derivative financial liabilities						
Interest rate swaps	–	1,388	1,388	870	721	1,591
OTC interest rate options	–	1,136	1,136	74	782	856
Cross currency interest rate swaps	–	119	119	5	114	119
Total derivative financial liabilities	**–**	**2,643**	**2,643**	**949**	**1,617**	**2,566**

The table above includes derivative financial instruments designated in hedge accounting relationships and these are further disclosed in the Derivative Financial Instruments note 20.

64 Post balance sheet events

KBCI Portfolio Acquisition

On 22 October 2021, the Group entered into a legally binding agreement with KBCI and KBC Group to acquire their mortgage, commercial loan, consumer loan and deposit portfolios. The transaction involved a significant approval process:

- Competition and Consumer Protection Commission (CCPC) approval;
- Department of Finance approval; and
- Consumer Protection Code communications requirements.

On 3 February 2023 ('completion date'), control of the assets and liabilities acquired from KBCI transferred to the Group. The acquired assets and liabilities were not recognised in the Group's balance sheet at 31 December 2022 but were recognised on the completion date.

The Group acquired the performing mortgages at 105.2% of nominal value and will also include transaction costs and the effects of interest rate hedging since acquisition (where relevant) in recognising these portfolios on the Group balance sheet. In nominal terms, the Group acquired €7.8 billion of performing mortgages, €214 million of non-performing mortgages (NPEs), €118 million of commercial and consumer loans and €2.0 billion of deposits.

Values and percentages noted above are based on a balance sheet date as at 31 December 2022, all of which are subject to customary ongoing completion and associated settlement processes during March 2023.

Proposed distribution

In respect of the 2022 financial year, the Board proposed a distribution of €350 million including an ordinary dividend of €225 million, equivalent to 21 cents per share, subject to ordinary shareholder approval and a share buyback of €125 million subject to regulatory approval. The dividend of 21 cents per share will be paid on 13 June 2023 to ordinary shareholders who appear on the Company's register on 12 May 2023, the record date for the dividend, subject to shareholder approval.

65 Approval of financial statements

The Board of Directors approved the consolidated and Company financial statements on 6 March 2023.

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Company balance sheet *(at 31 December 2022)*

	Note	2022 €m	2021 €m
Assets			
Loans and advances to banks	b	8,452	6,484
Shares in Group undertakings	c	8,010	8,010
Other assets	d	90	63
Total assets		**16,552**	**14,557**
Equity and liabilities			
Debt securities in issue	f	6,208	4,199
Subordinated liabilities	e	1,632	1,595
Other liabilities	g	62	29
Current tax liability		1	1
Total liabilities		**7,903**	**5,824**
Equity			
Share capital	h	1,070	1,079
Share premium account		456	456
Retained earnings		6,148	6,232
Other reserves		9	–
Shareholders' equity		**7,683**	**7,767**
Other equity instruments		966	966
Total equity		**8,649**	**8,733**
Total equity and liabilities		**16,552**	**14,557**

The Company recorded a profit after tax of €89 million for the year ended 31 December 2022 (2021: profit of €125 million).

Patrick Kennedy
Chairman

Richard Goulding
Deputy Chair

Myles O'Grady
Group Chief Executive Officer

Gabrielle Ryan
Interim Group Secretary

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

	2022						2021					
	Share capital €m	Share premium account €m	Retained earnings €m	Other equity instru-ments €m	Other reserves	Total €m	Share capital €m	Share premium account €m	Retained earnings €m	Other equity instru-ments €m	Other reserves	Total €m
Balance at 1 January	**1,079**	**456**	**6,232**	**966**	**–**	**8,733**	**1,079**	**456**	**6,175**	**966**	**–**	**8,676**
Profit for the year	–	–	89	–	–	89	–	–	125	–	–	125
Total comprehensive income for the year	**–**	**–**	**89**	**–**	**–**	**89**	**–**	**–**	**125**	**–**	**–**	**125**
Transactions with owners												
Distribution on other equity instruments AT1 coupon	–	–	(69)	–	–	(69)	–	–	(68)	–	–	(68)
Dividends on ordinary shares	–	–	(54)	–	–	(54)	–	–	–	–	–	–
Share buyback - repurchase of shares (note h)	–	–	–	–	(50)	(50)	–	–	–	–	–	–
Share buyback - cancellation of shares (note h)	(9)	–	(50)	–	59	–	–	–	–	–	–	–
Total transactions with owners	**(9)**	**–**	**(173)**	**–**	**9**	**(173)**	**–**	**–**	**(68)**	**–**	**–**	**(68)**
Balance at 31 December	**1,070**	**456**	**6,148**	**966**	**9**	**8,649**	**1,079**	**456**	**6,232**	**966**	**–**	**8,733**

a Accounting policies and critical accounting estimates and judgements

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

These financial statements are financial statements of the Company only and do not consolidate the results of any subsidiaries.

In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of IFRS as adopted by the EU (but makes amendments where necessary in order to comply with the Companies Act 2014). The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- statement of Cash Flows;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- certain requirements of IAS 1 'Presentation of financial statements';
- disclosures required by IFRS 7 'Financial Instruments: disclosures';
- disclosures required by IFRS 13 'Fair value measurement'; and
- the effects of new but not yet effective IFRSs.

The financial statements are presented in euro millions except where otherwise indicated. They have been prepared under the historical cost convention. The accounting policies of the Company are the same as those of the Group which are set out in the Group accounting policies section of the Annual Report on pages 198 to 214, where applicable. The Company's investment in its subsidiary is stated at cost less any impairment.

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical estimates and judgements of the Company are the same as those of the Group, with the exception of Taxation, Life assurance operations, Davy acquisition and the impairment review of goodwill in relation to the Davy acquisition, and are included in note 2.

b Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost with the associated impairment loss allowance measured on a 12 month and lifetime ECL approach.

The impairment loss allowance on loans and advances to banks is all held against Stage 1 (not credit-impaired assets) with a PD 1-4.

	2022 €m	2021 €m
Placements with banks	8,455	6,486
Less impairment loss allowance on loans and advances to banks	(3)	(2)
Loans and advances to banks at amortised cost	**8,452**	**6,484**
Amounts include:		
Due from Group undertakings	**8,452**	**6,484**

c Shares in Group undertakings

The Company's investment in the Bank is reviewed for impairment if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of the investment to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount of the investment is the higher of its fair value less costs to sell and its VIU. The subsidiary's fair value is calculated as the market capitalisation of the BOI Group Plc less the Company's net assets, excluding the investment in the Bank.

At 31 December 2022, the market capitalisation of BOIG plc less its investment in the subsidiary was €8.8 billion (2021: €4.7 billion). This was above (2021: below) the carrying amount of its investment (2022: €8.0 billion and 2021: €8.0 billion) and therefore the investment is not impaired and there is no requirement to estimate VIU at 31 December 2022 (2021: VIU was determined to be €14.3 billion, which was higher than the carrying amount of €8.0 billion, resulting in a reversal of impairment of €48 million).

	2022 €m	2021 €m
Balance at beginning of the year	8,010	7,962
Impairment reversal	–	48
Balance at the end of the year	**8,010**	**8,010**
Group undertakings of which:		
Credit Institutions	8,010	8,010

d Other assets

In 2017, the Bank declared and approved a €1 billion dividend payment to BOIG plc. A total of €973 million has been paid to date (€nil in 2022 and 2021), the balance remains outstanding and payable on demand by the company. As the declaration and approval of the dividend is an irrevocable commitment by the Bank, the full amount of the dividend has been accounted for by the Company.

	2022 €m	2021 €m
Dividend receivable from the Bank	27	27
Other assets	63	36
Total	**90**	**63**
Amounts include:		
Due from Group undertakings	90	63
Other assets are analysed as follows:		
Within 1 year	90	63

e Subordinated liabilities

	2022 €m	2021 €m
Dated loan capital		
€500m 1.375% Fixed Rate Reset Callable Subordinated Notes due 2031	498	498
€500 million 6.750% Fixed Rate Reset Callable Subordinated Notes due 2033	497	–
£300 million 7.594% Fixed Rate Reset Callable Subordinated Notes 2032	337	–
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes due 2029	300	299
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes due 2027	–	441
£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes due 2027	–	357
Total subordinated liabilities	**1,632**	**1,595**

Further details on subordinated liabilities are contained in note 47 to the consolidated financial statements.

f Debt securities in issue

	2022 €m	2021 €m
Bonds and medium term notes	6,208	4,199
Debt securities in issue at amortised cost	**6,208**	**4,199**
Debt securities are analysed as follows:		
Within 1 year	1,218	–
After 1 year	4,990	4,199
	6,208	**4,199**

	2022 €m	2021 €m
Opening balance	4,199	2,479
Issued during the year	2,001	1,669
Other movements	8	51
Closing balance	**6,208**	**4,199**

g Other liabilities

	2022 €m	2021 €m
Accrued interest payable	53	29
Sundry creditors	9	–
Other liabilities	**62**	**29**
Other liabilities are analysed as follows:		
Within 1 year	62	29

h Share capital

Ordinary shares

All ordinary shares carry the same voting rights.

There were no outstanding options on ordinary shares under employee schemes at 31 December 2022 or 2021.

In 2022, 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.

Authorised	2022 €m	2021 €m
10 billion ordinary shares of €1.00 each	10,000	10,000
100 million preference shares of €0.10 each	10	10
Total	**10,010**	**10,010**
Allotted and fully paid		
1,070 million ordinary shares of €1.00 each (2021: 1,079 million ordinary shares)	**1,070**	**1,079**

i Other

(i) BOIG plc is incorporated in Ireland as a public limited company with registration number 593672. Its registered office is situated at 40 Mespil Road, Dublin 4.

(ii) The Company is domiciled in Ireland.

(iii) Company income statement: In accordance with Section 304 of the Companies Act, the Company is availing of the exemption to not present its individual income statement to the AGM and from filing it with the Registrar of Companies. The Company's profit after tax for the year ended 31 December 2022 determined in accordance with FRS 101 is €89 million (2021: €125 million).

(iv) Information in relation to the Company's principal subsidiaries is contained in note 56 to the consolidated financial statements.

(v) Auditor's Remuneration: In accordance with Section 322 of the Companies Act, the fees paid in the year to the statutory Auditor for work engaged by the Company comprised audit fees of €nil (2021: €nil) and other assurance services of €nil (2021: €nil).

(vi) BOIG plc had no employees at any time during the year (2021: no employees).

(vii) Post balance sheet events are shown in note 64 to the consolidated financial statements.

j Directors and secretary

Directors

Giles Andrews
Evelyn Bourke
Ian Buchanan
Eileen Fitzpatrick
Richard Goulding
Michele Greene
Patrick Kennedy
Francesca McDonagh
Fiona Muldoon
Myles O'Grady
Steve Pateman
Mark Spain

Group Secretary

Sarah McLoughlin (on maternity leave)

Interim Company Secretary

Gabrielle Ryan

The names of the persons who were Directors or Company Secretary of the Company at any time during the year ended 31 December 2022 and up to the date of the approval of the financial statements are set out in this note.

Other Information

Contents

Group exposures to selected countries

The information in Group exposures to selected countries forms an integral part of the audited financial statements as described in the basis of preparation in Note 1 to the financial statements.

Set out in the table below is a summary of the Group's exposure to sovereign debt and other country exposures for selected balance sheet line items at 31 December 2022.

These include exposures to Ireland, the UK, the US and those other countries that have a S&Ps credit rating of AA or below where the Group has an exposure of over €470 million.

2022 Assets	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Other €m	Total €m
Cash and balances at central banks	33,149	2,630	705	–	–	371	36,855
Trading securities	–	–	–	–	–	–	–
Derivative financial instruments (net)	10	166	36	53	82	88	435
Other financial assets at FVTPL	1,137	109	219	44	178	417	2,104
Loans and advances to banks	97	2,017	34	–	667	69	2,884
Financial assets at FVOCI	44	26	–	684	1,293	2,207	4,254
Government bonds	*–*	*–*	*–*	*501*	*149*	*80*	*730*
Other	*44*	*26*	*–*	*183*	*1,144*	*2,127*	*3,524*
Debt securities at amortised cost	3,846	319	1	–	–	306	4,472
Government bonds	*3,655*	*97*	*–*	*–*	*–*	*–*	*3,752*
Asset backed securities	*15*	*34*	*1*	*–*	*–*	*–*	*50*
Other	*176*	*188*	*–*	*–*	*–*	*306*	*670*
Total	**38,283**	**5,267**	**995**	**781**	**2,220**	**3,458**	**51,004**

Net Derivative exposure is calculated after the application of master netting arrangements and associated cash collateral received.

'Other financial assets at FVTPL' excludes €17 billion of assets held by the Group's life assurance business which are linked to policyholder liabilities (2021: €18 billion) and includes loans and advances to customers held at fair value through profit or loss of €0.2 billion (2021: €0.4 billion).

'Loans and advances to banks' excludes €160 million of assets held by the Group's life assurance business which are linked to policyholder liabilities (2021: €184 million).

In 2022, the €3.5 billion (2021: €5.5 billion) of 'Other' is primarily made up of exposures to the following countries: Sweden: €0.4 billion (2021: €0.6 billion), Germany: €0.4 billion (2021: €0.5 billion), Netherlands: €0.4 billion (2021: €0.5 billion), Norway: €0.4 billion (2021: €0.5 billion), Belgium: €0.3 billion (2021: €0.5 billion), Austria: €0.2 billion (2021: €0.3 billion), Finland: €0.2 billion (2021: €0.2 billion), Italy: €0.1 billion (2021: €0.2 billion), Canada: €0.1 billion (2021: €0.1 billion), Denmark: €0.1 billion (2021: €0.1 billion), Portugal: €nil (2021: €0.4 billion), Slovenia: €nil (2021: €0.1 billion), Rest of world: €0.7 billion (2021: €1.0 billion) and Supranational institutions: €0.2 billion (2021: €0.5 billion). Also included in other is the Group's euro cash holding in branches.

In 2022, the €2.2 billion (2021: €3.7 billion) of 'Other' financial assets at FVOCI' is primarily made up of exposures to the following countries: Norway: €0.4 billion (2021: €0.5 billion), Sweden: €0.4 billion (2021: €0.5 billion), Netherlands: €0.3 billion (2021: €0.4 billion), Belgium: €0.2 billion (2021: €0.3 billion), Italy: €0.1 billion (2021: €0.1 billion), Portugal: €nil (2021: €0.4 billion), Rest of world: €0.8 billion (2021: €1.5 billion).

2021 Assets	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Other €m	Total €m
Cash and balances at central banks	26,329	4,230	456	–	–	345	31,360
Trading securities	20	–	–	–	–	–	20
Derivative financial instruments (net)	47	203	6	3	1	65	325
Other financial assets at FVTPL	762	284	300	15	417	735	2,513
Loans and advances to banks	129	1,778	4	66	426	163	2,566
Financial assets at FVOCI	2,660	5	1	1,318	1,776	3,697	9,457
Government bonds	*2,559*	–	*1*	*1,107*	*456*	*959*	*5,082*
Other	*101*	*5*	–	*211*	*1,320*	*2,738*	*4,375*
Debt securities at amortised cost	5,045	468	3	2	–	490	6,008
Government bonds	*5,017*	*214*	–	–	–	–	*5,231*
Asset backed securities	*28*	*8*	*3*	*2*	–	–	*41*
Other	–	*246*	–	–	–	*490*	*736*
Total	**34,992**	**6,968**	**770**	**1,404**	**2,620**	**5,495**	**52,249**

Set out in the following table is a more detailed analysis of the Group's Derivatives exposures at 31 December 2022 by asset class:

2022 Derivative financial instruments	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Other €m	Total €m
Gross derivative assets							
Financial institutions	–	122	46	99	208	136	611
Corporate	28	4,471	9	–	8	11	4,527
Total	**28**	**4,593**	**55**	**99**	**216**	**147**	**5,138**
Net Derivative Assets							
Financial institutions	–	35	31	53	74	77	270
Corporate	10	131	5	–	8	11	165
Total	**10**	**166**	**36**	**53**	**82**	**88**	**435**

'Net Derivative Assets' exposure is calculated after the application of master netting arrangements and associated cash collateral received.

In 2022, the €88 million (2021: €65 million) 'Other' of 'Net Derivative Assets' exposure is made up of exposures to the following countries: Germany: €34 million (2021: €36 million), Finland: €32 million (2021: €3 million), Canada: €9 million (2021: €14 million), Denmark: €6 million (2021: €nil), Netherlands : €5 million (2021: €nil), Belgium €1 million (2021: €5 million) Other: €1 million (2021: €nil), Luxembourg: €nil (2021: €3 million), Jersey: €nil (2021: €3 million) and Switzerland: €nil (2021: €1 million).

2021 Derivative financial instruments	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Other €m	Total €m
Gross derivative assets							
Financial institutions	2	37	7	14	62	89	211
Corporate	70	825	16	–	428	21	1,360
Total	**72**	**862**	**23**	**14**	**490**	**110**	**1,571**
Net Derivative Assets							
Financial institutions	2	9	1	3	1	46	62
Corporate	45	194	5	–	–	19	263
Total	**47**	**203**	**6**	**3**	**1**	**65**	**325**

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 2022 and 2021. The calculations of average balances can be based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on a product margin basis, with funding and interest exposure managed centrally. The explanation of the underlying business trends in the Group's NIM is outlined on page 48.

	2022			2021		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
Assets						
Loans and advances to banks	39,727	135	0.34%	24,627	(72)	(0.29%)
Loans and advances to customers at amortised cost	75,538	2,587	3.42%	77,641	2,360	3.04%
Debt securities at amortised cost, financial assets at FVOCI and FVTPL	11,119	40	0.36%	16,868	(26)	(0.15%)
Total interest earning assets	**126,384**	**2,762**	**2.19%**	**119,136**	**2,262**	**1.90%**
Non interest earning assets	36,208	–	–	27,000	–	–
Total assets	**162,592**	**2,762**	**1.70%**	**146,136**	**2,262**	**1.55%**
Liabilities and shareholders' equity						
Deposits from banks	10,868	8	0.07%	10,669	(102)	(0.96%)
Customer accounts	39,854	39	0.10%	41,641	49	0.12%
Debt securities in issue	9,592	165	1.72%	6,866	70	1.02%
Subordinated liabilities	1,887	78	4.13%	1,734	63	3.63%
Lease liabilities	413	12	2.91%	430	11	2.56%
Total interest bearing liabilities	**62,614**	**302**	**0.48%**	**61,340**	**91**	**0.15%**
Current accounts	55,600	(37)	(0.07%)	48,680	(44)	(0.09%)
Total interest bearing liabilities and current accounts	**118,214**	**265**	**0.22%**	**110,020**	**47**	**0.04%**
Other interest expense	–	1	–	–	–	–
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	–	14	–	–	(4)	–
Non interest bearing liabilities	28,454	–	–	25,818	–	–
Shareholders' equity and non-controlling interests	15,924	–	–	10,298	–	–
Total liabilities and shareholders' equity	**162,592**	**280**	**0.17%**	**146,136**	**43**	**0.03%**
Euro and sterling reference rates (average)						
ECB base rate			0.61%			0.00%
3 month Euribor rate			0.34%			(0.55%)
Bank of England base rate			1.46%			0.11%
Sonia rate[1]			1.40%			0.05%

The Average balances are presented on an underlying basis excluding non-core items, see page 53 for further details.

'Interest' represents underlying interest income or underlying interest expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. €5 million of a credit (2021: €8 million of a credit) to interest income relating to customer redress charges are excluded as non-core items.

Interest expense of €85 million (2021: €131 million) arising from assets subject to negative interest rates has been reclassified to interest income, whereas in the consolidated income statement it is presented as interest expense. Interest income of €148 million (2021: €286 million) arising from liabilities subject to negative interest rates has been reclassified to interest expense, whereas in the consolidated income statement it is presented as interest income.

Average loans and advances to customers volumes are presented net of Stage 3 impairment loss allowances.

The Group has availed of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. In order that yields on products are presented on a consistent basis year on year and are not impacted by the resulting change in hedge accounting designations, net interest flows of €44 million (2021: €110 million) on all derivatives designated as fair value hedges of current accounts continue to be presented together with gross interest income on 'Loans and advances to customers' and is not included in 'Customer accounts'.

[1] *In line with regulatory guidance and now established market practice, for the majority of the Group's contracts, Sonia has replaced GBP Libor from the cessation date 31 December 2021 (31 December 2021: 3 month libor rate was 0.09%).*

Shareholder information

Holders of ordinary shares

Listings
BOIG plc is a public limited company incorporated in Ireland in 2016. Its ordinary shares, of nominal value €1.00 per share, have a primary listing on the Euronext Dublin (formerly the Irish Stock Exchange) and a premium listing on the London Stock Exchange.

Registrar
The Company's Registrar is:

Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82 Telephone: + 353 1 247 5414

Facsimile: + 353 1 447 5571 or

Contact via website:

www.computershare.com/ie/contact-us

Shareholders may view their shareholding on Computershare's website at:

www.investorcentre.com/ie

by registering their details with Computershare. Once registered, shareholders will be sent a Computershare activation code and will then be able to view and amend their account details using the above link.

Amalgamating your shareholdings
If you receive more than one copy of a shareholder mailing with similar details on your accounts, it may be because the Company has more than one record of shareholdings in your name. To ensure that you do not receive duplicate mailings in future and to reduce the cost and waste associated with this, please have all your shareholdings amalgamated into one account by contacting the Company's Registrar (joint accounts cannot be merged with sole accounts or vice versa).

Shareholder profile	2022 % by value	2021 % by value
Ireland	2%	9%
UK	31%	35%
North America	36%	25%
Europe / other	16%	15%
Retail	15%	16%
Total	**100%**	**100%**

Shareholder enquiries
All enquiries concerning shareholdings should be addressed to the Company's Registrar.

Communication
It is the policy of the Company to communicate with shareholders by electronic means or through the:

www.bankofireland.com

website in the interest of protecting the environment. Those shareholders who do not wish to receive documents or information by electronic means may request to receive the relevant information in paper form.

Bank of Ireland website
Further information about the Bank of Ireland Group can be obtained from the internet at:

www.bankofireland.com

Forward looking statement

This document contains forward-looking statements with respect to certain of 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 ratio's (LDRs), expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, future share buybacks, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators, plans and objectives for future operations, and the impact of Russia's invasion of Ukraine particularly on certain of the above issues and generally on the global and domestic economies. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, those as set out in the Risk Management Report. Investors should also read 'Principal Risks and Uncertainties' in this document beginning on page 133.

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.

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Other disclosures

TARGET 2

On 15 February 2008 a first floating charge (the Floating Charge) was placed in favour of the CBI over all The Governor and Company of the Bank of Ireland's right, title, interest and benefit, present and future, in and to (i) the balances now or at any time standing to the credit of The Governor and Company of the Bank of Ireland's account held as a TARGET 2 participant with the CBI; and (ii) certain segregated securities listed in an Eligible Securities Schedule kept by The Governor and Company of the Bank of Ireland for purposes of participating in TARGET 2((i) and (ii) together the Charged Property) where TARGET 2 is a real time gross settlement system for payments in euro with settlement in central bank money.

This Floating Charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBI, The Governor and Company of the Bank of Ireland shall:

- not create or attempt to create or permit to arise or subsist any encumbrance on or over the Charged Property or any part thereof; or
- not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the Charged Property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

On 14 September 2018, The Governor and Company of the Bank of Ireland entered into an Agreement in respect of Continued Participation in Target 2 Ireland with the CBI to restate and modify the terms and conditions applicable to The Governor and Company of the Bank of Ireland's existing participation in TARGET 2 with effect from 14 September 2018. This Agreement provided that The Governor and Company of the Bank of Ireland would continue to participate in TARGET 2 in accordance with the Agreement and the TARGET 2 Ireland terms and conditions as published on the CBI's website from time to time and that the Floating Charge would continue in full force and effect with respect to such continued and amended participation in TARGET 2.

Alternative performance measures

This section contains further information related to certain measures referred to in the Strategic Report, Financial Review and Financial Statements.
The OFR is prepared using IFRS and non-IFRS measures to analyse the Group's performance, providing comparability year on year. These performance measures are consistent with those presented to the Board and Group Executive Committee and include alternative performance measures as set out below. These performance measures may not be uniformly defined by all companies and accordingly they may not be directly comparable with similarly titled measures and disclosures by other companies. These measures should be considered in conjunction with IFRS measures as set out in the consolidated financial statements from page 190.

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

Average cost of funds represents the underlying interest expense recognised on interest bearing liabilities, net of interest on derivatives which are in a hedge relationship with the relevant liability. See pages 49 and 335 for further information.

Calculation	Source	2022 €m	2021 €m
Interest expense	Income statement	663	543
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 5	(208)	(189)
Exclude negative interest on financial assets	Note 5	(85)	(131)
Include negative interest on financial liabilities	Note 4	(148)	(286)
Exclude impact of FV hedges of current accounts	Average balance sheet	44	110
Exclude other interest expense	Note 5	(1)	–
Underlying interest expense		**265**	**47**
Average interest bearing liabilities	**Average balance sheet**	**118,214**	**110,020**
Average cost of funds %		**(0.22%)**	**(0.04%)**

Business income is net other income before other gains and other valuation items. See page 50 for further details.

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

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

Calculation	Source	2022 €m	*Restated*[1] 2021 €m
Customer deposits	Note 38	99,200	92,774
Impact of foreign exchange movements		719	(1,476)
Customer deposits on a constant currency basis		**99,919**	**91,298**
Growth in customer deposits		**7,145**	**2,661**

[1]*Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

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. See pages 49 and 335 for further information.

Calculation	Source	2022 €m	2021 €m
Interest income	Income statement	3,150	2,770
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 4	(194)	(193)
Exclude negative interest on financial liabilities	Note 4	(148)	(286)
Include negative interest on financial assets	Note 5	(85)	(131)
Exclude customer redress charges	Non-core items (OFR)	(5)	(8)
Include impact of FV hedges of current accounts	Average balance sheet	44	110
Underlying interest income		**2,762**	**2,262**
Average interest earning assets	**Average balance sheet**	**126,384**	**119,136**
Average gross yield %		**2.19%**	**1.90%**

Gross yield - customer lending

Calculation	Source	2022 €m	2021 €m
Interest income on loans and advances to customers	Note 4	2,379	2,097
Interest income on finance leases and hire purchase receivables	Note 4	169	161
Exclude customer redress charges	Non-core items (OFR)	(5)	(8)
Include impact of FV hedges of current accounts	Average balance sheet	44	110
Underlying interest income on customer lending		**2,587**	**2,360**
Average customer lending assets	**Average balance sheet**	**75,538**	**77,641**
Average gross yield on customer lending %		**3.42%**	**3.04%**

Gross yield- liquid assets

Calculation	Source	2022 €m	2021 €m
Interest income on loans and advances to banks	Note 4	212	5
Interest income on debt securities at amortised cost	Note 4	18	6
Interest income on debt securities at FVOCI	Note 4	29	22
Include negative interest on financial assets	Note 5	(85)	(131)
Interest on other financial assets at FVTPL	Note 4	1	–
Underlying interest income on liquid assets		**175**	**(98)**
Loans and advances to banks	Average balance sheet	39,727	24,627
Debt securities at amortised cost, financial assets FVOCI and FVTPL	Average balance sheet	11,119	16,868
Average interest earning liquid assets		**50,846**	**41,495**
Average gross yield on liquid assets %		**0.34%**	**(0.24%)**

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	2022 €m	*Restated*[2] 2021 €m
Loans and advances to customers	Balance sheet	71,961	76,422
Customer deposits	Balance sheet	99,200	92,774
Loan to Deposit ratio %		**73%**	**82%**

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

Calculation	Source	2022 €m	2021 €m
Net impairment (losses) / gains on loans & advances to customers at amortised cost	Note 16	(188)	147
Average gross loans and advances to customers		75,848	78,838
Net Impairment (losses) / gain on loans and advances to customers at amortised cost (bps)		**(25)**	**19**

Net interest margin (NIM) is stated on an underlying basis. See page 49 for further details.

Calculation	Source	2022 €m	2021 €m
Net interest income	Income statement	2,487	2,227
Exclude customer redress charges	Non-core items (OFR)	(5)	(8)
Underlying net interest income		**2,482**	**2,219**
Average interest earning assets	**Average balance sheet**	**126,384**	**119,136**
Net interest margin %		**1.96%**	**1.86%**

Net Stable Funding Ratio (NSFR) is prepared on a regulatory group basis, in accordance with the EU Capital Requirement Regulations and Directive, as amended, which requires the maintenance of a NSFR ratio greater than or equal to 100%, effective June 2021. For further information see the Group's Pillar 3 disclosures (tab 1.3) available on the Group's website.

New lending volumes
- Net new lending volumes represent loans and advances to customers drawn down during the year (including revolving credit facility activity) and portfolio acquisitions, net of repayments and redemptions.
- Gross new lending volumes represent loans and advances to customers drawn down during the period and portfolio acquisitions.

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

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

Alternative performance measures *(continued)*

NPE ratio is calculated as NPEs on loans and advances to customers as a percentage of the gross carrying value of loans and advances to customers.

Calculation	Source	2022 €m	*Restated*[3] 2021 €m
Non-performing exposures	**Note 27**	**2,617**	**4,311**
Loans and advances to customers at amortised cost	Note 26	73,039	77,954
Loans and advances to customers at FVTPL	Note 26	217	426
Total loans and advances to customers		**73,256**	**78,380**
NPE ratio %		**3.6%**	**5.5%**

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 loss / profit (being loss / profit after tax) divided by total assets, in line with the requirement in the EU (Capital Requirements) Regulations 2014.

Calculation	Source	2022 €m	2021 €m
Profit for the year	Income statement	897	1,055
Total assets	Balance sheet	151,324	155,268
Return on assets (bps)		**59**	**68**

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

Return on Tangible Equity (adjusted) is calculated by adjusting the RoTE to exclude other gains and other valuation items (net of tax). The average shareholders tangible equity is adjusted for pension surplus and a CET1 ratio of 14.0% (2021: 13.0%), reflecting the Group's capital guidance.

	Reported		Adjusted	
	2022 €m	*Restated*[4] 2021 €m	2022 €m	*Restated*[4] 2021 €m
Profit for the year attributable to shareholders	889	1,048	889	1,048
Distribution on other equity instruments - AT1 coupon	(69)	(68)	(69)	(68)
Other gains and other valuation items, net of tax	–	–	20	(77)
Reported / adjusted profit after tax	**820**	**980**	**840**	**903**
Shareholders' equity	10,899	10,304	10,899	10,304
Intangible assets and goodwill	(1,276)	(852)	(1,276)	(852)
Shareholders' tangible equity	**9,623**	**9,452**	**9,623**	**9,452**
Average shareholders' tangible equity	9,844	8,447	9,844	8,447
Adjustment for CET1 ratio at 14.0% (2021: 13.0%)	–	–	(816)	(550)
Adjustment for pension surplus	–	–	(1,111)	(349)
Adjusted Average shareholders tangible equity	**9,844**	**8,447**	**7,917**	**7,548**
Return on Tangible Equity	**8.3%**	**11.6%**	**10.6%**	**12.0%**

[3] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 21 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

[4] *Comparative figures for the RoTE and RoTE (adjusted) have been restated to include non-core items of €97 million and exclude pension surplus of €349 million, which resulted in the 31 December 2021 RoTE decreasing from 12.8% to 11.6% and ROTE (adjusted) decreasing from 12.7% to 12.0%.*

Alternative performance measures *(continued)*

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

Calculation	Source	2022 €m	2021 €m
Other operating expenses	Income statement	2,012	1,859
Cost of restructuring programme	Income statement	17	110
Costs		**2,029**	**1,969**
Operating income net of insurance claims	**Income statement**	**3,231**	**2,989**
Statutory cost / income ratio %		**63%**	**66%**

Tangible Net Asset Value (TNAV) per share is calculated as shareholder equity less intangible assets and goodwill divided by the number of ordinary shares in issue, adjusted for treasury shares.

Calculation	Source	2022 €m	2021 €m
Shareholder equity	Balance sheet	10,899	10,304
Less - intangible assets	Note 31	(977)	(825)
Less - goodwill	Note 31	(299)	(27)
Adjust for own shares held for the benefit of life assurance policyholders	Balance sheet	10	20
Tangible net asset value		**9,633**	**9,472**
Number of ordinary shares in issue	Note 48	1,070	1,079
Treasury shares held	Note 48	(1)	(3)
		1,069	**1,076**
Tangible net asset value per share (cent)		**901**	**880**

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 51 for further information.

Alternative performance measures *(continued)*

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

Calculation	Source	2022 €m	2021 €m
Other operating expenses	Income statement	2,012	1,859
Cost of restructuring programme	Income statement	17	110
		2,029	**1,969**
Exclude:			
cost of restructuring programme	Non-core items (OFR)	(17)	(110)
customer redress charges	Non-core items (OFR)	(34)	(30)
IT service continuity framework	Non-core items (OFR)	–	(25)
other transformation programme costs	Non-core items (OFR)	(33)	(12)
announced acquisitions costs	Non-core items (OFR)	(54)	(2)
portfolio divestments	Non-core items (OFR)	(1)	(13)
impairment of intangible assets	Income statement	–	(1)
levies and regulatory charges	Note 13	(143)	(130)
Underlying costs		**1,747**	**1,646**
Operating income net of insurance claims	Income statement	3,231	2,989
Exclude:			
customer redress charges	Non-core items (OFR)	(5)	(8)
portfolio divestments	Non-core items (OFR)	(2)	(21)
gross up of policyholder tax in the W&I business	Non-core items (OFR)	2	(24)
investment return on treasury stock held for policyholders	Non-core items (OFR)	8	8
transfers from reserves on asset disposal	Note 11	(98)	(16)
net gain on disposal and revaluation of investments	Other income (OFR)	–	–
gain on disposal and revaluation of investment properties	Other income (OFR)	(2)	(1)
financial instrument valuation adjustments (CVA, DVA, FVA) and other	Other income (OFR)	(6)	(38)
unit-linked investment variance - Wealth and Insurance	Other income (OFR)	58	(38)
interest rate movements - Wealth and Insurance	Other income (OFR)	70	4
Underlying income		**3,256**	**2,855**
Underlying cost / income ratio %		**54%**	**58%**

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

Alternative performance measures *(continued)*

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

Calculation	Source	2022 €m	2021 €m
Profit attributable to shareholders	Income statement	889	1,048
Non-core items, including tax	Non-core items (OFR)	112	97
Distribution on other equity instruments - AT1 coupon	Note 19	(69)	(68)
Underlying profit attributable to shareholders		**932**	**1,077**
Weighted average number of ordinary shares in issue		1,073	1,079
Average treasury shares held		(2)	(4)
Weighted average number of shares in issue excluding treasury shares	**Note 19**	**1,071**	**1,075**
Underlying earnings per share (cent)		**87.0**	**100.2**

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

Abbreviations

AA	Automobile Association
AGC	Annual General Court
AGM	Annual General Meeting
AIB	Allied Irish Banks Group plc and subsidiaries
ALCO	Group Asset and Liability Committee
AML	Anti-Money Laundering
APE	Annual Premium Equivalent
APIs	Application Programming Interfaces
APMs	Alternative Performance Measures
AT1	Additional tier 1
ATM	Automated Teller Machine
AWOW	Agile Ways of Working
Bank	The Governor and Company of the Bank of Ireland
BCBS	Basel Committee on Banking Supervision
BITCI	Business In The Community Ireland
BMR	Benchmark Rate
BoE	Bank of England
BOIG plc	Bank of Ireland Group plc
BoIGM	Bank of Ireland Global Markets
BoIMB	Bank of Ireland Mortgage Bank
bps	Basis points
BRC	Board Risk Committee
BRRD	Bank Recovery and Resolution Directive
BSPF	Bank of Ireland Staff Pensions Fund
BTL	Buy to let
CBI	Central Bank of Ireland
CCB	Capital Conservation Buffer
CCyB	Countercyclical capital buffer
CDEAs	Cleared Derivatives Execution Agreements
CDS	Credit default swap
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFO	Chief Financial Officer
CGU	Cash generating units
CPI	Consumer Price Index
CR	Credit Review
CRD	Capital Requirements Directive (EU)
CRMF	Conduct Risk Management Framework
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAs	Credit Support Annexes
CSM	Contractual Service Margin
CSO	Central Statistics Office
CVA	Credit Valuation Adjustment
DAC	Designated Activity Company
DAE	Directly Attributable Expenses
DCF	Discounted Cash Flow
DGFM	Davy Global Fund Management
DGS	Deposit Guarantee Scheme
DIRT	Deposit Interest Retention Tax
DRP	Director's Remuneration Policy
DTA	Deferred tax asset
DVA	Debit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit losses
EDIS	European Deposit Insurance Scheme
EGM	Extraordinary General Meeting
EIOPA	European Insurance and Occupational Pensions Authority
ELG	Eligible Liabilities Guarantee
EONIA	Euro Overnight Index Average
ESG	Environmental, Social and Corporate Governance
ESMA	European Securities and Markets Authority
EU	European Union
EURIBOR	Euro Inter Bank Offered Rate
FCA	Financial Conduct Authority
FCC	Financial Crime Compliance
FCF	Fulfilment Cashflows
FIRB	Foundation Internal Rating Based
FLI	Forward looking information
FPC	Financial Policy Committee
FRES	First Rate Exchange Services Limited
FRS	Financial Reporting Standards
FSCS	Financial Services Compensation Scheme
FSLI	First Statement Line Items
FRA	Fully Retrospective Approach
FVA	Funding Valuation Adjustment
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX	Foreign exchange
GAC	Group Audit Committee
GB	Great Britain
GCC	Group Credit Committee
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GEC	Group Executive Committee
GIA	Group Internal Audit
GN&GC	Group Nomination and Governance Committee
GMM	Group Measurement Model
GM&LR	Group Market and Liquidity Risk
GORC	Group Operational Risk Committee
GRC	Group Remuneration Committee
GRCRC	Group Regulatory and Conduct Risk Committee
GRPC	Group Risk Policy Committee
GTOC	Group Transformation Oversight Committee
HMRC	HM Revenue & Customs
I&D	Inclusion and Diversity
IAASA	Irish Auditing Accounting Supervisory Authority
IAS	International Accounting Standard
IBOR	Inter Bank Offered Rate
IBR	Incremental borrowing rate
ICAAP	Internal Capital Adequacy Assessment Process
IFIE	Insurance Finance Income or Expenses
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILTR	Indexed Long Term Repo
IMF	International Monetary Fund

Abbreviations *(continued)*

IPO	Initial Public Offering
IRB	Internal Rating Based
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
ISIF	Ireland Strategic Investment Fund
KMP	Key management personnel
KPIs	Key performance indicators
LCR	Liquidity Coverage Ratio
LDI	Liability Driven Investment
LDR	Loan to deposit ratio
LGD	Loss Given Default
LIBOR	London Inter Bank Offered Rate
LIC	Liability for Incurred Claims
LoA	Level of Aggregation
LRC	Liability for remaining coverage
LTI	Loan to income
LTV	Loan to Value
MCEV	Market Consistent Embedded Value
MFS	Minimum Funding Standard
MREL	Minimum Requirement for own Funds and Eligible Liabilities
MRT	Material Risk Taker
NAMA	National Asset Management Agency
NAMAID	National Asset Management Agency Investment DAC
NED	Non-Executive Director
NGO	Non-governmental organisation
NGRB	Group Nomination, Governance and Responsible Business Committee
NI	Northern Ireland
NIAC	New Ireland Assurance Company plc
NIM	Net interest margin
NPEs	Non-performing exposures
NSFR	Net Stable Funding Ratio
NTMA	National Treasury Management Agency
OCI	Other Comprehensive Income
ORSA	Own Risk and Solvency Assessment
O-SII	Other Systemically Important Institutions
OTC	Over the Counter
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PAA	Premium Allocation Approach
PD	Probability of Default
POCI	Purchased or Originated Credit-impaired financial asset
PRA	Prudential Regulation Authority
PRC	Portfolio Review Committee
RAROC	Risk Adjusted Return on Capital
RCF	Revolving Credit Facility
RCSA	Risk and Control Self Assessment
RFR	Risk free rates
RMC	Risk Measurement Committee
RoI	Republic of Ireland
RoTE	Return on Tangible Equity
RoU	Right of Use
RoW	Rest of World
RPI	Retail Price Index
RPPI	Residential Property Price Index
RWAs	Risk weighted assets
SCR	Solvency Capital Requirement
SID	Senior Independent Director
SIP	Stock Incentive Plan
SME	Small and Medium Enterprise
SONIA	Sterling Overnight Index Average
SPE	Special purpose entity
SREP	Supervisory Review & Evaluation Process
SRB	Single Resolution Board
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
S&P	Standard and Poor's
TCFD	Task Force for Climate-related Financial Disclosure
TFS	Term Funding Scheme
TLTRO	Targeted Longer Term Refinancing Operation
TSA	The Standardised Approach
TtC	Through-the-Cycle
UK	United Kingdom
UN	United Nations
US	United States
VA	Volatility Adjustment
VaR	Value at Risk
VCU	Vulnerable Customers Unit
VFA	Variable Fee Approach
ViF	Value of in Force
VIU	Value in Use
€STR	Euro Short term rate

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