



AIB Group plc
Annual Financial Report

For the year ended
31 December 2023

For the life you're after

Empowering people to build a sustainable future

This copy of the statutory annual report of AIB Group plc for the year ended 31 December 2023 is not presented in the ESEF-format as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The ESEF annual report will also be published on: <https://aib.ie/investorrelations/financial-information/results-centre/2023-financial-results>



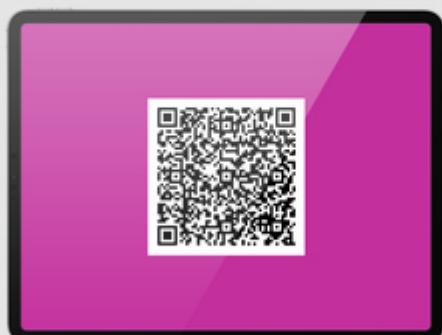
On our cover: AIB Group is now purchasing renewable energy from a purpose-built solar farm constructed in Co. Wexford.

Inside this report

Our wider reporting suite:

We are publishing this Annual Financial Report 2023 in conjunction with our Sustainability Report 2023.

For our wider reporting suite, visit:
aib.ie/investorrelations.



Annual Review

Business Performance	2
AIB Group at a Glance	4
Business Model	6
Compelling Investment Thesis	7
Chair's Statement	8
Chief Executive's Review	10
Economic Overview	16
For the Life You're After	18
Our Strategy	20
Sustainability in AIB	22
Risk Summary	26
Principal Risks	27
Top and Emerging Risks	31
Value Creation	32

Business Review

Operating and Financial Review	33
Capital	49

ESG Disclosures

Task Force on Climate-Related Financial Disclosures	54
Non-Financial Information Statement	59
EU Taxonomy	64

Governance and Oversight Report

UK Corporate Governance Code Compliance Statement	66
Chair's Introduction to the Corporate Governance Report	66
Governance in Action	68
Board of Directors	70
Our Executive Committee	74
Board Leadership and Company Purpose, Culture and Division of Responsibilities	76
Key Focus Areas	80
Section 172 Statement and Stakeholder Management	81
Audit Committee Report	85
Risk Committee Report	90
Nomination and Corporate Governance Committee Report	93
Remuneration Committee Report	98
Remuneration Statement	101
Technology and Data Advisory Committee	109
Sustainable Business Advisory Committee	110
Viability Statement	113
Directors' Report	114
Schedule to the Directors' Report	117
Other Governance Information	119
Supervision and Regulation	120

Risk Management

Risk Management Approach	122
Individual Risk Types	125

Financial Statements

Statement of Directors' Responsibilities	199
Independent Auditors' Report	200
Consolidated Financial Statements	210
Notes to the Consolidated Financial Statements	216
AIB Group plc Company Financial Statements	315
Notes to AIB Group plc Company Financial Statements	318

General Information

EU Taxonomy Disclosure Tables	325
Shareholder Information	329
Forward Looking Statement	330
Glossary of Terms	331
Principal Addresses	337
Index	338

Business Performance

2023 Results

Financial Performance

Profit After Tax

€2,058m



Profit before tax up €1.5bn to €2.4bn

Operating profit¹ of €2,730m (operating income up 64% with operating expenses up 10%), an impairment charge of €172m and exceptional items of €150m

Net Interest Income

€3,841m



Interest income up 83%

Benefiting from the impact of a higher interest rate environment and higher average customer loan volumes. Net interest margin (NIM) of 3.11%, up 142 basis points

Net Credit Impairment Charge

€172m



Cautious, forward-looking approach

Asset quality remains resilient. Impairment charge primarily driven by commercial property to address the potential adverse impacts from higher interest rates and lower valuations partially offset by writebacks in business

New Lending

€12.3bn



New lending down 2%

Growth in corporate and personal lending is offset by lower property and mortgage lending. Mortgage market share 33%, in line with the prior year

Net Loans

€65.5bn



Net loans increased 10% to €65.5bn

Net loans up €5.9bn driven by the acquisition of loans from Ulster Bank and new lending exceeding redemptions

Non-Performing Exposures²

€2.0bn

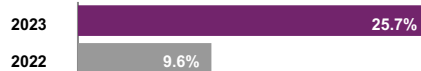


NPE ratio now 3.0%

Non-performing exposures (NPEs) decreased by €0.2bn to €2.0bn

Return on Tangible Equity³

25.7%



Return on tangible equity (RoTE) benefiting from increased profitability and substantially ahead of medium-term target
Earnings per share (EPS) 75.7 cent

CET1 Ratio (Fully Loaded)

15.8%



Strong capital position, well in excess of regulatory requirements and medium-term target
Proposed dividend €696m and share buyback €1bn

Absolute Cost Base⁵

€1,826m



Cost income ratio⁵ 39%, prior year 57%. Costs up 10% primarily reflecting the enlarged Group, inflationary impacts and an allowance for limited variable remuneration

1. Operating profit before impairment losses and exceptional items.

2. NPEs refers to non-performing loans (NPLs) and excludes €93m of off-balance sheet commitments.

3. Return on Tangible Equity is based on the target CET1 capital on a fully loaded basis. For definition and basis of calculation, see pages 47 and 52.

4. Excluded the impact of the share buyback completed in April 2023 of €215m, CET1 impact -0.4%.

5. Before exceptional items, bank levies and regulatory fees. For exceptional items, see pages 38 and 47.

Non-Financial Performance

Green Finance

Amount of new lending 2019-2023 for climate action¹

€11.6bn



Continued growth in green finance delivered by strong performance in mortgages to energy-efficient homes, green mortgage products and lending for green buildings and renewable energy

Target

€10bn by 2023²

Digitally Active Customers

Number of active customers on digital channels

2.19m



Continued increase in digital activity levels as well as increase in number of active customers. Rate of increase of active digital customers slowing due to the relative maturity of digital and the cumulative effect of high adoption rates in previous years

Target

>2.25m by 2023

Customer Satisfaction

Transactional Net Promoter Score³

Measured after customer transactions for key touch points

+45



Customer First is a core pillar of AIB's strategy and we know that we have more to do to increase customer satisfaction. We have taken on board our customers' feedback and have seen an improvement of +6 vs last year. We remain committed to further enhancing our customer experience in 2024 and beyond

Target

+53 by 2023

Inclusion & Diversity

Women as % of management

42%⁴



Maintained gender balance across Board, Executive Committee and all management. Focus on sustaining a strong pipeline of female leaders, particularly at senior management level

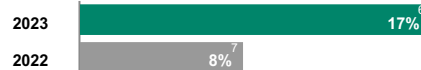
Target

Gender Balanced⁵ (Ongoing)

Reduction in Operational Emissions

% reduction in Scope 1 & 2 GHG emissions year-on-year

17%



Our property strategy coupled with our energy management system made a substantial contribution to our GHG reductions

Target

Net Zero by 2030 (Own Operations)

- In H2 2023, our new green lending definition was expanded to include new mortgage lending to energy-efficient homes (BER A1-B2 / EPC A-B), aligned to our Sustainable Lending Framework (SLF). Our green mortgage products may include lending to homes with a B3 BER rating. The SLF is an internal AIB Framework that outlines the key parameters on which a transaction can be classified as green. This expanded definition has been applied to all relevant lending activity for the full year.
- In 2019, our Climate Action Fund was launched, aiming to lend €5bn in green finance in five years. In 2021, the fund was doubled to €10bn due to strong demand. As at 31 December 2023, we exceeded the target amount, having reached €11.6bn in new green lending since 2019. In 2023, we also announced a new target for our Climate Action Fund of €30bn by 2030.
- Transactional Net Promoter Score (NPS) is an aggregation of 20 customer journeys across Homes, Personal, SME, Digital, Retail, Direct and Day-to-Day Banking.
- Payzone, Goodbody, contractors, AIB staff on career break or unpaid leave as well as Board and Executive Committee members are excluded from the figure.
- The Equileap annual Gender Equality Global Report & Ranking equates 'gender balanced' with between 40% and 60% women.
- 2023 verified figures, include nine months' actual data and three months' estimations.
- 2022 figures have been updated as per last re-statement, issued in 2023. This exercise was completed in accordance with the GHG Protocol guidance and allowed the incorporation of 12 months of actual data.

AIB Group at a Glance

Well Positioned in Key Sectors

In 2023, AIB Group operated three core segments, predominantly in Ireland and the UK, furthering our ambition of being at the heart of our customers' financial lives. From 2024, these will be complemented by a new Climate Capital segment, which is being created to increase the bank's capability in funding significant sustainable infrastructure projects and to support the transition to a zero-carbon future. We look forward to reporting on our four core segments from 2024.



Retail Banking

3.02m Active customers¹

€39.2bn Net loans

Retail Banking supports our personal and business customers with a comprehensive range of banking and financial services, delivered through our branch and digital channels with an expanded reach via EBS, Haven, Payzone, AIB life, AIB Merchant Services and Nifti.

Capital Markets

Relationship-driven model

€19.4bn Net loans

Capital Markets, which includes Goodbody, serves the Group's large and medium-sized business customers as well as our private banking customers, providing deep-sector expertise combined with our comprehensive product offering.

AIB UK

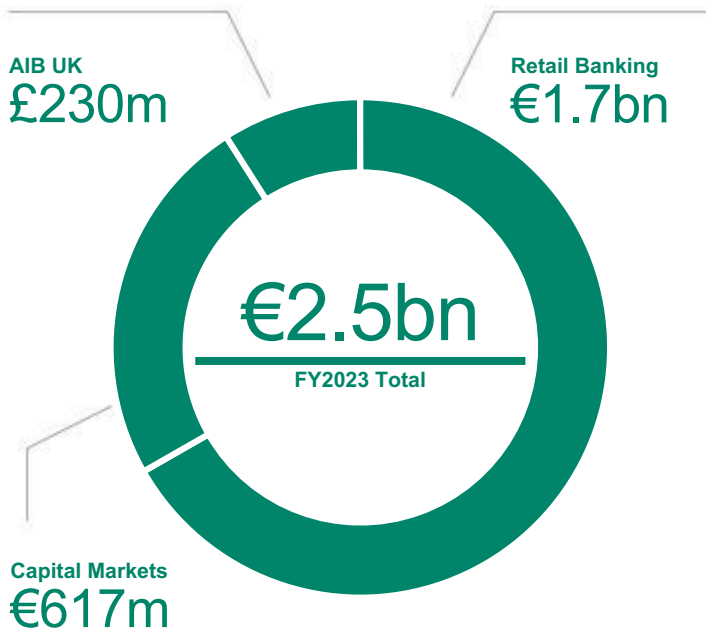
264k Active customers¹

€6.0bn Net loans

AIB UK operates in two distinct markets of Great Britain and Northern Ireland. Across both regions, AIB supports our corporate customers with sector-specific expertise. In Northern Ireland, we offer full-service retail banking.

1. Active customers defined as those meeting specific criteria under one or more of three categories: Activity, Balance and Policy.

Operating Contribution by Segment



Operating contribution is before exceptional items. Total includes Group segment loss of €54m. For further information see Segment Reporting on pages 42 to 46 in the Operating and Financial Review, Annual Financial Report 2023.

Our brands



AIB is our principal brand across all our geographies. AIB provides a range of products and services to retail, business and corporate customers. AIB holds market-leading positions across key segments.



EBS is a predominantly mortgage-focused brand within AIB Group, helping thousands of customers buy their own homes in Ireland. It offers mortgage, personal banking, savings and investment products and services.



Haven is our mortgage broker channel, providing mortgages through intermediaries on behalf of AIB Group.



Goodbody offers wealth management, asset management and investment banking services with quality advice and exceptional client service at the core of its offering.



AIB life is a joint venture with Great-West Lifeco, providing protection, pensions and investments to help customers on their path to financial security one step at a time.



Payzone, a subsidiary of AIB Group, provides comprehensive payment solutions to more than 7,500 retail stores, over 100 clients and over 500,000 app users across Ireland.



AIB Merchant Services is an associate of the Group, with the other shareholder being Fiserv, a global leader in fintech and payments. It is one of Ireland's largest payment solution providers and one of Europe's largest e-commerce acquirers, with a global customer base.



Nifti is an associate of the Group, with the other shareholder being Nissan Ireland Ltd. **NiftiBusiness** and **Nifti Personal Leasing** promote mobility solutions including more sustainable offerings. NiftiBusiness assists companies in achieving their fleet management goals; Nifti Personal Leasing offers personal car leasing to consumers via AIB's new Personal Contract

Business Model

Creating Sustainable Value

Guided by our strategy and underpinned by our values, we are committed to generating sustainable value and long-term resilience for our business, our customers and all of our stakeholders.

Purpose

Empowering people to build a sustainable future.

Strategic ambition

We will be at the heart of our customers' financial lives by comprehensively and sustainably meeting their personal and business life-stage needs while consistently doing the right thing.

Strategic pillars

Customer First



Simple & Efficient



Risk & Capital



Talent & Culture



Sustainable Communities



Our values

Put customers first

Be one team

Show respect

Own the outcome

Drive progress

Eliminate complexity

How We Create Value

A Pillar Bank in Ireland

Along with our mobile apps and Internet and Phone Banking services, AIB maintains the largest branch network in Ireland, with market-leading positions across multiple personal, SME and corporate products and services.

A Leading Mortgage Provider

With a dedicated team of mortgage experts, AIB provides application options in branches, over the phone or online. EBS is our mortgage-focused brand and Haven is the Group's broker channel. AIB, EBS and Haven all offer competitive Green Mortgage products.

Leading Sustainability Agenda

We are committed to supporting our customers in the transition to a low-carbon future while making progress on our own net zero commitments. We offer green mortgages across our AIB, EBS and Haven brands, along with green loans for personal customers and sustainable lending for corporates. In addition, AIB has regular issuances of green and social bonds for responsible investors and has issued €5.75bn in ESG bonds since 2020.

Business Customer Focus

AIB supports business customers in their daily banking and funding requirements. While we offer relationship-driven supports to all industry sectors in Ireland, we are focused on mid to large corporates in certain sectors in the UK. Our US team is focused on syndications, with an increasing focus on syndicated renewables finance.

Bespoke Treasury Solutions

AIB provides a range of Treasury services, including foreign exchange, interest rate risk, trade finance and corporate cash management solutions. We regularly undertake and publish economic research to keep our customers and stakeholders informed on the evolving macroeconomic environment.

Wealth Management

To support our customers to achieve their financial goals, we provide a range of pensions, savings and investment options and advice. With the acquisition of Goodbody and the establishment of AIB life, our joint venture with Great-West Lifeco, we expect further growth in this area.

Compelling Investment Thesis

Transformed, Reshaped and Revitalised Group

Exceptional financial performance over the last three years

Supportive domestic macroeconomic backdrop

Well-positioned enlarged Group with customer-centric focus

Resilient balance sheet; conservative credit management

Leader in sustainability

Focused on targeted growth and operational efficiency

Strong capital generation and distributions

Sustainable returns 15% RoTE target

Three strategic areas of focus:



Customer First:
Developing deeper relationships with our customers.



Greening the Loan Book:
Amplification of Group's ESG leadership position, including new green and transition lending, net zero ambitions and enhanced focus on the Climate Capital segment.



Operational Efficiency:
Enabling our colleagues to deliver for our customers by investing in capabilities and capacity.

Chair's Statement



“We enter the next strategic cycle in arguably the strongest position in the Group’s history, with our largest ever customer base and an enhanced suite of products and services to offer these customers.”

Jim Pettigrew
Chair

When I prepared this report last year, I wrote about our optimism which was based on the strength of our franchise in our chosen markets and sectors. 2023 was the year in which this optimism was rewarded as our very strong results demonstrate.

The Group generated net interest income of €3,841m, an increase of 83.3% over 2022 as monetary policy tightening by central banks took effect. Profit before taxation amounted to €2,394m compared to €880m in 2022 and this has allowed the Board to reward shareholders with an increased dividend for the year.

Central to our strategy however are our customers. In the face of increasing interest rates, we managed to limit the effect of this on many of our borrowers at a time when they were faced with cost-of-living challenges. At the same time, and reflecting the importance to AIB of our depositors, we offered market-leading interest rates for those of our customers with surplus liquidity to invest, in a range of deposit products which they had to choose from. Balancing the needs of these two customer groups was a key focus for the Board and for management during 2023 given the emphasis we place on the value of quality long-term relationships with our customers.

Dividend and Capital

Profit after tax for the year amounted to €2,058m translating to attributable earnings of €2,061m. Earnings per share amounted to 75.7 cent. From this, your Board has decided to distribute a total of €1.7bn by way of a combination of a share buyback and a cash dividend to shareholders. Subject to approval by shareholders at the Annual General Meeting on 2 May 2024, a cash dividend of 26.6 cent per share will be paid on 10 May 2024 to shareholders on the register at the close of business on 22 March 2024.

Separately, your Board has resolved to distribute €1bn by way of a share buyback. Approval for this reduction in capital has been received from the European Central Bank. Our preference is to undertake this on a directed basis by agreement with the Minister for Finance and discussions with the Department of Finance are currently underway. Furthermore, a buyback of €1bn from the Minister for Finance would require the approval of independent shareholders, which, subject to agreeing the terms of the buyback with the Department of Finance, the Group will seek in due course.

Continued Sell Down by the Irish State and Share Buyback by AIB

During the year, the Minister for Finance continued to reduce the Irish State's holding of shares both through its now well established on-market share trading plan and through two accelerated book builds in June and November 2023 of 5% each. In addition, on 25 April 2023 the Group announced that it had agreed to make an off-market purchase of 54.7 million shares from the Minister for a total

consideration of €215.3m under the authority renewed by shareholders at the 2022 AGM.

The foregoing transactions resulted in the Minister for Finance, through the National Treasury Management Agency (NTMA), controlling 40.77% of the Group's shares at year end. This compares to 56.89% at 31 December 2022, and 71.12% at 31 December 2021. The Minister announced that he had restarted the on-market share trading plan on 9 January 2024. AIB welcomes all of these transactions undertaken by the Minister, each an important step in returning the State's investment in the Group and, for AIB, achieving a normalisation of the share register. AIB owes the Irish taxpayer an immense debt of gratitude for its support during the financial crisis.

Strategy

2023 was the final year of the most recent three-year strategic cycle. I believe that what has been achieved over the last three years has transformed the Group, de-risked our balance sheet, diversified our income streams and strengthened our franchise through deepening our relationships with our customers, who have grown materially in number over the period.

During 2023, and in anticipation of the new three-year strategic cycle we revised our purpose, recognising our focus in recent years to the area of sustainability, to "empowering people to build a sustainable future". The Board approved our Strategy for 2024 – 2026 putting this purpose into action. Our new strategy is centred on an informed view of our customers' needs and is anchored in a progressive ESG agenda. This is covered more expansively elsewhere in this Report.

Remuneration Restrictions

The remuneration restrictions introduced in 2009 remain in place for AIB and present a material talent retention risk, placing AIB at a significant disadvantage to our domestic and non-domestic competitors in the retention and attraction of talent. In this context, I note the December 2023 Country Report on Ireland by the International Monetary Fund. While welcoming the reduction in the State's shareholding in AIB to below 50%, the report noted "it is important to recognise the need for domestic banks to retain talent and ensure a level playing field for them in the face of more nimble non-banks". The Board has a fiduciary duty to act in the best interests of the Group. On behalf of the Board, I have engaged, and will continue to engage, with the Minister for Finance and his office to seek mitigation of this material risk.

Sustainability and Community Involvement

Our Detailed Sustainability Report and the ESG Disclosures section later in this Report deal comprehensively with our evolved sustainability strategy. The establishment of a new segment dedicated to Climate Capital underscores the centrality of the area of sustainability to our overall strategy.

Our community involvement is an important element of one of our strategic pillars and is always a source of great pride for us. Colin's Review covers the collaboration between our customers and employees in raising much needed funding throughout the year for GOAL, one of our strategic charity partners, and for the AIB Community €1 Million Fund which benefited 80 other charities in Ireland and the UK.

Looking Forward

Building on what has been achieved by the Group in recent years, we enter the next strategic cycle in arguably the strongest position in the Group's history, with our largest ever customer base and an enhanced suite of products and services to offer these customers. We also have a hard-working, loyal and innovative team who put our customers at the heart of everything they and we do. On behalf of the Board, I want to thank our customers for their continued loyalty and the trust they place in us and our employees for going the extra mile for our customers every day.

We are a strong bank with an excellent franchise and we are committed to deploying our resources in helping our customers to achieve net zero in their own operations as we all seek to arrest the impact of climate change on our planet and on our economy. This way we can ensure we will continue to deliver quality and sustainable results in the future for the benefit of our many stakeholders.

Thank you for your continued support.

Jim Pettigrew

Chair
5 March 2024

Chief Executive's Review



“In the period under review, the Group returned to majority private ownership and our profitability and return on capital was boosted by the strong performance of our business, continued economic growth, and a return to a more normal monetary policy environment.”

Colin Hunt
Chief Executive Officer

2023 was a landmark year for AIB as we concluded our three-year strategic cycle by enhancing the suite of products and services we offer our customers, significantly growing our customer base to record levels and transforming, simplifying and streamlining our business.

In the period under review, the Group returned to majority private ownership, an important development in repaying the State's investment, and our profitability and return on capital was boosted by the strong performance of our business, continued economic growth in our core market and a return, following tightening by central banks, to a more normalised monetary policy environment.

The growth we experienced in our core business activity, customer base and net interest margin delivered a very strong financial performance in 2023. Profit before tax amounted to €2,394m, our return on tangible equity rose to 25.7% and our balance sheet remained robust with a CET1 of 15.8%.

Notwithstanding the ongoing impact of geo-political instability in Eastern Europe and more recently the Middle East, along with the stubborn persistence of inflationary pressures throughout the year and subdued growth overall, the Irish economy continued to support high employment levels, solid consumer demand and international trade. This backdrop helped underpin the Group's performance across key sectors including corporate and business lending, retail services and the broad spectrum of personal loans.

Mortgage lending and the provision of finance to enable our customers to retrofit their homes and make them more sustainable are key areas of activity for AIB. We remain a leader in the market, focused on prudent pricing and underwriting rather than the pursuit of market share.

We are acutely aware that the change in ECB monetary policy from mid-2022 that triggered an unprecedented succession of interest rate

increases, combined with underlying inflation, has caused financial challenges for some of our customers.

Against a fast-changing monetary policy backdrop, AIB took a measured approach to pricing on both sides of the balance sheet and was mindful not to pass on the full extent of the ECB rate increases to mortgage customers. In the same context, we extended our range of savings products and increased our rates on fixed term deposits in particular.

Organic growth during the period was bolstered by the further addition of new business and personal customers. During 2023, the Group continued to welcome the highest proportion of customers seeking new banking relationships arising from the departure of Ulster Bank and KBC from the Irish market.

In total, AIB has opened in excess of 800,000 new accounts since the start of 2022, the majority through our digital channels, and this brings our overall customer base to 3.3 million. We welcome them and thank them for their custom. We also look forward to offering them, and all customers of the Group, our extensive range of financial products and services to meet their changing needs and support the life they're after.

During the summer we completed the acquisition of the Ulster Bank corporate and commercial loan book and, notwithstanding some initial challenges due to the sheer scale of the operation, we are on track to complete the migration of the performing tracker (and linked) mortgage portfolio from Ulster Bank in the course of 2024.

As we deepen and strengthen our relationship with new and existing customers, one area of focus is to provide attractive longer-term savings, wealth and investment offerings, and we delivered on two key objectives in this area during 2023. In April we launched Goodbody-Private, offering high-net-worth AIB customers the product portfolio, services and recognised

capability of Goodbody through a collaboration with AIB Private Banking and utilising AIB's distribution channels.

June brought the official launch of AIB life, a joint venture between AIB and Great-West Lifeco. It is the first full-service, technology-led life company to be designed and built in the Irish market in a generation. A fully cloud-based service, AIB life's product suite is now exclusively available to all our customers via our AIB Mobile Banking App with support from AIB's existing network of financial advisors nationwide. The initial customer response has met our ambitious expectations.

We also continued to make great strides in supporting our customers in the transition to a low-carbon economy. Our green and transition lending continues to grow with 30% of Group new lending comprising green and transition lending in 2023. The more green lending we do, the more green capital we can attract and we were pleased to have raised €750m from issuing another green bond during the year, our fifth in total.

Recognising rising customer demand and the need to do more to help combat climate change, towards the end of the year we announced that we have tripled our Climate Action Fund to €30bn available for green and transition financing activities to 2030.

One area I have been determined to address conclusively has been the often complex legacy issues that have persisted from a prior era in the bank. In August 2021, the Group instigated a programme to review investments in a series of investment property funds, known as Belfry, which the Group sold during the period 2002 to 2006 to c. 2,500 individual investors. The programme has conducted a case-by-case review of investments to determine if redress may be due and payments to investors commenced in the second half of 2022 and are substantially complete. An independent appeals process has been established and is available to all investors.



“Recognising rising customer demand and the need to do more to help combat climate change, towards the end of the year we announced that we have tripled our Climate Action Fund to €30bn.”

Supporting our customers in the transition to lower carbon

Financial Performance

Our 2023 financial performance is the strongest in our history. For the year, we are reporting a profit before tax of €2,394m. This includes an operating profit of €2,730m before impairment losses and exceptional items.

Total operating income €4,741m was 64% higher than 2022. Net interest income of €3,841m increased by €1,746m or 83% year-on-year reflecting the impact of the higher interest rate environment and growth in customer loan volumes. Net interest margin (NIM) increased by 142 bps to 3.11% in 2023 compared to 1.69% in 2022. Other income of €900m increased by €100m or 13% compared to 2022 primarily reflecting the forward contract for the acquisition of the Ulster Bank tracker mortgage portfolio and an 8% increase in net fee and commission income partly offset by a reduction in other items.

Total operating expenses of €1,826m increased by 10% compared to 2022. Factors impacting costs include wage and general inflation, increased customer servicing for a larger customer base, higher staff numbers given the enlarged Group and an allowance for limited variable pay. The Group's cost income ratio in 2023 was 39% compared to 57% in the prior year.

Overall credit quality remains robust against the backdrop of inflation and higher interest rates. There was a net credit impairment charge of €172m in 2023 driven by a charge in relation to commercial property, including additional post model adjustments, to address the potential adverse impacts from higher interest rates and lower valuations. This was partially offset by writebacks in the corporate & SME portfolio reflecting strong credit performance and repayments in Covid-impacted sectors. Our overall approach remains conservative, comprehensive, and forward-looking and is reflected in an expected credit loss coverage rate of 2.3%.

Exceptional items of €150m include a charge of €88m primarily related to the aforementioned Belfry investment property funds, reflecting a provision for customer redress of €77m and associated costs of €11m. Exceptional items also include inorganic transaction costs.

New lending of €12.3bn in 2023 was €0.3bn or 2% lower compared to 2022. Irish mortgage lending of €4.0bn, representing a market share of 33% (2022: 32%) was 12% lower compared to 2022 as the prior year benefited from a high level of switching activity. Property related lending was down 26% to €2.0bn reflecting reduced activity levels in the commercial real estate sector. Non-property lending of €5.0bn was up 18% driven by continued growth in renewable energy and infrastructure and corporate lending in Ireland as well as selective growth in syndicated lending partially offset by lower UK lending. Personal lending was up 23% to €1.2bn.

Gross loans at €67.0bn were up €5.8bn or 9% compared to 31 December 2022 primarily driven by the acquisition of loans from Ulster Bank and new lending exceeding redemptions.

As at 31 December 2023, 92% of AIB's loan book is of strong or satisfactory quality (up from 90% at 2022 year-end). Maintaining the quality of new lending is critical, with >98% of our new lending being of strong or satisfactory credit quality in 2023.

Non-performing loans as a percentage of gross loans to customers were 3% at 31 December 2023 compared to 3.5% at 31 December 2022. We remain committed to carefully managing non-performing exposures (NPEs) given the impact on cost, capital requirements and balance sheet resilience.

AIB's funding and liquidity ratios remain robust. The loan to deposit ratio increased to 63% at 31 December 2023 compared to 58% at 31 December 2022 as growth in loans to customers, which included the acquisition of loans from Ulster Bank, outpaced growth in customer accounts. We continue to have strong liquidity metrics (Liquidity Coverage Ratio 199% and Net Stable Funding Ratio 159%).

Debt securities issued of €8.4bn increased by €1.2bn from 31 December 2022 primarily due to further MREL related issuances of €2.4bn, including €1.5bn social and green bond issuances, partly offset by maturities of €1.4bn.

The Group has a strong capital base with a reported CET1 ratio of 15.8% at 31 December 2023, well in excess of regulatory requirements.

Digital

The great majority of our customers now choose to interact with AIB Group through our digital channels. Our digital base across the Group continued its growth in 2023, reaching 2.19 million customers, up 5% on 2022. Within Ireland, 81% of current account holders were digitally active by the end of the year, up from 77% at the end of 2022.

Smartphones continue to dominate our customers' interactions as the most prominent touchpoint for digital banking, while we continue to see growth in the use of contactless payments. Within Ireland, the base of active mobile users exceeded 1.9 million customers at the end of 2023, up 7% on the previous year. Mobile activity itself increased, peaking at 3.3 million interactions in a single day (up 12%), the number of Mobile Wallet transactions throughout the year increased by 47%, while eCommerce – for example, card purchases online – volumes grew by 27%.

In Ireland, 62% of all new personal account relationships were onboarded digitally in 2023, allowing those new customers to join AIB entirely at a time and place of their choosing. We also witnessed mobile adoption in the over 65 age category which grew by a further 18% throughout last year.

Online product sales continue to dominate, with 78% of key consumer products sold digitally in Ireland. Again, we witnessed growth in digital applications across most products in 2023; our customers applied online for 67% of overdrafts (2022 62%), 69% of credit cards (2022 55%) and 89% of personal loans (2022 no change), while 25% of mortgage applications were made online (2022 22%).

“Our digital base across the Group continued its growth in 2023, reaching 2.19 million customers, up 5% on 2022. Within Ireland, 81% of current account holders were digitally active by the end of the year, up from 77% at the end of 2022.”

Continued digital growth



“We hosted the seventh AIB Sustainability Conference, facilitating conversation about the continued importance of environmental, social and governance action amongst our customers and other stakeholders.”

AIB Sustainability Conference



In our response to this ongoing digital evolution, AIB has continued to invest in our product offerings. In 2023, we enhanced our credit offerings with streamlined, digitalised processes. We also launched a new dedicated AIB Business (iBB) App in June, providing a more convenient way to review and approve payments on the move. 15,000 of our business customers were using the app by the end of the year.

We remain committed to protecting customers against the threats associated with fraud, making significant investments to enhance our systems and proactively drive ongoing education and awareness in response to new and existing threats. We also continue to advocate for a cross-sectoral, multi-stakeholder approach in order to limit the opportunities for online platforms and telephone networks to be misused for fraudulent communications.

Sustainable Communities

In November, we hosted the seventh AIB Sustainability Conference, facilitating conversation about the continued importance of environmental, social and governance action amongst our customers and other stakeholders. I was very proud to welcome Rt. Hon. Dame Jacinda Ardern to Dublin who, along with comedian and author Trevor Noah and a number of our own customers, provided plenty of food for thought for the more than 9,200 attending in person and online. The continued popularity of this annual event is further evidence that sustainability remains

high on the agenda of global thought leaders and customers alike.

It came as no surprise, therefore, that we exceeded our previous target to provide €10bn in green and transition funding by the end of 2023. Last year alone, we provided €3.7bn in funding, bringing the total over five years to €11.6bn. Along with our fifth green bond in 2023, we issued our second social bond in January, bringing the total AIB has raised in ESG bonds to date to €5.75bn.

It remains our ambition for our portfolio to be net zero by 2040 (with Agriculture to be net zero by 2050, in line with the Irish Government's target). Having now expanded our Climate Action Fund to €30bn by 2030, we intend to enhance our green products and services over the coming years to ensure we are both delivering against our ESG measures and empowering people to build a sustainable future. For further details of our sustainability strategy, see pages 22 to 25.

We are aware, though, that the sustainability journey can be a daunting one, and that our customers are also now challenged by cost-of-living constraints. We are focused on continuous upskilling of our colleagues to support our customers' evolving needs, and facilitating knowledge sharing both directly to our customers and through our involvement with like-minded organisations. In 2023, for example, we were aware that the introduction of the Corporate Sustainability Reporting Directive (CSRD) would impact our business

customers, and aimed to support small and medium-sized enterprises (SMEs), in particular, through the provision of information and a training webinar. In tandem, we rolled out a comprehensive internal programme to prepare ourselves for CSRD.

At the end of 2022, AIB Group entered into a virtual Corporate Power Purchase Agreement (vCPPA) with NTR to construct two solar farms in Co. Wexford, which will not only supply electricity to the Group but will also provide much-needed extra capacity to the national grid. Construction progressed swiftly, and in January 2024 I was delighted to visit the first solar farm from which we are now purchasing renewable energy. This was the first such vCPPA involving an Irish corporate, and importantly, is a huge step in the Group's strategy to become net zero in our own operations by 2030.

Unfortunately, 2023 further reminded us of the harsh realities of war. I have been very proud of the support AIB, along with our customers, has provided to GOAL, an Irish organisation providing vital humanitarian relief to the most vulnerable people around the world. At the end of the year, our communities came out in greater than ever numbers to complete the annual GOAL Mile, raising a record €630k, some of which was raised directly via a new 'Donate' functionality on the AIB Mobile App, which had been used for the first time earlier in the year to support those affected by the devastating earthquake in Turkey-Syria.



“At the end of the year, our communities came out in greater than ever numbers to complete the annual GOAL Mile, raising a record €630k, some of which was raised directly via a new ‘Donate’ functionality on the AIB Mobile App.”

The GOAL Mile, proudly supported by AIB

Chief Executive's Review continued

“Our own AIB Community €1 Million Fund provided direct support to 80 charities primarily throughout Ireland and also in Great Britain. The recipients of this fund are charitable organisations nominated by our customers, employees and the general public.”

AIB Community €1 Million Fund



Closer to home, our own AIB Community €1 Million Fund provided direct support to 80 charities primarily throughout Ireland and also in Great Britain. The recipients of this fund are charitable organisations nominated by our customers, employees and the general public, and in 2023, these nominations nearly trebled. This engagement shows the important social role AIB and our customers play in our communities – both locally and globally.

Culture and Our People

In the final quarter of 2023, 81% of colleagues were satisfied with AIB as a place to work, and we remain committed to providing a supportive and inclusive working environment where our people are enabled to reach their full potential.

We continue to promote a culture of universal inclusion in AIB, delivering our second enterprise-wide Universal Inclusion campaign in 2023. We also continued our focus on the diversification of our talent pipeline through the expansion of our Apprenticeship and Internship programmes.

We were delighted to again be recognised by the Grad Ireland Student Awards in 2023 as the Most Popular Graduate Recruiter in Financial Services for the fourth year in a row, and to receive external recognition via multiple awards for our Graduate Programme and Leaders Enabling a Difference (LEAD) Programme, two of our core development initiatives.

In 2023, we again enhanced our range of workplace supports to help colleagues navigate and thrive in their career, adding to the progressive enhancements made to our family leave policies. We broadened our existing Marriage Leave offering of five days' paid leave into Significant Life Event Leave. We introduced 10 days' paid Carers Leave to support colleagues providing critical care to vulnerable loved ones, and have partnered with Family Carer's Ireland to provide a holistic support package to our working carers. We extended our Compassionate Leave for pregnancy loss to up to four weeks' paid leave, with this leave available to all employees regardless of

whether pregnancy loss occurs to them personally, their partner or their surrogate.

Throughout 2023, we also delivered a number of bespoke Wellbeing initiatives across the organisation, supported by our Group-wide network of advocates. In April, we launched our first Financial Wellbeing Month, and we held our third annual Mental Health Awareness Month in September.

Following the easing of some Government remuneration restrictions in December 2022 and AIB Group's return to majority private ownership, we announced in October the provision for the first time of healthcare benefits to all AIB employees in Ireland along with the introduction of a measured variable remuneration scheme subject to the achievement of a range of performance targets across the business.

These new benefits recognise the contribution our employees have made in supporting our customers and putting the Group on a long-term sustainable footing and will help AIB retain and attract employees.



“In 2023, we again enhanced our range of workplace supports to help colleagues navigate and thrive in their career, adding to the progressive enhancements made to our family leave policies.”

Progressive Leave enhancements



“Looking ahead, we are now preparing to deliver on our new three-year strategy, which places an enhanced focus on serving our customers, further greening our loan book and driving greater operational efficiency.”

A new strategic cycle

Outlook

Looking ahead, we are now preparing to deliver on our new three-year strategy which places an enhanced focus on serving our customers, further greening our loan book, driving greater operational efficiency and delivering sustainable returns for all our stakeholders. More details can be found on pages 20 and 21.

With this focus in mind, we have taken the opportunity to review the Group structure and update our 2026 medium-term financial targets to a RoTE of 15%, a CET1 ratio above 14% and an absolute cost base below €2 billion, with a cost income ratio of less than 50%.

In January 2024, we announced three new additions to the Executive Committee. A new Chief Customer Officer position has been established to focus solely on our customers and drive improved customer experience through aligning our strategy, channels and propositions. Sajid Arshad has been appointed as interim Chief Customer Officer while a selection process for the full-time role is ongoing and will be announced in due course. Paul Travers has been appointed to the new role of Managing Director of Climate Capital, supporting business growth and our ambition to be a driving force in the transition to a zero-carbon future in Ireland and selected overseas markets. Barry Field has been appointed Corporate Affairs Director, bringing together the core enterprise activities of Corporate Affairs and Communications in support of the Group's strategic direction.

Turning to the year ahead, modest growth is anticipated for the global economy, with the International Monetary Fund (IMF) forecasting a similar pace of growth to the 1.6% gain in 2023 in advanced economies. This will be characterised by relatively rapid US growth (2.1%) and more sluggish growth in the Eurozone (0.9%) in 2024. However, recent forecasts from the Economic and Social Research Institute (ESRI) and Central Bank of Ireland (CBI) show they expect a pick-up in Irish growth, assuming the drag on output, exports and investment in the multi-national sector abates. A number of factors should underpin growth. Inflation is on the wane and interest rates are expected to be cut over the next couple of years. Combined with solid wage growth, this will boost real household disposable incomes. Fiscal policy is set to remain expansionary in the context of the healthy state of the public finances. The IDA also reports that Ireland's foreign direct investment proposition remains strong against a challenging international environment heading into 2024. Meanwhile, private sector balance sheets remain characterised by low debt and high levels of savings. These buffers will be vital if any downside risks emerge to impact growth in the highly open Irish economy.

As Ireland's largest financial services provider, AIB continues to be a driving force in the Irish economy. I am pleased that our reshaped Group is generating sustainable profits and is well positioned to support our 3.3 million customers, our shareholders and the wider economy now and into the future.

We welcomed the decision and subsequent transaction undertaken by the Minister for Finance on 7 November, which led to a further divestment of the State's shareholding in AIB Group plc to c. 40.8%. It is another important development in the process of returning the State's investment in the Group, enhancing liquidity and normalising the share register.

AIB owes the Irish State and taxpayer an immense debt of gratitude for its support during the financial crisis. We remain focused on our strategy to grow and strengthen the Group to ensure we continue to support our customers and generate sustainable returns for all our stakeholders.

I would like to thank our customers for their business in 2023. Our franchise has never been stronger and we are determined to satisfy the full breadth of our customers' financial needs and aspirations with agility, efficiency and prudence. Finally, I would like to thank my fellow Board and Executive Committee members and all my colleagues across the Group for their unwavering support in delivering for our customers, our communities and the wider economies we serve.

Colin Hunt
Chief Executive Officer
5 March 2024

Economic Overview

Challenges Persist Amid Subdued Growth



Subdued Performance by Global Economy

The global economy registered a subdued performance in 2023. The impact of tighter monetary policy became increasingly visible as the year progressed, business and consumer confidence turned down, and the rebound in China faded. Although there was a stronger-than-anticipated start to the year, helped by lower energy prices, this was not sustained, apart from in the USA. Both the IMF and OECD estimate that the world economy grew by a modest 3% in 2023. Growth in advanced economies was even weaker at 1.5% according to the IMF, with the UK and Eurozone economies expanding by around 0.5%. As well as the substantial monetary policy tightening, high inflation, elevated levels of uncertainty and bouts of risk aversion also acted as headwinds to growth.

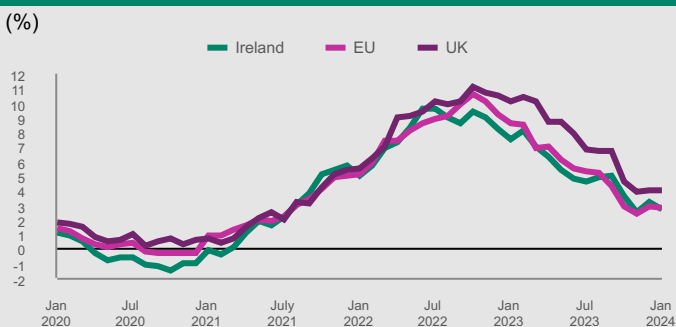
Labour markets, though, remained tight in 2023, with unemployment rates remaining close to multi-decade lows in the main economies. Headline inflation did fall sharply over the course of the year, helped by lower commodity prices. Core inflation declined more slowly, amid high wage inflation and remained well above the 2% target virtually everywhere. As a result, central banks guided that monetary policy would need to stay restrictive for a considerable time.

Marked Slowdown in Irish Economy

The Irish economy experienced a very sharp slowdown in growth in 2023, following the very strong performances seen in 2021 and 2022, when GDP rose by 15% and 9.5%, respectively. The preliminary estimate from the CSO is that GDP contracted in 2023, reflecting a marked post-pandemic decline in manufacturing output in the pharmaceuticals and ICT sectors, which had seen a surge in production during COVID-19. Exports of goods, which had risen by c. 20% on average in 2021 and 2022, fell by 6.5% year-on-year in the first three quarters of 2023. The domestic economy also slowed sharply in 2023, with modified domestic demand expanding by just 0.9% year-on-year over Q1-Q3, down from 9.7% registered for the full year in 2022. Consumer spending, though, rose by 3.6% during this period.

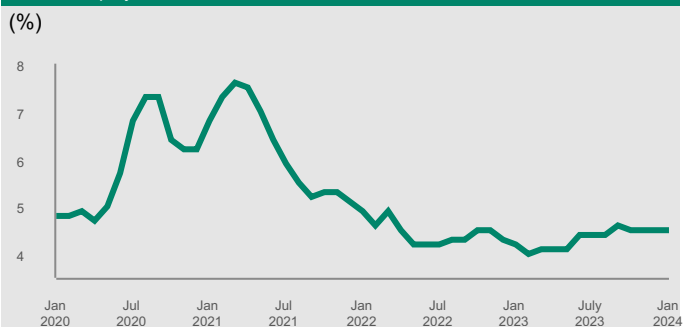
The Irish labour market continued to perform well in 2023. Ongoing strong net inward migration and a further rise in the female participation rate helped sustain robust growth in the workforce. Employment rose sharply and was up by 3.4% year-on-year in the fourth quarter. Meantime, the unemployment rate averaged 4.3% for the year. Inflation fell sharply over the course of 2023, with the annual HICP rate (standardised EU inflation measure), declining to 3.2% by December.

Inflation



Source: CSO, EuroStat, ONS

Irish Unemployment Rate



Source: CSO



Further Rise in Housing Output

There was a further rise in housing output in 2023 following its sharp increase in 2022 from the low levels seen during the COVID-19 pandemic. CSO data put house completions at 32,695 in 2023, up from just below 30,000 the previous year and c. 20,500 per annum in the period 2019-2021. Meanwhile, official government data show housing commencements picked up over the course of 2023, totalling 32,801 for the year, up from 26,907 in 2022. House prices fell back earlier in the year, before recovering from the summer onwards. Overall, CSO data show residential property prices rose by 3.1% in 2023, following a 12.4% increase in 2022. CSO data also show an easing in rental inflation during 2023.

Household savings were maintained at a very high level in 2023. Private sector deposits stood at €305bn by year end 2023, down slightly from €312bn in December 2022, but up by 39% since end-2019. Mortgage drawdowns amounted to €12.1bn in 2023, down from €14.1bn in 2022, reflecting a fall-off in switching activity. Meanwhile, Central Bank data show new lending to the SME sector amounted to €2.8bn to end-September, 13.8% lower than the same period in 2022.

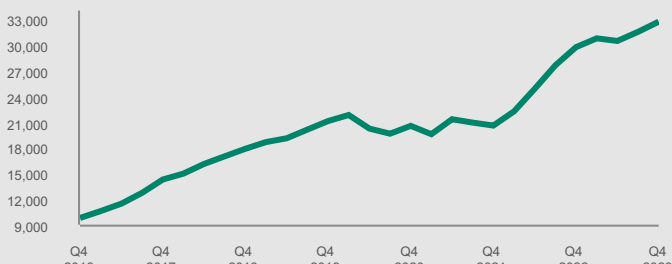
Outlook for 2024

All the main official international forecasters are projecting another year of subdued growth for the global economy in 2024. High interest rates, much tighter financial conditions, less supportive stance of fiscal policy, continuing high levels of both uncertainty and elevated geopolitical risks are all expected to weigh on activity in the year ahead. Growth in Europe is projected to remain very subdued for a second consecutive year, while the pace of activity in the USA is expected to slow down. Labour markets remain tight, though, so unemployment is likely to stay relatively low. Furthermore, it is anticipated by markets that central banks will begin lowering interest rates as the year progresses in response to a further easing in inflationary pressures.

The Irish economy is not immune to these trends but the pace of growth here is expected to strengthen from the very weak levels seen in 2023. The IDA reports that Ireland's FDI proposition remains strong against a challenging international environment. The public finances are in strong shape, allowing fiscal policy to remain supportive of activity. Private sector balance sheets are characterised by low debt and high savings. Thus, most current forecasts are for Irish GDP to grow by around 2.5% in 2024.

New Dwelling Completions

(Total, 4 Qrt Mov Avg)



Source: CSO

Irish Private Sector Deposits and Household Savings Ratio



Source: CSO, CBI

For the Life You're After

Supporting Our Customers in 2023

In 2023, we continued to support our customers with their financial needs, from enabling people to quickly and easily support charitable causes, to facilitating large-scale renewable energy development, and enhancing our own product suite.

Everyday Business Banking on the Go

In June, we launched the new AIB Business (iBB) App, which allows our business customers to check their balances as well as make and authorise their payments on the go. By the end of the year, 15,000 business customers were using the app.

Customer 1st Academy

In October, we launched our Customer 1st Academy, an initiative driven through a collaborative approach across Retail Banking and Capital Markets. The academy aims to support colleagues in customer-facing roles to deliver excellent services to our customers, ensuring consistent customer engagement and customer experience across AIB.



Donations Made Easy

A 'Donate' button was added in our AIB Mobile App to support GOAL's crisis appeal for the Turkey & Syria Earthquake Appeal in February, and for the GOAL Mile at Christmas. Through the app, we facilitated customer donations of c. €560,000 to GOAL in 2023 to support vulnerable communities in 14 countries.

Supporting Europe's Largest Solar Investor

In March, AIB Group was approved for a total £50m participation in a £275m Holdco RCF for Octopus Renewables. The purpose of the approval was to amend and extend the company's existing RCF to facilitate the continued growth of its portfolio which includes a mix of onshore and offshore wind, solar and biomass projects.

Leading Irish Bank in ESG Bonds

In January, AIB raised €750m from the issuance of our second social bond. And later in October, we raised a further €750m from the issuance of our fifth green bond, bringing total proceeds raised from ESG bonds to €5.75bn.



Hello, AIB life

In May, AIB life, our joint venture with Great-West Lifeco, was officially launched. This business will transform our financial planning offering, delivering a full suite of innovative and technology-led products to our customers. In 2023, we received over 15k new customer sign ups to the new AIB life portal, and conducted 13k customer advice meetings.

Supporting Social Housing

AIB supported social housing by providing funding of €91m in 2023, representing c. 500 homes. This delivers further progress towards our 2024 target of €800m, bringing total fund utilisation up to €548m.

Supporting Wind Energy Development

AIB secured credit approval for a €300m commitment in Ventient Energy's wind farm portfolio refinancing, with a final hold of €255m achieved when the transaction reached financial close on 14 December. Ventient is Europe's largest non-utility onshore wind generator, with a 2,800MW portfolio (equivalent to c. 50% of the Irish wind energy market).

Supporting Sustainable Farming

In early June, AIB became the exclusive financial institution partner to Carbery Group's Farm Zero C project, which aims to create an economically viable, climate neutral model for Irish dairy farming. In this role, AIB supports the research, promotion and public advocacy of the project work.



Our Strategy

A New Strategic Cycle

2024 marks the beginning of a new three-year strategic cycle for AIB Group. Our purpose is empowering people to build a sustainable future, and over the next three years, we will develop deeper, more enduring relationships with our customers, by better serving their financial needs.

Against an evolving Irish banking landscape, we reshaped AIB Group, fundamentally changing our business; delivering an enhanced product suite, embedding inorganic initiatives, transforming our operating model with increased digitalisation, welcoming new customers and leading the ESG agenda. We close 2023 as a leading financial services group well positioned for the future.

Over the next three years, supported by our strategy, our values and our new Customer Charter, we are going to empower customers to get the most from AIB, for the life they're after. To do this, aligned to our existing strategic pillars, we have clearly set out three strategic areas of focus: Customer First, Greening the Loan Book and Operational Efficiency.

We will hold the customer at the heart of our organisation, with a Customer First ethos deep in our strategy and our culture, focused on enhancing customer experience to better meet customer needs. We are going to build deeper relationships with our customers, delivering seamless and intuitive journeys. To elevate the process and create a step change in customer centricity, the Group has introduced a new Chief Customer Officer executive position that will enable deep insight and focus on the customer through aligning our strategy, channels and propositions.

Recognising rising customer demand, the need to do more to help combat climate change and our ambition to be a driving force in the transition to a lower-carbon future, we are going to build a dedicated Climate Capital segment to complement our other segments, Retail Banking, Capital Markets and AIB UK. The new Climate Capital segment will expand our capability and capacity in this space, as



Three strategic areas of focus:

Customer First:
Developing deeper relationships with our customers.

Greening the Loan Book:
Amplification of Group's ESG leadership position, including new green and transition lending, net zero ambitions and enhanced focus on the Climate Capital segment.

Operational Efficiency:
Enabling our colleagues to deliver for our customers by investing in capabilities and capacity.

a market leader in financing energy transition and infrastructure. It will adopt a global outlook, focusing on established renewables technology in European, UK and North American markets, reflecting AIB's existing footprint and funding, as well as the largest and fastest growth markets for green financing demand.

We will continue to improve our digital capability, across an agile and resilient platform that delivers for customers' financial needs, improving their banking experience, while offering and delivering our products and services in a proactive, seamless and innovative manner.

In terms of our workforce, we will focus on having the right capabilities in place to enable delivery of our priorities. We'll use resilient platforms to create an enhanced employee experience that will support the Group's

ambition to be at the heart of our customers' financial lives, where positive customer outcomes are at the beginning, middle and end of everything we do.

The world is changing at pace. As people strive to build a more sustainable life, AIB will support them every step of the way.

Measuring Our Performance

We have set key financial targets for the medium term and will measure our ESG performance in line with our strategy.

2026 Medium-Term Financial Targets

Absolute Cost Base¹

Cost of running the business

Target

<€2.0bn

with a CIR <50%

Return on Tangible Equity

A measure of how well capital is deployed to generate sustainable earnings

Target

15%

CET1 Ratio (Fully Loaded)

A measure of our ability to withstand financial stress and remain solvent

Target

>14%

Non-Financial Performance Measures

Greening Our Balance Sheet

Deploy €30bn Climate Action Fund

Target

€30bn

By 2030

Helping Customers to Buy Their First Home

More than €6bn cumulative new lending to first time buyers

Target

>€6bn

By 2026

Universal Inclusion

Ongoing gender balanced Board, ExCo and Management

Target

Gender
Balanced²

Ongoing

1. Excludes bank levies, regulatory fees and exceptional items.

2. The Equileap annual Gender Equality Global Report & Ranking equates 'gender balanced' with between 40% and 60% women.

Sustainability in AIB

Our Approach to Sustainability

With a new segment dedicated to Climate Capital from 2024, sustainability remains at the very core of AIB Group’s strategy.

Sustainable Communities continues to be a foundational pillar of our Group strategy and aligns strongly with our wider business strategy. AIB continues to support the transition to a low-carbon future, building long-term resilience and sustainability for our business, economy and society through our purpose of empowering people to build a sustainable future.

Sustainable finance is a recognised key enabler of climate action and has a pivotal role to play in building a more sustainable economy and society. Financial institutions can offer both the means and the motivation for people to make greener choices at home, in the workplace and in our communities. With the International Monetary Fund (IMF) estimating that Ireland alone will require an investment of €20bn per annum to meet its net zero transition requirements to 2030, we continue to pledge to do more in this space.

We have endeavoured to be a leader in the sustainability agenda in Ireland, including our

ambition for our own operations to be net zero by 2030 and our lending portfolio to be net zero by 2040, excluding Agriculture which is aligned to the Government’s own target for the sector in Ireland to be net zero by 2050. As such, throughout our previous three-year strategic cycle we set about transforming our business operations to better align the Group to best-in-class ESG practices, ensuring sustainability practices are embedded across our business and that we can continue to support our customers throughout their own sustainability journeys.

Our Refreshed Sustainability Strategy

We have reviewed and evolved AIB’s ESG strategy in line with the Group’s strategic ambition, best practice and aligned to requirements of the new Corporate Sustainability Reporting Directive (CSRD) as well as material topics identified through a stakeholder materiality assessment.

Our three-pillar ESG strategy has evolved: Climate & Environmental Action, Societal & Workforce Progress, and Governance &

Responsible Business. Funding renewable energy and infrastructure projects forms an important part of our proposed strategy along with ongoing education and supporting our wider customer base. Our evolved sustainability strategy sharpens our focus across the environmental, social and governance pillars and aligns strongly with our wider business strategy.

Our 2030 €30bn Climate Action Fund supports our customers in the transition to a low-carbon economy, and provides products and services to help make a positive environmental impact which ranked highly across all of our stakeholders in our materiality exercise. A suite of green products is already in place, including our green mortgage offerings across AIB, EBS and Haven, the AIB green personal loan, along with green CRE lending and renewables lending delivered by AIB, as well as EV car leasing options through Nifti.

Our Purpose	Empowering people to build a sustainable future		
ESG Strategic Pillars	 Climate & Environmental Action	 Societal & Workforce Progress	 Governance & Responsible Business
ESG Principles	<ul style="list-style-type: none"> We will provide responsible green finance, investments and advice to drive structural change and support the transition to a low-carbon future. 	<ul style="list-style-type: none"> We will strive to make a positive economic contribution and to be a positive influence on society, improving the lives of people and their communities and helping to build a brighter and fairer future. 	<ul style="list-style-type: none"> We will pride ourselves on acting responsibly, with integrity and transparency, while embedding ESG capabilities and measures at the heart of our business.
Areas of Focus	<ul style="list-style-type: none"> Lend responsibly and steer our portfolios towards net zero by 2040 (Agriculture by 2050). Reach net zero in our own operations by 2030. Increase consideration and management of climate and environment related risks. Contribute to protecting nature and safeguarding natural ecosystems/habitats. 	<ul style="list-style-type: none"> Continue to proactively contribute to a robust and sustainable future economy and society. Put our customers first, always treating them fairly and with respect. Empower own workforce and foster a safe, inclusive and supportive work environment. Positively support sustainable communities and local initiatives. 	<ul style="list-style-type: none"> Facilitate a culture that promotes our values and fosters engagement. Board and management to work to the highest standards to deliver long-term value. Operate responsibly at all levels, while managing cyber security, data security and operational resilience risks.
Some Key Examples of How We Bring Our ESG Strategy to Life	<ul style="list-style-type: none"> We have increased our existing Climate Action Fund from €10bn (by end-2023) to cumulative €30bn by 2030. We aim to have 70% of new lending to be green or transition by 2030. 	<ul style="list-style-type: none"> We will build a brighter and fairer future for our customers by lending more than €6bn to first time buyers by 2026. We will continue to support sustainable communities and local initiatives through AIB’s community fund and charity donations. 	<ul style="list-style-type: none"> We will act responsibly and build an inclusive workforce that reflects our culture and promotes our values. We will further improve our efforts to manage cyber security, data security and operational resilience risks, protecting customers and bank.

Enhanced risk management of climate, environmental and wider ESG risks is an important component of the sustainability strategy. As part of the Material Risk Assessment (MRA) process, Climate and Environmental Risk was approved as a material risk for AIB Group plc and Allied Irish Banks plc. For more information on Climate and Environmental Risk, see pages 193 to 196.

To oversee and embed sustainable practices across our business, an integrated approach is in place through our in-flight ESG Transformation Programme delivering on our regulatory, strategic and customer enablement objectives. The programme includes delivery of key strategic objectives and regulatory expectations and is supported by teams across the business with regular updates provided to ExCo, the Sustainable Business Advisory Committee (SBAC) and the Board.

Over the next number of decades climate transition financing represents a significant growth opportunity as the global economy seeks to decarbonise and invest in green infrastructure. As a result, we have reorganised our business to establish a new, dedicated Climate Capital segment, creating a step change in AIB's ability to finance energy transition and ESG infrastructure and building on our strong track record in Energy, Climate Action and Infrastructure (ECAI) lending.

The threat of climate change to our entire planet has become a reality, and so we must think globally. Our new Climate Capital segment will maintain a global outlook, focusing on established renewables technology in the European, UK and North American markets.

Recognising the scale of our ambition, we are increasing our existing Climate Action Fund from €10bn (by end 2023) to a cumulative €30bn by 2030. This fund is an important statement of intent to the market and our customers. These funds will be made available for green and transition financing activities as defined within AIB's Sustainable Lending Framework.

Over the short-term time horizon (0-3 years), across the Climate Capital, Retail Banking, Capital Markets and UK segments of our business, we intend to broaden our green product suite for personal, SME and corporate customers to include new lending opportunities and extend some of our current offerings in this space. An enhanced suite of green products will support our customers in their transition and also help to deliver our sustainability targets. Over the medium-term horizon (3-7 years), we will need to steadily increase new green and transition lending to reach the 70% target by 2030 by offering green finance propositions and products, and through improved data capture. Understanding our green and transition lending will support long-term management of climate related and credit risk in our lending portfolio and reduce the risk of adverse selection.

Capacity building and education are also of central importance for both colleagues and customers with a range of supports in place and/or under development including dedicated AIB Sustainability Champions throughout the Group, an in-house ESG research function, our regular customer publications, events and webinars and an enhanced advisory service offering via Goodbody and through the acquisition of Clearstream. AIB facilitates ESG knowledge transfer to our SME customers through our support of programmes such as Enterprise Ireland's Plan it with Purpose and the Dublin Chamber Sustainability Academy, while also providing direct guidance through the online AIB Green Living Hub, our Sector Sustainability Guides and informational webinars.

We have continued to grow our green lending, to provide support for the transition, working alongside key stakeholders.

Meeting Our Net Zero Ambitions

We have a strategy in place to ensure we meet our emissions targets across Scope 1, 2 and Scope 3 financed emissions via the annual business planning process feeding into the three-year strategy planning cycle. Annual Financed Emissions Targets for 75% of our

lending portfolio (as at 31 December 2021) outline what we need to achieve by 2030 in terms of a reduction in emissions relating to our lending portfolio, and have been adopted by the Board and externally validated. These targets are integrated into sustainability planning outputs with progress against these targets monitored on a regular basis. Levels of green and transition lending are included within business planning (% of total new lending) to provide AIB with increased visibility on the trajectory to achieve our 2030 target that 70% of total new lending should be green or transition.

We have made significant progress in reducing our own carbon footprint, with a further 17% reduction in 2022 as confirmed at the end of 2023. From a Scope 1 and 2 perspective, AIB modelled two new targets, committing to reduce absolute Scope 1 GHG emissions by 34% by 2027 from a 2019 baseline year and to increase annual sourcing of renewable electricity to 100% by 2030. The first of two solar farms constructed in Co. Wexford by NTR as per our vCPPA in 2022 has been energised, ready to significantly contribute to the Group's power requirements. That is a significant step in reaching our ambition to be net zero in our own operations by 2030.

Below: AIB was one of the official sponsors of Kaleidoscope 2023 with our AIB Green Living Challenge, which had over 2,000 participants.



Sustainability in AIB continued

As a Group, we have over 4,000 active suppliers on our database, and we transacted with 2,527 of these in 2023. Our Responsible Supplier Code sets out our expectations of suppliers, and includes the responsible and ethical behaviours we look for in the companies with whom we do business. Based on our Code of Conduct, the Responsible Supplier Code also references our Anti-Bribery and Corruption policy, Conflicts of Interest policy, Human Rights Commitment and our Speak-Up policy. We will only do business with suppliers that adhere to this Code. We require evidence that our suppliers have an ESG plan in place or are working towards putting one in place, and all successful suppliers are required to join the Supplier Financial Qualification System (FSQS). We also encourage our suppliers to report their carbon emissions through the CDP (Carbon Disclosures Project).

From a Scope 3 financed emissions perspective, we have set Financed Emissions Targets covering 75% of our Group loan portfolio as at 31 December 2021, based on decarbonisation scenarios with outcomes to 1.5°C. We were delighted in 2023 to receive validation from the SBTi for our financed emissions targets, and in so doing, AIB became the first bank in the world to secure a scientifically validated electricity generation maintenance target. The attainment of these targets remains a central tenet of our strategy, and at the business level we will continue to use identified drivers to support delivery against them throughout our lending portfolio:

- For **Residential Property** and **Commercial Real Estate (CRE)**, these emissions reduction targets have been translated into what would need to be achieved in terms of new lending to energy-efficient buildings. For Residential Mortgages and Commercial Real Estate, the reduction target set for financed emissions is 58% and 67%, respectively, in emissions intensity by 2030.
- Given the already low emissions from our renewable-focused **Electricity Generation** portfolio, the target is a maintenance target range.
- For **Corporate Lending**, the required emissions reduction targets relate to larger entities with over 500 employees which have themselves set and obtained externally approved SBTi. For the Corporate Portfolio Coverage, an increase in loan volume covered by emissions targets from 12% to 54% is targeted by 2030.



Above: Colin Hunt, AIB Group Chief Executive Officer, and Mary Whitelaw, Chief Strategy & Sustainability Officer, at Kilmahon, The Nature Trust, Co Longford.

Business and Financial Planning

The financial impacts of climate and environment are considered within two key processes. Firstly, the financial impact associated with our net zero targets is a formal part of business and financial planning. Business areas are required to consider the impact on projected revenues, costs and margins associated with meeting these targets over the period of the plan and outlook to 2030. Secondly, within the European Central Bank (ECB) 2022 Climate Risk Stress Test, analysis was completed based on the scenarios of the Network for Greening the Financial System (NGFS). These included quantitative forecasts for short- and long-term transitional risk, short-term drought/heat risk and short-term flood risk.

Some examples of key opportunities aligned to the strategic and investment planning process include residential and commercial retrofits, lending for sustainable farming measures, sustainable lending for corporates that commit to ESG targets, EV financing, ESG advisory, research and customer supports.

Within the business and financial planning process, climate and environmental issues have been considered as a key input to the allocation of capital for each of the key business segments. Financed Emissions Targets covering Retail Banking, Capital Markets, our new Climate Capital segment and AIB UK were included in the process and were a key parameter within planning, for example, funding to propositions supporting green financing in support of achievement of the emissions targets.

Transitioning to a lower-carbon economy will entail extensive policy, legal, technology, regulatory and market changes to address mitigation and adaptation requirements related to climate change.



“We have re-organised our business to establish a new, dedicated Climate Capital segment, creating a step change in AIB’s ability to finance energy transition and ESG infrastructure and building on our strong track record in Energy, Climate Action and Infrastructure (ECAI) lending.”

Climate Capital segment

Risk Summary

Our Approach to Risk

Our prudent approach to risk management is fundamental for the Group to achieve our strategic objectives.

Our Risk Management Framework sets out the governance, principles, arrangements, roles and responsibilities in place for the Group to manage our risks. The Group's risk management principles are as set out below:

Strategy

1. The Group Board has ultimate responsibility for the governance of all risk-taking activity in the Group and risks assumed through our investments in joint ventures and associated companies.

Identification and Assessment

2. The Group identifies, assesses and reports all material risks through the Material Risk Assessment review process.
3. Risk management is embedded in the strategic planning, performance management and strategic decision-making processes of the Group.
4. The Group develops and uses models across a range of risks and activities to inform key strategic business and financial decisions.
5. The Group accepts that certain additional and measured risks may be taken across the short-to-medium term to support environmental, social and governance (ESG) initiatives for the benefit of all our stakeholders over the long term.

Monitoring, Escalating and Reporting

6. The Group operates and manages risks in line with the Group's Risk Appetite Statement (RAS).
7. The Group understands, manages, measures, monitors and reports all risk it takes or originates.
8. The Group aims to provide clarity in all communications, which will help to better inform business decisions.

Risk Culture

9. The Group supports the delivery of a strong risk culture, and risk management capabilities are valued, encouraged and developed.

Control Environment

10. The Group has a system of internal controls designed to mitigate rather than eliminate risk.
11. A comprehensive, fit-for-purpose framework and policy architecture is in place to support risk management and is reviewed regularly.
12. The Group has adopted a Three Lines of Defence (3LOD) model and risks are managed in line with the model.

[The Risk Management section, from pages 121 to 196, gives more detail on how risk is managed within the Group, detailing the approach to risk governance including the Three Lines of Defence, committee structures, risk appetite and stress testing](#)

The Group operates an enterprise-wide Risk Management Framework (RMF), which is centred around the embedding of a strong risk culture and ensures the governance and capabilities are in place to facilitate a consistent approach to risk management across the Group, including subsidiaries. The RMF aligns our risk approach to the Group's overall strategic objectives.

The RMF is designed and maintained by the Group's Risk function, and is subject to annual review and approval by the Board.

The RMF governs the way in which the Group identifies and manages our risks and, given the growing risks linked to climate change and to support the Group's strategy, it was agreed that Climate and Environmental Risk would be included as a Principal Risk in 2023. For more details, see pages 122 to 124.

The Group identified 10 Principal Risks and emerging risks which are described on pages 27 to 31.

On an annual basis, the Board sets out the maximum amount of risk the Group is willing to accept within our Risk Appetite Statement (RAS). The approved risk thresholds are monitored and reported on an ongoing basis to the Board Risk Committee to ensure the Group remains within its risk appetite. RAS metrics are also reported to the Board with both committees part of the escalation process for RAS breaches.

The Group tests the resilience of our strategy across each of the Principal Risks through scenario analysis and stress testing. The scenarios used are informed by the key emerging risks and are used to assess the Internal Capital Adequacy Assessment Process (ICAAP) and the three-year financial plan.

Principal Risks

Principal Risks are those risks that could have a material adverse effect on our customers or the financial or operational outcomes or reputational standing of the Group.

The Group's risks are reviewed as part of the Material Risk Assessment (MRA), reflecting the Group's risk profile in light of internal and external factors such as the Group's strategy and the regulatory environment in which we operate.

During 2023, Climate and Environmental Risk was included as a Principal Risk. This recognises its importance to the Group's strategic pillar, Sustainable Communities, in addition to its pervasiveness to other risks, increasing societal expectations as well as the need to adapt to the pace and volume of regulatory developments in this area.

In December 2023, the Board Risk Committee approved the Climate and Environmental Risk Framework. In addition, a supporting Climate and Environmental policy was approved by Group Risk Committee. These outline the key requirements for the identification, assessment and management of Climate and Environmental Risk and work continues to integrate and embed this into our key risk activities.

Other changes to Principal Risks also occurred during 2023. People Risk was made a sub-risk of Operational Risk due to its interconnectedness whereby decisions or behaviours of individuals can directly influence the Group's other operational risks. While Culture Risk remains a Principal Risk, it is now combined with Conduct Risk.

The Group faces 10 Principal Risks across our business, which are key areas of management focus.

Link to strategy

Customer First



Simple & Efficient



Risk & Capital



Talent & Culture



Sustainable Communities



A. Business Model Risk



What is the Risk?

The risk of not achieving the agreed Group strategy or business plan, for example, as a result of an inadequate implementation plan. This also includes the risk of implementing an unsuitable strategy or maintaining an obsolete business model in light of known internal and external factors.

Key Developments in 2023

In 2023, the Group recorded a very strong financial performance, with return on tangible equity exceeding >20% for the year. The Group retained our commitment to the creation of value for all our stakeholders and the delivery of sustainable returns. The Group has tripled our Climate Action Fund to €30bn while maintaining our target of 70% green new lending by 2030.

Key Risk Indicators

- Operating profit (before exceptional items)
- Risk Adjusted Return on Capital (RAROC)
- Return on Tangible Equity (RoTE)

[Read more: page 189](#)

B. Credit Risk



What is the Risk?

The risk that the Group will incur losses as a result of a customer or counterparty being unable or unwilling to meet contractual obligations and associated credit exposure in respect of loans or other financial transactions.

Key Developments in 2023

The credit quality of the lending portfolio has remained relatively stable during the year and new lending is in line with targeted quality levels. However, stress from ongoing inflationary pressures and rising interest rates has manifested in Stage 2 migration. The Group's Expected Credit Losses (ECLs) reflect the vigilant stance to emerging risks while maintaining a comprehensive approach to assessing the credit environment, ensuring the level of ECL stock remains appropriately conservative. The migration of the Ulster Bank portfolio acquisitions continued throughout the year, with the final tranche of the corporate and commercial loans completed in July. The Group also migrated 80% of the tracker mortgage portfolio in July, with the remaining customers due to migrate in 2024.

Key Risk Indicators

- Asset class concentration risk metrics
- Country concentration risk metrics
- Non-Performing Exposures (NPE) as a % of outstanding loans and ECL cover rates to manage counterparty credit risk

[Read more: page 125 to 176](#)

Principal Risks continued

C. Operational Risk



What is the Risk?

The risk to the Group arising from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk, but excludes strategic and reputational risk.

Key Developments in 2023

In 2023, there was continued emphasis on cyber and information security risk, change risk, third party management and technology-related risk. Enhancements were made to the ongoing oversight, review and challenge of the change agenda, a refreshed operational risk assessment and risk-integrated cyber strategy in response to the evolving external threats. Other developments included the prioritisation of operational resilience and enhanced oversight of third party service providers to drive improved resilience. In addition, as a result of the MRA, People Risk was made a sub-risk of Operational Risk.

Key Risk Indicators

- Cumulative operational risk losses
- Cyber security and technology risk metrics

[Read more: page 189 to 190](#)

D. Conduct Risk and Culture Risk



What is the Risk?

The risk that inappropriate actions or inactions by the Group cause poor or unfair customer outcomes or negatively impact market integrity.

Key Developments in 2023

Conduct and consumer interest continues to be a primary focus for the Group, which has been demonstrated throughout the significant strategic evolution in 2023, including the integration of Goodbody, the acquisition of customers from Ulster Bank and KBC and the establishment of AIB life providing protection, insurance and investment offerings. In addition, the Group continues to evolve our focus on wholesale market conduct risk as a key pillar of conduct risk management. Regulatory communications in 2023 have continued to emphasise the importance of a strong conduct culture and we have reviewed and benchmarked internal practices against these standards, including the Consumer Protection Outlook Report and the Securities Markets Risk Outlook Report. The amalgamation of Culture Risk within Conduct Risk has commenced and further integration through frameworks, policies, procedures and metrics is planned for 2024.

Key Risk Indicators

- Number of complaints and time taken to resolve
- Number of overdue product reviews

[Read more: page 190 to 191](#)

E. Regulatory Compliance Risk



What is the Risk?

The risk of legal or regulatory sanctions, material financial loss, or loss to reputation that the Group may suffer as a result of a failure to comply with principal laws, regulations, rules, related self-regulatory codes and related supervisory expectations that relate to the Group's regulated banking and financial service activities, i.e. those activities in which the Group is licensed to conduct business.

Key Developments in 2023

During 2023, Compliance continued to strengthen the role and mandate of the function through increased engagement with business units, strengthened reporting in terms of frequency, standard and audience, and embedding compliance-by-design across the Group. The introduction of a Regulatory Impact Assessment has enabled more efficient, targeted compliance engagement and has helped to embed Regulatory Compliance Risk as a focus at the outset of strategic proposals. The regulatory change process has continued to evolve and embed, with a wide range of regulatory programmes supported across 2023, including the client assets requirements and supporting the Basel IV, ESG Transformation, the Individual Accountability Framework and Consumer Rights programmes. ESG remains a strategic priority and, throughout 2023, there has been a strong focus on increasing ESG regulatory compliance and awareness, which will continue in 2024.

Key Risk Indicators

- Number of data protection incidents
- % of suspicious transactions reported within 30 days

[Read more: page 191 to 192](#)

F. Climate and Environmental Risk

NEW

What is the Risk?

Climate and Environmental (C&E) Risk encompasses the financial and non-financial impacts on the Group arising from climate change, environmental change and the transition to a sustainable economy. These risks can affect the Group directly through our operations or indirectly through our relationships with customers and third party suppliers.

Key Developments in 2023

In July 2023, the Board approved Climate and Environmental (C&E) Risk as a new Principal Risk for the Group. This reflects its importance to the Group's key strategic pillar, Sustainable Communities. This is in addition to its pervasiveness to other risks, increasing societal expectations as well as the need to adapt to the pace and volume of regulatory developments in this area. The Climate and Environmental Risk Framework and its supporting policy were approved in December 2023, which outline the key requirements for the identification, assessment and management of the risk. The Group continued to embed our risk management of C&E during 2023 through enhancements to the Group's ESG Sectoral Risk Heatmap, Physical Risk Heatmap and Stress Testing Framework, including the development of transition risk and physical risk models, and the incorporation of environmental sector-specific considerations within the Group's credit risk policies. Two additional risk appetite statement metrics have been developed and approved for 2024.

Key Risk Indicators

- Climate Stress as a % of Total Capital

[Read more: page 193 to 196](#)

G. Capital Adequacy Risk**What is the Risk?**

The risk that the Group breaches, or may breach, regulatory capital ratios and internal targets measured on a forward-looking basis, across a range of scenarios, including a severe but plausible stress.

Key Developments in 2023

The Group maintained a strong capital position throughout 2023 with substantial buffers to regulatory requirements for Fully Loaded Common Equity Tier 1 (CET1) and Total Capital ratios. Various stress testing activities in 2023 demonstrated the robustness of the Group's capital position, including the annual Internal Capital Adequacy Assessment Process (ICAAP) and the biennial EBA Stress Test. RAS metrics were reviewed during 2023 to ensure they continued to appropriately reflect regulatory and internal requirements, and a more robust quantitative approach to determining the magnitude of management buffers included in the RAS metrics was adopted. During 2023, the Group redeveloped our suite of Climate Stress Testing Models (which assess physical and transition risks) and formally approved the Group's Climate Stress Testing Framework, with climate stress tests now incorporated into the annual ICAAP assessment.

Key Risk Indicators

- Fully Loaded CET1 Ratio
- Fully Loaded Total Capital Ratio
- Fully Loaded Internal Capital Buffer

[Read more: page 192](#)

H. Model Risk**What is the Risk?**

The loss the Group may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

Key Developments in 2023

The establishment of the Internal Rating Based (IRB) Enterprise Programme significantly enhanced the project management and comprehensive delivery of models, including two IRB models approved in 2023. The Model Risk landscape positively benefited from the introduction of standards relating to IRB data quality and model development, supplemented by underlying procedures and standards related to the validation of climate risk models. As per the Group's Model Risk strategy, rationalisation of the model inventory is underway, with 7% fewer live and approved models in December 2023 than in December 2022.

Key Risk Indicators

- Quarterly risk assessment of approved models in use.

[Read more: page 193](#)

Principal Risks continued

I. Liquidity and Funding Risk



What is the Risk?

The risk that the Group will not be able to fund its assets and meet its obligations as they come due, without incurring unacceptable costs or losses. Funding is the means by which liquidity is generated, for example, secured or unsecured, corporate or retail. In this respect, Funding Risk is the risk that liquidity cannot be obtained at an acceptable cost.

Key Developments in 2023

Customer deposits have continued to grow, reflecting inflows associated with banks exiting the Irish market coupled with higher income and employment levels in the Irish economy. In addition, there has been continued precautionary saving due to the heightened economic uncertainty and increasing inflationary pressures. This has contributed to higher volumes of excess liquidity held with the Central Bank. The high interest rate environment has seen the Group expand our suite of fixed term deposit offerings.

Key Risk Indicators

- Liquidity Coverage Ratio (LCR)
- Survival Period
- Net Stable Funding Ratio (NSFR)

[Read more: page 177 to 183](#)

J. Financial Risk



What is the Risk?

The uncertainty of Group returns attributable to fluctuations in market factors. Where the uncertainty is expressed as a potential loss in earnings or value, it represents a risk to the income and capital position of the Group.

Key Developments in 2023

Sustained inflation led to sharp interest rate hikes and increased market volatility. The Group responded by adapting our strategic approach to managing and hedging interest rate exposure, in particular as regards to Net Interest Income (NII). In 2023 the Pension Capital at Risk model was redeveloped and went live following a review and validation process.

Key Risk Indicators

- Earnings Sensitivity
- Interest Rate Capital at Risk
- Pension Capital at Risk
- Equity nominal investment

[Read more: page 184 to 188](#)

Top and Emerging Risks

The Group identifies top and emerging risks that have the potential to increase in significance and could have a material impact on the Group's strategy, operations and on our customers over the short, medium and long term. The table below sets out the top and emerging risks identified as part of the Group's Material Risk Assessment processes, which continued to evolve during the year.

Top and Emerging Risks	How We Responded During 2023	Links to Principal Risks on pages 27 to 30
<p>Cyber Risk The risk of diminished operational capability of the Group's systems. In addition, the potential for legal liability, data risk, fraud or loss of reputation with our customers due to an evolving cyber threat landscape and heightened threats associated with cyber criminals, rogue nation states, and artificial intelligence.</p>	<ul style="list-style-type: none"> • Cyber Risk continued to be a top and emerging risk in 2023 due to its constantly evolving nature as well as the increased frequency, sophistication, impact and severity of cyber threats. Consequently, cyber threat intelligence capability continued to mature in 2023, leveraging local and global intelligence data to proactively protect customers' information. • The Group ran regular simulations against key cyber threat types to test our resilience to these threats. These simulations also provided stakeholders (including the Board) with a better understanding of the cyber ecosystem. • The Group user awareness programme included mandatory cyber training, communications on potential internal and external threats, frequent phishing testing and reporting facilities for suspicious activities. • The Board approved the Information Security (including Cyber) policy, received quarterly cyber updates and undertook annual cyber training. • Industry leading approaches including the NIST (National Institute of Standards and Technology) Cybersecurity Framework were used to inform Group controls. 	A B C D H I
<p>Geopolitical Risk The risk that geopolitical tensions could escalate and could negatively impact the Group's operations or result in other financial or macro impacts.</p>	<ul style="list-style-type: none"> • As international sanctions regimes were adjusted, most notably in relation to Russia, the Group applied these sanctions requirements in various jurisdictions as applicable. • Geopolitical risk is taken into account in the design and calibration of scenarios used in the calculation of expected losses and stress testing. • The moderate downside scenario incorporates an escalation of geopolitical risk (e.g. Ukraine, US/China tensions, global fragmentation) and the resultant macro impacts. • High downside scenario weightings reflect, amongst others, the risks to the global economic outlook from heightened geopolitical risks. • Geopolitical developments and associated market/economic impacts continued to be considered in various Group governance committees. 	A B C E G H I J
<p>Macroeconomic Risk (Monetary Tightening and Cost of Living Squeeze) The risk that the persistent increases in interest rates since 2022, combined with the cost of living squeeze from a prolonged period of high inflation, will have a negative impact on our customers' ability to meet their loan obligations.</p>	<ul style="list-style-type: none"> • The Group identifies economic headwinds on at least a quarterly basis, through scenario development and ongoing stress testing activity to ensure the financial plan is robust and is aligned with the Group's risk appetite. • In 2023, the severe scenario was adjusted to take account of the risks associated with significant increases in interest rates (funding stress). • High downside scenario weightings reflect, amongst others, the considerable risks to the economic outlook from monetary tightening. • The lags associated with monetary tightening (and ongoing transmission) were investigated. This informed the bank's risk appetite setting and lending policies. • Proactive monitoring of credit quality trends, with a particular focus on customers most directly impacted by higher rates (e.g. customers impacted due to tracker and variable rates increases, as well as those with expiring fixed rates). The Group has credit management policies in place to identify and support customers in difficulty. • The mortgage model was adjusted to include a number of factors that were more sensitive to inflation. Post Model Adjustments to ECL outcomes reflected emerging macro headwinds not fully reflected in modelled outcomes. 	A B G H I J
<p>Climate and Environmental Risk The risk of any negative financial or non-financial (e.g. reputational) impact on the Group stemming from climate and environmental change and the transition to a sustainable economy.</p>	<ul style="list-style-type: none"> • Climate and Environmental Risk was made a Principal Risk during 2023 (see Principal Risks section on page 29). Given its new and uncertain nature, it will continue to evolve and impact the Group and customers in the medium to long term. • Given the evolving nature of risks, an agile risk management approach has been adopted. Various policies continued to be updated to incorporate ESG factors (see Non-Financial Information Statement on pages 59 to 63). • The Group has committed to continued learning and development associated with these risks. This includes ongoing investment in research partnerships, as well as targeted training and education for our customers and colleagues across the Group. • In 2023, the Group provided €3.7bn in new green lending. The Group also raised €750m through the issuance of a green bond bringing the total outstanding issuance in of green bonds to €4bn. 	A C D H I F

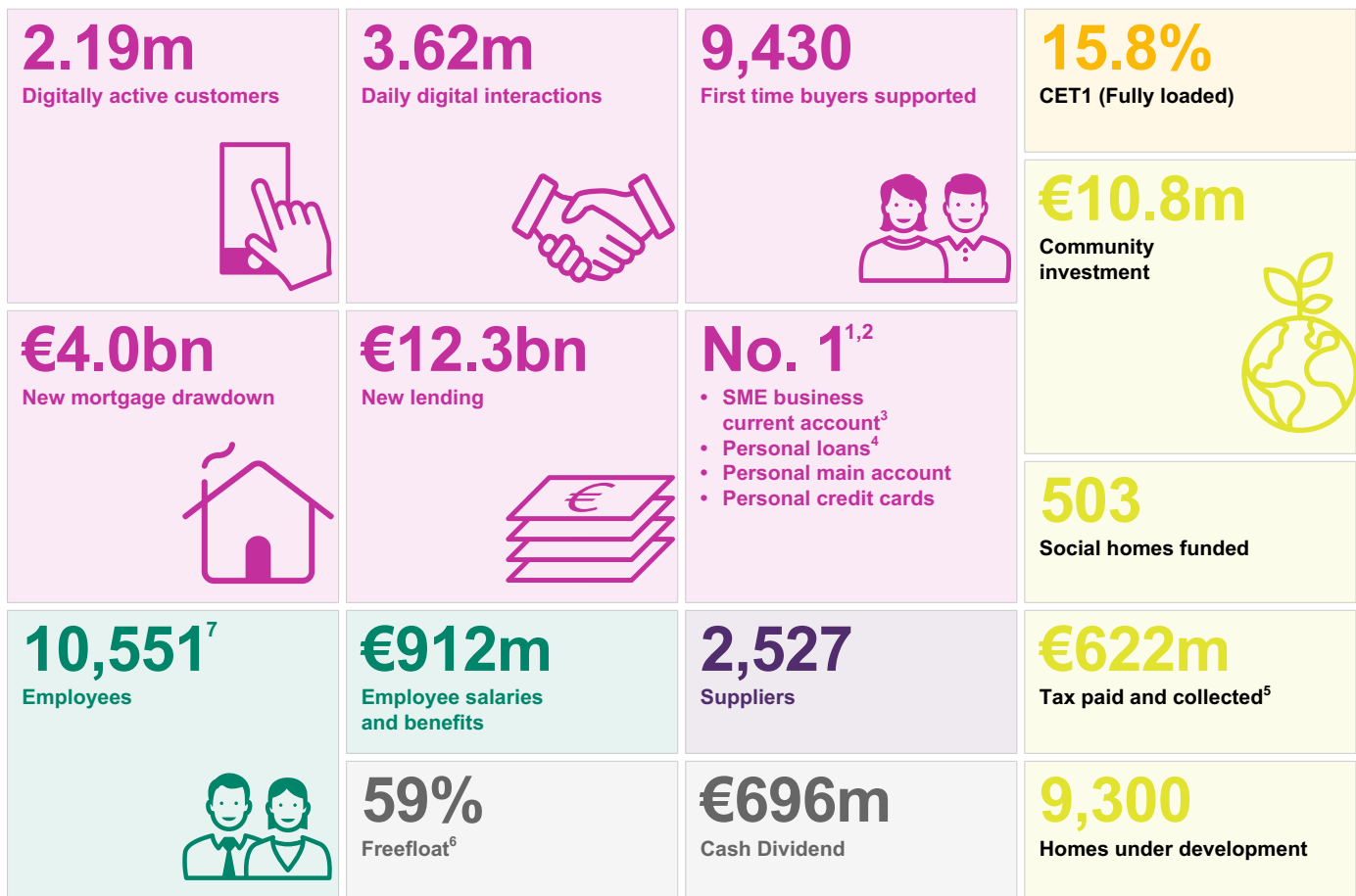
Value Creation

Value Created for Our Stakeholders in 2023

Helping to deliver a more sustainable future for all is at the heart of AIB's agenda. As a recognised leader of sustainability in Ireland, and through our Pledge to Do More, we are committed to building long-term resilience and sustainability for our stakeholders.

Key to Stakeholder Groups

- Our customers
- Our employees
- Our suppliers
- Our investors
- Regulators
- Society and community



1. Information as at 15 January 2024

2. Customer Data Points source: Ipsos Personal Finance Market Pulse 2023

3. SMEs Market Monitor 2023 (Ipsos B&A on behalf of AIB)

4. Personal lending (excl. car loans) among banks

5. 'Tax paid' (€349m) refers to taxes borne by the Group, including corporate tax, bank levy, employer social insurance and irrecoverable VAT. 'Tax collected' (€273m) comprises taxes collected from employees, customers and shareholders.

6. Freefloat shares represent the number of AIB shares that aren't restricted and can be publicly traded.

7. Staff numbers are on a full time equivalent (FTE) basis.

Business review

Operating and Financial Review	34
Capital	49

Business Review –

1. Operating and Financial Review

Basis of presentation

The operating and financial review 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 Executive Committee. Non-IFRS measures include management performance measures which are considered Alternative Performance Measures (APMs). APMs arise where the basis of calculation is derived from non-IFRS measures. A description of the Group's APMs and their calculation is set out on page 47. These measures should be considered in conjunction with IFRS measures as set out in the consolidated financial statements from page 210. A reconciliation between the IFRS and management performance summary income statements is set out on page 48.

Figures presented in the operating and financial review may be subject to rounding and thereby differ to the risk management section and the consolidated financial statements.

Change in presentation of interest income and expense

As set out in note 1(c) Accounting policies in the consolidated financial statements, the Group has adopted an amended accounting policy whereby the interest income and expense on certain derivatives held with hedging intent, but for which hedge accounting is not applied (economic hedges) is now included within the applicable components of net interest income with all other fair value movements recognised in net trading income. Figures for the prior year have been restated on a comparative basis resulting in an increase in other income in 2022 by € 64 million and a corresponding decrease in net interest income of € 64 million which reduced the net interest margin for 2022 by 5 basis points.

Basis of calculation

Percentages are calculated on exact numbers and therefore may differ from the percentages based on rounded numbers. The impact of currency movements is calculated by comparing the results for the current reporting period to results for the comparative reporting period retranslated at exchange rates for the current reporting year.

	2023 € m	2022 € m	% change
Management performance - summary income statement			
Net interest income	3,841	2,095	83
Other income ⁽¹⁾	900	800	13
Total operating income ⁽¹⁾	4,741	2,895	64
Personnel expenses ⁽¹⁾	(901)	(779)	16
General and administrative expenses ⁽¹⁾	(630)	(575)	10
Depreciation, impairment and amortisation ⁽¹⁾	(295)	(305)	-3
Total operating expenses ⁽¹⁾	(1,826)	(1,659)	10
Bank levies and regulatory fees ⁽¹⁾	(185)	(155)	20
Operating profit before impairment losses and exceptional items⁽¹⁾	2,730	1,081	
Net credit impairment charge	(172)	(7)	
Operating profit before exceptional items⁽¹⁾	2,558	1,074	
Income from equity accounted investments	12	37	-68
Loss on disposal of business	(26)	—	
Profit before exceptional items⁽¹⁾	2,544	1,111	
Restitution costs	(62)	(94)	
Restructuring costs	(11)	(93)	
Inorganic transaction costs	(59)	(53)	
(Loss)/gain on disposal of loan portfolios	(18)	36	
Other	—	(27)	
Total exceptional items ⁽¹⁾	(150)	(231)	
Profit before taxation	2,394	880	
Income tax charge	(336)	(115)	
Profit for the year	2,058	765	

(1) Performance has been adjusted to exclude items viewed as exceptional by management and which management view as distorting comparability of performance year-on-year. The adjusted performance measure is considered an APM.

Net interest income

Net interest income

€3,841m

Net interest income	2023 € m	2022 € m	% change
Interest income ⁽¹⁾	4,643	2,332	
Interest expense ⁽¹⁾⁽²⁾	(802)	(237)	
Net interest income	3,841	2,095	83
Average interest earning assets	123,563	124,210	-1
	%	%	Change
Net interest margin (NIM) ⁽²⁾	3.11	1.69	1.42

Net interest income

€3,841m

Net interest income increased by € 1,746 million or 83% compared to 2022.

The Group operated in a negative or low interest rate environment in the first half of 2022. Since July 2022 the ECB has increased euro interest rates on a graduated basis by 450 basis points. In addition, since the start of 2022 the Bank of England has increased the base rate by 500 basis points and the Federal Reserve has increased the federal funds rate by 525 basis points.

Interest income

Interest income of € 4,643 million in 2023 increased by € 2,311 million compared to 2022 primarily due to:

- Increased asset yields primarily driven by higher euro, sterling and US dollar interest rates.
- Higher average customer loan volumes reflecting the acquisition of loans from Ulster Bank and new lending exceeding redemptions.

Interest expense

Interest expense of € 802 million in 2023 increased by € 565 million compared to 2022. The increase in funding costs was primarily due to:

- Higher other debt issued and subordinated liabilities funding costs reflecting interest rate impacts and increased MREL costs.
- Increased customer account interest expense whereas 2022 included the impact of the negative pricing strategy which was discontinued in August 2022.
- Increased interest expense on deposits by banks whereas 2022 included the favourable impact of TLTRO III funding.

Net interest margin

3.11%

NIM increased by 142 basis points to 3.11% in 2023 compared to 1.69%⁽²⁾ in

2022 driven by the higher interest rate environment.

Average interest earning assets of € 123.6 billion in 2023 were in line with 2022.

Average balance sheet

	Year ended 31 December 2023			Year ended 31 December 2022		
	Average balance € m	Interest ⁽¹⁾ € m	Average rate %	Average balance € m	Interest ⁽¹⁾ € m	Average rate %
Assets						
Loans and advances to customers ⁽³⁾	63,411	2,391	3.77	58,681	1,957	3.33
Investment securities	16,410	712	4.34	16,456	192	1.17
Loans and advances to banks ⁽⁴⁾	43,742	1,540	3.52	49,073	183	0.37
Average interest earning assets	123,563	4,643	3.76	124,210	2,332	1.84
Non-interest earning assets	8,123			7,754		
Total average assets	131,686	4,643		131,964	2,332	
Liabilities & equity						
Deposits by banks ⁽⁴⁾	1,066	42	3.96	11,108	(11)	(0.10)
Customer accounts	44,528	175	0.39	48,419	(11)	(0.02)
Other debt issued	7,284	436	5.98	6,206	134	2.16
Subordinated liabilities	1,429	97	6.86	1,454	50	3.47
Lease liabilities	248	9	3.47	315	11	3.35
Average interest earning liabilities	54,555	759	1.39	67,502	173	0.26
Non-trading derivatives (economic hedges) ⁽²⁾		43			64	
Non-interest earning liabilities	63,978			51,443		
Equity	13,153			13,019		
Total average liabilities & equity	131,686	802		131,964	237	
Net interest income		3,841	3.11		2,095	1.69

(1) Negative interest income on assets of € 2 million in 2023 (2022: € 96 million) is offset against interest income. Negative interest expense on liabilities in 2023 Nil (2022: € 83 million) is offset against interest expense.

(2) As outlined on page 34 'Change in presentation of interest income and expense' the comparative interest expense and net interest margin figures for 2022 have been restated.

(3) Income on Loans and advances to customers includes the negative impact of € 607 million from cash flow hedges in 2023 (2022: positive impact of € 70 million). See note 4 Interest and similar income in the consolidated financial statements.

(4) Loans and advances to banks and Deposits by banks include Securities financing.

Business Review –

1. Operating and Financial Review continued

Other income

Other income⁽¹⁾

€900m

Other income ⁽¹⁾	2023 € m	2022 € m	% change
Net fee and commission income	633	588	8
Net trading income	210	100	
– Loan acquisition forward contracts	223	62	
– Equity investments hedges	(15)	(1)	
– Other ⁽²⁾	2	39	
Net gain on equity investments (FVTPL)	27	88	
Net gain on loans and advances to customers (FVTPL)	3	13	
Other operating income	27	11	
Other income	900	800	13

Other income⁽¹⁾

€900m

Other income increased by € 100 million or 13% compared to 2022.

	2023 € m	2022 € m	% change
Net fee and commission income			
Customer accounts	240	226	6
Card income	148	112	31
Customer related foreign exchange	88	83	5
Lending related fees	54	50	8
Stockbroking client fees and commissions	46	47	-1
Payzone	19	17	9
Asset management and advisory fees	4	12	-64
Other fees and commissions	34	41	-16
Net fee and commission income	633	588	8

Net fee and commission income of € 633 million in 2023 increased by € 45 million or 8% compared to 2022 primarily reflecting higher card interchange fees and higher transaction volumes which included the full year impact of customers onboarded from banks exiting the Irish market.

Asset management and advisory fees in 2023 were negatively impacted by external market conditions.

A gain of € 223 million was recognised in 2023 in respect of loan acquisition forward contracts comprising a gain of € 203 million on Ulster Bank tracker (and linked) mortgages and € 20 million on Ulster Bank corporate and commercial loans (2022: € 62 million) reflecting income earned on the portfolios since the Group acquired an economic interest and changes in valuation parameters since the original transaction pricing⁽³⁾.

Net trading income (excluding the loan acquisition forward contracts and equity investment hedges) of € 2 million in 2023 compared to a gain of € 39 million in 2022 which included favourable movements on derivative valuation adjustments (XVA) and other interest rate related gains.

Net gain on equity investments⁽⁴⁾ was € 12 million in 2023 compared to € 87 million in 2022, as the prior year benefited from a higher gain on revaluation and disposal of equity investments including a gain of € 61 million following the partial conversion and disposal of Visa Inc Series B Preferred Stock.

Net gain on loans and advances to customers (FVTPL) of € 3 million in 2023 (2022: € 13 million) represents income recognised on previously restructured loans carried at fair value through profit or loss.

Other operating income of € 27 million in 2023 (2022: € 11 million) included other Goodbody income of € 13 million (2022: € 4 million) and a gain on disposal of individual loans for credit management purposes of € 10 million (2022: € 1 million). The prior year also included a gain on disposal of investment securities of € 7 million.

IFRS basis

On an IFRS basis other income, including a net loss of € 19 million on exceptional items⁽¹⁾, was € 881 million in 2023 compared to € 818 million in 2022.

(1) Other income before exceptional items. A loss of € 19 million on exceptional items in 2023 comprises a € 19 million net loss on disposal of loan portfolios (2022: net gain on disposal of loan portfolios € 18 million).

(2) As outlined on page 34 'Change in presentation of interest income and expense' the comparative net trading income figure for 2022 has been restated.

(3) For further information see note 44 Fair value of financial instruments in the consolidated financial statements.

(4) Net gain on equity investments comprises a net gain on equity investments (FVTPL) of € 27 million in 2023 (2022: € 88 million) and a loss on equity investment hedges of € 15 million in 2023 (2022: € 1 million).

Operating expenses

Total operating expenses⁽¹⁾

€1,826m

	2023	2022	%
	€ m	€ m	change
Operating expenses⁽¹⁾			
Personnel expenses	901	779	16
General and administrative expenses	630	575	10
Depreciation, impairment and amortisation	295	305	-3
Total operating expenses	1,826	1,659	10

Staff numbers at period end ⁽²⁾	10,551	9,590	10
Average staff numbers ⁽²⁾	10,200	9,221	11

Total operating expenses⁽¹⁾

€1,826m

Total operating expenses of € 1,826 million increased by

€ 167 million or 10% compared to 2022.

Personnel expenses

Personnel expenses increased by € 122 million compared to 2022 primarily due to higher average staff numbers, salary inflation and an allowance for variable pay.

Staff numbers at 31 December 2023 were 10% higher than 31 December 2022 reflecting an increase in staff numbers to support higher business volumes, insourcing and a transfer of staff from Ulster Bank as part of the acquisition of the corporate and commercial loan portfolio.

General and administrative expenses

General and administrative expenses increased by € 55 million compared to 2022 driven by inflationary pressures, the cost of servicing the enlarged Group and technology related transformation costs.

Depreciation, impairment and amortisation

Depreciation, impairment and amortisation decreased by € 10 million compared to 2022 primarily due to a reduced impairment charge in 2023.

Cost income ratio⁽¹⁾

39%

Costs of € 1,826 million and income of € 4,741 million resulted in a cost income ratio of 39% in 2023 compared to 57% in 2022.

Bank levies and regulatory fees

€185m

	2023	2022
	€ m	€ m
Bank levies and regulatory fees		
Irish bank levy	37	37
Deposit Guarantee Scheme	86	55
Single Resolution Fund	36	38
Other regulatory levies and charges	26	25
Total bank levies and regulatory fees	185	155

Total bank levies and regulatory fees of € 185 million increased by € 30 million compared to 2022 primarily due to a higher Deposit Guarantee Scheme (DGS) fee.

The DGS fee for 2023 reflected an industry wide increase in the funding rate to facilitate the build-up of the DGS Contributory Fund to the target level.

IFRS basis

On an IFRS basis total costs, including bank levies and regulatory fees of € 185 million and the cost of exceptional items⁽³⁾ of € 131 million, were € 2,142 million in 2023 compared to € 2,063 million in 2022. This results in a cost income ratio (IFRS basis) of 45% in 2023, compared to 71% in 2022.

(1) Before bank levies and regulatory fees and exceptional items.

(2) Staff numbers are on a full time equivalent (FTE) basis.

(3) The cost of exceptional items of € 131 million in 2023 (2022: € 249 million) comprised: Personnel expenses € 10 million (2022: € 17 million), General and administrative expenses € 121 million (2022: € 195 million) and Depreciation, impairment and amortisation Nil (2022: € 37 million).

Business Review –

1. Operating and Financial Review continued

Net credit impairment charge

€172m

There was a net credit impairment charge of € 172 million in 2023 (2022: € 7 million) comprising a € 189 million charge on loans and advances to customers (2022: € 5 million) partially offset by a € 17 million writeback for off-balance sheet exposures (2022: Nil). The prior year also included a € 2 million charge on investment securities.

The charge on loans and advances to customers in 2023 reflected a:

- Property and construction portfolio net credit impairment charge of € 261 million (2022: € 38 million) including additional post model adjustments to address potential adverse impacts from higher interest rates and lower valuations.
- Residential mortgage portfolio net credit impairment charge of € 30 million (2022: € 20 million writeback).
- Other personal portfolio net credit impairment charge of € 36 million (2022: € 17 million).
- Non-property business portfolio net credit impairment writeback of € 138 million (2022: € 30 million) reflecting strong credit performance and repayments.

For further information see pages 125 to 176 in the Risk Management section.

Loss on disposal of business

€26m

The loss on disposal of business of € 26 million in 2023 (2022: Nil) primarily reflected the transfer to the income statement of a portion of the foreign currency translation reserves following repatriation of part of the capital of foreign subsidiaries which have ceased trading.

Income tax charge

€336m

The income tax charge was € 336 million in 2023, representing an effective tax rate of 14% compared to a tax charge of € 115 million in 2022 (effective tax rate 13%). The effective tax rate is influenced by geographic mix of profit streams which may be taxed at different rates.

For further information see note 14 Taxation and note 27 Deferred taxation of the consolidated financial statements.

Total exceptional items

€150m

	2023	2022
	€ m	€ m
Total exceptional items	(150)	(231)
Restitution costs	(62)	(94)
Inorganic transaction costs	(59)	(53)
(Loss)/gain on disposal of loan portfolios	(18)	36
Restructuring costs:	(11)	(93)
- Termination benefits	(10)	(7)
- Property transformation	—	(44)
- Loss on UK portfolio sale	(1)	(18)
- Other restructuring	—	(24)
Other	—	(27)
Total exceptional items	(150)	(231)

These gains/costs were viewed as exceptional by management.

Restitution costs includes a charge of € 88 million related to a series of investment property funds (known as Belfry) which were sold to individual investors during the period 2002 to 2006, reflecting a provision for customer redress of € 77 million and associated costs of € 11 million (2022 provision of € 101 million). It also includes a writeback of customer redress provisions recognised in prior periods.

Inorganic transaction costs include costs associated with the acquisition of a portfolio of Ulster Bank corporate and commercial loans and a portfolio of Ulster Bank tracker (and linked) mortgages.

(Loss)/gain on disposal of loan portfolios in 2023 reflects a loss of € 18 million primarily relating to the disposal of non-performing loan portfolios in prior years.

Restructuring costs reflect the implementation of the Group's strategy (Strategy 2023) including termination benefits, impairment and other costs associated with the reduction in the Group's property footprint, changes to the Retail network in ROI and the exit from the SME market in Great Britain.

Other in 2022 reflects a charge of € 27 million relating to the conclusion of the Central Bank of Ireland enforcement investigation in respect of tracker mortgages at AIB and EBS.

Assets

	New lending		
Net loans to customers	31 Dec		31 Dec
	2023	2022	%
	€ bn	€ bn	change
Assets			
Gross loans to customers	67.0	61.2	9
ECL allowance	(1.5)	(1.6)	-6
Net loans to customers	65.5	59.6	10
Investment securities	17.4	16.3	7
Loans and advances to banks	39.3	39.7	-1
Securities financing	6.5	6.3	3
Other assets	7.6	7.9	-4
Total assets	136.3	129.8	5

Net loans to customers

€65.5bn Net loans increased by € 5.9 billion or 10% compared to 31 December 2022 driven by the acquisition of loans from Ulster Bank and new lending exceeding redemptions.

The Group completed the migration of a further € 0.9 billion of Ulster Bank corporate and commercial loans in 2023 bringing the total fair value of loans migrated to € 3.0 billion.

In July 2023, the Group completed the migration of Ulster Bank tracker (and linked) mortgages with a fair value of € 3.8 billion with the migration of the remaining eligible loans to be completed in 2024.

New lending

€12.3bn New lending of € 12.3 billion in 2023 was € 0.3 billion or 2% lower compared to 2022.

New lending comprises € 10.7 billion term lending in 2023 (€ 10.8 billion in 2022) and € 1.6 billion transaction lending in 2023 (€ 1.8 billion in 2022).

Summary of movement in loans to customers

The table below sets out the movement in loans to customers from 1 January 2023 to 31 December 2023.

	Performing loans	Non-performing loans	Loans to customers
	€ bn	€ bn	€ bn
Loans to customers			
Gross loans (opening balance 1 January 2023)	59.0	2.2	61.2
New lending	12.3	—	12.3
Redemptions of existing loans	(10.3)	(0.7)	(11.0)
Portfolio acquisitions	4.7	—	4.7
Portfolio disposals	—	(0.3)	(0.3)
Net movement to non-performing	(0.9)	0.9	—
Write-offs and restructures	—	(0.1)	(0.1)
Foreign exchange and other movements	0.2	—	0.2
Gross loans (closing balance 31 December 2023)	65.0	2.0	67.0
ECL allowance	(0.9)	(0.6)	(1.5)
Net loans (closing balance 31 December 2023)	64.1	1.4	65.5

Irish mortgage lending of € 4.0 billion, representing a market share of 33% (2022: 32%) was 12% lower compared to 2022 as the prior year benefited from a high level of switching activity.

Personal lending was up 23% to € 1.2 billion.

Non-property lending of € 5.0 billion was up 18% driven by continued growth in renewable energy & infrastructure and corporate lending in Ireland as well as selective growth in syndicated lending partially offset by lower UK lending.

Property related lending was 26% lower at € 2.0 billion reflecting reduced activity levels in the commercial real estate sector.

Non-performing loans

€2.0bn

Non-performing loans ratio

3.0%

Non-performing loans decreased by € 0.2 billion or 9% to € 2.0 billion at 31 December 2023 primarily reflecting redemptions of € 0.7 billion and the disposal of non-performing loan portfolios of € 0.3 billion partially offset by the net flow to non-performing of € 0.9 billion.

Non-performing loans ratio

Non-performing loans as a percentage of gross loans to customers was 3.0% at 31 December 2023 compared to 3.5% at 31 December 2022.

ECL allowance

€1.5bn

Non-performing loans cover

32%

The ECL allowance on loans (at amortised cost) of € 1.5 billion at 31 December 2023 decreased from € 1.6 billion at 31 December 2022.

Non-performing loans cover

The ECL allowance cover rate on non-performing loans decreased to 32% at 31 December 2023 compared to 35% at 31 December 2022 driven by the disposal of non-performing personal loans with higher cover rates.

Business Review –

1. Operating and Financial Review continued

Assets continued

The tables below summarise the credit profile of the loan portfolio by asset class and includes a range of credit metrics that the Group uses in managing the portfolio. Further information on the Group's risk profile and non-performing loans is available in the Risk management section on pages 125 to 176.

Loan portfolio profile	At amortised cost				At FVTPL ⁽¹⁾		
	Residential mortgages	Other personal	Property and construction	Non-property business	Total	Total	Total
31 December 2023	€ bn	€ bn	€ bn	€ bn	€ bn	€ bn	€ bn
Gross loans to customers	34.8	2.9	9.2	20.1	67.0	0.0	67.0
Of which: Stage 2	2.4	0.2	2.8	2.3	7.7		7.7
Non-performing loans	0.7	0.1	0.7	0.5	2.0		2.0
Total ECL allowance	0.3	0.1	0.5	0.6	1.5		1.5
Total ECL allowance cover (%)	0.9 %	3.3 %	5.9 %	2.9 %	2.3 %		
ECL allowance cover Stage 2 (%)	3.2 %	13.0 %	9.6 %	11.5 %	8.3 %		
ECL allowance cover non-performing (%)	29.7 %	54.7 %	29.3 %	34.6 %	31.9 %		
31 December 2022	€ bn	€ bn	€ bn	€ bn	€ bn	€ bn	€ bn
Gross loans to customers	30.3	2.7	8.6	19.4	61.0	0.2	61.2
Of which: Stage 2	1.1	0.3	1.4	3.2	6.0		6.0
Non-performing loans	0.6	0.2	0.4	0.8	2.0	0.2	2.2
Total ECL allowance	0.3	0.2	0.3	0.8	1.6		1.6
Total ECL allowance cover (%)	0.9 %	6.5 %	3.7 %	4.3 %	2.7 %		
ECL allowance cover Stage 2 (%)	3.3 %	13.7 %	8.4 %	14.1 %	10.7 %		
ECL allowance cover non-performing (%)	31.2 %	64.4 %	29.3 %	34.7 %	35.1 %		

Investment securities

Investment securities of € 17.4 billion, primarily held for liquidity purposes, increased by € 1.1 billion from 31 December 2022.

Loans and advances to banks

Loans and advances to banks of € 39.3 billion, including € 33.3 billion of cash and balances at central banks, were € 0.4 billion lower than 31 December 2022.

Securities financing

Securities financing of € 6.5 billion increased by € 0.2 billion from 31 December 2022.

Other assets

Other assets of € 7.6 billion comprised:

- Deferred tax assets of € 2.6 billion⁽²⁾ decreased by € 0.4 billion from 31 December 2022.
- Derivative financial instruments of € 2.4 billion were broadly in line with 31 December 2022.
- Remaining assets of € 2.6 billion increased by € 0.2 billion from 31 December 2022.

(1) Loans at FVTPL in 2022 relate predominantly to the property and construction asset class.

(2) For further information see note 27 Deferred taxation in the consolidated financial statements.

Liabilities & equity

Customer accounts

€104.8bn

Equity

€15.1bn

	31 Dec 2023 € bn	31 Dec 2022 € bn	% change
Liabilities & equity			
Customer accounts	104.8	102.4	2
Deposits by banks	1.8	0.5	
Debt securities in issue	8.4	7.2	17
Subordinated liabilities	1.5	1.4	5
Other liabilities	4.7	6.0	-21
Total liabilities	121.2	117.5	3
Equity	15.1	12.3	22
Total liabilities & equity	136.3	129.8	5
	%	%	Change
Loan to deposit ratio	63	58	5

Customer accounts

€104.8bn

Customer accounts increased by € 2.4 billion or 2% compared to

31 December 2022 driven by an increase in personal balances and includes inflows from banks exiting the Irish market.

Interest bearing customer accounts of € 46.1 billion at 31 December 2023 increased by € 3.0 billion or 7% compared to 31 December 2022 driven by an increase in term deposits. Non-interest bearing current accounts of € 58.7 billion at 31 December 2023 decreased by € 0.6 billion or 1% compared to 31 December 2022.

Loan to deposit ratio

The loan to deposit ratio increased to 63% at 31 December 2023 compared to 58% at 31 December 2022 as growth in loans to customers, which included the acquisition of loans from Ulster Bank, outpaced growth in customer accounts.

Deposits by banks

Deposits by banks of € 1.8 billion increased by € 1.3 billion compared to 31 December 2022 driven by higher deposits by central banks and cash collateral received from derivative counterparties.

Debt securities in issue

Debt securities of € 8.4 billion increased by € 1.2 billion from 31 December 2022 primarily due to further MREL related issuances of € 2.4 billion, including € 1.5 billion social and green bond issuances, partly offset by maturities of € 1.4 billion.

Subordinated liabilities

Subordinated liabilities of € 1.5 billion were broadly in line with 31 December 2022.

Other liabilities

Other liabilities of € 4.7 billion comprised:

- Derivative financial instruments of € 1.9 billion, decrease of € 1.1 billion primarily reflecting interest rate movements in the period.
- Securities financing € 0.6 billion, € 0.3 billion decrease from 31 December 2022.
- Remaining liabilities of € 2.2 billion, € 0.1 billion increase from 31 December 2022.

Equity

€15.1bn

Equity increased by € 2.8 billion to € 15.1 billion compared to

€ 12.3 billion at 31 December 2022.

The table below sets out the movements to 31 December 2023.

Equity	€ bn
Opening balance (1 January 2023)	12.3
Profit for the year	2.1
Distributions paid	(0.4)
Cash flow hedging reserves	1.2
Other	(0.1)
Closing balance (31 December 2023)	15.1

The increase in the cash flow hedging reserves during the year reflected fair value movements on interest rate swaps due to the reduction in interest rate expectations and the amounts transferred to the income statement as the hedged item affected the income statement.

Business Review –

1. Operating and Financial Review continued

Segment overview

The Group's performance in 2023 was managed and reported across the Retail Banking, AIB Capital Markets (Capital Markets), AIB UK and Group segments. Segment performance excludes exceptional items.

Retail Banking

Our leading Irish retail franchise provides a comprehensive range of products and services to over 3.2 million customers delivered through our branch, digital and phone banking channels; with an expanded reach into the retail customer base via EBS, Haven, AIB Merchant Services, Payzone, Nifti and AIB life.

- Homes & Consumer are responsible for meeting the everyday banking needs of customers in Ireland by delivering innovative products, propositions and services and for growing our market leading positions. Our aim is to achieve a seamless and transparent customer experience across all our products and services including mortgages, current accounts, personal lending, payments and credit cards, deposits, insurance and wealth.
- SME serves our micro and small SME customers through our sector-led strategy and local expertise with an extensive product and services offering. Our aim is to help our customers create and build sustainable businesses in their communities.
- Financial Solutions Group (FSG) is our dedicated centre of excellence for the management of the vast majority of the Group's non-performing exposures (NPEs), with the objective of supporting our customers in difficulty and delivering the Group's strategy to reduce NPEs.

Capital Markets

Capital Markets provides institutional, corporate and business banking services to the Group's larger customers and customers requiring specific sector or product expertise. Capital Markets' relationship driven model serves customers through sector specialist teams including: corporate banking, real estate finance, business banking and energy, climate action & infrastructure.

In addition to traditional credit products, Capital Markets offers customers foreign exchange and interest rate risk management products, cash management products, trade finance, mezzanine finance, structured and specialist finance and equity investments, as well as private banking services and advice. Capital Markets also has syndicated and international finance teams based in Dublin and in New York. Goodbody offers further capabilities in wealth management, corporate finance, asset management and wider capital market propositions.

AIB UK

AIB UK offers corporate, retail and business banking services in two distinct markets:

- a sector-led corporate bank with a comprehensive range of lending and deposit products, offering specific sector expertise across both Great Britain and Northern Ireland; and
- a full service retail bank in Northern Ireland (AIB NI) to personal and business customers with a focus on mortgage and business lending.

Group

Group comprises wholesale treasury activities and Group control and support functions. Treasury manages the Group's liquidity and funding positions and provides customer treasury services and economic research. The Group's control and support functions in the period included Technology, Operations, Finance, Risk, Legal, Corporate Governance & Customer Care, Human Resources, Sustainability and Corporate Affairs, Enterprise Development and Group Internal Audit.

Segment allocations

Under the Group's cost allocation methodology, substantially all of the costs of the Group's control, support and Treasury functions are allocated to Retail Banking, Capital Markets and AIB UK. In addition, certain Bank levies and regulatory fees, such as the Irish bank levy, are allocated to the Retail Banking and Capital Markets segments.

Funding and liquidity income/charges are based on each segment's funding requirements and the Group's funding cost profile, which is informed by wholesale and retail funding costs. Income attributable to capital is allocated to segments based on each segment's capital requirement.

Retail Banking

	2023	2022	%		31 Dec	31 Dec	%
	€ m	€ m	change		€ bn	€ bn	change
Retail Banking contribution statement				Retail Banking balance sheet metrics			
Net interest income	2,409	1,186		Mortgages	3.9	4.5	
Other income	662	418	58	Personal	1.2	1.0	
Total operating income	3,071	1,604	91	Property	0.1	0.1	
Total operating expenses	(1,253)	(1,151)	9	Non-property business	0.9	0.9	
Bank levies and regulatory fees	(51)	(50)	2	New lending	6.1	6.5	-5
Operating contribution before impairments and exceptional items	1,767	403					
Net credit impairment (charge)/ writeback	(57)	144		Mortgages	33.4	28.7	
Operating contribution before exceptional items	1,710	547		Personal	2.8	2.6	
Income from equity accounted investments	7	7		Property	0.5	0.5	
Contribution before exceptional items	1,717	554		Non-property business	3.1	3.0	
				Gross loans	39.8	34.8	14
				ECL allowance	(0.6)	(0.7)	-14
				Net loans	39.2	34.1	15
				Current accounts	46.7	45.4	3
				Deposits	33.8	30.4	11
				Customer accounts	80.5	75.8	6

Net interest income

€2,409m Net interest income has increased by € 1,223 million compared to 2022 primarily driven by the favourable impact of a higher interest rate environment and an increase in average loan volumes.

Other income

€662m Other income increased by € 244 million compared to 2022 driven by a gain in respect of the loan acquisition forward contract to acquire tracker (and linked) mortgages from Ulster Bank. There was also an increase in net fee and commission income reflecting higher card interchange fees and higher transaction volumes which included the full year impact of customers onboarded from banks exiting the Irish market.

Total operating expenses

€1,253m Total operating expenses increased by € 102 million in 2023 primarily due to higher personnel as well as general and administrative expenses.

Net credit impairment charge

€57m There was a net credit impairment charge of € 57 million in 2023 (2022: € 144 million writeback). This comprised a € 60 million charge on loans and advances to customers (driven by a charge of € 29 million on mortgages and € 36 million on personal partially offset by a writeback of € 5 million on non-property business) and a € 3 million writeback for off-balance sheet exposures.

New lending

€6.1bn New lending was 5% lower at € 6.1 billion driven by lower mortgage lending as the prior year benefited from a high level of switching activity partially offset by growth in personal lending.

Net loans

€39.2bn Net loans increased by € 5.1 billion or 15% to € 39.2 billion primarily due to growth in performing loans driven by the migration of Ulster Bank mortgage and commercial loans and as new lending exceeded redemptions.

ECL allowance

€0.6bn The ECL allowance of € 0.6 billion in 2023 decreased by € 0.1 billion compared to 31 December 2022.

Customer accounts

€80.5bn Customer accounts increased by € 4.7 billion compared to 31 December 2022 driven by higher personal balances.

Business Review –

1. Operating and Financial Review continued

Capital Markets

Capital Markets contribution statement	2023 € m	2022 € m	% change
Net interest income	896	565	59
Other income	192	233	-18
Total operating income	1,088	798	36
Total operating expenses	(373)	(325)	15
Bank levies and regulatory fees	(12)	(12)	—
Operating contribution before impairments and exceptional items	703	461	52
Net credit impairment charge	(88)	(102)	-14
Operating contribution before exceptional items	615	359	71
Income from equity accounted investments	—	25	
Gain on disposal of business	2	—	
Contribution before exceptional items	617	384	61

Net interest income

€896m Net interest income increased by € 331 million compared to 2022 primarily due to an increase in average loan and investment securities volumes as well as the favourable impact of a higher interest rate environment partly offset by higher funding costs.

Other income

€192m Other income decreased by € 41 million compared to 2022 due to lower income from the loan acquisition forward contract to acquire corporate and commercial loans from Ulster Bank.

Total operating expenses

€373m Total operating expenses increased by € 48 million compared to 2022 due to higher personnel as well as general and administrative expenses.

Net credit impairment charge

€88m There was a net credit impairment charge of € 88 million in 2023 (2022: € 102 million). This comprised a € 99 million charge on loans and advances to customers (driven by a charge of € 219 million on property and construction partially offset by a writeback of € 121 million on non-property business) and an € 11 million writeback for off-balance sheet exposures.

Income from equity accounted investments

€0m Income from equity accounted investments in 2022 of € 25 million reflected the profit on disposal of an investment in an associate entity.

Capital Markets balance sheet metrics	31 Dec 2023 € bn	31 Dec 2022 € bn	% change
Mortgages	0.0	0.1	
Personal	0.0	0.0	
Property	1.3	2.0	
Non-property business	3.5	2.6	
New lending	4.8	4.7	3
Mortgages	0.5	0.5	
Personal	0.1	0.1	
Property	6.5	6.4	
Non-property business	13.0	12.2	
Gross loans	20.1	19.2	5
ECL allowance	(0.7)	(0.7)	
Net loans	19.4	18.5	5
Investment securities	2.4	2.2	11
Current accounts	11.1	12.4	-10
Deposits	4.1	3.8	8
Customer accounts	15.2	16.2	-6

New lending

€4.8bn New lending of € 4.8 billion was € 0.1 billion or 3% higher than 2022 driven by continued growth in renewable energy & infrastructure and corporate lending as well as selective growth in syndicated lending partially offset by lower property lending.

Net loans

€19.4bn Net loans increased by € 0.9 billion or 5% to € 19.4 billion primarily due to the migration of additional Ulster Bank corporate and commercial loans and growth in renewable energy & infrastructure partly offset by a reduction in syndicated loans.

ECL allowance

€0.7bn The ECL allowance of € 0.7 billion as at December 2023 was broadly in line with 31 December 2022.

Investment securities

€2.4bn Investment securities of € 2.4 billion were € 0.2 billion higher than 31 December 2022.

Customer accounts

€15.2bn Customer accounts decreased by € 1.0 billion compared to 31 December 2022.

AIB UK

AIB UK contribution statement	2023	2022	%	AIB UK balance sheet metrics	31 Dec 2023	31 Dec 2022	%
	£ m	£ m	change		£ bn	£ bn	change
Net interest income	370	250	48	AIB GB Corporate	1.1	1.1	-3
Other income	39	48	-18	AIB NI Retail	0.1	0.2	-36
Total operating income	409	298	37	New lending	1.2	1.3	-8
Total operating expenses	(160)	(147)	9	AIB GB	5.0	5.2	-4
Bank levies and regulatory fees	(1)	(1)		AIB NI	1.2	1.2	
Operating contribution before impairments and exceptional items	248	150	66	Gross loans	6.2	6.4	-4
Net credit impairment charge	(23)	(42)	-45	ECL allowance	(0.2)	(0.2)	-7
Operating contribution before exceptional items	225	108		Net loans	6.0	6.2	-3
Income from equity accounted investments	5	4	20	Current accounts	4.0	5.2	-24
Contribution before exceptional items	230	112		Deposits	3.0	2.9	4
Contribution before exceptional items € m	264	133	98	Customer accounts	7.0	8.1	-14

Net interest income

£370m Net interest income increased by £ 120 million compared to 2022 driven by the favourable impact of a higher interest rate environment partly offset by higher funding costs.

Other income

£39m Other income of £ 39 million in 2023 decreased by £ 9 million as the prior year benefited from favourable movements on derivative valuation adjustments.

Total operating expenses

£160m Total operating expenses increased by £ 13 million compared to 2022 primarily due to higher personnel expenses.

Net credit impairment charge

£23m There was a net credit impairment charge of £ 23 million in 2023 (2022: £ 42 million). This comprised a £ 26 million charge on loans and advances to customers (driven by a charge of £ 36 million on property and construction partially offset by a writeback of £ 10 million on non-property business) and a £ 3 million writeback for off-balance sheet exposures.

New lending

£1.2bn New lending of £ 1.2 billion in 2023 decreased by £ 0.1 billion or 8% compared to 2022.

Net loans

£6.0bn Net loans of £ 6.0 billion decreased by £ 0.2 billion or 3% compared to 2022.

ECL allowance

£0.2bn The ECL allowance of £ 0.2 billion at 31 December 2023 was in line with 31 December 2022.

Customer accounts

£7.0bn Customer accounts of £ 7 billion at 31 December 2023 were £ 1.1 billion lower compared to 31 December 2022 driven by an increase in customer spending due to the higher cost of living and the residual impact of the Group's decision to exit the SME market in Great Britain.

Business Review –

1. Operating and Financial Review continued

Group

Group contribution statement	2023	2022	%	Group balance sheet metrics	31 Dec	31 Dec	%
	€ m	€ m	change		2023	2022	change
Net interest income ⁽¹⁾	111	50		Investment securities	14.9	14.1	6
Other income ⁽¹⁾	1	93		Securities financing	6.5	6.3	3
Total operating income	112	143	-22	Customer accounts	1.2	1.2	
Total operating expenses	(15)	(11)	36				
Bank levies and regulatory fees	(121)	(92)	32				
Operating contribution before impairments and exceptional items	(24)	40					
Net credit impairment charge	(1)	0					
Operating contribution before exceptional items	(25)	40					
Income from equity accounted investments	(1)	—					
Loss on disposal of business	(28)	—					
Contribution before exceptional items	(54)	40					

Net interest income

€111m Net interest income of € 111 million increased by € 61 million compared to 2022 reflecting the impact of a higher interest rate environment as well as higher average securities financing volumes.

Other income

€1m Other income decreased by € 92 million compared to 2022 as the prior year benefited from higher income from equity investments including a gain of € 61 million following the partial conversion and disposal of Visa Inc Series B Preferred Stock as well as favourable movements on derivative valuation adjustments and other interest rate related gains.

Total operating expenses

€15m Total operating expenses of € 15 million increased by € 4 million compared to December 2022.

Bank levies and regulatory fees

€121m Bank levies and regulatory fees increased by € 29 million compared to 2022 primarily due to a higher Deposit Guarantee Scheme (DGS) fee.

Loss on disposal of business

€28m The loss on disposal of business of € 28 million in 2023 (2022: Nil) reflected the transfer to the income statement of a portion of the foreign currency translation reserves following repatriation of part of the capital of foreign subsidiaries which have ceased trading.

Investment securities

€14.9bn Investment securities of € 14.9 billion, primarily held for liquidity purposes, increased by € 0.8 billion from 31 December 2022.

Securities financing

€6.5bn Securities financing of € 6.5 billion increased by € 0.2 billion from 31 December 2022.

Customer accounts

€1.2bn Customer accounts of € 1.2 billion are in line with 31 December 2022.

(1) As outlined on page 34 'Change in presentation of interest income and expense' the comparative net interest income and other income figures for 2022 have been restated.

Alternative performance measures

The following is a list, together with a description, of APMs used in analysing the Group's performance, provided in accordance with the European Securities and Markets Authority (ESMA) guidelines.

Average rate	Interest income/expense for balance sheet categories divided by the corresponding average balance.
Average balance	Average balances for interest-earning assets are based on daily balances for all categories. Average balances for interest-earning liabilities are based on a combination of daily/monthly balances, with the exception of customer accounts which are based on daily balances.
Absolute cost base	Total operating expenses excluding exceptional items, bank levies and regulatory fees.
Cost income ratio	Total operating expenses excluding exceptional items, bank levies and regulatory fees divided by total operating income excluding exceptional items.
Cost income ratio (IFRS basis)	Total operating expenses divided by total operating income.
Exceptional items	<p>Performance measures have been adjusted to exclude items viewed as exceptional by management and which management view as distorting comparability of performance year on year. The adjusted performance measure is considered an APM. A reconciliation between the IFRS and management performance summary income statements is set out on page 48. Exceptional items include:</p> <ul style="list-style-type: none"> • Restitution costs includes a charge related to a series of investment property funds (known as Belfry) which were sold to individual investors during the period 2002 to 2006. It also includes customer redress compensation and associated costs. • Restructuring costs reflect the implementation of the Group's strategy (Strategy 2023) including termination benefits, impairment and other costs associated with the reduction in the Group's property footprint, changes to the Retail network in ROI and the exit from the SME market in Great Britain. • Inorganic transaction costs includes costs associated with the acquisition of a portfolio of Ulster Bank corporate and commercial loans and the acquisition of a portfolio of Ulster Bank tracker (and linked) mortgages. • (Loss)/gain on disposal of loan portfolios relates to the disposal of non-performing loan portfolios. • Other in 2022 reflects a charge relating to the conclusion of the Central Bank of Ireland enforcement investigation in respect of tracker mortgages at AIB and EBS.
Loan to deposit ratio	Net loans and advances to customers divided by customer accounts.
Net interest margin	Net interest income divided by average interest-earning assets.
Non-performing exposures	Non-performing exposures as defined by the European Banking Authority, include loans and advances to customers (non-performing loans) and off-balance sheet exposures such as loan commitments and financial guarantee contracts.
Non-performing loans cover	ECL allowance on non-performing loans as a percentage of non-performing loans.
Non-performing loans ratio	Non-performing loans as a percentage of total gross loans.
Return on Tangible Equity (RoTE)	Profit after tax less AT1 coupons paid, divided by targeted CET1 capital on a fully loaded basis. Details of the Group's RoTE is set out in the Capital Section on page 52.
Management performance – summary income statement	<p>The following line items in the management performance summary income statement are considered APMs:</p> <ul style="list-style-type: none"> • Other income • Total operating income • Personnel expenses • General and administrative expenses • Depreciation, impairment and amortisation • Total operating expenses • Bank levies and regulatory fees • Operating profit before impairment losses and exceptional items • Operating profit before exceptional items • Profit before exceptional items • Total exceptional items

Business Review –

1. Operating and Financial Review continued

Reconciliation between IFRS and management performance summary income statements

Performance has been adjusted to exclude items viewed as exceptional by management and which management view as distorting comparability of performance period on period. The adjusted performance measure is considered an APM. A reconciliation of management performance measures to the directly related IFRS measures, providing their impact in respect of specific line items and the overall summary income statement, is set out below.

	2023 € m	2022 € m
IFRS - summary income statement		
Net interest income	3,841	2,095
Other income	881	818
Total operating income	4,722	2,913
Total operating expenses	(2,142)	(2,063)
Operating profit before impairment losses	2,580	850
Net credit impairment charge	(172)	(7)
Operating profit	2,408	843
Income from equity accounted investments	12	37
Loss on disposal of business	(26)	—
Profit before taxation	2,394	880
Income tax charge	(336)	(115)
Profit for the year	2,058	765

Adjustments - between IFRS and management performance

Other income	of which: exceptional items		
	Loss/(gain) on disposal of loan portfolios	19	(18)
Total operating expenses	of which: bank levies and regulatory fees	185	155
	of which: exceptional items		
	Restitution costs	62	94
	Restructuring costs	10	75
	Inorganic transaction costs	59	53
	Other	—	27
		131	249

Management performance - summary income statement

Net interest income	3,841	2,095
Other income ⁽¹⁾	900	800
Total operating income ⁽¹⁾	4,741	2,895
Total operating expenses ⁽¹⁾	(1,826)	(1,659)
Bank levies and regulatory fees ⁽¹⁾	(185)	(155)
Operating profit before impairment losses and exceptional items⁽¹⁾	2,730	1,081
Net credit impairment charge	(172)	(7)
Operating profit before exceptional items⁽¹⁾	2,558	1,074
Income from equity accounted investments	12	37
Loss on disposal of business	(26)	—
Profit before exceptional items⁽¹⁾	2,544	1,111
Total exceptional items ⁽¹⁾	(150)	(231)
Profit before taxation	2,394	880
Income tax charge	(336)	(115)
Profit for the year	2,058	765

(1) Performance has been adjusted to exclude items viewed as exceptional by management and which management view as distorting comparability of performance year-on-year. The adjusted performance measure is considered an APM.

Business Review –

2. Capital

Objectives

The objectives of the Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the current and future risk inherent in its business and to support its future development. Detail on the management of capital and capital adequacy risk can be found in 'Risk management 2.8' on page 192.

Regulatory capital and capital ratios⁽¹⁾

	Transitional basis		Fully loaded basis	
	31 December 2023 € m	31 December 2022 € m	31 December 2023 € m	31 December 2022 € m
Equity	15,077	12,266	15,077	12,266
Less: Additional tier 1 Securities	(1,115)	(1,115)	(1,115)	(1,115)
Proposed ordinary dividend	(696)	(166)	(696)	(166)
Proposed share buyback ⁽²⁾	(1,000)	—	(1,000)	—
Regulatory adjustments:				
Intangible assets and goodwill	(535)	(537)	(535)	(537)
Cash flow hedging reserves	287	1,470	287	1,470
IFRS 9 CET1 transitional add-back	223	411	—	—
Pension	(26)	(12)	(26)	(12)
Deferred tax	(2,218)	(2,192)	(2,458)	(2,724)
Calendar provisioning ⁽³⁾	(77)	(115)	(77)	(115)
Other ⁽⁴⁾	(52)	(65)	(52)	(65)
	(2,398)	(1,040)	(2,861)	(1,983)
Total common equity tier 1 capital	9,868	9,945	9,405	9,002
Additional tier 1 capital				
Additional tier 1 issuance	1,115	1,115	1,115	1,115
Other	(3)	(3)	(3)	(3)
Total additional tier 1 capital	1,112	1,112	1,112	1,112
Total tier 1 capital	10,980	11,057	10,517	10,114
Tier 2 capital				
Subordinated debt	1,500	1,500	1,500	1,500
Instruments issued by subsidiaries that are given recognition in tier 2 capital	29	27	30	29
IRB Excess of provisions over expected losses eligible	111	135	111	135
IFRS 9 tier 2 transitional adjustment	(65)	(135)	—	—
Other	(3)	(3)	(3)	(3)
Total tier 2 capital	1,572	1,524	1,638	1,661
Total capital	12,552	12,581	12,155	11,775
Risk-weighted assets				
Credit risk	53,409	50,886	53,229	50,661
Market risk	342	291	342	291
Operational risk	5,822	4,302	5,822	4,302
Credit valuation adjustment and settlement risk	70	79	70	79
Total risk-weighted assets	59,643	55,558	59,463	55,333
	%	%	%	%
Common equity tier 1 ratio	16.5	17.9	15.8	16.3
Tier 1 ratio	18.4	19.9	17.7	18.3
Total capital ratio	21.0	22.6	20.4	21.3

(1) Prepared under the regulatory scope of consolidation.

(2) A proposed share buyback of € 1,000 million has been included as a foreseeable distribution, in line with the new EBA Q&A 2023_6887 released in quarter 4 2023. The prior year comparative December 2022 proposed share buyback of € 215 million is not included as a foreseeable distribution, if it was the pro-forma December 2022 fully loaded CET1 would be 15.9%.

(3) Calendar provisioning is a Supervisory Review and Evaluation Process ("SREP") recommendation to ensure minimum coverage levels on long term NPE exposures. The difference between the SREP recommended coverage levels and the IFRS 9 ECL coverage is taken as a CET1 deduction.

(4) Other includes prudent valuation adjustment for the Ulster Bank forward contract.

Business Review – 2. Capital continued

Key Points

- The Group is reporting a fully loaded CET1 ratio of 15.8% at 31 December 2023 against a regulatory requirement of 11.13%
- Proposed share buyback of € 1.0 billion and an ordinary dividend of € 0.7 billion from profits of € 2.1 billion
- The Pillar 2 requirement (P2R) has decreased from 2.75% to 2.60% for 2024
- Revised CET1 target of greater than 14.0% in 2024 (previously greater than 13.5%).

Capital requirements

The table below sets out the capital requirements at 31 December 2023 and the pro forma requirements for 31 December 2024.

	Actual	Pro Forma
Regulatory Capital Requirements	31 Dec 2023	31 Dec 2024
CET1 Requirements		
Pillar 1	4.50 %	4.50 %
Pillar 2 requirement (P2R)	1.55 %	1.46 %
Capital Conservation Buffer (CCB)	2.50 %	2.50 %
Other Systemically Important Institutions Buffer (O-SII)	1.50 %	1.50 %
Countercyclical buffer (CCyB) Impact	1.08 %	1.44 %
CET1 Requirement	11.13 %	11.40 %
AT1	2.02 %	1.99 %
Tier 2	2.69 %	2.65 %
Total Capital Requirement	15.84 %	16.04 %

In addition, under Article 104a any shortfall in AT1 and Tier 2 must be held in CET1. The AT1 shortfall at 31 December 2023 is 15bps and accordingly increases the CET1 requirement to 11.28%. The table does not include Pillar 2 Guidance ("P2G") which is not publicly disclosed.

The UK Countercyclical capital buffer ("CCyB") increased to 2% in July 2023. The CCyB for Irish exposures also increased to 1.0% in November 2023, with a further increase to 1.5% to take effect in June 2024.

Capital ratios at 31 December 2023

Fully Loaded Ratio

The fully loaded CET1 ratio decreased to 15.8% at 31 December 2023 from 16.3% at 31 December 2022.

Profit for the year attributable to equity holders of the parent (+3.7%) less proposed ordinary dividend (-1.3%) and share buyback (-1.8%) is offset by increased Risk Weighted Assets ("RWAs") (-1.2%).

The increase in RWA is mainly as a result of the acquisition of the Ulster Bank tracker (and linked) mortgage portfolio (-0.5%)¹, increased operational risk RWA due to higher average income (-0.5%) and increases in respect of IRB models (-0.4%). Elsewhere increases in new lending are largely offset by further application of CRR RWA related efficiencies.

The fully loaded total capital ratio decreased to 20.4% from 21.3% at 31 December 2022. The decrease in the ratio was primarily driven by the CET1 ratio movements outlined above.

Transitional Ratio

The transitional CET1 ratio decreased to 16.5% at 31 December 2023 from 17.9% at 31 December 2022. This decrease is driven by the fully loaded CET1 ratio movements detailed above and an additional year's phasing of the deferred tax asset deduction and the IFRS 9 transitional addback.

At 31 December 2023 the transitional total capital ratio decreased to 21.0% from 22.6% at 31 December 2022.

Model Redevelopment

During 2023 the Group has received a decision in relation to its redeveloped mortgage model, the impact of the decision has resulted in a c.€1 billion increase in RWA (-0.3% CET1).

The Group has submitted a redeveloped corporate model for regulatory approval. In the interim an internal scalar has been applied to the existing corporate model to bring RWA in line with the redeveloped model resulting in increased RWA of c.€ 0.3 billion (-0.1% CET1).

A decision in relation to the redeveloped SME model has been received with the redeveloped model resulting in a largely neutral capital impact.

(1) RWA includes an adjustment for the remaining eligible loans to be migrated in 2024

Distributions

Proposed Dividend

The Board proposes to pay an ordinary dividend of 26.6 cent per share from 2023 profits (totalling € 696 million based on the total number of ordinary shares currently outstanding). This is subject to shareholder approval at the Annual General Meeting in May 2024.

Proposed buyback of ordinary shares

The Group has received regulatory approval from the European Central Bank to undertake a buyback of its ordinary shares in an aggregate consideration amount of € 1 billion. Discussions with the Department of Finance in relation to a potential directed buyback of ordinary shares from the Minister for Finance are currently underway. Any buyback of ordinary shares would be subject to the approvals of the Board and the Minister for Finance. Furthermore, a buyback of € 1 billion from the Minister for Finance would require the approval of independent shareholders, which, subject to agreeing the terms of the buyback with the Department of Finance, the Group will seek in due course.

Leverage ratio

The fully loaded leverage ratio is 7.5% at 31 December 2023 (7.6% at 31 December 2022).

Leverage Ratio Metrics	2023	2022
	€m	€m
Total Exposure (Transitional)	140,774	133,971
Total Exposure (Fully Loaded)	140,289	132,968
Tier 1 Capital (Transitional Basis)	10,980	11,057
Tier 1 Capital (Fully Loaded)	10,517	10,114
Leverage Ratio (Transitional basis)	7.8 %	8.3 %
Leverage Ratio (Fully Loaded)	7.5 %	7.6 %

Finalisation of Basel III

The Group is progressing on the implementation of Basel III standards, and whilst a material change in RWA is not anticipated, this remains subject to final requirements. In relation to RWA floors, the Group's high RWA density makes it less likely to be severely impacted by their introduction.

Minimum Requirement for Own Funds and Eligible Liabilities ("MREL")

At 31 December 2023 the Group has a MREL ratio of 34.0% of RWAs (33.7% at 31 December 2022).

The Group's MREL ratio is in excess of the target for 2023 indicating that the Group has sufficient loss absorption and re-capitalisation capability. In the 12 months to 31 December 2023, the Group issued € 2.4 billion MREL bonds (€ 1.2 billion net of maturities).

The Group's January 2024 requirement is 29.7% of RWAs including the combined buffer requirement.

The Group continues to monitor developments in the Single Resolution Board's ("SRB") MREL policy which has the potential to impact on the Group's MREL requirements.

Business Review – 2. Capital continued

Ratings

AIB Group plc and Allied Irish Banks, p.l.c. are rated at investment grade with Moody's and Standard & Poor's (S&P).

AIB Group plc

On 14 Jun 2023, S&P upgraded the credit rating by one notch to BBB and changed the outlook to Stable from Positive. This upgrade reflects multiple factors including: AIB's asset quality to remain robust, and a more efficient, profitable, and diversified business model.

On 5 Dec 2023, Moody's revised the outlook to Positive from Stable and reaffirmed the ratings. This reflects Moody's view of improved asset quality, strong capitalisation and significantly improved profitability.

	31 December 2023	
Long term Ratings	Moody's	S&P
Long term	A3	BBB
Outlook	Positive	Stable
Investment grade	√	√
	31 December 2022	
Long term Ratings	Moody's	S&P
Long term	A3	BBB-
Outlook	Stable	Positive
Investment grade	√	√

Allied Irish Banks, p.l.c.

	31 December 2023	
Long-term Ratings	Moody's	S&P
Long term	A1	A
Outlook	Positive	Stable
Investment grade	√	√
	31 December 2022	
Long term Ratings	Moody's	S&P
Long term	A1	A-
Outlook	Stable	Positive
Investment grade	√	√

Return on Shareholder Equity ("RoE")/ Return on Tangible Equity ("RoTE")*

The RoTE for 2023 is 25.7% (2022: 9.6%).

	2023	2022
Return on Tangible Equity (RoTE)/ Return on Shareholder Equity (RoE)	€m	€m
Profit after tax	2,058	765
AT1 coupons paid	(65)	(65)
Attributable earnings	1,993	700
Average Shareholder Equity	12,555	11,848
Return on Shareholder Equity	15.9%	5.9%
Average RWA	57,398	53,846
RWA * 13.5% CET1 target	7,749	7,269
Return on Tangible Equity	25.7%	9.6%

As part of Strategy 2024-2026, the Group has now set a revised financial target for RoTE of 15% in the medium term (applicable from 2024).

In addition, the Group has revised its CET1 target to greater than 14.0% (previously greater than 13.5%). This leaves a buffer over MDA of at least 2.5%.

The Return on Shareholder Equity (RoE) at 31 December 2023 is 15.9% (2022: 5.9%).

Return on Assets

The Return on Assets (RoA) at 31 December 2023 is 1.5% (2022: 0.5%).

* RoTE is considered an Alternative Performance Measure.

ESG Disclosures

Task Force on Climate-Related Financial Disclosures	54
Non-Financial Information Statement	59
EU Taxonomy	64

ESG Disclosures – TCFD

Our TCFD Disclosures

In 2019, AIB was the first Irish Bank to become an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) to identify and assess our climate risks and opportunities. During 2023 AIB continued to make good progress in aligning with TCFD recommendations across the four key areas of Governance; Strategy; Risk Management; and Metrics and Targets.

An overview of our progress against the TCFD recommendations is referenced in the applicable sections of this report with further detail, where relevant, provided in the Detailed Sustainability Report 2023.

TCFD Pillar	Recommendation	AIB's governance approach	Disclosure Location
Governance	(a) Board's oversight of climate-related risks and opportunities.	Our governance structure provides clear oversight and ownership of the Group's sustainability strategy and management of climate risk at Board and executive levels. The Board is ultimately responsible for promoting the long-term sustainable performance of the Group, setting strategic aims and risk appetite to support the strategy. The Board delegates specific climate matters to its Committees.	Please see Governance and Oversight at p.66-79 and Detailed Sustainability Report at p. 57
	(b) Management's role in assessing and managing climate-related risks and opportunities.	The key management committees responsible for climate-related activities are as follows: <ul style="list-style-type: none"> • Executive Committee; • Group Sustainability Committee; • Group Disclosure Committee; and • Group Risk Committee. 	Please see Governance and Oversight at p. 110-112, Risk Management at p. 195 and Detailed Sustainability Report at p.58
TCFD Pillar	Recommendation	AIB's strategy approach	Disclosure Location
Strategy	(a) Climate-related risks and opportunities (short, medium, and long term).	<ul style="list-style-type: none"> • AIB considers transition risks and opportunities, as well as physical risks over the short, medium and long term. 	Please see Sustainability in AIB at p 22-24 and Risk Management: Climate and Environmental Risk at p. 193-195
	(b) Impact of climate-related risks and opportunities on businesses, strategy, and financial planning.	<ul style="list-style-type: none"> • Sustainable Communities continues to be a foundational pillar of our Group strategy and aligns strongly with our wider business strategy. AIB continues to support the transition to a low-carbon future building long term resilience and sustainability for our business, economy and society through our purpose of empowering people to build a sustainable future. 	Please see Sustainability in AIB at p 22-24 and Detailed Sustainability Report, at p.31
	(c) Resilience of strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> • The impact of Climate and Environmental risk is incorporated in the Group's stress testing framework by conducting comprehensive scenario analyses to evaluate the potential impact of various climate-related events on the Group's portfolios, operations and overall financial position. 	Please see Risk Management: Climate and Environmental Risk at p 194

TCFD Pillar	Recommendation	AIB's risk management approach	Disclosure Location
Risk Management	(a) Processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> The Group's material risk assessment identified Climate and Environmental as a new principal risk for the Group and this was approved by the Board in the second half of the year. The material risk assessment is an annual top-down process, identifying the Group's material risks in line with the Group's Risk Management Framework, taking into account the Group's strategic objectives, in addition to internal and external risk sources including climate related and environmental factors 	Please see Risk Management: Climate and Environmental Risk at p.193-195
	(b) Processes for managing climate-related risks.	<ul style="list-style-type: none"> Climate & Environmental risk is also assessed within other risk management tools including the Physical Risk and ESG Sectoral Risk heatmaps. The ESG Questionnaire has been incorporated into the credit application process for customers in high risk transition sectors on new lending over €/£300k. These have been identified as carrying increased transitional environmental, social and governance related risk. The impact of Climate risk is incorporated in the Group's stress testing framework by conducting a comprehensive scenario analysis to evaluate the potential impact of various climate-related events on the Group's portfolios, operations and overall financial position. 	Please see Risk Management: Climate and Environmental Risk at 193-194, and Detailed Sustainability Report, at p.31
	(c) Integration of processes for identifying, assessing and managing climate-related risks into overall risk management.	<ul style="list-style-type: none"> The ESG Framework ensures that the Group's approach to the management of ESG is clearly defined and well understood, from the Board and down through all operations. The ESG Framework will be retired over the course of 2024 and Climate risk will be primarily managed through the Board-approved Climate & Environmental Risk Framework. This Framework (and associated policy) is a key means by which climate related risks are shown to be fully integrated into the overall Risk Framework of the Group. 	Please see Risk Management: Climate and Environmental Risk at p.195

TCFD Pillar	Recommendation	AIB's metrics and targets approach	Disclosure Location
Metrics and Targets	(a) Metrics used to assess climate-related risks and opportunities in line with strategy and risk management.	<ul style="list-style-type: none"> In 2022, Financed Emission Targets were set for c. 75% of our group lending portfolio. We continue to focus on flood risk as the most significant physical risk. We report key metrics to track and monitor sustainable finance lending and activity. 	Please see Metrics and Targets at p.56 and Detailed Sustainability Report at p.22-23
	(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	<ul style="list-style-type: none"> Scope 1, 2 and 3 greenhouse gas (GHG) emissions are disclosed in Metrics and Targets. In 2023 the Group undertook a review of concentration of credit by industry sector and geography for loans and advances to customers. 	Please see Metrics and Targets at p.58 and Detailed Sustainability Report, at p.100-102
	(c) Targets used to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> AIB committed to Net Zero in our own operations by 2030. In FY2023 reporting we report on our progress against our emissions targets and further outline our plans to achieve them. 	Please see Risk Management: Credit Risk at p.160 and Detailed Sustainability Report, at p.106

ESG Disclosures – TCFD continued

Metrics and targets

TCFD recommendation:

Actual and potential impacts of climate-related risks and opportunities on business, strategy and financial planning where such information is material.

(a) Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process

Our publicly communicated ambitions to achieve net zero and increase the proportion of sustainable lending in our customer lending portfolio are key metrics to assess climate related risks and opportunities. In this section we provide further details on four key groups of metrics which are expanded further in the Detailed Sustainability Report. These groups of metrics are:

1. Financed Emissions;
2. Transition and Physical Risk;
3. Sustainable Finance; and
4. Performance Management.

1. Financed Emissions

In 2022, taking a baseline position as at 31 December 2021, AIB set Financed Emission Targets for three sectors using a sector decarbonisation approach (SDA) – (i) Residential Mortgages; (ii) Commercial Real Estate; and (iii) Electricity Generation and (iv) Corporate Portfolio Coverage target (including fossil fuels) which have been validated by the SBTi. To set Financed Emission Targets, there are several key steps involved, which together form the overall target setting methodology. These steps combine actual AIB and wider market data with a set of assumptions and decarbonisation levers to provide a baseline financed emissions position and associated Financed Emission Targets. The approach to setting Financed Emissions Targets and associated data collection is still evolving and is subject to change over time. As such, the figures disclosed may evolve in line with industry best practice. In addition, we will validate our Science Based Targets in 2024 to determine the impact of the acquisitions of inorganic loans onto our balance sheet. The steps undertaken included:

- Calculation of each lending portfolio's baseline emissions in line with Partnership for Carbon Account Financials (PCAF) GHG guidance;
- Calculation of absolute and intensity requirement based on standardised industry International Energy Agency (IEA) decarbonisation 1.5°C aligned pathways;
- Determination of AIB and national decarbonisation levers to reduce emissions e.g., Decarbonisation of the electricity system as a national lever and a competitive green mortgage market proposition as a specific AIB lever;
- Quantification of the impact of each lever on emissions across counterparty Scope 1, 2 and 3 emissions;
- Financed Emissions Targets were governed and approved, including the relevant business actions and metrics; and,
- Short-term (annual) portfolio level Financed Emissions Targets set in line with medium-term Net Zero ambitions regularly monitored.

The performance tracking against Financed Emission Targets is monitored and reported through internal governance and an overview of our progress is included in the 'Financed Emissions' section of the Detailed Sustainability Report.

Financed Emissions – AIB Group Lending Portfolio

	% of Loans 31.12.2021	Decarbonisation Scenario	2021 Baseline Financed Emissions	2021 Baseline Emission Intensity/Emissions Targets Coverage	% Reduction in Emissions/ Emissions Targets coverage required by 2030
Residential Mortgages	50%	IEA 2021 NZE2050 (1.5°C)	1.3 mtCO ₂ e	40 kgCO ₂ e/M ²	(58)%
Commercial Real Estate	10%		1.2 mtCO ₂ e	135 kgCO ₂ e/M ²	(67)%
Electricity Generation	3%	Maintenance Target	0.07 mtCO ₂ e	21 gCO ₂ e/kWh	Maintain
Corporate Portfolio Coverage (incl. fossil fuels)	12%	Emissions Targets coverage	n/a	12% loan volume covered by emissions targets	54% loan value covered by emissions targets
Total Loan Portfolio Covered	75%		2.57 mtCo₂e		

Notes:

- The % reduction required by 2030 is the % reduction in intensity required to meet the targets. The Corporate Portfolio Coverage target relates to counterparties with >500 employees, that have set validated science based targets. From a baseline of 12%, AIB have set a target to increase this to 54% by 2030.
- An intensity measure is a normalised metric that expresses emissions relative to economic output or size; such as emissions per unit of electricity generated (KWH's) in the case of electricity generation or size of a property (metres squared) in the case of Residential Mortgages/Commercial Real Estate. This allows emissions reduction targets to be set while accounting for economic growth.

2. Transition and Physical Risk

We continue to focus on flood risk as the most significant acute and chronic physical risk and have developed initial metrics to better understand this risk for our property-related exposure. These metrics support the tracking of physical risk for our key property portfolios. Our approach is subject to further evolution based on industry developments and supervisory and regulatory expectations which continue to evolve over time. On the transition risk side, we currently require all new lending over £/€300k in high transition risk sectors to complete our ESG Questionnaire.

	2023	2022
Non Financial Corporate (NFC) exposures sensitive to Flood risk secured on immovable property*	3.2% (€0.28bn)	3.2% (€0.27bn)
% of new lending to sectors with higher transition risk - flow	8 %	8%**
% of lending to sectors with higher transition risk - stock	5 %	6%
Exclusions/Assets Excluded from EU Paris-aligned Benchmarks (% lending to non-financial corporates)	<1%	<1%

Notes:

- *Physical flood risk shown above is aligned with our CRR449a Pillar 3 disclosure showing "sensitivity" to physical risk for NFC's secured by immovable property under an adverse climate scenario. Adverse climate scenario is defined as: RCP 8.5 to 2035, and a 1:100 risk of a flood event. The threshold of risk for "sensitive" is set at a 1% flooding risk (1:100) and the adverse climate change scenario to 2035. This approach aligns to the EBA 2021 ESG Risk Management guidance in so far as there is prescriptive guidance.
- Lending to sectors with high transition risk includes term & revolver lending; **2022 figure is shown on a consistent basis to 2023 i.e. all term and revolver lending to high transition risk sectors.
- Non-Paris Agreement aligned assets relate primarily to non-financial corporate lending to counterparties with revenue from fossil fuel activities.

3. Sustainable Finance

We are committed to supporting our customers to transition to a low-carbon economy by providing them with appropriate sustainable finance products and services including green mortgages and finance for green buildings and renewable energy. During 2023, we continued to deploy our Climate Action Fund. The table below shows the key metrics used by AIB to track and monitor sustainable finance lending and activity.

	2023	2022
New green and transition lending (Climate Action Fund)	€3.7bn	€3.3bn
New green lending as % total new lending	30%	26%
Green Bond issuances	€0.75bn	€1.50bn
CDP rating	A-	A-

Notes:

- In H2 2023, our new green lending definition was expanded to include new mortgage lending to energy efficient homes (BER A1-B2 / EPC A-B), aligned to our Sustainable Lending Framework (SLF). Our green mortgage products may include lending to homes with a B3 BER rating. The SLF is an internal AIB Framework that outlines the key parameters on which a transaction can be classified as green. This expanded definition has been applied to all relevant lending activity for the full year.
- The Green Bond issuances are aligned with the Green Bond Framework and associated governance, including a Second Party Opinion (SPO) review.
- The Carbon Disclosure Project (CDP) rating is externally collated and benchmarked by CDP and is based on a survey completed by AIB management

4. Performance Management

In 2023, AIB established a variable remuneration scheme which is based on company performance.

Three of the six measures within this scheme flow from ESG targets and measurements in the Group Balanced Scorecard. 40% of the outturn of the variable remuneration is linked to these ESG measures.

Our performance against our Group Balanced Scorecard is reviewed and challenged quarterly by ExCo and regularly by the Board. In addition, since 2021, senior executives have an ESG related performance goal, and a mandatory sustainability goal has been included in all employee performance reviews since 2022.

ESG Disclosures – TCFD continued

(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

Scope 1, 2 and 3 greenhouse gas (GHG) emissions are disclosed below. Our approach continues to evolve in line with industry developments and numbers may change with time.

Further detail on our GHG Emissions is out in the Detailed Sustainability Report with particular reference to the ESG Supporting Data section of that report.

Absolute GHG Emissions (tCO₂e)

	2023	2022	2021	Baseline Emissions	Baseline Year
Scope 1: Direct emissions	2,670	3,200	3,978	4,784	2019
Scope 2: Indirect emissions	4,909	5,963	5,945	10,025	2019
Total Absolute Scope 1 and 2 GHG emissions	7,579	9,163	9,923	14,808	2019
Scope 3: Category 1 – Purchased goods & service		2,584	2,319	488	2019
Category 2 – Capital goods		1,045	926	129	2019
Category 3 – Fuel & energy-related activities		3,342	3,906	5,512	2019
Category 5 – Waste generated in operations		35	39	199	2019
Category 7 – Business travel		1,556	342	3,845	2019
Category 8 – Employee commuting		5,346	2,008	4,287	2019
Category 15 – Investments (Financed Emissions, see Financed Emissions Target table on page 26 of our Sustainability Report for more detail)		2,200,000	2,570,000	2,570,000	2021

Notes:

- Scope 1 Direct emissions are from sources that are owned by AIB. AIB's direct (Scope 1) emissions include combustion fuels, biomass (CH₄ and N₂O), fleet and fugitive emissions. It does not include gross biogenic emissions which are emissions of CO₂ from the combustion of biodegradation of biomass.
- Scope 2 figures reflect gross location-based absolute emissions.
- Scope 3 emissions are reported one year in arrears. AIB reports on categories 1, 2, 3, 5, 7, 8 and 15. We do not report on categories 4, 6 and 9-14, which are not material for AIB and for which there is currently limited data available.
- 2023 verified figures include nine months actual data and three months estimations.
- 2022 scope 1 and 2 figures have been updated as per last re-statement, issued in 2023.

(c) Targets used to manage climate-related risks and opportunities and performance against targets

In addition to our financed emission targets outlined previously, AIB has committed to Net Zero in our own operations by 2030. The emissions targets we have set and validated for our own operations are outlined further in the Detailed Sustainability Report 2023 with an overview provided below:

- (a) reducing absolute Scope 1 GHG emissions by 34% by 2027, from a 2019 base year* (as neither 2020 or 2021 reflected a standard year's operation due to pandemic related reductions);

	2023	2022	2021	Baseline 2019
Absolute Scope 1 GHG emissions target*	2,706	3,231	3,991	4,800
Reduction (versus Baseline)	(44)%	(33)%	(17)%	

- Metrics cover the Group.
- 2023 figures: are based on verification exercise completed in February 2024 and include nine months actual data and three months estimations.
- 2022 figures have been updated as per last re-statement, issued in 2023. This exercise was completed in accordance with the GHG Protocol guidance and allowed the incorporation of 12 months of actual data.
- *The target figures include gross biogenic emissions which are emissions of CO₂ from the combustion of biodegradable of biomass as required under SBTi. For further detail refer to Section 5 of the Detailed Sustainability Report 2023.

- (b) increasing annual sourcing of renewable electricity to 100% by 2030.

We took action in 2022 to create two new solar farms in Co. Wexford, to be owned by NTR plc. Construction began swiftly, and the first solar farm commenced energisation in February 2024.

ESG Disclosures – NFI statement

Our non-financial information statement

Our Non-Financial Information Statement is intended to comply with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

This Non-Financial Information Statement offers some high-level information to provide an understanding of the development, performance, position and impact of our activities in the four non-financial matters.

We have provided references to supplemental information in this report and in our Detailed Sustainability Report 2023, which is reported with reference to the Global Reporting Initiative (GRI) Standards. For information on our business model, see page 6.

In AIB codes, frameworks and policies are in place to enable us to operate our business in a responsible and sustainable way. We have set out some of the key codes, frameworks and policies related to Non-Financial Reporting Directive (NFRD) requirements, and provided links to the associated Principal Risks and key performance indicators (KPIs) for each matter.

[For more information see our Detailed Sustainability Report 2023](#)



ESG Disclosures – NFI statement continued

Environmental matters	
Environmental Policy	Our Environmental Policy enables us to carry out activities in our own operations taking environmental protection into account, to manage the direct and indirect environmental impact of our business in a responsible way and to achieve continual improvement in environmental performance. AIB is certified to ISO 14001:2015 for environmental management. Our policy was approved by our then Chief Operating Officer Designate and our Chief Strategy & Sustainability Officer. It is publicly available at www.aib.ie/sustainability
Energy Policy	Our Energy Policy enables us carry out our business as energy efficiently as possible, reduce our carbon footprint and to achieve continuous improvement in energy performance. AIB is certified to the international standard ISO 50001:2018 for energy management. Our policy was approved by our then Chief Operating Officer Designate and our Chief Strategy & Sustainability Officer. It is publicly available at www.aib.ie/sustainability
Green Bond Framework	The purpose of our Green Bond Framework is to enable AIB, or its subsidiaries, to issue green bond instruments, which may include covered bonds, senior bonds (preferred or non-preferred), subordinated bonds and medium term notes, to finance and/or refinance green eligible loans with a positive environmental benefit. Our Framework is based on the ICMA Green Bond Principles 2021, including the updated Appendix I of June 2022, and defines the portfolio of loans eligible to be funded by the proceeds of Green Bonds issued by AIB. Our Framework is approved by both the Group Sustainability Committee and Treasury Management Risk Board and is publicly available at https://aib.ie/investorrelations/debt-investor
Group Credit Risk Policy	Our Group Credit Risk Policy includes a list of excluded business activities that are considered to be incompatible with Group strategy due to, amongst other things, negative environmental impacts associated with deforestation, nuclear power generation, natural gas fracking and the exploration, extraction or refining of oil or coal. The policy rule prohibits providing new money for any term lending facilities to businesses, or any of their subsidiaries, involved in the excluded business activities. This rule applies to all business customers with a Gross Connected Exposure of > €/£300k and who are relationship managed. Our policy was approved by our Board. The list of excluded activities is publicly available at www.aib.ie/sustainability
Group Project Finance Policy	Our Group Project Finance Policy guides our renewable energy lending assessments and decisions for long-term infrastructure, industrial projects and public services. Within credit assessment due diligence, assets that are likely to have significant effects on the environment by virtue of their size, nature or location must undergo an environmental impact assessment (EIA), which will have to be submitted to competent authorities when applying for project development. AIB may rely on analyses provided by external parties to support our assessment. Our policy was approved by our Group Credit Committee.
Stress Testing Policy	<p>The Business Model and Capital Adequacy Framework and the Stress Testing Policy were updated in 2023 to reflect the work of the Climate Stress Testing project regarding Climate Stress Testing models, roles and responsibilities and governance requirements relating to climate stress testing across the Group. The climate stress testing approach and associated models consider the impact of physical and transition risks across a number of scenarios on the Group's exposures.</p> <p>The initial scope of climate stress testing activities and climate modelling in the Group is primarily focused on the credit risk implications for our loan portfolio via both transitional and physical risk. This is where the most material impact of climate stresses impacts the Group with the approach covering all customer loans and advances on the balance sheet. Our Policy was approved by the Group Risk Committee.</p>
Sustainable Lending Framework	Our Sustainable Lending Framework (SLF) enables the classification of new customer loans as green, transition or social. The SLF was developed to provide transparency on the criteria that AIB employs in classifying and reporting on green and transition lending to help us achieve our ambition that 70% of new lending should be green or transition by 2030. It is based on industry best practice and is aligned, where applicable, to the EU Taxonomy regulation and will evolve as required to amend or add additional qualifying activities and/or criteria. Our framework was approved and is periodically reviewed by our Group Sustainability Committee.
KPIs	<p>Our main key performance indicators for environmental matters are:</p> <ul style="list-style-type: none"> • Reduction in emissions – in 2023 we achieved a (17)% reduction in our Scope 1 & 2 GHG emissions (yoy); and, • New Green Lending (Climate Action Fund) – in 2023 we advanced €3.7bn in new green lending.
Principal Risks	<p>Operational Risk (see page 189 and 190) Financial Risk (see pages 184 to 188) Liquidity & Funding Risk (see pages 177 to 183) Business Model Risk (see page 189) Model Risk (see page 193) Credit Risk (see pages 126 to 176) Climate & Environmental Risk (see pages 193 to 196)</p>

Social and employee matters

Code Of Conduct	Our Code of Conduct sets out clear expectations for how we behave and how we do business. The code guides our behaviours and emphasises our commitment to acting ethically, honestly and with integrity while demonstrating trustworthiness. It applies to anyone working in AIB. All employees are required to adhere to our code and complete a declaration of compliance with our code annually. In addition, annual e-learning on the code is mandatory for all employees. Our code was enhanced in 2023 to align with the requirements of the Central Bank (Individual Accountability Framework) Act 2023. Our code was approved by our Board Audit Committee. It is publicly available at www.aib.ie/sustainability
Speak Up Policy	Our Speak Up Policy is our whistleblowing policy. It sets out how all those working in and for AIB Group, including but not limited to, employees, agency staff, tied agents, suppliers, contractors, consultants and those providing an outsourced service, can safely and confidentially speak up to raise a concern about suspected or actual wrongdoing in work, without fear of penalisation. The policy outlines the channels available to raise such concerns and was approved by our Board Audit Committee. It is publicly available at www.aib.ie/sustainability
Inclusion & Diversity Code	Our Inclusion & Diversity Code is based on an ethos that respecting all our employees and developing and harnessing their talents, creates an inclusive and supportive organisation. It enables the Group to deliver a superior experience for all our customers, provides an inclusive place to work for our employees, and contributes to an appropriate financial return for our shareholders and the economies within which we operate. Our code was approved by our Executive Committee. It is publicly available at www.aib.ie/sustainability
Group Social Housing Policy	Our Group Social Housing Policy, together with our Commercial Investment Policy, supports lending to our customers for social housing and helps us to manage and mitigate the associated risks. Our policy was approved by our Group Credit Committee.
Health & Safety Policy	Our Health & Safety Policy sets out our commitment to ensuring the safety of our employees, customers, contractors, visitors and our workplace. Our policy is endorsed by our Chief Executive Officer. It is publicly available at www.aib.ie/sustainability
Regulatory Accountability Policy	Our Regulatory Accountability Policy sets out the requirements of all impacted staff within AIB Group entities with respect to adherence to the Central Bank (Individual Accountability Framework) Act 2023 ('IAF'), including the existing and enhanced Fitness & Probity Regime. This policy applies to all Controlled Function and Pre-Approval Controlled Function role holders who are directly employed by or contracted to AIB Group or any of its regulated subsidiaries. Through our commitment to the standards and adherence to the requirements outlined in this Policy, AIB will demonstrate it is satisfied on reasonable grounds that all its employees who are in relevant roles are correctly and appropriately identified, assessed and reviewed in terms of their initial and ongoing suitability for these roles under the required standards. Our policy was approved by our Executive Committee.
Social Bond Framework	The purpose of our Social Bond Framework is to enable AIB, or its subsidiaries, to issue social bond instruments, which may include covered bonds, senior bonds (preferred or non-preferred), subordinated bonds and medium term notes, to finance and/or refinance social eligible loans with a positive societal benefit. Our Framework is based on the ICMA Social Bond Principles 2021, including the updated Appendix I of June 2022, and defines the portfolio of loans eligible to be funded by the proceeds of Social Bonds issued by AIB. Our Framework is approved by both the Group Sustainability Committee and Treasury Management Risk Board and is publicly available at https://aib.ie/investorrelations/debt-investor
Socially Responsible Investment Bond Framework	The purpose of our Socially Responsible Investment Bond Framework is to fund domestic and international initiatives aimed at global sustainability, carbon emission reduction, and social improvement, all under the overarching themes of ESG. As an established buy-to-hold bond investor, AIB can promote and support the transition to a more sustainable global economy and contribute to positive environmental and social change via the sustainable bond market. In order to ensure we maintain a strong presence in the sustainable bond market, and continue to fund positive impact projects, it is our continued ambition to grow the Socially Responsible Investment Portfolio to at least 14% of AIB's total Investment Securities in the medium-term (AIB's total Investment Securities are detailed as per this report.). Our framework is approved by Treasury Management Risk Board and noted at Group Sustainability Committee. It is publicly available at www.aib.ie/sustainability
KPIs	For social and employee matters, our key performance indicators include: <ul style="list-style-type: none"> • Diversity – In 2023, we maintained gender balance with 40% female representation at Board, 42% at ExCo and 42% across all management levels. • Social housing finance – We supported social housing by providing funding of €91m in 2023. This brings the total of social housing financed since we announced our target in 2020 to €548m.
Principal Risks	Conduct and Culture Risk (see pages 190 to 191) Credit Risk (see pages 126 to 176)

ESG Disclosures – NFI statement continued

Respect for human rights	
Human Rights Commitment	Our Human Rights Commitment outlines how we respect human rights in accordance with internationally accepted standards. Our commitment to human rights is being embedded in the culture and values that define our company, and is reflected in our policies and actions towards our customers, employees, suppliers and the communities and countries where we do business. It has been shaped by the United Nations Guiding Principles on Business and Human Rights. Our Human Rights Commitment operates alongside our Code of Conduct and Responsible Supplier Code, and our commitments are aligned with those laid out in the laws applicable to the jurisdictions in which we operate, the European Convention on Human Rights and, for our business in Ireland, the EU Charter of Fundamental Rights. Our commitment was approved by our Executive Committee and reviewed by our Sustainability Business Advisory Committee and Board in February 2023. It is publicly available at www.aib.ie/sustainability
Code Of Conduct	Our Code of Conduct is our central policy for the human rights of our employees. In addition, our wider policy suite exists to protect our employees and respect their rights. Additional supporting policies include: our Inclusion & Diversity Code; Anti-Bullying & Harassment Policy; Domestic Abuse Handbook; Speak Up Policy; and Grievance Policy. We ensure that we not only fulfil our legislative requirements, but that we seek to go above and beyond the minimum standards for the jurisdictions in which we operate. Our code was approved by our Board Audit Committee. It is publicly available at www.aib.ie/sustainability
Group Data Protection Policy	Our Group Data Protection Policy is part of the Regulatory Compliance Risk Management Framework. It aims to ensure that processes and controls are in place to minimise the risk of unfair or unlawful data processing and that all employees understand the responsibilities and obligations that must be adhered to under data protection regulation. It applies to our entire operations, including our suppliers. Our policy was approved by our Group Risk Committee. While this policy is not publicly available, a synopsis of its key aspects is set out in our Data Protection Statement at www.aib.ie/sustainability
Responsible Supplier Code	Our Responsible Supplier Code sets out our expectation that our suppliers conduct their business in a fair, lawful, and honest manner with all their stakeholders, employees, subcontractors and any other third parties. It describes our expectations on human rights, health, safety and welfare, supply chain, and inclusion and diversity. Suppliers are expected to adhere to it, along with all applicable laws, regulations and standards in the countries in which their business is conducted. Our suppliers may be asked to provide a written attestation that they have read and understood the Code, and will adhere to it. Our code was endorsed by our Chief Executive Officer. It is publicly available on our suppliers portal at www.aib.ie/suppliers
Modern Slavery Statement	Our Modern Slavery and Human Trafficking Statement is released annually. AIB recognises our responsibility to comply with all relevant legislation, including the UK Modern Slavery Act 2015. Our statement was approved by our Board. It is available at https://aib.ie/group/modern-slavery-statement
KPIs	We report on these performance indicators annually in our Sustainability Report: <ul style="list-style-type: none"> • Breaches of data privacy: In 2023, we received 20 complaints from the data protection supervisory authorities in Ireland and the UK regarding breaches of data privacy. • Personal data breaches: In 2023, we reported 522 personal data breaches to the relevant data protection supervisory authorities in Ireland and the UK.
Principal Risks	Conduct and Culture Risk (see pages 190 to 191). Regulatory Compliance Risk (see pages 191 to 192).

Anti-bribery and corruption

Financial Crime Policy	<p>Our Financial Crime policy and standards encompass Anti-Money Laundering/Countering the Financing of Terrorism, Fraud, Anti-Bribery and Corruption and Sanctions. The policy and standards are embedded within business operating procedures, and subject to at least an annual content verification to ensure that they are kept up to date.</p> <p>All employees and Directors are made aware of our Financial Crime policy and standards. Employees must complete mandatory e-learning annually. Our Money Laundering Reporting Officer (MLRO) provides comprehensive annual training to the Board. Bespoke training tailored to consider the financial crime risks relevant to specific roles is also provided to key employees. To further enhance awareness, we issue financial crime bulletins periodically to our employees, outlining key trends and other topical items. Our policy was approved by our Board Risk Committee. While this policy is not publicly available, a synopsis of its key aspects is set out in our Financial Crime Statement at www.aib.ie/sustainability.</p>
Conflicts Of Interest Policy	<p>Our Conflicts of Interest Policy provides a clear statement of the standards for recognising and preventing potential conflicts of interest and for managing conflicts of interests where they cannot be avoided. Conflicts of interest situations may arise between the interests of two or more parties (whether directly or indirectly involved) in any situation. Our policy was approved by our Group Chief Compliance Officer. While this policy is not publicly available, a synopsis of its key aspects is set out in our Conflicts of Interest Statement at www.aib.ie/sustainability</p>
KPIs	<p>Our key performance indicators for these matters include:</p> <ul style="list-style-type: none"> Conflicts of Interests training – 98% completion rate in 2023. We target a completion rate of 90% annually, to allow for those who are on leave during the training period. On returning from leave, they are expected to complete the training. Incidents of corruption* – In 2023, there were two incidents, both cases were internal fraud and were not material in value.
Principal Risks	<p>Regulatory Compliance Risk (see pages 191 to 192), Conduct and Culture Risk (see pages 190 to 191),</p>

*Per GRI definition of Corruption <https://globalreporting.org/publications/documents/english/gri-standards-glossary-2022/>

ESG Disclosures – EU Taxonomy

EU Taxonomy

As part of our commitment to transparency and responsible banking, we are disclosing our Green Asset Ratio to demonstrate our alignment with the EU Taxonomy criteria.

The EU Taxonomy is a sustainability classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes.

The EU Taxonomy aims to redirect capital flows to support the transition and help generate sustainable and inclusive growth. The EU Taxonomy Regulation (Regulation (EU) 2020/852) specifies that financial undertakings shall disclose how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable. To qualify as EU Taxonomy aligned, an economic activity must substantially contribute to one or more of the six EU environmental objectives under the technical screening criteria, whilst doing no significant harm (DNSH) to the other five objectives and complying with minimum social safeguards.

For the last two years AIB have published its EU Taxonomy eligibility disclosures in line with requirements. This is the first year AIB is disclosing on the alignment of the portfolio to EU Taxonomy via the Green Asset Ratio (GAR), which quantifies EU Taxonomy-aligned assets as a percentage of total covered assets.

As part of AIB commitments to provide Green and Transition lending, the Bank has developed a Sustainable Lending Framework (SLF) to provide transparency on the types of activities to be considered as Green, Transition or social activities. EU Taxonomy aligned lending is a subset of the green lending categorisation as determined by the SLF. As at 31 December 2023, the green asset ratio is 5.94% which equates to total taxonomy aligned exposure of €5.49bn over total covered assets of €92.4bn as outlined in the Balance sheet summary below.

The criteria for EU Taxonomy are strict with many lending activities that contribute to the transition of a greener economy excluded as the activities do not meet the criteria. For AIB, EU Taxonomy aligned exposure identified materially comprises 1) lending to residential mortgages where the underlying assets meet the technical screening criteria for Climate Change Mitigation including an assessment of DNSH to Climate Change Adaptation and to a much less extent 2) lending to counterparties subject to the Non-Financial Reporting Directive (representing a small portion of total lending activity c.1%).

In determining alignment for residential mortgages we have utilised the BER or EPC of the property to identify assets contained in the Top 15% of national stock (constructed pre 2020) or aligned to the Nearly Zero Energy Building Standard – 10% (constructed post 2020). As in previous years, a screening exercise was performed to identify counterparties subject to the Non-Financial Reporting Directive and reporting for this cohort has been undertaken using 2023 published data by counterparties which relates to 2022 year end information. The EU Taxonomy regulation is subject to ongoing updates and refinements in taxonomy criteria may influence the calculation of the GAR over time.

AIB acknowledge the importance of ESG data to inform reporting, support decision-making and enhance product development and is committed to evolving data capture and storage infrastructure to improve accessibility, meet regulatory obligations and integrate ESG data into existing business processes. This evolution will also ensure that the additional data made available through the adoption of Corporate Sustainability Reporting Directive (CSRD) disclosures can be leveraged across strategy, systems and processes.

Balance Sheet Overview as at 31 December 2023

	Total Gross Carrying Amount (€m)	Taxonomy Eligible Exposure (€m)	Taxonomy Aligned Exposure ^a (€m)	Green Asset Ratio ^{a,b}
Loans and advances, debt securities and equity instruments eligible for GAR calculation	58,943	36,822	5,487	5.94 %
Financial undertakings	17,990	—	—	
Non-financial undertakings (Subject to NFRD)	900	62	—	
Households	40,028	36,760	5,487	
Local governments financing	22	—	—	
Collateral obtained by taking possession	2	—	—	
Assets excluded from the numerator for GAR calculation (covered in denominator)	33,466			
Non-financial undertakings (not subject to NFRD)	25,811			
Derivatives	1,920			
On demand interbank loans	328			
Cash and cash-related assets	598			
Other categories of assets (e.g. Goodwill, commodities etc.)	4,809			
Total GAR assets (for denominator)^b	92,409			
Assets not covered for GAR calculation	45,451			
Total Assets	137,860			

Notes:

- Taxonomy eligible exposure is lending to an eligible economic activity that has been classified under an environmental objective within the EU Taxonomy Regulation
- Taxonomy aligned exposure is lending to an eligible economic activity that qualifies as environmentally sustainable in line with the technical criteria specified within the EU Taxonomy Regulation

ESG Disclosures – EU Taxonomy

Our 2023 disclosure

Our total environmentally sustainable assets amounts to 5.487 bn resulting in a Green Asset Ratio of 5.94%

The table below outlines a summary of our KPIs namely the Green Asset Ratio Stock and Flow. Please refer to pages 325 to 328 for the full disclosure templates required under EU Taxonomy.

		Total environmentally sustainable assets €m	KPI ⁽²⁾	KPI ⁽³⁾	% coverage (over total assets) ⁽¹⁾	% of assets excluded from the numerator of the GAR	% of assets excluded from the denominator of the GAR
Main KPI	Green asset ratio (GAR) stock	5,487	5.94	5.94	67.03	24.28	32.97

		Total environmentally sustainable assets €m	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR	% of assets excluded from the denominator of the GAR
Additional KPIs	GAR (flow)	398	1.68	1.68	100.00	N/A	N/A
	Financial guarantees	—	— %	— %			
	Assets under management	—	— %	— %			

Notes:

- (1) % of assets covered by the KPI over banks' total assets
- (2) based on the Turnover KPI that the underlying counterparty has disclosed for each environmental objective in accordance with this Regulation
- (3) based on the CapEx KPI that the underlying counterparty has disclosed for each environmental objective in accordance with this Regulation
- Total environmentally sustainable assets refers to the amount of exposure deemed aligned to EU Taxonomy criteria
- GAR stock KPIs are the total environmentally sustainable assets (split by turnover and CapEx) as a proportion of total covered assets
- GAR flow KPIs are based on the gross carrying amount of exposures originated in 2023 (split by turnover and CapEx) as a proportion of total covered assets originated in 2023

Governance and Oversight Report



Chair's Introduction

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Governance and Oversight Report for 2023.

This report, which is aligned to the requirements of the UK Corporate Governance Code 2018 (the UK Code), documents the Group's approach to compliance with the UK Code, as set out in the adjacent table. Further information on governance practices in place in the Group are available on the Group's website at www.aib.ie/investorrelations.

This report provides an overview of the key responsibilities of the Board and its Committees and gives further insight into the work of the Directors, the Board and its Committees as a collective. It also sets out how the Directors have discharged their duties and responsibilities throughout 2023.

The Board is committed to ensuring that the highest standards of corporate governance are adhered to across the Group and see it as fundamental to our culture and achieving our strategy. We recognise that a robust governance structure with an effective risk management framework is integral to delivering long term sustainable growth and shareholder returns.

Jim Pettigrew
Chair

Principles of the Code

1. Board Leadership and Company Purpose	76
Governance in AIB	67
Governance in Action (Strategy & Culture)	68
Board Focus	80
Section 172 Statement and Stakeholder Management	81
Relationship with the Irish State	79
2. Division of Responsibilities	77
Governance Structure	69
Our Board of Directors	70
Our Executive Committee	74
Corporate Governance Framework	67
Advisory Committee Reports	
• Technology and Data Advisory Committee	109
• Sustainable Business Advisory Committee	110
Board and Committee Meeting Attendance	78
3. Composition, Succession and Evaluation	95
Report of the Nomination and Corporate Governance Committee	93
Board Effectiveness	78
Composition & Succession	95
Board Skills	97
Diversity and Inclusion	96
4. Audit, Risk and Internal Control	79
Report of the Board Audit Committee	85
Report of the Board Risk Committee	90
Internal Controls	111
Supervision and Regulation	120
Statement of Directors' Responsibilities	199
Viability Statement	113
Risk Management	121
5. Remuneration	98
Remuneration Committee	98
Remuneration Statement	101

Governance in AIB

Statements of Compliance for 2023

This report, in conjunction with the Statement of Directors' Responsibilities, Corporate Governance Remuneration Statement, Risk Governance section of the Risk Management Framework report and the Statement on Internal Control, sets out the Group's approach to governance in practice, the work of the Board and its Committees, and explains how the Group applied the principles of the Central Bank of Ireland's Corporate Governance Requirements for Credit Institutions 2015 (the "2015 Requirements"), European Union (Capital Requirements) Regulations 2014 (S.I. 158/2014) ("CRD") and UK Corporate Governance Code 2018 (the "UK Code") during 2023 under the headings prescribed by the UK Code.

Corporate Governance Framework

The following outlines the Group's Corporate Governance Framework, which is anchored in the requirements of the UK Code, Central Bank of Ireland Corporate Governance Requirements and the Irish Corporate Governance Annex.

UK Corporate Governance Code 2018

AIB Group plc, by virtue of its primary listing on the Main Securities Market of the Euronext Dublin Stock Exchange and its premium listing on the Main Market of the London Stock Exchange, is subject to the provisions of the UK Code (which is publicly available on www.frc.org.uk). Throughout the year, the Group applied the principles and complied with all provisions of the UK Code other than in instances related to Section 5: Remuneration, in particular Principles R and Provisions 36, 37 and 38, and the rationale is set out in the table opposite.

Irish Corporate Governance Annex

Additional obligations apply to the Group under the Irish Corporate Governance Annex (publicly available on www.ise.ie), which applies to relevant Irish companies with a primary listing on the Main Securities Market of the Euronext Dublin Stock Exchange. The Group is fully compliant with the Irish Corporate Governance Annex.

Central Bank of Ireland's Corporate Governance Requirements for Credit Institutions 2015 and European Union (Capital Requirements) Regulations 2014

AIB Group plc is authorised as a financial holding company and is not directly required to comply with the 2015 Requirements (which are publicly available on www.centralbank.ie). However, Allied Irish Banks, p.l.c., the principal subsidiary of AIB Group plc, is a credit institution and is subject to the 2015 Requirements, including compliance with requirements specifically relating to "high impact institutions" and additional corporate governance obligations on credit institutions deemed significant for the purposes of the CRD (which is publicly available on www.irishstatutebook.ie).

As the governance structures of AIB Group plc and Allied Irish Banks, p.l.c. are mirrored, and acknowledging the importance of adherence to the 2015 Requirements, the compliance status of Allied Irish Banks, p.l.c. is noted herein.

During 2023, Allied Irish Banks, p.l.c. was materially compliant with all of the 2015 Requirements and with the relevant corporate governance aspects of CRD.

Provisions required to "Explain" under the Code "Comply or Explain" process

Principle R: Exercise of independent judgement and discretion when authorising remuneration outcomes.

Provision 36: Remuneration schemes should promote long term shareholdings by executive directors that support alignment with long term shareholder interests.

Provision 37: Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes.

Provision 38: The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.

Rationale

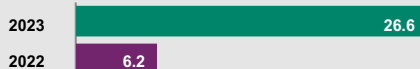
In 2022 the Irish Government lifted the restriction on variable pay, allowing for awards to be made to individuals up to a value of €20,000. However, the cap still restricts the Group's ability to structure variable remuneration. As such, both decisions relating to Principle R and certain associated provisions (particularly Provisions 36 and 37) and the timing of when the remuneration restrictions may change are outside of the Board's sphere of influence or control. Further detail on the background to these restrictions can be found in the Corporate Governance Remuneration Statement on pages 101 to 108.

In relation to Provision 38, the current pension arrangements are considered to be fair due to the remuneration restrictions in place at this time. The rates of contribution for Executive Directors and all employees are fully transparent and are set out in the Corporate Governance Remuneration Statement on pages 101 to 108.

Corporate governance headlines at a glance

Dividend

26.6 cent per share



dividend per ordinary share in 2022/2023 an increase on prior year

FCA Board Diversity Target Achieved

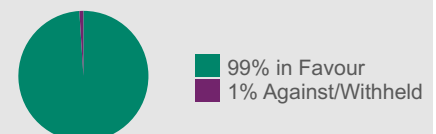
40% Female



the percentage of females on the Board stood at 40% and one Director was from a minority ethnic group as at 31 December 2023. **FCA Listing Rule target at least 40% women.**

Shareholder Approval for 2023 AGM Resolution on Remuneration

99% in Favour



99% Shareholder Approval for 2023 AGM resolution on the Group Remuneration Policy and Directors' Remuneration Report

Governance in action



Continued Board oversight of the execution of the 2020-2023 Strategy in an uncertain geopolitical and macro economic environment during 2023.

The Board is acutely aware of the importance of its role in driving sustainable value for shareholders in the long-term, with due consideration for all stakeholder groups, and is committed to ensuring that the highest standards of corporate governance are adhered to across the Group. Please refer to Section 172 on page 81 which sets out how the Board considers its stakeholders in its decision making. Set out below are a number of key areas of focus and development for the Board from a governance perspective over the course of 2023.

Oversight of strategic delivery

During 2023, the Board continued its dedicated oversight of the implementation and delivery of the 2020-2023 Group Strategy and the execution of the transformation plan initiatives, including inorganic growth opportunities such as the acquisition of the Ulster Bank portfolios. The capacity of the Group to execute these inorganic growth opportunities in a controlled way, whilst still delivering for our existing customers on a day-to-day basis, was paramount to Board considerations throughout the year. The Board received regular updates from management on the impact and associated risks across each of the Group's strategic pillars for each of the transactions while ensuring a strong risk and control framework across the three lines of defence was in place. Following the execution of the transactions, the Board received post implementation reviews from management from an operational, resource, financial and a regulatory perspective.

In developing the 2024-2026 Strategy, central to Board considerations were our customers. Having onboarded a significant number of new customers and enhanced the existing product suite over the 2020-2023 strategy cycle, an area of focus for the Board was ensuring that the Group's Customer First ambition was reflected in the overall customer experience. This is considered crucial to the long term sustainability of the Group,

In 2024, the Board will continue to focus on the delivery of the targets and ambitions set out in 2024-2026 Group Strategy.

Culture and Speak Up

The Board continues to place significant importance on ensuring that a values led culture is in place in the Group. Further details on culture are included on page 76.

The journey to strengthen the culture of Speak Up within the Group continued in 2023. Throughout the year, the Board Audit Committee (BAC), received regular updates on Speak Up developments, which included high level details of all whistleblowing reports as well as trends and thematic analysis. The BAC Chair, Sandy Kinney Pritchard, is the Whistleblowing Champion for the Group, and continues to drive this agenda through her regular engagement and support to the Executive teams this year.

The Board considered the findings of the Irish Banking Culture Board (IBCB) employee culture survey, which informed their oversight of the design and implementation of the Culture Programme. Further detail is available on page 76. Additionally, the Board will continue to oversee the evolution of a culture of accountability across the Group, aligned to the ongoing Culture Programme, and to the requirements of the Individual Accountability Framework.

Governance Structure

The AIB Group Board governance structure, Board of Directors and Executive Committees biographies are set out in the following pages.

AIB Group Board Governance Structure

AIB Group Board

Board Audit Committee

Independently oversees the quality and integrity of the Group's accounting policies, financial and narrative reporting, non-financial disclosures and disclosure practices, internal control framework and audit, as well as the mechanisms through which employees and contractors may raise concerns.

Board Risk Committee

Fosters sound risk governance across the Group's operations, overseeing the risk management framework and compliance function to include the risk appetite profile and the overall risk awareness across the Group.

Remuneration Committee

Oversees the design and implementation of the Group's Remuneration Policy and the operation of remuneration policies and practices with particular reference to certain senior management, ensuring that the Remuneration Policy is designed to support the long-term business strategy, values and culture of the Group as well as to promote effective risk management.

Nomination and Corporate Governance Committee

Oversees Board and Executive Committee succession planning and keeps the Board's governance arrangements and corporate governance compliance under review.

Sustainable Business Advisory Committee

Supports the Board in overseeing the Group's performance as a sustainable business and delivery of AIB's sustainability strategy in accordance with the approved Group Strategy and Financial Plan and maintaining and safeguarding the Group's social licence to operate. It is the overarching Board Advisory Committee responsible for the guidance of our sustainability agenda.

Technology and Data Advisory Committee

Reviews and challenges the strategy, governance and execution of matters relating to technology, data including cybersecurity and data and analytics, as well as business enablement activities.

Board of Directors



JIM PETTIGREW
Chair
Non-Executive Director

DATE OF APPOINTMENT
28 October 2021

NATIONALITY
British

COMMITTEE MEMBERSHIP AND TENURE



2y 2y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Extensive financial services experience, retail banking, customer and conduct, governance, strategy and culture development.

Background & Experience:

Jim has over 35 years' experience in UK and international financial services leadership in public listed and private company environments, including at board level, as CEO and as Chair. He was Chair of Scottish Financial Services, the Scottish financial services trade body. He also served as Co-Chair of Scotland's Financial Services Advisory Board and is a former President of the Institute of Chartered Accountants of Scotland. He retired as Chair of Virgin Money and CYBG plc in 2020. He has built considerable non-executive experience over the past 13 years across retail, wholesale and investment banking, asset and wealth management and the insurance sectors. Jim is a Chartered Accountant and Fellow of the Association of Corporate Treasurers. He has a LLB from Aberdeen University and a DipACC from Glasgow University.

KEY EXTERNAL APPOINTMENTS

Non-Executive Director of RBC Global Asset Management (UK) Limited
Chair of Scottish Ballet



ANIK CHAUMARTIN
Independent
Non-Executive Director

DATE OF APPOINTMENT
1 July 2021

NATIONALITY
French

COMMITTEE MEMBERSHIP AND TENURE



2.5y 1y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Deep technical accountancy and audit expertise in financial services, talent and culture development, and stakeholder management.

Background & Experience:

Anik has over 38 years' international experience in professional services experience. She was a partner in PwC in Paris for 27 years, and held various leadership positions in the firm for 15 of those years. During her time in PwC she has acted in the roles of Global Client Relationship Partner and Lead Audit Partner for a number of major banking and financial services organisations.

KEY EXTERNAL APPOINTMENTS

Non-Executive Director of ALD Automotive
Non-Executive Director of La Banque Postale
Non-Executive Director of Saol Assurance DAC and Saol Assurance



BASIL GEOGHEGAN
Independent
Non-Executive Director

DATE OF APPOINTMENT
4 September 2019

NATIONALITY
Irish

COMMITTEE MEMBERSHIP AND TENURE



4.5y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

In-depth knowledge of international finance, corporate banking, strategy and risk management.

Background & Experience:

Basil is a partner in the Strategic Advisory Group at PJT Partners in London. Previously, Basil was a Managing Director at Goldman Sachs, Deutsche Bank and Citigroup in London and New York. He has broad M&A, corporate finance and strategic advisory experience in the US, UK, Ireland and internationally. He qualified as a solicitor with Slaughter and May. Basil is Chair of daa plc and is a Patron of The Ireland Fund of Great Britain. He holds an LLB from Trinity College, Dublin and an LLM from the European University Institute.

KEY EXTERNAL APPOINTMENTS

Chair of daa plc
Partner at PJT Partners
Patron of the Ireland Fund of Great Britain



TANYA HORGAN
Independent
Non-Executive Director

DATE OF APPOINTMENT
14 September 2021

NATIONALITY
Irish

COMMITTEE MEMBERSHIP AND TENURE



2.5y 2y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Extensive risk management, compliance, finance, accounting and audit, customer and conduct, and technology skills.

Background & Experience:

Tanya is a Chartered Accountant with extensive industry-based experience in the areas of compliance, internal audit and risk management and has over twenty years' experience in publicly listed companies. Tanya trained and qualified with PwC. She has since held roles in a number of organisations including Tesco, Mercury Engineering, Paddy Power Betfair plc and, most recently, was the Group Chief Risk Officer of Flutter Entertainment plc. Tanya currently serves as the Chief Risk Officer of Primark. She has a B.Comm in Accounting from University College Cork.

KEY EXTERNAL APPOINTMENTS

Chief Risk Officer of Primark,
Non-Executive Director and Chair of Audit Committee of Mercury Engineering Limited*

* Appointed 1 January 2024

Board Committees

R Remuneration **N** Nomination & Corporate Governance **A** Board Audit **Ri** Board Risk **S** Sustainable Business Advisory **T** Technology & Data Advisory **■** Committee chair



SANDY KINNEY PRITCHARD
Independent
Non-Executive Director

DATE OF APPOINTMENT

22 March 2019

NATIONALITY

Irish

COMMITTEE MEMBERSHIP AND TENURE

A Ri

5y 5y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Expertise in finance, accounting and audit, governance, regulation, customer and conduct, risk management, wealth management, retail and investment banking.

Background & Experience:

Sandy is a University College Dublin graduate, with a distinguished career across the financial services industry. She is an accountant who previously was a senior partner at PricewaterhouseCoopers LLP and has held a number of Non-Executive Directorship roles, including at Irish Life and Permanent TSB plc, Skipton Building Society, the FSCS, TSB Bank plc and MBNA Ltd.

KEY EXTERNAL APPOINTMENTS

Credit Suisse (UK) Ltd *
Charles Stanley & Co Ltd**
Raymond James Wealth Management Limited**

*Resigned 12 February 2024

**Appointed 13 February 2024



ELAINE MACLEAN
Independent
Non-Executive Director

DATE OF APPOINTMENT

4 September 2019

NATIONALITY

British

COMMITTEE MEMBERSHIP AND TENURE

R N

4.5y 3y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Significant experience in remuneration and governance, organisational structures, and people and culture development.

Background & Experience:

Elaine is a highly experienced human resources director specialising in financial services and retail. Following her early retail career with roles at Harrods, Windsmoor and later as Retail Operations Director and Human Resources Director with Arcadia, Elaine moved to financial services culminating in her appointment as Group Human Resources Director for Legal and General plc in 2006. Elaine holds an MA in English Literature and Psychology from the University of Glasgow. She is the Designated Non-Executive Director for workforce engagement.

KEY EXTERNAL APPOINTMENTS

None



ANDY MAGUIRE
Independent
Non-Executive Director

DATE OF APPOINTMENT

15 March 2021

NATIONALITY

Irish

COMMITTEE MEMBERSHIP AND TENURE

Ri T

3y 3y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Extensive retail banking, technology and digital, transformation, and risk management skills.

Background & Experience:

Andy has extensive financial services experience spanning 35 years, including 16 years with the Boston Consulting Group where he rose to become Managing Partner of the London office covering the UK and Ireland, prior to which he held several global roles including Global Head of Retail Banking. From 2014 to 2020, Andy was the Group Chief Operating Officer for HSBC Holdings plc with responsibility for operations, technology, real estate, change and transformation and operational resilience. Andy previously held Chair positions with Napier Technologies Limited and CX Holdings (Cennox Group). He holds a BA and a BAI from Trinity College, Dublin.

KEY EXTERNAL APPOINTMENTS

Chair of Thought Machine Group

AIB DIRECTORS BOARD



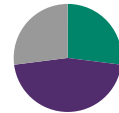
Exec: 2 - 13%
NED: 13 - 87%

GENDER



Female: 6 - 40%
Male: 9 - 60%

AGE



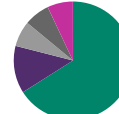
46-55: 4 - 27%
56-64: 7 - 46%
65-70: 4 - 27%

TENURE



0-3 yrs: 5 - 33%
3-6 yrs: 8 - 54%
6-9 yrs: 2 - 13%

NATIONALITIES



Irish: 10 - 66%
British: 2 - 13%
French: 1 - 7%
Dutch: 1 - 7%
USA: 1 - 7%

Board Committees

R Remuneration

N Nomination & Corporate Governance

A Board Audit

Ri Board Risk

S Sustainable Business Advisory

T Technology & Data Advisory

Committee chair

Board of Directors continued



BRENDAN MCDONAGH
Independent Non-Executive Director and Deputy Chair

DATE OF APPOINTMENT
27 October 2016

NATIONALITY
Irish

COMMITTEE MEMBERSHIP AND TENURE

R N A Ri

5.5y 4y 6y 7y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Significant global financial services experience in retail and commercial banking, strategy, governance, regulation, and risk management.

Background & Experience:

Brendan started his banking career with HSBC in 1979, working across Asia, Europe, North America, and the Middle East, where he held various roles such as Group Managing Director for HSBC Holdings plc, membership of the HSBC Group Management Board, and CEO of HSBC North America Holdings Inc. Brendan is a former Director of Ireland's National Treasury Management Agency (NTMA). He was previously the Executive Chair of Bank of N.T. Butterfield & Son Limited. Brendan was appointed Deputy Chair with effect from 24 October 2019.

KEY EXTERNAL APPOINTMENTS

Non-Executive Director and Chair of Audit & Risk Committees of Bradford & Bingley Limited and NRAM Limited
Chair of PEAL Capital Group Limited
Serves on the Board of The Ireland Funds, Ireland Chapter
Council Member of Global Advisory Council, Impact Ireland Fund
Chair of Trinity Business School Advisory Board



HELEN NORMOYLE
Senior Independent Non-Executive Director

DATE OF APPOINTMENT
17 December 2015

NATIONALITY
Irish

COMMITTEE MEMBERSHIP AND TENURE

S N T

7.5y 3.5y 3y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Deep knowledge and experience of sustainability, customer and conduct, digital, stakeholder management, and culture development.

Background & Experience:

Helen is a highly experienced marketer with 30 years' experience in consumer marketing and market research across a range of sectors and geographies. A graduate of the University of Limerick, she started her career with Infratest+GfK. From there she moved to Motorola, where she held a range of roles including Director of Global Consumer Insights and Product Marketing and Director of Marketing. After working in broadcast and telecoms regulation at Ofcom as the Director of Market Research, she held Marketing Director and Chief Marketing Officer roles at the BBC, DFS, Countrywide and Boots, where she was also the Chair and Director of the Boots Charitable Trust. Helen also serves on the Board of AIB Group (UK) p.l.c. Helen was appointed Senior Independent Director with effect from 1 July 2022.

KEY EXTERNAL APPOINTMENTS

Co-founder and Executive Director of My Menopause Centre
Non-Executive Director of Thames and London Limited



ANN O'BRIEN
Independent Non-Executive Director

DATE OF APPOINTMENT
25 April 2019

NATIONALITY
Irish

COMMITTEE MEMBERSHIP AND TENURE

A R T

3.5y 4.5y 3y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Significant technology and digital expertise, and highly-skilled in the areas of sustainability, strategy and leadership.

Background & Experience:

Ann has over 30 years' experience in the financial services industry. A graduate of UCD and later Trinity College Dublin, Ann has led complex management consulting engagements at many of the world's largest global banking and securities organisations. Her most recent role was as a Principal with Deloitte in New York where she was based for 10 years. Ann was appointed to the Board, on the nomination of the Irish Minister for Finance, under the Relationship Framework between the Minister for Finance and AIB Group. Ann serves on the Board of EBS d.a.c.

KEY EXTERNAL APPOINTMENTS

Independent Non-Executive Director of Euroclear UK & International



FERGAL O'DWYER
Independent Non-Executive Director

DATE OF APPOINTMENT
22 January 2021

NATIONALITY
Irish

COMMITTEE MEMBERSHIP AND TENURE

A

3y

SKILLS, EXPERTISE AND EXPERIENCE

Key Skills:

Extensive experience in finance and accounting, treasury and liquidity management, strategy, and capital markets.

Background & Experience:

Fergal is a Chartered Accountant with significant experience in financial management, treasury, strategy, capital deployment and development. Fergal retired in 2020 from DCC plc, the Irish headquartered international sales, marketing and business support services group, which is a FTSE100 constituent company, where he began as an Associate Director, later progressing to Chief Financial Officer in 1992, and Executive Director in 2000. Prior to joining DCC, Fergal worked in PwC and KPMG. Fergal serves on the Board of Goodbody Stockbrokers u.c.

KEY EXTERNAL APPOINTMENTS

Non-Executive Director of ABP Food Group Unlimited
Director of Blackrock Healthcare Group Unlimited
Board member of Focus Ireland and Focus Housing Association

Board Committees

R Remuneration N Nomination & Corporate Governance A Board Audit Ri Board Risk S Sustainable Business Advisory T Technology & Data Advisory Committee chair

Board of Directors continued

**JAN SIJBRAND**
Independent
Non-Executive Director**DATE OF APPOINTMENT**
14 September 2021**NATIONALITY**
Dutch**COMMITTEE MEMBERSHIP AND TENURE**

Ri S

2.5y 1.5y

SKILLS, EXPERTISE AND EXPERIENCE**Key Skills:**

Highly skilled in the areas of risk management, retail and commercial banking, governance, financial regulation and oversight.

Background & Experience:

Jan has had an extensive executive career including roles in Royal Dutch Shell plc, Rabobank Nederland, ABN AMRO Holding N.V. and NIBC Bank N.V. and was a member of the Executive Board and Chair for Supervision at De Nederlandsche Bank N.V. (the central bank of the Netherlands). Jan is currently a member of the Supervisory Board and Chair of the Public Interest Committee of PwC Nederland and served on the Global Board of PwC up until June 2022. Jan has an MSc in Applied Mathematics and a PhD in Mathematics, both from the University of Utrecht.

KEY EXTERNAL APPOINTMENTS

Non-Executive Director of PwC Netherlands

**RAJ SINGH**
Independent
Non-Executive Director**DATE OF APPOINTMENT**
25 April 2019**NATIONALITY**
United States**COMMITTEE MEMBERSHIP AND TENURE**

Ri S

4.5y 4.5y

SKILLS, EXPERTISE AND EXPERIENCE**Key Skills:**

Significant international experience in risk management, governance, retail and corporate banking, insurance, wealth and asset management and sustainability.

Background & Experience:

Raj has 36 years' business, risk and governance experience gained in large and complex global listed financial services organisations including Citibank, Allianz, Swiss Re, Standard Life Aberdeen and EFG International with the last 20 years at the executive committee level as Group Chief Risk Officer. He has served as a Non-Executive Director of a national credit bureau and two listed financial institutions as well as many of the banking, insurance, reinsurance and asset management subsidiaries of those firms. Raj was appointed by the Board, on the nomination of the Irish Minister for Finance, under the Relationship Framework between the Minister for Finance and AIB Group.

KEY EXTERNAL APPOINTMENTS

Non-Executive Director of The Co-operative Bank plc
Non-Executive Director of Vanguard Ireland Limited, Vanguard Funds PLC, Vanguard Investment Series PLC, Non-Executive Director of AXA Insurance UK plc, AXA UK plc and AXA PPP Healthcare Limited

**COLIN HUNT**
Chief Executive Officer &
Executive Director**DATE OF APPOINTMENT**
8 March 2019**NATIONALITY**
Irish**COMMITTEE MEMBERSHIP AND TENURE**

S

5y

SKILLS, EXPERTISE AND EXPERIENCE**Key Skills:**

Strategic leadership, extensive executive experience covering risk, treasury, research, capital markets, customer focus and sustainability.

Background & Experience:

In March 2019, Colin was appointed Chief Executive Officer of AIB Group. He joined AIB in August 2016 as Managing Director of Wholesale, Institutional & Corporate Banking. Prior to joining AIB, he was Managing Director at Macquarie Capital in Ireland. Previously, he was a Policy Adviser at the Departments of Transport and Finance, Research Director at Goodbody Stockbrokers, Head of Trading Research at Bank of Ireland Group Treasury and a country risk analyst at NatWest. He has a PhD in Economics from Trinity College, Dublin, BComm and MEconSc degrees from University College Cork, and is a Chartered Bank Director and Fellow of the Institute of Bankers

KEY EXTERNAL APPOINTMENTS

Serves on the Board of The Ireland Funds, Ireland Chapter
Ibec clg Board Member

**DONAL GALVIN**
Chief Financial Officer &
Executive Director**DATE OF APPOINTMENT**
28 May 2021**NATIONALITY**
Irish**COMMITTEE MEMBERSHIP AND TENURE****SKILLS, EXPERTISE AND EXPERIENCE****Key Skills:**

Significant international retail and wholesale banking, capital, liquidity, treasury, investor relations, and risk management skills

Background & Experience:

Donal joined AIB as Group Treasurer in September 2013 and was appointed to the role of Chief Financial Officer in March 2019 and to the Board in May 2021. Donal has gained significant experience working in domestic and international financial markets over the last 25 years. Prior to joining AIB, Donal held a number of senior executive roles including Global Head of Asian Fixed Income & Equities at Mizuho Securities in Hong Kong and a number of senior Global Financial Market Roles across Europe and Asia Pacific for Rabobank. He serves as a Non-Executive Director of Goodbody u.c.

KEY EXTERNAL APPOINTMENTS

None

Board Committees

R Remuneration

N Nomination & Corporate Governance

A Board Audit

Ri Board Risk

S Sustainable Business Advisory

T Technology & Data Advisory

Committee chair

Our Executive Committee

SKILLS, EXPERTISE AND EXPERIENCE



SAJID ARSHAD*
Chief Customer Officer
(Interim)

**Appointed 1 March 2024*

Sajid joined AIB as Chief Customer Officer (interim) in March 2024. With over 35 years of experience in senior customer, marketing, product, and digital roles across healthcare, mobile telecommunications, consumer, retail, and financial services, Sajid's expertise spans both global and domestic markets. Most recently, Sajid held Chief Commercial Officer positions at Helping Hands and Interactive Investor and served as the Chief Customer Officer at Santander UK. Sajid holds a BA (Hons) Marketing Degree from the University of Stirling, is a Fellow of the Marketing Society, and currently serves as the President of the Market Research Society.



CATHY BRYCE
Managing Director
of Capital Markets

Cathy started her career in investment banking with Morgan Stanley and subsequently ABN AMRO. She joined AIB in 1996, holding a range of leadership positions in lending roles across both international and Irish portfolios. In 2018 she joined the National Treasury Management Agency as Director of the National Development Finance Agency and NewERA. In 2019 she returned to AIB joining the Executive Management team of the Bank as Managing Director of Capital Markets, her current position. In this role, she leads the corporate and business areas of the Bank with teams that account for about one third of AIB's assets and banking activities, including Goodbody Stockbrokers. She is a business graduate of Trinity College Dublin and holds an MBA from INSEAD Business School and completed the General Management Program in Harvard Business School. Cathy is a member of the Finance Committee of Trinity College and the Advisory Board of Trinity Business School. She is also a member of the Diversity Committee for Leinster Rugby. Cathy was recently appointed (September 2023) as the first female President of the Banking & Payments Federation Ireland (BPFII).



GERALDINE CASEY
Managing Director
of Retail Banking

Geraldine was appointed Managing Director of Retail Banking in October 2023, having previously held the role of Chief People Officer since she joined AIB in January 2020. She has significant experience in leading large teams through culture, process and organisational change, and has driven the Bank's inclusion, future of work and culture agendas. Prior to joining AIB, she held a number of senior roles at Tesco Ireland, as a member of the Executive working across operations, IT, communications and people management positions. Geraldine holds a Bachelor's Degree in Commerce from University College Cork and is a Certified Bank Director, Institute of Bankers. Geraldine also serves as a Non-Executive Director on the Board of AIB Group (UK) p.l.c.



HELEN DOOLEY
Group General Counsel

Helen was appointed Group General Counsel in 2012. She had previously worked in private practice in the City of London, Hong Kong and Dublin, before taking up an in-house role as Head of Legal in EBS Building Society in 2005, which became part of AIB Group in 2011. Over the last 19 years, in addition to her legal role, Helen has also held the Company Secretary position and managed the customer care, regulatory compliance and HR functions. Helen is currently responsible for the Legal and Corporate Governance function.



GRAHAM FAGAN
Chief Technology
Officer

Graham has held a number of senior management roles in AIB over the last seven years, most recently as Director of Technology Transformation. He is an experienced technology leader, having worked across a range of senior roles in banking and multinational organisations over the last 25 years. He has extensive experience leading large-scale, skilled teams across all aspects of technology management, including application development, technology infrastructure, cyber security and digital transformation. During his time in AIB he has been instrumental in leading the Group's technology response to Covid, modernising our data centres and transforming technology operations.



BARRY FIELD*
Corporate Affairs Director

**Appointed 1 February 2024*

Barry was appointed Corporate Affairs Director in February 2024 to lead the bank's engagement with internal and external stakeholders, a key role given the bank's changing ownership structure and growing customer base. Barry, who joined AIB's graduate programme in 2008, has over 15 years' experience at the Group spanning financial, regulatory, management accounting and treasury. As Head of AIB's Customer Treasury Services in New York, he delivered AIB's customer treasury offering across the US. He returned to Ireland in 2021 as Chief of Staff in the Office of the CEO working directly with the CEO and Executive Committee to ensure the smooth delivery of the Group's overall strategy and the execution of the day-to-day banking agenda. Barry holds a BA in Business Studies from Griffith College.

SKILLS, EXPERTISE AND EXPERIENCE



MICHAEL FRAWLEY
Chief Risk Officer

Michael joined AIB as Chief Risk Officer in July 2022. A senior risk professional with a 26 year banking career spanning retail, commercial, wholesale, asset management, trade finance, strategy implementation and risk management experience, he also has extensive international experience from his previous roles at HSBC in the UK, Asia and the Americas. His most recent role prior to AIB was as Chief Risk Officer of Permanent TSB. Michael holds an MBA from Columbia Business School, New York, a B.Comm from University College, Cork and is a CFA holder.



HILARY GORMLEY
Managing Director
of AIB Group (UK) plc

Hilary has been Managing Director of AIB UK since June 2022. She has worked at the bank for over 30 years in a range of senior leadership positions which include Group Head of Business Banking and Head of FSG Strategy Implementation. Hilary has a deep understanding of the bank and the market more broadly. She brings a wealth of experience having worked across various sectors including retail, commercial and institutional banking to lead the expansion of our UK business.

Hilary holds a Bachelor's degree in Financial Services from University College Dublin, has completed the Harvard General Management Programme, and is a member of the Institute of Bankers.



ANDREW MCFARLANE
Chief Operating Officer

Andrew joined AIB in July 2022 and has over 25 years' experience working primarily in the financial services sector, in banks and management consulting firms. His international career has spanned Canada, Australia, England and Ireland and he has held posts such as Managing Director, Accenture Financial Services, Canada and more recently Executive Director of Modernisation & Corporate Strategy, and Chief External Relations Officer at Payments Canada. Andrew holds a Bachelor of Business (Banking & Finance) from Monash University, Melbourne, and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia..



DAVID MCCORMACK
Chief People Officer

David has over 20 years' experience in human resources, most recently as Deputy Chief People Officer at AIB and prior to that held the role of Head of HR in AIB UK for a number of years. He has been responsible for overseeing the design and implementation of many significant programmes aligning employees to the strategic and cultural ambition of the Group. David holds a Bachelor's Degree in Business Studies, specialising in HR, from South East Technological University and has completed the IESE Advanced Management Programme.



PAUL TRAVERS*
Managing Director
Climate Capital

**Appointed 19 February 2024*

Paul joined AIB as the Head of Energy, Climate Action and Infrastructure six years ago and was appointed to AIB's Executive Committee as Head of Climate Capital in February 2024. His primary role is to drive the group's green lending activities with a focus on renewable energy companies and projects, and critical infrastructure with a strong ESG element across Ireland, the UK, Europe and North America. Climate Capital will play a key role in underpinning the bank's various green bond offerings and delivering AIB's €30bn climate action lending fund. Prior to AIB, Paul was previously the Head of Macquarie Capital Ireland, which is an infrastructure and renewables specialist investor and one of the world's largest infrastructure asset managers. Paul was also a Director for numerous investments, He is a qualified accountant.



MARY WHITELAW
Chief Strategy &
Sustainability
Officer

Mary joined AIB in 2007 and her experience has spanned the retail, corporate and treasury businesses. She has held a number of senior leadership roles across the Group including Group Chief of Staff, Head of Strategy & Business Performance for Corporate and Institutional Banking and Head of Corporate Treasury Sales. Prior to joining AIB, Mary trained as a Chartered Accountant and Chartered Tax Advisor with PwC. She is a graduate of University College Dublin. Mary is also a Non-Executive Director of Goodbody Stockbrokers u.c.

Board Leadership, Company Purpose, Culture and Division of Responsibilities

Board Leadership

Role of the Board

The Group is headed by an effective Board which is collectively responsible for the long term, sustainable success of the Group, generating value for shareholders and contributing to wider society. The Board has delegated the day-to-day running of the business to the Chief Executive Officer ("CEO"), who is supported by the Executive Committee ("ExCo"), being the most senior management committee of the Group. The CEO and ExCo have primary responsibility for the day-to-day operations of, and the development of strategy for the Group.

The Board supports, and strives to operate in accordance with, the Group's purpose and values at all times and challenges management as to whether the purpose, values and strategic direction of the Group align with its desired culture, or if they do not, whether there are options to mitigate any potential negative stakeholder impacts.

The Board ensures there is a clear division of responsibilities between the Chair, who is responsible for the overall leadership of the Board and for ensuring its effectiveness, and the CEO, who manages and leads the business. The governance framework and organisational structure is sufficient to ensure that no one individual has unfettered powers of decision or exercises excessive influence. Key roles and responsibilities are clearly defined, documented and communicated to key stakeholders via the Group's website (www.aib.ie/investorrelations). The Board is supported in discharging its duties by a number of Board and Advisory Committees.

Whilst 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. These matters are kept under review to ensure that they remain relevant and are available on the Group's website (www.aib.ie/investorrelations).

Conflicts of Interest

The Board approved Code of Conduct and Conflicts of Interest Policy for Directors sets out how actual, potential or perceived conflicts of interest are to be evaluated, reported and managed to ensure that Directors act at all times in the best interests of the Group and its stakeholders. Executive Directors, as employees of the Group, are also subject to the Group's Code of Conduct and Conflicts of Interests Policy for employees.

Stakeholder Engagement

The six principal stakeholder groups in AIB are Customers, Employees, Investors, Society, Suppliers and the Group's Regulators. In order for the Group to meet its responsibilities to its stakeholders and to ensure that stakeholder views are taken into consideration in its decision making, the Board ensures that effective engagement is maintained with these groups on a regular basis.

The Group engages with stakeholders through various means such as face-to-face meetings including regular and structured engagement and also out of course meetings on specific topics, research, focus groups and surveys, media engagement, direct partnerships and collaboration, sponsorship and community initiatives, participation in expert forums and events, and through the Group's in-house experts liaising directly with associated business, public or charitable groups.

The Annual General Meeting ("AGM") is an opportunity for shareholders to hear directly from the Board on the Group's performance and strategic direction and, importantly, to ask questions. Shareholders are encouraged to attend and participate in the AGM. Details in relation to the 2024 AGM along with other shareholder-related information can be found on page 329 and on the Group's website at www.aib.ie/investorrelations.

There is a Designated Non-Executive Director for workforce engagement whose role is described under "Key Roles & Responsibilities" below.

Further detail on how the Board engages with each of these groups can be found on page 81 in the Section 172 Statement.

Purpose, Culture and Values

Culture in AIB

The Board has overarching responsibility for fostering a positive culture and ensuring that a values led culture is in place throughout the Group at all times. The Board remains steadfast in its commitment to continually embed a culture that champions customers' interests underpinned by values and behaviours that support the delivery of high-quality service and fair customer outcomes.

Culture is the key enabler of our strategy and is based on three themes: embedding customer-centricity, empowering our people, and promoting innovative approaches to challenges and opportunities. Each of these underpins the AIB Group strategy. The Group's Purpose, Ambition and Culture amplify the commitment to our customers.

How the Board monitors Culture

Culture is embedded in the Governance framework of the Bank. Since the initiation of the Culture Evolution Programme in 2018, AIB has implemented a three-phased suite of actions including a diagnostic definition of cultural ambition, and the development and roll-out of purpose, values and behaviours across the Group.

The Board assesses and monitors culture through regular updates on the Culture Evolution Programme, People Metrics, Employee Engagement Approach (internal and external surveys and listening session) and the AIB Culture Index. Progress on the Culture agenda is measured across four key areas (i) Accountability and Performance, (ii) Engagement with employees (iii) Inclusion and Diversity and (i) Talent Development. The Group Balanced Scorecard reports on key culture index metrics which align to the Group's Risk Appetite Statement. Conduct and Culture Risk is one of the Group's material risks.

In December 2021, the Board appointed Elaine MacLean as Designated Non-Executive Director with responsibility for Workforce Engagement. A number of listening sessions on a range of topics were conducted in 2022 and 2023 with a group of AIB staff, with broad representation across business areas and regions and these sessions will continue into 2024.

In 2023, the Board engaged an external culture agency to facilitate listening sessions with employees across the group to provide insights on AIB's culture journey and inform the refreshed purpose statement for the Group. The results of the listening session provided the Board with insights that underpin the priority areas for culture and represent the mindset shifts required to evolve the culture in AIB and support the strategy for 2024 – 2026.

The monitoring of Conduct risk is fundamental to establishing the right culture. There is a Board approved Code of Conduct (the "Code") in place that supports the Group's values and helps deliver on the Purpose. The Code sets out clear expectations for behaviour and how employees and contractors conduct business. The Code guides behaviours and emphasises the Group's commitment to acting ethically, honestly and with integrity while demonstrating trustworthiness. There is a Board approved Code of Conduct in place for Independent Non-Executive Directors. The Group Conduct Risk Framework which is approved by the Board Risk Committee sets out how the Group manages and governs Conduct Risk in line with the AIB Group Risk Appetite Statement.

The Three Lines of Defence Model is used to monitor and govern compliance with the policies that underpin the Group Conduct Risk Framework. The Code is periodically reviewed by the AIB Group Board and annually by the Group Conduct Committee and by the Board Audit Committee. An annual report is provided to the AIB Group Board on the awareness levels of the Code amongst employees and contractors, aspects for review, and any breaches which have been identified and action taken.

The transition to a new strategy period at the end of 2023 presents a timely opportunity to assess progress on culture, evolve from the current programme, and embed a target culture that enables AIB's new strategy and serves the Group's customers, communities and colleagues.

Division of Responsibilities

Key Roles & Responsibilities

Chair

The Chair leads the Board, setting its agenda, ensuring Directors receive adequate and timely information, facilitating the effective contribution of Non-Executive Directors, ensuring the ongoing training and development of all Directors, and reviewing the performance of individual Directors. Mr Jim Pettigrew was appointed as Chair on 28 October 2021. His biographical details are available on page 70.

Deputy Chair

The Deputy Chair, Mr Brendan McDonagh, deputises for the Chair as may be required from time to time and is available to the Directors for consultation and advice. Mr McDonagh's biographical details are available on page 72.

Senior Independent Director

Ms Helen Normoyle is the Board's Senior Independent Director ("SID"). Ms Normoyle acts as a conduit for the views of shareholders and is available as an alternate point of contact to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication. The SID also leads the annual review of the Chair's performance and succession planning for the Chair role. Ms Normoyle's biographical details are available on page 72.

Designated Non-Executive Director for Workforce Engagement

Ms Elaine MacLean was appointed as the Group's Designated Non-Executive Director for workforce engagement in 2020 in order to enhance the Group's existing workforce engagement mechanisms. The purpose of this role is to engage directly with employees, facilitate two way communication between employees and the Board, and enhance the Board's understanding of workforce views. Ms MacLean's biographical details are available on page 71.

Independent Non-Executive Directors

Independent Non-Executive Directors provide a key layer of oversight, scrutinising the performance of management in meeting agreed objectives and monitoring reporting against performance. They bring an independent viewpoint to the deliberations of the Board that is objective and independent of the activities of the management and of the Group. They constructively challenge and help develop proposals on strategy and other key matters. Biographical details for each Independent Non-Executive Director are available on pages 70 to 73.

Chief Executive Officer (CEO)

Dr Colin Hunt manages the Group on a day-to-day basis and makes decisions on matters affecting the Group. The ExCo assists and advises him in reaching decisions on the Group's strategy, governance, internal controls, performance and risk management. Dr Hunt was appointed with effect from 8 March 2019 and his biographical details are available on page 73.

Company Secretary and Head of Corporate Governance

The Directors have access to the advice and services of Mr Conor Gouldson, the Company Secretary, and Ms Aeilish McGovern, Head of Corporate Governance, who advise the Board and Board Committees on all governance matters, and Corporate Governance best practise, ensuring that Board procedures are followed and that the Group is in compliance with applicable rules and regulations. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

Board and Advisory Committees

The Board is assisted in the discharge of its duties by a number of Board Committees, whose purpose 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 and their terms of reference are available on the Group's website at www.aib.ie/investorrelations.

The Board governance structure is available on page 69 and reports from the Board Audit Committee, the Board Risk Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee are presented later in the Annual Financial Report.

In addition to the four main Board Committees, the Board also has a Sustainable Business Advisory Committee and a Technology and Data Advisory Committee. Each of the Advisory Committees are comprised of Non-Executive Directors and members of senior management from relevant business areas. Overviews of the role and areas of focus of both the Technology and Data Advisory Committee and the Sustainable Business Advisory Committee are available on pages 109 to 110.

Additionally, a Chairman's Committee is established by the Group to act on behalf of the Board between its scheduled meetings to deal with matters of an administrative nature, and take decisions on urgent matters in accordance with the authority delegated to it by the Board, or as specifically set out in its Terms of Reference. These responsibilities include consideration of individual cases in line with the requirements of the Central Bank of Ireland Code of Practice on Lending to Related Parties. The Executive Directors or any impacted Directors are excluded from the decision making process for these individual cases.

Board Leadership, Company Purpose, Culture and Division of Responsibilities continued

Board and Committee Meetings and Attendance

	Board		Board Audit Committee		Board Risk Committee		Nomination and Corporate Governance Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Anik Chaumartin	13	12	14	14						
Donal Galvin	13	13								
Basil Geoghegan	13	13			11	11				
Tanya Horgan	13	13			11	11				
Colin Hunt	13	13								
Sandy Kinney Pritchard	13	13	14	14	11	11				
Elaine MacLean	13	13					11	11	8	8
Andy Maguire	13	13			11	11				
Brendan McDonagh	13	13	14	13	11	11	11	10	8	7
Helen Normoyle	13	13					11	11		
Ann O'Brien	13	13	14	13					8	7
Fergal O'Dwyer	13	13	14	13						
Jim Pettigrew	13	13					11	11	8	8
Jan Sijbrand	13	13			11	11				
Raj Singh	13	13			11	10				

The Board met on 13 occasions during 2023. The Chair and the Chairs of each Committee ensure Board and Committee meetings are structured to facilitate open discussion, constructive challenge and debate. The Board receives a comprehensive executive management report on a regular basis. The remainder of its agenda is built from the indicative annual work programme, and includes strategic items for consideration, any activities out of the ordinary course of business, requested in depth reviews and scheduled updates on key projects. There is a set escalation process in place through Executive and Board Committees which ensures the Board receives the necessary information at the appropriate time to enable the right decisions to be taken. The Chair leads the agenda setting process, supported by the CEO and Group Company Secretary.

In its work, the Board is supported by its Committees which make recommendations where appropriate on matters delegated to them under their respective terms of reference. Each Committee Chair provides an update to the Board on matters considered at the preceding Committee meeting. The agenda, papers and minutes of Committee meetings are generally available to all Directors.

Attendance at the Board and Board Committee meetings is outlined in the table above. Attendance at the Advisory Committees is captured within their respective Committee overviews. The Non-Executive Directors also met throughout the year in the absence of the Executive Directors or other members of management.

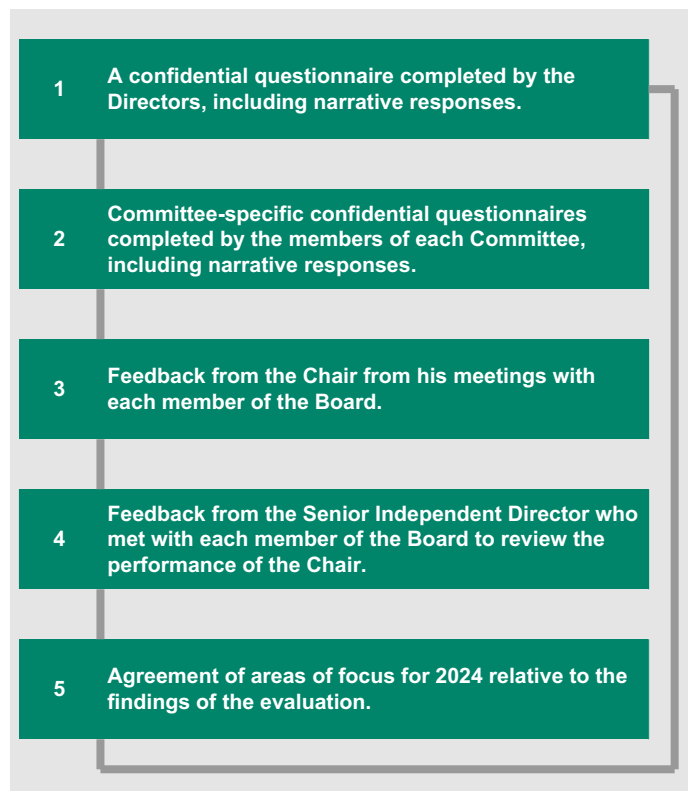
Board Effectiveness

Each year the Board evaluates its effectiveness including that of its Committees, Directors and Chair. As required by the Code, the Board effectiveness evaluation is externally facilitated at least once every three years. In 2022, the evaluation was externally facilitated by Praesta Ireland Limited ("Praesta Ireland"). In 2023, as agreed by the Board on the recommendation of its Nomination and Corporate Governance Committee ("NomCo"), the review was internally facilitated by the Office of the Group Company Secretary.

Board Evaluation Cycle Summary

2023	2022	2021	2020
Internal Evaluation	External evaluation (Praesta Ireland)	Internal Evaluation	External evaluation (Praesta Ireland)

The process for the 2023 Board Evaluation consisted of:



In summary, the evaluation confirmed that the Board maintains a clear understanding of its role and responsibilities and the strategic purpose of the Group; the Chair continued to perform effectively; there had been continued progress with the enhancement of meeting papers; the Board maintains the necessary competencies; there was positive engagement and communication with management; there was good visibility on stakeholder engagement; the Board engaged in genuine discussion and debate and differing views and opinions are welcomed and respected. In addition, the evaluation confirmed that the Board and Advisory Committees continued to operate effectively.

The findings of the 2023 evaluation were considered by the Board when updating the Board's Priorities, which are aligned with the new Strategic cycle (2024 – 2026). Additionally, the findings of the 2023 evaluation were considered by NomCo as part of its annual assessment of the suitability of the composition of the Board and its Committees. The findings were also considered as part of the process to set the Board's Continuous Education Programme.

There was consensus around the priorities for the forthcoming year, and the key actions agreed by the Board as a result of the evaluation are set out below:

Overview of Areas of Focus 2024

- **Board Papers and Reporting** - continue to evolve and improve meeting papers and presentations by management.
- **Board composition and Competence** - continue the evolution of the succession planning process.
- **Strategic Focus** - increase the Board's strategic focus on the Customer in line with the Customer First strategic priority under the new Strategic cycle (2024 - 2026).
- **Strategic Focus** - increase the visibility of stakeholder engagement in regular updates to the Board.
- **Culture** - evolve the Board's engagement in the oversight of the development of the Group's culture.

Following a review process led by the Senior Independent Director, there was unanimous agreement by the Non-Executive Directors that the Chair leads the Board in an effective manner, fulfilling Principle F of the Code. It was agreed that he demonstrates objective judgement, promotes a culture of openness and debate, and facilitates constructive Board relations and the effective contribution of all Non-Executive Directors. This in turn supports Non-Executive Directors in fulfilling the requirements of Principle H of the Code in providing constructive challenge, strategic guidance and holding management to account.

Alongside this process, the Chair conducted evaluations of individual performance of each of the Directors. The outcome of these evaluations was positive, noting that each Director continues to contribute effectively.

The principal outcomes of the overall evaluation will be reviewed and reassessed as part of the Board's 2024 performance review. During the year the Board also monitored progress on the recommendations from the 2022 external evaluation carried out by Praesta Ireland and noted that each action had been satisfactorily progressed with some actions rolling into the agreed actions for 2024.

Audit, Risk and Internal Control

The Board has delegated responsibility for the consideration and approval of certain items pertaining to audit, risk and internal control to the Board Audit Committee and Board Risk Committee. Where required, topics are referred onward to the Board as a whole for further discussion or approval.

Information on the activities of the Board Audit Committee and Board Risk Committee in 2023 can be found in their respective reports on pages 85 to 92.

Remuneration

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the Chair, Executive Directors, ExCo members, the Company Secretary and certain other senior executives to the Remuneration Committee. A group of senior management is responsible for recommending to the Board the fees to be paid to Non-Executive Directors within the limits set by shareholders in accordance with the Articles of Association.

Information on the activities of the Remuneration Committee in 2023 can be found in the Report of the Remuneration Committee on pages 98 to 100.

Relationship with the Irish State

The Group received significant support from the Irish State (the "State") in the context of the financial crisis due to its systemic importance to the Irish financial system. Following a reduction in its shareholding during 2017, and further reductions to date, the State currently holds 40.77% of the issued ordinary shares of AIB Group plc.

The relationship between the Group and the State is governed by a Relationship Framework which is available on the Group's website at www.aib.ie/investorrelations.

Within the Relationship Framework, with the exception of a number of items requiring advance consultation with or consent by the State, the Board retains responsibility and authority for all of the operations and business of the Group in accordance with its legal and fiduciary duties and retains responsibility and authority for ensuring compliance with the Group's regulatory and legal obligations.

The matters requiring advance consultation with, or consent from, the Minister for Finance, are outlined in the Relationship Framework.

The Board is satisfied that the Group has complied with the relevant provisions set out in the Relationship Framework. The Board is also satisfied, as far as it is aware, that the Minister for Finance has complied with the relevant independence provisions set out within the Relationship Framework.

Board Focus

Key focus areas

A key focus of the Board in 2023 was on ensuring the delivery of the strategy set in 2020, closing out legacy issues, increasing operational efficiency and delivering on the organic and inorganic growth agendas. The Board executed its business as usual duties in line with its work programme, and also focused on a number of additional matters that arose during the year. The following is a high level overview of material matters considered by the Board throughout the year:

Stakeholder key



Customers



Employees



Suppliers



Investors



Regulators



Society and Community

Key focus areas for 2023

	Topic Considered	Most Impacted
Financial	AIB Group plc 2022 Annual Financial Report and related Stock Exchange Announcements and analyst presentations; Capital Distributions; Macroeconomic Environment; Capital Adequacy Statement & Liquidity Adequacy Statement; Quarterly Trading Updates; 2023 Half Yearly Financial Report; 2024-2026 Financial Plan; Consideration of Going Concern and Associated Matters; Pillar 3 Policy; Recovery Planning and Resolvability Plan; Inorganic Transactions Financial Update and legacy matters.	
Culture and Values	Culture Evolution Programme Updates; Risk Culture; People Updates; HR Engagement Strategy Update; Balanced Scorecard Updates; ESG Transformation Programme Roadmap Update; Modern Slavery Act Statement; Workforce Engagement; Health & Safety Annual Update, Speak Up; Code of Conduct.	
Strategy	Annual Group Strategy Review; Mortgage Market Strategy; Outsourcing Strategy; Transformation Plan Implementation; Sustainability Strategy and Conference; Cyber Strategy; NPE Strategy and Loan Portfolio Sales; Stakeholder Perspectives; Customer First Programme Updates; Corporate Development Opportunities; External Environment in a Strategic Context; Group Strategy Development and Approval 2024-2026; Sustainability objectives and strategy; TCFD recommended disclosures.	
Regulatory	Regulatory engagement updates; JST Discussion on Supervisory Review Evaluation Process; Anti-Money Laundering and Criminal Terrorist Financing Updates; Companies Act, Directors Compliance Statement; Annual Compliance Statement with CBI Requirements 2015; Consideration of Regulatory Directive Programmes; CRD IV Compliance Statement; Related Party Lending (Chairman's Committee).	
Governance	Board and Committee Effectiveness Evaluation, Outcomes and Actions; Board Committee Terms of Reference; Board Succession; Annual General Meeting; Board and Committee Composition and Appointments; Board Diversity Policy and Targets; -Annual Review of Non-Executive Director Independence; Review of Directors & Officers Insurance; Renewal of Non-Executive Director Terms; Annual Reappointment of Chair.	
Risk Management	Group Risk Appetite Statement; Material Risk Assessments; Risk Frameworks and Policies; Control Effectiveness Review; Annual Review of Group Connected Customers & Large Exposure Credit Policy; Second Line Opinion Papers on Material Decisions e.g. Strategy, Financial and Investment Plan.	
Regular Updates	Executive Management Updates; Business and Financial Performance; Chair Activities; Board Committee Updates.	

Matters considered by the Board Committees, which in certain cases were also considered by the Board as a whole, are detailed in individual Board Committee and Board Advisory Committee reports which follow over pages 85 to 110.

Section 172 Statement and Stakeholder Management

Section 172 statement

In their discussions and decisions during 2023, the Directors have acted in the way that they consider, is in good faith, would most likely promote the success of the Group for the benefit of its members as a whole, having regard to stakeholders and the matters set out in sub-sections 172(1) (a)–(f) of the 2006 UK Companies Act (the Act).

Our Board's approach to stakeholder engagement is aligned to the UK Corporate Governance Code 2018, which applies to the Group by virtue of its premium listing on the London Stock Exchange. Whilst not directly applicable to the Group given it is referenced in the UK Corporate Governance Code 2018, the Board continues to recognise the importance and benefits of considering the spirit intended by Section 172 of the Act as part of its decision making process.

A balance of stakeholder interests is deemed to be critical to any decision taken by the Board. The relevance of each of the stakeholders defined in Section 172 to the decision-making process, and the method of engagement, may vary depending on the deliberations being undertaken by the Board. During 2023, The Group's key stakeholders was added to, to include suppliers as a separate category. See further detail on key stakeholder interaction within "Stakeholder Engagement" on page 83-84.

The Board considers the matters set out in Section 172 of the 2006 Act in its discussions and decision-making, including:

- (a) **The likely consequence of any decision in the long term:** The Board is cognisant of their responsibility to run the Company for the long-term sustainable benefit of the shareholders and to contribute to wider society and in doing so, the Directors consider the impact of their decisions on our key stakeholders. All executive proposals tabled for decision require clear articulation of the potential impacts of those decisions under each of the strategic pillars, which drives consideration of the interests of stakeholder groups within decision making processes.
- (b) **the interests of the company's employees:** The Board is fully aware that our people are the key resource and enabler for the Group to deliver the overall ambition and strategy in a manner underpinned by the Group's values. Accordingly, the Board and its committees ensure that when it is making decisions it has due regard for its employees.
- (c) **the need to foster the company's business relationships with its suppliers, customers, and others:** The Board recognises that our customers are at the core of our strategy and ambition. The Board considers the impact of all relevant decisions on customers and suppliers ensuring that the Group strives to meet the full range of their financial needs conveniently and responsibly.
- (d) **the impact of the company's operations on the community and the environment:** The Board considers the impact of its decision making on the community and the environment pursuant to the Group strategy to deliver a more sustainable future for all. As a recognised leader of sustainability in Ireland and through our Pledge to Do More, the Board is committed to building long-term resilience and sustainability for our business, economy, and society.
- (e) **the desirability of the company maintaining a reputation for high standards of business conduct:** The Board Risk Committee approves the Group Conduct Risk Framework which is aligned with the Group's Purpose, Strategy and Values. The Board Risk Committee monitors key updates on conduct risk from management. The Board Audit Committee has oversight responsibility for the Code of Conduct, which sets out the core conduct standards which are applicable to all employees and contractors. The Board always maintains an open and constructive engagement with its regulators with respect to business conduct matters.
- (f) **the need to act fairly as between Members of the Company:** The Group has a diverse range of institutional and individual investors and at all times endeavours to act fairly between all members of the Company. During 2023, the Board represented by the Chair, CEO and CFO engaged in an ongoing investor relations engagement programme which allowed the Board to gain feedback and views from investors. The outcomes of such engagements are communicated to the other Directors to ensure that the views of all shareholders and the investment community are considered by the Board in their decision making.






Section 172 Statement and Stakeholder Management continued

Decisions Made

Decisions made during the year

The following are some of the decisions made by the Board this year which demonstrate how Section 172 matters have been taken into account as part of Board discussions and decision-making. In arriving at its decisions during the year, the Board assessed and challenged the implications of decisions in accordance with the Group's Strategic pillars which broadly aligned to our stakeholder groups:

Decision	What happened
 <p>Group Strategy 2024-2026</p>	<p>In December 2023, following extensive review and challenge by the Board during the year and in line with the Group's strategic planning process, the Board approved the Group's Strategy for 2024 – 2026. The Strategy focuses on three core priority areas: Customer Experience, Operational Efficiency and Greening the Loan Book and is built on commitments to deliver for all stakeholders.</p> <p>As part of the strategy formulation, the Board considered several matters which informed the direction of the strategy and included our (i) Purpose, ambition, and culture, and (ii) drivers, challenges and opportunities while considering all stakeholder groups in the process. The Board also considered regular updates on progress against the development of the Strategy. Central to the decision making process was the outcome of a review and challenge by the Risk function, which overall was supportive of the Strategy and concluded that it considered the various perspectives of all stakeholders, including whether:</p> <ul style="list-style-type: none"> • The Strategy aligned to the Group's societal and sustainability perspective. • There was capability to strengthen the employee value propositions through the Strategy initiatives. • That customer needs and conduct considerations were clearly considered as part of the 'Customer First' programme, driving customer advocacy through enhanced decision making. • The Group had the ability to execute and monitor the execution and prioritisation of resources. • The Strategy aligned to investor expectations.
 <p>Refreshed Purpose Statement</p>	<p>In June 2023, the revised purpose 'Empowering people to build a sustainable future', was approved by the Board following a series of engagements with customers and employees. The purpose was communicated to employees in October 2023.</p> <p>In its deliberations, the Board:</p> <ul style="list-style-type: none"> • Reviewed the outputs of focus group research and in-depth interviews on the purpose statement, which were conducted with personal banking, SME customers and colleagues in order to gain a customer perspective and employee perspective. • Considered whether the evolved purpose aligned with the strategic direction of the Group and would drive decision making in the Group towards a more sustainable future.
 <p>Sustainability – Climate Action Fund /Climate Capital Segment</p>	<p>In 2023, the Board approved the expansion of the AIB Climate Action fund from €10bn to €30bn by 2030 as part of the Group Strategy 2024-2026. This increase is intended to provide additional sustainable finance to support customers in the transition to a low carbon economy by 2030, to lend responsibly and to steer our portfolios towards net zero by 2040 (Agriculture by 2050).</p> <p>In addition and to ensure real, transformative action, the Board also approved, as part of the Group Strategy 2024-2026, the establishment of a dedicated green financing division, creating a Climate Capital segment to complement the Group's other segments - Retail Banking, Capital Markets and AIB UK.</p>

Stakeholder key



Customers



Employees



Suppliers



Investors



Regulators



Society and Community

Stakeholder engagement:

The manner in which the Board and wider Group interact with our stakeholders continued to evolve in 2023, with a focus on active engagement to ensure the interests of all stakeholder groups were taken into consideration in our decision making asset out in the Section 172 Statement. The way the Board engages with its stakeholders varies and ranges from direct engagement to receiving management reports and updates on relevant matters which assist the Board in understanding the impacts of the Group's operations on its key stakeholders.

Our stakeholders



Customers

Our purpose is to empower people to build a sustainable future while remaining at the heart of our customers' financial lives. The customer first approach is a core pillar of AIB's strategy.

How we engaged in 2023:

- Regular updates on KPI's (Net Promoter Scores, customer journeys and complaints metrics).
- Applied our 'Customer First' approach to all decision making on inorganic transactions to ensure customers were safely onboarded to the Group.
- Refreshed customer centric purpose statement and new customer value approved by the Board.
- Customer segments featured at internal (AIB All Employee update) and external events (AIB Sustainability Conference) attended by Board members setting out the positive sustainability actions taken by customers which are supported by AIB.
- Engagement with customers as part of the AIB Sustainability Conference regional events during Climate Finance week.



Employees

The Group employed 10,049 people across Ireland, the United Kingdom and the United States of America. We aim to ensure that all employees are engaged and empowered in their roles. Ensuring the Group has an engaged and motivated workforce is critical to delivery for all our stakeholder groups.

How we engaged in 2023:

- Monitored performance against key metrics (Employee Engagement, Wellbeing, Inclusion and Diversity, Talent Development).
- Held interactive sessions with employees as part of the 'Risk in Conversation' and internal events.
- Recognition of employee contributions to AIB through the annual 'Employee Value Awards' and the 'Long Service Recognition Awards'.
- Executive members of the Board participated in the 'AIB All Employee Event' which was held in Lynch's Castle in Galway and South Mall in Cork.
- Members of the Board visited the Cork City branch at 66 South Mall where they engaged with teams across the branch.
- The Designated Non-Executive Director (DNED) for workforce engagement engaged directly with employees on two occasions in 2023 to facilitate two way communication between employees and the Board, and enhance the Board's understanding of workforce views.
- Regular Speak Up updates, Ms Sandy Kinney Pritchard, Chair of the Board Audit Committee is the Group's Whistleblower's Champion.
- Approved a variable remuneration scheme and introduced health care benefits effective 1 January 2024.



Suppliers

The Group is committed to conducting all its business activities to the expected standard of professionalism and ethical conduct and to support and improve the communities where we operate from an environmental, social and economic perspective. We expect our suppliers to do the same through adherence to the Group Responsible Supplier Code. It reflects our values, and it sets out the minimum standards to which we hold ourselves to, and to which we expect of our suppliers to also adopt.

How we engaged in 2023:

- Group wide third party management programme (TPM) Third Party Management.
- Annual attestation to the Group's Responsible Supplier Code for larger suppliers.
- Information requests, direct approaches and campaigns.

Stakeholder key



Customers



Employees



Suppliers



Investors



Regulators



Society and Community

Section 172 Statement and Stakeholder Management continued

Our stakeholders



Investors

The Group has a diverse range of individual and institutional investors.

How we engaged in 2023:

- Chair, Chief Executive Officer, and Chief Financial Officer participated in a comprehensive investor relations programme and schedule of investor engagements throughout the year.
- Annual General Meeting held in May 2023 was attended by all Board members.
- Members of the Board engaged in investor meetings, fireside chats and attendance at various conferences post full year results announcement.



Regulators

The Board maintains an open relationship with the regulatory authorities which includes the Central Bank of Ireland (CBI), Bank of England, European Central Bank (ECB), European Commission, Single Resolution Board, Prudential Regulatory Authority (PRA), Financial Conduct Authority (FCA), and Federal Reserve Bank of New York. The Board strives to ensure that the Group supports financial stability, consumer protection and market integrity across the jurisdictions in which we operate. Continued strong engagement with our regulators ensures the Group is set up to meet regulatory requirements and expectations.

How we engaged in 2023:

- Constructive engagement with all supervisors on themes of common interest across consumer, business strategy, capital, liquidity and risk management.
- Supervisory engagement through regulatory on-site inspections and thematic reviews.
- Regular engagement between the Board and the Joint Supervisory Team ("JST") through one-to-one interactions with Committee Chairs and Executive Directors as well as the annual meeting on the Supervisory Review and Evaluation Process.
- Regular updates from the Group Regulatory Relations team.
- The Chair attended the Joint European Central Bank and European University Institute Banking Governance Seminar on 'Diverse and effective board and committees in a changing and competitive landscape'.



Society and Community

Our communities, and society as a whole, are to the forefront of all of our stakeholder considerations and are also central to our sustainability strategy.

How we engaged in 2023:

- Considered stakeholder views in relation to the Group's sustainability strategy
- Maintained a dedicated focus on the social agenda through updates from the Sustainable Business Advisory Committee on various matters including vulnerable customers.
- Participated in regional events in Ireland and the UK during Climate Finance Week.
- Engaged with business customers to hear directly from our customers about how sustainability drives their business strategy and the role of AIB in supporting their journey.
- Considered the wider impact of decisions taken by the Group on society as part of the governance framework in operation in the Group.
- Chief Executive Officer attended the Conference of the Parties 28 (COP28).
- Approved the Modern Slavery statement for the Group which sets out our Human Rights Commitment and demonstrates how we use the opportunities available to us to mitigate against Human Rights breaches in business and through our supply chain of almost 4,000 suppliers and our Responsible Supplier Code.

Stakeholder key



Customers



Employees



Suppliers



Investors



Regulators



Society and
Community

Report of the Board Audit Committee



“Given the continuing uncertainties externally, as well as the Group’s strategic growth ambitions, the Committee played a critical role in ensuring the effectiveness of the control environment.”

Sandy Kinney Pritchard
Committee Chair

Chair Overview

On behalf of the Board Audit Committee (‘the Committee’), I am pleased to report on the activities undertaken by the Committee, and how it has discharged its duties over the course of 2023.

In line with its Terms of Reference, which can be found on the Group’s website at www.aib.ie/investorrelations, the Committee ensured that it supported the Board in its independent oversight responsibilities as they relate to the monitoring of the quality and integrity of the Group’s financial statements, with reference to financial and narrative reporting, Non-Financial Disclosures and disclosure practices. The Committee is also tasked with reviewing and monitoring the effectiveness of risk management and internal control systems. It also oversees the Group’s Internal Audit function, ensuring appropriate whistleblowing arrangements are in place and advising the Board on the appointment and independence of the External Auditor on an ongoing basis.

Committee Membership

The Committee currently comprises five Non-Executive Directors, all of whom are considered by the Board to be independent and whom the Board have determined have the relevant mix of skills, competence and capability as required under the applicable regulatory requirements. This includes the need for recent and relevant financial experience and competence in accounting or audit. There were no changes to Committee composition in the period, with members further building on their deep understanding and knowledge of the key judgements and issues facing the Group in what has been quite a stable year for the Committee.

To ensure co-ordination of the work of the Committee with the Board Risk Committee, two members of the Committee are also Members of the Board Risk Committee, with this common membership providing ongoing oversight of risk and finance issues and collaborative governance of internal control. One Member of the Committee is also a Member of the Sustainable Business Advisory Committee, and this has been supportive in ensuring alignment with the work of that Committee in the area of ESG Disclosure requirements. To ensure co-ordination with the work of the Committee and that of the Technology and Data Advisory Committee, Ms

Ann O’Brien is a member of both Committees. A number of joint meetings of the Committee and the Board Risk Committee were also held during the year to allow discussion on matters of common interest. The biographies of Committee Members are set out on pages 70 to 73, with details of the Committee’s Membership and attendance at meetings outlined on page 78.

The Chief Financial Officer, Chief Risk Officer, Group Head of Internal Audit and the Lead External Audit Partner normally attend all scheduled Committee meetings. The Committee also held closed sessions with these key individuals over the course of the year, in order to ensure continued open dialogue.

This year, following consideration by the shareholders at the Annual General Meeting in May 2023, PwC were appointed as the Group’s External Auditor. Throughout the audit transition period, the Committee has developed a positive working relationship with the Lead Audit Partner, Mr Ronan Doyle, which I look forward to continuing over the years ahead.

Central to our focus again this year has been assessing the appropriateness of the judgements, assumptions and estimates made by management within the financial reporting process, as set out in this annual report. The related Committee deliberations and conclusions are set out on the following pages. The matter of Expected Credit Losses (“ECLs”) is one which the Committee has continued to pay close attention to in the period, with the overall outturn of a net charge of €172m considered to be a suitably conservative outcome given the higher interest rate environment. A key element of consideration in assessing the suitability of the ECL outturn is asset quality within the Group, a matter which both the Committee and the Board Risk Committee have assessed over the course of the year. The area of Post Model Adjustments and IFRS 9 model enhancements are items which will be to the forefront of considerations by the Committee over the coming years.

Looking to 2024, a key role for the Audit Committee will be the appointment of a new Group Head of Internal Audit, and providing support to ensure the continued effectiveness

of the Internal Audit function when Ms Maria Rogers departs from the Group in H1. Maria has delivered significant enhancements to the Internal Audit function over the past four years, and on behalf of the Committee, I thank her and wish her well in her future career.

I would like to take the opportunity to thank my fellow Committee Members for their contribution and support over the course of 2023.

Sandy Kinney Pritchard
Committee Chair

Q&A

Q. How has the Committee responded to evolving ESG Reporting requirements this year?

A. As external expectations and requirements continue to evolve, the Committee has considered the manner in which the integrity of the ESG disclosures in this annual report can be assured. The Committee has received reports from management regarding the continued development of a basis of preparation for the key non financial performance indicators, which considers, inter alia, a clear definition of the relevant metrics, the underlying assumptions, judgements and estimates applied and data quality and maturity. This has assisted the Committee in assessing the consistency and quality of disclosure practises for ESG metrics. Integration of the assurance approach for ESG metrics has also been considered, with management leveraging and adapting the existing Group control framework for financial reporting.

Report of the Board Audit Committee continued

Key areas of focus

Financial reporting

A key activity for the Committee is the consideration of significant matters relating to the Annual Financial Report, with critical accounting judgements and estimates and the related disclosures subject to in depth review with management and the External Auditor. A summary of these judgements and estimates is set out below. Further detail on items i) to v) is available within note 2 "Critical accounting judgements and estimates" on page 235.

CRITICAL ACCOUNTING ISSUES AND JUDGEMENTS - COMMITTEE ASSESSMENT		
KEY ISSUES	COMMITTEE CONSIDERATIONS	COMMITTEE CONCLUSION
<p>i) DEFERRED TAXATION</p>	<p>The Group have recognised deferred tax assets for unutilised losses of €2,474 million (€2,742 million in 2022).</p> <p>The recognition of deferred tax assets is reliant on the assessment of future profitability and the sufficiency of those profits to absorb losses carried forward. In assessing the recognition of the deferred tax assets, significant judgements are made as to the projection of long term future profitability of the Group, given the period over which recovery extends.</p> <p>Through its deliberations, the Committee considered a range of positive and negative evidence presented by management, which is further detailed on page 235. Based on the Group's 2024-2026 Strategy and Financial Plan as the baseline, and the application of a profit growth rate of 2% from 2027, the Committee noted that it will take less than 13 years for the Irish Deferred Tax Asset to be utilised. The Committee further noted that c.80% of the Deferred Tax Asset will be utilised within 10 years.</p> <p>In considering the utilisation period, the Committee noted that there are inherent uncertainties in the long term financial assumptions and projections applied, given the range of macroeconomic effects that may impact the Group's long term profitability. For the UK, 15 years is the period that taxable profits are considered more likely than not, with 65% expected to be utilised in 10 years.</p>	<p>In light of the evidence presented by management, the Committee provided their continued support of the recognition policy in place for deferred tax assets.</p> <p>The Committee also agreed that the management judgements applied were appropriately supported by the Group's long term financial and strategic plans.</p>
<p>ii) IFRS 9 AND THE IMPAIRMENT OF FINANCIAL ASSETS</p>	<p>The process for undertaking the assessment of the appropriateness of ECL requires use of a number of accounting judgements and estimates, some of which are highly subjective and very sensitive to risk factors, including:</p> <ul style="list-style-type: none"> • Changes to the macroeconomic environment; • The estimation and methodology for post-model adjustments ('PMAs'); • The determination of the criteria for a significant increase in credit risk and • The application of the definition of default policy for classifying financial instruments as credit impaired. <p>In assessing these key judgements and estimates, the Committee reviewed and approved, as required, updates regarding the ECL outcome provided by management. Through this assessment, the Committee also considered inputs from the Risk function on the outcome of assurance activities relating to ECL levels and the strength of the underlying governance processes in place to support the ECL calculation.</p> <p>In conjunction with the Board Risk Committee, the Committee assessed and challenged the inputs and outcome of the review of macroeconomic scenarios for use in the ECL models, as well as the weightings applied to those scenarios, in advance of onward recommendation of the scenarios to the Board for approval.</p> <p>PMAs, whereby modelled outcomes are adjusted for management judgements, totalling €534 million were also applied, with the 2023 year end position assessed as appropriate in the context of emerging headwinds from inflation and higher interest rates, the execution of the Group's Non Performing Exposure resolution strategy and challenges in model sensitivity.</p>	<p>The Committee is satisfied that the classification and measurement of financial assets, stage allocations, model scenarios inputs, impairment loss allowances and the net impairment loss for the year, have been appropriately determined in accordance with the Group's policy, aligned to IFRS 9.</p> <p>Following detailed assessment of the conclusions made by management, the Committee is satisfied that the judgements and assumptions utilised in determining the total ECL provision stock of €1,525 million, and year end charge of €172 million, are appropriate.</p>

CRITICAL ACCOUNTING ISSUES AND JUDGEMENTS - COMMITTEE ASSESSMENT		
KEY ISSUES	COMMITTEE CONSIDERATIONS	COMMITTEE CONCLUSION
<p>iii) PROVISIONS FOR LIABILITIES AND COMMITMENTS</p>	<p>The Group recognises provisions where it has a present legal or constructive obligations as a result of past events and it is more likely than not that these obligations will result in an outflow of resources to settle the obligations. A degree of judgement is applied based on a range of information available at the time. Judgement is required in determining whether the Group has a present obligation and whether it is probable that an outflow of economic benefits will be required to settle this obligation. This judgement is applied to information available at the time of determining the provision including, but not limited to, judgements around interpretations of legislation, regulations and case law depending on the nature of the provision.</p> <p>It is accepted that a range of outcomes are possible, however, the provision in place at 31 December 2023 reflects management's best estimate of provision amounts based on the available information.</p> <p>Further details of the Group's overall provision for liabilities and commitments are shown in note 34 to the financial statements. The individual provisions, set out in note 34, are not considered to have a significant risk of a material adjustment in the next financial year.</p>	<p>Based on the assessments undertaken, the Committee is satisfied that the provision for liabilities and commitments is reasonable, and reflective of the related uncertainties and the judgemental nature of key assumptions.</p>
<p>iv) RETIREMENT BENEFIT OBLIGATIONS</p>	<p>There is a significant degree of judgement and estimation in the calculation of retirement benefit liabilities.</p> <p>The Committee gave due consideration to the reasonableness of defined benefit obligations and of the underlying actuarial assumptions in use, including the discount rate, inflation rates and pensions in payment increases, and approved these assumptions as inputs in the calculation of the IAS 19 pensions position for the AIB Group Irish pension scheme.</p>	<p>Based on the work performed, the Committee is satisfied that the assumptions supporting the retirement benefit obligations are reasonable.</p>
<p>v) INVESTMENT IN SUBSIDIARY IN THE SEPARATE FINANCIAL STATEMENTS</p>	<p>In the separate financial statements of AIB Group plc the investment in subsidiary, Allied Irish Banks, p.l.c., is reviewed for impairment when there are indications that impairment losses may have occurred. An impairment review is undertaken by comparing the carrying value of the investment in the subsidiary with its estimated recoverable amount with any shortfall being reported as an impairment charge in the standalone financial statements. The estimated recoverable amount is based on a value-in-use calculation.</p> <p>The Committee considered a number of estimates and assumptions used in assessing the value in use, including an estimation of expected future profitability of the subsidiary and the appropriate discount rate to apply.</p>	<p>Based on the work undertaken, a reversal of the previous impairment of €588m due to the impact of the improvement in the economic environment on the Group's three-year plan is recognised at 31 December 2023.</p>

Report of the Board Audit Committee continued

CRITICAL ACCOUNTING ISSUES AND JUDGEMENTS - COMMITTEE ASSESSMENT

KEY ISSUES	COMMITTEE CONSIDERATIONS	COMMITTEE CONCLUSION
<p>vi) GOING CONCERN AND LONG TERM VIABILITY</p>	<p>The Directors are required to make an assessment and subsequently confirm that they have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due for a specified period. The viability statement must also disclose the rationale for the Directors' conclusions and explain why the period chosen is appropriate.</p> <p>In line with the requirements of the UK Corporate Governance Code, the Committee also considered whether it had a reasonable expectation that the Group would be able to continue in operation and meet its liabilities as they fall due over a set period of assessment, and made a recommendation to the Board in that regard.</p> <p>In assessing the Group as a going concern and in support of the viability statement, the Committee considered a range of factors, including the Group's detailed financial planning forecasts, the outcome of which are reflected in the 2024 - 2026 Strategy and Financial Plan, as well as the robust capital and liquidity position of the Group, having considered the potential impact of stress events, including a challenging macroeconomic global environment.</p> <p>The Committee also assessed a number of activities undertaken over the course of the year relating to the risk profile, capital, liquidity and funding positions, and recovery and resolution planning.</p>	<p>In the absence of any material uncertainties or doubts as to the Group's ability to continue as a going concern, the Committee recommended to the Board that the financial statements be prepared on a going concern basis.</p> <p>Based on the assessment undertaken, the Committee was satisfied that three years was a suitable timeframe for the Viability Statement, and recommended the Viability Statement to the Board for approval.</p> <p>The Viability Statement is available for review on page 113.</p>

Key areas of focus

External Reporting

During the course of the year, the Committee considered each of the areas above and the significant matters pertaining to this Annual Financial Report and the Group's Half-Yearly Financial Report for the six months ended 30 June 2023. The Committee concluded that it could recommend to the Board for approval on the basis that the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. To enable this detailed assessment to be undertaken, five of the 14 Committee meetings held in 2023 specifically related to financial reporting matters, with a comprehensive governance pathway put in place for all significant matters for Committee review as part of the year end and half year processes.

In addition, as integral to that review of both this Annual Financial Report and the Half-Yearly Financial Report, the Committee considered the minutes of the Group Disclosure Committee, an Executive level Committee which is tasked with providing oversight of material Group disclosures, in advance of making any recommendations to the Board. Periodic Pillar 3 reporting is also subject to robust governance and review processes, and the Committee reviewed and approved the annual and Half-Yearly Pillar 3 disclosures.

In 2023, the Committee spent a significant amount of time through standalone education sessions and in Committee upskilling on ESG/Non-Financial reporting requirements, given the enhanced role of the Audit Committee in this regard.

Internal Audit

The Committee is responsible for considering and approving the remit of the Internal Audit function, approving the internal audit plan, reviewing the three year audit plan and ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. It also receives the function's reports and evaluates the adequacy and timeliness of the Group's responses to them. The Committee ensures that the Internal Audit function has adequate standing and is free from oversight or other restrictions which may impair its independence.

Following approval of the annual audit plan, the Committee receives updates on a regular basis regarding audit plan delivery, and any revisions to the annual plan, which are considered with due regard for the overall risk profile of the Group. Significant findings of internal audit reports and management's responses were discussed at meetings of the Committee throughout the year. Any overdue actions were reviewed and challenged by the Committee.

In 2023, the revised operating model for GIA continued to embed and mature, building on the work undertaken by the Internal Audit function over the course of 2022. The primary focus of the operating model work has been to enable the function to adapt to the dynamic environment in which the Group operates, whilst supporting a robust control environment in which audit teams are well placed to provide deep assurance and valuable insights to the Audit Committee and Group as a whole. The Group Head of Internal Audit provides the Committee with regular assessments of the skills and resources required to deliver the audit plan and whether the internal audit budget is sufficient to recruit and retain staff, or to procure subject matter expert resources with relevant experience.

The Committee also considered the annual and half-year internal audit opinion in relation to the overall control environment, as well as enhancements to the methodology utilised to arrive at that assessment. Additionally, the Committee considered GIA's approach for ensuring adherence to Article 191 of the Capital Requirements Regulation including the output of the Annual General Risk Assessment relating to Internal Models and the related annual work plan as detailed in the 2023–2025 Audit Plan. During the year, the Chair of the Committee met regularly with the Group Head of Internal Audit between scheduled meetings of the Committee to discuss audit issues arising and insights into the control environment. The Group Head of Internal Audit has unrestricted access to the Chair of the Board Audit Committee.

Key areas of focus continued

External Audit

Following an external audit tender in 2021, PricewaterhouseCoopers (“PwC”) were appointed as Auditor of the Group with effect for financial year end 2023. The Committee has primary responsibility for overseeing the relationship with, and performance of, PwC, including a review of the Auditor’s internal policies and procedures for maintaining independence and objectivity and consideration of their approach to audit quality and materiality. The Audit Committee reviewed the terms of engagement and monitored the independence and effectiveness of the Auditor, facilitated by ongoing observation and the consideration of submissions from PwC over the reporting period. The remuneration of the Auditor for the year 2023 was also considered by the Committee and recommended to the Board for approval.

The Committee carefully considered the half-year review report and audit plan as presented by PwC to the Committee, as well as the final report on the 2023 audit and the year end audit opinion, including key audit matters. The Committee assessed the qualifications and expertise of their resources as well as considering the Auditor’s findings, conclusions and recommendations arising from their work. In line with monitoring the objectivity, independence and effectiveness of the Auditor and in accordance with the EU Audit Regulations 537/2014 and Directive 2014/56/EU, which was transposed into Irish law on 25 July 2018, an update was received in relation to the Group’s policy on the hiring of former employees of the Auditor. The Group’s policy is that the Auditor and its affiliates may be used for non-audit services that are not in conflict with the Auditor’s independence and where sound commercial reasons exist. This policy, which outlines the types of non-audit fees for which the use of the Auditor is pre-approved or requires specific approval, was reviewed and approved by the Committee at its last annual review cycle, and all non-audit services and fees were approved in accordance with Group policy. Further details on the approach can be found at the Group’s website at: <https://aib.ie/investorrelations>. Details of fees paid for audit and non-audit services are outlined in note 13.

Speak Up and Code of Conduct

The Group is committed to providing a safe, respectful and inclusive environment for all staff. The Committee reviews the arrangements in place that allow employees and contractors to raise any concerns, in confidence, about possible wrongdoings in financial reporting or other matters. Given this important role in relation to whistleblowing and protected disclosures, the Committee Chair met with the Group Head of Speak Up to discuss material cases and enhancements to Speak Up arrangements over the course of the year. In 2024, the Group will continue to enhance and evolve its approach to the management of protected disclosures in line with the definitions sets out in relevant legislative regimes across the jurisdictions in which AIB has a presence, whilst ensuring the appropriate channels remain in place for all other concerns which may be raised which are outside the remit of the legislation specifically related to Protected Disclosures. The Group has a Speak Up Policy, which allows employees and contractors to report concerns safely and confidentially about suspected wrongdoing related to the Group through designated channels, including through a dedicated Speak Up channel and to nominated senior leaders. Annual training on the Speak Up policy is available, with 99% of the workforce undertaking this training in 2023. The Committee also received updates from management on the effectiveness of the Group’s Speak Up procedures, supports and policies in place. The Committee further considered reports on the operation of the Code of Conduct.

The Committee also undertook their annual review of the Code of Conduct Framework. Significant enhancements were made to the Code of Conduct in order to fully align the Code of Conduct to the new Conduct Standards as set out in within the Individual Accountability Framework (‘IAF’), as well as further integration of the standards required under the UK Senior Managers and Certification Regime (‘SMCR’).

Internal Controls

The Group’s internal control and risk management systems are embedded within the organisation structure and it is the Committee’s responsibility to review the adequacy and effectiveness of the control environment on behalf of the Board. Throughout the year the Committee:

- Received updates from the Chief Financial Officer, aligned to the half-year and year end reporting timelines, regarding the testing, operation and effectiveness of the system of controls over financial reporting and mandatory non-financial disclosures.
- Reviewed and advised the Board on the appropriateness of the Directors’ statements in this Annual Financial Report relating to the Group’s systems of internal controls.
- Reviewed the outcomes of half-year and year end overall assessments of the control environment undertaken by Group Internal Audit.
- Reviewed quarterly reports from the Group Chief Risk Officer regarding the credit control environment.
- Received updates regarding the evolution of the approach to aligned assurance across the three lines of defence, with progress updates on delivery of the aligned assurance plan, as well as the key themes arising from the work undertaken across the three lines of defence.
- Received updates from management regarding oversight of internal fraud risk, as well as the internal and external fraud environment. During the year, accountability for internal fraud at an Executive level was discussed by the Committee, with confirmation provided by the COO regarding centralised accountability.

The Committee, having assessed the above information over the year, is satisfied that the internal control and risk management framework is operating effectively.

Subsidiary Oversight

Over the course of the year, the Committee Chair met with a number of the material subsidiary audit committee Chairs outside of the regular scheduled Committee meetings in order to discuss audit committee priorities and to gain a full understanding of matters of relevance or concern for the individual subsidiaries. In his role as Chair of the Goodbody Audit Committee, Committee Member Fergal O’Dwyer also provides a strong link from the Committee to that entity. The Committee Chair also attended a number of material subsidiary audit committee meetings throughout the Group. The Committee received an annual report from the audit committees of each of AIB Group (UK) p.l.c., EBS d.a.c., AIB Mortgage Bank u.c., and Goodbody and also regularly reviewed the minutes of those audit committees to ensure effective oversight and awareness of any issues and discussion themes.

Report of the Board Risk Committee



“Against the backdrop of a challenging interest rate risk and inflationary environment, the Committee maintained oversight of our key risks, including those related to borrower repayment capacity.”

Brendan McDonagh
Committee Chair

Chair Overview

On behalf of the Board Risk Committee ('the Committee'), I am pleased to report on the Committee's activities and how it has discharged its duties during 2023. The purpose of this report is to provide an insight into the workings of, and the key matters considered by, the Committee over the course of the year.

The primary purpose of the Committee is to assist and advise the Board in fulfilling its risk governance and oversight role. In addition to fulfilling its comprehensive responsibilities as set out in the Committee's Terms of Reference, detailed consideration was given to a broad range of existing risks including the migration of the performing tracker mortgage loan book from Ulster Bank, the continued integration of Goodbody Stockbrokers, emerging risks such as geopolitical risk and the continued uncertainty posed by the changing economic environment including rising interest rates, inflation and monetary tightening, along with the impact of these events on the Group's risk profile. The Committee also maintained risk oversight of the Group Operational Resilience Strategy, reviewing a number of key artefacts in considerable detail and recommending them to the Board for approval.

Committee Membership

The Committee currently consists of seven Non- Executive Directors, all considered by the Board to be independent. There was no change to Committee membership during the year.

To ensure co-ordination between the work of the Committee and that of the Board Audit Committee, Ms Sandy Kinney Pritchard, Chair of the Board Audit Committee, and I are members of both Committees. This approach assists with providing effective oversight of risk and audit and finance matters. To ensure co-ordination between the work of the Committee with that of the Sustainable Business Advisory Committee, Mr Raj Singh and Mr Jan Sijbrand are members of both of these Committees. To ensure co-ordination with the work of the Committee and that of the Technology and Data Advisory Committee, Ms Tanya Horgan and Mr Andy Maguire are members of both Committees. To ensure the Group's remuneration policies and practices are consistent with and promote sound and

effective risk management, I also sit on the Remuneration Committee.

The Group Chief Risk Officer has unrestricted access to the Committee and attends all Committee meetings. The Chief Financial Officer, Group Head of Internal Audit, the lead External Audit partner and the Chair of AIB Group (UK) p.l.c. are also invited to attend all Committee meetings.

Looking ahead to 2024, the Committee's focus will continue to be on ensuring appropriate oversight of the Group's risk appetite, risk management structure, frameworks and policies to ensure safe delivery of the Group Strategy in an appropriately risk controlled manner. There will also be continued emphasis on management of emerging risks including Change Execution and Transformation Risk as well as the threats posed from the external cyber landscape and macroeconomic risk issues such as interest rate, inflation and cost of living.

People risk and the ability to retain key senior talent will likely be a focus for the Committee given the current remuneration restrictions in place. Such risk areas will continue to be monitored through the ongoing reporting provided to the Committee. The Remuneration Committee and the Nomination and Corporate Governance Committee have a key role in the management and mitigation of these risks on behalf of the Board and I endorse completely the words of my colleague Elaine MacLean who chairs both of these committees in her overview and Q&A sections of those committees' reports. While the talent retention risk presented by the remuneration restrictions sits with the Board in the first instance, as things stand, the ability to meaningfully mitigate this risk sits outside of the Board's direct control.

The oversight of the delivery of the Group's IRB Enterprise Programme will also continue to be a key focus area of the Committee during 2024.

In what has been another busy year for the Committee, I would like to thank my fellow Committee Members and Executive colleagues for their significant contributions over the past twelve months.

Q&A

What do you foresee as the key emerging risks likely to face the Committee in the next 3 years?

A. Over the next 3 years, the risks associated with the external cyber landscape, geopolitical risks and the ability to retain key talent are all likely to become more prominent on the Committee's agenda.

How is the Board Risk Committee overseeing the risks associated with climate change?

A. As part of the Material Risk Assessment process, the Committee reviewed Climate & Environmental Risk in detail, and recommended to the Board that it be considered as a material risk, reflecting its importance as a key strategic pillar, its pervasiveness to other risks, regulatory developments, shareholder and societal expectations and its potential significant impact over time on the Group and wider society. The Committee also reviewed in detail and approved the Climate & Environmental Risk framework, a foundational step in an evolving journey for Climate & Environmental Risk management in the Group.

Brendan McDonagh
Committee Chair

Key areas of focus

PRINCIPAL RISK CONSIDERATIONS

Operational Risk

The Committee reviewed the ongoing operational risk profile throughout 2023. Given the level of change in the Group, the Committee remained focused on Execution Risk, Change Risk and People Risk, recognising the challenges associated with delivering the business as usual agenda alongside additional business demands arising from the delivery of key change initiatives. These included regulatory programmes, responding to global financial events and integration following delivery of the Group's inorganic growth strategy in a customer focussed, safe and controlled manner. As part of the Group Material Risk Assessment approved by the Board in July 2023, upon the recommendation of the Committee, People risk was approved to be a sub risk of Operational risk as it was primarily deemed material through its interconnectedness with operational risk. Aside from the operational aspect, ongoing remuneration restrictions, which continue to put the Group at a significant disadvantage to its domestic and non-domestic competitors in the retention and attraction of key talent, increase the risk of losing senior talent in the organisation, damaging market credibility and adversely affecting strategy execution.

The Committee maintained risk oversight of the delivery of the Group's refreshed Operational Resilience Strategy including reviewing a number of key operational resilience related items in considerable detail and recommending them to the Board for approval.

Periodic updates were received with respect to third party risk management, providing oversight of key outsourcing and critical arrangements across the Group. The Committee also reviewed in detail and recommended the Group Outsourcing Strategy to the Board for approval, ensuring that an appropriate framework is in place so that outsourcing decisions are made in a risk-controlled manner and in line with the Group's Business Strategy.

During 2023 the Committee maintained risk oversight of Cyber Risk and IT Risk, with ongoing review of the Cyber and IT risk profiles throughout the year. The Committee also continued to receive regular updates on Cyber Security covering the main internal and external cyber threats facing the Group, and including updates on the findings from cyber simulation exercises run during the year.

Credit Risk

The Committee continued to regularly consider the overall asset quality and credit risk profile of the Group, with a particular focus in 2023 on credit performance given the challenging interest rate risk and inflationary environment. The Credit Risk profile was reported to the Committee as remaining stable throughout 2023 and the Committee remained alert to any potential emerging signs of deterioration through regular monitoring of the credit risk profile and overall business performance, as well as considering deep dives on the property loan book. There was also continued focus on the Group's credit control environment. In conjunction with the Board Audit Committee, the Committee reviewed, challenged, and approved the macroeconomic scenarios for use in the Group's Expected Credit Loss models.

Financial

The Committee received regular updates with respect to financial risk throughout 2023 including the impact of financial market volatility on the Group's overall risk profile as a result of inflation, interest rate rises and the collapse of Silicon Valley Bank and Credit Suisse. The Committee also had an enhanced oversight of the integrated management of the Group's balance sheet from a risk perspective and considered financial risk deep-dives on Interest Rate Risk in the Banking Book, the Structural Hedging Programme and Securities Financing.

Climate and Environmental Risk

Climate Risk continued to be a key area of focus for the Committee in 2023. Recognising its importance as a key strategic pillar, its pervasiveness to other risks, regulatory developments, shareholder and societal expectations and its potential significant impact over time on the Group and wider society, the Committee reviewed Climate & Environmental Risk in detail, and recommended to the Board that it be considered as a material risk. The Committee also reviewed in detail and approved the Climate & Environmental Risk framework, a foundational step in an evolving journey for Climate & Environmental Risk management in the Group.

Conduct Risk and Culture Risk

The management of Conduct Risk and ensuring fair outcomes for customers continued to be a core focus for the Group. The Committee received regular reporting throughout the year regarding the status of the Conduct Risk profile, including updates on open restitutions, customer complaints metrics and the onboarding of Ulster Bank customers. The Committee also received updates on the status of the Culture Risk profile during the year. As part of the material risk assessment process, the Committee approved and recommended to the Board that Culture Risk be maintained as a material risk but moved from Operational Risk to Conduct Risk. The amalgamation of Culture Risk within Conduct Risk commenced and further integration through frameworks, policies, procedures and metrics is planned for 2024.

Regulatory Compliance Risk

The Committee continued to maintain oversight of the Group's adherence to and delivery of regulatory compliance commitments. Throughout the year, the Committee received regular updates from the Chief Risk Officer and the Group Chief Compliance Officer regarding the status of the regulatory compliance risk profile including updates on prudential regulation, conduct of business regulation, Financial Crime and Data Protection. The Committee also received updates regarding the delivery of specific regulatory change programmes, including the Operational Resilience programme and the European Banking Authority Loan Origination and Monitoring programme.

Financial Crime risk was considered throughout the year, through ongoing reporting as well as standalone updates provided by the Money Laundering Reporting Officer. The Committee received reports regarding the outcome of the 2023 Group Financial Crime Business Risk Assessment, which reviewed the Anti-Money Laundering/Counter Terrorist Financing and Financial Sanctions control environment across the Group.

Report of the Board Risk Committee

Key areas of focus continued

Capital Adequacy Risk, and Liquidity and Funding Risk

The Committee received regular updates throughout 2023 with respect to the status of the Capital Adequacy Risk profile and the Liquidity and Funding Risk profile. The Committee assessed reports from management to ensure that the Group had appropriate buffers in place in excess of the Group's own minimum capital and liquidity targets, as well as regulatory capital and liquidity requirements. The Committee also reviewed capital, funding and liquidity planning, including consideration of Group ICAAP and ILAAP reports, with particular reference to the contingent capital and the related Group wide stress test scenarios, including climate stress testing. Following an in-depth review in conjunction with the Board Audit Committee, the Committee recommended macroeconomic scenarios for use within the ICAAP to the Board for approval. The Committee was satisfied that the capital and liquidity adequacy of the Group has been well demonstrated in a range of scenarios.

Business Model Risk

The Committee received regular reports regarding the status of Business Model risk in the context of delivery of the Financial Plan and medium-term targets throughout 2023. The Committee continued to focus on strategic execution risk and the potential risks arising from the delivery of the Group's inorganic growth initiatives, both in terms of the business model risk profile and the operational risk profile. In providing oversight of the risks associated with these key change initiatives, the Committee received updates on the onboarding of the portfolios and the manner in which they were being integrated into the overall risk management framework of the Group. The Committee remains cognisant of the potential risks arising from any deterioration of the economic environment, and how this might impact Business Model Risk and so this will remain an area of continued focus in 2024.

Model Risk

The Committee continued to receive regular reports on the Model Risk profile and model capabilities across the Group, as well as progress against key regulatory deliverables. The Committee maintained risk oversight of the delivery against the IRB programme receiving regular programme updates throughout the year. Regular Model Risk Reports for all model types were also considered, with an assessment of model risk improvements and progress against deadlines undertaken. The status of the quality and adequacy of models were assessed through independent validation, the outcome of which was also reported to the Committee.

OTHER RISK CONSIDERATIONS

Risk Appetite, Risk Profile & Risk Strategy

The Committee reviewed and recommended the 2024 Group Risk Appetite Statement ('RAS') to the Board for approval during the year and also exercised oversight of performance against the 2023 Group RAS, making recommendations to the Board as appropriate. Performance against the 2023 Group RAS was overseen through the ongoing monitoring of the risk profile against agreed Group RAS metrics whilst ensuring alignment to the Group's strategic objectives. The Committee also reviewed regular reports from the Chief Risk Officer which provided an overview of the status, profile and trajectory of the Group's key material risks and considered and recommended the assessment of the material risks facing the Group to the Board for approval.

Regulatory Engagement

Throughout the year, the Committee considered regular updates regarding the status of Risk Mitigation Programme action plans including BCBS 239, as well as the upstream regulatory horizon. The Committee also considered and recommended, as appropriate, management action plans put in place to address findings identified as part of regulatory inspections.

Report of the Nomination and Corporate Governance Committee



“The focus of the Committee in 2024 remains on ensuring that the Board, its Committees and the Executive are equipped with the necessary skills and diversity to effectively guide the Group towards sustained success.”

Elaine MacLean
Committee Chair

Chair Overview

This report provides an overview of the Nomination and Corporate Governance Committee's key areas of focus for the year ended 31 December 2023 and its priorities for the year ahead. The focus of the Committee in 2024 remains on ensuring that the Board, its Committees and the Executive are equipped with the necessary skills and diversity to effectively guide the Group towards sustained success.

In 2023, the Nomination and Corporate Governance Committee completed its annual assessment of the independence of the Non-Executive Directors.

On the recommendation of the Committee, the Board reappointed Mr Fergal O'Dwyer for a second three-year term, and Mr Brendan McDonagh and Ms Helen Normoyle for an additional term of one-year each.

The Committee has also continued its focus on the development of the succession plans and processes for the members of the Group's Executive Committee and Heads of Control Functions as they are critical to the delivery of the Group's strategy. Central to such considerations are diversity, gender balance and the tailored development of core competencies that reflect a changing business and regulatory environment.

In addition to its review of the Corporate Governance Frameworks, the Committee also reviewed the Policy for the Assessment of Suitability of Members of the Board and the Code of Conduct & Conflicts of Interest Policy for Directors and there were no material changes.

Committee Membership

The Nomination and Corporate Governance Committee consists of four members: three Independent Non-Executive Directors, namely myself, Mr Brendan McDonagh and Ms Helen Normoyle, Senior Independent Director, and the Chair of the Board, Mr Jim Pettigrew.

In addition to being a Committee member, Mr Brendan McDonagh is also the Chair of the Board Risk Committee and this cross-membership supports information flow and

Q&A

Q. How mature are your Executive succession plans?

A. One key focus area for the Committee in 2023 was in the area of Executive succession. A number of Executive Committee positions became available, and the Group was fortunate to be able to make three appointments of “ready now” candidates from its internal talent pool. This was the result of deliberate investment in development and progression initiatives in prior years.

The Committee considers Executive succession arrangements regularly and for Executive Committee and Key Control Function roles reviews the emergency cover arrangements and the internal talent bank, across males and females from those who are considered “ready now” to those ready over longer periods (up to 3 years) for whom development plans are put in place. The Committee also considers external mapping of talent and has, for many of the foregoing roles, identified potential external candidates, although our success is limited in attracting this talent to the Group or to enter a process.

co-ordination between the work of the two Committees. The biographies of the Committee Members and a record of attendance at meetings are set out on pages 70 to 73 and page 78.

Meeting Participation

The Chief Executive Officer and Chief People Officer attended Nomination and Corporate Governance Committee meetings except where the business of the meeting related to their successors. The Committee also met with no management present during 2023.

A summary of the other key areas of focus for the Committee throughout 2023 is set out below.

Q. Do the remuneration restrictions have any impact on succession?

A. The market for talent in our core markets in Ireland and the UK, which are at full employment, is very intense. This has implications for all competing employers in attracting new talent and retaining the valued talent they have. AIB, which remains subject to the Irish government remuneration restrictions, is at a material disadvantage to domestic and international competitors in the market for talent. This becomes very apparent during succession planning and identifying potential candidates for Executive Committee and other senior management positions. The remuneration restrictions have directly resulted in the withdrawal of most candidates at a very early stage in these processes.

The Group is fortunate to have the talent pool which it has in making a number of confirmed and pending appointments to ExCo during 2023 from internal resources. This is not sustainable long term however, as every well governed business which places value on diversity needs to continually inject new talent, fresh ideas and external perspectives into its leadership.

I would like to thank my fellow Committee Members for their continued commitment through another busy year.

Elaine MacLean
Committee Chair

Report of the Nomination and Corporate Governance Committee continued

Key areas of focus

Board Succession Planning, Renewals and Board Committee Composition

The size, structure, composition and succession plan of the Board, Board Committees and Executive Committee was a standing item on the agenda of scheduled Committee meetings in 2023.

Chair Reappointment

In line with the CBI Corporate Governance Requirements for Credit Institutions 2015, the Board approved the reappointment of Mr Jim Pettigrew as Chair of the Board on the recommendation of the Committee.

Executive Succession Planning & Appointments

Review of the Executive Committee composition and succession planning was considered on an ongoing basis by the Committee during the year. In addition to broader succession planning activities, the Committee considered specific proposals regarding Heads of Control Function and Executive Committee member appointments. The Committee approved the appointment of preferred candidates for the roles, of the Chief People Officer, Chief Technology Officer and Managing Director, Retail Banking.

Induction and development of the new Executive Committee leaders will be a key priority for 2024 with robust personal development plans in place to meet specific individual needs including Executive Committee Buddies, Board Mentors and External Coaches to ensure accountability for personal development goals.

Diversity

The Board recognises the importance of gender, social and ethnic diversity, and the strengths diversity brings to Board effectiveness. Diversity is taken into account in its broadest sense when considering succession plans and appointments at both Board and the Executive Committee, as well as more broadly across the Group. Over the past 12 months, there has been significant focus on diversity at Board and management level as a result of the updated guidance and targets issued by the UK Listing Authority. The Board Diversity Policy was updated in 2023 to include a target that a woman holds at least one of the senior Board positions of Chair, Chief Executive, Senior Independent Director or Chief Financial Officer. Our gender diversity statistics for the Board can be found on pages 71 and 96. Executive management, which for this purpose is considered to be the Chief Executive Officer, his direct reports, and the Group Company Secretary was 38.46% female and 61.54% male.

Board Evaluation

In accordance with the CBI Corporate Governance Requirements and the UK Corporate Governance Code the Board is required to complete an annual evaluation of its performance, which should be externally facilitated at least every three-years.

Having successfully concluded a comprehensive external evaluation in 2022 facilitated by Praesta Ireland, the 2023 process was internally facilitated by the Company Secretary and Corporate Governance Teams. The key findings of the evaluation review are described on page 78.

Corporate Governance

The Committee oversees and monitors corporate governance arrangements and makes recommendations to the Board to ensure that the standards and arrangements across the Group are consistent with existing corporate governance standards and emerging best practice. The Committee undertook its annual schedule of work in relation to the Group's governance arrangements, corporate governance compliance, and related policies including:

- a review of the internal policies on the assessment of suitability of members of the Board and key function holders;
- a review of the Board's Code of Conduct and Conflicts of Interest Policy for Directors;
- a review of the Board Diversity Policy and diversity targets;
- oversight of compliance with applicable corporate governance requirements and guidelines;
- oversight of upstream regulatory developments in corporate governance and best practice;
- oversight of the internal Board Effectiveness Evaluation 2023; and
- consideration of workforce engagement processes via the Designated Non-Executive Director, who is also Chair of the Committee.

Further details on a number of these matters are available in the Corporate Governance Report.

Subsidiary Board and Committee Composition

The Committee considered a number of executive and non-executive appointments to the Group's material subsidiary Boards and the respective Board Committee membership, including for AIB Group (UK) p.l.c., AIB Mortgage Bank u.c., EBS d.a.c. and Goodbody Stockbrokers u.c. Such appointments included the recommended appointment of independent Non-Executive and Executive Director members of the Group Board to the subsidiary Boards and Committees, where established, to ensure appropriate information flow, oversight, consistency and alignment between the Group and its subsidiaries.

The Committee also considered Non-Executive Director term anniversaries and made recommendations for re-appointment to the subsidiary Boards where relevant, taking account of ongoing suitability considerations.

Board Composition and Succession

Professional Development and Continuous Education Programme

The Board's professional development and continuous education programme continued throughout 2023 and was designed in conjunction with the indicative work programme to ensure that training was delivered at a time when it would be of most benefit or relevance to the Board.

The sessions were delivered by a mix of internal and external subject matter experts and the topics included sustainability, climate related disclosures, director duties, cybersecurity, operational resilience (including vital business services), financial crime (including AML, ABC & CFT), CBI fit and proper requirements, CBI Individual Accountability Framework and Senior Executive Accountability Regime, credit risk models and Market Abuse Regulation. Directors also have access to an online Corporate Governance Library and a suite of AIB Group specific online training courses. Additional training and individual sessions with subject matter experts on areas of interest to the Directors are facilitated upon request.

A structured induction programme is ready to be delivered to any incoming Director and includes a series of meetings with senior management, relevant briefings, together with any specific training identified during the course of the appointment of the individual.

Access to Advice

There is a procedure in place to enable the Directors to take independent professional advice, at the Group's expense, on matters concerning their role as Directors. The Group holds insurance to protect Directors and Officers against liability arising from legal actions brought against them in the course of their duties.

Board Composition

At 31 December 2023, the Board consisted of the Chair, who was deemed independent on appointment, twelve Independent Non-Executive Directors and two Executive Directors, being the Chief Executive Officer and the Chief Financial Officer.

A number of Board Advisory Committee changes occurred in 2023, see table below.

Time commitment

Non-Executive Directors are required to devote such time as is necessary for the effective discharge of their duties. The expected time commitment of the Chair and Non-Executive Directors is agreed and set out in writing in a letter of appointment. This is issued following confirmation of an individual's capacity to take on the role and involves an assessment of existing external commitments and demands on time. Any changes, such as additional external appointments which could impair the ability to meet the above, can only be accepted following approval of the Chair and Group Company Secretary and in certain cases the approval of the Board as a whole and/or the Central Bank of Ireland, must also be sought.

There is a procedure in place to assess and seek Board approval for any additional external roles proposed by Directors to ensure that there will be no impact on their ongoing suitability or ability to continue to dedicate sufficient time to their Group roles.

The estimated minimum time commitment set out in the letters of appointment is 30 to 60 days per annum for Non-Executive Directors and 100 days per annum for the Chair, including attendance at Committee meetings.

Balance and Independence

Responsibility has been delegated by the Board to the Committee for ensuring an appropriate balance of experience, skills and independence on the Board. Non-Executive Directors are appointed so as to provide strong and effective leadership and appropriate challenge to management. The independence of each Non-Executive Director is considered by the Committee prior to appointment and reviewed annually thereafter. It was determined that the following Non-Executive Directors in office during 2023, namely Ms Anik Chaumartin, Mr Basil Geoghegan, Ms Tanya Horgan, Ms Elaine MacLean, Mr Andy Maguire, Mr Brendan McDonagh, Ms Helen Normoyle, Ms Ann O'Brien, Mr Fergal O'Dwyer, Ms Sandy Kinney Pritchard, Mr Jan Sijbrand, and Mr Raj Singh were independent in character and judgement and free from any business or other relationship with the Group that could affect their judgement. This conclusion was reached after consideration of all relevant circumstances that are likely to impair, or could appear to impair, independence.

In determining independence, the Board had particular regard to the fact that Ms O'Brien and Mr Singh were appointed in 2019 following their nomination by the Minister for Finance in Ireland, who at 31 December 2023 controlled 40.77% of the Group's issued share capital. In determining that they should properly be considered to be independent, the Board gave due regard to the following matters: the nature and history of the shareholding and the alignment of the Irish State's interests with other shareholders, the nature of the individuals nominated and the process followed in identifying them for nomination, their performance and nature of their contribution to the business of and matters discussed at the Board, and the Relationship Framework with the State. The Board is satisfied that in carrying out their duties as Directors, Ms O'Brien and Mr Singh are able to exercise independent and objective judgement without external influence.

The Chair, Mr Jim Pettigrew, was determined as independent on appointment.

Board Advisory Committee Changes in 2023

2023 Changes	Committee Roles	Joined/Stepped Down/ Appointed/Resigned	When
Graham Fagan	Member of the Technology and Data Advisory Committee	Joined	18 October 2023
David McCormack	Member of the Sustainable Business Advisory Committee	Joined	18 October 2023
Geraldine Casey	Member of the Sustainable Business Advisory Committee	Stepped Down	18 October 2023
Fergal Coburn	Member of the Technology and Data Advisory Committee	Resigned	20 March 2023

Report of the Nomination and Corporate Governance Committee continued

Inclusion and Diversity

Employee inclusion and diversity in the Group is addressed through policy, practices and values which recognise that a productive workforce comprises of diverse backgrounds, cultures, experiences, characteristics and work styles. The Group has implemented a Diversity and Inclusion Code and opposes all forms of discrimination. The efficacy of related policy and practices and the embedding of the Group's values is overseen by the Board which, in 2023, endorsed the Group's inclusion and diversity strategy supported by short-term activities and targets as one of the key focus areas of the Culture Programme. The Board also considers inclusion and diversity within the context of the Group's People strategy and Future of Work strategy.

The Board is supported in its oversight by its Committees, specifically by the Nomination and Corporate Governance Committee which considers diversity as a key element within the context of succession planning for the Executive Committee and its succession pipeline within the Group. In addition, the Sustainable Business Advisory Committee considers inclusion and diversity in the Group as it relates to that Committee's role in overseeing the Group's efforts to promote economic and social inclusion as part of the sustainability agenda.

With regard to diversity among Directors, there is a Board Diversity Policy in place which sets out our commitment to, and also details our approach to achieving, our diversity ambitions. This policy is available on the Group's website at www.aib.ie/investorrelations.

The Committee is responsible for developing measurable objectives to effect the implementation of this Policy and for monitoring progress towards achievement of the objectives. The Policy and performance relative to the target is reviewed annually by the Committee, in conjunction with Board succession and skills planning, and any proposed changes to the Policy are presented to the Board for approval. The Board's target, as set out in its Diversity Policy, is that it shall

maintain at least 40% female representation. In addition, at least one Board member shall be from a minority ethnic group and at least one senior Board position shall be held by a female.

The Board recognises that diversity in its widest sense is important, is inclusive of all individuals and is focused on ensuring a truly diverse Board. The Board embraces the benefits of diversity among its members and through its succession planning, is committed to achieving the most appropriate blend and balance of diversity possible over time.

In terms of implementation of the Board Diversity Policy, the Committee reviews and assesses the Group Board composition and has responsibility for leading the process for identifying and nominating, for approval by the Board, candidates for appointment as Directors. In reviewing the Board composition, balance and appointments, the Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity, in order to maintain an appropriate range and balance of skills, experience and background on the Board and in consideration of the Group's future strategic plans. Where external search firms are engaged to assist in a candidate search, they are requested to aim for a fair representation of both genders to be included in the initial list of potential candidates, so the Committee has a balanced list from which to select candidates for interview.

At 31 December 2023, the percentage of females on the Board stood at 40% and one Director was from a minority ethnic group, thereby meeting the Board's Diversity Policy targets as well as regulatory requirements on gender diversity and ethnicity. Additionally, in compliance with the UK Listing Rule Requirements, at least one senior Board position, that of the senior independent director, was held by a female.

Gender and Ethnic Diversity

This tables below outline the current gender and ethnic diversity of the Board and Executive Management as at 31 December 2023 reflecting data gathered through self-identification.

Gender

	Number of Board members	Percentage of the Board ¹	Number of senior positions on the Board ²	Number in Executive management ³	Percentage of Executive management ³
Men	9	60 %	3	8	61.54 %
Women	6	40 %	1	5	38.46 %

1. The Board comprises the Non-Executive and Executive Directors.

2. Senior positions on the Board comprises the Group Chair, Chief Executive Officer, Chief Financial Officer and Senior Independent Non-Executive Director.

3. Executive management comprises the Chief Executive Officer, their direct reports, and the Group Company Secretary.

Ethnic Diversity

	Number of Board members	Percentage of the Board ¹	Number of senior positions on the Board ²	Number in Executive management ³	Percentage of Executive management ³
White Irish or other white (including minority-white groups)	14	93 %	4	13	100 %
Mixed/multiple ethnic groups	0	— %	0	0	— %
Asian/Asian Irish	1	7 %	0	0	— %
Black/African/Caribbean/ Black Irish	0	— %	0	0	— %
Other ethnic group, including Arab	0	— %	0	0	— %

1. The Board comprises the Non-Executive and Executive Directors.

2. Senior positions on the Board comprises the Group Chair, Chief Executive Officer, Chief Financial Officer and Senior Independent Non-Executive Director.

3. Executive management comprises the Chief Executive Officer, his direct reports, and the Group Company Secretary.

Board Succession Planning and Appointments

The review of the appropriateness of the composition of the Board and Board Committees is a continuous process, and recommendations for appointment are made based on merit and objective criteria, having regard to the collective skills, experience, independence and knowledge of the Board along with its diversity requirements. The Board Succession Plan is reviewed by the Committee alongside the Board Skills Matrix at each scheduled meeting to allow for proactive and continuous succession planning and, in turn, the timely commencement of Director search processes.

The Board Succession Plan details planned Board composition as well as Board Committee membership, the likely tenure of Non-Executive Directors and upcoming actions to be undertaken. The skills included in the Board Skills Matrix were identified taking into account the Group's strategic priorities and relevant regulatory requirements. Each Director was selected for appointment on the basis of their knowledge, skills and experience which enable them to effectively discharge their duties, ensure the effective governance of the Group, and contribute to its long term, sustainable success. The biographies on pages 70 to 73 set out the key skills and experience which each Director brings to the Board.

In addressing appointments to the Board, a role profile for the proposed new Directors is prepared on the basis of the criteria laid down by the Committee, taking into account the existing skills and expertise of the Board and the anticipated time commitment required. The services of experienced third party professional search firms are retained for Non-Executive Director appointments where required and deemed necessary by the Committee. In all Director selection activity, the Group ensures a formal and rigorous process is followed.

Prior to a recommendation for appointment of any given candidate, a comprehensive due diligence process is undertaken, which includes the candidate's self-certification of probity and financial soundness as

well as external checks and enhanced due diligence. The due diligence process enables the Committee to satisfy itself as to the candidate's independence, fitness and probity, and capacity to devote sufficient time to the role. A final recommendation is made to the Board by the Committee.

The Relationship Framework specified by the Minister for Finance (the "Minister"), which governs the relationship between AIB and the Minister, on behalf of the Irish State as shareholder, requires the Group to consult with the Minister before appointing, reappointing or removing the Chair or Chief Executive Officer and in respect of any other proposed Board appointments.

A Board-approved Policy is in place for the assessment of the suitability of members of the Board, which outlines the Board appointment process, and is in compliance with applicable joint guidelines issued by the European Securities and Markets Authority and the European Banking Authority.

Terms of appointment

Non-Executive Directors are generally appointed for a three-year term, with the possibility of renewal for a further three years on the recommendation of the Committee. Any additional term beyond six-years is subject to annual review and approval by the Board. In accordance with practice in recent years and the provisions of the UK Corporate Governance Code, all Directors submit themselves for re-election at each Annual General Meeting. Details of the appointment dates and length of tenure of each Director is available from their appointment dates included in their biographies on pages 70 to 73.

Board skills and experience

The summary below provides an overview of the skills and experience held by the Group's Non-Executive Directors on the Board. This is based on the current skills matrix, which is reviewed annually by the Nomination and Corporate Governance Committee to ensure that the Board has the skills and experience required to effectively discharge its duties and to support succession planning discussions.

Diversity of Core Skills & Competencies

- Leadership
- Strategy
- Governance
- Risk Management
- Capital & Liquidity
- Customer & Conduct
- Stakeholder Engagement
- Finance, Accounting & Audit

Diversity of Professional Experience

- Non-Executive Director
- Retail Banking
- Corporate, Institutional & Business Banking
- Treasury Management
- People Management & Development
- Stakeholder Engagement
- Outsourcing & Change Management

Areas of Focus Under 2024 Board Training Plan

- Aligned with Strategy & Material Risks:
- Climate & Environmental Risk
 - Sustainability
 - Inclusion & Diversity
 - Cyber & Operational Resilience
 - Data & AI

Report of the Remuneration Committee



“The Group’s inability to remunerate senior talent on par with its competitors represents a material risk and threat to its capacity and capability to attract, reward and retain the level of experienced talent necessary for the long-term, sustainable success of the Group.”

Elaine MacLean
Committee Chair

Chair Overview

I am pleased to present the 2023 Remuneration Report on behalf of the Committee, which provides an overview of our key areas of focus for the year ended 31 December 2023 and the Committee’s priorities for 2024.

We are grateful for the continued support of shareholders in particular their approval (99%) of the Group Remuneration Policy and Directors’ Remuneration Report at the 2023 AGM. As our remuneration structure continues to evolve following the partial easing of the Government’s remuneration restrictions at the end of 2022, we have enhanced our remuneration disclosures, including setting out the policy for the remuneration of Directors, for which the Committee is seeking shareholder approval at the 2024 AGM. Such enhancements are commensurate with and reflective of the Group’s evolving remuneration structure and are designed to align with market practice and to ensure that our approach to disclosure continues to be clear and transparent. We hope the updated approach to disclosure is welcomed by shareholders.

In 2023, while maintaining its focus on the governance and oversight of the remuneration structures in place across the Group, the Committee engaged with management in respect of the establishment of short-term variable remuneration for employees and Executive Directors. Central to the Committee’s focus was the setting of performance metrics and its consideration of how such changes would be in the best interests of all stakeholders, in particular, employees, shareholders and customers. The Committee also prioritised its review of the Group’s risk adjustment process and the process for the identification and oversight of the Group’s Material Risk Takers, which are essential for the introduction and management of short-term variable remuneration. The establishment of an Approved Profit Sharing Scheme (in Republic of Ireland) and Share Incentive Plan (in the United Kingdom) will provide an opportunity for employees and

Executive Directors to use their short-term variable awards to purchase AIB shares. The short-term variable remuneration scheme will be subject to the monetary threshold under the Government’s continued remuneration restrictions. The Committee also engaged with management to ensure the satisfaction of applicable regulatory requirements and best practice guidance. The Committee also oversaw management’s introduction of healthcare for employees and Executive Directors.

While the Committee welcomes these positive changes, it is very concerned that it is unable to effectively mitigate the risk arising from the Government’s continued restrictions on remuneration. The Group’s inability to remunerate senior talent on par with its competitors represents a material risk and threat to its capacity and capability to attract, reward and retain the level of experienced talent necessary for the long-term, sustainable success of the Group.

In light of the continued growth and expansion of the Group’s business and operations, the Committee also focused on ensuring the consistent application of its remuneration policies, including risk mitigation, across the Group’s subsidiaries and operating platforms.

The Committee also continued its oversight of the variable remuneration arrangements for Goodbody employees, which remains a separately regulated legal entity within the Group and operates a variable remuneration structure for its employees.

The Committee also considered Gender Pay, including the publication of the Group’s Gender Pay figures in the UK and Ireland. The Committee, supporting the Board, will continue to oversee management’s progress to narrow Gender Pay gaps, including measures to continue to further increase diversity at senior levels across the Group.

A key area of focus for the Committee in 2024 will be its monitoring and, to the extent possible, mitigation of the risk arising from the

Government’s retention of its remuneration restrictions, in particular the salary cap, which continues to impact the Group’s recruitment and retention of senior talent. The changes we have been able to implement during 2023 represent modest improvements in the Bank’s ability to pay market aligned remuneration both in terms of quantum and structure. However, the Committee remains acutely aware of the risk posed by not being able to award market competitive remuneration to our senior leadership and key talent. The Committee remains committed to ensuring that all remuneration outcomes remain closely aligned with the Group’s performance, culture and values.

Q&A

Q. How are you currently managing talent retention risk?

A. At levels below Executive Committee we continue to use the limited levers available to us and to this end, the partial lifting of the remuneration restrictions in November 2022 has been a help. For more senior and specialised roles, including those of the Executive Directors, the ongoing remuneration restrictions are making the management of this risk extremely challenging. The mitigation of this risk is outside of the Board’s control and we continue to engage with the Department of Finance in our attempts to secure the removal of the pay cap. This would allow the Group to reward senior Executives at a level commensurate with our competitors.

Executive Director Remuneration

In line with the salary cap imposed by existing remuneration restrictions, during 2023 the Chief Executive Officer was paid a base salary of €500,000 and an employer pension contribution of 20% (€100,000), which included an allowance in lieu of pension contribution for part of the year. The Chief Financial Officer received a base salary of €485,000, with a non-pensionable allowance of €15,000 and an employer pension contribution of 20% (€97,000).

Variable Remuneration Outcome

The short-term variable remuneration scheme introduced in 2023 focuses on delivery against Group performance measures. These measures were chosen to recognise the collective effort towards the Group achieving targets. The scheme comprises three financial measures, accounting for 60% of the award calculation and three non-financial measures which account for 40% of the award calculation. The financial measures, which include underlying profit, RoTE and Costs Targets, ensures the business is performing at a level which enables an award to be made. The non-financial measures included, gender balance, green finance and customer satisfaction, and underline the importance placed on the ESG and customer agendas and the Group's commitment to making continued progress on these agendas.

The maximum award under the scheme is aligned for all employees and Executive Directors at 5% of base salary up to a maximum of €12,700.

The Group exceeded the target position for underlying profit, RoTE, green finance and customer satisfaction and met the target for gender balance. The costs target was not achieved for performance year 2023. Combined performance has resulted in a 4.4% award.

The Committee carefully considered the variable remuneration outcomes for the Executive Directors in the context of business performance (financial and non-financial) and the wider stakeholder experience and concluded that the outcomes were appropriately aligned to Group performance. Therefore, no discretion was applied to adjust the formulaic outcome.

Healthcare for Employees

Following extensive employee engagement, the feedback informed us that healthcare is an important benefit for our employees and, in October 2023, we were delighted to announce the introduction of healthcare benefits for all AIB employees. The introduction of healthcare benefits aligns to our commitment to the health and wellbeing of our employees.

Pensions

Following a review of compliance with the UK Corporate Governance Code, the pension arrangements of Executive Directors and Executive Committee members were considered by the Committee. The arrangements, although not aligned to the

pension provision for the wider workforce were deemed to be appropriate, taking into account the remuneration restrictions and pensions as an integral part of the remuneration determined for relevant individuals within the remuneration restrictions. This is an area that will be kept under review and specifically considered again if there are changes to levels of fixed remuneration.

Supporting our Colleagues

The Committee takes an active interest in the pay and benefits offered to employees across the whole of our workforce, and it is against this that the Executive Directors' remuneration is framed. In 2022, the Group agreed to a three year pay deal that provided pay certainty for our employees at Career Levels 1-3. Employees at Career Levels 4-6 receive pay increases that are linked to performance. In addition to the introduction of variable remuneration and healthcare for all employees in 2023, a cost-of-living award to the value of €1,000 (or local equivalent) was made to AIB employees below Executive Committee level.

Role of the Committee

The purpose of the Committee is to ensure that the Group Remuneration Policy is designed to support long-term business strategy, values and the culture of the Group, as well as to promote effective risk management, and reward fairly and responsibly, with a clear link to corporate and individual performance, in compliance with applicable legal and regulatory requirements. The Committee oversees the operation of Group-wide remuneration policies and practices for all employees, including determining individual total remuneration packages for Executive Directors, Executive Committee members, Group Heads of Control Functions, the Group Company Secretary, and Material Risk Takers. The Committee's governance role is outlined in detail in its Terms of Reference, which are published on the AIB website at www.aib.ie/investorrelations.

Committee Membership

The Committee consists of four members: three Independent Non-Executive Directors, namely Ms Elaine MacLean, Chair, Mr Brendan McDonagh and Ms Ann O'Brien, and the Chair of the Board, Mr Jim Pettigrew. In addition to being a Committee member, Mr Brendan McDonagh is also the Chair of the Board Risk Committee and this cross-membership supports information flow and co-ordination between the work of the two Committees. The biographies of the Committee members and a record of attendance at meetings are outlined on pages 70 to 73, and 78.

Meeting Participation

The Chief Executive Officer, the Chief People Officer and other members of management are invited to attend meetings at the Committee's request and where required for the business of relevant meetings. The Chief Risk Officer is a permanent attendee at meetings to provide a risk view on any matters submitted for the Committee's consideration except where the

Committee is considering the Chief Risk Officer's own remuneration or that of peers. The Committee operates under the principle that no individual shall be involved in decisions regarding their own remuneration and no member of management is permitted to attend where a matter for decision relates to their own remuneration.

The Group Remuneration Policy can be found on our website and the Director Remuneration Policy is set out in the Corporate Governance Remuneration Statement which follows this report.

The Remuneration Committee continues to be open to feedback from our shareholders and welcomes any conversations or comments on our policy and its operation. On behalf of the Committee thank you for reading this report and we look forward to receiving your support at the AGM on 2 May 2024 in relation to the pay-related Resolutions.

Finally, I would like to thank my fellow Committee members for their work throughout 2023.

Elaine MacLean

Chair of the Remuneration Committee

Report of the Remuneration Committee continued

Key areas of focus

Group Remuneration Policy

The Committee conducted its annual review of the Group Remuneration Policy and noted that while the Policy has been significantly constrained by the terms of the State Agreements following the recapitalisation of the Group in 2010 and 2011, it is operating effectively and as intended, and within its prescribed principles and parameters. Apart from the updates to the Policy in relation to for the introduction of short-term variable remuneration and healthcare benefits, there have been no material changes to the Group's Remuneration Policy, practices or structure in 2023.

The Group's Chief Risk Officer presented to the Committee on the Risk function's annual review of the Group Remuneration Policy and there were no significant regulatory compliance issues. Group Internal Audit also completed an annual audit of remuneration compliance with EBA Guidelines, Capital Requirements Directive and the State Agreements, including the process for the identification of Material Risk Takers and no material actions were identified.

The Committee also considered how executive remuneration aligned to wider employee remuneration and confirmed that as the Group Remuneration Policy applies to all employees and executives, all remuneration is based on the same principles.

Director Remuneration

The Committee considered all elements of the Director Remuneration Policy which is set out in more detail on page 101.

Details of the total remuneration of the Directors in office during 2023 and 2022 are provided in the Corporate Governance Remuneration Statement on pages 101 to 108.

Goodbody Stockbrokers Remuneration Governance - Variable Remuneration

During 2023, the Committee continued its oversight of remuneration matters within Goodbody and the engagement and communication mechanism between the Goodbody Board and the Committee on remuneration matters. The Committee considered and approved the identification of a number of Goodbody roles as Material Risk Takers of the Group.

The Committee also approved certain variable remuneration retention payments for Goodbody employees. Such awards were subject to the risk adjustment and clawback and malus requirements.

Remuneration of Individuals

The Committee considered a number of individual remuneration proposals for Executive Committee, Group Company Secretary and Heads of Control Functions in accordance with its Terms of Reference.

Subsidiary Chair and Non- Executive Director Fees

The Committee considered proposals to revise the fee structure in place for the Non-Executive Directors of its material subsidiaries, AIB Mortgage Bank UC and EBS d.a.c. These changes were recommended to and approved by the Board to ensure market alignment in the fees offered.

Gender Pay Gap Reporting

The Committee received updates and analysis undertaken with regard to the Group's public reporting of Gender Pay in Ireland and the UK. The Committee, supporting the Board, will continue to oversee management's progress to narrow Gender Pay gaps.

Compliance and Annual Reviews

The Committee conducted its programme of annual reviews including a review of the process for identifying Material Risk Takers and the limited variable commission schemes in operation across the Group. Each review was accompanied by a view from Group Risk to support the Committee in its oversight of same. Further details on the identification of Material Risk Takers are available in the Corporate Governance Remuneration Statement which follows this report.

The Committee also approved the quantitative and qualitative reports required under Pillar 3 for the Group and the Investment Firms Directive for Goodbody Stockbrokers.

Corporate Governance Remuneration Statement

Remuneration Policy and Governance

The Director Remuneration Policy (the “Remuneration Policy” or the “Policy”) applies to the Group’s Executive Directors. Under Section 1110M of the Irish Companies Act 2014, AIB is required to obtain shareholder approval of the Remuneration Policy by the fourth anniversary of the previous approval, or sooner if changes are required. UK regulations, which AIB follows as a matter of best practice to the extent practicable, require a new policy to be brought to shareholders every three years or sooner if material changes are required.

As set out in the Chair’s statement, this Remuneration Policy does not include any material change to the way in which the Group’s Executive Directors have been remunerated in 2023. However, noting the changes in the remuneration restrictions, the Remuneration Policy set out on the following pages formalises arrangements into a market aligned Policy document applying to the Group’s Executive Directors only.

The Remuneration Policy will be subject to a shareholder advisory vote at the 2024 AGM.

The wider Group Remuneration Policy can be found on our website – www.aib.ie/investorrelations.

Purpose and Aims of the Remuneration Policy

The Policy sets the framework for all remuneration related policies, procedures and practices for the Executive Directors of the Group. The principal aim of the Remuneration Policy is to support AIB in becoming a bank to believe in, recognised for outstanding customer experience and superior financial performance. The Group’s remuneration philosophy aims to ensure that remuneration is aligned with performance and that employees are rewarded fairly and competitively for their contribution to the Group’s success and growth. The Group is committed to a simple, transparent and affordable reward structure, which is fair, performance based, and both externally and risk aligned.

The Remuneration Policy is aligned to the wider Group Remuneration Policy and is designed to:

- (a) Foster a truly customer focussed culture;
- (b) Create long term sustainable value for our customers and shareholders;
- (c) Attract, develop and retain the best people; and
- (d) Safeguard the bank’s capital, liquidity and risk positions.

The Remuneration Policy is governed by the Committee on behalf of the Board. The Committee is responsible for determining the Remuneration Policy and for overseeing its implementation.

The Committee further ensures that the Remuneration Policy and practices are reviewed at least annually alongside the wider Group Remuneration Policy, taking into account the alignment of remuneration to the Group’s culture, and market and regulatory requirements and developments. The annual review is informed by input from Group Risk and Internal Audit to ensure that remuneration policies and practices are operating as intended, are consistently applied across the Group and are compliant with regulatory requirements.

The Group continues to comply with the applicable requirements of the UK Corporate Governance Code (the “Code”) and the Irish Corporate Governance Code Annex (the “Irish Annex”). The Code and Irish Annex are used to inform the Group’s decision making and disclosures. The Group also complies with the Irish Companies Act. Due to the constraints on variable remuneration, certain requirements of the Code and disclosure requirements are not currently applicable to the Group. The Group will continue to review these requirements alongside any future changes to the restrictions on remuneration by the Irish Government to ensure ongoing compliance.

Regarding Provision 40 of the Code, the Policy sets the framework which underpins remuneration policies and practices for Executive Directors. In particular:

Clarity	Remuneration arrangements have defined parameters which are clearly outlined in the Remuneration Policy.
Simplicity	The Group is committed to a simple reward structure as outlined in the Remuneration Policy.
Risk	The Group’s existing remuneration arrangements operated under strict Government remuneration constraints. The design of the new and any future variable remuneration schemes will have a robust link between pay and performance with safeguards in place to ensure outcomes are appropriate, including risk adjustment.
Predictability	The Group discloses specific details, including maximum opportunity levels, performance targets and worked examples, of Executive Director remuneration.
Proportionality	The Committee may adjust formulaic variable remuneration outcomes where they are not proportionate to the financial or non-financial performance of the Group.
Alignment to culture	The Remuneration Policy is aligned to the Group’s culture and values. Performance measures used to determine the outcome of variable remuneration arrangements will reflect the culture and values of the Group, including its commitment to ESG.

Consideration of employment conditions elsewhere in the Group

The Policy and AIB’s approach to wider employee population is based on the principle that it should be sufficient to attract and retain the best talent and be competitive within our industry to deliver AIB’s strategy. Remuneration structure and quantum is driven by seniority and accountability (mindful of restrictions), as well as market practice although the remuneration structures are broadly aligned throughout the Group.

The below provides examples of areas of alignment between the remuneration of Executive Directors and the wider workforce:

- (a) The Remuneration Policy and the wider Group Remuneration Policy are based on the same principles.

Corporate Governance Remuneration Statement continued

- (b) AIB's current remuneration structure for all employees predominantly consists of fixed pay elements, encompassing base salary, allowances, benefits (including healthcare) and employer pension contributions. All employees, including Executive Directors, are eligible for inclusion in a variable remuneration scheme based on company performance operating in line with remaining remuneration restrictions which include a limit on variable remuneration of €20,000 per employee per year. Employees in the Republic of Ireland ("ROI"), subject to establishment, will be able to participate in an Approved Profit Sharing Scheme ("APSS") and employees in the UK will be able to participate in a Share Incentive Plan ("SIP")
- (c) While there are certain benefits that increase based on seniority, e.g. non-pensionable allowances and employer pension contributions, there are other aspects of remuneration for more junior employees that don't apply to higher levels, e.g. overtime, Progression, THLA ("Temporary Higher Level Allowance").

During 2023, engagement took place with employees in relation to a number of changes made to the Group Remuneration Policy, including healthcare benefits and variable remuneration.

Consideration of Shareholder Views

The Committee is committed to a transparent dialogue with shareholders on key remuneration matters. The Remuneration Policy and Report provide shareholders with a detailed understanding of the decisions that have been made during the year.

The Committee keeps up to date with proxy adviser and shareholder written guidelines which are considered when making decisions in respect of the remuneration of the Executive Directors.

Summary of Proposed Changes

As set out in the 2022 Report, changes were made to the Remuneration Policy to permit the awarding of variable remuneration, the provision of healthcare benefits to all employees and the Group's Executive Directors, and to the satisfaction of applicable regulatory requirements. As disclosed in the 2022 Report, the Group is establishing an SAYE (Save As You Earn) scheme for all employees and the Group's Executive Directors.

Remaining Remuneration Constraints

AIB's inability to implement market aligned remuneration practices on an equal footing with competitors, in particular, for senior leadership and key talent, represents a key material risk to the Group. The Committee monitors and endeavours to address this risk on an ongoing basis.

In December 2022, the Irish Government partially eased a number of remuneration restrictions impacting the Group, while retaining the cap on base salaries of €500,000 and a limit on variable remuneration of €20,000 in twelve-month period.

Should the remaining restrictions be eased, the Committee would consider the need to amend the Group and Director Remuneration Policies, including seeking necessary shareholder approvals for any such changes.

As part of the acquisition of Goodbody in 2021, it was agreed with the Department of Finance that the remuneration restrictions that apply to AIB would not apply to Goodbody employees, and that they could continue to remain eligible for variable remuneration.

Compliance with Relevant Regulatory Requirements

Remuneration policies, procedures and practices reflect the provisions, where applicable, of national and EU legislation, continuing Irish Government remuneration restrictions, the Capital Requirements Directive ("CRD"), the Investment Firms Directive, corporate governance requirements issued by the Central Bank of Ireland, and relevant guidelines issued by the European Banking Authority ("EBA") and other regulatory authorities. The provisions of the EBA Guidelines on sound remuneration will continue to be applied to AIB's new variable remuneration scheme. In particular, the Remuneration Policy incorporates the provisions of the EBA Guidelines in relation to the ongoing design, implementation and governance of remuneration.

Key Components of the Director Remuneration Policy

The following table sets out the key components of the Director Remuneration Policy, including their application to the recruitment and departure of Executive, Directors, which is subject to shareholder approval with a non-binding shareholder resolution at the 2024 AGM.

Pay Element	Objective	Description	Performance Assessment and Maximum Potential Value
Base Salary	To attract, motivate and retain the right calibre of individuals to support the Group's future success and growth.	To the extent possible within the salary cap, the base salaries of the Executive Directors are: <ul style="list-style-type: none"> Set according to appropriate market ranges which reflect the size, skills and level of responsibilities attached to the role. Typically reviewed annually as part of the annual pay review process. 	To the extent possible within the salary cap, the base salaries of the Executive Directors are: <ul style="list-style-type: none"> Reviewed by the Committee on behalf of the Board. Increases in base salary may be awarded following the outcome of the annual pay review, alternatively, to reflect a significant increase in the scope of responsibility of an Executive Director. Set out in the Directors Remuneration Report. In the event of the removal of or any changes to the salary cap, the Committee would consider the impact of this on base salaries and other elements of remuneration.
Allowances	To provide a contribution to market aligned benefits and allowances generally available in the market.	Non-pensionable cash allowances may be provided to eligible Executive Directors.	The maximum non-pensionable allowance is €30,000 per annum.

Pay Element	Objective	Description	Performance Assessment and Maximum Potential Value
Variable Remuneration Scheme	<p>To incentivise Executive Directors to deliver strong financial and strategic performance aligned with the performance, risk profile and culture of the Group.</p> <p>Variable remuneration arrangements are designed in a way that promotes the interests of our stakeholders and to comply with applicable regulatory requirements.</p>	<p>Variable remuneration schemes are based on company performance.</p>	<p>Performance will typically be assessed based on a one-year performance period, considering a combination of financial and non-financial performance.</p> <p>A limit of €20,000 per annum on any award or combination of awards per Executive Director will apply.</p> <p>In the event of the removal of or any changes to the Excess Bank Remuneration Charge, the Committee would consider the impact of the limit on variable remuneration within the Remuneration Policy.</p> <p>The award may be granted either in cash, shares, or a combination of cash and shares. The Committee will ensure that the form of such award comply with applicable regulatory requirements and remaining government remuneration restrictions.</p> <p>Under the Approved Profit Sharing Scheme, Executive Directors will have the opportunity to acquire shares with their annual variable remuneration award.</p> <p>The Remuneration Committee has the discretion to adjust the formulaic outcome of the award, including the ability to apply risk adjustments. Awards are subject to the Group's policy on malus and clawback, including where participants leave the Group during the year.</p>
Pension	<p>To enable Executive Directors to plan for an appropriate standard of living in retirement.</p>	<p>Executive Directors are entitled to participate in one of the Group's defined contribution schemes.</p> <p>Executive Directors whose accumulated pension benefits have exceeded or are likely to exceed the Standard Fund Threshold (SFT) have the option of a 20% non-pensionable allowance in lieu of employer pension contribution.</p>	<p>Executive Directors are entitled to an employer pension contribution of up to 20% of base salary.</p> <p>In the event of the removal of or any changes to the remuneration restrictions, the Committee would consider the impact of this on pension arrangements.</p>
Other Benefits	<p>To provide affordable benefits in accordance with general market practice.</p>	<p>Benefits include healthcare, income protection, death-in-service cover and free banking services.</p> <p>A functional car policy is in place. The Group does not provide company cars outside of the policy. Executive Directors may occasionally avail of a pool car and driver.</p> <p>The Committee retains the right to provide additional benefits subject to continuing remuneration restrictions.</p> <p>AIB is also considering the introduction of an SAYE (Save As You Earn) scheme for employees, including Executive Directors.</p>	<p>Not applicable.</p>

Corporate Governance Remuneration Statement continued

Recruitment and Exit Under the Remuneration Policy

Remuneration Statement	Recruitment Policy (subject to compliance with remuneration restrictions) ¹	Exit Policy
<p>The following table provides additional detail in respect of the application of the Remuneration Policy to Executive Directors upon their appointment to the extent permitted within the remuneration restrictions and at the end of employment. In relation to AIB employees appointed as Executive Directors, such elements will only apply from the date of appointment (and not retrospectively), and any existing awards will be honored and form part of ongoing remuneration arrangements.</p>		
<p>Salary, fees, benefits and pension</p>	<ul style="list-style-type: none"> Base salary would be set at an appropriate level considering the factors mentioned in the Policy table above. Benefits and pension will also be set in line with the Policy. 	<ul style="list-style-type: none"> If notice is served by either party, the Executive Director can continue to receive base salary, benefits and pension for the duration of their notice period. The Executive Director may be asked to perform their normal duties during their notice period, or they may be put on garden leave. The Company may, at its sole discretion, terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to salary, benefits and pension, with any such payments being paid in monthly instalments over the remaining notice period. Benefits may also be provided in connection with termination of employment and may include, but are not limited to, statutory payments, outplacement, legal fees and payments in respect of accrued holiday.
<p>Relocation</p>	<ul style="list-style-type: none"> If an Executive Director needs to re-locate in order to take up the role, the Company may pay to cover the costs of relocation including (but not limited to), actual relocation costs, temporary accommodation and travel expenses. 	Not applicable
<p>Buy-out awards</p>	<ul style="list-style-type: none"> For external candidates, the Committee may (if it is considered appropriate) provide a buy-out award equivalent to the value of any outstanding incentive awards that will be forfeited on cessation of previous employment. To the extent possible, the buyout award will be made on a broadly like for like basis. The award will take into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting, the likelihood of vesting and the nature of the awards (cash or equity). 	Not applicable
<p>Variable Remuneration Scheme</p>	<ul style="list-style-type: none"> Joiners may receive a pro-rated award based on their employment as a proportion of the financial year and targets may be different to those set for other Executive Directors. 	<ul style="list-style-type: none"> Good leavers will remain eligible to receive a vested award at the usual time with performance measured at usual time. The award will normally be pro-rated for service during the financial year. Bad leavers will not normally be eligible to receive an award.

Notes to the Remuneration Policy Table

Minor amendments

The Committee may amend the arrangements for the Executive Directors as described in the Policy, for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation or regulation.

Non-Executive Director Fees

Non-Executive Directors are paid a basic, non-pensionable fee of €65,000 in respect of service as a Director and additional non-pensionable remuneration in respect of other responsibilities, such as for serving as chair or being a members of Board Committees or performing the role of Deputy Chair or Senior Independent Director. Current or former Directors who serve on the board of any Group Irish subsidiary company are also paid a non-pensionable flat fee for their services as a Director, chair or membership of Board Committees. AIB will reimburse any reasonable expenses incurred in carrying out Non-Executive Director duties (and related tax if applicable).

Legacy arrangements

For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this Remuneration Policy, and any commitment made to a person before that person became an Executive Director.

Discretion

The Committee operates the variable remuneration scheme according to the rules of the scheme. The Committee retains discretion as to the operation and administration of the scheme, within the limits of its rules, including but not limited to:

- Participants;
- Timings of grant and / or payment;
- Award size and / or payment;
- Settlement of the award;
- Choice and adjustment of performance measures and targets;
- Adjustment to outcomes if they are considered to be inappropriate, taking into account any relevant factors;
- Measurement of performance in certain circumstances such as change of control or other corporate events;
- Determination of a good leaver.

Service Agreements and Letters of Appointment

All Executive Directors have a service contract whereas all Non-Executive Directors have a letter of appointment.

In respect of Executive Directors, no service contract exists between the Company and any Director which provides for a notice period from the Company of greater than one year.

Non-Executive Directors are appointed for an initial term of three years. Terms of office for Non-Executive Directors will not be extended beyond nine years in total unless the Board, on the recommendation of the Nomination and Corporate Governance Committee, concludes that such extension is necessary, appropriate and in compliance with applicable regulatory requirements and approvals.

All Directors, should they choose to stand, are subject to annual re-election by shareholders.

External appointments

Subject to the advance approval of the Board, Executive Directors may accept one external appointment as a Non-Executive Director and retain the fees. Neither Executive Director currently serves in any external paid roles.

Malus and clawback

The circumstances in which the Committee may consider it appropriate to apply clawback and/or malus to the variable remuneration scheme include, but are not limited to those summarised below:

- Behaviour by a participant which fails to reflect AIB's governance and business values;
- The extent to which any condition satisfied was based on an error, or on inaccurate or misleading information or assumptions which resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that error not been made;
- Material adverse change in the financial performance of AIB or any division in which the participant works and/or worked;
- A material financial misstatement of AIB's audited financial accounts (other than as a result of a change in accounting practice);
- Any action which results in or is reasonably likely to result in reputational damage to AIB;
- A material failure in risk management;
- Corporate failure;
- Negligence or gross misconduct of a participant; and/or
- Fraud effected by or with the knowledge of a participant.

Other elements of remuneration are not subject to malus and clawback provisions.

Corporate Governance Remuneration Statement continued

Directors' remuneration (audited)

The following table details the total remuneration of the Directors in office during 2023 and 2022:

	2023					2022					
	Directors' fees ⁽¹⁾	Salary	Pension contribution ⁽²⁾	Annual taxable benefits ⁽³⁾	Variable remuneration	Total	Directors' fees ⁽¹⁾	Salary	Pension contribution ⁽²⁾	Annual taxable benefits ⁽³⁾	Total
Remuneration	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors											
Colin Hunt		500	100	—	13	613		500	100	—	600
Donal Galvin		485	97	15	13	610		485	97	15	597
		985	197	15	26	1,223		985	197	15	1,197
Directors											
Anik Chaumartin	80					80	75				75
Basil Geoghegan	75					75	75				75
Tanya Horgan	80					80	80				80
Sandy Kinney Pritchard	95					95	95				95
Elaine MacLean	85					85	85				85
Andy Maguire	110					110	80				80
Brendan McDonagh (Deputy Chair)	135					135	135				135
Helen Normoyle	186					186	165				165
Ann O'Brien	119					119	91				91
Fergal O'Dwyer	155					155	115				115
Jim Pettigrew	365					365	365				365
(Chair)	—					—					—
Jan Sijbrand	80					80	78				78
Raj Singh	80					80	80				80
	1,645					1,645	1,519				1,519
Former Directors											
Carolann Lennon (Resigned 30 June 2022)	—					—	53				53
Anne Maher ⁽⁴⁾	19					19					16
Total	1,664					2,887	1,572				2,785

(1) All Non-Executive Directors were paid a basic, non-pensionable fee in respect of service as a Director of €65,000 and additional non-pensionable remuneration in respect of other responsibilities, such as through the chairing or membership of Board Committees or performing the role of Deputy Chair or Senior Independent Director. Current or former Directors who serve on the board of any Group Irish subsidiary company are also paid a non-pensionable flat fee for their services as a Director, chairing or membership of Board Committees. In that regard, Mr Fergal O'Dwyer earned fees during 2023 of €80,000 (2022: €55,000) in his role as Director and Chair of the Audit Committee of Goodbody. Current or former Non-Executive Directors of AIB Group plc and Allied Irish Banks, p.l.c., as applicable, who also serve as Directors of AIB Group (UK) p.l.c. ("AIB UK") are separately paid a non-pensionable flat fee, which is independently agreed and paid by AIB UK, in respect of their service as a Director of that company. In that regard, Ms Helen Normoyle earned fees during 2023 of €71,000 (2022: €65,000). Ms Ann O'Brien was paid €29,000 in respect of her appointment as a Director of EBS d.a.c. and Mr Andy Maguire was paid €30,000 in respect of his appointment as a Director of AIB Mortgage Bank U.C.

(2) "Pension Contribution" represents agreed payments to a defined contribution scheme to provide post-retirement pension benefits for Executive Directors from normal retirement date or an allowance in lieu, where Executive Directors' accumulated pension benefits have exceeded or are likely to exceed the Standard Fund Threshold (SFT) and they have opted to receive a 20% non-pensionable allowance. The fees of the Chair, Deputy Chair and Non-Executive Directors are non-pensionable;

(3) "Annual Taxable Benefit" represents a non-pensionable cash allowance in-lieu of company car, medical insurance and other contractual benefits; and

(4) Ms Anne Maher is a former Non-Executive Director of Allied Irish Banks, p.l.c. who was a Director of the Corporate Trustee of the AIB Defined Contribution Scheme during 2023, in respect of which she earned fees as quoted.

The information above and the sections denoted as audited on page 107 forms an integral part of the financial statements as described in Note 1(c) basis of preparation' to the financial statements.

Fixed Remuneration (audited)

Base salaries of the Chief Executive Officer and the Chief Financial Officer were €500,000 and €485,000 respectively and remained unchanged from 2022. The Chief Financial Officer received a non-pensionable cash allowance of €15,000.

The Chief Executive Officer received an employer pension contribution of 20% (€100,000), which included an allowance in lieu of pension contribution for part of the year. The Chief Financial Officer also received an employer pension contribution of 20% (€97,000).

Variable Remuneration Scheme

The table below provides a summary for the 2023 variable remuneration scheme outcome.

Variable Remuneration Scheme Outcome					
Financial measures (60%)					
	Weighting	Threshold	Target	Maximum	Achieved
Underlying Profit	24%	90% Target	Target	110% Target	Exceeded Stretch
RoTE	24%	90% Target	Target	110% Target	Exceeded Stretch
		Target			
Costs	12%	Achieved/Not Achieved			Not Achieved
Non-financial measures (40%)					
Green Finance	13.3%	AIB performed strongly in 2023 against its ambitious targets for Green Lending. This has been a key tenet of the Group's Sustainability Strategy.			
I&D – Gender Balance	13.3%	AIB is committed to gender balance across the Group. AIB's ongoing target is to maintain gender balance (40% - 60% female) which has been achieved.			
Customer Satisfaction	13.3%	Enhancing customer experience is of utmost importance. We track customer satisfaction across a number of metrics.			

Further information on Green Finance, I&D - Gender Balance and Customer Satisfaction can be found on page 3 of this Report.

The Committee considered the formulaic variable remuneration scheme and deemed it appropriate within the wider financial and non-financial performance of the business, and the Executive Directors. As such no adjustments were applied.

Based on performance during the year, the amounts that Executives will receive are set out below.

Executive	Variable Remuneration Outcome	
	% of Salary	€'000
Colin Hunt	2.5	12.7
Donal Galvin	2.6	12.7

The 2023 variable remuneration scheme outcome will be paid in cash. Subject to the establishment of the APSS, Executive Directors will be able to participate using cash paid under the 2023 variable remuneration scheme.

Directors' shareholdings and share interests

Under the Remuneration Policy, Executive Directors are not currently subject to shareholding requirements due to the remuneration restrictions in place. Please refer to page 115 for Directors' shareholdings and interests.

Payments to former Directors and for loss of office

Payments made to former Directors are outlined in the table on page 106. There were no payments for loss of office during the 2023 financial year.

Corporate Governance Remuneration Statement continued

Pillar 3 and Other Remuneration Disclosures

The Group publishes additional remuneration disclosures in its annual Group Pillar 3 Report. These disclosures provide further information about the Group's remuneration policies and practices and, more specifically, qualitative information about:

- (a) The bodies that oversee remuneration;
- (b) The design and structure of the remuneration system for those individuals who have been identified as Material Risk Takers.
- (c) The ways in which current and future risks are considered in remuneration processes.
- (d) The ratios between fixed and variable remuneration which are set in accordance with the regulatory requirements.
- (e) The ways in which the Group links performance and remuneration.
- (f) The adjustment of remuneration to take account of long-term performance.
- (g) The main parameters and rationale for the variable remuneration schemes for which MRTs are eligible.
- (h) The use of derogations in Article 94(3) of the CRD.

These disclosures also include quantitative information, in aggregate form, about the amounts and structure of the remuneration of MRTs.

The Group's Pillar 3 Report is available on the Group website – www.aib.ie/investorrelations.

EBA remuneration benchmarking requirements require the Group to disclose remuneration data in respect of all staff, MRTs and high earners (those earning above €1 million) to the Central Bank of Ireland. The Group continued to comply with these reporting requirements during 2023. There were no employees whose total remuneration exceeded €1 million during 2023.

During 2023, the Group published its Gender Pay Gap Reports in relation to its UK and ROI based employees. These disclosures are available on www.aibgb.co.uk and www.aib.ie respectively.

Material Risk Takers (“MRTs”) and Risk Oversight

The Group is required to maintain a list of employees whose professional activities have the potential to have a material impact on the Group's risk profile. The list of MRTs is prepared using a combination of qualitative and quantitative criteria in accordance with the relevant EU regulations and guidelines together with additional criteria specific to the Group's structure, business activities and risk profile. The list is prepared at Group and subsidiary company levels.

Group Risk assesses the risks impacting the Group, including performance against the Group's Risk Appetite Statement, to ensure that the Remuneration Policy is aligned with the Group's risk profile. The Chief Risk Officer reviews the list of MRTs in conjunction with Group Reward and provides the Committee with an annual assessment of the risks facing the Group to ensure that policies and practices are consistent with and promote sound and effective risk management.

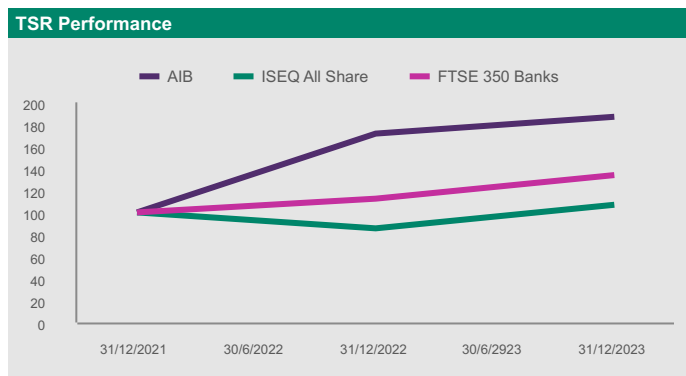
Support for Committee

The Committee was supported in its work by the Group Reward team and by Korn Ferry, the external remuneration consultants appointed by the Committee in October 2022. Korn Ferry is a signatory to the voluntary code of conduct in relation to remuneration consulting in the UK.

Aside from their work supporting the Committee, during 2023 Korn Ferry and its network firms provided professional services in the ordinary course of business to AIB. The Committee is satisfied that the advice received is independent and objective.

Performance graph and table

The below chart illustrates the TSR performance of AIB since 2022 against the ISEQ All Share and FTSE 350 Banks which has been selected as being an appropriate index for comparison purposes.



Shareholder votes on remuneration

At the 2023 AGM the shareholders passed the annual advisory vote on the annual remuneration report and remuneration policy. The voting results were as follows:

Resolution	Votes/%	For	Against	Withheld
Directors' Remuneration Report	Shareholder Votes	2,271,366,683	11,950,352	4,245,498
	Votes as a Percentage	99.48 %	0.52 %	—
Remuneration Policy	Shareholder Votes	2,263,802,719	21,461,663	2,298,151
	Votes as a Percentage	99.06 %	0.94 %	—

Report of the Technology and Data Advisory Committee



“The Committee has overseen the development of an integrated technology roadmap that will ensure AIB can build its digital capability in a resilient manner to enable business growth in line with its strategic priorities.”

Ann O'Brien
Committee Chair

Chair Overview

On behalf of the Technology & Data Advisory Committee (“the Committee”), I am pleased to report on the Committee’s activities during the financial year ended 31 December 2023 and provide an overview of the workings of, and key matters considered by, the Committee during the course of 2023.

The Committee continues to fulfil its oversight and advisory responsibilities as they relate to the Group Technology Strategy in the areas of Cyber, Data, Digital, Operating Model and Sustainment & Simplification. In particular, the Committee reviews and challenges the strategy, governance and execution of matters relating to technology and data, including cybersecurity (strategy) and data and analytics, as well as business enablement activities.

The Committee currently consists of four Non-Executive Directors and two members of senior management, the Chief Technology Officer, and the Chief Operating Officer, who are both members of the Executive Committee. There was one change to the Committee’s membership during 2023 when, following the resignation of Mr Fergal Coburn in March 2023, Mr Graham Fagan was appointed to the role of Chief Technology Officer in October 2023. The Head of Technology Strategy & Transformation, the Chief Data & Analytics Officer, the Data Protection Officer, a representative of the Risk Function and the Group Head of Internal Audit also attend meetings of the Committee. The Chair of the AIB UK Technology, Data and Resilience Committee (formerly the Technology & Operational Resilience Advisory Committee) can also attend if required.

2023 Highlights

During 2023, the Committee considered and challenged a number of key areas including:

- the Cybersecurity strategy, the Data & Analytics and Group Technology strategies prior to Board approval. These strategies will play a pivotal enablement role in the delivery of the new Group Strategy 2024-2026. The Committee also reviewed and challenged the Group’s multi-year technology roadmap around the management of legacy systems across the Group and the Target technology workforce.

Technology & Data Advisory Committee		Eligible to attend	Attended
Tanya Horgan	Non-Executive Director	4	4
Andy Maguire	Non-Executive Director	4	4
Helen Normoyle	Non-Executive Director	4	4
Ann O'Brien	Non-Executive Director – Chair	4	4
Graham Fagan	Chief Technology Officer	1	1
Andrew McFarlane	Chief Operating Officer	4	4

- Technology & Data Operating Effectiveness including the successful delivery of a number of technology enabled customer programmes across the Group.
- Technology & Data Governance including oversight of AIB’s readiness for the operationalisation of the Digital Operational Resilient Act, and the proposed regulation of Instant Payments in Euro as well as the potential impacts for AIB of the proposed regulation of AI.

Looking ahead to 2024

Into 2024, as AIB embarks on the roll out of its new Group Strategy 2024-2026, delivering the Technology Strategy across the Group will be key to ensuring AIB has resilient platforms to support the Group’s ambition to be at the heart of its customers’ financial lives. There will be a significant focus on building AIB’s digital capability to support the transformation of AIB’s digital offering to enable faster processes and delivery of products and services in a proactive, seamless, and innovative manner.

I would like to take this opportunity to welcome Mr Fagan as the Chief Technology Officer who we look forward to working with in 2024. I would also like to thank my fellow Committee Members and the wider Technology and Data Teams for their ongoing commitment throughout another busy year.

Ann O'Brien
Committee Chair

Q&A

Q. While Artificial Intelligence (AI) is not a new concept, the emergence of Generative AI (Gen AI) capability is dominating the headlines in the financial services sector and beyond. What opportunities do you see Gen AI presenting for AIB?

A. Developments in Gen AI have created the potential for a broader scope of AI application that can complement and augment AIB’s existing usage of digital transformation capabilities. Gen AI has the potential to provide new opportunities to improve productivity and reduce costs in areas such as Customer Service, Personalised Banking, and Fraud Detection. These Gen AI related developments will serve to deepen the relationship with AIB’s customers. The Committee looks forward to working closely with AIB’s technology stakeholders as they create the foundations for the adoption of Gen AI capability in line with risk appetite and emerging regulation.

Q. What is the Committee most looking forward to in 2024?

A. The Committee will be focused on overseeing the roll out of the new Technology Strategy and the pivotal enabling role it will play as AIB strives to improve customer journeys across its digital channels including the development of a next generation Mobile App. Linked to this will be the Committee’s oversight of the transformation of AIB’s existing legacy digital estate that aims to deliver on customer financial needs and improve their banking experience through the development of an agile and resilient platform.

Report of the Sustainable Business Advisory Committee



“AIB’s progress on sustainability has been built on delivery by doing and not talking. That’s why continued monitoring of the Bank’s progress against its Sustainability targets – across environmental, social and governance (ESG) activities – will be central to the Committee’s agenda.”

Helen Normoyle
Committee Chair

Chair Overview

On behalf of the Sustainable Business Advisory Committee (the ‘Committee’), I am pleased to report on the Committee’s activities during the financial year ended 31 December 2023 and provide an insight into the workings of, and key matters considered by, the Committee in 2023 and our intended focus in 2024.

The Committee oversees the Group’s performance as a sustainable business and its delivery of AIB’s sustainability strategy (the ‘Strategy’). Throughout 2023, the Committee supported the execution of the Strategy in accordance with the approved Group Strategic and Financial Plan and provided oversight over the external reporting of the Strategy, the Detailed Sustainability Report and the Group’s regulatory obligations with respect to the mobilisation of the Corporate Sustainability Reporting Directive (CSRD). The Detailed Sustainability Report (published separately) is a measure of AIB’s unwavering commitment and ambition to developing its ESG agenda and embedding it as part of the overall Group Strategy.

As at the end of December 2023, the Committee membership consisted of three Non-Executive Directors, one Executive Director – the Chief Executive Officer – and three other members of senior management, two of whom are also Executive Committee members.

The Chief Risk Officer is invited to attend all meetings of the Committee. During 2023, there were a number of changes to Committee membership. Ms Geraldine Casey stepped down from the Committee following her appointment as the Managing Director of Retail Banking and Mr David McCormack was appointed to the Committee following his appointment as Chief People Officer.

Recognising the importance of strong oversight and governance of our ESG agenda, and to ensure co-ordination with the work of our colleagues on the Board Audit Committee (“BAC”) and Board Risk Committee (“BRC”), cross membership of these Committees is in place. Ms Anik Chaumartin is also a BAC member and Mr Jan Sijbrand and Mr Raj Singh are also members of the BRC.

Sustainable Business Advisory Committee		Eligible to attend	Attended
Helen Normoyle	Non-Executive Director – Chair	6	6
Anik Chaumartin	Non-Executive Director	6	6
Raj Singh	Non-Executive Director	6	4
Jan Sijbrand	Non-Executive Director	6	6
Colin Hunt	Chief Executive Officer	6	4
Mary Whitelaw	Chief Strategy and Sustainability Officer	6	6
Geraldine Casey	Chief People Officer (until 18.10.2023)	5	3
David McCormack	Chief People Officer (from 18.10.2023)	1	1
Paul Travers	Managing Director, Climate Capital	6	6

Key Matters Considered

The key matters considered and challenged by the Committee in 2023 were:

- Group Sustainability Strategy and Targets
- Mobilisation of CSRD and readiness
- Materiality Exercise
- Development of the Social Agenda including Vulnerable Customers
- ESG Products and Propositions
- AIB’s own environmental footprint
- Detailed Sustainability Report
- Regulatory Engagement and Expectations
- Employee communications on ESG matters
- Collaboration with Community partners

In 2023, the Sustainability Conference had record in person and online attendance and coincided with the announcement of the increase in the Climate Action Fund to €30 billion to help build a green infrastructure for the future.

Looking ahead to 2024

In 2024, there will be a significant focus on the evolved Sustainability Strategy which focuses on Climate and Environmental Action, Societal and Workforce Progress and Governance and Responsible Business. The Committee will also continue to focus on opportunities to support customers in their transition to a low carbon economy from both a lending and educational perspective whilst reducing emissions from our own activities.

We will continue to focus on ensuring that the Group maximises its societal impact in supporting community partners and connecting customers through the Community Fund.

Q&A

Q What do you see as the key areas of focus for the Committee in 2024?

A. As I mentioned at the Sustainability Conference in November, AIB’s progress on sustainability has been built on delivery by doing and not talking. That’s why continued monitoring of the bank’s progress against its Sustainability targets – across environmental, social and governance (ESG) activities – will be central to the Committee’s agenda, as will the ESG products and propositions developed and delivered in support of the new Group Strategy and refreshed Sustainability Strategy. This will include progress against the recently announced €30bn Climate Action Fund and dedicated Climate Capital segment. ESG transformation and reporting will continue to be a key focus for the Committee in 2024 as we prepare to implement the CSRD, which will increase transparency around our activities, as will our focus on focus on the social agenda through regular updates on our human rights commitment and customer vulnerability programme.

I would like to take this opportunity to thank Geraldine for her contribution to the Committee and to welcome David. I would also like to take this opportunity to thank my fellow Committee Members and wider Sustainability Team for their unwavering commitment to this evolving area over what has been another challenging and rewarding year.

Helen Normoyle
Committee Chair

Internal Controls

Directors' Statement on risk management and internal controls

The Board of Directors is responsible for the Group's system of internal control, which is designed to manage the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Group has implemented a framework and policy architecture covering business and financial planning, corporate governance and risk management. The system of internal controls is designed to ensure that there is thorough and regular evaluation of the Group's risks in order to react accordingly, rather than to eliminate risk. This is done through a process of identification, measurement, monitoring and reporting. This process includes an assessment of the effectiveness of internal controls, which was in place for the full year under review up to the date of approval of the financial statements, and which accords with the Central Bank of Ireland's Corporate Governance requirements for Credit Institutions 2015 and the UK Corporate Governance Code 2018.

Supporting this process, the Group's system of internal controls is based on the following:

Board governance and oversight

- The Board has ultimate responsibility for risk appetite and reviewing the effectiveness of the system of internal control on a continuous basis and is supported by a number of sub-committees including Board Audit Committee ("BAC"), Board Risk Committee ("BRC"), Remuneration Committee, Sustainable Business Advisory Committee ("SBAC"), Technology and Data Advisory Committee ("TDAC"), and Nomination & Corporate Governance Committee.
- The BRC is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. It is responsible for fostering sound risk governance across all of the Group's finances and operations (including all operations, legal entities and branches in ROI, the UK and USA) taking a forward looking perspective and anticipating changes in business conditions. The Committee discharges its responsibilities in ensuring that risks within the Group are appropriately identified, reported, assessed, managed and controlled to include commission, receipt and consideration of reports on key strategic and operational risk issues. It ensures that the Group's overall actual and future risk appetite statement and strategy, taking into account all types of risks, are aligned with the business strategy, objectives, corporate culture and values of the institution while promoting a risk awareness culture within the Group. The BRC oversees and challenges the risk management function, which is managed on a day-to-day basis by the Chief Risk Officer ("CRO") and liaises regularly with the CRO to ensure the development and on-going maintenance of a risk management system within the Group that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business. The BRC provides qualitative and quantitative input to the Remuneration Committee on the alignment of variable remuneration to risk performance for material risk takers. The Committee further provides advice on the ongoing viability of the Group, taking into account the Group's overall position and principal risks. The committee is composed of Independent Non-Executive Directors and operates under Board approved terms of reference. The Chief Financial Officer ("CFO"), the Chief Risk Officer ("CRO"), the Group Internal Auditor and the External Auditor are involved in meetings of the BRC, where appropriate.
- The BAC is appointed by the Board to assist it in fulfilling its oversight responsibilities in relation to the quality and integrity of the Group's accounting policies, financial and narrative reports, non-financial disclosures, and disclosure practices. The Committee also ensures the effectiveness of the Group's internal control, risk management, and accounting and financial reporting systems and the adequacy of arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. It also ensures the independence and performance of the internal and external auditors. The BAC works to ensure that this purpose is fully aligned to the Group's strategy and values, considers the interests of stakeholders while operating within all applicable regulatory and statutory requirements. The BAC is composed of Independent Non-Executive Directors and operates under a Board approved terms of reference. Neither the Chair of the Board nor the

CEO are permitted to be members of the BAC. The Chief Financial Officer ("CFO"), the Chief Risk Officer ("CRO"), the Group Internal Auditor and the External Auditor are involved in meetings of the BAC, where appropriate.

- The Remuneration Committee is appointed by the Board and is responsible for the design and implementation of the Group's overall Remuneration Policy for employees and directors, designed to support the long term business strategy, values and culture of the Group as well as to promote effective risk management, and reward fairly and responsibly, with a clear link to corporate and individual performance in compliance with applicable legal and regulatory requirements.
- The SBAC was established by the Board to act as an Advisory Committee, supporting the execution of the Group's sustainable business strategy in accordance with the approved Group Strategic and Financial Plan. The Strategy includes the development and safe guarding of the Group's "social licence to operate" through Environmental, Social and Governance activities, alignment with the United Nations Environmental Programme Finance Initiative ("UNEPFI") Principles for Responsible Banking, UN Global Compact and the Group's Pledge to Do More.
- The TDAC is appointed by the Board to assist in fulfilling its oversight responsibilities by reviewing and challenging the strategy, governance and execution of matters relating to technology, data and cyber security.
- The Nomination and Corporate Governance Committee is appointed by the Board to support and advise it in fulfilling its oversight responsibilities in relation to the composition of the Board. It does this by ensuring the Board is comprised of individuals who are best able to discharge the duties and responsibilities of Directors, by leading the process for nominations and appointments to the Board and Board Committees as appropriate, and making the recommendations in this regard to the Board for its approval. It also supports and advises the Board in fulfilling its oversight responsibilities in relation to the composition of the Group's Executive Committee and the composition of the Boards of its material subsidiaries. It keeps Board governance arrangements, corporate governance compliance and related policies under review and makes appropriate recommendations to the Board to ensure corporate governance practices are consistent with best practice standards.

Executive Risk management and controls

- The Executive Committee ("ExCo") is the most senior executive committee of the Group. Subject to financial and risk limits set by the Board, and excluding those matters which are reserved specifically for the Board, the ExCo has primary authority and responsibility for the day-to-day operations of, and the development of strategy for the Group. The ExCo works with and advises the CEO, ensuring a collaborative approach to decision making and collective ownership of strategy development and implementation, including promoting action to address performance issues as required. The ExCo has delegated certain functions to a number of executive sub-committees, which operate under term of reference approved by the ExCo and subject to formal review every two years.
- The Group Risk Committee ("GRC") was established by, and is accountable to, the ExCo to set policy and monitor all risk types across the Group and to enable delivery of the Group's risk strategy. It is the primary second line of defence risk management committee of the Group. It provides oversight and monitors strategic business initiatives that have material implications for the Group to ensure they align and are consistent with the Group risk appetite and other risk policies as approved by the BRC.
- The Group Asset and Liability Committee ("ALCo") is a sub-committee of the ExCo and acts as the Group's strategic and business decision making forum for balance sheet management matters. It sets policy and is responsible for effective balance sheet management and alignment to Group strategy for funding and liquidity risk, market risk and capital adequacy risk.
- There is a centralised risk control function headed by the CRO, who is responsible for independent challenge, ensuring that risks are understood, managed, measured, monitored and reported on, and for reporting on risk mitigation actions.

Internal Controls continued

- The Risk function is responsible for establishing and embedding risk management frameworks, ensuring that material risk policies are reviewed, and reporting on adherence to risk limits as set by the Board of Directors.
- The Group's risk profile is measured against its risk appetite and exceptions are reported to the GRC and BRC through the CRO report. Material breaches of risk appetite are escalated to the Board and reported to the Central Bank of Ireland/Joint Supervisory Team ("JST").
- The centralised credit function is headed by a Chief Credit Officer who reports to the CRO.
- Compliance, which is part of the Risk function, provides interpretation and assessment of compliance risk, specifically, laws, regulations, rules and codes of conduct applicable to its banking activities.
- There is an independent Group Internal Audit function which is responsible for independently assessing the effectiveness of the Group's corporate governance, risk management and internal controls and reports directly to the Chair of the BAC.
- AIB employees who perform pre-approved controlled functions/ controlled functions meet the required standards as outlined in the Group's Fitness and Probity programme.

For further information on the risk management framework of the Group, see pages 122 to 124 of this report.

In the event that material failings or weaknesses in the systems of risk management or internal control are identified, Management is required to attend the relevant Board forum to provide an explanation of the issue and to present a proposed remediation plan. Agreed remediation plans are tracked to conclusion, with regular status updates provided to the relevant Board forum.

Given the work of the Board, BRC, BAC and representations made by the ExCo during the year, the Board is satisfied that the necessary actions to address any material failings or weaknesses identified through the operation of the Group's risk management and internal control framework have been taken, or are currently being undertaken.

Taking this and all other information into consideration as outlined above, the Board is satisfied that there has been an effective system of control in place throughout the year.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code published in July 2018, the Directors have assessed the viability of the Group taking into account its current position, the prevailing economic and trading conditions and principal risks facing the Group over the next three years to the end of 2026.

Horizon period

The Directors concluded that three years was an appropriate period to assess the viability of the Group for the following reasons:

- It is the same period used within the Group for strategic and financial planning process;
- The Group prepares its annual Internal Capital Adequacy Assessment (ICAAP) and Internal Liquidity Adequacy Assessment (ILAAP) on an annual basis using a three year time horizon;
- A three year time horizon is used for both internal and regulatory stress testing. Where certain impacts can be assessed reliably beyond the 3 year forecast horizon, a quantification is performed (for example the ECB Prudential provisioning backstop for non-performing exposures) and considered; and
- A three year time horizon is consistent with the internal risk management practices within the Group, including but not limited to: setting of the Risk Appetite, the Material Risk Assessment as well as Recovery and Resolution planning.

Considerations in assessing viability of the Group

Assessment of prospects

The assessment of the Group's prospects is built up based on the current financial position of the Group including its liquidity and funding, MREL and capital position.

The Group's fully loaded CET1 at 31 December 2023 is 15.8% against a regulatory requirement of 11.13% as set out on pages 49 to 52. The Group's LCR of 199% and NSFR of 159% demonstrate a very strong liquidity position as described on pages 177 and 183.

The Group has completed a review of its Strategy, covering the period of assessment which is described on pages 20 and 21. As part of the delivery of the Group's Strategy, the Directors consider the risks facing the Group including those that would threaten the competitive position of the business, its operational capacity and resilience as well as the Group's governance and internal control systems.

Profitability and growth were reassessed in the annual planning exercise covering the period 2024 to 2026 undertaken by the Group in the second half of 2023 and which considers the Strategy. Given the changing banking landscape, evolving operating environment and the interest rate outlook, the Financial Plan (2024-2026) shows the Group expects strong profitability. This resulted in the Group announcing an increase in medium term RoTE target from greater than 13% to 15%. However, the Board remains cognisant of and monitors a number of headwinds to the credit environment, most notably inflation challenges and geopolitical risks.

Assessment of risks

During the year, the Directors rely on the following processes and outputs to identify and assess risks which could impact on the continued viability of the Group:

- The Group's Material Risk Assessment process seeks to ensure that all significant risks to which the Group is exposed have been identified and are being appropriately managed. New and emerging risks are also identified and mitigating actions are put in place.
- As part of the setting of the Group's risk appetite, consideration is given to the amount of risk the Group is willing to accept in pursuit of its strategic objectives.
- Internal stress testing of the Group's capital and liquidity position is conducted using a variety of different macroeconomic scenarios.
- In recovery and resolution planning, consideration is given to market factors and the operational resiliency of the Group.
- The regular reporting of the Group's financial performance by the Chief Financial Officer and the reporting of the Group's risk profile by the Chief Risk Officer.
- The provision of independent and objective assurance of the adequacy of the design and operational effectiveness of the risk and control environment by Group Internal Audit to the Board Audit Committee.

- The Board Risk Committee oversees the Group's risk management.

A full description of the principal risks facing the Group is provided in the Risk management section – Individual risk types pages 121 to 196.

As part of the internal capital adequacy assessment process, material risks to the Group's financial performance are considered in terms of their potential impact on the Group's position. Stress testing not only includes changes in macroeconomic forecasts but also other factors such as; financial crime losses, disruption to IT systems or cost of a cyber incident as well as financial loss arising from compliance or conduct issues.

In addition, the Group continues to work to understand and manage risks that could arise in relation to climate risk, both in terms of the transition to Net Zero and the physical risks from climate change.

Assessment of viability

The financial planning process is the main tool for assessing the continued financial prospects of the Group. The plan is a detailed three year financial forecast for each segment, and includes forecasts of operating results, headcount, investment expenditure and new strategic initiatives. Progress against the plan is reported monthly to the Executive Committee and the Board. Updated forecasts are prepared as required and mitigating management actions are taken where required.

The Board considers independent review of the plan by the Risk function covering the alignment of the plan with Group strategy and the risk appetite. This review also identifies the key risks to delivery of the Group's plan.

The Group's base case underpins the financial plan and reflects changes in the macro-economic and market environment and also includes consideration of downside scenarios. In our Moderate Downside scenario, amidst high wage inflation, further margin widening by firms, and deepening geopolitical fragmentation that weighs on global trade, impacting supply chains and boosting commodity prices, inflation remains very high in 2024-2025. The major economies all experience a significant recession in 2024, followed by a sluggish recovery in activity.

In the Severe scenario monetary tightening has a far more negative impact on economic activity than had been anticipated by central banks, with higher rates exposing further vulnerabilities in the financial system. The world economy experiences in effect a credit crunch, with rising bad debts and a severe global recession.

Separately, in light of the commitment to transition to Net Zero, the Group also considers the impacts of transitioning to a low-carbon economy and physical risks as part of climate risk stress testing. In addition, the Group performs regular stress testing of its liquidity position.

After assessing the Group's prospects, risks, and reviewing the financial plan as well as the results of stress testing scenarios, the Group continues to:

- Demonstrate internal capital generation through continued profitability in each of the forecast years
- Demonstrate capacity to carry out the proposed distribution strategy to shareholders, including sustainability of dividends, as well as the buyback strategy to return the states' investment in the Group
- Remain in excess of its regulatory capital requirements; and
- Have significant liquidity over its regulatory liquidity coverage ratio and net stable funding ratio.

Finally, the Group did not identify any material climate related risks for the three year period under consideration. Climate risk in isolation is not expected to have a material impact on ECLs.

Statement of viability

On the basis of the above, the Directors have a reasonable expectation, taking into account the Group's current position, and subject to the identified risks and mitigating actions, that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment.

Directors' Report

for the financial year ended 31 December 2023

The Directors of AIB Group plc ('the Company') present their report and the audited financial statements for the financial year ended 31 December 2023. The Statement of Directors' Responsibilities is shown on page 199.

For the purposes of this report 'AIB Group' or 'the Group' comprises the Company and its subsidiaries in the financial year ended 31 December 2023.

Results

The Group's profit attributable to the equity holders of the Company amounted to € 2,061 million and was arrived at as shown in the consolidated income statement on page 210.

Dividend

The Board proposes to pay an ordinary dividend of 26.6 cent per share from 2023 profits (totalling €696 million based on the total number of ordinary shares currently outstanding), payable on 10 May 2024. This is subject to shareholder approval at the Annual General Meeting in May 2024.

On 12 May 2023, the Company paid a final dividend for the year ended 31 December 2022 of 6.2 cent per share, totalling €166 million, to its shareholders on the Company's Register of Members at the close of business on 1 April 2023.

Buyback of ordinary shares

At the Annual General Meeting ("AGM") the Board normally seeks, and has received, a renewal of its authority from shareholders to undertake on-market purchases of up to 10% of its ordinary shares. At the AGM on 4 May 2023, the authority of the Company to make off-market purchases of its ordinary shares from the Minister was renewed. At the 2022 AGM, approval had been sought and was received to enter into a Directed Buyback Contract (the "DBB Contract") with the Minister for Finance, the terms of which would permit the Company to make off-market purchases of shares from the Minister of up to 4.99% of the Company's issued share capital in any 12 month period, with the agreement of the Minister at that time. Any such off-market purchases would be made at the relevant market price, the calculation of which was set out in the DBB Contract. On 25 April 2023 the Group announced that it had repurchased 54,674,818 ordinary shares, representing approximately 2.05% of the issued share capital from the Minister, for a total consideration of €215 million. These shares were repurchased at a price of €3.938 per ordinary share, being the closing price of the Group's ordinary shares on Euronext Dublin on 24 April 2023, and were cancelled upon settlement. A summary of transactions in own shares has been set out below and further information is available in Note 36 Share Capital at page 281.

	Par Value	Number of Shares
	€m	000s
At 1 January 2023	1,671	2,673,428
Share buybacks*	(34)	(54,675)
At 31 December 2023	1,637	2,618,753

*all of the purchased shares were cancelled

In accordance with regulatory requirements the Company is required to obtain prior approval from the ECB in order to undertake any share buybacks (including a Directed Buyback). In this context, the company has received regulatory approval from the ECB to undertake a buyback of ordinary shares in an aggregate consideration amount of up to €1,000 million. Discussions with the Department of Finance in relation to a potential directed buyback of ordinary shares from the Minister for Finance are currently underway. Any buyback of ordinary shares would be subject to the approvals of the Board, the Minister for Finance and shareholders.

Going concern

The financial statements for the financial year ended 31 December 2023 have been prepared on a going concern basis as the Directors are satisfied, having considered the principal risks and uncertainties impacting the Group, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is 12 months from the date of approval of this Annual Financial Report.

In making their assessment, the Directors considered a wide range of information relating to present and future conditions. These included financial plans covering the period 2024 to 2026, liquidity and funding forecasts and capital resources projections, all of which were prepared under base and stress scenarios.

In addition, the Directors considered the principal risks and uncertainties which could materially affect the Group's future business performance and profitability and which are outlined on pages 27 to 30.

Directors' Compliance Statement

As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1) and section 1374). The Directors confirm that:

- a compliance policy statement (as defined in section 225(3) (a)) has been drawn up that sets out the Company's policies and, in the Directors' opinion, is appropriate to ensure compliance with the Company's relevant obligations;
- appropriate arrangements or structures that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations have been put in place; and
- a review of those arrangements or structures has been conducted in the financial year to which this report relates.

Capital

Information on the structure of the Company's share capital, including the rights and obligations attaching to shares, is set out in the Schedule on pages 281 to 282 and is part of note 36 to the consolidated financial statements.

Accounting policies

The principal accounting policies, together with the basis on which the financial statements have been prepared, are set out in note 1 to the consolidated financial statements.

Review of principal activities

The statement by the Chair on pages 8 and 9, the review by the Chief Executive Officer on pages 10 to 15, and the operating and financial review on pages 34 to 48 contain an overview of the development of the business of the Group during the year, of recent events, and of likely future developments.

Directors

At 31 December 2023, the Board of Directors of the Company was comprised of Mr Jim Pettigrew, Ms Anik Chaumartin, Mr Donal Galvin, Mr Basil Geoghegan, Ms Tanya Horgan, Dr Colin Hunt, Ms Sandy Kinney Pritchard, Ms Elaine MacLean, Mr Andy Maguire, Mr Brendan McDonagh, Ms Helen Normoyle, Ms Ann O'Brien, Mr Fergal O'Dwyer, Mr Jan Sijbrand and Mr Raj Singh.

Ms Normoyle is the Senior Independent Non-Executive Director and was appointed to this position on 1 July 2022. Ms Normoyle has served as an Independent Non-Executive Director since December 2015.

Biographical details of all Directors are provided on pages 70 to 73.

The appointment and replacement of Directors, and their powers, are governed by law and the Constitution of the Company, and information on these is set out in the Schedule on page 118.

Directors' and Secretary's Interests in Shares

The beneficial interests of the Directors and the Company Secretary in office at 31 December 2023, and of their spouses and minor children, in the Company's ordinary shares as disclosed to the Company are as follows:

Ordinary shares	31 December 2023	1 January 2023*
Directors:		
Anik Chaumartin	—	—
Donal Galvin	—	—
Basil Geoghegan	9,835	9,835
Tanya Horgan	—	—
Colin Hunt	60,000	60,000
Sandy Kinney Pritchard	10,000	10,000
Elaine MacLean	—	—
Andy Maguire	30,000	—
Brendan McDonagh	20,000	20,000
Helen Normoyle	2,000	2,000
Ann O'Brien	—	—
Fergal O'Dwyer	10,000	10,000
Jim Pettigrew	25,000	25,000
Jan Sijbrand	—	—
Raj Singh	—	—
Company Secretary:		
Conor Gouldson	50,210	50,210

* Or date of appointment if later.

There is no requirement for Directors, or the Company Secretary, to hold shares in the Company.

There were no changes in the interests of the Directors and the Company Secretary shown above between 31 December 2023 and 29 February 2024.

Directors' Remuneration

The Group's policy with respect to Directors' remuneration is included in the Corporate Governance Remuneration Statement on pages 101 to 108. Details of the total remuneration of the Directors in office during 2023 and 2022 are shown in the Corporate Governance Remuneration Statement on page 106.

Non-Financial Statement

Regulations on non-financial information, which were transposed into Irish law by the European Union (disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 as amended by Statutory Instrument No. 410 of 2018, require that the Group reports on specific topics such as: environmental matters; social and employee matters; respect for human rights; and bribery and corruption ('key non-financial matters').

The Group is committed to maintaining sustainable and ethically responsible corporate and social practices in every aspect of its business. The tables included on pages 59 to 63 of the Annual Financial Report, together with the information it refers to, is intended to assist shareholders to understand the Group's position on key non-financial matters. A description of the Group's business model is included on page 6 of the Annual Financial Report and the content on pages 27 to 30 summarises the linkage between the Group's strategic pillars, the principal risks and uncertainties, and the Group's material risks. The material risks primarily impacted by key non-financial matters include operational risk, credit risk, people and culture risk, regulatory compliance risk and conduct risk. Further details of the Group's risk management governance and organisational framework can be found on pages 122 to 124. Further information on our economic activities that qualify as environmentally sustainable can be found in our EU Taxonomy Disclosure on pages 64 to 65 and accompany templates available in our appendices section on pages 325 to 328.

Substantial interests in the share capital

At 31 December 2023, the Company had been notified of the following substantial interests:

- The Minister for Finance in Ireland held 1,067,638,190 ordinary shares representing 40.77% of the total voting rights attached to the issued share capital.
- Massachusetts Financial Services Company held 183,353,634 ordinary shares representing 7.00% of the total voting rights attached to the issued share capital.
- BlackRock, Inc. held 179,511,691 ordinary shares representing 6.85% of the total voting rights attached to the issued share capital.
- Orbis Investment Management Limited held 79,676,757 ordinary shares representing 3.04% of the total voting rights attached to the issued share capital.

The following interests were disclosed to the Company in accordance with the Market Abuse Regulation and Part 5 of the Transparency Regulations and the related transparency rules during the period from 31 December 2023 to 29 February 2024:

- BlackRock, Inc. held voting rights over 173,455,688 shares representing 6.62% of the total voting rights attached to the issued share capital.

Directors' Report continued

Corporate governance

The Directors' Corporate Governance report is set out on pages 66 to 79 and forms part of this report. Additional information, disclosed in accordance with the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, is included in the Schedule to the Directors' Report on pages 117 to 118.

In accordance with Section 1097 and 1551 of the Companies Act 2014, the Directors confirm that a Board Audit Committee is established. Details on the Board Audit Committee's membership and activities are shown on pages 85 to 89.

Political donations

The Directors of the Company have satisfied themselves that there were no political contributions that require disclosure under the Electoral Act 1997.

Accounting records

The measures taken by the Directors to secure compliance with the Company's obligation to keep adequate accounting records include the use of appropriate systems and procedures, incorporating those set out within "Internal control" in the Corporate Governance report on pages 111 and 112, and the employment of competent persons. The accounting records are kept at the Company's Registered Office at 10 Molesworth Street, Dublin 2, Ireland and at the principal addresses outlined on page 337.

Principal risks and uncertainties

Information concerning the principal risks and uncertainties facing the Group, as required under the terms of the European Accounts Modernisation Directive (2003/51/EEC) (implemented in Ireland by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005), is set out on pages 27 to 30.

Branches outside the State

The Company has not established any branches since incorporation. However, the Company's principal operating subsidiary, Allied Irish Banks, p.l.c., had established branches in the United Kingdom and the United States of America.

Auditor

The auditors, PricewaterhouseCoopers ("PwC") were appointed to the Group on 4 May 2023 following shareholder approval at the 2023 Annual General Meeting on that date. Furthermore, PwC shall continue to hold office until the conclusion of the next Annual General Meeting of the Company on 2 May 2024, pursuant to section 383(2) of the Companies Act 2014 at which time their continued appointment will be proposed to the shareholders for approval pursuant to an advisory resolution. PwC have indicated a willingness to continue in office in accordance with section 383(2) of the Companies Act 2014.

Statement of relevant audit information

Each of the persons who is a Director at the date of approval of this report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 330 of the Companies Act 2014.

Other information

Other information relevant to the Directors' Report may be found in the following pages of the report:

	Page
2023 Results – Financial Performance	2
Risk management	122
Non-adjusting events after the reporting period	314



Jim Pettigrew
Chair



Colin Hunt
Chief Executive Officer

5 March 2024

Schedule to the Directors' Report

for the financial year ended 31 December 2023

Additional information required to be contained in the Directors' Annual Report by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006.

As required by these Regulations, the information contained below represents the position of the Company as at 31 December 2023.

Capital structure

The authorised share capital of the Company is €2,500,000,000 divided into 4,000,000,000 ordinary shares of €0.625 each ("Ordinary Shares"). The issued share capital of the Company is 2,618,753,655 Ordinary Shares of €0.625 each.

Rights and obligations of each class of share

The following rights attach to Ordinary Shares:

- the right to receive duly declared dividends, in cash or, where offered by the Directors, by allotment of additional Ordinary Shares;
- the right to attend and speak, in person or by proxy, at general meetings of the Company;
- the right to vote, in person or by proxy, at general meetings of the Company having, in a vote taken by a show of hands, one vote, and, on a poll, a vote for each Ordinary Share held;
- the right to appoint a proxy, in the required form, to attend and/or vote at general meetings of the Company;
- the right to receive, (by post or electronically), at least 21 days before the Annual General Meeting, a copy of the Directors' and Auditor's reports accompanied by copies of the balance sheet, profit and loss account and other documents required by the Companies Act to be annexed to the balance sheet or such summary financial statements as may be permitted by the Companies Act;
- the right to receive notice of general meetings of the Company; and
- in a winding-up of the Company, and subject to payments of amounts due to creditors and to holders of shares ranking in priority to the Ordinary Shares, repayment of the capital paid up on the Ordinary Shares and a proportionate part of any surplus from the realisation of the assets of the Company.

There is, attached to the Ordinary Shares, an obligation for the holder, when served with a notice from the Directors requiring the holder to do so, to inform the Company in writing within not more than 14 days after service of such notice, of the capacity in which the shareholder holds any share of the Company and, if such shareholder holds any share other than as beneficial owner, to furnish in writing, so far as it is within the shareholder's knowledge, the name and address of the person on whose behalf the shareholder holds such share or, if the name or address of such person is not forthcoming, such particulars as will enable or assist in the identification of such person, and the nature of the interest of such person in such share. Where the shareholder served with such notice (or any person named or identified by a shareholder on foot of such notice) fails to furnish the Company with the information required within the time period specified, the shareholder shall not be entitled to attend meetings of the Company, nor to exercise the voting rights attached to such share, and, if the shareholder holds 0.25% or more of the issued Ordinary Shares, the Directors will be entitled to withhold payment of any dividend payable on such shares, and the shareholder will not be entitled to transfer such shares except by sale through a Stock Exchange to a bona fide unconnected third party. Such sanctions will cease to apply after not more than seven days from the earlier of receipt by the Company of notice that the member has sold the

shares to an unconnected third party or due compliance, to the satisfaction of the Company, with the notice served as provided for above.

Restrictions on the transfer of shares

Save as set out below, there are no limitations in Irish law or in the Company's Constitution on the holding of Ordinary Shares, and there is no requirement to obtain the approval of the Company, or of other holders of Ordinary Shares, for a transfer of Ordinary Shares.

The Ordinary Shares are, in general, freely transferable, but the Directors may decline to register a transfer of Ordinary Shares upon notice to the transferee, within two months after the lodgement of a transfer with the Company, in the following cases:

- a lien held by the Company on the shares;
- a purported transfer to an infant or a person lawfully declared to be incapable for the time being of dealing with their affairs; or
- a single transfer of shares which is in favour of more than four persons jointly.

Ordinary Shares held in certificated form are transferable upon production to the Company's Registrars of the original share certificate and the usual form of stock transfer duly executed by the holder of the shares.

Shares held in uncertificated form are transferable in accordance with the rules or conditions imposed by the operator of the relevant system that enables title to the Ordinary Shares to be evidenced and transferred without a written instrument, and in accordance with the Companies Act 2014.

The rights attaching to Ordinary Shares remain with the transferor until the name of the transferee has been entered on the Register of Members of the Company.

Exercise of rights of shares in Employee share schemes

The AIB Approved Employee Profit Sharing Scheme 1998 and the Allied Irish Banks, p.l.c. Share Ownership Plan (UK) provide that voting rights in respect of shares held in trust for employees who are participants in those schemes are, on a poll, to be exercised only in accordance with any directions in writing by the employees concerned to the Trustees of the relevant scheme. Following the establishment of the Company, the shares previously held in trust in Allied Irish Banks, p.l.c. were exchanged, on a one-for-one basis, for new shares in the Company.

Deadlines for exercising voting rights

Voting rights at general meetings of the Company are exercised when the Chair puts the resolution at issue to a vote of the meeting. A vote decided by a show of hands is taken forthwith. A vote taken on a poll for the election of the Chair or on a question of adjournment is also taken forthwith, and a poll on any other question is taken either immediately or at such time (not being more than 30 days from the date of the meeting at which the poll was demanded or directed) as the Chair of the meeting directs. Where a person is appointed to vote for a shareholder as proxy, the instrument of appointment must be received by the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the appointed proxy proposes to vote, or, in the case of a poll, not less than 48 hours before the time appointed for taking the poll.

Schedule to the Directors' Report continued

Rules concerning amendment of the Company's Constitution

As provided in the Companies Act 2014, the Company may, by special resolution, alter or add to its Constitution. A resolution is a special resolution when it has been passed by not less than three-fourths of the votes cast by shareholders entitled to vote and voting in person or by proxy, at a general meeting at which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution, has been duly given. A resolution may also be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given if it is so agreed by a majority in number of the members having the right to attend and vote at any such meeting, being a majority together holding not less than 90% in nominal value of the shares giving that right.

Rules concerning the appointment and replacement of Directors of the Company

- Other than in the case of a casual vacancy, Directors are appointed on a resolution of the shareholders at a general meeting, usually the Annual General Meeting.
- No person, other than a Director retiring at a general meeting is eligible for appointment as a Director without a recommendation by the Directors for that person's appointment unless, not less than 42 days before the date of the general meeting, written notice by a shareholder duly qualified to be present and vote at the meeting of the intention to propose the person for appointment, and notice in writing signed by the person to be proposed of willingness to act, if so appointed, have been given to the Company.
- A shareholder may not propose himself or herself for appointment as a Director.
- The Directors have the power to fill a casual vacancy or to appoint an additional Director (within the maximum number of Directors fixed by the Company in a general meeting), and any Director so appointed holds office only until the conclusion of the next Annual General Meeting following his/her appointment, when the Director concerned shall retire, but shall be eligible for reappointment at that meeting.
- One-third of the Directors for the time being (or, if their number is not three or a multiple of three, not less than one-third) are obliged to retire from office at each Annual General Meeting on the basis of the Directors who have been longest in office since their last appointment. While not obliged to do so, the Directors have, in recent years, adopted the practice of all (those wishing to continue in office) offering themselves for re-election at the Annual General Meeting.
- A person is disqualified from being a Director, and their office as a Director ipso facto vacated, in any of the following circumstances:
 - if at any time the person has been adjudged bankrupt or has made any arrangement or composition with his/her creditors generally;
 - if found to no longer have adequate decision making capacity in accordance with law;
 - if the person be prohibited or restricted by law from being a Director;
 - if, without prior leave of the Directors, he/she be absent from meetings of the Directors for six successive months (without an alternate attending) and the Directors resolve that his/her office be vacated on that account;

- if, unless the Directors or a court otherwise determine, he/she be convicted of an indictable offence;
 - if he/she be requested, by resolution of the Directors, to resign his/her office as Director on foot of a unanimous resolution (excluding the vote of the Director concerned) passed at a specially convened meeting at which every Director is present (or represented by an alternate) and of which not less than seven days' written notice of the intention to move the resolution and specifying the grounds therefore has been given to the Director; or
 - if he/she has reached an age specified by the Directors as being that at which that person may not be appointed a Director or, being already a Director, is required to relinquish office and a Director who reaches the specified age continues in office until the last day of the year in which he/she reaches that age.
- In addition, the office of Director is vacated, subject to any right of appointment or reappointment under the Company's Constitution, if:
 - not being a Director holding for a fixed term an executive office in his/her capacity as a Director, he/she resigns their office by a written notice given to the Company, upon the expiry of such notice; or
 - being the holder of an executive office other than for a fixed term, the Director ceases to hold such executive office on retirement or otherwise; or
 - the Director tenders his/her resignation to the Directors and the Directors resolve to accept it; or
 - the Director ceases to be a Director pursuant to any provision of the Company's Constitution.
 - Notwithstanding anything in the Company's Constitution or in any agreement between the Company and a Director, the Company may, by ordinary resolution of which extended notice has been given in accordance with the Companies Act 2014, remove any Director before the expiry of his/her period of office.
 - The Minister for Finance has the power to nominate two Non-Executive Directors in accordance with the Relationship Framework between the Group and the State and certain provisions as outlined therein. The Relationship Framework is available on the Group's website at <https://aib.ie/investorrelations>.

The powers of the Directors

Under the Company's Constitution, the business of the Company is to be managed by the Directors, who may exercise all the powers of the Company subject to the provisions of the Companies Act, the Constitution of the Company, and to any directions given by special resolution of a general meeting. The Company's Constitution further provides that the Directors may make such arrangements as may be thought fit for the management, organisation and administration of the Company's affairs, including the appointment of such executive and administrative officers, managers and other agents as they consider appropriate, and may delegate to such persons (with such powers of sub-delegation as the Directors shall deem fit) such functions, powers and duties as the Directors may deem requisite or expedient.

Other Governance Information

Other governance information

Relations with shareholders

The Group has a number of procedures in place to allow its shareholders and other stakeholders to stay informed about matters affecting their interests. In addition to this Annual Financial Report, which is available on the Group's website at www.aib.ie/investorrelations and sent in hard copy to those shareholders who request it, the following communication tools are used by the Group:

Website

The Group's website contains, for the years since 2000, the Annual Financial Report, the Half-Yearly Financial Report, and the Annual Report on Form 20-F for relevant years. In accordance with the Transparency (Directive 2004/109/EC) (Amendment) (No.2) Regulations 2015, this and all future Annual and Half-Yearly Financial Reports will remain available to the public for at least ten years. For the period 2008 to 2013, the Annual Financial Report and the Annual Report on Form 20-F were combined. The Group's presentation to fund managers and analysts of annual and half-yearly financial results are also available on the Group's website. None of the information on the Group's website is incorporated in, or otherwise forms part of, this Annual Financial Report.

Annual General Meeting ("AGM")

The AGM is an opportunity for shareholders to hear directly from the Board on the Group's performance and developments of interest for the year to date and, importantly, to ask questions.

All shareholders of the Company are invited to attend the AGM. Separate resolutions are proposed on each separate issue and voting is conducted by way of poll. The votes for, against and withheld on each resolution are subsequently published on the Group's website. It is usual for all Directors to attend the AGM and to be available to meet shareholders before and after the meeting. The Chairs of the Board Committees are available to answer questions about the Committee's activities. A help desk facility is available to shareholders attending the AGM.

The Company's 2024 AGM is scheduled to be held on 2 May 2024. It is intended that Notice of the Meeting will be made available on the Group's website and sent in hard copy to those shareholders who request it, at least 20 working days before the meeting, in accordance with the Financial Reporting Council's Board Effectiveness guidelines. The location of the meeting and attendance options will be communicated with the distribution of the aforementioned Notice.

Supervision and Regulation

Throughout 2023, the Group continued to work with its regulators, which include the European Central Bank (“ECB”), the Central Bank of Ireland (“CBI”), the Prudential Regulation Authority (“PRA”), the Financial Conduct Authority (“FCA”) in the United Kingdom (“UK”), the New York State Department of Financial Services (“NYDFS”) and the Federal Reserve Bank of New York in the United States of America (“USA”) to focus on ensuring compliance with existing regulatory requirements together with the management of regulatory change.

AIB Group plc is the holding company of Allied Irish Banks, p.l.c. (the principal operating company of AIB Group) and as such AIB Group plc is subject to consolidated supervision with respect to Allied Irish Banks, p.l.c. and other credit institutions and investment firms in the Group. Allied Irish Banks London Branch was approved by the PRA/FCA as an incoming third country branch to operate in the UK post Brexit.

Current climate of regulatory change

The level of regulatory change remained high in 2023 as the regulatory landscape for the banking sector continued to evolve. 2023 saw a continued focus by the Group’s regulators on regulatory change implementation amidst this evolving regulatory landscape.

The Regulatory focus on Conduct, Culture and Prudential, including ESG will continue in 2024 and beyond, with the full implementation of the Senior Executive Accountability Regime as part of the Individual Accountability Framework, the ongoing review of the Consumer Protection Code, and the finalisation of preparations to implement the Basel III final reforms.

The Group is committed to proactively identifying regulatory obligations arising in each of the Group’s operating markets in Ireland, the UK and the USA, ensuring the timely implementation of regulatory change.

Throughout 2023 the Group continued cross-functional programmes to ensure that it met new regulatory requirements. In particular, the Group focused on monitoring the development of the forthcoming EU AML Reform package, key legislative initiatives in the areas of payments (including plans to introduce instant payments, a digital euro and revisions to the EU’s payments service directive), proposed amendments to primary EU conduct of business legislation (including the consumer credit directive and distance marketing directive), proposals to introduce new requirements concerning access and acceptance of cash, new standards on corporate sustainability reporting, and the staged implementation of the Individual Accountability Framework in 2023.

The level of regulatory change is expected to remain at high levels in 2024 and beyond.

United Kingdom

During 2023, AIB Group (UK) p.l.c. continued to prioritise compliance with its regulatory obligations in Great Britain and Northern Ireland and will remain focused on this throughout 2024.

Regulatory change horizon – UK

Since the UK left the EU, the regulatory regime within the UK has remained closely aligned with EU regulation. EU regulation has effectively been on-shored onto the UK statute book. There has been some regulatory divergence as a result of Brexit and the UK has

implemented changes, particularly in relation to financial crime including sanctions. Implications for financial services regulations need to be carefully monitored but given most EU regulations have been transposed into UK law via the Financial Services and Markets Act, the actual impact continues to be insignificant. AIB UK is well positioned to identify and comply with any changes.

Work is ongoing by the Payment System Regulator in relation to authorised push payment fraud to further enhance customer protection. There were a number of strategic initiatives implemented within AIB UK during 2023. Each of these were implemented in line with regulatory requirements and all customers’ risks and the associated mitigating actions were fully considered through the AIB (UK) Conduct Committee.

2023 saw the introduction of Confirmation of Payee service to better protect customers from fraud and the implementation of the FCA’s new Consumer Duty rules, requiring firms “to act to deliver good outcomes for retail customers”. Phase 2 of Consumer Duty will continue in 2024. Work commenced to deliver the final item on the CMA’s Open Banking road map in 2024.

UK Regulators continue to focus on enhancing operational resilience in the UK financial services sector and requiring banks to make plans to take account of climate change.

United States

Compliance with federal and state banking laws and regulations

AIB New York continues to prioritise compliance with its regulatory obligations in the USA and will remain focused on this throughout 2024. The level of regulatory change remained high in 2023.

Regulatory focus on Liquidity Risk Management, AML & Sanctions, Climate, Cybersecurity & Resiliency continues in 2024, with regulatory developments in Climate and Cybersecurity. The NYDFS finalised its second amendment to its 23 NYCRR Part 500 (Cybersecurity Rules) in 2023. The new compliance requirements will take effect in phases in 2024 and beyond.

The passing of the Anti-Money Laundering Act 2020 in 2021 will continue to be a focus throughout 2024 and beyond with the enactment of new rules from FinCEN implementing the provisions.

US Regulators will move forward in 2024 with climate-related enhanced supervision and increasingly codified requirements and guidance with possible alignment to European regulations.

Expanded use of digital payments, crypto and digital assets has increased the need for defined regulatory authority around key risk areas.

AIB New York will continue to maintain the annual attestation of compliance to the NYDFS for the AML (DFS 504) and Cybersecurity (DFS 500) Programmes and to the FRB for its Security and Resiliency requirements.

AIB New York will continue to work closely with AIB Group on regulatory changes.

Risk Management

1. Risk Management Approach	122
1.1 Risk strategy	122
1.2 Risk Governance and Oversight	122
1.3 Identification and assessment	123
1.4 Monitoring, escalating and reporting	124
1.5 Risk culture	124
1.6 Control environment	124
2. Individual risk types	125
2.1 Credit risk	126
2.2 Liquidity and funding risk	177
2.3 Financial risks	184
(a) Market risk	184
(b) Pension risk	187
(c) Equity risk	188
2.4 Business model risk	189
2.5 Operational risk	189
2.6 Conduct risk and culture risk	190
2.7 Regulatory compliance risk	191
2.8 Capital adequacy risk	192
2.9 Model risk	193
2.10 Climate and environmental risk	193

The information below in sections, paragraphs or tables denoted as audited in sections 2.1 to 2.10 in the Risk Management Report forms an integral part of the audited financial statements as described in Note 1(c) 'basis of preparation' to the financial statements. All other information, including tables, in the Risk Management Report are additional disclosures and do not form an integral part of the audited financial statements.

Risk Management continued

1. Risk Management Approach

1. Introduction

The risk summary on pages 26 to 31 provides an overview of the Group's core risk management principles and the key developments in 2023. This full risk management section provides a more in-depth picture of how risk is managed within the Group. A full analysis of the principal risks categories are set out on pages 125 to 196, including the framework by which risks are identified, managed, monitored and reported. Each principal risk category is described using standard headings.

The Group uses a comprehensive risk management approach across all risk types. This is outlined in the Group's risk management framework, including the key practices that are implemented in managing risks, both financial and non-financial. The framework is reviewed, updated and approved by the Board at least annually to reflect any changes to the Group's business or consideration of external regulations, corporate governance requirements and industry best practice.

The Group's independent Risk function designs and maintains the framework. The Risk function is led by the Chief Risk Officer who provides oversight and monitoring of all risk management activities.

1.1 Risk strategy

Risk strategy setting

The following section sets out at a high level the approach to Risk strategy setting applicable across the Group, its subsidiaries and joint ventures.

The Group has a set of strategic risk objectives which supports the delivery of the Group's strategy. A Risk Plan is developed by the Chief Risk Officer and is designed to align to the Group Strategy, with enhanced oversight of compliance with regulation and much closer involvement in the development, implementation, and safe execution of the Group's strategy. The Group's Risk Appetite Statement defines the amount and type of risk that the Group is willing to accept, in pursuit of its strategic goals.

The focus of the Group's new strategic cycle is centred around customers needs and anchored in a progressive sustainability agenda. See "Our Strategy" on page 20. Sustainability is a key strategic objective of the Group and Sustainable Communities is one of the Group's five Strategic Pillars (See "Creating Sustainable Value" on page 6). For 2023, Climate and Environmental risk has been included as a Principal Risk. See pages 193 to 196 for more details on Climate and Environmental Risk.

1.2 Risk governance and oversight

The Group's Governance and Organisation Framework encompasses the leadership, direction and control of the Group, reflecting policies, guidelines and statutory obligations. This ensures that control arrangements provide appropriate governance of the Group's strategy, operations and mitigation of related material risks. This is achieved through a risk governance structure designed to facilitate the reporting, evaluation and escalation of risk concerns from business segments and control functions to the Board and its appointed committees and sub-committees.

Board of Directors

The Board of Directors is ultimately responsible and accountable for the effective management of risks and for the system of internal controls in the Group. The Board has delegated a number of risk governance responsibilities to various committees. The roles of the Board, the Board Audit Committee, the Board Risk Committee, the Remuneration Committee, Sustainability Business Advisory Committee, Technology and Data Advisory Committee and the Nominations and Corporate Governance Committee are all set out in the Governance and Oversight – Corporate Governance report on pages 66 to 120.

Executive Committee ("ExCo")

The ExCo has primary authority and responsibility for the day to day operations of, and the development of strategy for the Group. The core overarching areas of oversight and decision-making for the Executive Committee are:

- Strategy and Business Development
- Performance and Operations
- Business Structure and Risk Management
- Talent and Culture
- Stakeholder Management

While the ExCo has delegated its powers and authorities to other committees, it retains ultimate accountability for the functions delegated.

Group Risk Committee ("GRC")

The GRC is the most senior management risk committee and is accountable to the ExCo to set policy and monitor all risk types across the Group to enable delivery of the Group's risk strategy.

The roles and responsibilities of the GRC are:

- Reviewing and approving (or recommending to the Board and/or its subcommittees where appropriate) risk frameworks, risk appetite statements, risk policies and thresholds in order to manage the risk profile of the Group;
- Monitoring and reviewing the Group's risk profile (enterprise wide);
- Periodically reviewing the effectiveness of the Group's risk management policies for identifying, evaluating, monitoring, managing and measuring significant risks;
- Providing oversight and challenge of regulatory, operational and conduct risk related matters;
- Providing oversight and challenge of credit risk management related matters and periodically reviewing the credit portfolio exposures and trends;
- Providing oversight and challenge of risk measurement matters;
- Overseeing the development of the Group's risk management culture;
- Monitoring and reviewing the Group's risk profile and the business segment limits for equity risk;
- Considering the annual Money Laundering Reporting Officer's report; and
- Considering and assessing management's response to Group Internal Audit findings.

The sub-committees of the GRC are the Group Credit Committee, the Group Internal Ratings Based Committee, the Regulatory and Conduct Risk Committee, the Model Risk Committee and the Operational Risk Committee:

- The Group Credit Committee (and its sub-committees) is responsible for developing and monitoring credit policy within the Group and approval of all large credit transactions. The Areas Credit Committees exercise approval authority in line with the relevant Credit Approval and Review Authorities for the business areas;
- The Group Internal Ratings Based Committee ensures delivery of the commitments set out in the IRB Enterprise Plan;
- The Regulatory and Conduct Risk Committee is responsible for the governance and oversight of regulatory and conduct risks;
- The Model Risk Committee reviews the technical and methodological aspects of the Group's material models as well as maintenance of existing material models and approval of less material models;
- The Operational Risk Committee is responsible for the governance and oversight of operational risks.

Group Asset and Liability Management Committee ("ALCo")

ALCo has been established as a sub-committee of the Executive Committee. ALCo is the Group's strategic and business decision making forum for balance sheet management matters. ALCo is tasked with decision making in respect of the Group's balance sheet structure, including capital, funding, liquidity, interest rate risk in the banking book from an economic value and net interest margin ("NIM") perspective, foreign exchange ("FX") risks and other market risks to ensure it enables the delivery of the Group's Strategic Plan. ALCo provides oversight of funding and liquidity, capital, market and equity/investments risk as well as balance sheet pricing in line with the relevant risk frameworks and policies in accordance with risk appetite. ALCo also monitors, reviews and makes decisions regarding key legal, regulatory and

accounting developments affecting the measurement and control of balance sheet risks and capital. ALCo is supported by its two subcommittees, the Stress Testing and Scenarios Committee (“STSC”) and the Asset and Liability Management Technical Committee (“ALMTC”).

Risk Data Governance

Data governance and quality is of prime importance to the Risk Management process. It holds up all stages of risk lifecycle and lays the base for decision making. The Group’s principles for Data Governance are set out in the Data Framework, and the framework ensures that high quality data is captured, used, and managed securely. The framework enhances the monitoring of material risks, risk metrics and mitigates the risk of inadequate data and risk reporting leading to poor decision making by the Board and senior management.

1.3 Identification and assessment

Risk is identified and assessed in the Group through a combination of on-going risk management practices including the following:

- Material risk assessment (“MRA”);
- Risk and control assessment (“RCA”);
- Integrated Financial Plan;
- Internal Capital Adequacy Assessment Process (“ICAAP”);
- Internal Liquidity Adequacy Assessment Process (“ILAAP”);
- Stress testing & Scenario Analysis;
- Recovery planning; and
- Resolution planning.

Material risk assessment (“MRA”)

The MRA is a top down process performed on at least an annual basis for the Group which identifies the key principal risks and the identification of emerging and evolving risks. This assessment makes use of horizon scanning and takes into account the Group’s strategic objectives and incorporates both internal and external risk information. The Board is responsible for the annual approval of the Group material risk assessment.

Risk and control assessment (“RCA”)

The first line of defence is responsible for ensuring that detailed bottom up RCAs are undertaken for all businesses or business processes falling under their responsibility. These assessments are performed regularly and whenever there is a material change in organisation, business processes or business environment.

Integrated Financial Plan

The financial plan is integral to how the Group manages its business and monitors performance. It informs the delivery of the Group’s strategy and is aligned to the Risk Appetite Statement. It enables realistic business objectives to be set for Management, identifies accountability in the Group’s delivery of planning targets and identifies the risks to the delivery of the Group’s strategic goals as well as the mitigants of those risks. The plan is produced under a base scenario and assessed under a range of alternative scenarios over a three year time horizon. This assessment forms the basis for consideration of business model risk and internal capital adequacy.

Internal Capital Adequacy Assessment Process (“ICAAP”)

This is the Group process to ensure adequate capital resources are maintained at all times, having regard to the nature and scale of its business and the risks arising from its operations. The ICAAP is the process by which the Group performs a formal and rigorous assessment of its balance sheet, business plans, risk profile and risk management processes to determine whether it holds adequate capital resources to meet both internal objectives and external regulatory requirements. Multiple scenarios are considered for each ICAAP including both systemic and idiosyncratic stress tests ranging from moderate to extreme and are applied to the Group’s material risks as identified through its material risk assessment. The stress time horizon of three years is aligned with the planning horizon.

Internal Liquidity Adequacy Assessment Process (“ILAAP”)

The Internal Liquidity Adequacy Assessment Process (“ILAAP”) is a process by which the Group performs a formal and rigorous assessment of its balance sheet, business plans, risk profile and risk management processes to determine whether it holds sufficient liquid resources of appropriate quality to meet both internal objectives and external

regulatory requirements. Multiple scenarios are considered for each ILAAP including both firm specific, systemic risk events and a combination of both to ensure the continued stability of the Group’s liquidity position within the Group’s pre-defined liquidity risk tolerance levels. The stress time horizon of three years is aligned with the planning horizon.

Stress testing

Stress testing is recognised as a key risk management process within the Group. It seeks to ensure that risk assessment is dynamic and forward looking, and considers not only existing risks but also potential and emerging threats. Stress test methodologies are developed to assess the material risks identified in the material risk assessment process.

The Group’s stress testing programme embraces a range of forward looking stress tests and takes all the Group’s material risks into account. The type of stress test include:

- ICAAP stress testing undertaken on an annual basis in support of ICAAP and is integrated with the Group’s annual financial planning process. This aims to highlight the key vulnerabilities of the Group and inform potential future capital needs including capital buffers, in excess of minimum regulatory capital requirements, and internal capital requirements under both base and stressed conditions over the planning horizon;
- Internal capital stress tests on all of the material risks of the Group. These consider the implications of a severe shock across the Group’s material risks and additional supporting scenarios as deemed appropriate;
- Annual ILAAP stress testing applied to the funding and liquidity plan to formally assess the Group’s liquidity risks;
- Internal liquidity stress tests which are performed weekly;
- The climate stress testing approach consider the impact of physical and transition risks across a number of scenarios on the Group’s exposures. The initial scope of climate stress testing activities and climate modelling in the Group is primarily focused on the credit risk implications for the loan portfolio;
- Reverse stress testing undertaken at least annually to explore the vulnerabilities of the Group’s strategies and plans in extreme adverse events that would cause the Group to fail. If necessary the Group will adopt an action plan to prevent and mitigate these risks;
- Annual recovery stress tests which use scenarios to assess the adequacy of recovery indicators of both capital and liquidity in identifying the onset of a period of stress and the recovery plan options used to exit that stress;
- Ad hoc stress testing on key core portfolios as required. This can include emerging risks identified from the MRA process and as well as in response to regulatory requests;
- Sensitivity analysis assesses the marginal impact of an incremental change in one risk parameter on the Group’s capital and liquidity position; and
- Subsidiary stress tests conducted on in-scope subsidiaries subject to individual regulatory capital requirements.

Stress testing methodology

Across all of the Group’s material risks, the methodology will be an appropriate blend of model based and expert judgement approaches. Assumptions and outputs are reviewed by impacted businesses and central functions, and via Risk review, to ensure they are plausible and intuitive. All models used in the stress testing process are subject to model validation as per the Group’s Model Risk Management Framework. The stress tests comply with all regulatory requirements, achieved through the comprehensive review and challenge of macroeconomic scenarios and stress test outcomes, as well as the ongoing validation requirements of stress testing models.

Risk Management continued

Recovery planning

The Group's recovery plan sets out the arrangements and measures that the Group could adopt in the event of severe financial stress to restore the Group to long term viability. A suite of indicators and options are included in the Group's recovery plan, which together ensures the identification of stress events and the tangible mitigating actions available to the Group to restore viability.

Resolution planning

Resolution is the restructuring of a bank by a resolution authority that has failed or is likely to fail, through the use of resolution tools in order to:

- safeguard the public interest;
- ensure the continuity of the Group's critical functions;
- ensure financial stability in the economy in which it operates; and
- minimise costs to taxpayers.

The Group is under the remit of the Single Resolution Board ("SRB") due to its systemic importance. The SRB, in cooperation with the National Resolution Authorities, (Central Bank of Ireland for Ireland and Bank of England for the UK) draft the resolution plan for the Group. The resolution plan describes the Preferred Resolution Strategy ("PRS"), in addition to ensuring the continuity of the Group's critical functions and the identification and addressing of any impediments to the Group's resolvability.

The PRS for the Group is a single point of entry bail-in. The resolution authorities set the loss absorbing capacity requirements for Minimum Requirements for own funds and Eligible Liabilities (MREL), in addition to any work programmes required to mitigate any perceived impediments to resolvability. Senior management are responsible for implementing the measures that are needed to ensure the Group's resolvability. There are a number of governance fora such as subject matter working groups and a Resolution Steering Committee that provides governance and oversight around resolution planning. The Risk function liaises with the resolution planning team to provide oversight over the Resolvability Programme to ensure that deliverables are being met as set out within the Board approved project plan and as outlined by regulatory guideline.

1.4 Monitoring, escalating and reporting

Setting risk appetite

The Board sets the risk appetite for the Group informed by the material risk assessment. Risk appetite is the nature and extent of risk that the Group is willing to take, accept, or tolerate in pursuit of its business objectives and strategy. It also informs the Group's strategy, and as part of the Risk Management Framework, is a boundary condition to strategy and guides the Group in its risk taking and related business activities. The financial plan is tested to ensure risk appetite adherence.

The Group Risk Appetite Statement is an articulation of the Group's appetite for, and tolerance of risk expressed through qualitative statements and quantitative limits and thresholds. The Group Risk Appetite Statement seeks to encourage appropriate risk taking to ensure that risks are consistent with the Group strategy and risk appetite. The Group Risk Appetite Statement cascades into key business segments with separate Risk Appetite Statements for each licenced subsidiary reflecting the risk appetite of the subsidiary as a standalone entity.

Risk measurement

Each of the material risks has a specific approach to how the risk is measured. The Group Risk Appetite Statement and the separate Risk Appetite Statements for the licensed subsidiaries contain metrics which are measured on a monthly basis against the thresholds set.

Risk management

The material risk types are actively managed and measured against their respective frameworks, policies and processes on an ongoing basis. Risk models are used to measure credit, market, liquidity and funding risk, and where appropriate, capital is allocated (taking account of risk concentrations) to mitigate material risks. The management and measurement of the Group's risk profile also informs the Group's strategic and operational planning processes.

Risk reporting

Risk reporting facilitates management decision making and is a critical component of risk governance and oversight. Risk reporting processes are in place for each of the material risks under the relevant risk frameworks and policies. This enables management, governance committees and other stakeholders to oversee the effectiveness of the risk management processes, adherence to risk policies, and (where relevant) adherence to regulatory requirements.

The CRO reports actual performance against Risk Appetite Statements to the Board Risk Committee. A material breach of a Risk Appetite Statement limit is reported to the Board and the Group's regulator when appropriate.

1.5 Risk culture

Risk culture is an integral part of the Group's overall culture and is vital for the Group to achieve its strategic objectives. The risk culture defines how risk is managed and owned throughout the Group. It is the values, behaviours, beliefs, knowledge, attitudes, awareness and understanding of, and towards risk shared by individuals. It sets the foundation for how the Group manages risk in a consistent and coherent manner. An effective Group Risk Appetite Statement is highly dependent on risk culture. Risk culture is one of the key elements of the Group's Risk Management Framework. It is through the risk framework and policy documents that an awareness of risk and control is set and cascaded throughout the Group including a Conduct Risk Framework which emphasises the criticality of ensuring fair customer outcomes. The Group's promotion of risk learning through recommended risk training and education supports the embedding of risk culture. These ongoing activities are supported by an annual Group wide risk awareness week to reinforce key risk themes.

1.6 Control environment

Three lines of defence model

The Group operates a three lines of defence model which defines clear responsibilities and accountabilities, ensures effective independent oversight and assurance activities take place covering key decisions. The first line of defence lies with the business line managers who are required to have effective governance and control frameworks in place for their business and to act within the risk appetite parameters set out. The second line of defence comprises the Risk function, and oversees the first line, providing independent constructive challenge, setting the frameworks, policies and limits, consistent with the risk appetite of the Group. The third line of defence comprises Group Internal Audit who provide an independent view on the key risks facing the Group, and the adequacy and effectiveness of governance, risk management and the internal control environment in managing these risks.

The Board and its sub committees, the Board Risk Committee ("BRC") and Board Audit Committee ("BAC") are ultimately responsible for ensuring the effective operation of the three lines of defence model. They are supported by the Executive Committee ("ExCo") and its sub-committees. The Terms of References for the BRC and BAC are available on the Group's website.

Assurance testing

The Group has implemented testing and assurance activities with the objective to provide assurance to the Board, and its delegated sub-committees on the design and operating effectiveness of the control environment within the Group. The material risk types are continuously tested and assured in line with the Group assurance methodology, which distinguishes between risk management, risk control and risk assurance. Each line of defence is responsible for preparing business controls testing plans with consideration of the adequacy of the risk identified and the design and effectiveness of the controls in place. The combined assurance is the alignment of governance, risk and assurance activities, linked with the Group's strategy with the objective to provide better co-ordinated efforts, risk reporting, and to continuously improve performance and resilience.

2. Individual Risk Types

2.1 Credit risk

Definition	126
Credit risk organisation and structure	127
Measurement, methodologies and judgements	130
2.1.1 Credit risk – Credit exposure overview	142
Maximum exposure to credit risk	142
Concentration by industry sector	144
2.1.2 Credit risk – Credit profile of the loan portfolio	146
Credit profile of the loan portfolio	146
Internal credit grade profile by ECL staging	147
Non-performing loans	149
Age analysis of contractually past due loans	150
Gross loans and ECL movements	152
2.1.3 Credit risk – Impairment and write-offs	159
Income statement	159
Loans written-off and recovery of loans previously written-off	160
2.1.4 Credit risk – Asset class analysis	161
Residential mortgages	161
Other personal	166
Property and construction	168
Non-property business	171
2.1.5 Credit risk – Credit ratings	174
2.1.6 Credit risk – Forbearance overview	175

Risk Management continued

2.1 Credit risk

Key Developments in 2023:

- The credit quality of the portfolio has remained relatively stable during the year and new lending is in line with targeted quality levels. However, stress from current inflationary pressures and higher interest rates has manifested in an increase in Stage 2 loans, particularly in the property and construction sector. This was somewhat offset by the non-property business sector which experienced an improved credit performance as cases exited forbearance. The Group's expected credit losses (ECLs) reflect the vigilant stance to emerging risks while maintaining a comprehensive approach to assessing the credit environment, ensuring the level of ECL stock remains appropriately conservative.
- The migration of the Ulster Bank portfolio acquisitions was largely completed in July with the remaining 20% of the tracker (and linked) mortgage portfolio due to migrate in 2024.
- The Group remains focused on its evolving sustainability agenda, including the ongoing consideration of climate risk which continues to be incorporated and embedded within the credit assessment process.

Definition of Credit risk

Credit risk is the risk that the Group will incur losses as a result of a customer or counterparty being unable or unwilling to meet their contractual obligations and associated bank credit exposure in respect of loans or other financial transactions.

Based on the annual risk identification and materiality assessment process, credit risk is grouped into the following three sub categories:

- Counterparty risk: The risk of losses arising as a result of the counterparty not meeting their contractual obligations in full and on time and the resulting credit default risk/risk of loss leading to a risk to capital;
- Concentration risk: The risk of excessive credit concentration including to an individual, counterparty, group of connected counterparties, industry sector, a geographic region, country, a type of collateral or a type of credit facility; and
- Country risk: The risk of having exposure to a country, arising from possible changes in the business environment that may adversely affect operating profits or the value of assets related to the country.

Credit risk exposure derives from standard on-balance sheet products such as mortgages, loans, overdrafts and credit cards. However, credit risk also arises from other products and activities including, but not limited to: "off-balance sheet" guarantees and commitments; securities financing; derivatives; investment securities; asset backed securities and partial failure of a trade in a settlement or payment system.

Group Risk Appetite Statement

The Group's Risk Appetite Statement ("RAS") defines the aggregate level and types of risks that the Group is willing to take, accept, or tolerate in pursuit of its business objectives and strategy as set by the Board. As part of the overall framework for risk governance, it forms a boundary condition to strategy and guides the Group in its risk-taking and related business activities. Credit risk appetite is set at Board level and is described, reported and monitored through a suite of qualitative and quantitative metrics. The credit risk metrics cover the three sub risks identified as part of the AIB Group material risk assessment process – counterparty risk, concentration risk and country risk, and include concentration limits on quantum of new lending, balance sheet exposure and credit quality. Risk appetite is stress tested to ensure limits are within the risk-taking capacity of the Group. The Group's risk appetite for credit risk is reviewed and approved at least annually.

Credit risk principles and policy (audited)

The Group implements and operates policies to govern the identification, assessment, approval, monitoring and reporting of credit risk. The Group Credit Risk Framework and Group Credit Risk Policy are overarching Board approved documents which set out the principles of how the Group identifies, assesses, approves, monitors and reports credit risk to ensure that robust credit risk management is in place. These documents contain the minimum standards and principles that are applied across the Group to provide a common, robust and consistent approach to the management of credit risk.

The Group Credit Risk Policy is supported by a suite of credit policies, standards and guidelines which define in greater detail the minimum standards and credit risk metrics to be applied for specific products, business lines, and market segments.

Credit Risk, as an independent risk management function, monitors key credit risk metrics and trends, including policy exceptions and breaches, reviews the overall quality of the loan book, challenges variances to planned outcomes and tracks portfolio performance against agreed credit risk indicators. This allows the Group, if required, to take early and proactive mitigating actions for any potential areas of concern.

Credit risk management

The activities which govern the management of credit risk within the Group are as follows:

- Establish governance authority fora to provide independent oversight and assurance to the Board with regards to credit risk management activities and the quality of the credit portfolio;
- Formulate and implement a comprehensive credit risk strategy that is viable through various economic cycles, supported by a suite of credit policies, is aligned to the Group's approved Risk Appetite Statement and generates appropriate returns on capital within acceptable levels of credit quality;
- Operate within a sound and well defined credit granting process, within which risks for new and existing lending exposures, including connected exposures, are consistently identified, assessed, measured, managed, monitored and reported in line with risk appetite and the credit risk policies;
- Ensure all management and staff involved in core credit risk activities across the three lines of defence are fully capable of conducting their duties to the highest standard in compliance with the Group's policies and procedures;
- Establish and enforce an efficient internal review and reporting system to manage effectively the Group's credit risk across various portfolios including; establishing and enforcing internal controls and assurance practices to ensure that exceptions to policies, deviations to credit standards and limits are monitored and reported in a timely manner for review and action;
- Ensure a sound methodology exists and credit policies are in place to proactively assess credit risk, to identify deteriorating credit quality and take remedial action to minimise losses, provide customers with affordable and sustainable solutions and maximise recovery for the Group. This includes consideration of, and the granting of, forbearance measures;
- Utilise quality management information and risk data to ensure an effective credit risk management and measurement process when reporting on the holistic credit risk profile of the Group, including any changes in credit risk profile and emerging or horizon risks;
- Mitigate potential credit risk arising from new or amended products or activities, including the identification and analysis of existing and potential risks inherent in any credit product or activity; and
- Develop and continuously reinforce a strong, credit risk focused culture across the credit risk management functions through the credit cycle, which supports the Group's goals and enables business growth, provides constructive challenge and avoids credit risks that cannot be adequately measured.

The Group's Credit Risk Policy architecture supports these credit activities and encompasses a suite of credit policies and standards which provide a common and consistent approach to the management of credit risk.

2.1 Credit risk continued

Credit approval overview *(audited)*

The Group operates credit approval criteria which:

- Include a clear indication of the Group's target market(s), in line with Group and segment risk appetite statements;
- Require a thorough understanding and assessment of the borrower or counterparty, as well as the purpose and structure of credit, and the source of repayment; and
- Enforce compliance with minimum credit assessment and facility structuring standards.

Credit risk approval is undertaken by professionals operating within a defined delegated authority framework. However, for certain selected retail portfolios, scorecards and automated strategies (together referred to as 'score enabled decisions') are deployed to automate and to support credit decisions and credit management (e.g. score enabled auto-renewal of overdrafts).

The Board is the ultimate credit approval authority in the Group. The Board has delegated credit approval authority to various credit committees and to the Chief Credit Officer ("CCO"). The CCO is permitted to further delegate this credit authority to individuals within the Group on a risk appropriate basis. Credit limits are approved in accordance with the Group's written risk policies and guidelines.

All exposures above certain levels require approval by the Group Credit Committee ("GCC") and/or Board. Other exposures are approved according to a structure of tiered individual authorities which reflect credit competence, proven judgement and experience. Depending on the borrower/connection, grade or weighted average facility grade and the level of exposure, limits are sanctioned by the relevant credit authority. Material lending proposals are referred to credit units for independent assessment/approval or formulation of a recommendation and subsequent adjudication by the applicable approval authority.

ECL governance *(audited)*

The Board has put in place a framework, incorporating the governance and delegation structures commensurate with a material risk, to ensure credit risk is appropriately managed throughout the Group.

The key governance points in the ECL allowance approval process during 2023 were:

- Model Risk Committee;
- Asset and Liability Committee;
- Business level ECL Committees;
- Group Credit Committee; and
- Board Audit Committee

For ECL governance, the Group's senior management employ expert judgement in assessing the adequacy of the ECL allowance. This is supported by detailed information on the portfolios of credit risk exposures and by the outputs of the measurement and classification approaches, coupled with internal and external data provided on both short term and long term economic outlook. Business segments and Group management are required to ensure that there are appropriate levels of cover for all of the credit portfolios and must take account of both accounting and regulatory compliance when assessing the expected levels of loss.

Assessment of the credit quality of each business segment and subsidiaries is initially informed by the output of the quantitative analytical models but may be subject to management adjustments.

This ECL output is then scrutinised and approved at individual business unit level (ECL Committee), which also includes subsidiaries, prior to

onward submission to the Group Credit Committee ("GCC"). GCC reviews and challenges ECL levels for onward recommendation to the Board Audit Committee as the final approval authority. Board Audit Committee then recommends the Group's financial results to Board for ultimate final approval.

Credit risk organisation and structure *(audited)*

The Group's credit risk management structure operates through a hierarchy of lending authorities. All customer loan requests are subject to a credit assessment process. The role of the Credit Risk function is to provide direction, independent oversight of and challenge to credit risk-taking.

Credit risk management consideration of Environmental, Social, and Governance (ESG) risks

The Group continues to adapt its credit risk management processes and policies to capture ESG risks. In addition to a number of key initiatives introduced by the Group to date, throughout 2023, further sector specific rules and limitations were incorporated into credit policies within a defined climate-related and environmental risk appetite. The ESG Questionnaire continues to be used in credit applications for borrowers in high climate risk sectors where the new lending is over €/ \pounds 300k. In 2023, work has continued on the ESG Questionnaire to further enhance and refine it, broadening the scope of coverage at both customer and sector level. In addition, ESG risk commentary is required in all credit applications for customers of the Group's Capital Markets segment. Further details on climate and environmental risk are outlined in section 2.10 on page 193.

The impact of climate risk on the management, escalating and reporting of credit risk was considered by the Group. There is currently no reasonable and supportable information that indicates a material impact of climate change on ECLs and the Group's approach to individual counterparty risk assessment adequately captures climate risk where appropriate. The impact of climate risk will continue to be monitored in 2024 to ensure ECLs appropriately reflect latent risk from potentially emerging climate risks.

Internal credit ratings *(audited)*

One of the objectives of credit risk management is to accurately quantify the level of credit risk to which the Group is exposed through the initial credit approval and ongoing review process. All relevant exposures are assigned to a rating model and within that to an internal risk grade (rating). A grade is assigned on the basis of rating criteria within each rating model from which estimates of probability of default (PD) are derived.

Internal credit grades are fundamental in assessing the credit quality of loan exposures, and for assessing capital requirements for portfolios where prior regulatory approval has been received. Internal credit grades are key to management reporting, credit portfolio analysis, credit quality monitoring and in determining the level and nature of management attention applied to exposures. Changes in the objective information are reflected in the credit grade of the borrower/loan with the resultant grade influencing the management of individual loans. In line with the Group's credit management lifecycle, heightened credit management and special attention is paid to lower quality performing loans or 'criticised' loans and non-performing/defaulted loans which are defined on page [128](#).

Risk Management continued

2.1 Credit risk continued

Internal credit ratings continued (audited)

Using internal models, the Group utilises a credit grading masterscale that gives it the ability to categorise credit risk across different rating models and portfolios in a consistent manner. Masterscale consolidates complex credit information into a single attribute, aligning the output from the risk models with the Group's Forbearance and Definition of Default and Credit Impairment policies. Masterscale grades are driven by grading model appropriate through the cycle (TTC) PDs combined with other asset quality indicators such as default, forbearance and arrears in order to provide the Group with a mechanism for ranking and comparing credit risk associated with a range of customers. Masterscale categorises loans into a broad range of grades which can be summarised into the following categories: strong/satisfactory grades; criticised grades; and non-performing/default loans. Page 147 sets out the profile of the Group's loan portfolio under each of the above grade categories.

The IFRS 9 PD modelling approach uses a combination of rating grades and scores obtained from these credit risk models along with key factors such as the current/recent arrears status or the current/recent forbearance status and macroeconomic factors to obtain the relevant IFRS 9 12 month and Lifetime PDs (i.e. point in time). The Group has set out its methodologies and judgements exercised in determining its expected credit loss ("ECL") under IFRS 9 on pages 130 to 141.

Strong/satisfactory (audited)

Accounts are considered strong/satisfactory if they have no current or recent credit distress and the probability of default is typically less than 6.95%, they are not in arrears and there are no indications that they are unlikely to repay.

- Strong (typically with PD less than 0.99%): Strong credit with no weakness evident.
- Satisfactory (typically with PD greater than or equal to 0.99% and less than 6.95%): Satisfactory credit with no weakness evident.

Criticised (audited)

Accounts of lower credit quality and considered as less than satisfactory are referred to as criticised and include the following:

- Criticised watch: The credit is exhibiting weakness in terms of credit quality and may need additional management attention; the credit may or may not be in arrears.
- Criticised recovery: Includes forbore cases that are classified as performing including those which have transitioned from non-performing forbore, but still require additional management attention to monitor for re-default and continuing improvement in terms of credit quality.

Non-performing/default (audited)

The Group's definition of default is aligned with the EBA 'Guidelines on the application of the definition of default' under Article 178 of Capital Requirements Regulation and ECB Banking Supervision Guidance to Banks on non-performing loans.

The Group has aligned the definitions of 'non-performing', 'classification of default' and IFRS 9 Stage 3 'credit impaired', with the exception of loans measured at fair value through profit or loss, and those loans which have been derecognised and newly originated in Stage 1 or POCI (purchased or originated credit impaired) which are no longer classified as credit impaired but continue to be classified as non-performing and in default. This alignment ensures consistency with the Group's internal credit risk management and assessment practices.

Loans are identified as non-performing or defaulted by a number of characteristics. The key criteria resulting in a classification of non-performing are:

- Where the Group considers a borrower to be unlikely to pay their loans in full without realisation of collateral, regardless of the existence of any past-due amount; or
- The borrower is 90 days or more past due on any material loan. Day count starts when any material amount of principal, interest or fee has not been paid by a borrower on the due date.

The criteria for the definition of financial distress and forbearance are included in the Group's Forbearance Policy. Criteria for identification of non-performing exposures and unlikelihood to pay are included in the Group's Definition of Default and Credit Impairment Policy.

Credit risk monitoring (audited)

The Group has developed and implemented processes and information systems to monitor and report on individual credits and credit portfolios in order to manage credit risk effectively. It is the Group's practice to ensure that adequate up-to-date credit management information is available to support the credit management of individual account relationships and the overall loan portfolio.

Credit risk, at a portfolio level, is monitored using key risk indicators and early warning indicators which are reported regularly to senior management and to the Board Risk Committee. Credit managers proactively manage the Group's credit risk exposures at a transaction and relationship level. Monitoring includes credit exposure and excess management, regular review of accounts, being up-to-date with any developments in customer business, obtaining updated financial information and monitoring of covenant compliance. This is reported on a regular basis to senior management and includes information and detailed commentary on loan book growth, quality of the loan book and expected credit losses including individual large non-performing exposures.

Changes in sectoral and single name concentrations are tracked on a regular basis highlighting changes to risk concentration in the Group's loan book. The Group allocates significant resources to ensure ongoing monitoring and compliance with approved risk limits. Credit risk, including compliance with key credit risk limits, is reported monthly. Once an account has been placed on a watch list, the exposure is carefully monitored and where appropriate, exposure reductions are effected.

As a matter of policy, non-retail facilities are subject to a review on, at least, an annual basis, even when they are performing satisfactorily. Annual review processes are supplemented by more frequent portfolio and case review processes in addition to arrears or excess management processes. Borrowers in Stage 2 may be subject to an 'unlikely to pay' test at the time of annual review, or earlier, if there is a material adverse change or event in their credit risk profile.

Through a range of forbearance solutions as outlined on page 175, the Group employs a dedicated approach to loan workout, monitoring and proactive management of non-performing loans. A specialised recovery function focuses on managing the majority of criticised loans and deals with customers in default, collection or insolvency. Their mandate is to support customers in difficulty while maximising the return on non-performing loans. Whilst the basic principles for managing weaknesses in corporate, commercial and retail exposures are broadly similar, the solutions reflect the differing nature of the assets.

Further details on forbearance are set out in section '2.1.6 - forbearance overview'.

Credit risk mitigants (audited)

The perceived strength of a borrower's repayment capacity is the primary factor in granting a loan. However, the Group uses various approaches to help mitigate risks relating to individual credits, including transaction structure, collateral and guarantees. Collateral and/or guarantees are usually required as a secondary source of repayment in the event of a borrower's default. The main types of collateral for loans and advances to customers are described under the section on collateral. Credit policy and credit management standards are controlled and set centrally by the Credit Risk function.

Occasionally, credit derivatives are purchased to hedge credit risk. Current levels are modest and their use is subject to the normal credit approval process.

2.1 Credit risk continued

Credit risk mitigants continued (audited)

The Group enters into netting agreements for derivatives with certain counterparties, to ensure that in the event of default, all amounts outstanding with those counterparties will be settled on a net basis.

Depending on the size of the potential exposure derivative transactions with wholesale counterparties are typically collateralised under a Credit Support Annex in conjunction with the International Swaps and Derivatives Association ("ISDA") Master Agreement.

The Group also has in place an Interbank Exposure Policy which establishes the maximum exposure for each counterparty bank, depending on credit grade rating. Each bank is assessed for the appropriate maximum exposure limit in line with the policy. Risk generating business units in each segment are required to have an approved bank and country limit prior to granting any credit facility, or approving any credit obligation or commitment which has the potential to create interbank or country exposure.

Collateral (audited)

Credit risk mitigation may include a requirement to obtain collateral as set out in the Group's lending policies. Where collateral and/or guarantees are required, they are usually taken as a secondary source of repayment in the event of a borrower's default. The Group maintains policies which detail the acceptability of specific classes of collateral.

The principal collateral types for loans and advances are:

- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over other assets such as plant and machinery, marine vessels etc.;
- Mortgage/legal charge over residential and commercial real estate; and
- Charges over financial instruments such as debt securities and equities.

The nature and level of collateral required depends on a number of factors such as the type of the credit facility, the term of the credit facility and the amount of exposure. Collateral held as security for financial assets, other than for loans and advances, is determined by the nature of the instrument. Debt securities and treasury products are generally unsecured, with the exception of asset backed securities, which are secured by a portfolio of financial assets.

Collateral is not usually held against loans and advances to banks, including central banks, except where securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement or where the bank purchases covered bonds as part of its liquidity portfolio.

For non-mortgage/non-property lending, where collateral is taken, it will typically include a charge over the business assets such as inventory and accounts receivable. In some cases, a charge over property collateral or a personal guarantee supported by a lien over personal assets may also be taken. Where cash flows arising from the realisation of collateral held are included in the expected credit loss assessments, in many cases management rely on valuations or business appraisals from independent external professionals.

Methodologies for valuing collateral (audited)

Details on the valuation rule methodologies applied and processes used to assess the value of property assets taken as collateral are described in the Group Property Valuation Policy and Property Valuation Guidance. Both documents are subject to an annual review.

As property loans, including residential mortgages, represent a significant concentration within the Group's loans and advances to customer's portfolio, some key principles have been applied in respect of the valuation of property collateral held by the Group.

The value of property collateral is assessed at loan origination and at certain stages throughout the credit lifecycle in accordance with the Group Property Valuation Policy e.g. at annual review where required.

In accordance with the Group Property Valuation Policy and guidelines, the Group employs a number of methods to assist in reaching appropriate valuations for property collateral held:

- (a) External valuation firms on the Group's Valuers Panel, are engaged by the Group to undertake valuations of immovable property collateral in accordance with the rules set out in the Group Property Valuation Policy.
- (b) Independent professional internal valuations are completed in limited circumstances (e.g. agricultural land) using a desktop valuation approach by professionally qualified internal valuers who are independent of the credit process in the second line of defence. The assets being valued by this means must have an independent professional external valuation completed within the past 3 years.
- (c) Internal valuations are completed by first line of defence case managers pursuant to the rules in the Property Valuation Policy and in line with the Property Valuation Guidance, which provides appropriate valuation methodology guidance. These include the following valuation methodologies:
 - I. Index valuation approach – used for residential property;
 - II. Comparable valuation approach – a basic level of valuation methodology used to value agricultural land or as a sense check for the valuation of residential, commercial or development land;
 - III. Commercial investment valuation approach – used for the valuation of commercial property using the Group's commercial investment yield matrices;
 - IV. Residual valuation approach – used for the valuation of development land or land with development potential; and
 - V. Profits valuation approach – used for the valuation of trading assets e.g. hotels, licensed premises, convenience stores etc. using the Group's stabilised EBITDA matrices.

Collateral and ECLs (audited)

Applying one or a combination of the above methodologies, in line with the Group Property Valuation Policy, has resulted in an appropriate range of discounts to original collateral valuations, influenced by the nature, status and year of purchase of the asset. The frequency and availability of such up-to-date valuations remain a key factor in ECL determination. Additionally, relevant costs likely to be associated with the realisation of the collateral are taken into account in the cash flow forecasts. The spread of discounts is influenced by the type of collateral, e.g. land, developed land or investment property and also its location. The valuation arrived at, is therefore, a function of the nature of the asset.

When assessing the level of ECL allowance required for property loans, apart from the value to be realised from the collateral, other cash flows, such as recourse to other assets or sponsor support, are also considered, where available. The other key driver is the time it takes to receive the funds from the realisation of collateral. While this depends on the type of collateral and the stage of its development, the period of time to realisation is typically one to five years but sometimes this time period is exceeded. These estimates are periodically reassessed on a case by case basis.

When undertaking an ECL review for individually assessed cases that have been deemed unlikely to pay, the present value of future cash flows, including the value of collateral held, and the likely time required to realise such collateral is estimated. An ECL allowance is raised for the difference between this present value and the carrying value of the loan. When multiple discounted cash flows are captured where the gross credit exposure is \geq € 5 million (Republic of Ireland) or \geq £ 5 million (UK) or cases in scope for the Group Leveraged Lending Policy, the value of collateral is adjusted to reflect the impacts of up and downside scenarios for these higher value exposures.

Risk Management continued

2.1 Credit risk continued

Credit risk mitigants continued

Summary of risk mitigants by selected portfolios

Set out below are details of risk mitigants used by the Group in relation to financial assets detailed in the maximum exposure to credit risk table on page 142.

Residential Mortgages

For residential mortgages, the Group takes collateral in support of lending transactions for the purchase of residential property. Collateral valuations are required at the time of origination of each residential mortgage. Details regarding the estimated fair value of collateral held for the Group's residential mortgage portfolio are included under the residential mortgage section on page 163.

Securities financing (audited)

In addition to the credit risk mitigants, the Group, from time to time, enters securities financing transactions. Securities financing consists of securities borrowing transactions, reverse repurchase agreements and securities sold under agreements to repurchase. At 31 December 2023, the total fair value of the collateral received was € 6,466 million (2022: € 6,282 million) in relation to reverse repurchase agreements and securities borrowing transactions (note 20 to the consolidated financial statements).

Derivatives (audited)

Derivative financial instruments are recognised in the statement of financial position at their fair value. Those with a positive fair value are reported as assets which at 31 December 2023 amounted to € 2,377 million (2022: € 2,511 million) and those with a negative fair value are reported as liabilities which at 31 December 2023 amounted to € 1,902 million (2022: € 2,982 million).

The enforcement of netting agreements would potentially reduce the statement of financial position carrying amount of derivative assets and liabilities by € 1,556 million at 31 December 2023 (2022: € 2,220 million). The Group also has Credit Support Annexes ("CSAs") in place which provide collateral for derivative contracts. At 31 December 2023, € 713 million (2022: € 795 million) of CSAs are included within financial assets as collateral for derivative liabilities and € 839 million (2022: € 245 million) of CSAs are included within financial liabilities as collateral for derivative assets (note 39 to the consolidated financial statements). Additionally, the Group has agreements in place which may allow it to net the termination values of cross currency swaps upon occurrence of an event of default.

Investment securities

At 31 December 2023, government guaranteed senior bank debt which amounted to € 202 million (2022: € 259 million) was held within the investment securities portfolio.

Measurement, methodologies and judgements

Introduction (audited)

The Group has set out the methodologies used and judgements exercised in determining its expected credit loss ("ECL") allowance for the year to 31 December 2023.

The Group, in estimating its ECL allowance does so in line with the expected credit loss impairment model as set out by the International Financial Reporting Standard 9 Financial Instruments ("the standard"). This model requires a timely recognition of ECL across the Group. The standard does not prescribe specific approaches to be used in estimating ECL allowance, but stresses that the approach must reflect the following:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- Underlying models should be point in time and forward looking – recognising economic conditions;
- The ECL must reflect the time value of money;
- A lifetime ECL is calculated for financial assets in Stages 2 and 3 and Purchased or Originated Credit Impaired ("POCI"); and

- The ECL calculation must incorporate 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 standard defines credit loss as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate ("EIR") or an approximation thereof.

ECLs are defined in the standard as the weighted average of credit losses across multiple macroeconomic scenarios, with weights assigned based on the probability of each scenario occurring and are an estimate of credit losses over the life of a financial instrument.

The ECL model applies to financial instruments measured at amortised cost or at fair value through other comprehensive income. In addition, the ECL approach applies to lease receivables, loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss.

A key principle of the ECL model is to reflect any relative deterioration or improvement in the credit quality of financial instruments occurring (e.g. change in the risk of a default). The ECL amount recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition together with the impact on credit risk parameters.

Bases of measurement (audited)

Under the standard, there are two measurement bases:

1. 12-month ECL (Stage 1), which applies to all financial instruments from initial recognition as long as there has been no significant increase in credit risk; and
2. Lifetime ECL (Stages 2 and 3 and POCI), which applies when a significant increase in credit risk has been identified on an account (Stage 2), an account has been identified as being credit-impaired (Stage 3) or when an account meets the POCI criteria.

Staging (audited)

Financial assets are allocated to stages dependent on credit quality relative to when assets were originated. A financial asset, including financial assets acquired by the Group, can only originate in either Stage 1 or POCI.

Credit risk at origination (audited)

Credit risk at origination ("CRAO") is a key input into the staging allocation process. The origination date of an account is determined by the date on which the Group became irrevocably committed to the contractual obligation and the account was first graded on an appropriate model.

For undrawn credit facilities, the Group uses the date of origination as the date when it becomes party to the irrevocably contractual arrangements or irrevocable commitment. For overdrafts which have both drawn and undrawn components, the date of origination is the same for both.

The Group uses best available information for facilities which originated prior to a credit risk rating model or scorecard being in place.

For accounts that originated prior to 1 January 2018, a neutral view of the macroeconomic outlook at the time is used, i.e. where macroeconomic variables are used in the Lifetime PD models, long-run averages are used instead of historical forecasts.

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Stage 1 characteristics (audited)

Obligations are classified Stage 1 at origination or at acquisition by the Group, unless POCI, with a 12 month ECL being recognised. These obligations remain in Stage 1 unless there has been a significant increase in credit risk.

Accounts can also return to Stage 1 if they no longer meet either the Stage 2 or Stage 3 criteria, subject to satisfaction of the appropriate probation periods, in line with regulatory requirements.

Stage 2 characteristics (audited)

Obligations where there has been a 'significant increase in credit risk' ("SICR") since initial recognition but do not have objective evidence of credit impairment are classified as Stage 2. For these assets, lifetime ECLs are recognised.

The Group assesses at each reporting date whether a significant increase in credit risk has occurred on its financial obligations since their initial recognition. This assessment is performed on individual obligations rather than at a portfolio level. If the increase is considered significant, the obligation will be allocated to Stage 2 and a lifetime expected credit loss will apply to the obligation. If the change is not considered significant, a 12 month expected credit loss will continue to apply and the obligation will remain in Stage 1.

SICR assessment (audited)

The Group's SICR assessment is determined based on both quantitative and qualitative measures:

Quantitative measure: This measure reflects an arithmetic assessment of the change in credit risk arising from changes in the probability of default. The Group compares each obligation's annualised average probability weighted residual origination lifetime probability of default ("LTPD") (see 'Credit risk at origination') to its current estimated annualised average probability weighted residual LTPD at the reporting date. If the difference between these two LTPDs meets the quantitative definition of SICR, the Group transfers the financial obligation into Stage 2. Increases in LTPD may be due to credit deterioration of the individual obligation or due to macroeconomic factors or a combination of both. The Group has determined that an account had met the quantitative measure if the average residual LTPD at the reporting date was at least double the average residual LTPD at origination, and the difference between the LTPDs was at least 50bps or 85bps in the case of residential mortgages. The appropriateness of this threshold is kept under review by the Group.

Qualitative measure: This measure reflects the assessment of the change in credit risk based on the Group's credit management and the individual characteristics of the financial asset. This is not model driven and seeks to capture any change in credit quality that may not be already captured by the quantitative criteria. The qualitative assessment reflects pro-active credit management including monitoring of account activity on an individual or portfolio level, knowledge of client behaviour, and cognisance of industry and economic trends.

The criteria for this Qualitative trigger include, for example:

- A downgrade to watch grade of the borrower's/facility's credit grade reflecting the increased credit management focus on these accounts; and/or
- Forbearance has been provided and the account is within the probationary period.
- Lender assessed SICR triggers: For non-retail portfolios, a suite of lender assessed triggers are in place to ensure appropriate and timely identification of increased credit risk, which when occur, trigger a SICR event.

The criteria for this lender assessed trigger include, for example:

- A post distressed restructure payment default occurs where the borrower is neither in default nor forborne;
- A material adverse event has occurred for the borrower which may impact the borrower's ability to repay such as: adverse publicity which raises concerns over the viability of a business; loss of key personnel (CEO/CFO/COO) which raises concerns over the

strategy/viability of the business or significant negative macroeconomic events (including but not limited to economic or market volatility, changes in legislation and technological threats to an industry, changes in access to markets) where the financial impact to the borrower is deemed material.

- Backstop indicators: The Group has adopted the rebuttable presumption within IFRS 9 that loans greater than 30 days past due represent a significant increase in credit risk.

Where SICR criteria are no longer a trigger, the account can exit Stage 2 and return to Stage 1.

Stage 3 characteristics (audited)

Defaulted loans (with the exception of newly originated or acquired loans that are in Stage 1 or POCI) are classed as credit impaired and allocated to Stage 3. Where default criteria are no longer met, the borrower exits Stage 3 subject to probation period, in line with regulatory requirements.

The key criteria resulting in a classification of default are:

- Where the Group considers a borrower to be unlikely to pay their loans in full without realisation of collateral, regardless of the existence of any past-due amount; or
- The borrower is 90 days or more past due on any material loan (day count starts when any material amount of principal, interest or fee has not been paid by a borrower at the date it was due).

Identification of non-performing exposures and unlikelihood to pay are included in the Group's Definition of Default and Credit Impairment Policy.

Purchased or originated credit impaired ("POCI") (audited)

POCIs are assets originated credit impaired and have a discount to the contractual value when measured at fair value. The Group uses an appropriate discount rate for measuring ECL in the case of POCIs which is the credit-adjusted effective interest rate. This rate is used to discount the expected cash flows of such assets to fair value on initial recognition.

POCI obligations remain outside of the normal stage allocation process for the lifetime of the obligation. The ECL for POCI obligations is always measured at an amount equal to lifetime expected credit losses. The amount recognised as a loss allowance for these assets is the cumulative change in lifetime expected credit losses since the initial recognition of the assets rather than the total amount of lifetime expected credit losses.

Measurement of expected credit loss (audited)

The measurement of ECL is estimated through one of the following approaches:

- Standard approach: This approach is used for the majority of exposures where each ECL input parameter (Probability of Default – PD, Loss Given Default – LGD, Exposure at Default – EAD, and Prepayments – PP) is developed in line with standard modelling methodology. The Group's IFRS 9 models have been developed and approved in line with the Group's Model Risk Management Framework. (An overview of credit risk models is outlined on pages 132 and 133).
- Simplified approach: For portfolios not on the standard approach, the Group has followed a simplified approach. This approach consists of applying portfolio level ECL averages, drawn from similar portfolios, where it is not possible to estimate individual parameters. These generally relate to portfolios where specific IFRS 9 models have not been developed due to immateriality, low volumes or where there are no underlying grading models. As granular PDs are not available for these portfolios, a non-standard approach to staging is required with reliance on the qualitative criteria (along with the 30 days past due back-stop).

Risk Management continued

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Measurement of expected credit loss continued (audited)

(iii) Discounted cash-flows (“DCF”): Assets are grouped together and modelled based on asset classification and sector with the exception of those Stage 3 assets where a DCF is used. DCFs are used as an input to the ECL calculation for Stage 3 credit impaired exposures where gross credit exposure is \geq € 1 million (Republic of Ireland) or \geq £ 500,000 (UK). Multiple DCFs are captured where gross credit exposure is \geq € 5 million (Republic of Ireland) or \geq £ 5 million (UK) or cases in scope for the Group Leveraged Lending Policy, to reflect the case specific impacts of up and downside scenarios for these higher value exposures.

Collateral valuations and the estimated time to realisation of collateral is a key component of the DCF model. The Group incorporates forward looking information in the assessment of individual borrowers through the credit assessment process. Where a single DCF is utilised this assessment produces a base case ECL. This is then adjusted to incorporate the impact of multiple scenarios on the base ECL, by using a proportional uplift obtained from ECL modelled sensitivities in the same/similar portfolio. Where a range of scenarios are captured through multiple DCFs these are probability weighted to produce the final ECL. An adjustment is made for cases with very low final ECL to ensure a minimum level of ECL is maintained, this is derived through reference to ECL model outputs.

(iv) Management judgement: Where the estimate of ECL does not adequately capture all available forward looking information about the range of possible outcomes, or where there is a significant degree of uncertainty, management judgement may be considered appropriate for an adjustment to ECL. The management adjustment must consider all relevant and supportable information, including but not limited to, historical data analysis, predictive modelling and management experience. The methodology to incorporate the adjustment should consider the degree of any relevant over collateralisation (headroom) and should not result in a zero overall ECL unless there is sufficient headroom to support this. The key judgements in the 2023 year end ECL estimates are outlined on pages [140](#) and [141](#).

Effective interest rate (audited)

The ECL must incorporate the time value of money discounted to the reporting date using the effective interest rate (“EIR”) determined at initial recognition or an approximation thereof.

- The Group uses an approximation approach based on the account level interest rate when calculating ECL which is applied to both drawn and undrawn commitments.
- This approach is subject to an annual assessment that all approximations remain appropriate and do not result in a material misstatement of the ECL.
- The Group has tested the appropriateness of using current interest rates as an approximation for the discount rates required for measuring ECLs. This testing determined that using the current interest rates as the discount rates is an appropriate approximation.

Policy elections and simplifications

Low credit risk exemption (audited)

The Group utilises practical expedients, as allowed by IFRS 9, for the stage allocation of particular financial instruments which are deemed ‘low credit risk’. This practical expedient permits the Group to assume, without more detailed analysis, that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have ‘low credit risk’ at the reporting date. The Group allocates such assets to Stage 1.

Under IFRS 9, the credit risk on a financial instrument is considered low if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic business conditions in the longer term may, (but will not necessarily) reduce the ability of the borrower to fulfil its contractual cash flow obligations.

This low credit risk exemption is applied to particular assets within the debt securities investment portfolio and for loans and advances to banks, specifically, assets which have an internal grade equivalent to an external investment grade rating (BBB-) or higher.

The Group applies a quantitative backstop trigger of tripling of probability of default subject to a minimum threshold movement of 30bps to determine whether assets subject to the low credit risk exemption should be allocated to Stage 2. Additionally, if any of such assets are on a watch list based on agreed criteria, they are allocated to Stage 2.

Short term cash (audited)

The Group’s IFRS 9 Impairment Policy does not require calculation of an ECL for short term cash at central banks and other banks which have a low risk of default with a very low risk profile. The calculation of the ECL at each reporting date would be immaterial given these exposures’ short term nature and their daily management.

Lease receivables and trade receivables (audited)

For lease receivables, the Group has elected to use its standard approach for both stage allocation and the ECL calculation and has elected to use an expedient (simplified approach) for trade receivables.

IFRS 9 ECL Credit Risk models (audited)

The IFRS 9 ECL models provide the risk parameters which are the inputs into the model driven estimate of ECL which is used across all Stage 1 and Stage 2 assets plus all non-DCF Stage 3 exposures on the standard approach to ECL.

IFRS 9 Portfolio Delineation (audited)

The IFRS 9 models are delineated into retail and non-retail portfolios. The retail IFRS 9 portfolios provide exposure level risk parameter estimates which take into account borrower level characteristics and metrics where appropriate, whilst the non-retail portfolios provide metrics which are either borrower or connection level estimates.

Probability of default (audited)

Probability of default (“PD”) is the likelihood that an account or borrower defaults over an observation period, given that they are not currently in default, for each year of the expected contractual lifetime of the exposure. The PD is a point in time estimate which is reflective of the current and expected economic conditions.

In order to capture the appropriate risk dynamics across the lifetime of the exposure the development process considers:

- Macroeconomic effects captured through factors such as unemployment rate and GDP;
- Cross-sectional risk discriminators in particular the internal rating model outputs plus other factors such as forbearance and days past due; and
- Seasoning factors such as product type, delinquency and forbearance status.

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Loss given default (audited)

Loss given default ("LGD") is a current assessment of the amount that will not be recovered in the event of default, taking account of future conditions. It can be thought of as the difference between the amount owed to the Group (i.e. the exposure) and the net present value of future cash flows less any relevant costs expected to be incurred in the recovery process. If an account returns to performing from default (excluding any loss making concession) or if the discounted post-default recoveries are equal to or greater than the exposure, the realised loss is zero.

The LGD modelling approach depends on whether the facility has underlying security and, if so, the nature of that security. The following sets out the general approaches for the retail and non-retail portfolios:

– Retail portfolios

For unsecured loans, a cash flow curve, which estimates the cumulative cash received following default until the loan is written-off or returns to performing, is used to estimate the future recovery amount. This is discounted at the effective interest rate and compared to the current outstanding balance. Any shortfall between the recovery amount and the outstanding balance is the LGD used to estimate ECL. Where appropriate, this may then be adjusted to reflect economic conditions.

For secured loans the following may be considered:

- The value of underlying collateral is estimated at the forecasted time of disposal (taking into account forecasted market price growth/falls and haircuts on market values that are expected at the date of sale plus associated costs) in order to calculate the future recovery amount;
- The potential for the exposure to be deleveraged through a portfolio sale taking into account the costs associated with same; and
- Paths for returning to the performing portfolios such as forbearance and self-cure.

– Non-retail portfolios

For unsecured loans, characteristics such as borrower sector and nature of collateral linked to affiliated accounts under the same customer group are used to determine future losses based on historical experience of discounted recoveries.

For secured loans, the value of the underlying property collateral is estimated at the reporting date. This is used to estimate the ECL based on historical experience of discounted recoveries.

Exposure at default (audited)

Exposure at default ("EAD") is defined as the exposure amount that will be owed by a customer at the time of default. This will comprise changes in the exposure amount between the reporting date and the date that the customer defaults. This may be due to repayments, interest and fees charged and additional drawdowns by the customer.

Prepayments (audited)

For term credit products, prepayment occurs where a customer fully prepays an account prior to the end of its contractual term. For revolving credit products, 'prepayment' is defined as the cessation of use and withdrawal of the facility provided that the account was not in default prior to closure.

Prepayment is used in the lifetime ECL calculation for Stage 2 loans to account for the proportion of the facilities/customers that prepay each year.

Determining the period over which to measure ECL (audited)

Both the origination date and the expected maturity of a facility must be determined for ECL purposes. The origination date is used to measure credit risk at origination.

The expected maturity is used for assets in Stage 2, where the ECL must be estimated over the remaining life of the facility.

The expected maturity approach is:

- Term credit products: the contractual maturity date, with exposure and survival probability adjusted to reflect behaviour i.e. amortisation and prepayment;
- Revolving credit products: the period may extend beyond the contractual period over which the Group is exposed to credit risk, e.g. overdrafts and credit cards. The Group's approach is to use a modelled behavioural life estimate for these obligations for ECL calculation purposes.

Forward looking indicators in the models (audited)

For ECL calculations reliant on models in the standard and simplified approaches, forward looking indicators are incorporated into the models through the use of macroeconomic variables. These have been identified statistically as the key macroeconomic variables that drive the parameter being assessed (e.g. PD or LGD). The final model structure incorporates these as inputs with the 12 month and lifetime calculations utilising the macroeconomic forecasts for each scenario. See the 'macroeconomic scenarios and weightings' section for more detail on the process for generating scenarios and associated key macroeconomic factors relevant for the models. In circumstances where there is a risk that the modelled output fails to capture the appropriate response to changes in the macroeconomic environment such as inflation and interest rate changes, these risks are captured through the use of post model adjustments.

Write-offs (audited)

When the prospects of recovering a loan, either partially or fully, do not improve, a point may come when it will be concluded that as there is no realistic prospect of recovery, the loan and any related ECL will be written-off. The Group determines, based on specific criteria, the point at which there is no reasonable expectation of recovery. When the following criteria exist (or comparable circumstances arise), the loan can be subject to a partial or full write-off:

- A decision has been taken to enforce on a loan, due to no agreement with the customer for a restructure/settlement and all customer engagement with the Group regarding their loan agreement has ceased;
- Inception of informal insolvency proceedings has commenced or is about to commence;
- Receivership or other formal recovery action (e.g. where expectation of recovery of collateral is expected through enforcement activity but no additional recoveries above the collateral value are anticipated) has commenced or is about to commence; and
- A loan is substantially provided for or no material repayments have been received for a period of time (minimum 12 months) and all customer engagement with the Group regarding their loan agreement has ceased.

Debt forgiveness may subsequently arise where there is a formal contract with the customer for the write-off of the loan. In addition, certain forbearance solutions and restructuring agreements may include an element of debt write down (debt forgiveness). Further details on forbearance are set out in section '2.1.6 - forbearance overview'.

The contractual amount outstanding of loans written-off during the year that are still subject to enforcement activity are outlined on page 160 and relate to non-contracted write-offs, both full and partial. The Group recognises cash received from the customer in excess of the carrying value of the loan after a non-contracted write-off as 'recoveries of amounts previously written-off' in the income statement.

Risk Management continued

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Critical Judgements during the year:

- Both headline and core inflation have passed their respective peaks in most advanced economies during 2023 though generally remain above what is deemed desirable (circa 2%). In addition, the uncertainty over the full impact of higher interest rates on real economic activity continues to weigh on key indicators such as PMI data for the US, UK, Euro Area & Ireland. The Irish economy has not been immune to the international slowdown with GDP growth falling well short of expectations arising from very weak manufacturing output and export figures. In addition, the CSO published upward revisions to its unemployment rate series in late 2023 which prompted changes to the Group's baseline projections. However, other indicators suggest that underlying domestic activity has been more robust with strong employment and consumption growth whilst income tax and VAT receipts have remained resilient.
- The Group is of the view that risks to the economic outlook remain tilted to the downside and, for the purposes of IFRS 9 ECL reporting, has applied the following weightings for 31 December 2023: Base 50% (change +5% compared to 31 December 2022), Moderate Upside 10% (no change), Moderate Downside 30% (no change) and Severe 10% (change -5%). Further details are outlined in the macroeconomic scenarios and weightings section below.
- The Group's sensitivity analysis to the macroeconomic scenario weightings are outlined on page 140. Under the 100% Downside 2 ('Credit Crunch') scenario, a 45% increase in ECL compared to the reported ECL allowance stock is estimated.
- ECL allowance stock relating to post model adjustments (PMAs) has decreased by € 74 million in the year to € 534 million. ECL allowance stock relating to PMAs as a percentage of total ECL stock is 35% (2022: 37%). The reduction in the year reflects the deployment of the new IFRS 9 mortgage model which now incorporates portfolio sales as an NPE resolution mechanism and improved macroeconomic factors. New PMAs in the year seek to capture potential adverse impacts due to inflation, higher interest rates, and security values (particularly in commercial real estate exposures); consideration of an alternative exit strategy regarding a cohort of UK non-core legacy loans and an increase in ECL stock relating to NPE exposures reflecting the economic uncertainty. Further details are outlined under the post model adjustments section on pages 141 and 142.

Macroeconomic scenarios and weightings

The macroeconomic scenarios used by the Group for ECL allowance calculation purposes have been developed in a consistent way with that set out in the 2022 Annual Financial Report and have been subject to the Group's established governance process covering the development and approval of macroeconomic scenarios used for planning and internal stress testing purposes. The macroeconomic scenarios are reviewed by the Asset and Liability Committee ("ALCo") regularly, and such reviews took place frequently during 2023 in response to economic developments. The macroeconomic scenarios are then reviewed by the Board Risk Committee ("BRC") and approved for use by the Board. The scenario probabilities are approved by the Board Audit Committee ("BAC").

The parameters used within the Group's ECL models include macroeconomic factors which have been established as drivers of the default risk and loss estimates. Therefore, a different credit loss estimate is produced for each scenario based on a combination of these identified macroeconomic factors. The credit loss estimates for each scenario are then weighted by the assessed likelihood of occurrence of the respective scenarios to yield the ECL outcome.

Macroeconomic scenarios:

While fears of a recession have eased somewhat, the economic backdrop remains challenging with advanced economies expected to register subdued growth as stubborn inflation and interest rates are expected to remain high over the medium term. Uncertainty around the outlook also remains elevated.

The Irish economy recovered strongly from the 'sudden stop' to activity induced by the COVID-19 pandemic but has been buffeted by a further shock caused by the war in Ukraine which exacerbated an already growing inflation problem due to a surge in energy and food prices. A series of interest rate increases by central banks to curb inflationary pressures has generated a cost-of-living squeeze on households and raised operating costs for businesses. Amid an environment of weakening confidence levels and elevated uncertainty, global growth slowed sharply during 2022. The Irish economy has not been immune to these developments with GDP significantly impacted in 2023 whilst Modified Domestic Demand, a more appropriate measure of domestic activity, registered below-trend growth.

Output in the UK economy is now estimated to exceed its pre-pandemic level but not to the degree that other G7 economies have managed. There has been a significant fall-off in trade with the EU as a result of Brexit, which has been an additional headwind for the economy on top of monetary and fiscal tightening and high inflation. The economy has been close to stagnant since mid-2022. For the US economy growth is estimated at 2.5% in 2023 which is a strong result for the economy amid

the headwinds of high inflation, tighter fiscal and monetary policies as well as tighter lending and credit conditions. The Euro Area economy under-performed that of the US in 2023 (growth is estimated at 0.5%) with consumption squeezed by inflation while investment and export growth were weak.

As part of the process of deriving an ECL calculation, a range of plausible scenarios was considered given the prevailing trends, emerging risks and uncertainties facing the domestic and global economies, as at the financial reporting date.

The Group has used four scenarios in the ECL calculation consisting of a base scenario, along with three alternative scenarios. The base case assumes that the global economy will experience a period of subdued growth amid continuing uncertainty regarding the outlook. Interest rates will gradually be reduced as inflation falls back towards target by 2026. The upside scenario considers the implications of an end to the war in Ukraine in the second half of 2024, improved consumer and business sentiment as well as a loosening of financial conditions. A moderate downside scenario assumes persistent inflation with higher-for-longer interest rates. In addition, the more severe downside considers an overly restrictive monetary policy tightening which quickly lowers inflation but, in the process, has a far more negative impact on economic activity than had been anticipated and exposes vulnerabilities in the financial system. These developments necessitate an aggressive series of cuts in official interest rates. Non-linear effects are captured in the development of risk parameters as well as through the inclusion of both the single upside and two downside scenarios.

The Group's Economic Research Unit ("ERU") provide the assumptions for each scenario over five years. These are then independently reviewed and challenged, on both a quantitative and qualitative basis, by the Group's Risk function. The base case is benchmarked against the outlook available from official sources (e.g., Central Bank of Ireland, IMF, ECB, Bank of England, etc.) to ensure it is appropriate.

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Macroeconomic scenarios and weightings continued

The long term projections reflect the relatively limited climate change mitigation policies, mainly comprising the continued gradual substitution of gas for coal, that have been announced so far. Without significantly enhanced mitigating actions, the world is on course to warm by about 2°C above pre-industrial levels by 2050. The long term baseline scenario seeks to follow the International Energy Agency (IEA) “stated policies” scenario and implies emissions remaining roughly constant.

The scenarios used for the year-end ECL process are described below and reflect the views of the Group as at the reporting date.

Base case: While fears of a recession have eased somewhat in many economies, the economic backdrop remains challenging with subdued global growth, stubborn inflation and interest rates that are expected to remain high over the medium term. Uncertainty also remains elevated due to the lagged impacts of the monetary tightening as well as other factors such as rising geopolitical risk.

The Irish economy has not been immune to this global slowdown during 2023 with multinational-related activities mostly affected. In the context of an under-performance of GDP against expectations in 2023, AIB forecasts GDP growth to range from 3.5-4.0% over the period 2024-2026, before decelerating to 3% thereafter. These estimates are broadly in line with official, institutional, and peer projections. Given the UK economy is faced with numerous headwinds, including the lagged effects of a sharp tightening of monetary policy, we expect GDP growth to pick up only slightly (from 0.5% in 2023) to a still subdued 0.7% in 2024 and to grow in a 1.2-1.5% range in the period 2025-2028.

A combination of tighter credit conditions and the lagged effects of the tight monetary policy will continue to weigh on US economic activity during 2024. As a result, the Group expects much slower US GDP growth of 1.0% in 2024, with growth picking up in the following year but remaining in a 1.7-2.0% range in the period 2025-2028. For the Euro Area, the prospect is for a continuation of subdued activity. GDP growth of 1.0% is projected in 2024 with a pick up to a 1.3-1.5% range over the period 2025-2028.

The unemployment rate in Ireland has approached near record lows with some sectors of the labour market characterised by a shortage of workers and a high rate of job vacancies. The unemployment rate is expected to rise moderately during the period 2024-2028 as economic growth ‘normalises’ following the rapid post-pandemic recovery. With modest, below-trend, growth likely to prevail for the UK economy in the short term, we expect the jobless rate to increase to 5.2% by 2025 but to ease back below 5% by 2027-2028.

Irish inflation reached a 40-year high during 2023 but has moderated towards the end of 2023, helped by sharp declines in wholesale energy prices. However, core inflation remains ‘sticky’ and is expected to ease more slowly. A similar pattern is also evident for the Euro Area as a whole and it is likely to be 2025 before inflation falls back to the 2% rate targeted by the European Central Bank.

House price inflation eased considerably in the past year in Ireland with rising interest rates, the cost-of-living squeeze and economic uncertainty acting as headwinds. While there has been a notable uptick in housing starts and completions over the course of 2023, ongoing housing supply shortfalls in addition to accumulated household savings will continue to support the market. Overall, modest growth in house prices (within a range of 1.0-2.5% per annum) is anticipated over the 2024-2028 period.

A fall of 2% in UK house prices is projected in 2024 as the sharp rises in mortgage rates continues to take effect. Weak growth in UK house prices is expected thereafter. Commercial property prices fell sharply during 2023 in Ireland (-14% year-on-year in the third quarter) with even bigger declines in the UK (-17%). Irish CRE prices are expected to fall further in 2024, before staging a modest recovery. There are some signs that UK CRE prices may also stage a modest recovery over the period 2024-2028 following a correction in prices during the previous couple of years.

A gradual process of lowering official interest rates is expected to commence over the 2024-2025 period as inflation falls back towards target. However, over the period 2024-2028, rates are not expected to return to the historically low levels which prevailed prior to the recent tightening cycle, as indicated by both futures contracts and central bank guidance.

Downside 1 (‘Persistent Inflation’): In this scenario, a combination of high wage inflation, further margin widening by firms, and deepening geopolitical fragmentation (that weighs on global trade, impacting supply chains and boosting commodity prices) implies that inflation remains very high in 2024-2025. Central banks are forced to continue raising interest rates into 2025. Conditions in financial markets continue to tighten, with further rises in bond yields and credit spreads and a resumption of contracting stock markets. As a result, the major economies all experience a significant recession in 2024, followed by a sluggish recovery in activity.

In Ireland’s case, GDP growth remains lacklustre at 1.3% in 2024 and 2% in 2025 (while for the UK, it contracts by 1.0% and 0.5% in 2024 and 2025, respectively). GDP is 4.5% lower in Ireland compared to the base case by 2026. There is also a marked rise in unemployment to circa 8% by end-2026 in both Ireland and the UK. The recession and sharp rise in unemployment eventually sees inflation move decidedly lower by late 2025/26. There are very big falls in property prices. By 2025, house prices in Ireland and the UK decline by 13% and 19%, respectively.

The ECB raises official rates to 5.5% by mid-2025 (the corresponding rates for the UK and US are 7% and 6.875%, respectively). Rates are then cut aggressively from Q4 2025 onwards (to 1% in the Euro Area, and c.1.5% in both the UK and US, by early-2027) as inflation falls sharply before remaining on hold, as inflation stabilises around 2%.

Downside 2 (‘Credit crunch’): In this scenario, monetary tightening has a far more negative impact on economic activity than had been anticipated by central banks, with higher interest rates exposing, inter alia, further vulnerabilities in the financial system during 2024. Banks take a far more cautious approach to lending activities, as they are hit by rising bad debts with global property prices falling sharply, especially for commercial real estate. Additionally, growth in the Chinese economy is greatly curtailed amid ongoing balance sheet adjustments in both the property market and financial sector. The world economy experiences a credit crunch, with rising bad debts.

The lagged effects of the marked monetary tightening, in particular a sharp tightening in credit conditions, triggers a severe global recession in the 2024-2025 period with the US, UK and Euro Area economies contracting by a cumulative 4.0-4.5% over this period (Irish GDP contracts by almost 3%). By 2026, the Irish economy is 12.5% smaller than it would be in the base case. There is a modest pick-up in global activity from 2026 onwards after interest rates are lowered aggressively in 2024-25 and inflation falls back to its 2% target.

The rate of unemployment rises quickly and to very high levels in the main economies while Irish unemployment reaches an average of 12.5% (10.5% for the UK) by 2027. Residential property prices in Ireland and the UK decline, in cumulative terms, by 24% and 27%, respectively, over the 2024-2026 period, followed by only a slight recovery in these markets during 2027-2028. Commercial property prices in Ireland and the UK fall by a further 30-33% over the 2024-2026 period, which takes them almost 50% below their previous peaks.

Risk Management continued

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Macroeconomic scenarios and weightings continued

Central banks lower rates aggressively as economies enter a deep recession. Interest rates are reduced to 1% in the eurozone by end-2025 (1.5% in both the US and UK) and put on hold thereafter to end-2028, with inflation stabilising around 2%.

Upside ('Quick recovery'): In this more benign scenario, the economic environment improves following an end to the war in Ukraine in the second half of 2024 which helps boost business and consumer confidence. In addition, there is a faster than anticipated rundown of personal and corporate savings and a loosening of financial conditions. Global economic activity rebounds as a result with economic activity significantly higher than the base case by 2026. Irish GDP growth averages 5% in 2024-2025 and 4.5% in 2026 while unemployment falls to new record lows. With a more rapid pace of economic expansion, there is an uptick in inflation once again that is slower to decline than in the base case, gradually easing back to 2% by 2027-2028.

With the stronger growth in economic activity, Irish house prices perform much better than in the base case scenario rising by 4.0-4.5% (in the UK by 3%) per annum over the 2023-2025 period. Commercial property prices increases range from 4.0-7.0% per annum in the UK, and from 3.0% to 6.0% in Ireland, over the 2024-2026 period.

Central banks continue to raise official interest rates in 2024 with rates reaching much higher levels than in the base case peaking at 5.25% in the Euro Area (7.0% in the UK and 6.625% in the US) by end-2024. They are kept on hold at these levels until later in 2028.

The table below sets out the five year average forecast for each of the key macroeconomic variables that are required to generate the scenarios or are material drivers of the ECL under (i) Base, (ii) Downside 1, (iii) Downside 2 and (iv) Upside scenarios at 31 December 2023 (average over 2024-2028) and at 31 December 2022 (average over 2023-2027).

Macroeconomic factor (%)	December 2023 5 year (2024-2028) average forecast				December 2022 5 year (2023-2027) average forecast			
	Base	Downside 1 (('Persistent inflation'))	Downside 2 (('Credit crunch'))	Upside (('Quick recovery'))	Base	Downside 1 (('Lower growth in 2023'))	Downside 2 (('Energy shock and persistently high inflation'))	Upside (('Quick economic recovery'))
Republic of Ireland								
GDP growth	3.5	3.0	1.1	4.2	3.6	3.4	2.6	4.3
Residential property price growth	2.1	(0.5)	(4.7)	3.6	2.5	0.2	(4.3)	3.8
Unemployment rate	5.5	7.1	10.4	3.6	5.0	6.8	8.5	3.9
Commercial property price growth	2.5	(1.4)	(5.2)	4.7	1.0	(1.6)	(6.6)	2.7
Employment growth	1.6	0.9	(0.6)	1.9	1.6	1.1	0.2	1.9
Average disposable Income growth	5.2	4.9	3.3	6.5	5.1	4.3	3.4	6.0
Inflation	2.3	3.3	2.1	3.4	2.7	2.7	3.9	3.5
United Kingdom								
GDP growth	1.2	0.4	(0.1)	1.8	0.4	0.3	(0.3)	1.5
Residential property price growth	1.2	(1.2)	(5.4)	3.0	0.2	(1.6)	(5.7)	2.2
Unemployment rate	5.0	7.2	9.1	3.8	5.1	6.8	8.3	3.7
Commercial property price growth	3.3	(2.0)	(6.1)	5.5	0.2	(2.2)	(6.9)	2.6
Inflation	2.4	3.9	2.3	4.0	3.3	3.3	4.4	4.2

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Macroeconomic scenarios and weightings continued

Additional information is provided in the table below which details the individual macroeconomic factor forecast for each year across the four scenarios, at 31 December 2023.

Macroeconomic factor	Estimate					Base	Downside 1 ('Persistent inflation')				
	2023	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
	%	%	%	%	%	%	%	%	%	%	%
Republic of Ireland											
GDP growth *	1.0	3.7	4.0	3.5	3.2	3.0	1.3	2.0	3.2	4.0	4.5
Residential property price growth	(1.5)	1.0	2.0	2.5	2.5	2.5	(8.5)	(2.0)	3.0	2.5	2.5
Unemployment rate	4.5	5.1	5.3	5.6	5.7	5.8	5.2	6.9	7.8	8.0	7.7
Commercial property price growth	(12.0)	(2.5)	4.0	5.0	3.0	3.0	(11.0)	(4.0)	3.0	3.0	2.0
Employment growth	2.9	1.8	1.7	1.6	1.6	1.5	0.5	(0.2)	0.7	1.3	2.0
Average disposable income growth	7.7	6.8	5.7	4.6	4.6	4.5	6.8	5.0	4.5	4.2	4.0
Inflation	5.3	3.0	2.4	2.0	2.0	2.0	5.5	4.5	2.5	2.0	2.0
United Kingdom											
GDP growth	0.5	0.7	1.2	1.5	1.4	1.3	(1.0)	(0.5)	0.8	1.3	1.6
Residential property price growth	(6.5)	(2.0)	2.0	2.0	2.0	2.0	(10.5)	(3.0)	1.5	3.0	3.0
Unemployment rate	4.3	4.9	5.2	5.0	4.9	4.8	5.5	7.0	8.0	8.0	7.5
Commercial property price growth	(2.5)	5.0	3.5	3.0	3.0	2.0	(12.5)	(3.0)	1.5	2.0	2.0
Inflation	8.0	4.0	2.2	2.0	2.0	2.0	7.0	5.5	3.0	2.0	2.0

*The macroeconomic scenario assumptions presented in these tables were prepared in Q4 2023 using information available at the time. In the case of Irish GDP growth, subsequent data released by the CSO now indicates that GDP may have contracted for 2023 as a whole.

Macroeconomic factor	Downside 2 ('Credit Crunch')					Upside ('Quick recovery')				
	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
	%	%	%	%	%	%	%	%	%	%
Republic of Ireland										
GDP growth	(1.5)	(1.5)	0.5	3.5	4.5	5.0	5.0	4.5	3.7	3.0
Residential property price growth	(12.0)	(13.0)	(1.0)	1.0	1.5	4.0	4.5	4.0	3.0	2.5
Unemployment rate	6.3	9.4	11.7	12.5	12.0	3.9	3.7	3.5	3.4	3.4
Commercial property price growth	(15.0)	(16.0)	(1.0)	2.5	3.5	6.0	5.5	5.0	4.0	3.0
Employment growth	(1.1)	(2.5)	(1.7)	0.4	2.0	2.2	2.0	2.0	1.7	1.5
Average disposable income growth	4.5	2.5	2.5	3.2	4.0	8.2	7.5	6.5	5.2	5.0
Inflation	2.6	2.0	2.0	2.0	2.0	5.5	4.0	3.0	2.5	2.0
United Kingdom										
GDP growth	(2.5)	(2.0)	0.5	1.5	2.0	2.0	2.5	2.0	1.5	1.2
Residential property price growth	(12.5)	(15.0)	(2.0)	1.0	1.5	3.0	3.0	3.0	3.0	3.0
Unemployment rate	6.3	8.5	10.0	10.5	10.0	4.3	3.9	3.7	3.5	3.6
Commercial property price growth	(15.5)	(17.0)	(4.5)	2.5	4.0	7.0	7.0	5.5	4.0	4.0
Inflation	3.5	2.0	2.0	2.0	2.0	7.0	5.0	3.7	2.5	2.0

The key changes to the scenario forecasts in the reporting period have been driven by a weaker global growth outlook (although the risk of recession in some advanced economies, such as the UK, has receded) as a result of weaker growth in the global labour force and increased geo-economic fragmentation with slower growth in world trade. In relation to the Irish economy, international headwinds have impacted headline GDP growth figures during 2023 with underlying domestic demand less affected. Important upward revisions to the Irish unemployment rate forecasts for the entire scenario horizon were required in late 2023 on foot of higher than expected trends in official data. This occurred despite strong employment growth and was explained by strong labour force growth driven by higher participation rates, particularly among women, and inward migration.

The four scenarios detailed above are used to reflect a representative sample of possible outcomes. The ECL allowance reflects a weighted average of the credit loss estimates under the four scenarios.

Similar to the scenario forecasts, the probability weight assigned to each scenario is proposed by the ERU, with a review and challenge from the Group Risk function. The probabilities described below reflect the views of the Group at the reporting date.

Risk Management continued

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Macroeconomic scenarios and weightings continued

The weights for the scenarios at the reporting date are derived based on expert judgement, but are also informed by quantitative analysis (e.g., early warning indicators of economic activity and property market values) and external market information where possible.

The key drivers of the weightings are:

- The base scenario assumptions for global growth remain very subdued when viewed in a historical context. Estimates of headline GDP growth in 2023 for Ireland have been scaled back, reflecting a big decline in output from the pharmaceutical and Information, Communication and Technology (ICT) sectors after a COVID-19 related surge in 2021-2022, while UK and US growth has been revised upwards relative to the half-year outlook. For the period 2024-2026, the Irish GDP growth forecast remains unchanged compared to mid-year and is aligned with official forecasts.
- With regard to the scenario probability weightings, the risks to growth remain very much to the downside as highlighted in recent commentary from institutions such as the OECD, ECB, and Central Bank of Ireland. Many economies, particularly in Europe, have lost momentum and central banks have indicated that interest rates may have to remain higher for longer in order to restore price stability given fears that core inflation may prove persistent.
- A sharper than expected slowdown in China is a significant risk also, especially if the real estate crisis deepens further. Geo-political risks remain elevated and have been exacerbated by the conflict in Gaza, while the outcome of the US presidential election at the end of 2024 could add to global uncertainty.
- Despite these downside risks, compared to December 2022, the more substantial risks to the downside have somewhat alleviated due to a lower impact from tighter monetary policy than previously anticipated. Hence the weighting associated with the Downside 2 scenario has reduced from 15% to 10%.

The weightings that have been applied as at 31 December 2023 are:

Scenario (<i>audited</i>)	Weighting		Weighting
	December 2023		December 2022
Base	50%	Base	45%
Downside 1 ('Persistent inflation')	30%	Downside 1 ('Lower growth in 2023')	30%
Downside 2 ('Credit crunch')	10%	Downside 2 ('Energy shock and persistently high inflation')	15%
Upside ('Quick recovery')	10%	Upside ('Quick economic recovery')	10%

In assessing the adequacy of the ECL allowance, the Group has considered all available forward looking information as of the balance sheet date in order to estimate the future expected credit losses. The Group, through its risk management processes (including the use of expert credit judgement and other techniques) assesses its ECL allowance for events that cannot be captured by the statistical models it uses and for other risks and uncertainties. The assessment of ECL at the balance sheet date does not reflect the worst case outcome, but rather a probability-weighted outcome of the four scenarios. Should the credit environment deteriorate beyond the Group's expectation, the Group's estimate of ECL would increase accordingly.

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Sensitivities (audited)

The Group's estimates of expected credit losses are responsive to varying economic conditions and forward looking information. These estimates are driven by the relationship between historic experienced loss and the combination of macroeconomic variables. Given the co-relationship of each of the macroeconomic variables to one another and the fact that loss estimates do not follow a linear path, a sensitivity to any single economic variable is not meaningful. As such, the following sensitivities provide an indication of ECL movements that include changes in model estimates, and quantitative 'significant increase in credit risk' ("SICR") staging assignments, with a single 100% weighting applied individually. Increased sensitivity for the downside 2 'Credit crunch' scenario is evident in the 2023 sensitivities compared to reported and 100% base, driven predominantly by underlying model and staging sensitivities (including a redeveloped mortgage model suite across all key risk parameters, some more negative macro assumptions

and an element of macro sensitive PMA allocation where relevant). Further details on post model adjustments are outlined on pages [140](#) and [141](#).

Relative to the base scenario, in the 100% downside 'Persistent inflation' and 'Credit crunch' scenarios, the ECL allowance increases by 13% and 55% respectively. In the 100% upside scenario, the ECL allowance declines by 11%, showing that the ECL impact of the two downside scenarios is greater than that of the upside scenario. At 31 December 2023, a 100% downside 'Persistent inflation' and 'Credit crunch' scenario sees a higher ECL allowance sensitivity of € 191 million and € 813 million respectively compared to base (€ 94 million and € 716 million respectively compared to reported). Lower relative impacts are observed for the AIB UK portfolio.

	ECL allowance at 31 December 2023				
	Reported	100% Base	100% Downside Scenario 1 ('Persistent Inflation')	100% Downside Scenario 2 ('Credit crunch')	100% Upside Scenario ('Quick recovery')
	Total € m	Total € m	Total € m	Total € m	Total € m
Loans and advances to customers (audited)					
Residential mortgages	309	291	329	540	262
Other personal	97	94	98	119	90
Property and construction	541	501	567	796	433
Non-property business	573	543	618	749	490
Total	1,520	1,429	1,612	2,204	1,275
Off-balance sheet loan commitments	43	37	44	65	32
Financial guarantee contracts	16	16	17	26	15
	1,579	1,482	1,673	2,295	1,322
Of which:					
AIB UK segment	221	214	232	233	208

	ECL allowance at 31 December 2022				
	Reported	100% Base	100% Downside Scenario 1 ('Lower growth in 2023')	100% Downside Scenario 2 ('Energy shock and persistently high inflation')	100% Upside Scenario ('Quick economic recovery')
	Total € m	Total € m	Total € m	Total € m	Total € m
Loans and advances to customers (audited)					
Residential mortgages	283	275	284	318	271
Other personal	177	175	179	185	173
Property and construction	320	298	331	385	282
Non-property business	838	790	878	977	711
Total	1,618	1,538	1,672	1,865	1,437
Off-balance sheet loan commitments	59	55	60	65	53
Financial guarantee contracts	19	17	20	22	13
	1,696	1,610	1,752	1,952	1,503
Of which:					
AIB UK segment	245	214	259	336	196

Risk Management continued

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Post model adjustments (PMAs) (audited)

Post model adjustments ('PMAs') are applied where management believe that they are necessary to ensure an adequate level of ECL provision and to address known model limitations and/or emerging trends not captured in the models. PMAs are approved under the ECL governance process through which the appropriateness of PMAs is considered against the backdrop of the risk profile of the loan book, recent loss history or changes in underlying resolution strategies not captured in the models and management's view of emerging trends. Releases of PMAs will occur as new models are deployed (i.e. mortgage model) or where the risk has been judged by management to be captured in the model outcomes.

The PMAs approved for 31 December 2023 (and 2022 comparison, where applicable), are set out below and categorised as follows:

- **NPE resolution** – ECL adjustments where the current model does not take into account downside risks that should be incorporated into the final loss estimate.
- **Emerging headwinds** – ECL adjustments required where the modelled outcomes are not sensitive to the uncertainties associated with the impact of current emerging economic headwinds such as inflation and higher interest rates.
- **Macroeconomic factors** – ECL adjustments reflecting a greater impact from downside scenarios/impact of certain macroeconomic factors.
- **Other** – ECL adjustments where it was judged that an amendment to the modelled ECL was required.

					2023
	Residential mortgages	Other personal	Property and construction	Non-property business	Total
	€ m	€ m	€ m	€ m	€ m
Post model adjustments (audited)					
NPE resolution	58	—	113	29	200
Emerging headwinds	22	—	150	62	234
Macroeconomic factors	—	—	—	—	—
Other	—	—	19	81	100
PMA Total	80	—	282	172	534

					2022
	Residential mortgages	Other personal	Property and construction	Non-property business	Total
	€ m	€ m	€ m	€ m	€ m
Post model adjustments (audited)					
NPE resolution	140	—	37	73	250
Emerging headwinds	43	11	69	124	247
Macroeconomic factors	20	—	10	20	50
Other	—	—	—	61	61
PMA Total	203	11	116	278	608

NPE resolution (audited)

The redeveloped IFRS 9 mortgage model was deployed in 2023 and now incorporates portfolio sales as a potential NPE resolution mechanism. The enhancements to the model resulted in an increase in modelled ECL which allowed for the release of substantially all the mortgage NPE resolution PMA held at 31 December 2022 to reflect potential sales outcomes not captured in the model.

A new PMA of € 58 million was implemented at 31 December 2023 on Stage 3 mortgages, primarily to address potential ECL underestimation from higher yields in the current interest rate environment impacting portfolio sale assumptions within the mortgage model and uncertainty of the timing to transact NPE mortgage portfolio sales.

Post model adjustments relating to non-performing property (€ 113 million, of which € 6 million relates to AIB UK) and non-property business (€ 29 million, of which € 7 million relates to AIB UK) loans reflect an adjustment to account for latent risks and alternative resolution strategies, such as portfolio loan sales. This post model adjustment is to address the potential range of ECL outcomes depending on the ultimate resolution type. At 31 December 2023, the increased post model adjustment for non-performing property loans reflects the potential reduction in asset values, particularly within commercial real estate. The reduction in the non-property business post model adjustment is a result of NPE portfolio sales in the period.

Emerging headwinds (audited)

Particular focus from management continues to be on assessing portfolios impacted by the combined effects of cost of living challenges, persistent inflationary pressures and the higher interest rate

environment on customers' ability to repay. The ultimate impact of these effects is highly uncertain. However, should they lead to a reduction in customers' ability to meet their loan repayment obligations, there will be an increase in credit risk which is expected to have a negative impact on the asset quality of the Group's loan portfolios. The PMA is informed by a range of sensitivities and scenarios in relation to potential deterioration within the portfolio and associated ECL outcome.

Within Capital Markets a PMA of € 124 million on property is to address potential adverse sector impacts due to a reduction in commercial property values and higher interest rates.

The Capital Markets non-property business PMA (€ 47 million) reflects the potential impact of inflation (including higher energy costs) and high interest rates on non-property business. This has been retained at a substantially reduced level reflecting resilient performance of the underlying portfolios and cases completing forbearance probation periods. The corporate model which is currently being redeveloped for deployment in 2024 is expected to reduce the requirement for a PMA on the portfolio.

Within the Retail Banking portfolio, a cost of living PMA of € 72 million at 31 December 2022 has been reduced to € 10 million at 31 December 2023 as the model outcomes now adequately capture the expected credit loss outcomes. The remaining € 10 million retained reflects the possible lag effect of higher rates pass through on residential mortgages rolling off fixed rate contracts over the next 3 years.

2.1 Credit risk continued

Measurement, methodologies and judgements continued

Emerging headwinds continued *(audited)*

The migration of € 3.8 billion of eligible Ulster Bank Tracker (and linked) mortgages was completed in July 2023. At 31 December 2023, a staging adjustment has been completed to move € 287 million higher risk Stage 1 loans to Stage 2 and apply appropriate Stage 2 ECL cover, resulting in a new ECL PMA of € 12 million. This reflects the risk of default which management view may not be fully captured in the PD models given the portfolio's credit performance observed post acquisition.

Within AIB UK, a PMA of € 41 million (€ 15 million non-property business and € 26 million property) also reflects the impact of higher interest rates and changing dynamics in the property market.

Macroeconomic factors *(audited)*

In Retail Banking, an ECL adjustment of € 20 million at 31 December 2022 to reflect limitations within the mortgage model relating to the house price index ('HPI') growth, has been released following deployment of the new IFRS 9 mortgage model.

In AIB UK, an ECL adjustment of € 30 million at 31 December 2022 to reflect a greater impact within the downside scenarios was subsequently released at 30 June 2023 and is now captured in the updated macroeconomic scenarios.

Other *(audited)*

Syndicated & International Finance ('SIF') *(audited)*

For the SIF portfolio in Capital Markets, it was previously determined that historically observed relationships between default rates and macroeconomic factors in the modelled probabilities of default do not fully capture the expected credit losses and therefore needed to be increased for this portfolio.

Accordingly, expert credit judgement has determined a post model adjustment is required of € 49 million at 31 December 2023.

AIB UK *(audited)*

Within AIB UK, a PMA of € 50 million was reflected in the accounts in relation to AIB Group's strategic decision to consider an alternative exit strategy in respect of a cohort of non-core legacy loans.

Other post model adjustments in this category are not individually significant.

Risk Management continued

2.1.1 Credit risk – Credit exposure overview

Key Credit Profile Metrics in 2023:

- Overall credit quality has remained stable throughout the year against the backdrop of inflation and higher interest rates. There was a net credit impairment charge of € 172 million in 2023 (2022: € 7 million charge) comprising a € 189 million charge on loans and advances to customers (2022: € 5 million charge) partially offset by a € 17 million writeback for off-balance sheet exposures (2022: Nil). The prior year also included a € 2 million charge on investment securities.
- Total gross loans and advances to customers have increased from € 61.2 billion to € 67.0 billion in the year driven by new lending of € 12.3 billion and a further € 4.7 billion relating to the Ulster Bank portfolio acquisitions, offset by redemptions/repayments of € 11.0 billion and portfolio disposals of € 0.3 billion. ECL stock of € 1.5 billion represents 2.3% ECL cover (2022: € 1.6 billion, 2.7%).
- Total new lending in the year was € 12.3 billion which reflects a slight decrease of € 0.3 billion versus last year (2022: € 12.6 billion). The reduction reflects a decrease in property (€ 0.7 billion) and mortgage (€ 0.6 billion) lending, however non-property business and other personal lending increased by € 0.8 billion and € 0.2 billion respectively.
- The staging composition of the portfolio has remained relatively stable during the year with Stage 1 loans at 86%, Stage 2 loans at 11% and Stage 3 loans at 3% (2022: 87%, 10% and 3% respectively). Stage 1 loans have increased by € 4.4 billion following the Ulster Bank portfolio acquisitions, however Stage 2 loans have increased by € 1.7 billion to € 7.7 billion (2022: € 6.0 billion). The increase in Stage 2 was driven by the property and construction (€ 1.4 billion) and mortgage (€ 1.2 billion) portfolios, however these increases were slightly offset by a € 0.9 billion reduction in the non-property business portfolio reflecting strong repayments and improved credit performance as cases exited forbearance. Non-performing loans at € 2.0 billion, have decreased by € 0.2 billion in the year and now represent 3.0% of total gross loans (2022: 3.5%).

Maximum exposure to credit risk (audited)

Maximum exposure to credit risk from on-balance sheet and off-balance sheet financial instruments is presented before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). For financial assets recognised on the statement of financial position, the maximum exposure to credit risk is their carrying amount, and for financial guarantees and similar contracts granted, it is the maximum amount the Group would have to pay if the guarantees were called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

Credit risk exposure derives from standard on-balance sheet products such as mortgages, loans, overdrafts and credit cards. In addition, credit risk arises from other products and activities including, but not limited to: "off-balance sheet" guarantees and commitments; securities financing; investment securities; asset backed securities; and the failure/partial failure of a trade in a settlement or payments system.

The following table sets out the financial instruments in the statement of financial position and the Group's maximum exposure to credit risk on those financial instruments at 31 December 2023 and 2022.

Maximum exposure to credit risk (audited)	Statement of financial position			Maximum exposure		
	Exposure	ECL allowance	Carrying amount	Amortised cost	Fair value	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Cash and balances at central banks	38,018	—	38,018 ⁽¹⁾	37,420	—	37,420 ⁽¹⁾
Derivative financial instruments	2,377	—	2,377	—	2,377	2,377
Loans and advances to banks	1,329	—	1,329	1,329	—	1,329
Loans and advances to customers	67,011	(1,520)	65,491	65,449	42	65,491
Securities financing	6,467	(1)	6,466	6,466	—	6,466
Investment securities ⁽²⁾	17,001	(3)	16,998	4,510	12,488	16,998
Trading portfolio financial assets	93	—	93	—	93	93
Included elsewhere:						
Trade receivables	102	(1)	101	101	—	101
Items in course of collection	42	—	42	42	—	42
Accrued interest	396	—	396	396	—	396
	132,836	(1,525)	131,311	115,713	15,000	130,713
Loan commitments and other credit related commitment	16,136	(43)	(43)	16,136	—	16,136
Financial guarantees	857	(16)	(16)	857	—	857
	16,993 ⁽³⁾	(59)	(59)	16,993	—	16,993
Total	149,829	(1,584)	131,252	132,706	15,000	147,706

(1) Comprises balances at central banks of € 37,420 million and other cash on hand of € 598 million.

(2) Excluding equity shares of € 355 million.

(3) Comprises off-balance sheet instruments.

2.1.1 Credit risk – Credit exposure overview continued

2022

Maximum exposure to credit risk (audited)	Statement of financial position			Maximum Exposure		
	Exposure € m	ECL allowance € m	Carrying amount € m	Amortised cost € m	Fair value € m	Total € m
Cash and balances at central banks	38,138	—	38,138 ⁽¹⁾	37,565	—	37,565 ⁽¹⁾
Derivative financial instruments	2,511	—	2,511	—	2,511	2,511
Loans and advances to banks	1,502	—	1,502	1,502	—	1,502
Loans and advances to customers	61,231	(1,618)	59,613	59,364	249	59,613
Securities financing	6,283	(1)	6,282	6,282	—	6,282
Investment securities ⁽²⁾	15,971	(3)	15,968	4,131	11,837	15,968
Trading portfolio financial assets	8	—	8	—	8	8
Included elsewhere:						
Trade receivables	100	(1)	99	99	—	99
Items in course of collection	51	—	51	51	—	51
Accrued interest	281	—	281	281	—	281
	126,076	(1,623)	124,453	109,275	14,605	123,880
Loan commitments and other credit related commitments	15,060	(59)	(59)	15,060	—	15,060
Financial guarantees	802	(19)	(19)	802	—	802
	15,862 ⁽³⁾	(78)	(78)	15,862	—	15,862
Total	141,938	(1,701)	124,375	125,137	14,605	139,742

(1) Comprises balances at central banks of €37,565 million and other cash on hand of € 573 million.

(2) Excluding equity shares of € 302 million.

(3) Comprises off-balance sheet instruments.

Risk Management continued

2.1.1 Credit risk – Credit exposure overview continued

The following tables set out the concentration of credit by industry sector and geography for loans and advances to customers and loan commitments and financial guarantee contracts issued together with the related ECL allowance analysed by the ECL stage profile at 31 December 2023 and 2022:

									2023
	Gross carrying amount			At amortised cost					At FVTPL
	Loans and advances to customers	Loan commitments to and financial guarantees issued	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Concentration by industry sector	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Non-property business: ⁽¹⁾									
Natural resources	3,610	2,113	5,723	5,502	198	23	—	5,723	27
<i>Of which renewables</i>	2,907	1,133	4,040	3,960	80	—	—	4,040	—
Leisure	2,666	555	3,221	2,428	603	185	5	3,221	—
Manufacturing	2,519	2,179	4,698	4,281	375	40	2	4,698	—
Health, education and social work	2,032	385	2,417	1,928	448	39	2	2,417	—
Services	2,064	1,333	3,397	3,103	247	43	4	3,397	—
Agriculture, forestry and fishing	1,780	707	2,487	2,071	323	84	9	2,487	—
Retail and wholesale trade	1,747	1,516	3,263	2,915	279	63	6	3,263	15
Transport and storage	1,710	596	2,306	2,094	171	40	1	2,306	—
Telecommunications, media and technology	1,394	332	1,726	1,621	93	12	—	1,726	—
Financial, insurance and other government activities	506	891	1,397	1,360	26	11	—	1,397	—
Total non-property business	20,028	10,607	30,635	27,303	2,763	540	29	30,635	42
Property and construction	9,237	2,224	11,461	7,504	3,270	683	4	11,461	—
Residential mortgages	34,764	1,236	36,000	32,817	2,390	695	98	36,000	—
Other personal	2,940	2,926	5,866	5,339	437	90	—	5,866	—
Total	66,969	16,993	83,962	72,963	8,860	2,008	131	83,962	42
Concentration by location⁽²⁾									
Republic of Ireland	53,887	12,887	66,774	57,876	7,280	1,487	131	66,774	42
United Kingdom	8,240	3,082	11,322	10,068	922	332	—	11,322	—
North America	2,007	365	2,372	2,124	240	8	—	2,372	—
Rest of the World	2,835	659	3,494	2,895	418	181	—	3,494	—
Total	66,969	16,993	83,962	72,963	8,860	2,008	131	83,962	42

									2023
	ECL allowance			At amortised cost					
	Loans and advances to customers	Loan commitments to and financial guarantees issued	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Concentration by industry sector	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Non-property business: ⁽¹⁾									
Natural resources	40	3	43	17	12	14	—	43	
<i>Of which renewables</i>	17	2	19	13	6	—	—	19	
Leisure	168	3	171	19	107	46	(1)	171	
Manufacturing	58	5	63	13	32	18	—	63	
Health, education and social work	83	2	85	34	41	12	(2)	85	
Services	48	4	52	16	20	16	—	52	
Agriculture, forestry and fishing	50	3	53	7	15	36	(5)	53	
Retail and wholesale trade	55	7	62	10	31	21	—	62	
Transport and storage	29	1	30	9	10	11	—	30	
Telecommunications, media and technology	22	1	23	9	9	5	—	23	
Financial, insurance and other government activities	20	—	20	6	3	11	—	20	
Total non-property business	573	29	602	140	280	190	(8)	602	
Property and construction	541	23	564	87	273	205	(1)	564	
Residential mortgages	309	1	310	19	77	207	7	310	
Other personal	97	6	103	22	36	45	—	103	
Total	1,520	59	1,579	268	666	647	(2)	1,579	
Concentration by location⁽²⁾									
Republic of Ireland	1,085	52	1,137	137	495	507	(2)	1,137	
United Kingdom	236	6	242	104	59	79	—	242	
North America	51	1	52	13	34	5	—	52	
Rest of the World	148	—	148	14	78	56	—	148	
Total	1,520	59	1,579	268	666	647	(2)	1,579	

(1) In 2023, the Group undertook a review of the sector codes included under the non-property business asset class. These changes in presentation provide more relevant information on the Group's non-property business exposures and aligns to how these sub-sectors are managed and reported internally. The 2022 comparative period has also been restated.

(2) Based on country of risk.

2.1.1 Credit risk – Credit exposure overview continued

Gross exposures to customers

	2022								
	Gross carrying amount			At amortised cost					At FVTPL
	Loans and advances to customers	Loan commitments and financial guarantees issued	Total	Analysed by stage profile					Total
Stage 1				Stage 2	Stage 3	POCI	Total		
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Concentration by industry sector									
Non-property business: ⁽¹⁾									
Natural resources	2,961	1,706	4,667	4,408	225	34	—	4,667	9
Of which renewables	2,190	802	2,992	2,786	179	27	—	2,992	—
Leisure	2,910	604	3,514	1,422	1,713	379	—	3,514	—
Manufacturing	2,849	1,929	4,778	4,297	396	85	—	4,778	—
Health, education and social work	2,012	452	2,464	2,173	231	60	—	2,464	—
Services	1,832	1,045	2,877	2,544	282	51	—	2,877	—
Agriculture, forestry and fishing	1,655	669	2,324	1,975	270	79	—	2,324	—
Retail and wholesale trade	1,751	1,201	2,952	2,540	318	94	—	2,952	14
Transport and storage	1,661	611	2,272	1,983	271	18	—	2,272	—
Telecommunications, media and technology	1,230	369	1,599	1,503	71	25	—	1,599	—
Financial, insurance and other government activities	502	858	1,360	1,283	76	1	—	1,360	—
Total non-property business	19,363	9,444	28,807	24,128	3,853	826	—	28,807	23
Property and construction	8,617	2,384	11,001	9,056	1,509	436	—	11,001	226
Residential mortgages	30,279	1,168	31,447	29,553	1,161	646	87	31,447	—
Other personal	2,723	2,866	5,589	4,810	591	188	—	5,589	—
Total	60,982	15,862	76,844	67,547	7,114	2,096	87	76,844	249
Concentration by location⁽²⁾									
Republic of Ireland	48,061	11,971	60,032	53,343	5,125	1,477	87	60,032	249
United Kingdom	8,087	2,976	11,063	9,322	1,339	402	—	11,063	—
North America	2,116	375	2,491	2,158	312	21	—	2,491	—
Rest of the World	2,718	540	3,258	2,724	338	196	—	3,258	—
Total	60,982	15,862	76,844	67,547	7,114	2,096	87	76,844	249

ECL allowance

	2022								
	ECL allowance			At amortised cost					
	Loans and advances to customers	Loan commitments and financial guarantees issued	Total	Analysed by stage profile					
Stage 1				Stage 2	Stage 3	POCI	Total		
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Concentration by industry sector									
Non-property business: ⁽¹⁾									
Natural resources	59	8	67	16	26	25	—	67	
Of which renewables	49	7	56	10	24	22	—	56	
Leisure	353	12	365	21	249	95	—	365	
Manufacturing	88	11	99	23	49	27	—	99	
Health, education and social work	51	4	55	15	19	21	—	55	
Services	62	4	66	12	29	25	—	66	
Agriculture, forestry and fishing	54	3	57	11	20	26	—	57	
Retail and wholesale trade	76	4	80	12	33	35	—	80	
Transport and storage	40	1	41	7	24	10	—	41	
Telecommunications, media and technology	24	—	24	8	7	9	—	24	
Financial, insurance and other government activities	31	—	31	3	28	—	—	31	
Total non-property business	838	47	885	128	484	273	—	885	
Property and construction	320	23	343	90	121	132	—	343	
Residential mortgages	283	—	283	40	37	197	9	283	
Other personal	177	8	185	26	43	116	—	185	
Total	1,618	78	1,696	284	685	718	9	1,696	
Concentration by location⁽²⁾									
Republic of Ireland	1,159	64	1,223	204	442	568	9	1,223	
United Kingdom	250	11	261	51	111	99	—	261	
North America	64	3	67	13	47	7	—	67	
Rest of the World	145	—	145	16	85	44	—	145	
Total	1,618	78	1,696	284	685	718	9	1,696	

(1) In 2023, the Group undertook a review of the sector codes included under the non-property business asset class. These changes in presentation provide more relevant information on the Group's non-property business exposures and aligns to how these sub-sectors are managed and reported internally.

(2) Based on country of risk.

Risk Management continued

2.1.2 Credit risk – Credit profile of the loan portfolio

The Group's customer loan portfolio comprises loans (including overdrafts), instalment credit and finance lease receivables. An overdraft provides a demand credit facility combined with a current account. Borrowings occur when the customer's drawings take the current account into debit. The balance may, therefore, fluctuate with the requirements of the customer. Although overdrafts are contractually repayable on demand (unless a fixed term has been agreed), provided the account is deemed to be satisfactory, full repayment is not generally demanded without notice.

Credit profile of the loan portfolio

The following table analyses loans and advances to customers at amortised cost by segment, internal credit ratings and ECL staging at 31 December 2023 and 2022:

Amortised cost	2023					2022				
	Retail Banking	Capital Markets	AIB UK	Group	Total	Retail Banking	Capital Markets	AIB UK	Group	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Gross carrying amount										
Residential mortgages	33,383	476	905	—	34,764	28,764	528	987	—	30,279
Other personal	2,825	45	70	—	2,940	2,600	49	74	—	2,723
Property and construction	456	6,553	2,228	—	9,237	452	6,166	1,999	—	8,617
Non-property business	3,107	13,013	3,880	28	20,028	3,026	12,177	4,145	15	19,363
Total	39,771	20,087	7,083	28	66,969	34,842	18,920	7,205	15	60,982
Analysed by internal credit ratings⁽¹⁾										
Strong	28,088	13,843	5,156	9	47,096	24,294	12,813	4,763	—	41,870
Satisfactory	8,964	4,454	1,280	19	14,717	7,654	4,023	1,448	15	13,140
Total strong/satisfactory	37,052	18,297	6,436	28	61,813	31,948	16,836	6,211	15	55,010
Criticised watch	1,330	892	175	—	2,397	1,241	496	203	—	1,940
Criticised recovery	360	248	170	—	778	431	1,178	405	—	2,014
Total criticised	1,690	1,140	345	—	3,175	1,672	1,674	608	—	3,954
Non-performing	1,029	650	302	—	1,981	1,222	410	386	—	2,018
Gross carrying amount	39,771	20,087	7,083	28	66,969	34,842	18,920	7,205	15	60,982
Analysed by ECL staging										
Stage 1	35,646	15,535	6,043	28	57,252	31,805	15,317	5,725	15	52,862
Stage 2	3,032	3,902	738	—	7,672	1,749	3,193	1,094	—	6,036
Stage 3	974	647	302	—	1,923	1,201	410	386	—	1,997
POCI	119	3	—	—	122	87	—	—	—	87
Total	39,771	20,087	7,083	28	66,969	34,842	18,920	7,205	15	60,982
ECL allowance – statement of financial position										
Stage 1	54	102	98	—	254	88	132	43	—	263
Stage 2	144	441	50	—	635	112	440	94	—	646
Stage 3	348	219	67	—	634	468	133	99	—	700
POCI	(2)	(1)	—	—	(3)	9	—	—	—	9
Total	544	761	215	—	1,520	677	705	236	—	1,618
ECL allowance cover percentage	%	%	%	%	%	%	%	%	%	%
Stage 1	0.2	0.7	1.6	—	0.4	0.3	0.9	0.8	—	0.5
Stage 2	4.8	11.3	6.8	—	8.3	6.4	13.8	8.6	—	10.7
Stage 3	35.7	34.0	22.0	—	33.0	39.0	32.4	25.6	—	35.1
POCI	(1.5)	(50.3)	—	—	(2.5)	10.7	—	—	—	10.7
Income statement	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	82	101	33	—	216	(101)	96	55	—	50
Recoveries of amounts previously written-off	(22)	(2)	(3)	—	(27)	(38)	(3)	(4)	—	(45)
Net credit impairment charge/(writeback)	60	99	30	—	189	(139)	93	51	—	5

(1) Further analysis of internal credit grade profile by ECL staging is set out on page 147.

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Credit profile of the loan portfolio continued

The following table analyses loans and advances to customers at FVTPL by segment and internal credit ratings at 31 December 2023 and 2022:

FVTPL

	2023					2022				
	Retail Banking	Capital Markets	AIB UK	Group	Total	Retail Banking	Capital Markets	AIB UK	Group	Total
Carrying amount	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Property and construction	—	—	—	—	—	—	226	—	—	226
Non-property business	—	42	—	—	42	—	23	—	—	23
Total	—	42	—	—	42	—	249	—	—	249

Analysed by internal credit ratings

Strong	—	42	—	—	42	—	96	—	—	96
Satisfactory	—	—	—	—	—	—	—	—	—	—
Total strong/satisfactory	—	42	—	—	42	—	96	—	—	96
Total criticised	—	—	—	—	—	—	—	—	—	—
Non-performing	—	—	—	—	—	—	153	—	—	153
Total	—	42	—	—	42	—	249	—	—	249

Internal credit grade profile by ECL staging (audited)

The table below analyses the internal credit grading profile by ECL staging for the Group's loans and advances to customers at 31 December 2023 and 2022:

Amortised cost (audited)	2023					2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Total										
Strong	44,273	2,808	—	15	47,096	40,708	1,159	—	3	41,870
Satisfactory	12,014	2,697	—	6	14,717	11,365	1,772	—	3	13,140
Total strong/satisfactory	56,287	5,505	—	21	61,813	52,073	2,931	—	6	55,010
Criticised watch	919	1,473	—	5	2,397	668	1,271	—	1	1,940
Criticised recovery	44	694	—	40	778	119	1,834	—	61	2,014
Total criticised	963	2,167	—	45	3,175	787	3,105	—	62	3,954
Non-performing	2	—	1,923	56	1,981	2	—	1,997	19	2,018
Gross carrying amount	57,252	7,672	1,923	122	66,969	52,862	6,036	1,997	87	60,982
ECL allowance	(254)	(635)	(634)	3	(1,520)	(263)	(646)	(700)	(9)	(1,618)
Carrying amount	56,998	7,037	1,289	125	65,449	52,599	5,390	1,297	78	59,364

Risk Management continued

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Credit exposure by midpoint PD grade

The table below represents the credit risk profile for loans and advances to customers at amortised cost via the mapping of credit risk management midpoint PD grades at 31 December 2023 and 2022. The 'internal credit grading profile by ECL staging' table on page 147 includes qualitative factors such as financial distress and arrears (in addition to PD to prioritise credit risk management activity) which the midpoint PD table below does not reflect.

Quality Code	Lower Bound PD	Upper Bound PD	2023					2022				
			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
1 - 3	0.00%	1.23%	49,359	3,296	—	40	52,695	44,907	1,623	—	39	46,569
4 - 7	1.23%	6.94%	7,376	2,300	—	8	9,684	7,375	1,424	—	7	8,806
8 - 10	6.94%	99.99%	515	2,076	—	18	2,609	578	2,989	—	22	3,589
11	100.00%	100.00%	2	—	1,923	56	1,981	2	—	1,997	19	2,018
Gross carrying amount			57,252	7,672	1,923	122	66,969	52,862	6,036	1,997	87	60,982

At 31 December 2023, 93% of the portfolio is in quality codes 1 to 7 which are typically strong/satisfactory (2022: 91%), 4% of the portfolio is in quality codes 8 to 10 which are typically criticised (2022: 6%) and the final 3% is in quality code 11 which is in default (2022: 3%).

IFRS 9 Stage 1 and Stage 2 classification is not dependent solely on the absolute probability of default but includes significant increase in credit risk (SICR), including relative movement in IFRS 9 probability of default since initial recognition. Therefore, there is no direct relationship between internal PD grades and IFRS 9 stage classification.

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Non-performing loans

The table below sets out the Group's non-performing loans and advances to customers by asset class at 31 December 2023 and 2022:

	31 December 2023				
	Residential mortgages	Other personal	Property and construction	Non-property business	Total
	€ m	€ m	€ m	€ m	€ m
Non-performing loans					
At amortised cost	719	81	660	521	1,981
At FVTPL	—	—	—	—	—
Total non-performing loans and advances to customers	719	81	660	521	1,981
Non-performing loans as a % of total loans and advances to customers	2.1 %	2.7 %	7.1 %	2.6 %	3.0 %
ECL allowance as a % of non-performing loans and advances to customers at amortised cost	30 %	55 %	29 %	35 %	32 %

	31 December 2022				
	Residential mortgages	Other personal	Property and construction	Non-property business	Total
	€ m	€ m	€ m	€ m	€ m
Non-performing loans					
At amortised cost	657	180	406	775	2,018
At FVTPL	—	—	153	—	153
Total non-performing loans and advances to customers	657	180	559	775	2,171
Non-performing loans as a % of total loans and advances to customers	2.2 %	6.6 %	6.3 %	4.0 %	3.5 %
ECL allowance as a % of non-performing loans and advances to customers at amortised cost	31 %	64 %	29 %	35 %	35 %

Total Group non-performing loans have decreased by € 0.2 billion or 9% to € 2.0 billion in the year (2022: € 2.2 billion). The decrease reflects the € 0.3 billion sale of non-performing loan portfolios completed during the year while other underlying decreases have offset any new non-performing loans during the year which included € 0.5 billion in property and construction. The ECL allowance cover rate on non-performing loans (at amortised cost) has decreased to 32% in the year (2022: 35%). Non-performing loans as a percentage of total loans and advances to customers have reduced to under 3.0% at 2.96% (2022: 3.5%). These non-performing exposures are spread across all asset classes.

Risk Management continued

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Aged analysis of contractually past due loans and advances to customers

The following table shows aged analysis of contractually past due loans and advances to customers by industry sector analysed by ECL staging and segment at 31 December 2023 and 2022.

At amortised cost	Of which past due							2023	
	Not past due	1-30 days	31-60 days	61-90 days	91-180 days	181-365 days	> 365 days	Total past due	Total
Industry sector	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Non-property business: ⁽¹⁾									
Natural resources	3,607	—	—	—	—	2	1	3	3,610
Of which renewables	2,907	—	—	—	—	—	—	—	2,907
Leisure	2,582	48	5	1	2	3	25	84	2,666
Manufacturing	2,493	17	1	1	1	2	4	26	2,519
Health, education and social work	1,990	29	2	—	2	7	2	42	2,032
Services	2,035	11	1	1	4	2	10	29	2,064
Agriculture, forestry and fishing	1,737	12	6	9	3	4	9	43	1,780
Retail and wholesale trade	1,706	16	1	1	3	4	16	41	1,747
Transport and storage	1,704	2	—	—	—	1	3	6	1,710
Telecomms, media and technology	1,392	1	—	—	—	—	1	2	1,394
Financial, insurance and other government activities	488	18	—	—	—	—	—	18	506
Total non-property business	19,734	154	16	13	15	25	71	294	20,028
Property and construction	8,904	91	14	1	5	177	45	333	9,237
Residential mortgages	34,175	135	37	33	89	76	219	589	34,764
Other personal	2,829	39	10	8	20	20	14	111	2,940
Total gross carrying amount	65,642	419	77	55	129	298	349	1,327	66,969
ECL staging									
Stage 1	57,154	98	—	—	—	—	—	98	57,252
Stage 2	7,438	157	45	32	—	—	—	234	7,672
Stage 3	948	161	31	23	126	294	340	975	1,923
POCI	102	3	1	—	3	4	9	20	122
	65,642	419	77	55	129	298	349	1,327	66,969
Segment									
Retail Banking	38,952	189	59	43	119	117	292	819	39,771
Capital Markets	19,754	127	3	7	5	167	24	333	20,087
AIB UK	6,915	96	15	5	5	14	33	168	7,083
Group	21	7	—	—	—	—	—	7	28
	65,642	419	77	55	129	298	349	1,327	66,969
As a percentage of total gross loans at amortised cost	%	%	%	%	%	%	%	%	%
	98.02	0.63	0.11	0.08	0.19	0.44	0.52	1.98	100

(1) In 2023, the Group undertook a review of the sector codes included under the non-property business asset class. These changes in presentation provide more relevant information on the Group's non-property business exposures and aligns to how these sub-sectors are managed and reported internally. The 2022 comparative period has also been restated.

The figures reported are inclusive of overdrafts, bridging loans and cases with expired limits. There were no contractually past due loans measured at FVTPL at 31 December 2023 and 2022.

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Aged analysis of contractually past due loans and advances to customers continued

At amortised cost

2022

Industry sector	Not past due € m	1-30 days € m	Of which past due				181-365 days € m	> 365 days € m	Total past due € m	Total € m
			31-60 days € m	61-90 days € m	91-180 days € m	181-365 days € m				
Non-property business:										
Natural resources	2,942	18	—	—	—	1	—	19	2,961	
Of which renewables	2,173	17	—	—	—	—	—	17	2,190	
Leisure	2,784	34	5	2	5	34	46	126	2,910	
Manufacturing	2,831	8	2	—	1	1	6	18	2,849	
Health, education and social work	2,007	1	—	—	1	—	3	5	2,012	
Services	1,793	11	3	3	3	3	16	39	1,832	
Agriculture, forestry and fishing	1,621	9	3	1	2	4	15	34	1,655	
Retail and wholesale trade	1,680	29	1	1	10	7	23	71	1,751	
Transport and storage	1,652	1	—	—	—	3	5	9	1,661	
Telecommunications, media and technology	1,217	—	1	—	1	10	1	13	1,230	
Financial, insurance and other government activities	501	—	—	—	—	—	1	1	502	
Total non-property business	19,028	111	15	7	23	63	116	335	19,363	
Property and construction	8,404	64	14	18	19	45	53	213	8,617	
Residential mortgages	29,871	67	19	20	33	60	209	408	30,279	
Other personal	2,526	39	12	7	21	30	88	197	2,723	
Total gross carrying amount	59,829	281	60	52	96	198	466	1,153	60,982	
ECL staging										
Stage 1	52,777	85	—	—	—	—	—	85	52,862	
Stage 2	5,850	128	39	19	—	—	—	186	6,036	
Stage 3	1,122	67	21	33	96	197	461	875	1,997	
POCI	80	1	—	—	—	1	5	7	87	
	59,829	281	60	52	96	198	466	1,153	60,982	
Segment										
Retail Banking	34,015	129	39	35	72	144	408	827	34,842	
Capital Markets	18,857	13	2	—	18	9	21	63	18,920	
AIB UK	6,942	139	19	17	6	45	37	263	7,205	
Group	15	—	—	—	—	—	—	—	15	
	59,829	281	60	52	96	198	466	1,153	60,982	
As a percentage of total gross loans at amortised cost	%	%	%	%	%	%	%	%	%	
	98.11	0.46	0.10	0.09	0.16	0.32	0.76	1.89	100.00	

Risk Management continued

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Gross loans⁽¹⁾ and ECL movements (audited)

The following tables set out the movements in the gross carrying amount and ECL allowance for loans and advances to customers at amortised cost by ECL staging between 1 January 2023 and 31 December 2023 and the corresponding movements between 1 January 2022 and 31 December 2022.

Accounts that triggered movements between Stage 1 and Stage 2 as a result of failing/curing a quantitative measure only (as disclosed on page 131) and that subsequently reverted within the year to their original stage, are excluded from 'Transferred from Stage 1 to Stage 2' and 'Transferred from Stage 2 to Stage 1'. The Group believes this presentation aids the understanding of the underlying credit migration.

Gross carrying amount movements – total (audited)

	2023				Total € m
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	
At 1 January	52,862	6,036	1,997	87	60,982
Transferred from Stage 1 to Stage 2	(7,377)	7,377	—	—	—
Transferred from Stage 2 to Stage 1	4,518	(4,518)	—	—	—
Transferred to Stage 3	(125)	(1,070)	1,195	—	—
Transferred from Stage 3	47	262	(309)	—	—
New loans originated/top-ups	17,186	—	—	36	17,222
Redemptions/repayments	(11,266)	(1,895)	(579)	(10)	(13,750)
Interest credited	2,426	419	80	3	2,928
Write-offs	—	—	(125)	—	(125)
Derecognised due to disposals	(47)	(43)	(316)	—	(406)
Exchange translation adjustments	74	21	6	—	101
Impact of model, parameter and overlay changes	(1,082)	1,082	—	—	—
Other movements	36	1	(26)	6	17
At 31 December	57,252	7,672	1,923	122	66,969

	2022				Total € m
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	
At 1 January	48,394	6,768	2,885	103	58,150
Transferred from Stage 1 to Stage 2	(3,599)	3,599	—	—	—
Transferred from Stage 2 to Stage 1	2,317	(2,317)	—	—	—
Transferred to Stage 3	(91)	(623)	714	—	—
Transferred from Stage 3	39	301	(340)	—	—
New loans originated/top-ups	14,594	—	—	—	14,594
Redemptions/repayments	(10,071)	(1,768)	(657)	(12)	(12,508)
Interest credited	1,566	202	71	2	1,841
Write-offs	—	—	(94)	—	(94)
Derecognised due to disposals	(151)	(109)	(541)	(6)	(807)
Exchange translation adjustments	(212)	(69)	(25)	—	(306)
Impact of model, parameter and overlay changes	—	—	—	—	—
Other movements	76	52	(16)	—	112
At 31 December	52,862	6,036	1,997	87	60,982

(1) The gross carrying amount movement is recorded at each month end with movements calculated versus the position at previous month end. The sum of all 12 months movement is then presented.

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Gross loans and ECL movements continued

ECL allowance movements – total (*audited*)

					2023
	Stage 1	Stage 2	Stage 3	POCI	Total
	€ m	€ m	€ m	€ m	€ m
At 1 January	263	646	700	9	1,618
Transferred from Stage 1 to Stage 2	(100)	252	—	—	152
Transferred from Stage 2 to Stage 1	73	(209)	—	—	(136)
Transferred to Stage 3	(1)	(99)	180	—	80
Transferred from Stage 3	2	28	(52)	—	(22)
Net remeasurement	29	67	56	(12)	140
New loans originated/top-ups	49	—	—	—	49
Redemptions/repayments	(25)	(99)	—	—	(124)
Impact of model and overlay changes	(16)	34	82	(4)	96
Impact of credit or economic risk parameters	(22)	19	(16)	—	(19)
Income statement net credit impairment charge/(writeback)	(11)	(7)	250	(16)	216
Write-offs	—	—	(125)	—	(125)
Derecognised due to disposals	(9)	(8)	(183)	—	(200)
Exchange translation adjustments	—	2	2	—	4
Other movements	11	2	(10)	4	7
At 31 December	254	635	634	(3)	1,520

					2022
	Stage 1	Stage 2	Stage 3	POCI	Total
	€ m	€ m	€ m	€ m	€ m
At 1 January	236	700	918	31	1,885
Transferred from Stage 1 to Stage 2	(40)	146	—	—	106
Transferred from Stage 2 to Stage 1	30	(102)	—	—	(72)
Transferred to Stage 3	(3)	(71)	126	—	52
Transferred from Stage 3	3	39	(91)	—	(49)
Net remeasurement	31	(16)	(16)	(5)	(6)
New loans originated/top-ups	66	—	—	—	66
Redemptions/repayments	(26)	(67)	—	—	(93)
Impact of model and overlay changes	21	20	48	(12)	77
Impact of credit or economic risk parameters	(59)	22	6	—	(31)
Income statement net credit impairment charge/(writeback)	23	(29)	73	(17)	50
Write-offs	—	—	(94)	—	(94)
Derecognised due to disposals	(1)	(7)	(202)	—	(210)
Exchange translation adjustments	(1)	(5)	(7)	—	(13)
Other movements	6	(13)	12	(5)	—
At 31 December	263	646	700	9	1,618

Risk Management continued

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Gross loans and ECL movements continued (audited)

Total exposures to which an ECL applies increased during the year by € 6.0 billion from € 61.0 billion at 1 January 2023 to € 67.0 billion at 31 December 2023. The increase in the year was influenced by new lending and the Ulster Bank portfolio acquisitions (which are included within 'new loans originated/top-ups') and were partially offset against redemptions/repayments and disposals.

Stage transfers are a key component of ECL allowance movements (i.e. Stage 1 to Stage 2 to Stage 3 and vice versa) in addition to the net remeasurement of ECL due to change in risk parameters within a stage. Excluding the impact of model/overlay changes and the updated macroeconomic scenarios, an ECL charge of € 139 million occurred due to underlying credit management activity and a slight deterioration in credit parameters which inform the modelled outcomes.

The impact of model and overlay changes resulted in an ECL charge of € 96 million. This was driven by a € 102 million charge following the deployment of the new IFRS 9 mortgage model and a € 6 million writeback relating to post model adjustments. Further details on the post model adjustments are outlined on pages [140](#) and [141](#). These ensure exposures subject to risks which are not adequately reflected in the modelled outcomes, retain an appropriate ECL.

The updated macroeconomic scenarios and weightings resulted in an ECL release of € 19 million. This ECL movement is presented separately within 'Impact of credit or economic risk parameters'. This release was most significant within the non-property business portfolio accounting for a release of € 16 million within the portfolio. The total writeback reflects an increase in the base case scenario (45% to 50%) and a reduction in the severe scenario (15% to 10%) as the economic backdrop remains challenging reflecting a period of subdued growth due to elevated inflation, higher interest rates and the lagged effect of monetary tightening.

The gross loan transfers from Stage 1 to Stage 2 of € 7.4 billion are due to underlying credit management activity where a significant increase in credit risk occurred during the year through either the quantitative or qualitative criteria for stage movement. 38% of the movements relied on a qualitative or backstop indicator of significant increase in credit risk (e.g. forbearance or movement to a watch grade) with 5% caused solely by the backstop of 30 days past due. Of the € 7.4 billion which transferred from Stage 1 to Stage 2 in the year approximately € 5.3 billion is reported as Stage 2 at 31 December 2023.

Where a movement to Stage 2 is triggered by multiple drivers simultaneously these are reported in the following order: quantitative, qualitative and backstop.

Similarly, transfers from Stage 2 to Stage 1 of € 4.5 billion represent those loans where the triggers for significant increase in credit risk no longer apply or loans that have fulfilled a probation period.

These transfers include loans which have been upgraded through normal credit management process and incorporates loans which

transferred due to the impact of the updated macroeconomic scenarios and weightings.

Transfers from Stage 2 to Stage 3 of € 1.1 billion represent those loans that defaulted during the year. These arose in cases where it was determined that the customers were unlikely to pay their loans in full without the realisation of collateral regardless of the existence of any past due amount or the number of days past due. In addition, transfers also include all borrowers that are 90 days or more past due on a material obligation. Of the transfers from Stage 2 to Stage 3, € 0.3 billion had transferred from Stage 1 to Stage 2 earlier in the year.

Transfers from Stage 3 to Stage 2 of € 0.3 billion were mainly driven by resolution activity with the customer, through either restructuring or forbearance previously granted and which subsequently adhered to default probation requirements. As part of the credit management practices, active monitoring of loans and their adherence to default probation requirements is in place.

In summary, the staging movements of the overall portfolio were as follows:

Stage 1 loans increased by € 4.4 billion in the year to € 57.3 billion with an ECL of € 0.3 billion and resulting cover of 0.4% (2022: 0.5%). The increase in Stage 1 loans largely reflects the Ulster Bank portfolio acquisitions.

Stage 2 loans increased by € 1.7 billion in the year to € 7.7 billion with an ECL of € 0.6 billion and resulting cover of 8.3% (2022: 10.7%). The increase in Stage 2 loans was driven by the property and construction (€ 1.4 billion) and residential mortgage (€ 1.2 billion) portfolios. The increase in property and construction was primarily due to increased interest rates and reduced asset values impacting interest cover and refinancing terms. The increase in residential mortgages was driven by the implementation of the new mortgage model and a post model adjustment to migrate a cohort of the acquired Ulster Bank portfolio reflecting managements view that the risk of default may not be fully captured in the PD models given the portfolio's credit performance observed post acquisition. However, these increases in Stage 2 were slightly offset by a € 0.9 billion reduction in the non-property business portfolio reflecting strong repayments and improved credit performance as cases exited forbearance.

Stage 3 loans decreased by € 0.1 billion in the year to € 1.9 billion with an ECL of € 0.6 billion and resulting cover of 33.0% (2022: 35.1%). The decrease reflects the sale of non-performing loan portfolios completed during the year as net transfers to Stage 3 were offset by redemptions/repayments and disposals.

Further details on stage movements by asset class are set out in the following tables on pages [155](#) and [156](#).

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Gross loans⁽¹⁾ and ECL movements continued

The following tables set out the movements in the gross carrying amount and ECL allowance for loans and advances to customers by asset class and ECL staging for the year to 31 December 2023 and 2022:

Gross carrying amount movements – Asset class

	2023																			
	Residential mortgages					Other personal				Property and construction					Non-property business					
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	Total € m	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	
At 1 January	28,396	1,158	638	87	30,279	2,274	270	179	2,723	6,820	1,391	406	—	8,617	15,372	3,217	774	—	19,363	
Transferred from Stage 1 to Stage 2	(1,412)	1,412	—	—	—	(329)	329	—	—	(3,737)	3,737	—	—	—	(1,899)	1,899	—	—	—	
Transferred from Stage 2 to Stage 1	875	(875)	—	—	—	204	(204)	—	—	1,553	(1,553)	—	—	—	1,886	(1,886)	—	—	—	
Transferred to Stage 3	(33)	(244)	277	—	—	(9)	(86)	95	—	(55)	(432)	487	—	—	(28)	(308)	336	—	—	
Transferred from Stage 3	13	101	(114)	—	—	1	21	(22)	—	16	15	(31)	—	—	17	125	(142)	—	—	
New loans originated/top-ups	7,896	—	—	13	7,909	1,227	—	—	1,227	2,490	—	—	4	2,494	5,573	—	—	19	5,592	
Redemptions/repayments	(4,135)	(233)	(119)	(12)	(4,499)	(1,000)	(103)	(34)	(1,137)	(1,468)	(629)	(160)	—	(2,257)	(4,663)	(930)	(266)	2	(5,857)	
Interest credited	920	55	16	2	993	196	28	6	230	326	144	22	—	492	984	192	36	1	1,213	
Write-offs	—	—	(17)	—	(17)	—	—	(41)	(41)	—	—	(20)	—	(20)	—	—	(47)	—	(47)	
Derecognised due to disposals	—	—	—	—	—	(2)	(7)	(80)	(89)	(2)	—	(50)	—	(52)	(43)	(36)	(186)	—	(265)	
Exchange translation adjustments	19	1	1	—	21	1	—	—	1	35	7	2	—	44	19	13	3	—	35	
Impact of model, parameter and overlay changes	(1,006)	1,006	—	—	—	—	—	—	—	(76)	76	—	—	—	—	—	—	—	—	
Other movements	61	4	6	7	78	50	(1)	(23)	26	(79)	(2)	1	(1)	(81)	4	—	(10)	—	(6)	
At 31 December	31,594	2,385	688	97	34,764	2,613	247	80	2,940	5,823	2,754	657	3	9,237	17,222	2,286	498	22	20,028	

	2022																			
	Residential mortgages					Other personal				Property and construction					Non-property business					
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	Total € m	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	
At 1 January	26,937	1,446	921	103	29,407	2,238	219	247	2,704	5,346	1,386	628	—	7,360	13,873	3,717	1,089	—	18,679	
Transferred from Stage 1 to Stage 2	(1,120)	1,120	—	—	—	(377)	377	—	—	(680)	680	—	—	—	(1,422)	1,422	—	—	—	
Transferred from Stage 2 to Stage 1	1,195	(1,195)	—	—	—	173	(173)	—	—	311	(311)	—	—	—	638	(638)	—	—	—	
Transferred to Stage 3	(33)	(197)	230	—	—	(12)	(87)	99	—	(7)	(76)	83	—	—	(39)	(263)	302	—	—	
Transferred from Stage 3	12	181	(193)	—	—	1	17	(18)	—	10	30	(40)	—	—	16	73	(89)	—	—	
New loans originated/top-ups	4,660	—	—	—	4,660	974	—	—	974	3,409	—	—	—	3,409	5,551	—	—	—	5,551	
Redemptions/repayments	(3,917)	(225)	(133)	(12)	(4,287)	(915)	(98)	(55)	(1,068)	(1,653)	(376)	(164)	—	(2,193)	(3,586)	(1,069)	(305)	—	(4,960)	
Interest credited	674	27	18	2	721	152	23	8	183	211	38	16	—	265	529	114	29	—	672	
Write-offs	—	—	(20)	—	(20)	—	—	(32)	(32)	—	—	(19)	—	(19)	—	—	(23)	—	(23)	
Derecognised due to disposals	(1)	(8)	(179)	(6)	(194)	(2)	—	(73)	(75)	(37)	(10)	(96)	—	(143)	(111)	(91)	(193)	—	(395)	
Exchange translation adjustments	(52)	(2)	(2)	—	(56)	(4)	(1)	—	(5)	(91)	(10)	(5)	—	(106)	(65)	(56)	(18)	—	(139)	
Impact of model, parameter and overlay changes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Other movements	41	11	(4)	—	48	46	(7)	3	42	1	40	3	—	44	(12)	8	(18)	—	(22)	
At 31 December	28,396	1,158	638	87	30,279	2,274	270	179	2,723	6,820	1,391	406	—	8,617	15,372	3,217	774	—	19,363	

(1) The gross carrying amount movement is recorded at each month end with movements calculated versus the position at previous month end. The sum of all 12 months movement is then presented.

Risk Management continued

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Gross loans and ECL movements continued

ECL allowance movements – Asset class

	2023																			
	Residential mortgages					Other personal				Property and construction					Non-property business					
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	Total € m	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	
At 1 January	40	38	196	9	283	24	37	116	177	84	117	119	—	320	115	454	269	—	838	
Transferred from Stage 1 to Stage 2	(4)	36	—	—	32	(7)	53	—	46	(53)	104	—	—	51	(36)	59	—	—	23	
Transferred from Stage 2 to Stage 1	6	(13)	—	—	(7)	6	(25)	—	(19)	19	(50)	—	—	(31)	42	(121)	—	—	(79)	
Transferred to Stage 3	—	(14)	25	—	11	—	(29)	44	15	(1)	(22)	31	—	8	—	(34)	80	—	46	
Transferred from Stage 3	—	4	(9)	—	(5)	—	4	(12)	(8)	1	2	(4)	—	(1)	1	18	(27)	—	(8)	
Net remeasurement	4	(1)	33	(3)	33	(1)	—	9	8	13	34	10	(1)	56	13	34	4	(8)	43	
New loans originated/top-ups	3	—	—	—	3	11	—	—	11	19	—	—	—	19	16	—	—	—	16	
Redemptions/repayments	(2)	(3)	—	—	(5)	(2)	(1)	—	(3)	(4)	(26)	—	—	(30)	(17)	(69)	—	—	(86)	
Impact of model and overlay changes	(26)	28	(19)	(4)	(21)	(8)	(2)	9	(1)	3	89	93	—	185	15	(81)	(1)	—	(67)	
Impact of credit or economic risk parameters	(2)	3	(5)	—	(4)	(3)	(5)	(1)	(9)	—	19	(9)	—	10	(17)	2	(1)	—	(16)	
Net credit impairment (writeback)/charge	(21)	40	25	(7)	37	(4)	(5)	49	40	(3)	150	121	(1)	267	17	(192)	55	(8)	(128)	
Write-offs	—	—	(17)	—	(17)	—	—	(41)	(41)	—	—	(20)	—	(20)	—	—	(47)	—	(47)	
Derecognised due to disposals	—	—	—	—	—	(1)	(6)	(71)	(78)	—	—	(27)	—	(27)	(8)	(2)	(85)	—	(95)	
Exchange translation adjustments	—	—	—	—	—	—	—	—	—	—	—	1	—	1	—	2	1	—	3	
Other movements	—	(1)	3	4	6	2	6	(9)	(1)	2	(3)	1	—	—	7	—	(5)	—	2	
At 31 December	19	77	207	6	309	21	32	44	97	83	264	195	(1)	541	131	262	188	(8)	573	

	2022																			
	Residential mortgages					Other personal				Property and construction					Non-property business					
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	Total € m	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	
At 1 January	34	41	276	31	382	30	33	159	222	50	91	172	—	313	122	535	311	—	968	
Transferred from Stage 1 to Stage 2	(2)	20	—	—	18	(8)	58	—	50	(14)	41	—	—	27	(16)	27	—	—	11	
Transferred from Stage 2 to Stage 1	9	(22)	—	—	(13)	4	(25)	—	(21)	3	(8)	—	—	(5)	14	(47)	—	—	(33)	
Transferred to Stage 3	—	(7)	14	—	7	—	(30)	47	17	—	(9)	19	—	10	(3)	(25)	46	—	18	
Transferred from Stage 3	1	24	(51)	—	(26)	—	4	(10)	(6)	—	4	(12)	—	(8)	2	7	(18)	—	(9)	
Net remeasurement	4	8	3	(5)	10	(8)	(2)	10	—	2	(19)	(8)	—	(25)	33	(3)	(21)	—	9	
New loans originated/top-ups	3	—	—	—	3	11	—	—	11	23	—	—	—	23	29	—	—	—	29	
Redemptions/repayments	(1)	(3)	—	—	(4)	(2)	(1)	—	(3)	(14)	(8)	—	—	(22)	(9)	(55)	—	—	(64)	
Impact of model and overlay changes	(3)	(21)	31	(12)	(5)	1	(2)	(17)	(18)	40	33	5	—	78	(17)	10	29	—	22	
Impact of credit or economic risk parameters	—	1	4	—	5	(8)	1	(1)	(8)	(17)	(14)	3	—	(28)	(34)	34	—	—	—	
Net credit impairment charge/(writeback)	11	—	1	(17)	(5)	(10)	3	29	22	23	20	7	—	50	(1)	(52)	36	—	(17)	
Write-offs	—	—	(20)	—	(20)	—	—	(32)	(32)	—	—	(19)	—	(19)	—	—	(23)	—	(23)	
Derecognised due to disposals	—	(3)	(68)	—	(71)	—	—	(35)	(35)	—	—	(34)	—	(34)	(1)	(4)	(65)	—	(70)	
Exchange translation adjustments	—	—	—	—	—	—	—	—	—	(1)	—	(2)	—	(3)	—	(5)	(5)	—	(10)	
Other movements	(5)	—	7	(5)	(3)	4	1	(5)	—	12	6	(5)	—	13	(5)	(20)	15	—	(10)	
At 31 December	40	38	196	9	283	24	37	116	177	84	117	119	—	320	115	454	269	—	838	

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Movements in off-balance sheet exposures (audited)

The following tables set out the movements in the nominal amount and ECL allowance for loan commitments and financial guarantees by ECL staging for the year to 31 December 2023 and 2022:

Nominal amount movements (audited)

	2023									
	Loan commitments					Financial guarantee contracts				
	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
At 1 January	13,947	1,033	80	—	15,060	738	45	19	—	802
Transferred from Stage 1 to Stage 2	(631)	631	—	—	—	(40)	40	—	—	—
Transferred from Stage 2 to Stage 1	456	(456)	—	—	—	51	(51)	—	—	—
Transferred to Stage 3	(17)	(8)	25	—	—	(1)	(1)	2	—	—
Transferred from Stage 3	7	5	(12)	—	—	—	—	—	—	—
Net movement ⁽¹⁾	1,159	(69)	(22)	8	1,076	42	19	(7)	1	55
At 31 December	14,921	1,136	71	8	16,136	790	52	14	1	857

	2022									
	Loan commitments					Financial guarantee contracts				
	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
At 1 January	12,824	768	135	—	13,727	743	50	26	—	819
Transferred from Stage 1 to Stage 2	(470)	470	—	—	—	(35)	35	—	—	—
Transferred from Stage 2 to Stage 1	297	(297)	—	—	—	31	(31)	—	—	—
Transferred to Stage 3	(10)	(10)	20	—	—	—	(1)	1	—	—
Transferred from Stage 3	14	4	(18)	—	—	1	—	(1)	—	—
Net movement ⁽¹⁾	1,292	98	(57)	—	1,333	(2)	(8)	(7)	—	(17)
At 31 December	13,947	1,033	80	—	15,060	738	45	19	—	802

(1) Includes new commitments, utilised and expired commitments.

The internal credit grade profile of loan commitments and financial guarantees is set out in the following table (audited):

	2023 € m	2022 € m
Strong	11,942	10,844
Satisfactory	4,711	4,528
Criticised watch	187	257
Criticised recovery	60	134
Default	93	99
Total	16,993	15,862

Non-performing off-balance sheet commitments

Total non-performing off-balance sheet commitments amounted to € 93 million (2022: € 99 million).

Risk Management continued

2.1.2 Credit risk – Credit profile of the loan portfolio continued

Movements in off-balance sheet exposures continued

ECL allowance movements (*audited*)

	2023									
	Loan commitments					Financial guarantee contracts				
	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
At 1 January	19	35	5	—	59	2	4	13	—	19
Transferred from Stage 1 to Stage 2	(2)	23	—	—	21	(3)	4	—	—	1
Transferred from Stage 2 to Stage 1	3	(12)	—	—	(9)	3	(5)	—	—	(2)
Transferred to Stage 3	—	(2)	3	—	1	(1)	—	1	—	—
Transferred from Stage 3	1	—	(1)	—	—	1	—	(1)	—	—
Net remeasurement	(9)	(17)	(2)	—	(28)	—	1	(2)	—	(1)
Net income statement (credit)/charge	(7)	(8)	—	—	(15)	—	—	(2)	—	(2)
Other movements	—	(1)	(1)	1	(1)	—	1	(2)	—	(1)
At 31 December	12	26	4	1	43	2	5	9	—	16

	2022									
	Loan commitments					Financial guarantee contracts				
	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
At 1 January	16	29	8	—	53	5	7	14	—	26
Transferred from Stage 1 to Stage 2	(2)	16	—	—	14	(4)	3	—	—	(1)
Transferred from Stage 2 to Stage 1	6	(15)	—	—	(9)	1	(3)	—	—	(2)
Transferred to Stage 3	—	(1)	2	—	1	(1)	—	1	—	—
Transferred from Stage 3	—	—	(1)	—	(1)	1	—	(1)	—	—
Net remeasurement	(1)	6	(3)	—	2	—	(3)	(1)	—	(4)
Net income statement charge/(credit)	3	6	(2)	—	7	(3)	(3)	(1)	—	(7)
Other movements	—	—	(1)	—	(1)	—	—	—	—	—
At 31 December	19	35	5	—	59	2	4	13	—	19

2.1.3 Credit risk – Impairment and write-offs

Income statement

The table below analyses the key components of the income statement for loans and advances to customers at 31 December 2023 and 2022:

Amortised cost	2023					2022				
	Residential mortgages	Other personal	Property and construction	Non-property business	Total	Residential mortgages	Other personal	Property and construction	Non-property business	Total
Income Statement	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Net stage transfers	31	34	27	(18)	74	(14)	40	24	(13)	37
Net remeasurement	33	8	56	43	140	10	—	(25)	9	(6)
New loans originated/top-ups	3	11	19	16	49	3	11	23	29	66
Redemptions/repayments	(5)	(3)	(30)	(86)	(124)	(4)	(3)	(22)	(64)	(93)
Impact of credit or economic risk parameters	(4)	(9)	10	(16)	(19)	5	(8)	(28)	—	(31)
Impact of model and overlay changes	(21)	(1)	185	(67)	96	(5)	(18)	78	22	77
Total net remeasurement of ECL allowance	37	40	267	(128)	216	(5)	22	50	(17)	50
Recoveries of amounts previously written-off	(7)	(4)	(6)	(10)	(27)	(15)	(5)	(12)	(13)	(45)
Net credit impairment charge/(writeback)	30	36	261	(138)	189	(20)	17	38	(30)	5

There was a € 189 million net credit impairment charge in the year to 31 December 2023 which comprised a net remeasurement of ECL allowance charge of € 216 million and recoveries of amounts previously written-off of € 27 million (2022: € 5 million charge comprising a net remeasurement charge of € 50 million and € 45 million of recoveries).

The key drivers of the net remeasurement of ECL allowance charge of € 216 million consist of the following components and activity:

- Net stage transfers resulted in a € 74 million charge which was evident across all asset classes with the exception of non-property business which experienced an € 18 million writeback reflecting improved credit performance as cases exited forbearance and transferred to Stage 1. Net remeasurements within stage resulted in a € 140 million charge driven by property and construction and non-property business. Redemption and repayment activity offset by new loans originated resulted in a € 75 million writeback. This was largely due to strong repayments in the non-property business sector, particularly within Stage 2 with a € 69 million writeback driven by loans that fully repaid. Further details on the ECL allowance movements are outlined on pages [152](#) to [158](#).

- The impact of model and overlay changes resulted in a net charge of € 96 million. This was driven by a € 102 million charge following the deployment of the new IFRS 9 mortgage model and a € 6 million writeback relating to post model adjustments. Further details on post model adjustments are outlined on pages [140](#) and [141](#).

- Within the IFRS 9 models, € 19 million ECL writeback has been observed due to macroeconomic factors. This writeback reflects an increase in the base case scenario (45% to 50%) and a reduction in the severe scenario (15% to 10%) as the macroeconomic scenarios have been updated to reflect the economic backdrop which remains challenging following a period of subdued growth due to elevated inflation, higher interest rates and the lagged effect of monetary tightening. Further details on the macroeconomic scenarios and weightings are outlined on pages [134](#) to [138](#).

Recoveries of amounts previously written-off of € 27 million (2022: € 45 million) included € 13 million recoveries (2022: € 30 million) due to cash recoveries received against legacy non-performing exposures. The remaining € 14 million (2022: € 15 million) relates to interest recognised as a result of loans curing from Stage 3.

Risk Management continued

2.1.3 Credit risk – Impairment and write-offs continued

Loans written-off and recoveries of previously written-off loans

The following table analyses loans written-off and recoveries of previously written-off loans by geography and industry sector for the years ended 31 December 2023 and 2022:

	2023		2022	
	Loans written-off	Recoveries of amounts previously written-off	Loans written-off	Recoveries of amounts previously written-off
	€ m	€ m	€ m	€ m
Concentration by industry sector				
Non-property business: ⁽¹⁾				
Natural resources	16.4	—	—	—
Leisure	—	2.3	5.6	—
Manufacturing	2.2	0.5	—	1.1
Health, education and social work	14.2	0.4	—	0.3
Services	7.6	0.3	2.4	0.7
Agriculture, forestry and fishing	0.6	0.9	—	1.5
Retail and wholesale trade	2.6	1.1	0.6	5.4
Transport and storage	0.5	0.5	0.9	0.4
Telecommunications, media and technology	0.3	—	10.3	0.2
Financial, insurance and other government activities	3.0	4.1	3.1	3.4
Total non-property business	47.4	10.1	22.9	13.0
Property and construction	19.9	6.0	19.2	12.2
Residential mortgages	16.7	7.4	19.7	14.6
Other personal	41.4	3.6	32.1	5.0
Total	125.4	27.1	93.9	44.8
Concentration by location⁽²⁾				
Republic of Ireland	85.5	23.2	73.5	39.7
United Kingdom	39.6	3.2	20.4	4.1
Rest of the World	0.3	0.7	—	1.0
	125.4	27.1	93.9	44.8

(1) In 2023, the Group undertook a review of the sector codes included under the non-property business asset class. These changes in presentation provide more relevant information on the Group's non-property business exposures and aligns to how these sub-sectors are managed and reported internally. The 2022 comparative period has also been restated.

(2) By country of risk.

The contractual amount outstanding of loans written-off during the year that are subject to enforcement activity amounted to € 9 million (2022: € 8 million) which includes both full and partial write-offs. Total cumulative non-contracted loans written-off at 31 December 2023 has reduced to € 188 million (2022: € 261 million).

2.1.4 Credit risk – Asset class analysis

Asset class summary – key points:

- The **residential mortgage** portfolio has increased by € 4.5 billion in the year to € 34.8 billion driven by the acquisition of the Ulster Bank tracker (and linked) mortgage portfolio and stable new lending. The Stage 1 composition of the portfolio has reduced slightly in the year as a result of an increase in Stage 2 stock with total ECL stock at € 0.3 billion (2022: € 0.3 billion) resulting in ECL cover of 0.9% (2022: 0.9%). There was a € 30 million net credit impairment charge in the year (2022: € 20 million writeback).
- The **other personal** portfolio increased by € 0.2 billion in the year to € 2.9 billion. New lending totalled € 1.2 billion for the year however this was largely offset by redemptions/repayments. The staging composition has improved in the year and total ECL cover has reduced to 3.3% (2022: 6.5%). There was a net credit impairment charge of € 36 million for the year (2022: € 17 million charge).
- The **property and construction** portfolio has increased by € 0.4 billion in the year to € 9.2 billion, due to new lending and the Ulster Bank corporate and commercial portfolio acquisition. The staging composition of the portfolio has deteriorated significantly in the year as Stage 2 loans increased by € 1.4 billion primarily due to individually assessed loans triggering a qualitative significant increase in credit risk. Total ECL cover has also increased to 5.9% (2022: 3.7%), driven by the Stage 2 post model adjustment taken to address latent risk in the portfolio. There was a € 261 million net credit impairment charge in the year (2022: € 38 million charge).
- The **non-property business** portfolio has increased by € 0.7 billion in the year to € 20.1 billion, due to new lending and the Ulster Bank corporate and commercial portfolio acquisition. The staging composition of the portfolio has improved in the year as Stage 1 loans have increased by € 1.9 billion, Stage 2 and Stage 3 loans have reduced by € 0.9 and € 0.3 billion respectively. The reduction in Stage 2 loans was driven by strong repayments and improved credit performance as cases exited forbearance. As a result of the stronger staging composition, total ECL cover has reduced to 2.9% (2022: 4.3%). There was a € 138 million net credit impairment writeback in the year (2022: € 30 million writeback).

Loans and advances to customers – Residential mortgages

Residential mortgages amounted to € 34.8 billion at 31 December 2023, with the majority (97%) relating to residential mortgages in the Republic of Ireland and the remainder relating to Northern Ireland. This compares to € 30.3 billion at 31 December 2022, of which 97% related to residential mortgages in the Republic of Ireland. The split of the residential mortgage portfolio was owner-occupier € 33.3 billion and buy-to-let € 1.5 billion (2022: owner-occupier € 28.9 billion and buy-to-let € 1.4 billion).

The portfolio increased by € 4.5 billion in the year as new lending of € 4.1 billion (2022: € 4.6 billion), in addition to a further € 3.8 billion increase due to the Ulster Bank tracker (and linked) mortgage portfolio acquisition, was partially offset by redemptions/repayments.

Stage 2 loans have increased by € 1.2 billion to € 2.4 billion at 31 December 2023 (2022: € 1.2 billion). The increase in Stage 2 loans was driven by the implementation of the new mortgage model and a post model adjustment to migrate a cohort of the acquired Ulster Bank portfolio reflecting managements view that the risk of default may not be fully captured in the PD models given the portfolio's credit performance observed post acquisition.

Income statement

There was a € 30 million net credit impairment charge in the year to 31 December 2023 compared to a € 20 million writeback in 2022. This comprises a net remeasurement of ECL allowance charge of € 37 million and recoveries of previously written-off loans of € 7 million.

The key drivers of the net remeasurement of ECL allowance charge of € 37 million consist of the following components and activity:

- Slight deterioration in credit quality with net stage transfers resulting in a € 31 million charge and a further € 33 million charge was due to net remeasurements within stage.

- There was a € 21 million writeback primarily reflecting a reduction in the NPE resolution post model adjustment (€ 138 million), however this was largely offset by a € 102 million charge following the deployment of the new IFRS 9 mortgage model. Further details on post model adjustments are outlined on pages [140](#) and [141](#).
- The impact of the updated macroeconomic scenarios and weightings resulted in a € 4 million writeback.

The ECL allowance for the portfolio totalled € 0.3 billion providing ECL allowance cover of 0.9%. For the Stage 3 portfolio, the ECL allowance cover is 30% (2022: € 0.3 billion, 0.9% and 31% respectively).

Residential mortgages – page [162](#) and [163](#)

- Residential mortgage portfolio at amortised cost by segment, internal credit ratings and ECL staging.
- Estimated fair value of collateral held for the Group's residential mortgage portfolio.

Republic of Ireland residential mortgages – pages [164](#) and [165](#)

- Republic of Ireland residential mortgages portfolio at amortised cost by ECL staging.
- A profile of the Republic of Ireland residential mortgage portfolio by the indexed loan-to-value ratios.

Residual debt, which is now unsecured following the disposal of property on which the residential mortgage was secured, is included in the residential mortgage portfolio and as such, is included in the tables within this section.

Risk Management continued

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Residential mortgages continued

The following table analyses the residential mortgage portfolio at amortised cost by segment, internal credit ratings and ECL staging at 31 December 2023 and 2022:

	2023					2022				
	Retail Banking	Capital Markets	AIB UK	Group	Total	Retail Banking	Capital Markets	AIB UK	Group	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Gross carrying amount										
Owner occupier	32,068	405	854	—	33,327	27,526	429	928	—	28,883
Buy-to-let	1,315	71	51	—	1,437	1,238	99	59	—	1,396
Total	33,383	476	905	—	34,764	28,764	528	987	—	30,279
Analysed by internal credit ratings										
Strong	25,812	324	758	—	26,894	22,151	343	819	—	23,313
Satisfactory	5,758	140	68	—	5,966	4,832	168	89	—	5,089
Total strong/satisfactory	31,570	464	826	—	32,860	26,983	511	908	—	28,402
Criticised watch	891	10	33	—	934	865	9	37	—	911
Criticised recovery	247	—	4	—	251	303	2	4	—	309
Total criticised	1,138	10	37	—	1,185	1,168	11	41	—	1,220
Non-performing	675	2	42	—	719	613	6	38	—	657
Gross carrying amount	33,383	476	905	—	34,764	28,764	528	987	—	30,279
Analysed by ECL staging										
Stage 1	30,318	436	840	—	31,594	26,976	496	924	—	28,396
Stage 2	2,324	38	23	—	2,385	1,107	26	25	—	1,158
Stage 3	644	2	42	—	688	594	6	38	—	638
POCI	97	—	—	—	97	87	—	—	—	87
Total	33,383	476	905	—	34,764	28,764	528	987	—	30,279
ECL allowance – statement of financial position										
Stage 1	19	—	—	—	19	40	—	—	—	40
Stage 2	76	1	—	—	77	37	—	1	—	38
Stage 3	202	—	5	—	207	191	1	4	—	196
POCI	6	—	—	—	6	9	—	—	—	9
Total	303	1	5	—	309	277	1	5	—	283
ECL allowance cover percentage										
Stage 1	0.1	—	—	—	0.1	0.1	—	—	—	0.1
Stage 2	3.3	2.4	—	—	3.2	3.3	—	0.9	—	3.2
Stage 3	31.4	—	9.7	—	30.0	32.3	12.8	10.1	—	30.8
POCI	6.8	—	—	—	6.8	10.6	—	—	—	10.6
Income statement										
Net remeasurement of ECL allowance	36	1	—	—	37	(4)	—	(1)	—	(5)
Recoveries of amounts previously written-off	(7)	—	—	—	(7)	(14)	—	(1)	—	(15)
Net credit impairment charge/(writeback)	29	1	—	—	30	(18)	—	(2)	—	(20)

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers - residential mortgages

The following table shows the estimated fair value of collateral held for the Group's residential mortgage portfolio at 31 December 2023 and 2022. The value at 31 December 2023 and 2022 is estimated based on property values at origination or date of latest valuation and applying the CSO Residential Property Price Index (Republic of Ireland) and Nationwide House Price Index (Great Britain & Northern Ireland) to these values to take account of price movements in the interim.

	2023					2022				
	At amortised cost					At amortised cost				
	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
Fully collateralised⁽¹⁾										
Loan-to-value ratio:										
Less than 50%	16,866	1,275	434	55	18,630	15,109	691	375	45	16,220
50% – 70%	9,290	884	181	26	10,381	9,340	375	176	31	9,922
71% – 80%	2,500	149	35	5	2,689	2,288	56	40	5	2,389
81% – 90%	2,242	54	12	1	2,309	1,452	15	12	1	1,480
91% – 100%	615	9	8	1	633	123	6	11	—	140
	31,513	2,371	670	88	34,642	28,312	1,143	614	82	30,151
Partially collateralised										
Collateral value relating to loans over 100% loan-to-value	50	8	7	—	65	43	9	12	—	64
Total collateral value	31,563	2,379	677	88	34,707	28,355	1,152	626	82	30,215
Gross residential mortgages	31,594	2,385	688	97	34,764	28,396	1,158	638	87	30,279
ECL allowance	(19)	(77)	(207)	(6)	(309)	(40)	(38)	(196)	(9)	(283)
Net residential mortgages	31,575	2,308	481	91	34,455	28,356	1,120	442	78	29,996

(1) The value of collateral held for residential mortgages which are fully collateralised has been capped at the carrying value of the loans outstanding at each year end.

Risk Management continued

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Republic of Ireland residential mortgages

The following table analyses the Republic of Ireland residential mortgage portfolio at amortised cost by ECL staging at 31 December 2023 and 2022:

	2023			2022		
	Owner-occupier	Buy-to-let	Total	Owner-occupier	Buy-to-let	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Gross carrying amount	32,473	1,386	33,859	27,955	1,337	29,292
Analysed as to ECL staging						
Stage 1	29,628	1,126	30,754	26,321	1,151	27,472
Stage 2	2,171	191	2,362	1,024	109	1,133
Stage 3	582	64	646	526	74	600
POCI	92	5	97	84	3	87
Total	32,473	1,386	33,859	27,955	1,337	29,292
ECL allowance – statement of financial position						
Stage 1	18	1	19	39	1	40
Stage 2	70	7	77	35	2	37
Stage 3	179	23	202	172	20	192
POCI	5	1	6	8	1	9
Total	272	32	304	254	24	278
Republic of Ireland residential mortgages at amortised cost	32,201	1,354	33,555	27,701	1,313	29,014
ECL allowance cover percentage						
Stage 1	0.1	0.1	0.1	0.1	0.1	0.1
Stage 2	3.2	4.0	3.3	3.5	1.7	3.3
Stage 3	30.9	35.8	31.4	32.7	27.9	32.1
POCI	5.8	23.8	6.8	9.9	38.4	10.6
Income statement						
Net remeasurement of ECL allowance	28	9	37	26	(30)	(4)
Recoveries of amounts previously written-off	(4)	(3)	(7)	(10)	(4)	(14)
Net credit impairment charge/(writeback)	24	6	30	16	(34)	(18)

Republic of Ireland residential mortgages

Residential mortgages in Ireland amounted to € 33.9 billion at 31 December 2023 compared to € 29.3 billion at 31 December 2022. The portfolio has increased by € 4.6 billion in the year primarily due to the Ulster Bank tracker (and linked) mortgage portfolio acquisition totalling € 3.8 billion. Total drawdowns during the year were € 4.0 billion (2022: € 4.5 billion), of which 99% were to owner-occupiers.

The weighted average indexed loan-to-value of the stock of residential mortgages at 31 December 2023 was 49% (2022: 48%), new residential mortgages issued during the year was 71% (2022: 64%) and Stage 3 was 45% (2022: 46%). The increase in the weighted average of new mortgages issued during the year was driven by a significant reduction in the switcher market and aligning our mortgage offering to reflect changes made to the Central Bank of Ireland's macro prudential mortgage measures. These changes resulted in second and subsequent buyers being able to avail of a loan-to-value of up to 90%, which was previously up to 80%, and first time buyers loan-to-income limit being increased from 3.5 to 4 times gross income.

The split of the Irish residential mortgage portfolio is 96% owner-occupier and 4% buy-to-let and comprises € 19.6 billion (58%) fixed rate, € 7.3 billion (21%) variable rate and € 7.0 billion (21%) tracker rate mortgages (2022: € 17.6 billion (60%) fixed rate, € 6.8 billion (23%) variable rate and € 4.9 billion (17%) tracker rate mortgages).

Stage 3 loans remained at € 0.6 billion at 31 December 2023.

Residential mortgage arrears

Total concentration of loans in arrears (including non-performing loans) by value increased by 1.6% during the year (2022: 1.3%), with 1.5% of the owner-occupier portfolio and 4.0% of the buy-to-let portfolio in arrears (2022: 1.2% and 3.0% respectively). The increase was driven by a combination of inflationary pressure and higher interest rates. The number of loans in arrears (based on number of accounts) greater than 90 days were 1.3% at 31 December 2023 and remains below the industry average of 4.8%⁽¹⁾. For the owner-occupier portfolio, the number of loans in arrears greater than 90 days at 1.2% were below the industry average of 4.1%⁽¹⁾. For the buy-to-let portfolio, loans in arrears greater than 90 days at 2.2% were below the industry average of 11.7%⁽¹⁾.

(1) Source: Central Bank of Ireland ("CBI") Residential Mortgage Arrears and Repossessions Statistics published 16 December 2023 based on number of accounts as at 30 September 2023.

Forbearance

Irish residential mortgages subject to forbearance measures remained stable for 31 December 2023 at € 0.7 billion (2022: € 0.7 billion). Details of forbearance measures are set out on pages 175 and 176.

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Republic of Ireland residential mortgages continued

Indexed loan-to-value ratios of Republic of Ireland residential mortgages

The following table profiles the Republic of Ireland residential mortgage portfolio by the indexed loan-to-value ratios at 31 December 2023 and 2022:

(Audited)	2023					2022				
	At amortised cost					At amortised cost				
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Overall total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Overall total € m
Less than 80%	27,889	2,288	619	86	30,882	25,889	1,100	565	81	27,635
81-100%	2,796	61	19	2	2,878	1,527	20	21	1	1,569
100-120%	24	3	3	—	30	22	6	6	—	34
Greater than 120%	43	8	2	—	53	31	6	4	—	41
Total with LTVs	30,752	2,360	643	88	33,843	27,469	1,132	596	82	29,279
Unsecured	2	2	3	9	16	3	1	4	5	13
Total	30,754	2,362	646	97	33,859	27,472	1,133	600	87	29,292
Of which:										
Owner occupier										
Less than 80%	26,783	2,102	566	85	29,536	24,760	995	504	80	26,339
81-100%	2,782	59	11	2	2,854	1,514	18	13	1	1,546
100-120%	22	3	3	—	28	20	5	6	—	31
Greater than 120%	40	6	1	—	47	25	5	2	—	32
Total with LTVs	29,627	2,170	581	87	32,465	26,319	1,023	525	81	27,948
Unsecured	1	1	1	5	8	2	1	1	3	7
Total	29,628	2,171	582	92	32,473	26,321	1,024	526	84	27,955

Risk Management continued

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Other personal

The following table analyses other personal lending at amortised cost by segment, internal credit ratings and ECL staging at 31 December 2023 and 2022:

	2023					2022				
	Retail Banking	Capital Markets	AIB UK	Group	Total	Retail Banking	Capital Markets	AIB UK	Group	Total
Gross carrying amount	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Credit cards	700	9	23	—	732	644	8	23	—	675
Loans/overdrafts	2,125	36	47	—	2,208	1,956	41	51	—	2,048
Total	2,825	45	70	—	2,940	2,600	49	74	—	2,723
Analysed by internal credit ratings										
Strong	1,326	14	61	—	1,401	1,232	17	62	—	1,311
Satisfactory	1,153	29	6	—	1,188	1,015	29	7	—	1,051
Total strong/satisfactory	2,479	43	67	—	2,589	2,247	46	69	—	2,362
Criticised watch	253	1	2	—	256	163	1	2	—	166
Criticised recovery	14	—	—	—	14	14	—	1	—	15
Total criticised	267	1	2	—	270	177	1	3	—	181
Non-performing	79	1	1	—	81	176	2	2	—	180
Gross carrying amount	2,825	45	70	—	2,940	2,600	49	74	—	2,723
Analysed by ECL staging										
Stage 1	2,511	41	61	—	2,613	2,171	42	61	—	2,274
Stage 2	235	4	8	—	247	254	5	11	—	270
Stage 3	79	—	1	—	80	175	2	2	—	179
POCI	—	—	—	—	—	—	—	—	—	—
Total	2,825	45	70	—	2,940	2,600	49	74	—	2,723
ECL allowance – statement of financial position										
Stage 1	20	—	1	—	21	24	—	—	—	24
Stage 2	31	1	—	—	32	37	—	—	—	37
Stage 3	44	—	—	—	44	114	1	1	—	116
POCI	—	—	—	—	—	—	—	—	—	—
Total	95	1	1	—	97	175	1	1	—	177
ECL allowance cover percentage										
Stage 1	0.8	—	0.2	—	0.8	1.1	—	—	—	1.1
Stage 2	13.3	25.0	—	—	12.9	14.4	—	—	—	13.6
Stage 3	55.2	—	—	—	55.2	65.2	24.9	52.5	—	64.6
POCI	—	—	—	—	—	—	—	—	—	—
Income statement										
Net remeasurement of ECL allowance	40	—	—	—	40	22	—	—	—	22
Recoveries of amounts previously written-off	(4)	—	—	—	(4)	(5)	—	—	—	(5)
Net credit impairment charge	36	—	—	—	36	17	—	—	—	17

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Other personal continued

At 31 December 2023, the other personal lending portfolio of € 2.9 billion comprises € 2.2 billion in loans and overdrafts and € 0.7 billion in credit card facilities (2022: € 2.7 billion, € 2.0 billion and € 0.7 billion respectively). Credit quality of the portfolio improved slightly throughout the year, with 12% categorised as less than satisfactory, of which defaulted loans amounted to € 0.1 billion (2022: 13% and € 0.2 billion).

New lending totalled € 1.2 billion for the year to 31 December 2023 (2022: € 1.0 billion), however this was largely offset by redemptions/ repayments.

Total Stage 3 loans, predominantly in Retail Banking decreased by € 99 million following the sale of non-performing loan portfolios completed during the year.

Income statement

There was a net credit impairment charge of € 36 million to the income statement in the year to 31 December 2023 compared to a € 17 million net credit impairment charge in 2022. This comprises a net remeasurement of ECL allowance charge of € 40 million and recoveries of previously written-off loans of € 4 million.

The key drivers of the net remeasurement of ECL allowance charge of € 40 million consist of the following components and activity:

- There was a € 42 million charge driven predominantly by € 34 million downward net stage transfers together with € 8 million due to net remeasurements within stage.
- The impact of the updated macroeconomic scenarios and weightings resulted in a € 9 million writeback.

The ECL allowance for the portfolio totalled € 0.1 billion providing ECL allowance cover of 3%. For the Stage 3 portfolio, the ECL allowance cover is 55% with the reduction in the year driven by NPE portfolio sales (2022: € 0.2 billion, 7% and 65% respectively).

Risk Management continued

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Property and construction

The following table analyses property and construction lending at amortised cost by segment, internal credit ratings and ECL staging at 31 December 2023 and 2022.⁽¹⁾

	2023					2022				
	Retail Banking	Capital Markets	AIB UK	Group	Total	Retail Banking	Capital Markets	AIB UK	Group	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Gross carrying amount										
Investment:										
Residential investment	51	1,682	244	—	1,977	46	1,471	223	—	1,740
Student Housing	—	258	571	—	829	—	304	456	—	760
Housing associations	—	145	431	—	576	—	133	416	—	549
Commercial investment - Office	29	1,569	398	—	1,996	30	1,352	357	—	1,739
Commercial investment - Retail	47	891	58	—	996	62	855	88	—	1,005
Commercial investment - Mixed	66	852	132	—	1,050	66	878	122	—	1,066
Commercial investment - Industrial	27	310	155	—	492	26	290	86	—	402
Total investment	220	5,707	1,989	—	7,916	230	5,283	1,748	—	7,261
Land and development:										
Residential development	28	668	154	—	850	28	586	152	—	766
Commercial development	5	95	42	—	142	4	173	30	—	207
Total land and development	33	763	196	—	992	32	759	182	—	973
Contractors	203	83	43	—	329	190	124	69	—	383
Total	456	6,553	2,228	—	9,237	452	6,166	1,999	—	8,617
Analysed by internal credit ratings										
Strong	141	4,904	1,430	—	6,475	117	4,866	1,142	—	6,125
Satisfactory	200	850	681	—	1,731	180	816	719	—	1,715
Total strong/satisfactory	341	5,754	2,111	—	8,206	297	5,682	1,861	—	7,840
Criticised watch	33	244	19	—	296	33	57	22	—	112
Criticised recovery	24	21	30	—	75	30	196	33	—	259
Total criticised	57	265	49	—	371	63	253	55	—	371
Non-performing	58	534	68	—	660	92	231	83	—	406
Gross carrying amount	456	6,553	2,228	—	9,237	452	6,166	1,999	—	8,617
Analysed by ECL staging										
Stage 1	327	3,604	1,892	—	5,823	284	4,828	1,708	—	6,820
Stage 2	71	2,415	268	—	2,754	76	1,107	208	—	1,391
Stage 3	55	534	68	—	657	92	231	83	—	406
POCI	3	—	—	—	3	—	—	—	—	—
Total	456	6,553	2,228	—	9,237	452	6,166	1,999	—	8,617
ECL allowance – statement of financial position										
Stage 1	2	40	41	—	83	1	65	18	—	84
Stage 2	5	241	18	—	264	6	103	8	—	117
Stage 3	19	159	17	—	195	30	60	29	—	119
POCI	(1)	—	—	—	(1)	—	—	—	—	—
Total	25	440	76	—	541	37	228	55	—	320
ECL allowance cover percentage	%	%	%	%	%	%	%	%	%	%
Stage 1	0.5	1.1	2.2	—	1.4	0.4	1.3	1.0	—	1.2
Stage 2	7.5	10.0	6.7	—	9.6	7.5	9.3	4.1	—	8.5
Stage 3	34.5	29.8	24.2	—	29.7	32.7	26.1	35.2	—	29.4
POCI	(43.7)	—	—	—	(43.7)	—	—	—	—	—
Income statement	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	4	220	43	—	267	(53)	77	26	—	50
Recoveries of amounts previously written-off	(4)	(1)	(1)	—	(6)	(10)	(2)	—	—	(12)
Net credit impairment charge/(writeback)	—	219	42	—	261	(63)	75	26	—	38

(1) In 2023, the Group has disclosed the sector breakdown of the Group's commercial investment portfolio and exposures to housing associations are now presented within the Group's investment portfolio. In addition, the Group has presented certain construction activities (which were previously included within commercial development) as part of contractors. These changes in presentation provide more relevant information on the Group's property exposures. The 2022 comparative period has been restated with €104m (which was previously included within commercial development) now presented under contractors. Refer to note 1(c) for further information about the change in presentation of certain notes in the financial statements.

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Property and construction continued

The property and construction portfolio consists of € 9.2 billion in loans and advances to customers measured at amortised cost (2022: € 8.6 billion measured at amortised cost and € 0.2 billion measured at FVTPL totalling € 8.8 billion).

The portfolio measured at amortised cost amounted to 14% of loans and advances to customers and comprised 85% investment loans (€ 7.9 billion), 11% land and development loans (€ 1.0 billion) and 4% relating to contractor loans (€ 0.3 billion). The Capital Markets and AIB UK segments continue to account for the majority of this portfolio at 71% and 24% respectively.

The portfolio measured at amortised cost increased by € 0.6 billion in the year as new lending of € 2.0 billion (2022: € 2.7 billion), in addition to a further € 0.2 billion increase due to the Ulster Bank corporate and commercial portfolio acquisition, was partially offset by redemptions/repayments.

At 31 December 2023, € 8.2 billion of the portfolio was in a strong/satisfactory grade, which is an increase of € 0.4 billion in the year. The level of non-performing loans increased in the year to € 0.7 billion (2022: € 0.4 billion) due to the impact of higher interest rates.

Stage 2 loans have increased by € 1.4 billion to € 2.8 billion at 31 December 2023 (2022: € 1.4 billion). The increase in Stage 2 loans was driven by net stage transfers between Stage 1 to Stage 2 of € 2.2 billion primarily due to increased interest rates and reduced asset values impacting interest cover and refinance terms. These net transfers to Stage 2 were slightly offset by redemptions/repayments of € 0.6 billion.

Income statement

There was a net credit impairment charge of € 261 million to the income statement in the year to 31 December 2023 compared to a € 38 million charge in 2022. This comprises a net remeasurement of ECL allowance charge of € 267 million and recoveries of previously written-off loans of € 6 million.

The key drivers of the net remeasurement of ECL allowance charge of € 267 million consist of the following components and activity:

- A deteriorating staging composition led to an € 83 million charge driven predominantly by a net remeasurement within stage charge of € 56 million which was primarily impacted by Stage 2 (€ 34 million), together with a further € 27 million charge due to downward net stage transfers. New loans originated and the impact of the updated macroeconomic scenarios and weightings resulted in a € 19 million and € 10 million charge respectively, however these charges were offset by redemption and repayment activity writeback of € 30 million.
- In order to capture potential adverse sector impacts, additional ECL has been taken to address the increased risks through the use of an € 185 million post model adjustment charge. The main increases in the year reflect a € 77 million charge relating to Stage 3 cases to address latent risk in the portfolio and potential reduction in asset values. A € 70 million charge relates to the negative outlook for the ROI commercial real estate portfolio as a result of the higher interest rate environment, refinance risk and changing market dynamics. A further € 37 million charge in AIB UK also reflects the negative outlook for the UK commercial real estate portfolio and a strategic decision taken to consider an alternative exit strategy in respect of a cohort of non-core legacy loans. Further details on post model adjustments are outlined on pages [140](#) and [141](#).

The ECL allowance for the portfolio totalled € 0.5 billion providing ECL allowance cover of 6%. For the Stage 3 portfolio, the ECL allowance cover is 30% (2022: € 0.3 billion, 4% and 29% respectively).

Investment

Investment property loans amounted to € 7.9 billion at 31 December 2023 (2022: € 7.3 billion), of which, € 4.5 billion related to commercial investment. The geographic profile of the investment property portfolio is predominantly in the Republic of Ireland (€ 5.3 billion) and the United Kingdom (€ 2.0 billion).

The following are the key themes within the investment property sub-sectors in relation to the total property and construction portfolio:

- The residential investment sub-sector represents 21% of the portfolio at € 2.0 billion. The Irish housing market is currently characterised by a notable weakness in housing supply when compared with the underlying level of demand. Consequently, house price inflation has remained high throughout 2023 despite the higher interest rate environment.
- The student housing residential investment sub-sector represents 9% of the portfolio at € 0.8 billion. Notwithstanding the current inflationary market resulting in increased rental rates, this sub-sector continues to experience strong levels of occupancy and growth due to under-supply.
- The social housing residential investment sub-sector represents 6% of the portfolio at € 0.6 billion. Similar to other residential sub-sectors, social housing has remained resilient in both Ireland and the UK throughout 2023.
- The office commercial investment sub-sector represents 22% of the portfolio at € 2.0 billion. This sub-sector is challenged by increasing interest rates and economic uncertainties. Additionally, ESG requirements and hybrid working practices are key factors which will likely increase demarcation pressures in office pricing and headline rent between prime and non-prime locations. That said, occupancy and rents have remained robust across the entire office book, characterised by corporate and institutional ownership.
- The retail commercial investment sub-sector represents 11% of the portfolio at € 1.0 billion. Given the perceived higher risk profile, the retail sub-sector has been slower to recover post-COVID than other sub-sectors. However, there are early signs of stabilisation and recovery evident. Despite the current inflationary impact, strong occupier interest has been maintained and investor interest is building momentum.
- The mixed commercial investment sub-sector represents 11% of the portfolio at € 1.0 billion. The sub-sector consists of mixed investment properties including retail, office and residential with the outlook impacted by the current interest rate environment and economic uncertainty.
- The industrial commercial investment sub-sector represents 5% of the portfolio at € 0.5 billion. Rents continue to grow at a steady pace as a result of sustained demand but constrained supply. Of the new stock under construction and expected to be delivered in the final quarter of 2023 and during 2024, just under 40% is already pre-let or pre-sold.

At 31 December 2023, there was a net credit impairment charge of € 203 million to the income statement on the investment property element of the property and construction portfolio (2022: € 57 million charge).

Risk Management continued

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Property and construction continued

Land and development

Land and development loans amounted to € 1.0 billion at 31 December 2023 (2022: € 1.0 billion) of which € 0.8 billion related to loans in the Capital Markets segment and € 0.2 billion in the AIB UK segment.

The following are the key themes within the land and development property sub-sectors in relation to the total property and construction portfolio:

- The residential development sub-sector represents 9% of the property and construction portfolio at € 0.9 billion. Structural demand and supply imbalances continue to be enduring features of the residential market with increased policy intervention aimed at underpinning supply and supporting the viability of demand. Sales performance across residential developments remains strong and leasing activity and rent collections are robust. However, the number of new commencements slowed throughout 2023 in line with the impact of increasing interest rates and cost inflation.
- The commercial development sub-sector represents 2% of the portfolio at € 0.1 billion.

The income statement net credit impairment charge for the year was € 53 million (2022: € 18 million writeback).

Contractors

The contractors sub-sector represents 4% of the portfolio at € 0.3 billion (2022: € 0.4 billion). The demand for this sub-sector is underpinned by public works and residential projects. This sub-sector continues to face challenges in the current market such as a shortage in skilled labourers, supply chain disruptions and input cost inflation (wages and interest rates).

2.1.4 Credit risk – Credit profile of the loan portfolio – Asset class analysis continued

Loans and advances to customers – Non-property business

The following table analyses non-property business lending at amortised cost by segment, internal credit ratings and ECL staging at 31 December 2023 and 2022:

(Audited)	2023					2022				
	Retail Banking	Capital Markets	AIB UK	Group	Total	Retail Banking	Capital Markets	AIB UK	Group	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Gross carrying amount ⁽¹⁾										
Natural resources	20	2,049	1,541	—	3,610	21	1,518	1,422	—	2,961
Of which renewables	—	1,695	1,212	—	2,907	—	1,212	978	—	2,190
Leisure	340	1,876	450	—	2,666	407	1,825	678	—	2,910
Manufacturing	141	2,256	122	—	2,519	163	2,498	188	—	2,849
Health, education and social work	112	1,344	576	—	2,032	112	1,228	672	—	2,012
Services	504	1,272	288	—	2,064	459	1,081	292	—	1,832
Agriculture, forestry and fishing	1,338	382	60	—	1,780	1,191	397	67	—	1,655
Retail and wholesale trade	398	1,257	92	—	1,747	419	1,172	160	—	1,751
Transport and storage	192	1,017	501	—	1,710	189	1,037	435	—	1,661
Telecomms, media and technology	35	1,203	156	—	1,394	36	1,061	133	—	1,230
Financial, insurance and other government activities	27	357	94	28	506	29	360	98	15	502
Total	3,107	13,013	3,880	28	20,028	3,026	12,177	4,145	15	19,363
Of which Syndicated & International Finance (SIF)	—	2,618	—	—	2,618	—	3,003	—	—	3,003
Analysed by internal credit ratings										
Strong	809	8,601	2,907	9	12,326	794	7,587	2,740	—	11,121
Satisfactory	1,853	3,435	525	19	5,832	1,627	3,010	633	15	5,285
Total strong/satisfactory	2,662	12,036	3,432	28	18,158	2,421	10,597	3,373	15	16,406
Criticised watch	153	637	121	—	911	180	429	142	—	751
Criticised recovery	75	227	136	—	438	84	980	367	—	1,431
Total criticised	228	864	257	—	1,349	264	1,409	509	—	2,182
Non-performing	217	113	191	—	521	341	171	263	—	775
Gross carrying amount	3,107	13,013	3,880	28	20,028	3,026	12,177	4,145	15	19,363
Analysed by ECL staging										
Stage 1	2,490	11,454	3,250	28	17,222	2,374	9,951	3,032	15	15,372
Stage 2	402	1,445	439	—	2,286	312	2,055	850	—	3,217
Stage 3	196	111	191	—	498	340	171	263	—	774
POCI	19	3	—	—	22	—	—	—	—	—
Total	3,107	13,013	3,880	28	20,028	3,026	12,177	4,145	15	19,363
ECL allowance – statement of financial position										
Stage 1	13	62	56	—	131	23	67	25	—	115
Stage 2	32	198	32	—	262	32	337	85	—	454
Stage 3	83	60	45	—	188	133	71	65	—	269
POCI	(7)	(1)	—	—	(8)	—	—	—	—	—
Total	121	319	133	—	573	188	475	175	—	838
ECL allowance cover percentage	%	%	%	%	%	%	%	%	%	%
Stage 1	0.5	0.5	1.7	—	0.8	1.0	0.7	0.8	—	0.7
Stage 2	8.0	13.7	7.2	—	11.4	10.3	16.4	10.0	—	14.1
Stage 3	42.4	53.6	23.7	—	37.8	39.1	41.5	24.7	—	34.8
POCI	(36.9)	(56.6)	—	—	(39.0)	—	—	—	—	—
Income statement	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	2	(120)	(10)	—	(128)	(66)	19	30	—	(17)
Recoveries of amounts previously written-off	(7)	(1)	(2)	—	(10)	(9)	(1)	(3)	—	(13)
Net credit impairment (writeback)/charge	(5)	(121)	(12)	—	(138)	(75)	18	27	—	(30)

(1) In 2023, the Group undertook a review of the sector codes included under the non-property business asset class. These changes in presentation provide more relevant information on the Group's non-property business exposures and aligns to how these sub-sectors are managed and reported internally. The 2022 comparative period has also been restated. Refer to note 1(c) for further information about the change in presentation of certain notes to the financial statements.

Risk Management continued

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Non-property business continued

The non-property business portfolio includes small and medium enterprises (“SMEs”) which are reliant on the domestic economies in which they operate. In addition to SMEs, the portfolio also includes exposures to larger corporate and institutional borrowers which are impacted by global economic conditions. The largest geographic concentration of the portfolio exposure is to Irish borrowers (54%) with the UK (25%) and USA (10%) being the other main geographic concentrations.

The non-property business portfolio consists of € 20.1 billion in loans and advances to customers measured at amortised cost and € 42 million of loans measured at FVTPL.

The portfolio measured at amortised cost increased by € 0.7 billion to € 20.1 billion in the year at 31 December 2023 (2022: € 19.4 billion). New lending accounted for € 5.0 billion (2022: € 4.3 billion) with a further € 0.7 billion increase due to the Ulster Bank corporate and commercial portfolio acquisition which is spread across the majority of sub-sectors. These increases in the portfolio were partially offset by redemptions/repayments. The non-property business portfolio amounted to 30% of total Group loans and advances to customers in the year (2022: 32%).

The asset quality of the portfolio has remained generally resilient in the face of inflationary pressures. Loans graded as strong/satisfactory improved in the year to 31 December 2023 at 91% (2022: 85%). The value of loans graded less than satisfactory (including defaulted loans) decreased from € 3.0 billion at 31 December 2022 to € 1.9 billion at 31 December 2023. The performing forbore portfolio, seen in the criticised recovery category, decreased by € 1.0 billion to € 0.4 billion in the year (2022: € 1.4 billion), as borrowers successfully demonstrated repayment capacity over 24 months.

The following are the key themes within the main sub-sectors of the non-property business portfolio:

- The natural resources sub-sector comprises 18% of the portfolio at € 3.6 billion. This sub-sector continues to be a strong focus of growth for the Group which reflects the increase of € 0.6 billion in the year. This was driven by new lending of € 0.8 billion to this sub-sector which primarily relates to renewable energy initiatives (wind and solar). This sub-sector contributes to the achievement of the Group’s sustainability ambitions, which are funded by the Group’s Green Bond issuance. The outlook is one of continued growth with strong demand, as economies transition away from fossil fuels to meet climate goals and to increase energy security after a period of heightened geopolitical energy concerns;
- The leisure sub-sector comprises 13% of the portfolio at € 2.7 billion. In the final quarter of 2023, the hotels sector performed strongly on a ‘Revenue per Available Room’ basis boosted by a strong recovery in international leisure travel and sustained domestic demand. The outlook remains challenging owing to ongoing operational cost inflation (energy, staffing, food and beverage), potential recessionary impact on disposable income and staff availability. This sub-sector includes licensed premises which comprises 3% of the portfolio at € 0.6 billion. Most operators of both city centre and suburban premises are reporting sustained levels of trade greater than pre-pandemic levels. Inflationary pressures in energy prices is somewhat reducing however remains elevated. Wages, insurance and price increases from suppliers remains high with the reversal of the VAT rate to 13.5% presenting a real concern within the industry;
- The manufacturing sub-sector comprises 13% of the portfolio at € 2.5 billion. Performance was stable as many operators successfully passed through cost increases or mitigated inflationary pressures through operational efficiencies. Multinational manufacturers in Ireland continue to invest heavily in their facilities, which has positive downstream implications for operators within their sub-supply chain. Although overall food exports fell slightly in 2023, as inflation and cost of living pressures impacted consumer spend, they remained significantly up on pre-pandemic levels with exporters optimistic around expected market growth in 2024;
- The health, education and social work sub-sector comprises 10% of the portfolio at € 2.0 billion. Cost inflation has impacted nursing homes (including increased energy, labour and food costs) against fixed price contracts. However, there is evidence of increases as contracts are renegotiated upon expiry, with new deeds for shorter terms enabling any further cost increases to be addressed more expeditiously. Whilst short term pressure will continue particularly for those homes locked into current contracts for a further year, medium/long term outlook is positive given favourable demographic trends showing a growing demand for high quality beds, and demand outstripping supply in most locations;
- The services sub-sector comprises 10% of the portfolio at € 2.1 billion, and includes professional services (accounting, legal and architectural/engineering activities) and other services, a more diverse grouping which includes contract services, machinery & equipment, management consultancy, research & development and public/community groups. With performance of services businesses in part correlated to the performance of the domestic and global economy, the trading environment and outlook for 2024 is relatively positive, with inflation beginning to reduce;
- The agriculture, forestry and fishing sub-sector represents 9% of the portfolio at € 1.8 billion. 2023 was a mixed year for Irish Agriculture with farm incomes reducing from historic highs back towards five and ten-year average income levels. Input costs on farms continued to reduce in 2023 with the sector expectation that this trend will continue in 2024. Teagasc are forecasting that farm incomes will increase across all sectors (except pig farming) in 2024. This is due to improved commodity prices and lower input costs. The transition of activities to more climate friendly and sustainable methods will continue to be a key challenge in 2024;
- The retail and wholesale sub-sector comprises 9% of the portfolio at € 1.8 billion. Grocery retail/wholesalers continued to trade well and whilst price inflation is a continuing concern, increased food costs are mostly being passed on to the customer. Sector pressures include labour shortages and wage cost inflation. Outlook is more challenging for cyclical high discretionary retail which faces challenges including inflation and associated interest rate increases/impact on disposable incomes and continued shift in industry dynamics including the transition of ‘bricks and mortar’ to online;
- The transport and storage sub-sector comprises 9% of the portfolio at € 1.7 billion and consists primarily of logistic, storage and travel businesses. Whilst fuel prices have eased, the reintroduction of excise duty ultimately increased fuel prices for hauliers in the second half of 2023. Larger haulage operators benefit from fuel surcharge agreements allowing the efficient pass through of price increases. Long lead in times remain for sourcing certain new vehicles and brands. Demand for logistics and warehousing remains strong as a result of sustained online retail purchasing since COVID-19 and the necessity for essential supply chains to remain robust, albeit light and heat costs remain a key consideration. The travel sector has rebounded in the year to 31 December 2023;
- The telecommunications, media and technology sub-sector comprises 7% of the portfolio at € 1.4 billion. Despite headwinds including inflation and wage cost pressures, telecommunications and media continue to prove resilient, with telecommunications continuing to benefit from wider society changes and demand and need for more connected digital and physical environments. The acceleration of 5G in the medium term will see wider growth and opportunities in the sector. Outlook for technology is positive and whilst inflationary wage pressures are squeezing margins, sub-sectors such as IT services, business to business software services and e-commerce will continue to grow at an accelerated pace; and
- The financial, insurance and other government activities sub-sector comprises 2% of the portfolio at € 0.5 billion. This sub-sector proved resilient in 2023 despite emerging stresses in US and European markets. Insurance businesses continued to perform well during 2023 as a result of the demand for housing and insurance related products.

2.1.4 Credit risk – Asset class analysis continued

Loans and advances to customers – Non-property business continued

Income statement

There was a net credit impairment writeback of € 138 million to the income statement in the year to 31 December 2023 compared to a € 30 million writeback in 2022. This comprises a net remeasurement of ECL allowance writeback of € 128 million and recoveries of previously written-off loans of € 10 million.

The key drivers of the net remeasurement of ECL allowance writeback of € 128 million consist of the following components and activity:

- Improvements in stage composition led to an € 18 million writeback due to net stage transfers. Strong redemption and repayment activity was also evident resulting in an € 86 million writeback, which continues to impact predominantly within Stage 2 with a € 69 million writeback driven by loans that fully repaid. However, these writebacks were partially offset by a € 43 million net remeasurement charge in addition to a further € 16 million charge on new loans originated.
- Post model adjustments resulted in a € 67 million writeback. This writeback primarily relates to a net reduction in the Stage 3 NPE resolution post model adjustment (€ 28 million), Capital Markets corporate model post model adjustment reflecting the resilient performance of the underlying portfolios and cases completing forbearance probation periods (€ 20 million) and the Retail Banking cost of living post model adjustment which is now reflected in the modelled outcome (€ 18 million). Further details on post model adjustments are outlined on pages [140](#) and [141](#).
- The impact of the updated macroeconomic scenarios and weightings resulted in a € 16 million writeback.

The ECL allowance for the portfolio totalled € 0.6 billion providing ECL allowance cover of 3%. For the Stage 3 portfolio, the ECL allowance cover is 38% (2022: € 0.8 billion, 4% and 35% respectively).

Syndicated & International Finance

The Syndicated & International Finance (“SIF”) business unit, which is a specialised lending unit within Capital Markets, is involved in participating in the provision of finance to US and European corporations for mergers, acquisitions, buy-outs and general corporate purposes. The SIF non-property portfolio has reduced by € 0.4 billion to € 2.6 billion at 31 December 2023 (2022: € 3.0 billion). The reduction reflects the Group’s risk appetite for the finance opportunities in these markets during 2023 and the preference for selected growth in syndicated lending to large scale international corporates.

At 31 December 2023, 96% of the SIF lending portfolio is in a strong/satisfactory grade (2022: 94%). The profile of the portfolio from a staging perspective consists of € 2.2 billion in Stage 1, € 0.4 billion in Stage 2 and € 7 million in Stage 3 (2022: Stage 1: € 2.4 billion, Stage 2: € 0.6 billion and Stage 3: € 36 million). 86% of the SIF portfolio is rated by S&P, with 70% rated B+ or above, 13% rated B and 3% rated B- or below. The majority of the loans (84%) are to large borrowers with EBITDA > € 250 million with the top 20 borrowers accounting for 31% of total exposure. Exposures are diversified across all non-property business sub-sectors, however manufacturing (25%), telecommunications, media & technology (22%) and services (20%) are the primary sectoral concentrations. 56% of the borrowers in this portfolio are domiciled in the USA, 7% in the UK, and 37% in the Rest of the World (primarily Europe - 36%) (2022: 62% in the USA, 4% in the UK and 34% in the Rest of the World (primarily Europe - 31%) respectively).

The SIF portfolio had a net credit impairment writeback to the income statement in 2023 of € 27 million (2022: € 32 million charge).

Risk Management continued

2.1.5 Credit risk - Credit ratings

External credit ratings of certain financial assets (audited)

The following table sets out the credit quality of certain financial assets based on available external credit ratings at 31 December 2023 and 2022. These comprise loans and advances to banks of € 1,329 million (2022: € 1,502 million), securities financing of € 6,466 million (2022: € 6,282 million), and investment debt securities at amortised cost of € 4,510 million (2022: € 4,131 million) and at FVOCI of € 12,488 million (2022: € 11,837 million) and trading portfolio financial assets of € 84 million (2022: Nil). Information on the credit ratings for loans and advances to customers where an external credit rating is available is disclosed on page 173.

(Audited)											2023	
	At amortised cost					At FVOCI					At FVTPL	Total
	Bank € m	Corporate € m	Sovereign € m	Other € m	Total € m	Bank € m	Corporate € m	Sovereign € m	Other € m	Total € m	Sovereign € m	€ m
AAA/AA	1,725	—	2,307	1,720	5,752	4,630	157	4,321	454	9,562	84	15,398
A/A-	4,829	1,126	16	192	6,163	1,312	314	265	—	1,891	—	8,054
BBB+/BBB/ BBB-	19	203	33	5	260	256	151	628	—	1,035	—	1,295
Sub investment	—	73	—	—	73	—	—	—	—	—	—	73
Unrated	2	55	—	—	57	—	—	—	—	—	—	57
Total	6,575	1,457	2,356	1,917 ⁽¹⁾	12,305	6,198	622	5,214 ⁽²⁾	454	12,488	84	24,877
Of which:												
Stage 1	6,575	1,449	2,356	1,917	12,297	6,198	622	5,214	454	12,488	84	24,869
Stage 2	—	8	—	—	8	—	—	—	—	—	—	8
Stage 3	—	—	—	—	—	—	—	—	—	—	—	—

(Audited)											2022	
	At amortised cost					At FVOCI					At FVTPL	Total
	Bank € m	Corporate € m	Sovereign € m	Other € m	Total € m	Bank € m	Corporate € m	Sovereign € m	Other € m	Total € m	Sovereign € m	€ m
AAA/AA	440	—	2,171	1,405	4,016	4,008	110	4,048	453	8,619	—	12,635
A/A-	6,442	962	15	195	7,614	1,408	216	213	—	1,837	—	9,451
BBB+/BBB/ BBB-	10	9	32	5	56	347	173	861	—	1,381	—	1,437
Sub investment	—	92	—	—	92	—	—	—	—	—	—	92
Unrated	2	112	—	23	137	—	—	—	—	—	—	137
Total	6,894	1,175	2,218	1,628 ⁽¹⁾	11,915	5,763	499	5,122 ⁽²⁾	453	11,837	—	23,752
Of which:												
Stage 1	6,894	1,167	2,218	1,628	11,907	5,763	499	5,122	453	11,837	—	23,744
Stage 2	—	8	—	—	8	—	—	—	—	—	—	8
Stage 3	—	—	—	—	—	—	—	—	—	—	—	—

(1) Relates to asset backed securities.

(2) Includes supranational banks and government agencies.

2.1.6 Credit risk - Forbearance overview

Additional credit quality and forbearance disclosures on loans and advances to customers

Forbearance

Overview

Forbearance occurs when a customer is granted a temporary or permanent concession or an agreed change to the existing contracted terms of a facility ('forbearance measure'), for reasons relating to the actual or apparent financial stress or distress of that customer. This also includes a total or partial refinancing of existing debt due to a customer availing of an embedded forbearance clause(s) in their contract. A forbearance agreement is entered into where the customer is in financial difficulty to the extent that they are unable to meet their loans to the Group in compliance with the existing agreed contracted terms and conditions. A concession or an agreed change to the contracted terms can be of a temporary (e.g. interest only) or permanent (e.g. term extension) nature.

The Group uses a range of initiatives to support its customers. The Group considers requests from customers who are experiencing cash flow difficulties on a case by case basis in line with the Group's Forbearance Policy and relevant procedures, and completes an affordability/repayment capacity assessment taking account of factors such as current and likely future financial circumstances, the customer's willingness to resolve such difficulties, and all relevant legal and regulatory obligations to ensure appropriate and sustainable measures are put in place.

Group credit policies, supported by relevant processes and procedures, are in place which set out the policy rules and principles underpinning the Group's approach to forbearance, ensuring the forbearance measure(s) provided to customers are affordable and sustainable, and in line with relevant regulatory requirements. Key principles include supporting viable Small and Medium Enterprises ("SMEs"), and providing support to enable customers to remain in their family home, whenever possible. The Group has implemented the standards for the Codes of Conduct in relation to customers in actual or apparent financial stress or distress, as set out by the Central Bank of Ireland ("the Central Bank"), ensuring these customers are dealt with in a professional and timely manner.

A request for forbearance is a trigger event for the Group to undertake an assessment of the customer's financial circumstances prior to any decision to grant a forbearance measure. This may result in the downgrading of the credit grade assigned and an increase in the expected credit loss. Facilities to which forbearance has been applied continue to be classified as forborne until an appropriate probation period has passed (minimum 24 months).

The effectiveness of forbearance measures over the lifetime of the arrangements are subject to ongoing management review and monitoring of forbearance. A forbearance measure is deemed to be effective if the customer meets the revised or original terms of the contract over a sustained period of time resulting in an improved outcome for the Group and the customer.

Mortgage portfolio

Under the mandate of the Central Bank's Code of Conduct on Mortgage Arrears ("CCMA"), the Group introduced a four-step process called the Mortgage Arrears Resolution Process, or MARP. This process aims to engage with, support and find resolution for mortgage customers (for their primary residence only) who are in arrears, or are at risk of going into arrears.

The four step process is summarised as follows:

- Communications – We are here to listen, support and provide advice;
- Financial information – To allow us to understand the customer's finances;
- Assessment – We use the financial information to assess the customer's situation; and
- Resolution – We work with the customer to find an appropriate resolution.

The core objective of the process is to determine appropriate and sustainable solutions that, where possible, help to keep customers in their family home. In addition to relevant temporary forbearance measures (such as interest only and capital and interest moratorium), this includes permanent forbearance measures which have been devised to assist existing Republic of Ireland primary residential mortgage customers in financial difficulty. This process may result in debt write-off, where appropriate. The types of permanent forbearance solutions currently include; arrears capitalisation, term extension, split mortgages, mortgage to rent, voluntary sale for loss and negative equity trade down.

Non-mortgage portfolio

The Group also has in place forbearance measures for customers in the non-mortgage portfolio and Buy-To-Let mortgages (BTLs) who are in financial difficulty.

This approach is based on customer affordability and sustainability by applying the following core principles:

- Customers must be treated objectively and consistently;
- Customer circumstances and debt obligations must be viewed holistically; and
- Solutions will be appropriately provided where customers are co-operative, and are willing but unable to pay.

The forbearance process is one of structured engagement to assess the long term levels of sustainable and unsustainable debt. The commercial aspects of this process require that customer affordability is viewed comprehensively, to include all available sources of finance for debt repayment, including unencumbered assets.

Types of non-mortgage forbearance include temporary measures (such as interest only and capital and interest moratorium) and permanent measures (such as term extension and arrears capitalisation). This process may result in debt write-off, where appropriate.

Risk Management continued

2.1.6 Credit risk - Forbearance overview continued

Additional credit quality and forbearance disclosures on loans and advances to customers

Forbearance

The following table sets out the internal credit ratings and ECL staging of forborne loans and advances to customers at 31 December 2023 and 2022:

Analysed by forbearance type	2023					2022				
	At amortised cost					At amortised cost				
	Residential mortgages	Other personal	Property and construction	Non-property business	Total	Residential mortgages	Other personal	Property and construction	Non-property business	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Temporary forbearance	342	7	19	225	593 ⁽¹⁾	374	19	74	842	1,309 ⁽¹⁾
Permanent forbearance	335	24	271	536	1,166 ⁽²⁾	378	47	479	1,044	1,948 ⁽²⁾
	677	31	290	761	1,759	752	66	553	1,886	3,257
Analysed by internal credit ratings										
Strong	—	—	—	—	—	—	—	—	—	—
Satisfactory	—	—	—	—	—	—	—	—	—	—
Total strong/satisfactory	—	—	—	—	—	—	—	—	—	—
Criticised watch	—	—	—	—	—	—	—	—	—	—
Criticised recovery	251	14	75	438	778	309	15	259	1,431	2,014
Total criticised	251	14	75	438	778	309	15	259	1,431	2,014
Non-performing	426	17	215	323	981	443	51	294	455	1,243
Gross carrying amount	677	31	290	761	1,759	752	66	553	1,886	3,257
Analysed by ECL staging										
Stage 1	27	—	—	18	45	2	—	19	98	119
Stage 2	184	14	75	421	694	246	15	240	1,333	1,834
Stage 3	397	17	215	320	949	424	51	294	455	1,224
POCI	69	—	—	2	71	80	—	—	—	80
Total	677	31	290	761	1,759	752	66	553	1,886	3,257
ECL allowance	140	10	87	201	438	151	32	146	424	753

(1) Of which: interest only € 272 million, payment moratorium € 165 million, reduced payment € 83 million (2022: of which: interest only € 715 million, payment moratorium € 401 million, reduced payment € 107 million).

(2) Of which: arrears capitalisation and term extension € 585 million, amendment to or non-enforcement of financial covenant € 164 million, restructure € 267 million (2022: of which: arrears capitalisation and term extension € 728 million, amendment to or non-enforcement of financial covenant € 596 million, restructure € 409 million).

The Group continues to support its existing customers ensuring they are provided with the appropriate forbearance measures, particularly given the current macro environment where customers may seek forbearance measures as a result of inflationary pressures and subsequent affordability issues as the costs of household goods and services rise, including mortgage repayments as a result of higher interest rates.

The total forbearance portfolio has decreased by € 1.5 billion to € 1.8 billion in the year (2022: € 3.3 billion). The decrease was driven by the performing forborne element of the portfolio in criticised recovery which decreased by € 1.2 billion, due to lower inflows and customers previously impacted by COVID-19 who have continued to perform well having completed their probation criteria to exit forbearance. The overall reduction in the year was primarily in the non-property business portfolio which decreased by € 1.1 billion as cases predominantly in the leisure sector exited forbearance.

2.2 Liquidity and funding risk

Liquidity risk is the risk that the Group will not be able to fund its assets and meet its payment obligations as they fall due, without incurring unacceptable costs or losses. Funding is the means by which liquidity is generated, e.g. secured or unsecured, corporate or retail. In this respect, funding risk is the risk that a specific form of liquidity cannot be obtained at an acceptable cost.

Identification and assessment

Liquidity and funding risk is identified and assessed by the Group's Material Risk Assessment ('MRA') process in support of the Internal Liquidity Adequacy Assessment Process ('ILAAP'). The MRA process is a 'top-down' assessment performed on at least an annual basis and identifies the key material risks to the Group, taking into account its strategic objectives, in addition to internal and external risk information.

The ILAAP is fully integrated and embedded in the strategic, financial and risk management processes of the Group. Embedding of the ILAAP is facilitated through the setting of risk appetite and ensuring that liquidity considerations are factored into all key strategic decisions.

The Group has a comprehensive ILAAP Framework for managing the Group's liquidity risk and complying with the Board's risk appetite as well as evolving regulatory standards. This is delivered through a combination of policy formation, governance, analysis, stress testing and limit setting and monitoring, and is part of the wider Risk Management Framework.

Management and measurement *(audited)*

The objective of liquidity management is to ensure that, at all times, the Group holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties at an economic price. The ILAAP Framework and supporting Funding and Liquidity risk policy set out the key requirements for managing the risk. These include:

- Adherence to both internal limits and regulatory defined liquidity ratios including the Liquidity Coverage Ratio ('LCR') and the Net Stable Funding Ratio ('NSFR'). The LCR is designed to promote short term resilience of the Group's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of one year and has been developed to promote a sustainable maturity structure of assets and liabilities;

- Performing a multiyear projection of the Group's funding sources taking into account its baseline scenario, strategy and operational plans as outlined in the Group's Funding and Liquidity Plan. The purpose of this Plan is to set out a comprehensive, forward looking liquidity and funding strategy for the Group including subsidiary companies;
- Assessing the Funding and Liquidity Plan under a range of adverse scenarios, the outcomes of which should ensure sufficient liquidity to implement a sustainable strategy even in a stressed environment;
- Maintaining a Contingency Funding Plan that identifies and quantifies actions that are available to the Group in deteriorating liquidity conditions and to help it emerge from a temporary liquidity crisis as a credit worthy institution;
- Monitoring a further set of triggers and liquidity options outlined in the Group's Recovery Plan, which presents the actions available to the Group to restore viability in the event of extreme stress; and
- Having an approved liquidity cost-benefit allocation mechanism in place to attribute funding costs, benefits and risks to the Group's business lines.

Monitoring, escalating and reporting

The Group liquidity and funding position is reported regularly to the Finance and Risk functions, Group Asset and Liability Committee ('ALCo'), Group Risk Committee ('GRC') and Board Risk Committee ('BRC'). In addition, the Executive Committee ('ExCo') and the Board are briefed on liquidity and funding on an ongoing basis.

On an annual basis, the Board attests to the Group's liquidity adequacy via the liquidity adequacy statement as part of the ILAAP. The Group's ILAAP encompasses all aspects of liquidity and funding management, including planning, analysis, stress testing, control, governance, policy and contingency planning. This document is submitted to the Joint Supervisory Team and forms the basis of their supervisory review and evaluation process.

Risk Management continued

2.2 Liquidity and funding risk continued

Management of the Group liquidity pool

The Group manages the liquidity pool on a centralised basis and is primarily comprised of government guaranteed bonds, balances with central banks and internal and external covered bonds. The composition of the liquidity pool is subject to limits recommended by the Risk function and approved by the Board.

At 31 December 2023, the Group held € 67,776 million (2022: € 61,077 million) in qualifying liquid assets 'QLA'⁽¹⁾ of which € 6,903 million (2022: € 7,845 million) was not available due to repurchase, secured loans and other restrictions.

At 31 December 2023, the Group's available QLA was € 60,873 million (2022: € 53,232 million). During 2023, available QLA ranged from € 52,170 million to € 62,747 million (2022: € 48,105 million to € 54,295 million) and the average balance was € 55,905 million (2022: € 50,242 million).

(1) QLA are assets that can be readily converted into cash, either with the market or with the monetary authorities, and where there is no legal, operational or prudential impediments to their use as liquid assets.

The Group's available QLA increased in 2023 by € 7,641 million which was predominantly due to an increase in customer deposits in Ireland as well as retained and senior debt issuance, offset by an increase in customer loans, covered bond maturities and securities financing activities where cash was exchanged for non-QLA eligible collateral.

Other contingent liquidity

The Group has access to other unencumbered assets, providing a source of contingent liquidity, which are not in the Group's liquidity pool. However, these assets may be monetised in a stress scenario to generate liquidity through use as collateral for secured funding or outright sale.

Liquidity stress testing

Liquidity stress testing is a key component of the ILAAP framework. The purpose of these tests is to ensure the continued stability of the Group's liquidity position within the Group's pre-defined liquidity risk tolerance levels. The Group undertakes liquidity stress testing that includes both firm specific and systemic risk events and a combination of both as a key liquidity control. Stressed assumptions are applied to the Group's liquidity buffer and liquidity risk drivers. This estimates the potential impact of a range of stress scenarios on the Group's liquidity position. Actions and strategies available to mitigate the impacts of the stress scenarios are evaluated as to their appropriateness. Liquidity stress test results are reported to the ALCo, ExCo and Board.

Liquidity regulation

The Group is required to comply with the liquidity requirements of the Single Supervisory Mechanism/Central Bank of Ireland and also with the requirements of local regulators in jurisdictions in which it operates. The Group adheres to these requirements.

	2023	2022
Liquidity metrics	%	%
Liquidity Coverage Ratio	199	192
Net Stable Funding Ratio	159	164

The Group monitors and reports its liquidity positions against Capital Requirements Regulation (CRR2) and other related liquidity regulations (LCR Delegated Act). It has fully complied with the minimum LCR and NSFR requirements of 100% during 2023 with ratios well in excess of this level.

Funding structure (audited)

The Group's funding strategy is to deliver a sustainable, diversified and robust customer deposit base at economic pricing and to further enhance and strengthen the wholesale funding franchise with appropriate access to term markets to support core lending activities. The strategy aims to deliver a solid funding structure that complies with internal and regulatory policy requirements and reduces the probability of a liquidity stress, i.e. an inability to meet funding obligations as they fall due.

Customer deposits represent the largest source of funding for the Group with the core retail franchises and accompanying deposit base in both Ireland and the UK providing a stable and reasonably predictable source of funds.

	2023	2022
Customer accounts (audited)	€ m	€ m
Total	104,782	102,359
Of which:		
Euro	93,732	89,816
Sterling	9,237	10,478
US dollar	1,608	1,925
Other currencies	205	140

Customer accounts increased by € 2,423 million in 2023 driven by higher personal balances and inflows from banks exiting the Irish market. This was reflected in higher Euro time deposit accounts offset by a reduction across all other Group significant currencies (GBP and USD). The decrease in GBP deposits was primarily driven by an increase in customer spending due to the higher cost of living and the residual impact of the Group's decision to exit the SME market in Great Britain. There was an underlying decrease in GBP and USD deposits of € 1,686 million on a constant currency basis coupled with a € 58 million decrease in the value of USD offset by a € 186 million increase in the value of GBP deposits due to currency movements.

2.2 Liquidity and funding risk continued

Composition of wholesale funding⁽¹⁾ (audited)

The Group maintains access to a variety of sources of wholesale funding including bank deposits, securities financing, debt securities and subordinated debt. At 31 December 2023, total wholesale funding outstanding was € 12,251 million (2022: € 10,019 million) of which € 2,805 million is due to mature in less than one year (2022: € 2,507 million).

(Audited)

									2023
	< 1 month € m	1-3 months € m	3-6 months € m	6-12 months € m	Total < 1 year € m	1-3 years € m	3-5 years € m	> 5 years € m	Total € m
Deposits by central banks and banks	1,040	452	—	—	1,492	98	190	—	1,780
Securities financing	358	217	—	—	575	—	—	—	575
Senior debt	—	—	738	—	738	2,786	1,643	3,229	8,396
ACS	—	—	—	—	—	—	5	22	27
Subordinated liabilities and other capital instruments	—	—	—	—	—	—	—	1,473	1,473
Total 31 December	1,398	669	738	—	2,805	2,884	1,838	4,724	12,251
Of which:									
Secured	358	217	—	—	575	98	195	22	890
Unsecured	1,040	452	738	—	2,230	2,786	1,643	4,702	11,361
	1,398	669	738	—	2,805	2,884	1,838	4,724	12,251

(Audited)

									2022
	< 1 month € m	1-3 months € m	3-6 months € m	6-12 months € m	Total < 1 year € m	1-3 years € m	3-5 years € m	> 5 years € m	Total € m
Deposits by central banks and banks	22	210	—	—	232	96	186	—	514
Securities financing	798	100	—	—	898	—	—	—	898
Senior debt	—	252	—	126	378	2,084	2,071	1,646	6,179
ACS	—	999	—	—	999	—	—	25	1,024
Subordinated liabilities and other capital instruments	—	—	—	—	—	—	—	1,404	1,404
Total 31 December	820	1,561	—	126	2,507	2,180	2,257	3,075	10,019
Of which:									
Secured	798	1,099	—	—	1,897	96	186	25	2,204
Unsecured	22	462	—	126	610	2,084	2,071	3,050	7,815
	820	1,561	—	126	2,507	2,180	2,257	3,075	10,019

(1) The maturity analysis has been prepared using the residual contractual maturity of the liabilities.

Deposits by central banks and banks increased by € 1,266 million to € 1,780 million primarily driven by higher deposits by central banks and cash collateral received from derivative counterparties. For further details, see note 29 'Deposits by central banks and banks' to the consolidated financial statements. Securities Financing decreased € 323 million to € 575 million reflective of a decrease in standard bilateral bank repo activity - see currency split in 'Currency composition of wholesale funding' table on the next page.

During 2023, senior debt increased € 2,217 million primarily reflecting € 2,431 million issuance coupled with a positive fair value hedge adjustment of € 251 million offset by € 382 million in contractual maturities and € 83 million in negative exchange translation adjustments. Over the twelve months to 31 December 2023, outstanding asset covered securities ('ACS') decreased € 997 million to € 27 million due to a contractual maturity. For further details, see note 31 'Debt securities in issue' to the consolidated financial statements.

Risk Management continued

2.2 Liquidity and funding risk continued

Currency composition of wholesale funding

At 31 December 2023, 69% (2022: 75%) of wholesale funding was in Euro with the remainder held in GBP and USD. The Group manages cross-currency refinancing risk against foreign exchange cash flow limits.

	2023					2022				
	EUR € m	GBP € m	USD € m	Other € m	Total € m	EUR € m	GBP € m	USD € m	Other € m	Total € m
Deposits by central banks and banks	1,002	325	453	—	1,780	220	290	4	—	514
Securities financing	156	—	419	—	575	401	—	497	—	898
Senior debt	5,898	—	2,498	—	8,396	4,449	—	1,730	—	6,179
ACS	27	—	—	—	27	1,024	—	—	—	1,024
Subordinated liabilities and other capital instruments	1,425	48	—	—	1,473	1,360	44	—	—	1,404
Total wholesale funding	8,508	373	3,370	—	12,251	7,454	334	2,231	—	10,019
% of wholesale funding	%	%	%	%	%	%	%	%	%	%
	69	3	28	—	100	75	3	22	—	100

Encumbrance

An asset is defined as encumbered if it has been pledged as collateral, and as a result is no longer available to the Group to secure funding, satisfy collateral needs or to be sold. As part of managing its funding requirements, the Group encumbers assets as collateral to support wholesale funding initiatives. This would include covered bonds, securities repurchase agreements and other structures that are secured over customer loans. The Group manages encumbrance levels to ensure that the Group has sufficient contingent collateral to maximise balance sheet flexibility.

The Group's encumbrance ratio has decreased to 6% at 31 December 2023 (2022: 8%) with € 8,295 million of the Group's assets encumbered (2022: € 11,188 million). The encumbrance level is based on the amount of assets that are required in order to meet regulatory and contractual commitments.

2.2 Liquidity and funding risk continued

Financial assets and financial liabilities by contractual residual maturity (audited)

The following table analyses financial assets and financial liabilities by contractual residual maturity at 31 December 2023 and 2022:

						2023
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial assets⁽¹⁾						
Cash and balances at central banks	38,018	—	—	—	—	38,018
Derivative financial instruments ⁽²⁾	—	14	56	717	1,590	2,377
Loans and advances to banks ⁽³⁾	588	741	—	—	—	1,329
Loans and advances to customers ⁽³⁾	2,145	1,770	3,003	18,545	41,548	67,011
Securities financing	10	849	3,329	2,278	—	6,466
Investment securities ⁽⁴⁾	23	586	470	6,484	9,435	16,998
Other financial assets	—	688	—	—	—	688
	40,784	4,648	6,858	28,024	52,573	132,887
Financial liabilities⁽⁵⁾⁽⁶⁾						
Deposits by central banks and banks	22	1,470	—	288	—	1,780
Customer accounts	95,095	5,297	2,943	1,418	29	104,782
Securities financing	—	575	—	—	—	575
Derivative financial instruments ⁽²⁾	—	41	110	444	1,307	1,902
Debt securities in issue	—	—	738	4,434	3,251	8,423
Subordinated liabilities and other capital instruments	—	—	—	—	1,473	1,473
Other financial liabilities	1,571	—	—	—	—	1,571
	96,688	7,383	3,791	6,584	6,060	120,506
<i>(Audited)</i>						
						2022
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial assets⁽¹⁾						
Cash and balances at central banks	38,138	—	—	—	—	38,138
Derivative financial instruments ⁽²⁾	—	114	93	624	1,680	2,511
Loans and advances to banks ⁽³⁾	470	1,032	—	—	—	1,502
Loans and advances to customers ⁽³⁾	1,954	1,297	2,568	18,262	37,150	61,231
Securities financing	—	849	1,943	3,490	—	6,282
Investment securities ⁽⁴⁾	—	1,461	576	5,781	8,150	15,968
Other financial assets	—	592	—	—	—	592
	40,562	5,345	5,180	28,157	46,980	126,224
Financial liabilities⁽⁵⁾⁽⁶⁾						
Deposits by central banks and banks	22	210	—	282	—	514
Customer accounts	96,897	4,294	988	151	29	102,359
Securities financing	—	898	—	—	—	898
Derivative financial instruments ⁽³⁾	—	72	150	923	1,837	2,982
Debt securities in issue	—	1,251	126	4,155	1,671	7,203
Subordinated liabilities and other capital instruments	—	—	—	—	1,404	1,404
Other financial liabilities	1,375	—	—	—	—	1,375
	98,294	6,725	1,264	5,511	4,941	116,735

(1) Excludes trading portfolio financial assets € 93 million (2022: € 8 million). The contractual maturity of those assets in 2023 is: € 9 million in <3 months but not on demand; € 10 million in 3 months to 1 year; € 2 million in 1-5 years; and € 72 million over 5 years (2022: € 8 million in <3 months but not on demand).

(2) Shown by maturity date of contract.

(3) Shown gross of expected credit losses.

(4) Excluding equity shares.

(5) A maturity of lease liabilities is disclosed in note 32.

(6) Excludes trading portfolio financial liabilities € 139 million (2022: € 4 million). The contractual maturity of those liabilities in 2023 is: € 7 million in <3 months but not on demand; € 89 million in 1-5 years and € 43 million over 5 years (2022: € 4 million in <3 months but not on demand).

Risk Management continued

2.2 Liquidity and funding risk continued

Financial liabilities by undiscounted contractual maturity *(audited)*

The balances in the table below include the undiscounted cash flows relating to principal and interest on financial liabilities and as such will not agree directly with the balances on the consolidated statement of financial position. All derivative financial instruments have been analysed based on their contractual maturity undiscounted cash flows.

The following table analyses, on an undiscounted basis, financial liabilities by remaining contractual maturity at 31 December 2023 and 2022:

(Audited)

						2023
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial liabilities⁽¹⁾⁽²⁾						
Deposits by central banks and banks	22	1,473	—	312	—	1,807
Customer accounts	95,095	5,320	3,016	1,452	29	104,912
Securities financing	—	577	—	—	—	577
Derivative financial instruments	—	275	400	925	411	2,011
Debt securities in issue	—	44	1,018	5,506	3,471	10,039
Subordinated liabilities and other capital instruments	—	—	38	262	1,724	2,024
Other financial liabilities	1,571	—	—	—	—	1,571
	96,688	7,689	4,472	8,457	5,635	122,941

(Audited)

						2022
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial liabilities⁽¹⁾⁽²⁾						
Deposits by central banks and banks	22	210	—	320	—	552
Customer accounts	96,897	4,296	999	158	49	102,399
Securities financing	—	903	—	—	—	903
Derivative financial instruments	—	245	703	1,652	688	3,288
Debt securities in issue	—	1,271	304	4,714	1,918	8,207
Subordinated liabilities and other capital instruments	—	—	38	150	1,883	2,071
Other financial liabilities	1,375	—	—	—	—	1,375
	98,294	6,925	2,044	6,994	4,538	118,795

(1) Excludes trading portfolio financial liabilities € 139 million (2022: € 4 million). The undiscounted contractual maturity for those liabilities in 2023 is: € 2 million in <3 months but not on demand; € 5 million in 3 months to 1 year € 89 million in 1–5 years; and € 43 million over 5 years.

(2) A maturity of lease liabilities is disclosed in note 32.

2.2 Liquidity and funding risk continued

Financial liabilities by undiscounted contractual maturity continued

The undiscounted cash flows potentially payable under guarantees and similar contracts (*audited*)

The undiscounted cash flows potentially payable under guarantees and similar contracts, included below within contingent liabilities, are classified on the basis of the earliest date the facilities can be called.

The Group is only called upon to satisfy a guarantee when the guaranteed party fails to meet their obligations. The Group expects that most guarantees it provides will expire unused.

The Group has given commitments to provide funds to customers under undrawn facilities. The undiscounted cash flows have been classified on the basis of the earliest date that the facility can be drawn. The Group does not expect all facilities to be drawn, and some may lapse before drawdown. For further details see note 40 'Contingent liabilities and commitments' to the consolidated financial statements.

The following table analyses undiscounted cash flows potentially payable under guarantees and similar contracts at 31 December 2023 and 2022:

						2023
	On demand € m	<3 months but not on demand € m	3 months to 1 year € m	1–5 years € m	Over 5 years € m	Total € m
Contingent liabilities	857	—	—	—	—	857
Commitments	16,136	—	—	—	—	16,136
	16,993	—	—	—	—	16,993
						2022
	On demand € m	<3 months but not on demand € m	3 months to 1 year € m	1–5 years € m	Over 5 years € m	Total € m
Contingent liabilities	802	—	—	—	—	802
Commitments	15,060	—	—	—	—	15,060
	15,862	—	—	—	—	15,862

(Audited)

(Audited)

Risk Management continued

2.3 Financial risks

(a) Market risk

Market risk is the uncertainty of returns attributable to fluctuations in market factors. Where the uncertainty is expressed as a potential loss in earnings or value, it represents a risk to the income and capital position of the Group.

Changes in customer behaviours and the relationship between wholesale and retail rates give rise to changes in the Group's exposure to market risk factors and are also an important component of market risk.

Identification and assessment

The key market risks that the Group assumes as a result of its banking and trading book activities that have been identified as part of the MRA are:

- Credit spread risk is the exposure of the Group's financial position to adverse movements in the credit spreads of bonds held in the hold-to-collect-and-sell ('HTCS') securities portfolio. Credit spreads are defined as the difference between bond yields and interest rate swap rates of equivalent maturity. The HTCS bond portfolio is the principal source of credit spread risk;
- Interest rate risk in the banking book ('IRRBB') is the current or prospective risk to both the earnings and capital of the Group as a result of adverse movements in interest rates. Changes in interest rates impact the underlying value of the Group's assets, liabilities and off-balance sheet instruments and, hence, its economic value (or capital position). Similarly, interest rate changes will impact the Group's net interest income ('NII') through interest-sensitive income and expense effects; and
- The Group also assumes market risk through its trading book activities which relate to all positions in financial instruments (principally derivatives) that are held with trading intent or in order to hedge positions held with trading intent. Risks associated with valuation adjustments such as credit value adjustment ('CVA') and funding value adjustment ('FVA') are managed by the Group's Treasury function.

Market risk scenarios are developed to test the capital requirements for this risk in the semi-annual stress testing process and the annual ICAAP.

In addition to above market risks, equity investment risk and pension risk are also identified by the MRA process as sub-risks.

Management and measurement (audited)

The Market Risk Management framework and policies set out the key requirements for managing market risk. The key aspects of this are:

- The Group's Treasury function is responsible for managing market risk. Treasury also has a mandate to trade on its own account in selected wholesale markets with risk tolerances approved on an annual basis through the Group's Risk Appetite process;
- The Group documents its annual Market Risk Strategy and Appetite statement as part of the annual financial planning cycle which ensures market risk aligns with the Group's strategic business plan; and
- Market risk is managed against a range of Board approved VaR limits which cover market risk in the trading book, interest rate risk and credit spread risk in the banking book. The Board approved limits are supplemented by a range of ALCo approved limits which include nominal, sensitivity limits and 'stop loss' limits.

Market risk is managed and measured using portfolio sensitivities, Value at Risk ('VaR') and stress testing. Interest rate gaps and sensitivities to various risk factors are measured and reported on a daily basis. In terms of the VaR metric, the Group calculates a daily historical simulation VaR to a 95% confidence level, using a one day holding period and based on one year of historic data. In addition to VaR, Capital at Risk ('CaR') is also measured to a one year⁽¹⁾ time horizon, a 99% confidence level and a longer set of data.

Credit risk issues inherent in the market risk portfolios are also subject to the credit risk framework that is described in Section 2.1.

(1)The Capital at Risk on core trading book positions is assessed using a ten day horizon, with the exception of FX which is assessed using a one year horizon.

Monitoring, escalating and reporting (audited)

On a daily basis front office and risk functions receive a range of valuation, sensitivity and market risk measurement reports, while ALCo receives a monthly market risk commentary and summary risk profile. Market risk exposures are reported to the Group Risk Committee ('GRC') and Board Risk Committee ('BRC') on a monthly basis through the CRO Report.

2.3 Financial risks continued

(a) Market risk continued (audited)

The following table sets out financial assets and financial liabilities at 31 December 2023 and 2022 subject to market risk analysed between trading and non-trading portfolios, showing the principal market risks to which the assets and liabilities are exposed:

(Audited)	Market risk measures			Risk factors
	Carrying amount	Trading portfolios	Non-trading portfolios	
	€ m	€ m	€ m	
Assets subject to market risk				
Cash and balances at central banks	38,018	—	38,018	Interest rate, foreign exchange
Trading portfolio financial assets	93	93	—	Interest rate, foreign exchange, equity
Derivative financial instruments	2,377	457	1,920	Interest rate, foreign exchange, credit spreads, equity, inflation swap rates
Loans and advances to banks	1,329	—	1,329	Interest rate, foreign exchange
Loans and advances to customers	65,491	—	65,491	Interest rate, foreign exchange
Securities financing	6,466	—	6,466	Interest rate, credit spreads, foreign exchange
Investment securities	17,353	—	17,353	Interest rate, foreign exchange, credit spreads, equity
Liabilities subject to market risk				
Deposits by central banks and banks	1,780	—	1,780	Interest rate, foreign exchange
Customer accounts	104,782	—	104,782	Interest rate, foreign exchange
Securities financing	575	—	575	Interest rate, credit spreads, foreign exchange
Trading portfolio financial liabilities	139	139	—	Interest rate, foreign exchange, equity
Derivative financial instruments	1,902	448	1,454	Interest rate, foreign exchange, credit spreads, equity, inflation swap rates
Debt securities in issue	8,423	—	8,423	Interest rate, credit spreads, foreign exchange
Subordinated liabilities and other capital instruments	1,473	—	1,473	Interest rate, credit spreads
2023				
(Audited)	Market risk measures			Risk factors
Carrying amount	Trading portfolios	Non-trading portfolios		
€ m	€ m	€ m		
Assets subject to market risk				
Cash and balances at central banks	38,138	—	38,138	Interest rate, foreign exchange
Trading portfolio financial assets	8	8	—	Interest rate, foreign exchange, equity
Derivative financial instruments	2,511	646	1,865	Interest rate, foreign exchange, credit spreads, equity, inflation swap rates
Loans and advances to banks	1,502	—	1,502	Interest rate, foreign exchange
Loans and advances to customers	59,613	—	59,613	Interest rate, foreign exchange
Securities financing	6,282	—	6,282	Interest rate, credit spreads, foreign exchange
Investment securities	16,270	—	16,270	Interest rate, foreign exchange, credit spreads, equity
Liabilities subject to market risk				
Deposits by central banks and banks	514	—	514	Interest rate, foreign exchange
Customer accounts	102,359	—	102,359	Interest rate, foreign exchange
Securities financing	898	—	898	Interest rate, credit spreads, foreign exchange
Trading portfolio financial liabilities	4	4	—	Interest rate, foreign exchange, equity
Derivative financial instruments	2,982	599	2,383	Interest rate, foreign exchange, credit spreads, equity, inflation swap rates
Debt securities in issue	7,203	—	7,203	Interest rate, credit spreads, foreign exchange
Subordinated liabilities and other capital instruments	1,404	—	1,404	Interest rate, credit spreads
2022				

Risk Management continued

2.3 Financial risks continued

(a) Market risk continued

Interest rate sensitivity (audited)

The table below shows the sensitivity of the Group's banking book to an immediate and sustained +/- 100 basis point, +/-25 basis point and +/-50 basis point movement in interest rates, in terms of the impact on net interest income on a forward looking basis over a twelve month period, assuming no change in the balance sheet.

Sensitivity of projected net interest income to interest rate movements:

December 2023 (audited)	€ m	€ m	€ m	€ m	€ m	€ m
	- 100bps	'-50bps	'-25bps	+25bps	+50bps	+ 100bps
Euro	(332)	(145)	(53)	49	130	292
Sterling	(37)	(19)	(9)	9	18	37
Other (mainly US \$)	(12)	(6)	(3)	3	6	11
Total	(381)	(170)	(65)	61	154	340

December 2022 (audited)	€ m	€ m	€ m	€ m	€ m	€ m
	- 100 bps	'-50bps	'-25bps	+25bps	+50bps	+ 100bps
Euro	(324)	(154)	(76)	72	146	288
Sterling	(45)	(23)	(11)	11	22	45
Other (mainly US \$)	(18)	(9)	(5)	5	9	18
Total	(387)	(186)	(92)	88	177	351

The above sensitivity table is computed under the assumption of an unchanged balance sheet and that all market rates (Risk Free Rates/Euribors/Swaps) move upwards or downwards in parallel. Managing interest rate sensitivity has been a key risk management priority during 2023, given the volatile interest rate environment and the more restrictive EBA NII Supervisory Outlier Test threshold. While the change in NII Sensitivity year-on-year has been modest, offsetting movements in the underlying risk dynamics has been more pronounced, including, the significant increase in structural hedging, the slow pace of deposit balance migration from interest insensitive to interest-bearing products and the impact of retail rate pass-through models. Given the composition of the balance sheet, and its expected evolution, the trade-off between managing IRRBB earnings (NII Sensitivity) and economic value (Capital at Risk) perspectives will continue to be a priority. In

particular, the evolution of customer deposit balance migration is closely monitored, given the "static balance sheet" assumption underpinning this NII Sensitivity metric.

Group interest rate and foreign exchange rate VaR are calculated to a 95% confidence level with a one day holding period, and equity VaR is calculated to a 99% confidence level with a one day holding period. At 31 December 2023, interest rate VaR stood at € 35.52 million, foreign exchange rate VaR at € 0.13 million and equity VaR at € 0.13 million. The Group recognises the limitations of VaR models, and supplements its VaR measures with stress tests which draw from a longer set of historical data and also with sensitivity measures.

2.3 Financial risks continued

(a) Market risk continued

Structural foreign exchange risk

Structural foreign exchange risk is the exposure of the Group's capital ratios to changes in exchange rates and results from net investment in subsidiaries, associates and branches, the functional currencies being currencies other than Euro. The Group is exposed to foreign exchange risk as it translates foreign currencies into Euro at each reporting period and the currency profile of the Group's capital may not necessarily match that of its assets and risk-weighted assets.

Exchange differences on structural exposures are recognised in 'other comprehensive income' in the financial statements. The Group ALCo monitors structural foreign exchange risk and the foreign exchange sensitivity of consolidated capital ratios. This impact is measured in terms of basis point sensitivities using scenario analysis.

The table below shows the sensitivity of the Group's fully loaded CET1 ratio to a hypothetical and sustained movement in GBP/EUR and USD/EUR foreign exchange rates.

Sensitivity of CET 1 fully loaded capital to foreign exchange movements	31 December	
	2023	2022
+ 10% move in GBP and USD FX rates	(0.14)%	(0.18)%
- 10% move in GBP and USD FX rates	0.13 %	0.18 %

The above analysis is subject to certain simplifying assumptions such as GBP/EUR and USD/EUR foreign exchange rates moving in the same direction and at the same time.

(b) Pension risk

Pension risk is the risk that:

- The funding position of the Group's defined benefit schemes would deteriorate to such an extent that additional contributions would be required to cover its funding obligations towards current and former employees;
- The capital position of the Group is negatively affected as funding deficits will be fully deductible from regulatory capital; and
- There could be a negative impact on industrial relations if the funding level of the scheme was to deteriorate significantly.

Risk identification and assessment

The Group maintains a number of defined benefit pension schemes for current and former employees. All defined benefit schemes operated by the Group closed to future accrual no later than the 31 December 2013 and staff transferred to defined contribution schemes for future pension benefits.

Each scheme has a separate trustee board and the Group has agreed funding plans to deal with deficits where they exist. As part of any funding agreement, the Group engages with each trustee regarding an appropriate investment strategy to reduce the risk in that scheme.

Irish schemes that are deemed to have a deficit under the Minimum Funding Standard must prepare funding plans to address this situation in a timely manner and submit them to the Pensions Authority for approval.

The IAS 19 valuation of the pension scheme assets and liabilities may vary which could impact on the Group's capital. The Group works with the Trustees of each scheme to monitor the performance of investments and estimates of future liability to identify deficits.

Given that variability in the value of the pension scheme assets and liabilities can impact on the Group's capital, the key processes through which pension risk is evaluated are the Internal Capital Adequacy Assessment Process ("ICAAP") as well as internal stress tests and monthly reporting of pension risk against risk appetite.

Management and measurement (audited)

The pension risk framework and policies set out the key risk management rules in place for this risk. The ability of the pension schemes to meet the projected pension payments is managed by the Trustees through the active management of the investment portfolios. Although the Group has interaction with the trustees, it cannot direct the investment strategy of the schemes.

The Group has developed a strategy for each of its defined benefit schemes which include the following steps:

1. All defined benefit schemes are closed to future accrual.
2. They have funding plans (or are funded as required for the US schemes) and each defined benefit scheme has an investment strategy in place.
3. All schemes have a strategy of de-risking in line with their regulatory requirements, funding positions and funding plans, taking into account the nature of their liabilities.

Risk Management continued

2.3 Financial risks continued

(b) Pension risk continued

Management and measurement continued (audited)

As part of a strategy to increase the holding in inflation linked assets, an allocation to a Liability Driven Investment ("LDI") portfolio is used. The LDI fund is comprised of a mixture of nominal bonds, inflation linked bonds and inflation derivatives. Inflation linked bond holdings are relatively stable, accounting for 31% of assets (30% at 31st December 2022). The scheme maintained a similar weighting in equities in 2023.

Independent actuarial valuations for the AIB Group Irish Pension Scheme and the AIB Group UK Pension Scheme are carried out on a triennial basis by the Schemes' actuary, Mercer. The most recent valuation of the Irish scheme was carried out at 30 June 2021 and reported the scheme to be in surplus. The next actuarial valuation of the Irish scheme will be 30 June 2024. This actuarial valuation report is provided at least every 3 years to the trustees in order to set out the Target Funding level of the scheme along with a contribution recommendation if one is required. No deficit funding is anticipated at this time as the Irish scheme continues to meet the minimum funding standard.

The most recent valuation of the UK scheme was carried out at 31 December 2020. The next actuarial valuation of the UK scheme will be 31 December 2023. The Group and the Trustee of the UK scheme agreed funding payments under an arrangement agreed in December 2019 which is described below.

As part of the investment strategy in the UK scheme, it was significantly de-risked in December 2019. The Group agreed with the Scheme Trustee a revised funding arrangement for the UK scheme to support the purchase of the pensioner buy-in policy in respect of the pensioner members and an assured payment policy ("APP") in respect of the deferred members. Under this funding arrangement, the Group expects to make payments of £18.5 million in 2024 and £ 8.5 million in 2025. These amounts are what is expected to be required to finalise a buy-in of the scheme based on the latest estimates from LGAS of c. £27 million. These payments and any other related costs are subject to change prior to finalisation.

Monitoring, escalating and reporting (audited)

Pension risk is monitored and controlled in line with the requirements of the Group's pension risk framework and policy. The surplus or deficit is monitored on a monthly basis by the Group's risk team and is currently reported monthly in both the financial risk report to the Group Assets & Liabilities Committee and the Group Chief Risk Officer ("CRO") report to Group Risk Committee and Board Risk Committee.

Pension risk is also included in the internal stress test process. The output of these stress tests is reviewed by ALCo and on an annual basis an ICAAP Report is produced which is a comprehensive analysis of the Group's capital position in base and stress scenarios over a three year horizon. This document is reviewed and approved by the Board and is submitted to the Joint Supervisory Team.

The pension capital at risk exposure is measured and reported monthly in the CRO report against a Group Risk Appetite Statement watch trigger. While the Group has taken certain risk mitigating actions, a level of volatility associated with pension funding remains due to potential financial market fluctuations and possible changes to pension and accounting regulations.

(c) Equity risk

Banking book equity investment risk refers to the possibility of losses arising in the equity investment portfolio of the Group due to changes in the economic value of the investments. Where the uncertainty is expressed as a potential loss in value, it represents a risk to the income and capital position of the Group.

Identification and assessment

All equity proposals are considered to ensure all aspects of the proposal are fully and consistently addressed. Where a proposal for a new equity investment or divestment opportunity arises, the business sponsor must engage with the Equity Capital team when developing the proposal, and liaise with Finance to assess the accounting and regulatory implications. The business reviews and comments on all proposals and recommends proposals for approval through the appropriate governance process. All new investments need to adhere to relevant regulatory and accounting requirements.

Management and measurement

Exposures are reported on in line with Risk appetite requirements. Risk measurement is also captured through stress testing. A forward looking stress test must be produced semi annually. The stress test is used to assess the impact of severe but plausible shocks to underlying risk factors on the capital requirements for the business. Management projections of the future business mix must be factored into the analysis and be consistent with projections included in business area plans for equity risk.

Monitoring, escalating and reporting

The Equity Capital team reviews risk exposure levels on an on-going basis, ensures there is no undue risk concentration and considers whether the level of risk exposures remains appropriate. Exposures are currently reported monthly to Risk and the Group Assets & Liabilities Committee ("ALCo") and any limit/policy breaches or exceptions that arose during the period are recorded.

Risk provide management with an independent perspective on the risk-taking activities within the equity investment portfolio monthly via the Financial Risk ALCo report, RAS limit report and the CRO report. Additionally, there is a quarterly valuation review process in place and Board and segment limits are applied and reported on and an escalation process is set out in the Equity Policy.

2.4 Business model risk

Business model risk is the risk of not achieving the agreed Group Strategy and Business Plan, for example, as a result of an inadequate implementation plan. This also includes the risk of implementing an unsuitable Strategy, or maintaining an obsolete business model, in light of known internal and external factors.

Identification and assessment

The Group's MRA process identifies the key elements of business model risk. The process includes identifying the associated sub-risks such as strategic planning risk, strategic execution risk and governance risk and the emerging risk drivers including inflationary pressures, macroeconomic uncertainty and market volatility.

The Group also identifies and assesses the risk as part of its integrated planning process, which encapsulates strategic, business and financial planning. This process drives delivery of strategic objectives aligned to the Group's risk appetite and enables measurable business objectives to be set for management aligned to the short, medium and long term strategy of the Group. The outcomes of these processes form the basis of the Group's ICAAP and ILAAP.

Every year, the Group prepares three-year business plans based on macroeconomic and market forecasts across a range of scenarios (including a range of "downside" scenarios). The plan includes an evaluation of planned performance against a suite of key metrics, supported by detailed analysis and commentary on underlying trends and drivers, across the income statement, balance sheet and business targets. This assessment includes discussions on new lending volumes and pricing, deposits volumes and pricing, other income, cost management initiatives and credit performance. The plan is subject to robust review and challenge through the governance process including an independent second line of defence review and challenge by the Risk function prior to approval by the Board.

The Group plan is supported by detailed business unit plans. Each business unit plan is aligned to the Group strategy and risk appetite. The business plan typically describes the market in which the business operates, market and competitor dynamics, business strategy, financial assumptions underpinning the strategy, actions/investment required to achieve financial outcomes and any risks/opportunities to the strategy.

The Group reviews underlying assumptions on its external operating environment to identify potential risks and, by extension, its strategic objectives on a periodic basis. The frequency of this review is determined by a number of factors including the speed of change of the economic environment, changes in the financial services industry and the competitive landscape, regulatory change and deviations in actual business outturn from strategic targets.

Management and measurement

At a strategic level, the Group manages business model risk within its risk appetite framework, by setting limits in respect of measures such as financial performance, portfolio concentration and risk-adjusted return.

At a more operational level, the risk is mitigated through periodic monitoring of variances to plan. Where performance against plan is outside agreed tolerances or risk appetite metrics, proposed mitigating actions are presented and evaluated, and tracked thereafter. During the year, periodic forecast updates for the full year financial outcome may also be produced. The frequency of forecast updates during each year will be determined based on prevailing business conditions.

At an individual level, planning targets translate into accountable objectives to enable performance tracking across the Group and to facilitate formulation and review of Executive Committee performance scorecards.

Monitoring, escalating and reporting

Performance against plan is monitored at a business level on a monthly basis and reported to senior management teams within the business. At an overall Group level, performance against plan is monitored as part of the monthly CFO report which is discussed at the Executive Committee and Board. Monitoring of the risk profile, via the CRO report, including performance against risk appetite is presented to the Board Risk Committee. The escalation process, as stipulated under the RAS policy, is commenced in the event of a breach of either the RAS watch trigger or limit for any of the metrics. This ensures Board and Regulator notification within an approved timeframe, when appropriate.

2.5 Operational risk

Operational risk is the risk arising from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk - the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings, but excludes strategic and reputational risk.

Identification and assessment

Operational risk is identified and assessed by the Group's MRA which also identifies the following sub risks: Information security (including cyber risk), information technology risk, change and transformation risk, people risk, physical safety & property risk, continuity and resilience risk, product and proposition risk, third party risk, data risk (including data quality risk) and legal risk. The risk and control assessment is the Group's core bottom-up process for the identification and assessment of operational risk across the Group.

The risk and control assessment process serves to ensure that key operational risks are proactively identified, evaluated, monitored and reported, and that appropriate action is taken. Self-assessment of risks is completed at a business unit level and is recorded on SHIELD which is the Group's governance, risk and compliance system. Service assessments and risk assessments are performed on all critical or important outsourcing arrangements and are recorded on SHIELD.

SHIELD provides all areas with one consistent view of the operational risks, controls, actions and events across the Group. Risk and control assessments are regularly reviewed and updated by business unit management.

The potential impact of the identified risks are then used to inform scenarios for each of the Basel event categories that are assessed through the Operational risk ICAAP.

Risk Management continued

2.5 Operational risk continued

Management and measurement

The Operational Risk Framework sets out the principles, supporting policies, roles and responsibilities, governance arrangements and processes for operational risk management across the Group. Each sub risk has a supporting policy in place to outline the minimum control standards and core policy rules that must be adhered to. The sub risks are owned and actively monitored under the Operational Risk Framework and underlying policies to ensure material operational risks are managed effectively within the Group RAS limits. The Operational Risk Framework and policies set out the process for risk and control assessments, identification of the key non-financial risks arising from key business processes and activities. It also includes the process for the escalation of the relevant RAS metric limit and watch-trigger breaches.

In addition, operational risk is partially hedged through an insurance programme in place, including a self-insured retention, to cover a number of risk events which would fall under the operational risk umbrella. These include financial lines policies such as:

- comprehensive crime/computer-crime/cyber/professional indemnity/civil liability;
- employment practices liability;
- directors' and officers' liability; and
- a suite of general insurance policies to cover such things as property and business interruption, terrorism, employers and public liability and personal accident.

Operational risk is measured through a series of risk appetite metrics and key risk indicators. These include metrics on operational risk losses and events, Information Security (including cyber), change initiatives, technical risk, people risk, quality and accessibility of priority data, service availability and third-party risks.

As part of the Group MRA approved by the Board in July 2023 People risk was approved to be a sub risk of Operational risk as it was primarily deemed material through its interconnectedness with Operational risk. Aside from the operational aspect, retention risk will continue to be a core component of the Group's People Risk profile. Although the partial lifting of remuneration restrictions has been helpful in this regard, ongoing remuneration restrictions increase the risk of losing key senior talent in the organisation, damaging market credibility and adversely affecting strategy execution. Culture risk continues to be a material risk but was transferred from "People and Culture risk" into "Conduct risk and Culture risk". These risks will continue to be managed as they are currently monitored and reported via RAS metrics and key risk indicators through the CRO report and at the Operational Risk Committee.

Monitoring, escalating and reporting

In addition to risk appetite measures and limits, operational risk is monitored on a regular basis via the Group's risk governance committees. This provides senior management, through the Operational Risk Committee and Group Risk Committee and the Board (through Board Risk Committee), with timely updates on the Group's operational risk profile. The profile update details the current status of the Group's key operational risks and includes an overview of current trends. It also includes an update on recent major risk events and any remediation actions/lessons identified following events.

Operational risk events are identified and captured in the SHIELD system. These are escalated through a defined process depending on impact and severity. Root causes of events are determined, and action plans are implemented to ensure there are enhanced controls in place to keep customers and the business safe.

2.6 Conduct risk and Culture risk

Conduct risk is defined as the risk that inappropriate actions or inactions by the Group cause poor or unfair customer outcomes or negatively impact on market integrity.

The effective management of conduct risk requires embedding of a strong conduct culture with a customer centric approach to conduct risk

management as articulated in the Group's values, behaviours and code of conduct.

The conduct risk priorities for the Group include:

- A Customer First culture, as articulated by the Brand Values, Behaviours and Code of Conduct, is embedded and demonstrated throughout the organisation;
- A mature Group Conduct Risk Framework aligned with the Group Strategy, is embedded in the organisation that provides oversight of conduct risks at Executive Committee and Board level; and
- Customers, existing and new, are treated in a fair and transparent way.

Identification and assessment

The Group's MRA and risk and control assessment forms the basis for identifying the key elements of Conduct risk.

The Group has identified a number of risk drivers pertaining to conduct risk and these are reviewed on an annual basis as part of the MRA process. These include, inter alia:

- Monitoring trends of customer complaints on a regular basis;
- The pace and complexity of changing industry best practice and clarifications received in relation to regulatory expectations can drive an accelerated process for changing products, practices, services and cultures;
- Potential of unintended consequences arising from the scale and pace of inorganic and strategic change;
- Understanding the implications of the evolving global, European and Irish economic landscape on short to medium term interest rate environment;
- Increased competition in terms of resources, skills, industry participants remuneration practices and customer bases;
- Negative macroeconomic environment can result in unexpected bank and/or employee behaviour and potential increased market instability could result in market conduct risk; and
- Environmental, Social and Governance risks ("ESG") may result in poor customer outcomes such as incorrect risk preferences or failing to identify climate impacts on product offerings.

Conduct risks are identified during the risk and control assessment process which provides documentary evidence of risk assessments. It determines the risk profile of the business, drives risk management and actions plans including key risk indicator development and reporting. A risk register of the Group's material risks is also maintained. The risk and control assessment has identified a number of key conduct risks relating to customer satisfaction and employee behaviour as well as clients, business and product practice.

Group Conduct completes horizon scanning and benchmarking to identify future conduct risk considerations within business and regulatory environments. In addition, Risk, through the Compliance and Group Risk Assurance function, identifies upstream conduct risk and communicates to the relevant business areas.

The amalgamation of Culture risk within conduct has commenced and further integration through frameworks, policies, procedures and metrics is planned for 2024. Culture forms an integral part of overall conduct risk management and is core to all customer and market facing decisions and interactions. It is imperative that the Group maintains a strong customer culture in order to deliver appropriate customer outcomes. The Group's cultural ambition is that all colleagues truly demonstrate and live the Group's values and the behaviours that underpin them. The challenge is to ensure that the Group's values are embedded consistently across the organisation by all employees. The tone is set from the top leaders have a critical role to play in shaping the Group's culture. Culture risk captures the need for the Group's core values to be shared by all staff, demonstrated through staff behaviour and that consistent fully understood performance measures are in place resulting in outcomes aligned to the Group's strategy.

2.6 Conduct risk and Culture risk continued

Management and measurement

The Group has a Conduct Risk Framework and Conduct Risk Policy which applies to the Group including all subsidiaries. This Framework and Policy, as well as other supporting policies, are in place to drive the consistent management of this risk

This Policy includes the approach to vulnerable customers, which is defined as recognising customers who are in need of additional care, support or protection. The Vulnerable Customer team are in place to ensure governance structures are in place for the oversight of the Vulnerable Customer Programme, developing and ensuring execution of the Group Vulnerable Customer Action Plan as well as developing and delivering group level training for staff on customer vulnerability issues.

Where the Group engages in investment and wholesale services and activities it must implement and maintain adequate policies and procedures designed to detect any risk of failure by the Group with its obligations, and put in place adequate measures and procedures designed to minimise such risk. In particular, it is expected that the Group is able to demonstrate awareness and management of Wholesale Market Conduct Risk in the areas of strategy, governance, culture, risk management and management information

Conduct risk measurement should be considered qualitatively under normal and stressed conditions. Any new material business development or change in strategy would also warrant an independent assessment of conduct risks and potential impact on reputation.

The Group Head of Conduct and team provides independent oversight and governance of conduct risk across the Group (and is a mandatory approver of product / propositions proposals), including training and awareness building.

An approved Group Conduct Strategy, aligned with the Group's Purpose, Strategy and Values, is supported by annual Business Conduct Action plans, delivering against key strategic objectives, ensuring continued progress on embedding conduct and meeting evolving regulatory expectations.

The Conduct Risk RAS is recommended by the Compliance Function and consists of qualitative statements and key risk indicator ("KRI") metrics. The KRIs establish specific limits, ceilings and floors that relate to the qualitative RAS. Risk, through the Compliance & Group Risk Assurance function, provide independent challenge of potential and identified conduct risks and provide advice to business segments on conduct risk issues.

Business conduct dashboards measure key management information trends under the five key conduct risk areas, as reflected in the Group's conduct strategy.

The Group Head of Conduct in the first line of defence is a member of a number of key working groups and fora regarding the management and measurement of conduct risk, and provides challenge on RAS metrics which are monitored monthly, customer solutions and the resolution of materialised conduct risks.

Monitoring, escalating and reporting

The Group Conduct Committee together with Business Conduct Committees operating to standard terms of reference actively drive the conduct agendas and manage conduct risk within their businesses. Conduct risks are assessed and monitored across the Group in line with risk management procedures. Significant conduct events are assessed and remedial actions implemented where necessary. These are escalated based on a materiality assessment, in line with the Conduct Risk Framework.

Conduct risks and controls are monitored on a monthly basis via the Group's risk governance committees. This provides the Group Risk Committee and the Board Risk Committee with relevant updates on the conduct risk profile. The profile update details the current status of the Group's key conduct risks, includes an overview of current trends, an update on recent significant events and any remediation actions or lessons identified following events.

From a Prudential perspective the Group reports the financial impact of conduct risk events through the annual operational risk ICAAP, quarterly COREP submissions and the biennial EBA Stress Testing exercise.

The Regulatory and Conduct Risk Committee ("RCR") is the forum that provides risk oversight of regulatory and conduct risks of the Group including oversight of its subsidiaries. The RCR was established by, and is accountable to, the Group Risk Committee to oversee regulatory and conduct risks across the Group. This includes monitoring and reviewing the Group's regulatory and conduct risk profile, compliance with risk appetite and other approved policy limits, reviewing risk policies and recommending these for approval to the Group Risk Committee.

2.7 Regulatory compliance risk

Regulatory compliance risk is defined in the Regulatory Risk Management Framework as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with principal laws, regulations, rules, related self-regulatory codes and related supervisory expectations which relate to the Group's regulated banking and financial service activities i.e., those activities which the Group is licenced to conduct business.

Identification and assessment

The Group's MRA and RCA forms the basis for identifying the key drivers of regulatory compliance risk. The associated sub-risks include prudential regulation risk, conduct of business regulation risk, financial crime risk and data protection risk. The MRA process also identified that the complexity and volume of regulatory change and the rapidly evolving international sanctions environment, raises the risk of regulatory compliance failure and/or regulatory sanction.

The key areas of focus of both the Central Bank of Ireland ("CBI") and the Joint Supervisory Teams ("JST") includes:

- Regulated firms, that are subject to the regulation from the CBI and JST, are fully compliant with their obligations and are treating their customers, existing and new, in a fair and transparent way, including the embedding of directives and regulations;
- Continued focus on the full implementation of the suite of prudential requirements including Capital Requirements Directive ("CRD") and Capital Requirements Regulation ("CRR"), and the binding technical standards and guidelines;
- CBI Consumer Protection Outlook report and Dear CEO letters;
- Climate and ESG issues where the CBI has noted its expectations for firms including the requirements relating to governance, risk management frameworks, scenario analysis, disclosures as well as strategy and business model risks.

Management and measurement

The Regulatory Compliance Risk Management Framework sets out the principles, roles and responsibilities, and governance arrangements and is supported by a number of key policies.

The compliance mandate aims to ensure that the Group understands the external rules, laws, regulations and codes which apply to the Group's regulated activities and the implications of any non-compliance. In addition, the mandate supports internal compliance with the Group's suite of Regulatory Compliance and Conduct Policies and Standards, promotes the Group's ethos of acting with integrity, honesty and fairly in all its dealings with colleagues, customers, and stakeholders.

The Group Regulatory Compliance Risk Management Framework and the regulatory compliance risk management lifecycle commences with upstream regulation risk management.

Risk Management continued

2.7 Regulatory compliance risk continued

The Regulatory Change Team ("RCT") reside within the Regulatory Compliance Team and provide oversight and support in respect of regulatory change risk management. The approach to regulatory change has been designed to ensure regulatory requirements are clearly understood from the outset with end-to-end traceability monitored by the Regulatory Forum as part of Group Programme Board ("GPB"). It involves an up-front partnership between the Regulatory Change Team and Change Operations to ensure business stakeholders are identified with roles and accountabilities assigned. The process provides a platform for clear monitoring, communication, effective oversight, robust challenge and the pursuit of regulatory compliance in a collaborative manner across both the first and second line of defence.

The regulatory compliance risk management lifecycle is reviewed on an annual basis by the various teams within Compliance. In order to produce a comprehensive holistic view of regulatory compliance risks across the Group, detailed risk assessments are completed based on the premise of identifying the regulatory compliance risks which pose the most significant threat to the Group. Risk identification and assessment is carried out through a combined top-down and bottom-up approach. The output of this risk assessment process is to produce the Compliance & Risk Assurance Plan.

Monitoring, escalating and reporting

Regulatory compliance risks are monitored on a monthly basis via the Group's risk governance committees. This occurs initially at the Regulatory and Conduct Risk Committee ("RCR") and key items are brought through to Group Risk Committee ("GRC") and Board Risk Committee ("BRC") for discussion and escalation where appropriate. This includes an update on recent significant events and any remediation actions or lessons identified following events.

The RCR is the forum that provides risk oversight of regulatory and conduct risks of the Group including oversight of its subsidiaries. The RCR was established by, and is accountable to, the GRC, to oversee regulatory and conduct risks across the Group, including monitoring, reviewing the regulatory and conduct risk profile, compliance with risk appetite and other approved policy limits. It is also responsible for reviewing risk policies and recommending these for approval to the GRC.

Regulatory Compliance establish written guidance to staff on the appropriate implementation of relevant laws, rules and standards through relevant regulatory compliance policies and support the first line business units in understanding and implementing their regulatory compliance obligations and management of the associated regulatory compliance risks in line with the Regulatory Compliance and Conduct Risk Appetite Statements. As part of their role engaging with the first line, Regulatory Compliance assist the business in maintaining a positive and transparent relationship with the Regulators in respect of regulatory compliance and conduct matters.

Group Risk Assurance ("GRA") provides independent review and objective assurance on the quality and effectiveness of the Group's internal control system, including the Risk Governance Policies and Frameworks in accordance with a Board approved risk-based assurance plan.

2.8 Capital adequacy risk *(audited)*

Capital adequacy risk is the risk that the Group breaches or may breach regulatory capital ratios and internal targets, measured on a forward looking basis across a range of scenarios, including a severe but plausible stress.

Identification and assessment *(audited)*

An annual MRA is conducted to identify all relevant (current and anticipated) material risks which are then assessed from a capital perspective. The sub-risks are identified as part of the MRA process including risks surrounding the quality and composition of capital as well

as measurement and forecasting risk. Capital adequacy risk is primarily evaluated through the annual financial planning and the Group's ICAAP processes where the level of capital required to support growth plans and meet regulatory requirements is assessed over the three year planning horizon. Plans are assessed across a range of scenarios ranging from base case and moderate downside scenarios to a severe but plausible stress using the Group's stress testing methodologies.

Management and measurement

The ICAAP is fully integrated and embedded in the strategic, financial and risk management processes of the Group. The Business Model and Capital Adequacy (BMCA) Framework sets out the key processes, governance arrangements and roles and responsibilities which support the ICAAP. The BMCA Framework was updated in 2023 to reflect the work of the Climate Stress Testing project regarding Climate Stress Testing models, roles and responsibilities and governance requirements relating to climate stress testing across the Group. The climate stress testing approach and associated models consider the impact of physical and transition risks across a number of scenarios on the Group's exposures. The initial scope of climate stress testing activities and climate modelling in the Group is primarily focused on the credit risk implications for its loan portfolio via both transition and physical risk (See Climate & Environmental Risk on pages 193 to 196). Embedding of the ICAAP is facilitated through capital planning, the setting of risk appetite and risk adjusted performance monitoring. In addition to the capital plan, a capital contingency plan is in place which identifies and quantifies actions which are available to the Group in order to mitigate against the impact of a stress event. Trigger points at which these actions will be considered are also identified. The impact of changing regulatory requirements, changes in the risk profile of the Group's balance sheet, other internal factors, and changing external risks are regularly assessed by first and second line of defence teams via regular monitoring of performance against the agreed financial plan, monthly capital updates to ALCo and Group Risk Committees and are also assessed via quarterly internal stress testing. A further set of triggers and capital options are set out in the Group's Recovery Plan, which presents the actions available to the Group to restore viability in the event of extreme stress.

The Group uses risk adjusted return on capital for capital allocation purposes and as a behavioural driver of sound risk management. The use of risk adjusted return on capital for portfolio management and in new lending decisions continues to be an area of focus and a key consideration for pricing of lending products, both at portfolio level and individually for large transactions.

The Board reviews and approves the ICAAP on an annual basis and is also responsible for approving a capital adequacy statement attesting that the Board has reviewed and is satisfied with the capital adequacy of the Group.

Monitoring, escalating and reporting *(audited)*

The Group monitors its capital adequacy on a monthly basis through a capital reporting pack which is presented to senior executives and Board setting out the evolution of the Group's capital position. The risk profile, including performance against risk appetite, is presented to the BRC via the CRO report which is produced independently by the second line of defence. The escalation process, as stipulated under the RAS policy, is commenced in the event of a breach of either the RAS watch trigger or limit for any of the metrics. This ensures Board and Regulator notification, where appropriate, within approved timeframes. The output of internal stress tests is reviewed by ALCo and, on an annual basis, an ICAAP report is produced which is a comprehensive analysis of the Group's capital position in base and stress scenarios over a three year horizon. The ICAAP document is reviewed and approved by the Board and is submitted to the Joint Supervisory Team, where it forms the basis of their supervisory review and evaluation process.

2.9 Model risk

Model risk is the potential loss to the Group, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

Identification and assessment

The Group's MRA and the risk and control assessment forms the basis for identifying the key elements of the risk. The MRA identifies the key sub-risks including oversight risk, data risk, development risk, use and implementation risk. The RCA is the Group's core bottom-up process in the identification and assessment of model risk across the Group.

The RCA includes a requirement to perform a self-assessment of the risks at each business unit level. The potential impact of model risk is assessed through the ICAAP. Model risk is generally mitigated through specific model adjustments. There is no explicit capital requirement generated from this risk; it is indirectly assessed through the other risks.

Management and measurement

There is a Model Risk Framework and supporting policies in place to drive the consistent management of this risk. This sets out the key controls required to mitigate model risk across the model lifecycle, from initiation of a model build through to implementation, use and ongoing monitoring. The key controls include:

- A complete inventory of all models in the Group, with a clear tiering of models to ensure key controls such as model validation and monitoring are being applied on a risk-based approach;
- Requirement for clear hand-offs between each stage in the lifecycle to mitigate the risk of issues propagating through the lifecycle of the model;
- Models are built, validated and monitored by suitably qualified analytical personnel, supported by relevant business, risk and finance functions;
- The best available data, both internal and external, must be used, and any data weaknesses are appropriately mitigated through the model build;
- The use of industry standard techniques are applied for stages in the model lifecycle where appropriate; and
- All material models are validated by an appropriately qualified team which is independent of the model build process. Where issues are identified, appropriate mitigants are applied. This can include temporary post model adjustments which are put in place until a model is re-developed.

Model risk is measured using a composite assessment of model outcomes across the lifecycle for all models in the inventory.

Monitoring, escalating and reporting

The GRC and its sub-committee, the Model Risk Committee, are the primary committees for overseeing model risk in the Group. Model materiality is defined in the Group Model Risk Management Policy. The outcomes of validation and other reviews are brought to the appropriate committee(s) for oversight to ensure all models remain fit for their intended use and that any issues are appropriately escalated.

Model monitoring on material models is reported to committee(s) quarterly to ensure the models are performing as expected, with appropriate actions raised when models fall below the required performance levels.

An overall assessment of model risk is performed on a quarterly basis and is reported to the Group Risk Committee and Board Risk Committee. The status of model risk is reported on a monthly basis in the CRO report, which includes an update on recent significant events and any remediation actions that are underway.

2.10 Climate and Environmental risk

Climate risk is defined as the potential negative impacts due to climate change on the Group. This includes risks posed by direct exposure to climate change, and indirect exposure through customers and suppliers. Climate Risk includes the impacts that the Group and its customers and suppliers have on the climate and the impact from the climate on the Group and its customers and suppliers.

Environmental risk is defined as the potential negative impact of the activities or actions of the Group, its customers or suppliers, directly or indirectly to the naturally occurring living and non-living components of the Earth, together constituting the biophysical environment. Changes in the state of nature (quality or quantity), may act as drivers on the Group's financial performance through risk events and could result in changes to the capacity of nature to provide social and economic functions.

Climate and Environmental Risk (C&E Risk) can arise from:

- **Physical risk:** defined as the potential negative financial impact to the Group of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is categorised as acute when it arises from extreme events including droughts, floods and storms, and chronic when it arises from progressive shifts, such as increasing temperatures, a rising sea-level, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity. This can directly result in damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of the Group's supply chains.
- **Transition risk:** defined as the potential negative financial impact to the Group that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered by the adoption of policies and legal requirements including regulations on products and services as well as policy support for low carbon alternatives. It encompasses the risks associated with implementing technological advancements to replace existing products with lower emission options as well as changes in market sentiment relating to customer demands and preferences.
- **Liability Risk:** Physical risk, transition risk and non-compliance of regulations could potentially lead to further financial exposures for the Group, stemming directly or indirectly from legal claims or regulatory enforcement.

Identification and assessment

The Group's MRA identified C&E as a new principal risk for the Group and was approved by the Board in the second half of the year.

The MRA is an annual top-down process, identifying the Group's material risks in line with the Group's Risk Management Framework, taking into account the Group's strategic objectives, in addition to internal and external risk sources including climate related and environmental factors. The material risk assessment is a key input into the Group's risk management processes, including the Risk Appetite Statement (RAS), which sets out the maximum amount of risk the Group is willing to accept.

The impact and likelihood of potential climate risks have been assessed in the short (<3 years), medium (>=3-10 years), and long-term (10+ years) time horizons. There were several factors assessed to determine the materiality of these impacts across the Group's material risks including reputation, regulatory, financial losses and impact on business objectives. The Group is continuing to develop its risk management approach on the assessment of climate risks impacting other risks, supported by appropriate tools and methodologies.

Risk Management continued

2.10 Climate and Environmental risk continued

The RCA process is the detailed bottom-up risk assessment identifying the risks arising from the Group's processes and business activities. The risks are recorded on SHIELD which is the Group's governance, risk and compliance system. During 2023, SHIELD's capability was enhanced to capture the environmental, social and governance (ESG) risks, providing an understanding of the Group's climate risk profile.

Climate and Environmental risk is also assessed within other risk management tools including the Physical Risk and ESG Sectoral Risk heatmaps.

The Group uses these heatmaps to align its business practices with sustainable and environmentally standards and to identify the short (<3 years), medium (>=3-10 years), and long-term (10+ years) risks that are facing the Group.

The Group's Physical Risk and the ESG Sectoral Risk Heatmaps are outlined as follows:

- Physical Risk Heatmap serves as a visual tool used to identify the physical impact of C&E risks on the Group, including its own buildings and customers across Ireland and the UK. The heatmap supports the qualitative approach to assess the Group's exposure of physical risks across various geographies. The main physical risk impacting the Group pertains to the increased frequency and intensity around flooding. The Group has prioritised the assessment of flood risk when considering its exposure. In this regard, the Group continues to progress work to enhance its flood risk management capabilities. In addition, the heatmap is also used to identify and assess the physical flood risk as part of the Group's assessment of collateral under Pillar 3 CRR Article 449a, showing "sensitivity" to physical risk for non-financial corporate's secured by immovable property under an adverse climate scenario.
- ESG Sectoral Risk Heatmap is a qualitative approach to identifying priority risk sectors areas for ESG impact assessment. The ESG Questionnaire has been incorporated into the credit application process for customers in high risk transition sectors on new lending over €£300k, which have been identified as carrying increased transitional environmental, social and governance related risk. The ESG sectoral heat-map is used to identify the high risk sectors in scope for the questionnaire. The questionnaire has both generic and sector specific questions on a range of topics from Climate & Environmental risk specific matters to social considerations such as human rights and diversity to determine an ESG risk rating. The ESG questionnaire output is an additional factor for consideration in the credit decisioning process.

Stress Testing

The impact of C&E risk is incorporated in the Group's stress testing framework by conducting a comprehensive scenario analysis to evaluate the potential impact of various climate-related events on the Group's portfolios, operations and overall financial position. Scenario testing enables the Group to assess the interconnectedness of risks, considering not only direct physical risks but transition risks arising from shifts in market dynamics, investor sentiment and regulatory landscapes. The Group participated in the ECB Climate Stress Tests in early 2022 where it was evident that the scale of the economic shocks applied was quite modest compared to those applied in non-climate stress testing for ICAAP and ECL calculations. In 2024, the Group is also participating in the European Banking Authority ("EBA") "Fit-for-55" climate risk scenario analysis exercise, which aims to assess the resilience of the financial sector in line with the "Fit-for-55" EU plan for green transition.

The Business Model and Capital Adequacy Framework and the Stress Testing Policy were updated in 2023 to reflect the outcome of the Climate Stress Testing project. As such, these outcomes included changes to climate stress testing models, roles and responsibilities and governance requirements relating to climate stress testing across the Group. The Group's Stress Testing Policy sets out the key processes, governance arrangements and roles and responsibilities around stress testing.

The climate stress testing approach and associated models consider the impact of physical and transition risks across a number of scenarios on the Group's exposures. The initial scope of climate stress testing activities and climate modelling in the Group is primarily focused on the credit risk implications for the loan portfolio via both transition and physical risk. This is where the most material impact of climate stresses impacts the Group with the approach covering all customer loans and advances on the balance sheet.

The Group has identified that flooding is the most material physical risk to the Group. The Group is exposed to the risk that flooding will adversely affect the value of properties collateralising the Group's lending. The Group's physical risk model assess the potential impact of this risk. In 2023, the Group completed the development of an enhanced flood-risk model to support the quantification of flood-related risks. The newly developed model represents a significant step forward in terms of both granularity and flexibility relative to previous approaches which were based on the 2022 ECB Climate Stress test methodology.

As a first step, the new model locates individual properties and overlays a series of flood maps corresponding to river, coastal and surface water flood events. This is repeated for a range of return periods (1-in-20-year, 1-in-100 year) allowing for a probability distribution of flood levels to be calibrated for each property. The damage to each property for a given level of flooding is estimated based on building type and flood type. Estimates of rebuild costs and insurance coverage are overlaid to calculate the net cost of repair. Additional property price adjustments are applied to reflect the reduced desirability of properties that are prone to flooding. The model is used to determine both average and expected flood damage costs and the impact of hypothetical acute flood events. This approach can be applied to reflect current climate conditions or climate conditions as they are projected to be in the future under a range of science-based scenarios.

The Group is exposed to risk through the potential negative impact on the credit worthiness of its customers associated with the uncertainties and challenges associated with a transition to a more sustainable low-carbon economy. The Group quantifies this potential impact using transition risk models with carbon emissions charges. In 2023, the Group developed two new transition risk models, one for Retail (Mortgages) and one for Non-Retail. The newly developed models represent a significant step forward in terms of balance sheet coverage, risk groupings, data sources and macroeconomic scenarios relative to previous approaches based on the 2022 ECB Climate Stress test methodology.

The Retail Model transition risk focused scenario focuses on the impacts of additional (hypothetical) carbon emissions charges. This tax would affect disposable incomes which in turn may present challenges for customers and the Group, depending on how unexpected they are and how punitive the taxes. The stress test output is an analysis of the potential impacts of this scenario to the mortgage book, where charges are applied based on the carbon emissions of homes.

The Non-Retail transition risk focused scenario proposes carbon emissions charges to other non-retail borrowers. This tax will affect borrower's affordability by reducing profits, which in turn may present challenges for the Group, depending on how unexpected and punitive they are. Charges are applied in this model, based on the scope of carbon emissions of the NACE sector in which the borrower operates. A sub-section, covering Agricultural borrowers, is stressed separately, due to differences in cost structures in farms and SMEs. The data available regarding carbon emissions, and the measures borrowers can take to reduce the impact of the emissions tax, also differ for Agricultural borrowers versus Corporates and SMEs. The stress test output provides an analysis of the potential impacts of this scenario to the Non-Retail borrowers.

2.10 Climate and Environmental risk continued

Risk Models

Group models are being enhanced for climate risk including redeveloped physical risk and transition risk models mentioned above. These are governed by the Model Risk Committee (MRC) see page 193 for further information.

Data management

Data management is a key element of the Group's C&E risk identification, risk management and internal risk reporting. In line with supervisory expectations the Group has a data governance framework allowing for the identification, management, monitoring and reporting of these risks.

Management and measurement

In December 2023, Board Risk Committee approved the Climate & Environmental (C&E) Risk Framework. It sets out the principles, roles and responsibilities, governance arrangements and processes for C&E risk management across the Group. The C&E Risk Framework sits within the overall group risk architecture and is one of the material risk frameworks supporting the Group's Risk Management Framework.

The C&E Risk Framework is underpinned by the C&E risk policy (which was also approved in December), ensuring that the C&E risk is managed in line with the Group's overall purpose, the five key strategic pillars as well as the Group's strategic objectives.

Due to the pervasive nature of C&E risk and its impact on other principal risks, the C&E risk management aspects for these principal risks are incorporated within their relevant risk frameworks and policies, including environmental sector specific considerations within the Group's credit risk policies and regulatory related risks within the regulatory compliance policies, see table on Page 196.

The ESG Framework, which was launched in December 2022, ensured that the Group's approach to the management of ESG was clearly defined and well understood, from the Board and down through all operations. In line with our continued progress, the ESG Framework will be retired over the course of 2024 and the agenda will be managed through the C&E Risk Framework and policy, as well as other existing Frameworks and governance structures in place.

Articulation of the Group's C&E risk appetite and tolerance is expressed through the qualitative statements about the nature and type of risk that the Group is willing to accept, and quantitative RAS metrics that define the range of acceptable risk. For 2024, there are seven C&E qualitative statements that help articulate appropriate areas of climate-related risk appetite. In addition the Group has approved two new quantitative C&E RAS metrics with escalation measures in place in case of breaching the relevant thresholds.

Monitoring, escalating and reporting

C&E risk is monitored through internal and external reporting across the Group. The primary internal risk report, the CRO report, dedicates a section to C&E risk providing the Group Risk Committee and the Board Risk Committee with relevant updates on the C&E risk profile. The profile encompasses the key developments around the risk, planned initiatives and reports on the performance against risk appetite.

The monitoring and reporting of the C&E quantitative RAS metrics are conducted monthly. The escalation process, as stipulated under the RAS policy, is commenced in the event of a breach of either the RAS watch trigger or limit for any of the metrics. This ensures Board and Regulator notification within an approved timeframe, when appropriate.

The Group has stated clear ambition for 70% of new lending to be green or in transition by 2030 and has a target to achieve Net Zero in financed emissions by 2040 for the lending portfolio (2050 including Agriculture). To support these net zero ambitions, the emissions of the Group's lending across Corporate Lending, Residential Property, Commercial Real Estate and Electricity Generation have been benchmarked and targets adopted.

Annual financed emission targets for 75% of the Group's lending portfolio (as at 31 December 2021), outlining what the Group needs to achieve by 2030 in terms of a reduction in emissions relating to its lending portfolio, have been adopted by the Board and externally validated by the Science Based Targets Initiative (SBTi). For each of the financed emissions targets, the key business actions that support these emission reductions have been identified and are incorporated into annual business planning process.

The Group actively monitors the progress of achieving the Board approved sustainability targets via the Climate Dashboard. The metrics contained in the dashboard are reported in the CRO report, to the Group Sustainability Committee (GSC) and the Sustainable Business Advisory Committee (SBAC).

Risk Management continued

2.10 Climate and Environmental risk continued

In line with TCFD requirements, the table below sets out the risks identified as being impacted by climate-related risks (physical and transition risks) as well as the processes for identifying, assessing and managing these risks across the short, medium, and long-term horizons.

	Principal Risks	Risks	Time Horizon			How are we responding?
			Short <3 years	Medium >=3-10 years	Long 10+ years	
Physical Risk	Conduct risk and Culture risk	Conduct risk can emerge from interruptions to customer services as a result of acute or chronic climate conditions. In addition, in managing the Group's exposure to physical risk, underwriting standards (and/or changes thereof) have the potential to have an adverse impact on customers.	Short	Medium	Long	Ensuring consideration of C&E risk within the conduct risk and culture risk processes.
	Credit risk	The risk of a decrease in value of the properties collateralising the Group's lending or that these properties become stranded assets as a result of physical risk, impacting the ability to dispose of assets which may result in increased loan defaults and losses.			Long	The Group utilises a physical risk heatmap to identify the primary physical risks it faces. Considerations in respect of the main physical risk identified from the heatmap is included in guidance for collateral valuation instructions, and in 2023 investment was made into a tool to assist identification of flood risk for new large commercial collateral property assets.
	Liquidity and Funding risk	The risk of liquidity loss through deposit outflows or erosion of the liquidity buffer due to disruptions or damages to assets (including property) and businesses, impacting negatively on the Group's liquidity and funding risk profile.			Long	Liquidity and funding risk includes C&E risk considerations to ensure that the liquidity and funding profile is appropriate for its asset mix and a sufficient liquid buffer of appropriate quality is provided to protect the Group from any liquidity stresses.
	Model risk	The risk that the adverse effects of climate change are not correctly incorporated into the Group's climate risk models thereby impacting the accuracy and reliability of these models.	Short	Medium	Long	Model risk management ensures that climate model risk is appropriately managed within each stage of the model risk management lifecycle.
	Operational risk	The risk of disruptions to the Group's operations, property damage, power outages and the impact of third party supply chain interruptions due to the increasing frequency and severity of extreme weather events.			Long	The management of C&E risk takes place via the oversight and assurance of third-party suppliers, continuity and operational resilience risk management as well as the protection of staff, customers, visitors, contractors, consultants, agents, third parties and assets (including property) in all its locations and operations. This ensures adherence to statutory obligations with respect to health and safety as well as security industry standards and practices.
Transition Risk	Business model risk	The failure to execute the Board's sustainability commitments could result in potential damage to the Group's reputation and the imposition of regulatory penalties.	Short	Medium	Long	C&E risk is considered as a risk of not achieving the agreed Group's Strategy or approved business plan. This can be either as a result of an inadequate implementation of the plan, or the inability to secure the required investment.
	Conduct risk and Culture risk	The failure to deliver sufficient supports to customers where transition to new services, upgrades etc are required as part of the organisations transition to a low carbon economy.		Medium	Long	Conduct risk and Culture risk includes the consideration of C&E risk when reviewing potential changes to services or propositions to ensure customer segments are not unfairly disadvantaged or negatively impacted as a result.
	Credit risk	The challenges and uncertainties associated with the transition to a more sustainable and low-carbon economy can potentially impact the Group if it is exposed to customers in high and medium risk sectors as their creditworthiness may decline (e.g. by higher carbon taxes affecting costs etc).		Medium	Long	The integration of C&E risk as a consideration within credit risk management policies and processes. For example the Group's ESG Questionnaire is incorporated into credit applications for customers in high C&E Risk transition sectors where new lending is over €/£300k.
	Model risk	The risk may emerge due to the absence of standardised tools and methodologies for incorporating the transition risk linked with climate and environmental risk into the Group's models.	Short	Medium	Long	On an ongoing basis, Group models are enhanced for climate risk including redevelopment of physical risk and transition risk models.
	Regulatory Compliance risk	The failure to implement regulatory and strategic changes may lead to non compliance resulting in regulatory sanctions, reputational damage and legal consequences.			Long	Regulatory compliance risk consider C&E risk when ensuring effective compliance with the applicable obligations which protects the Group's customers and its business.

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Financial statements

1.	Statement of Directors' Responsibilities	199
2.	Independent Auditors' Report	200
3.	Consolidated financial statements	210
4.	Notes to the consolidated financial statements	216
5.	AIB Group plc company financial statements	315
6.	Notes to AIB Group plc company financial statements	318

Statement of Directors' Responsibilities

The following statement which should be read in conjunction with the Statement of Auditor's Responsibilities set out in their Audit Report, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are responsible for preparing the Annual Financial Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2014.

In preparing both the Group and Company 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 that the financial statements comply with IFRSs as adopted by the EU; 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 disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2014. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities. Under applicable law and corporate governance requirements, the Directors are also responsible for preparing the Directors' Report and the reports relating to the Directors' remuneration and corporate governance that comply with that law and the relevant listing rules of Euronext Dublin (the Irish Stock Exchange) and the UK Listing Authority.

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.

Each of the Directors whose names and functions are listed on pages 70 to 73 confirm, to the best of their knowledge and belief, that:

- They have complied with the above requirements in preparing the financial statements;
- The Group financial statements, prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 2014 and Article 4 of the IAS Regulation, give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of its profit for the year then ended;
- The Company financial statements prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2014, give a true and fair view of the state of the Company's affairs as at 31 December 2023;
- The Directors' report provides a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties faced by the Group; and
- The Annual Financial Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

For and on behalf of the Board



Jim Pettigrew
Chair



Colin Hunt
Chief Executive Officer



Donal Galvin
Chief Financial Officer

5 March 2024

Independent auditors' report

Independent auditors' report to the members of AIB Group plc

Report on the audit of the financial statements

Opinion

In our opinion, AIB Group plc's consolidated financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2023 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Financial Report (the "Annual Report"), which comprise:

- the Consolidated and Company Statement of Financial Position as at 31 December 2023;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement of Cash Flows for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended; and
- the Notes to the Consolidated and Company financial statements, which include a description of the accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Board Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 13 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2023 to 31 December 2023.

Our audit approach

Overview

Materiality	<p>Overall materiality</p> <ul style="list-style-type: none"> • €57.5 million - Consolidated financial statements. • Based on c. 2.4% of profit before tax. • €57.0 million - Company financial statements. • Based on c. 0.4% of total equity. <p>Performance materiality</p> <ul style="list-style-type: none"> • €43.2 million - Consolidated financial statements. • €42.8 million - Company financial statements.
Audit scope	<ul style="list-style-type: none"> • We completed a full scope audit of the financial information of Allied Irish Banks, p.l.c., EBS d.a.c. and AIB Mortgage Bank Unlimited Company. In addition, we directly instructed PwC UK to conduct and report to us on a full scope audit of the consolidated financial information of AIB Group (UK) p.l.c. • Specific audit procedures on selected account balances, classes of transactions or disclosures were performed for other entities within the Group based on our assessment of the risk of material misstatement and of the materiality of the Group's operations in these entities. • The significant components subject to full scope audit accounted for in excess of 90% of both of Profit before Tax and Total Assets.
Key audit matters	<ul style="list-style-type: none"> • Expected credit loss (i) completeness and valuation of the post model adjustments (ii) judgements taken on individually assessed exposures • IT (Privileged User Access) • Recoverability of the Deferred Tax Assets • Recoverability of investment in subsidiary (Company only)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit loss (i) completeness and valuation of the post model adjustments (ii) judgements taken on individually assessed exposures</p> <p>Refer to Note 1 (q) "Impairment of financial assets" within Note 1 "Accounting policies", "Impairment of financial assets" within Note 2 "Critical accounting judgements and estimates", Note 12 "Net credit impairment charge", Note 19 "Loans and advances to customers" and Section 2.1 "Risk management - Credit risk" of the Risk management report.</p> <p>At 31 December 2023, the Group reported total gross loans to customers classified at amortised cost of €67.0bn and €1.52bn of expected credit loss (ECL).</p> <p>The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. Complex models and significant judgements are used to estimate the probability of default (PD), loss given default (LGD) and exposure at default (EAD) as well as in applying the staging criteria under IFRS 9.</p> <p>The calculation of ECL requires a high degree of judgement to reflect recent developments in credit quality, arrears experience and / or emerging macroeconomic risks.</p> <p>The two 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 were</p> <p>1. Completeness and valuation of post model adjustments (PMAs) The judgement surrounding the completeness and valuation of PMA's represents a significant estimation risk. The modelling methodologies used to estimate ECL are developed using historical experience. Adjustments are made to model outcomes to address known model and data limitations, and emerging or non-modelled risks. In addition, modelling methodologies do not incorporate all factors that are relevant to estimating ECL. The current economic environment continues to be uncertain and differs from recent experience, which is characterised by elevated inflation, increased cost of living and increasing costs of financing, which affects the debt servicing capability for borrowers. As a result, the judgements around if and when the Group recognise adjustments to model outcomes to account for potential model weaknesses in coping with the current economic environment and outlook are highly judgemental and inherently uncertain.</p> <p>2. Individually assessed ECL (Stage 3) The judgements applied with respect to the measurement of impairment of Stage 3 individually assessed loans represents a significant estimation risk. For individual provision assessments of larger exposures in Stage 3, the significant judgements in determining provisions are the completeness and appropriateness of the potential workout scenarios identified, the probability assigned to each identified potential workout scenario and the valuation assumptions used in determining expected recoveries.</p> <p>Other assumptions Management makes other assumptions which are less judgemental or for which variations have a less significant impact on ECL. These assumptions include:</p> <ul style="list-style-type: none"> • Conceptual soundness of the modelling methodologies; • Quantitative and qualitative criteria used to assess significant increases in credit risk which drives the allocation of assets to Stage 1, 2, or 3 using criteria in accordance with the accounting standards; • Accounting interpretations, modelling assumptions and data used to build and run the ECL models; and • Inputs and assumptions used to reflect the impact of multiple economic scenarios, including any changes to the forward looking scenarios. 	<p>Controls In conjunction with our credit modelling specialists, we performed end-to-end process walkthroughs to understand and identify the key systems, applications and key controls used in the ECL processes.</p> <p>We tested the design and operating effectiveness of key controls across the processes relevant to management's ECL calculation, including those relating to the key judgements and estimates involving our credit modelling specialists where appropriate. We also tested the design and operating effectiveness of key controls over the governance of the estimation of ECL. We attended key executive finance and risk committee meetings where the inputs, assumptions and adjustments to the ECL were discussed and approved and observed management's review and challenge in these governance forums including the assessment of model limitations and any resulting judgemental post model adjustments.</p> <p>Conceptual Soundness We performed a risk assessment on the models involved in the ECL calculation to determine the models to test and the nature of the testing required in respect of the individual models. We involved credit modelling specialists to assist us in testing the ECL models by testing the assumptions, inputs and implementation of model formulae. This included a combination of assessing the appropriateness of model design, challenger/sensitivity analyses, recalculating the Probability of Default and Loss Given Default and testing model implementation.</p> <p>In conjunction with our credit modelling specialists, we assessed model governance including model validation and monitoring. This included assessing model performance by evaluating variations between observed data and model predictions and developing an understanding and assessment of model limitations and remedial actions. We enquired of the model development and validation teams to assess whether the basis for significant model enhancements introduced were reasonable.</p> <p>Post Model Adjustments In conjunction with our credit modelling specialists, we evaluated the conceptual soundness of the PMAs by critically assessing management's rationale and methodology, including the limitation and / or risk that the PMA is seeking to address.</p> <p>We inspected the PMA calculation methodology and tested, on a sample basis, the completeness and accuracy of key data inputs into the PMA calculation.</p> <p>We challenged the overall completeness and reasonableness of post model adjustments by comparing the PMAs recognised by management to the key model limitations and / or data limitations that we considered to exist in the portfolio.</p> <p>Individually assessed stage 3 assets For a sample of credit-impaired loans, we assessed the exposures to determine if they met the definition of credit impaired under IFRS 9. We challenged the forecasts of future cash flows prepared by management to support the calculation of the impairment loss allowance by challenging the key assumptions and corroborating estimates to external support where available. Where appropriate, our work involved inspecting valuations of collateral, internal valuation guidelines and/or externally prepared reports to determine whether appropriate valuation methodologies and assumptions were employed. Our selection of credit impaired loans was based on a number of factors, including higher risk sectors identified with reference to external sources, such as commercial real estate, retail and leisure, as well as materiality.</p> <p>We enquired of Divisional and Group management and reviewed relevant management information to understand the emerging and potential issues across the relevant portfolios.</p>

Key audit matter	How our audit addressed the key audit matter
	<p>Quantitative and Qualitative criteria in determining specific increases in credit risk</p> <p>We challenged the appropriateness and application of the quantitative and qualitative criteria used to assess significant increases in credit risk which determine the allocation of an asset to Stage 1, 2 or 3 in accordance with IFRS 9.</p> <p>For a selection of performing loans, we critically assessed, by reference to the underlying documentation and through inquiries with management, whether the trigger for credit impaired classification had occurred.</p> <p>In conjunction with our credit modelling specialists, we reperformed key aspects of the models underlying the calculation of expected credit losses, including independent recalculation of the PD and LGD for a sample of models and independent recalculation of ECL model outcomes for a sample of models.</p> <p>Economic Scenarios</p> <p>In conjunction with our credit modelling specialists, we considered the base case and alternative economic scenarios. We challenged and assessed the reasonableness of the significant assumptions underpinning management's economic scenarios which we determined to be GDP, unemployment and property prices by comparing to independent and observable economic forecasts, leveraging a number of external data points. We assessed whether forecasted macroeconomic variables were reasonable and supportable.</p> <p>With the support of our credit modelling specialists, we evaluated the overall impact of the macroeconomic factors to the ECL. This assessment considered the sensitivity of ECL to variations in the severity and probability weighting of the economic forecasts.</p> <p>We challenged the reasonableness of management's forward-looking information (FLI) upside / downside scenario weightings, having regard to relevant available information. Specifically, we challenged the appropriateness of management's change in the severe downside scenario weight in the current year.</p> <p>Overall setback</p> <p>We performed an overall assessment of ECL provision levels by IFRS 9 stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, credit risk management practices and the macroeconomic environment by considering trends in the economy and sectors to which the Group is exposed. We performed peer benchmarking where available to assess overall staging and provision coverage levels.</p> <p>Disclosures</p> <p>We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards and the process and controls management had in place to prepare and approve the disclosures.</p> <p>Conclusion</p> <p>On the basis of the work performed we have concluded the stock of Expected Credit Loss reserves at year end is within the range of acceptable outcomes.</p>

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
<p>IT (Privileged User Access)</p> <p>The IT environment is complex and pervasive to the operations of the Group due to the multiplicity of systems and the large volume of transactions processed and its reliance on automated and IT dependent manual controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in a controlled manner.</p> <p>Our audit approach includes reliance on automated and IT dependent manual controls and therefore on the effectiveness of controls over IT systems impacting financial reporting. Privileged user access management controls are an integral part of the IT environment to ensure both system access and changes made to systems are authorised and appropriate. An integral part of our audit testing is therefore on the effectiveness of privileged user access management controls.</p> <p>In the context of our audit scope, we consider privileged user access management controls at the application layer to be critical to ensuring that only appropriately authorised changes are made to IT systems deemed relevant to our audit. Moreover, appropriate privileged user access management controls contribute to mitigating the risk of potential fraud or error.</p> <p>We considered this to be a key audit matter owing to the high level of reliance on IT operations within the Group as well as the risk that key IT Audit Dependencies such as automated controls and system generated reports are not designed and operating effectively.</p>	<p>Through enquiries with management and inspection of internal governance documents, we obtained an understanding of the Group's IT environment.</p> <p>In conjunction with our Digital Audit specialists, we;</p> <ul style="list-style-type: none"> • Tested the design, implementation and where relevant, the operating effectiveness of preventative and detective IT General Controls (ITGC) over privileged user access management (i.e. those relating to privileged user access provisioning, revocation, recertification and authentication). • Inquired of Group Internal Audit (GIA) and inspected IT related GIA reports produced during the period to understand the nature of findings, if any, and consider the impact on our audit. • Where control deficiencies were identified at the design level we considered the compensating controls in place and sought to obtain additional evidence for the in scope IT Dependencies to obtain reasonable assurance that there were no unauthorised changes made to these during the financial year. • Our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan and designed and executed additional procedures where required. <p>Conclusion Having completed the additional audit procedures we concluded that we obtained sufficient evidence for the purposes of our audit.</p>
<p>Recoverability of the Deferred Tax Assets</p> <p>Refer to Note 1 (i) "Income tax, including deferred income tax" within Note 1 "Accounting policies", "Deferred taxation" within Note 2 "Critical accounting judgements and estimates" and Note 27 "Deferred taxation".</p> <p>The Group has deferred tax assets of €2.58bn that primarily arise due to historical operating losses. A key judgement in the recognition of deferred tax assets is whether there is convincing evidence of sufficient future taxable profits against which those losses can be utilised. This judgement relies on the assessment of the probability and the sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance.</p> <p>The Group's considerations in respect of the recognition of the deferred tax assets are outlined in the key accounting judgements and estimates section within the financial statements, which also provides an overview of the key assumptions underpinning the financial projections. In particular, the deferred tax asset relating to the UK business (amounting to €185m or 7% of the total) has been limited to a recognition period of 15 years as management believe the degree of estimation uncertainty beyond that period is high.</p> <p>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. These recovery periods are driven by management judgement over the quantum and timing of future profitability which are, by their nature, subject to estimation uncertainty.</p>	<p>We performed an end-to-end walkthrough of the process for the forecasting of profits used to support the recognition of the deferred tax assets, including the approval process.</p> <p>Management prepares a Financial Plan to forecast financial performance over a three year period. The projections are then extrapolated at 2% based on estimated annual long term growth rates for the Irish economy for the purposes of projecting future taxable profits beyond three years.</p> <p>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.</p> <p>We assessed and challenged the reasonableness of the external economic assumptions applied in the future forecast assessment with reference to observable market data.</p> <p>We considered whether the forecast of taxable profits provides convincing evidence that sufficient taxable profits will be available to utilise unused tax losses.</p> <p>We assessed the basis for management's conclusion that the recovery period for trading losses carried forward in the UK subsidiary should be restricted to fifteen years being the period over which the Directors can conclude that it is probable that future taxable profits will be available in the UK entity.</p> <p>Conclusion On the basis of the work performed we have concluded the recognition of the deferred tax asset is reasonable.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of investment in subsidiary (Company only)</p> <p>Refer to Note e “Investment in subsidiary undertaking” to the Company financial statements.</p> <p>The Company balance sheet includes a €13.7bn investment in Allied Irish Banks, p.l.c., the main trading entity of the Group.</p> <p>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 (“VIU”). The calculation of VIU is dependent on certain key assumptions around the future cash flows which have been forecasted using the Group’s three-year plan, the discount rates and the terminal growth rates. These assumptions, which are judgemental, are derived from a combination of management estimates, market data and other information obtained from external sources.</p> <p>The significant assumptions that we focused on were those with greater levels of management judgement and for which variations had the most significant impact on the recoverable amount. Specifically, these included the business plan for 2024 to 2026, regulatory capital requirements, long term growth rates and discount rates.</p> <p>During 2023, a gain of €0.58bn was recognised in the entity only income statement, being a reversal of impairment previously recognised. Following this reversal, the investment held by the company in Allied Irish Banks, p.l.c. stands at its original cost (as adjusted for subsequent share buybacks).</p> <p>We considered this to be a key audit matter due to the judgement associated with the assessment of the recoverable amount of the investment at 31 December 2023 including, in particular, the expected cash flows, the discount rates and the terminal value calculations.</p>	<p>We performed an end-to-end process walkthrough over the recoverability of the carrying value of the investment by AIB Group plc in Allied Irish Banks, p.l.c. We tested the design and operating effectiveness of the key controls relating to the process.</p> <p>We involved our valuation specialists to assist us in evaluating the appropriateness of the discount rate used by independently developing discount rate ranges using external data sources and peer bank data and assessing whether the methodology over management’s calculation of the VIU is compliant with the requirements of the accounting standard.</p> <p>We compared key assumptions including those underlying certain estimated future cash flows, the discount rate and the terminal growth rate to externally derived data including, peer bank data and projected economic growth.</p> <p>We assessed the sensitivity of the VIU to reasonable variations in discount rate and terminal growth rate.</p> <p>We assessed the adequacy of the financial statement disclosures in respect of the investment in the AIB Group plc company only financial statements.</p> <p>Conclusion On the basis of the work performed we have concluded the carrying value is reasonable.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We were appointed as Auditor of the Group on 4 May 2023. Prior to the commencement of the current financial year and our formal appointment, we met with management across the Group to understand the business and plan our first audit effectively. We met with the former Auditor and attended the Board Audit Committees during the 2022 year end cycle. We also reviewed the audit work papers of the former Auditor to gain sufficient audit evidence about whether the opening balances contained misstatements which could materially impact the current year financial statements.

In establishing the overall approach to scoping the Group audit engagement, we identified components based on the Group’s legal entities and determined that an audit of the complete financial information (a ‘full scope’ audit) should be performed by us on three legal entities due to their size or risk characteristics and to ensure appropriate coverage. These are Allied Irish Banks, p.l.c., EBS d.a.c. and AIB Mortgage Bank Unlimited Company.

The significant majority of Group activity outside Ireland is in the UK and PwC UK was engaged to perform a full scope audit on AIB Group (UK) p.l.c.. No other PwC network firm was engaged for the Group audit. In relation to audit procedures that were performed by PwC UK, we arranged joint planning meetings and regular physical and virtual meetings throughout the audit and reviewed certain audit working papers in PwC UK’s audit file to corroborate that their audit plan was appropriately executed. The meetings also involved discussing and understanding the significant audit risk areas and other relevant matters. We interacted regularly with PwC UK during all stages of the audit. In addition to their formal audit report, we received a detailed memorandum of examination on work performed and relevant findings that supplemented our understanding of the individual component. The Group Engagement Leader also physically attended a number of the AIB Group (UK) p.l.c. Audit Committee meetings.

In order to achieve the desired level of audit evidence on each account balance in the Consolidated and Company financial statements, specific audit procedures on selected account balances, classes of transactions or disclosures were performed at two other legal entities within the Group. The nature and extent of audit procedures was determined by our risk assessment.

Together with additional procedures performed at the Group level, this gave us the evidence we needed for our opinion on the financial statements as a whole.

The significant components subject to full scope audit accounted for in excess of 90% of both of Profit before Tax and Total Assets.

Independent auditor's report continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Overall materiality	€57.5 million	€57.0 million
How we determined it	c.2.4% of profit before tax.	c.0.4% of total equity.
Rationale for benchmark applied	We applied this benchmark because in our view this is a metric against which the recurring performance of the Group is commonly measured by its stakeholders to assess its performance.	The Company is the ultimate holding company of the Group and its activities are limited to its investment in Allied Irish Banks, p.l.c. and the issue of debt securities, subordinated liabilities and other capital instruments. Hence a benchmark based on total equity reflects the focus of the users of the financial statements.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to c. €43.2 million (Group audit) and €42.8 million (Company audit).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and our assessment of the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above €2.75 million (Group audit) and €2.75 million (Company audit) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment;
- Performing a risk assessment to identify factors that could impact the going concern assessment;
- Considering the Group's Financial Plan approved by the Board in December 2023. In evaluating management's base case forecasts and alternative stress scenarios we considered the Group's financial position, historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact on financial performance, capital and liquidity for a period of 12 months from the date on which the financial statements are authorised for issue;
- Considering whether the assumptions underlying the base cases were consistent with related assumptions used in other areas of the Group's and Company's business activities, for example, in testing for non-financial asset impairment;
- Reading relevant correspondence from the Central Bank of Ireland and the ECB Joint Supervisory Team with regards to regulatory capital and liquidity requirements of the Group; and
- Considering the adequacy of relevant disclosures made in the financial statements.

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's or the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

In relation to 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.

We are required to report if the directors' statement relating to going concern in accordance with Rule 6.1.82 (3) (a) of the Listing Rules for Euronext Dublin and Rule 9.8.6R(3) of the Listing Rules of the UK Financial Conduct Authority is materially inconsistent with our knowledge obtained in the audit. We have nothing to report in respect of this responsibility.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for 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 to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below.

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report).
- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
 - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
 - the information required by Section 1373(2)(d) of the Companies Act 2014;

included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014.

- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 is contained in the Corporate Governance Statement.

Corporate Governance Statement

The Listing Rules and ISAs (Ireland) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex (the "Code") specified for our review. Our additional responsibilities with respect to the Corporate Governance Statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

Independent auditor's report continued

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

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Board Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for management bias through judgement and assumptions in significant accounting estimates and manual journal entries being recorded in order to affect performance. Audit procedures performed by the engagement team included:

- Discussions with the Board Audit Committee, management and Group Legal including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- Reading the meeting minutes of the Board of Directors, Board Audit Committee, Board Risk Committee, Board Remuneration Committee and the Board Nomination & Corporate Governance Committee;
- Consideration of the results of reporting from PwC UK relating to compliance with applicable laws and regulations and procedures performed to address assessed fraud risk;
- Discussions with Group Internal Audit and consideration of internal audit reports in so far as they related to the financial statements;
- Evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud;
- Inspection of relevant regulatory correspondence from the Central Bank of Ireland and the ECB Joint Supervisory Team;
- Challenging assumptions and judgements made by management in their accounting estimates, in particular in relation to the matters set out in our key audit matters;
- Applying risk-based criteria to journal entries posted in the audit period to determine journal entries for testing purposes; and
- Designing audit procedures to incorporate elements of unpredictability around the nature and extent of audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- 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 Company financial statements to be readily and properly audited.
- The Company Statement of Financial Position is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

We are required by the Listing Rules to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Prior financial year Remuneration Report

We are required to report if the Company has not provided the information required by Section 1110N of the Companies Act 2014 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the members at the Annual General Meeting on 4 May 2023 to audit the financial statements for the year ended 31 December 2023 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.



Ronan Doyle

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
5 March 2024

Consolidated Income Statement

for the financial year ended 31 December 2023

	Notes	2023 € m	2022 € m
Interest income calculated using the effective interest rate method	4	4,549	2,432
Other interest income and similar income	4	96	80
Interest and similar income	4	4,645	2,512
Interest and similar expense ⁽¹⁾	5	(804)	(417)
Net interest income		3,841	2,095
Fee and commission income	6	806	765
Fee and commission expense	6	(173)	(177)
Net trading income ⁽¹⁾	7	210	100
Net gain on other financial assets measured at FVTPL	8	30	102
Net (loss)/gain on derecognition of financial assets measured at amortised cost	9	(9)	18
Other operating income ⁽¹⁾	10	17	10
Other income		881	818
Total operating income		4,722	2,913
Operating expenses	11	(1,847)	(1,722)
Impairment and amortisation of intangible assets	24	(221)	(228)
Impairment and depreciation of property, plant and equipment	25	(74)	(113)
Total operating expenses		(2,142)	(2,063)
Operating profit before impairment losses		2,580	850
Net credit impairment charge	12	(172)	(7)
Operating profit		2,408	843
Income from equity accounted investments	23	12	37
Loss on disposal of business	15	(26)	—
Profit before taxation		2,394	880
Income tax charge	14	(336)	(115)
Profit for the year		2,058	765
Attributable to:			
– Equity holders of the parent		2,061	767
– Non-controlling interests		(3)	(2)
Profit for the year		2,058	765
Earnings per share			
Basic earnings per ordinary share	36	75.7 c	26.1 c
Diluted earnings per ordinary share	36	75.7 c	26.1 c

(1) Refer to note 1(c) for further information about the change in presentation for certain line items in the primary statements.

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2023

	Notes	2023 € m	2022 € m
Profit for the year		2,058	765
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit asset/(liability), net of tax	14	(2)	(8)
Total items that will not be reclassified subsequently to profit or loss		(2)	(8)
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>			
Net change in foreign currency translation reserves, net of tax	14	57	(71)
Net change in cash flow hedges, net of tax	14	1,182	(1,619)
Net change in fair value of investment debt securities at FVOCI, net of tax	14	(41)	(188)
Total items that will be reclassified subsequently to profit or loss when specific conditions are met		1,198	(1,878)
Other comprehensive income/(loss) for the year, net of tax		1,196	(1,886)
Total comprehensive income/(loss) for the year		3,254	(1,121)
Attributable to:			
– Equity holders of the parent		3,257	(1,119)
– Non-controlling interests		(3)	(2)
Total comprehensive income/(loss) for the year		3,254	(1,121)

Consolidated Statement of Financial Position

as at 31 December 2023

	Notes	2023 € m	2022 € m
Assets			
Cash and balances at central banks	45	38,018	38,138
Trading portfolio financial assets	16	93	8
Derivative financial instruments	17	2,377	2,511
Loans and advances to banks	18	1,329	1,502
Loans and advances to customers	19	65,491	59,613
Securities financing	20	6,466	6,282
Investment securities	22	17,353	16,270
Investments accounted for using the equity method	23	310	173
Intangible assets and goodwill	24	925	940
Property, plant and equipment	25	558	536
Other assets	26	260	296
Current taxation		17	15
Deferred tax assets	27	2,581	3,032
Prepayments and accrued income		540	423
Retirement benefit assets	28	31	13
Total assets		136,349	129,752
Liabilities			
Deposits by central banks and banks	29	1,780	514
Customer accounts	30	104,782	102,359
Securities financing	20	575	898
Trading portfolio financial liabilities	16	139	4
Derivative financial instruments	17	1,902	2,982
Debt securities in issue	31	8,423	7,203
Lease liabilities	32	282	257
Current taxation		1	1
Deferred tax liabilities	27	23	30
Retirement benefit liabilities	28	14	16
Other liabilities	33	1,082	1,106
Accruals and deferred income		607	377
Provisions for liabilities and commitments	34	197	340
Subordinated liabilities and other capital instruments	35	1,473	1,404
Total liabilities		121,280	117,491
Equity			
Share capital	36	1,637	1,671
Reserves		12,323	9,478
Total shareholders' equity		13,960	11,149
Other equity interests	37	1,115	1,115
Non-controlling interests		(6)	(3)
Total equity		15,069	12,261
Total liabilities and equity		136,349	129,752



Jim Pettigrew
Chair



Colin Hunt
Chief Executive Officer



Donal Galvin
Chief Financial Officer



Conor Gouldson
Group Company Secretary

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2023

	Attributable to equity holders of parent											Non-controlling interests	Total equity
	Share capital	Other equity interests	Capital reserves	Merger reserve	Capital redemption reserves	Revaluation reserves	Investment securities reserves	Cash flow hedging reserves	Revenue reserves	Foreign currency translation reserves	Total		
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m		
At 1 January 2023	1,671	1,115	1,133	(3,622)	39	13	(36)	(1,470)	14,004	(583)	12,264	(3)	12,261
Total comprehensive income for the year													
Profit for the year	—	—	—	—	—	—	—	—	2,061	—	2,061	(3)	2,058
Other comprehensive income (note 14)	—	—	—	—	—	—	(41)	1,182	(2)	57	1,196	—	1,196
Total comprehensive income for the year	—	—	—	—	—	—	(41)	1,182	2,059	57	3,257	(3)	3,254
Transactions with owners, recorded directly in equity													
<i>Contributions by and distributions to owners of the Group</i>													
Dividends paid on ordinary shares (note 51)	—	—	—	—	—	—	—	—	(166)	—	(166)	—	(166)
Distributions paid to other equity interests (note 37)	—	—	—	—	—	—	—	—	(65)	—	(65)	—	(65)
Buyback of ordinary shares (note 36)	(34)	—	—	—	34	—	—	—	(215)	—	(215)	—	(215)
Other movements	—	—	—	—	—	(1)	—	—	1	—	—	—	—
Total contributions by and distributions to owners of the Group	(34)	—	—	—	34	(1)	—	—	(445)	—	(446)	—	(446)
At 31 December 2023	1,637	1,115	1,133	(3,622)	73	12	(77)	(288)	15,618	(526)	15,075	(6)	15,069

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2022

	Attributable to equity holders of parent											Non-controlling interests	Total equity
	Share capital	Other equity interests	Capital reserves	Merger reserve	Capital redemption reserves	Revaluation reserves	Investment securities reserves	Cash flow hedging reserves	Revenue reserves	Foreign currency translation reserves	Total		
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m		
At 1 January 2022	1,696	1,115	1,133	(3,622)	14	13	152	149	13,523	(512)	13,661	(1)	13,660
Total comprehensive loss for the year													
Profit for the year	—	—	—	—	—	—	—	—	767	—	767	(2)	765
Other comprehensive loss (note 14)	—	—	—	—	—	—	(188)	(1,619)	(8)	(71)	(1,886)	—	(1,886)
Total comprehensive loss for the year	—	—	—	—	—	—	(188)	(1,619)	759	(71)	(1,119)	(2)	(1,121)
Transactions with owners, recorded directly in equity													
<i>Contributions by and distributions to owners of the Group</i>													
Dividends paid on ordinary shares (note 51)	—	—	—	—	—	—	—	—	(122)	—	(122)	—	(122)
Distributions paid to other equity interests (note 37)	—	—	—	—	—	—	—	—	(65)	—	(65)	—	(65)
Buyback of ordinary shares (note 36)	(25)	—	—	—	25	—	—	—	(91)	—	(91)	—	(91)
Total contributions by and distributions to owners of the Group	(25)	—	—	—	25	—	—	—	(278)	—	(278)	—	(278)
At 31 December 2022	1,671	1,115	1,133	(3,622)	39	13	(36)	(1,470)	14,004	(583)	12,264	(3)	12,261

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2023

	Notes	2023 € m	2022 € m
Cash flows from operating activities			
Profit before taxation for the year		2,394	880
Adjustments for:			
– Non-cash and other items	46	984	312
– Change in operating assets	46	(6,291)	(5,623)
– Change in operating liabilities	46	2,146	3
– Taxation paid		(71)	(19)
Net cash outflow from operating activities		(838)	(4,447)
Cash flows from investing activities			
Purchase of investment securities	22	(3,199)	(3,823)
Proceeds from sales, redemptions and maturity of investment securities	22	2,713	2,696
Additions to property, plant and equipment	25	(34)	(32)
Disposal of property, plant and equipment		7	10
Additions to intangible assets	24	(206)	(174)
Acquisition of subsidiaries		(6)	—
Proceeds of disposal of investment in associated undertaking		—	36
Investments accounted for using the equity method	23	(125)	(45)
Net cash outflow from investing activities		(850)	(1,332)
Cash flows from financing activities			
Proceeds on issue of debt securities ⁽¹⁾	31	2,431	3,231
Maturity of debt securities ⁽¹⁾		(382)	—
Repurchase of debt securities ⁽¹⁾		—	(844)
Dividends paid on ordinary shares	51	(166)	(122)
Buyback of ordinary shares	36	(215)	(91)
Distributions paid to other equity interests	37	(65)	(65)
Repayment of lease liabilities		(35)	(89)
Interest paid on debt securities ⁽¹⁾		(204)	(108)
Interest paid on subordinated liabilities and other capital instruments		(38)	(38)
Net cash inflow from financing activities		1,326	1,874
Change in cash and cash equivalents			
		(362)	(3,905)
Opening cash and cash equivalents		39,316	43,557
Effect of exchange translation adjustments		87	(336)
Closing cash and cash equivalents	45	39,041	39,316

(1) Relates to debt securities classified at origination as MREL.

Net cash outflow from operating activities includes interest received of € 4,499 million (2022: € 2,332 million) and interest paid of € 137 million (2022: € 156 million).

Notes to the Consolidated Financial Statements

Note		Page
1	Accounting policies	217
2	Critical accounting judgements and estimates	235
3	Segmental information	238
4	Interest and similar income	242
5	Interest and similar expense	242
6	Net fee and commission income	243
7	Net trading income	243
8	Net gain on other financial assets measured at FVTPL	243
9	Net (loss)/gain on derecognition of financial assets measured at amortised cost	244
10	Other operating income	244
11	Operating expenses	244
12	Net credit impairment charge	245
13	Auditor's remuneration	245
14	Taxation	246
15	Loss on disposal of business	247
16	Trading portfolio	247
17	Derivative financial instruments	248
18	Loans and advances to banks	259
19	Loans and advances to customers	260
20	Securities financing	261
21	ECL allowance on financial assets	261
22	Investment securities	262
23	Investments accounted for using the equity method	263
24	Intangible assets and goodwill	264
25	Property, plant and equipment	265
26	Other assets	267
27	Deferred taxation	268
28	Retirement benefits	270
29	Deposits by central banks and banks	275
30	Customer accounts	275
31	Debt securities in issue	276
32	Lease liabilities	277
33	Other liabilities	277
34	Provisions for liabilities and commitments	278
35	Subordinated liabilities and other capital instruments	280
36	Share capital	281
37	Other equity interests	283
38	Capital reserves, merger reserve and capital redemption reserves	284
39	Offsetting financial assets and financial liabilities	284
40	Contingent liabilities and commitments	288
41	Subsidiaries and structured entities	290
42	Off-balance sheet arrangements and transferred financial assets	291
43	Classification and measurement of financial assets and financial liabilities	294
44	Fair value of financial instruments	296
45	Cash and cash equivalents	303
46	Statement of cash flows	304
47	Related party transactions	305
48	Employees	313
49	Regulatory compliance	313
50	Financial and other information	313
51	Dividends	314
52	Non-adjusting events after the reporting period	314
53	Approval of financial Statements	314

1 Accounting policies

Index

- (a) Reporting entity
- (b) Statement of compliance
- (c) Basis of preparation
- (d) Basis of consolidation
- (e) Foreign currency translation
- (f) Interest income and expense recognition
- (g) Fee and commission income
- (h) Employee benefits
- (i) Income tax, including deferred income tax
- (j) Financial assets
- (k) Financial liabilities and equity
- (l) Leases
- (m) Determination of fair value of financial instruments
- (n) Sale and repurchase agreements (including securities borrowing and lending)
- (o) Derivatives and hedge accounting
- (p) Derecognition
- (q) Impairment of financial assets
- (r) Collateral and netting
- (s) Financial guarantees and loan commitment contracts
- (t) Property, plant and equipment
- (u) Intangible assets
- (v) Non-credit risk provisions
- (w) Equity
- (x) Cash and cash equivalents
- (y) Prospective accounting changes

Notes to the Consolidated Financial Statements continued

1 Accounting policies

The material accounting policies that the Group applied in the preparation of the financial statements are set out in this section.

(a) Reporting entity

AIB Group plc ('the parent company' or 'the Company') is a company domiciled in Ireland. The address of the Company's registered office is 10 Molesworth Street, Dublin 2, Ireland. AIB Group plc is registered under the Companies Act 2014 as a public limited company under the company number 594283 and is the holding company of the Group.

The consolidated financial statements for the year ended 31 December 2023 include the financial statements of AIB Group plc and its subsidiary undertakings, collectively referred to as 'AIB Group' or 'the Group', where appropriate, including certain structured entities and the Group's interest in associates/joint ventures using the equity method of accounting and are prepared to the end of the financial period. The Group is and has been primarily involved in retail and corporate banking.

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively 'IFRSs') as adopted by the European Union ('EU') and applicable for the financial year ended 31 December 2023. The consolidated financial statements also comply with those parts of the Companies Act 2014 and the European Union (Credit Institutions: Financial Statements) Regulations 2015 applicable to companies reporting under IFRS, and the Asset Covered Securities Acts 2001 and 2007 and Article 4 of the IAS Regulation. The accounting policies have been consistently applied by Group entities and are consistent with the previous year, unless otherwise described.

(c) Basis of preparation

Functional and presentation currency

The financial statements are presented in euro, which is the functional currency of the parent company and a significant number of its subsidiaries, rounded to the nearest million.

Basis of measurement and presentation

The financial statements have been prepared under the historical cost basis, with the exception of the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss, certain hedged financial assets and financial liabilities and investment securities at fair value through other comprehensive income ('FVOCI'). The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and the holding company's separate statements of financial position, the consolidated and the holding company's separate statements of cash flows, and the consolidated and the holding company's separate statements of changes in equity together with the related notes. The financial statements include the information that is described as being an integral part of the audited financial statements contained in: (i) Sections 2.1, 2.2, 2.3 and 2.8 of the Risk Management Report as described further on page [122](#) and (ii) the Directors' remuneration section of the Corporate Governance Remuneration Statement as described further on page [106](#).

Change in presentation for certain items in the primary statements

(i) Dividend income

Dividend income was previously presented on the face of the consolidated income statement but is now reported within 'other operating income'. The Group changed the presentation of 'dividend income' to this more appropriate presentation as this line item is no longer material. The comparative for 2022 of € 2 million has been restated accordingly.

(ii) Interest income and expense for certain derivatives

The Group has changed the presentation of interest income and expense on certain derivatives. In prior periods interest income and expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges) was presented within net trading income. To enable a more relevant and enhanced understanding of business performance, the Group has adopted an amended accounting policy whereby the interest income and expense on those derivatives is now included within the applicable components of net interest income in 2023 with all other fair value movements recognised in net trading income.

The Group believes this revised accounting policy provides reliable and more relevant information as it better reflects the Group's net interest income position which is the basis upon which the underlying businesses are managed. The Group has restated the comparatives for interest and similar expense by € 64 million and net trading income by € 64 million.

Change in presentation for certain notes to the financial statements

The Group has changed the presentation of certain tables in the notes to the financial statements. For further information please refer to note 34 'Provisions for liabilities and commitments', 'Loans and advances to customers - property and construction' on page [168](#) and 'Loans and advances to customers - non-property business' on page [171](#).

1 Accounting policies continued

(c) Basis of preparation continued

Use of judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement may involve making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. The judgements that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year relate to expected credit losses on financial instruments; the recoverability of deferred tax; retirement benefit obligations; and provisions for liabilities and commitments. A description of these judgements and estimates is set out in note 2.

Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure in this annual financial report. There has been no material impact identified on the financial reporting judgements and estimates of the Group. In particular, the Directors considered the impact of climate change in respect of the following areas:

- **Credit risk:** The impact of climate risk on the management, escalating and reporting of credit risk was considered by the Group. There is currently no reasonable and supportable information that indicates a material impact of climate change on estimated credit losses ('ECL') and the Group's approach to individual counterparty risk assessment adequately captures climate risk where appropriate.
- **Going concern and viability:** The assessment of the group's going concern and viability over the next three years did not identify material climate-related risks, both in terms of commitment to being Net Zero and the physical risks from climate change. This is set out in further detail on page 113.
- **Provisions and contingent liabilities:** The Group's publicly announced commitment to being Net Zero on its own operations on Scope 1 and Scope 2 emissions by 2030 is not considered a constructive obligation or a contingent liability. The timeframe to 2030 allows opportunities for the Group to evolve its plans for how the Net Zero commitment will be met and therefore the Group should not currently recognise a provision or a contingent liability in relation to its Net Zero commitment (i.e. as the Group does not have an obligation as a result of a past event). IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* sets out that it is only those obligations arising from past events existing independently of an entity's future actions that are recognised as provisions or disclosed as contingent liabilities.
- **Impairment of non-financial assets:** The Group applies the requirements of IAS 36 *Impairment of Assets* in assessing whether impacted assets are impaired at a reporting date. The Group has a robust process to identify assets which may be impaired which requires the identification of all material potential impairment triggers including identification of climate related impairment triggers. In addition, the Group's published commitment to be Net Zero on its own operations does not impact the useful lives of the Group's impacted assets as the Group proposes to replace impacted assets as their useful lives expire.

Going concern

The financial statements for the year ended 31 December 2023 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Group, that it has the ability to continue in business for the period of assessment. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. This includes capital forecasts and internally generated stress scenarios to take account of the impacts of persistent inflation, disruptions to energy supplies, increased interest rates and significant impacts on unemployment and property prices. The period of assessment used by the Directors is at least 12 months from the date of approval of these annual financial statements.

Adoption of new accounting standards/amendments to standards

The following new standards and amendments to standards have been adopted by the Group for the year ended 31 December 2023:

- IFRS 17 *Insurance Contracts*;
- IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*: Disclosure of Accounting Policies;
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates;
- IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and
- IAS 12 *Income Taxes*: International Tax Reform - Pillar Two Model Rules.

The impact of these are set out below.

IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* ('IFRS 17') is an accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. In concluding that the adoption of IFRS 17 had no material impact on the Group's financial statements, the following considerations were noted:

- The Group considered whether its personal and business credit cards, which provide insurance coverage in accordance with existing legislative requirements, were within the scope of IFRS 17. The Group concluded that these insurance coverage clauses were not part of the contractual terms of the credit cards as those clauses acknowledged the existence of the insurance coverage legislation and therefore do not create additional rights or obligations that would not have existed in the absence of those clauses.
- The Group offers certain insurance products where the insurance contract is between the customer and the insurer and hence the Group has no insurance risk.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

(c) Basis of preparation continued

IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*: Disclosure of Accounting Policies

The amendments to IAS 1 *Presentation of Financial Statements* ('IAS 1') and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures which are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. In considering which accounting policies to disclose as material, the Group considered both quantitative and qualitative factors including considering the broad range of users of the Group's financial statements.

The amendments had the following impact on the Group's disclosure of accounting policies:

- The Group removed the following policies on the basis that the related balances, transactions, events or conditions was quantitatively immaterial: dividend income, impairment of property, plant and equipment, impairment of tangible and intangible assets and disposal groups and non-current assets held for sale.
- The Group amended the following policies by condensing or removing information from those policies which were qualitatively immaterial: basis of consolidation, interest income and expense recognition, fee and commission income, employee benefits, leases, financial assets, operating segments, non-credit risk provisions and equity; and removed the policy on net trading income on the same basis.

The amendments had no impact on the measurement, recognition or presentation of any items in the Group's financial statements.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates

The amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ('IAS 8') clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's financial statements.

IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments to IAS 12 *Income Taxes* ('IAS 12') narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no material impact on the Group's financial statements.

Amendments to IAS 12 *Income Taxes: International Tax Reform - Pillar Two Model Rules*

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

See accounting policy (i) and note 14 for the Group's disclosure related to this amendment.

The Group has not early adopted any standard or amendment that has been issued but is not yet effective.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries including controlled structured entities.

Subsidiary undertakings

Subsidiary undertakings are all entities (including structured entities) over which the group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are derecognised from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been updated where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and consolidated statement of financial position respectively.

If the Group loses control over a subsidiary undertaking, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Investments accounted for using the equity method

The Group's investments accounted for using the equity method comprise its investments in associates and joint ventures.

An associated undertaking is an entity over 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 can be clearly demonstrated that this is not the case.

1 Accounting policies continued

(d) Basis of consolidation continued

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.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Since goodwill that forms part of the carrying amount of the investment in an associate is not recognised separately, it is, therefore, not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

Parent Company financial statements: Investment in subsidiary, joint ventures and associated undertakings

The Company accounts for investments in subsidiary, joint ventures and associated undertakings, that are not classified as held for sale at cost less provisions for impairment. If the investment is classified as held for sale, the Company accounts for it at the lower of its carrying value and fair value less costs to sell.

The Company reviews its equity investment for impairment at the end of each reporting period if there are indications that impairment may have occurred.

The testing for possible impairment involves comparing the estimated recoverable amount of an investment with its carrying amount. Where the recoverable amount is less than the carrying amount, the difference is recognised as an impairment provision in the Company's financial statements. The recoverable amount is the higher of fair value less costs to sell and value-in-use ('VIU').

Dividends from a subsidiary, joint venture or an associated undertaking are recognised in the income statement when the Company's right to receive the dividend is established.

(e) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates.

Transactions and balances

Foreign currency transactions are translated into the respective entity's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at period end exchange rates of the amortised cost of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Exchange differences on equities and similar non-monetary items held at fair value through profit or loss are reported as part of the fair value gain or loss. Exchange differences on a financial instruments designated as a hedge of the net investment in a foreign operation are reported in other comprehensive income.

Foreign operations

The results and financial position of all Group entities that have a functional currency different from the euro are translated into euro as follows:

- Assets and liabilities including goodwill and fair value adjustments arising on consolidation of foreign operations are translated at the closing rate;
- Income and expenses are translated into euro at the average rates of exchange during the period where these rates approximate to the foreign exchange rates ruling at the dates of the transactions;
- Foreign currency translation differences are recognised in other comprehensive income; and
- Since 1 January 2004, the Group's date of transition to IFRS, all such exchange differences are included in the foreign currency cumulative translation reserve within shareholders' equity. When a foreign operation is disposed of in full, the relevant amount of this reserve is transferred to the income statement. When a subsidiary is partly disposed, the relevant proportion of foreign currency translation reserve is re-attributed to the non-controlling interest. In the case of a partial disposal, a pro-rata amount of the foreign currency cumulative translation reserve is transferred to the income statement. A partial disposal is also considered to have occurred when a formal decision has been made to wind down an entity and where capital is being repaid but there has not been a reduction in the overall percentage holding.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

(f) Interest income and expense recognition

Interest income and expense is recognised in the income statement using the effective interest rate method.

Effective interest rate

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

The application of the method has the effect of recognising income receivable and expense payable on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate for financial instruments, other than credit impaired assets, the Group estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding expected credit losses. The calculation takes into account all fees, including those for any expected early redemption, 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 and discounts.

All costs associated with mortgage incentive schemes are included in the effective interest rate calculation. Fees and commissions payable to third parties in connection with lending arrangements, where these are direct and incremental costs related to the issue of a financial instrument, are included in interest income as part of the effective interest rate.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortised cost before adjusting for any loss allowance.

Calculation of interest income and interest expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

For financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, the calculation of interest income reverts to the gross basis.

However, for financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

When a financial asset is no longer credit impaired or has been repaid in full (i.e. cured without financial loss), the Group presents previously unrecognised interest income as a reversal of credit impairment/recovery of amounts previously written-off.

Interest income and expense on financial assets and liabilities classified as held for trading or at FVTPL is recognised in 'other interest income and similar income' or 'interest expense' in the income statement, as applicable.

Presentation

Interest income and expense presented in the consolidated income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
- Interest on investment debt securities measured at FVOCI calculated on an effective interest rate basis;
- Net interest income and expense on qualifying hedge derivatives designated as cash flow hedges or fair value hedges which are recognised in interest income or interest expense;
- Net interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied;
- Interest income and funding costs of trading portfolio financial assets; and
- Other interest income and similar income includes interest income on finance leases and hire purchase contracts and interest income on financial assets at FVTPL.

The Group policy for the recognition of leasing income is set out in Accounting policy (I).

Targeted Long Term Refinancing Operation III ('TLTRO III')

Eurosystem refinancing operations are credit facilities from the Eurosystem secured by a fixed charge over securities and relates to Targeted Long Term Refinancing Operation III ('TLTRO III').

TLTRO III has specific terms attached to it which are different from other sources of funding available to banks including other sources of funds provided by the European Central Bank ('ECB'). The financial conditions incorporated into TLTRO III reflect ECB monetary policy initiatives to prospectively reduce the cost of funding for banking institutions. Accordingly, the Group has concluded that the ECB has established a separate market for TLTRO programmes and TLTRO III transactions are at market rates and the requirements of IAS 20 Accounting for Government Grants do not apply.

The borrowing rate applicable to the TLTRO III loans is linked to the lending patterns of the Group and are subject to the achievement of predefined lending performance thresholds based on the eligible net lending of the Group in certain specified periods.

1 Accounting policies continued

(f) Interest income and expense recognition continued

The amount of interest income recognised during the period on TLTRO III depends on whether the Group had a reasonable expectation of meeting the relevant lending performance thresholds. The Group interprets reasonable expectations as highly probable (i.e. the probability of meeting the lending targets is substantially greater than the probability that it will not). As a result, if interest income is recognised during the period based on the expectation of meeting the targets, there should be only a limited possibility that the interest may need to be reversed in future periods.

If the Group does not have a reasonable expectation that the lending targets will be met but subsequently determines it will meet the relevant lending performance thresholds, it revises its estimates of receipts and recalculates the present value of the estimated future contractual cash flows that are discounted at the original effective interest rate and recognises the adjustment in the Group's consolidated income statement as negative interest on financial liabilities at amortised cost.

(g) Fee and commission income

The measurement and timing of recognition of fee and commission income is based on the core principles of IFRS 15 *Revenue from Contracts with Customers*.

Fee and commission income is recognised when the performance obligation in the contract has been performed, either at a 'point in time' or 'over time' if the performance obligation is performed over a period of time unless the income has been included in the effective interest rate calculation.

The Group includes in the transaction price, some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The majority of the Group's fee and commission income arises from retail banking activities. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or retained a part at the same effective interest rate as applicable to the other participants.

Foreign exchange income is fee income that is derived from arranging foreign exchange transactions on behalf of customers. Such income is recognised when the individual performance obligation has been fulfilled.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees relating to investment funds are recognised over time in line with the performance obligation. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Commitment fees together with related direct costs, for loan facilities where drawdown is probable, are deferred and recognised as an adjustment to the effective interest rate on the loan once drawn. Commitment fees in relation to facilities where drawdown is not probable are recognised over the term of the commitment on a straight line basis. Other credit related fees are recognised over time in line with the performance obligation except arrangement fees where it is likely that the facility will be drawn down, and which are included in the effective interest rate calculation.

Fee income and fee expenses in respect of services and prepaid credits for cellular phone and utilities sold to third parties are classified as specialised payment services and are recognised when the performance obligation is satisfied.

(h) Employee benefits

Retirement benefit obligations

The Group provides employees with post-retirement benefits mainly in the form of pensions.

The Group provides a number of retirement benefit schemes including defined benefit and defined contribution as well as a hybrid scheme that has both defined benefit and defined contribution elements. In addition, the Group contributes, according to local law in the various countries in which it operates, to governmental and other schemes which have the characteristics of defined contribution schemes. The majority of the defined benefit schemes are funded.

Full actuarial valuations of defined benefit schemes are undertaken every three years and are updated to reflect current conditions at each year end reporting date.

Scheme assets are measured at fair value determined by using current bid prices, except for insurance policies acquired as part of a buy in. If the policies are qualifying policies under IAS 19 *Employee Benefits* and if the timing and amount of payments under the policies exactly match some or all of the benefits payable under the scheme, then the present value of the related obligation is determined and is deemed to be the fair value of the insurance policies to be included in plan assets.

Scheme liabilities are measured on an actuarial basis by estimating the amount of future benefit that employees have earned for their service in current and prior periods and discounting that benefit at the market yield on a high quality corporate bond of equivalent term and currency to the liability. The calculation is performed by a qualified actuary using the projected unit credit method. The difference between the fair value of the scheme assets and the present value of the defined benefit obligation at the year end reporting date is recognised in the statement of financial position. Schemes in surplus are shown as assets and schemes in deficit, together with unfunded schemes, are shown as liabilities. A surplus is only recognised as an asset to the extent that it is recoverable through a refund from the scheme or through reduced contributions in the future. Actuarial gains and losses are recognised immediately in other comprehensive income.

The cost of providing defined benefit pension schemes to employees, comprising the net interest on the net defined benefit liability/(asset), calculated by applying the discount rate to the net defined benefit liability/(asset) at the start of the annual reporting period, taking into account contributions and benefit payments during the period, is charged to the income statement within personnel expenses.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

(h) Employee benefits continued

Remeasurements of the net defined benefit liability/(asset), comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) are recognised in other comprehensive income. Amounts recognised in other comprehensive income in relation to remeasurements of the net defined benefit liability/(asset) will not be reclassified to profit or loss in a subsequent period.

In early 2017, the Board reassessed its obligation to fund increases in pensions in payment. The Board confirmed that funding of increases in pensions in payment is a decision to be made by the Board each year where increases are discretionary. This was based on actuarial and external legal advice obtained. Accordingly, a decision by the Board to fund a pension increase does not constitute a constructive obligation to fund future pension in payment increases.

The Group recognises the effect of an amendment to a defined benefit scheme when the plan amendment occurs, which is when the Group introduces or withdraws a defined benefit scheme, or changes the benefits payable under existing defined benefit schemes. A curtailment is recognised when a significant reduction in the number of employees covered by a defined benefit scheme occurs. A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit scheme. Gains or losses on plan amendments, curtailments and settlements are recognised in the income statement.

Changes with regard to benefits payable to retirees which represent a constructive obligation under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are accounted for as a past service cost. These are recognised in the income statement.

The costs of managing the defined benefit scheme assets are deducted from the return on scheme assets. All costs of running the defined benefit schemes are recognised in the income statement when they are incurred.

The cost of the Group's defined contribution schemes is charged to the income statement in the accounting period in which it is incurred. Any contributions unpaid at the year end reporting date are included as a liability. The Group has no further obligation under these schemes once these contributions have been paid.

Short term employee benefits

Short term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period during which employees have provided services. Bonuses are recognised to the extent that the Group has a legal or constructive obligation to its employees that can be measured reliably.

(i) Income tax, including deferred income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Income tax relating to items in equity is recognised directly in equity. However, the income tax consequences of payments on financial instruments that are classified as equity but treated as liabilities for tax purposes are recognised in profit or loss if those payments are distributions of profits previously recognised in profit or loss.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the reporting date and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred income tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences will be utilised. The deferred tax asset is reviewed at the end of each reporting period and the carrying amount will reflect the extent that it is probable that sufficient taxable profits will be available to allow all of the asset to be recovered.

The tax effects of income tax losses available for carry forward are recognised as an asset to the extent that it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle the current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and financial liabilities including derivative contracts, provisions for pensions and other post-retirement benefits, and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, 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. In addition, temporary differences are not provided for assets and liabilities the initial recognition of which, in a transaction that is not a business combination, affects neither accounting nor taxable profit. Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which the profits arise.

The Group has adopted the amendments to IAS 12 by the IASB (International Tax Reform – Pillar Two Model Rules), issued in May 2023 and endorsed by the European Commission on 8 November 2023. The amendments provide a mandatory temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Accordingly, the Group has not recognised any changes to its deferred tax assets or liabilities in respect of Pillar Two. (See Note 14).

1 Accounting policies continued

(j) Financial assets

Recognition and initial measurement

The Group initially recognises financial assets on the trade date, being the date on which the Group commits to purchase the assets. Loan assets are recognised when cash is advanced to borrowers. In a situation where the Group commits to purchase financial assets under a contract which is not considered a regular-way transaction, the assets to be acquired are not recognised until the acquisition contract is settled. In this case, the contract to acquire the financial asset is a derivative that is measured at FVTPL in the period between the trade date and the settlement date.

Recognition and initial measurement continued

Financial assets measured at amortised cost or at fair value through other comprehensive income ('FVOCI') are recognised initially at fair value adjusted for direct and incremental transaction costs. Financial assets measured at fair value through profit or loss ('FVTPL') are recognised initially at fair value and transaction costs are taken directly to the income statement.

Derivatives are measured initially at fair value on the date on which the derivative contract is entered into. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) 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 whose variables include only data from observable markets. Profits or losses are only recognised on initial recognition of derivatives when there are observable current market transactions or valuation techniques that are based on observable market inputs.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and subsequently measured at amortised cost, FVOCI or FVTPL.

The classification and subsequent measurement of financial assets depend on:

- The Group's business model for managing the asset; and
- The cash flow characteristics of the asset (for assets in a 'hold-to-collect' or 'hold-to-collect-and-sell' business model).

Based on these factors, the Group classifies its financial assets into one of the following categories:

– Amortised cost

Assets that have not been designated as at FVTPL, and are held within a 'hold-to-collect' business model whose objective is to hold assets to collect contractual cash flows; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. The carrying amount of these assets is calculated using the effective interest rate method and is adjusted on each measurement date by the expected credit loss allowance for each asset, with movements recognised in profit or loss.

– Fair value through other comprehensive income ('FVOCI')

Assets that have not been designated as at FVTPL, and are held within a 'hold-to-collect-and-sell' business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI'). Movements in the carrying amount of these assets are taken through other comprehensive income ('OCI'), except for the recognition of credit impairment gains or losses, interest revenue or foreign exchange gains and losses, which are recognised in profit or loss. When a financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss other than in the case of equity instruments designated at FVOCI.

– Fair value through profit or loss ('FVTPL')

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Gains or losses (excluding interest income or expense) on such assets are recognised in profit or loss on an ongoing basis.

In addition, the Group may irrevocably designate a financial asset as at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model at a portfolio level, as this reflects how portfolios of assets are managed to achieve a particular objective, rather than management's intentions for individual assets.

The assessment considers the following:

- The strategy for the portfolio as communicated by management;
- How the performance of the portfolio is evaluated and reported to senior management;
- The risks that impact the performance of the business model, and how those risks are managed;
- How managers of the business are compensated (i.e. based on fair value of assets managed or on the contractual cash flows collected); and
- The frequency, value and timing of sales in prior periods, reasons for those sales, and expectations of future sales activity.

Financial assets that are held for trading or managed within a business model that is evaluated on a fair value basis are measured at FVTPL because the business objective is neither hold-to-collect contractual cash flows nor hold-to-collect-and-sell contractual cash flows.

Characteristics of the contractual cash flows

An assessment ('SPPI test') is performed on all financial assets at origination that are held within a 'hold-to-collect' or 'hold-to-collect-and-sell' business model to determine whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding, for other basic lending risks and costs (i.e. liquidity, administrative costs) and profit margin.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

(j) Financial assets continued

Characteristics of the contractual cash flows continued

The SPPI test requires an assessment of the contractual terms and conditions to determine whether a financial asset contains any terms that could modify the timing or amount of contractual cash flows of the asset, to the extent that they could not be described as solely payments of principal and interest. In making this assessment, the Group considers:

- Features that modify the time value of money element of interest (e.g. tenor of the interest rate does not correspond with the frequency within which it resets);
- Terms providing for prepayment and extension;
- Leverage features;
- Contingent events that could change the amount and timing of cash flows;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Contractually linked instruments.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in equity instruments

Equity instruments are classified and measured at FVTPL with gains and losses reflected in profit or loss.

(k) Financial liabilities and equity

The Group categorises financial liabilities as at amortised cost or as at fair value through profit or loss.

The Group recognises a financial liability when it becomes party to the contractual provisions of the contract.

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

Financial liabilities are initially recognised at fair value, being their issue proceeds (fair value of consideration received), net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost, with any difference between the proceeds net of transaction costs and the redemption value recognised in the income statement using the effective interest rate method.

Where financial liabilities are classified as trading they are also initially recognised at fair value with the related transaction costs taken directly to the income statement. Gains and losses arising from subsequent changes in fair value are recognised directly in the income statement within net trading income.

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 rate method.

Issued financial instruments are classified as equity when the Group has no contractual obligation to transfer cash, or other financial assets or to issue a variable number of its own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown as a deduction from the proceeds of issue, net of tax.

(l) Leases

The Group applies a single recognition and measurement approach for all leases, except for short-term leases of 12 months or less or leases of low-value assets (i.e. the value of the underlying asset, when new, is less than € 5,000/ £ 5,000). The Group recognises lease liabilities that represent the present value of lease payments to be made over the lease term and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

1 Accounting policies continued

(m) Determination of fair value of financial instruments

The fair value of a financial instrument 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 Group considers the impact of non-performance risk when valuing its financial liabilities.

Financial instruments are initially recognised at fair value and, with the exception of financial assets at fair value through profit or loss, the initial carrying amount is adjusted for direct and incremental transaction costs. In the normal course of business, the fair value on initial recognition is the transaction price (fair value of consideration given or received). If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is determined by a quoted price in an active market for the same financial instrument, or by a valuation technique which uses only observable market inputs, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss. If the fair value is calculated by a valuation technique that features significant market inputs that are not observable, the difference between the fair value at initial recognition and the transaction price is deferred. Subsequently, the difference is recognised in the income statement on an appropriate basis over the life of the financial instrument, but no later than when the valuation is supported by wholly observable inputs; the transaction matures; or is closed out.

Subsequent to initial recognition, the methods used to determine the fair value of financial instruments include quoted prices in active markets where those prices are considered to represent actual and regularly occurring market transactions. Where quoted prices are not available or are unreliable because of market inactivity, fair values are determined using valuation techniques.

Quoted prices in active markets

Quoted market prices are used where those prices are considered to represent actual and regularly occurring market transactions for financial instruments in active markets.

Valuations for negotiable instruments such as debt and equity securities are determined using bid prices for asset positions and ask prices for liability positions.

Where securities are traded on an exchange, the fair value is based on prices from the exchange. The market for debt securities largely operates on an 'over-the-counter' basis which means that there is not an official clearing or exchange price for these security instruments. Therefore, market makers and/or investment banks ('contributors') publish bid and ask levels which reflect an indicative price that they are prepared to buy and sell a particular security. The Group's valuation policy requires that the prices used in determining the fair value of securities quoted in active markets must be sourced from established market makers and/or investment banks.

Valuation techniques

In the absence of quoted market prices, and in the case of over-the-counter derivatives, fair value is calculated using valuation techniques. These valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that market participants would take into account in pricing a transaction. Valuation techniques include the use of recent orderly transactions between market participants, reference to other similar instruments, option pricing models, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Fair value may be estimated using quoted market prices for similar instruments, adjusted for differences between the quoted instrument and the instrument being valued. Where the fair value is calculated using discounted cash flow analysis, the methodology is to use, to the extent possible, market data that is either directly observable or is implied from instrument prices, such as interest rate yield curves, equities and commodities prices, credit spreads, option volatilities and currency rates. In addition, the Group considers the impact of own credit risk and counterparty risk when valuing its derivative liabilities.

The valuation methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

- The likelihood and expected timing of future cash flows of the instrument. These cash flows are generally governed by the terms of the instrument, although management judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. In addition, future cash flows may also be sensitive to the occurrence of future events, including changes in market rates; and
- Selecting an appropriate discount rate for the instrument, based on the interest rate yield curves including the determination of an appropriate spread for the instrument over the risk-free rate. The spread is adjusted to take into account the specific credit risk profile of the exposure.

All adjustments in the calculation of the present value of future cash flows are based on factors market participants would take into account in pricing the financial instrument. Certain financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. When applying a valuation technique with unobservable data, estimates are made to reflect uncertainties in fair values resulting from a lack of market data, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on non-observable data are inherently uncertain because there is little or no current market data available from which to determine the price at which an orderly transaction between market participants would occur under current market conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments will be based on some market observable inputs even where the non-observable inputs are significant. All unobservable inputs used in valuation techniques reflect the assumptions market participants would use when fair valuing the financial instrument.

The Group tests the outputs of the valuation model to ensure that it reflects current market conditions. The calculation of fair value for any financial instrument may require adjustment of the quoted price or the valuation technique output to reflect the cost of credit risk and the liquidity of the market, if market participants would include one, where these are not embedded in underlying valuation techniques or prices used. The choice of contributors, the quality of market data used for pricing and the valuation techniques used are all subject to internal review and approval procedures.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

(m) Determination of fair value of financial instruments continued

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.

(n) Sale and repurchase agreements (including securities borrowing and lending)

Financial assets may be lent or sold subject to a commitment to repurchase them ('repos'). Such securities are retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Group. The liability to the counterparty is included separately on the statement of financial position. The exception to this is where these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in trading income. Similarly, when securities are purchased subject to a commitment to resell ('reverse repos'), or where the Group borrows securities, but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not usually included in the statement of financial position. The difference between the sale and repurchase price is accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

(o) Derivatives and hedge accounting

Derivatives, such as interest rate swaps, options and forward rate agreements, futures, currency swaps and options, and equity index options are used for trading purposes whereas interest rate swaps, currency swaps, cross currency interest rate swaps and credit derivatives are used for hedging purposes.

The Group maintains trading positions in a variety of financial instruments including derivatives. Trading transactions arise both as a result of activity generated by customers and from proprietary trading with a view to generating incremental income.

Non-trading derivative transactions comprise transactions held for hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions and cash flows.

Derivatives are measured initially at fair value on the date on which the derivative contract is entered into and subsequently remeasured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and from valuation techniques using discounted cash flow models and option pricing models as appropriate. Derivatives are included in assets when their fair value is positive, and in liabilities when their fair value is negative, unless there is the legal ability and intention to settle an asset and liability on a net basis.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) 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 whose variables include only data from observable markets.

Profits or losses are only recognised on initial recognition of derivatives when there are observable current market transactions or valuation techniques that are based on observable market inputs.

Hedging

The Group has opted to remain with the IAS 39 *Financial Instruments: Recognition and Measurement* ('IAS 39') hedge accounting requirements until macro hedge accounting is addressed by the IASB as part of a separate project. This is an accounting policy choice allowed by IFRS 9 *Financial Instruments*.

All derivatives are carried at fair value and the accounting treatment of the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Where derivatives are held for risk management purposes, and where transactions meet the criteria specified in IAS 39 *Financial Instruments: Recognition and Measurement*, the Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or firm commitments ('fair value hedge'); or
- Hedges of the exposure to variability of cash flows attributable to a recognised asset or liability, or a highly probable forecasted Transaction ('cash flow hedge'); or
- Hedges of a net investment in a foreign operation.

When a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging 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 the hedged items.

The Group discontinues hedge accounting when:

- a) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
- b) the derivative expires, or is sold, terminated, or exercised;
- c) the hedged item matures or is sold or repaid; or
- d) a forecast transaction is no longer deemed highly probable.

To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item, or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, ineffectiveness arises. The amount of ineffectiveness, (taking into account the timing of the expected cash flows, where relevant) provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

In certain circumstances, the Group may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedge.

1 Accounting policies continued

(o) Derivatives and hedge accounting continued

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the fair value hedging adjustment cumulatively made to the carrying value of the hedged item is, for items carried at amortised cost, amortised over the period to maturity of the previously designated hedge relationship using the effective interest rate method. For debt securities measured at FVOCI, the fair value adjustment for hedged items is recognised in the income statement using the effective interest rate method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedge accounting

The Group enters into macro cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is initially recognised directly in other comprehensive income and included in the cash flow hedging reserve in the statement of changes in equity. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

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 recognised in other comprehensive income from the time when the hedge was effective remains in equity and is reclassified to the income statement as a reclassification adjustment as the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income from the period when the hedge was effective is reclassified to the income statement.

Net investment hedge

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of the net investment, are accounted for similarly to cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement on the disposal or partial disposal of the foreign operation. Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments.

Derivatives that do not qualify for hedge accounting

Certain derivative contracts entered into as economic hedges do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

(p) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Relevant costs incurred with the disposal of a financial asset are deducted in computing the gain or loss on disposal.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. However, the amount held in investment securities reserves is transferred to revenue reserves on derecognition. Any interest in transferred financial assets that qualify for derecognition, that is created or retained by the Group, is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate or is less than adequate for performing the servicing.

The write-off of a financial asset constitutes a derecognition event. Where a financial asset is partially written-off, and the portion written-off comprises specifically identified cash flows, this will constitute a derecognition event for that part written-off.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Any gain or loss on the extinguishment or remeasurement of a financial liability is recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

Accounting policies continued

(q) Impairment of financial assets

The Group recognises loss allowances for expected credit losses at each balance sheet date for the following financial instruments that are not measured at FVTPL:

- Financial assets at amortised cost;
- Financial assets at FVOCI (except for equity instruments);
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

Investments in equity instruments are recognised at fair value and accordingly, expected credit losses ('ECLs') are not recognised separately for equity instruments.

ECLs are the weighted average of credit losses. When measuring ECLs, the Group takes into account:

- Probability-weighted outcomes;
- The time value of money so that ECLs are discounted to the reporting date; 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.

The amount of ECLs recognised as a loss allowance depends on the extent of credit deterioration since initial recognition. There are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items as long as there is no significant deterioration in credit quality since initial recognition; and
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The 12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument.

In the case of Stage 2, credit risk on the financial instrument has increased significantly since initial recognition but the instrument is not considered credit impaired. For a financial instrument in Stage 3, credit risk has increased significantly since initial recognition and the instrument is considered credit impaired.

Financial assets are allocated to stages dependent on credit quality relative to when the asset was originated.

A financial asset can only originate in either Stage 1 or as purchased or originated credit impaired ('POCI'). The ECL held against an asset depends on a number of factors, one of which is its stage allocation. Assets allocated to Stage 2 and Stage 3 have lifetime ECLs. Collateral and other credit enhancements are not considered as part of stage allocation. Collateral is reflected in the Group's loss given default models ('LGD').

Purchased or originated credit impaired

POCI financial assets are those that are credit-impaired on initial recognition. The Group may originate a credit-impaired financial asset following a substantial modification of a distressed financial asset that resulted in derecognition of the original financial asset.

POCIs are financial assets originated credit impaired that have a discount to the contractual value when measured at fair value. The Group uses an appropriate discount rate for measuring ECL in the case of POCIs which is the credit-adjusted EIR. This rate is used to discount the expected cash flows of such assets to fair value on initial recognition.

POCIs remain outside of the normal stage allocation process for the lifetime of the obligation. The ECL for POCIs is always measured at an amount equal to lifetime expected credit losses. The amount recognised as a loss allowance for these assets is the cumulative changes in lifetime expected credit losses since the initial recognition of the assets rather than the total amount of lifetime expected credit losses.

At each reporting date, the Group recognises the amount of the change in lifetime expected credit losses as a credit impairment gain or loss in the income statement. Favourable changes in lifetime expected credit losses are recognised as a credit impairment gain, even if the favourable changes exceed the amount previously recognised in profit or loss as a credit impairment loss.

Modification

From time to time, the Group will modify the original terms of a customer's loan either as part of the ongoing relationship or arising from changes in the customer's circumstances such as when that customer is unable to make the agreed original contractual repayments.

A modification refers to either:

- A change to the previous terms and conditions of a debt contract; or
- A total or partial refinancing of a debt contract.

Modifications may occur for both customers in distress and for those not in distress. Any financial asset that undergoes a change or renegotiation of cash flows and is not derecognised is a modified financial asset.

When modification does not result in derecognition, the modified assets are treated as the same continuous lending agreement and a modification gain or loss is taken to profit or loss immediately. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

The stage allocation for modified assets which are not derecognised is by reference to the credit risk at initial recognition of the original, unmodified contractual terms i.e. the date of initial recognition is not reset.

1 Accounting policies continued

(q) Impairment of financial assets continued

Where renegotiation of the terms of a financial asset leads to a customer granting equity to the Group in exchange for any loan balance outstanding, the new instrument is recognised at fair value with any difference to the loan carrying amount recognised in the income statement.

Derecognition occurs if a modification or restructure is substantial on a qualitative or quantitative basis. Accordingly, certain forbore assets are derecognised. The modified/restructured asset (derecognised forbore asset ('DFA')) is considered a 'new financial instrument' and the date that the new asset is recognised is the date of initial recognition from this point forward. DFAs are allocated to Stage 1 on origination and follow the normal staging process thereafter.

If there is evidence of credit impairment at the time of initial recognition of a DFA, the asset is deemed to be a POCI. POCIs are not allocated to stages but are assigned a lifetime PD and ECL for the duration of the obligation's life. Where the modification/restructure of a non-forborne credit obligation results in derecognition, the new loan is originated in Stage 1 and follows the normal staging process thereafter.

Collateralised financial assets – Repossessions

The ECL calculation for a collateralised financial asset reflects the cash flows that may result from foreclosure, costs for obtaining and settling the collateral, and whether or not foreclosure is probable.

For loans that are credit impaired, the Group may repossess collateral previously pledged as security in order to achieve an orderly realisation of the loan. The Group will then offer this repossessed collateral for sale. However, if the Group believes the proceeds of the sale will comprise only part of the recoverable amount of the loan with the customer remaining liable for any outstanding balance, the loan continues to be recognised and the repossessed asset is not recognised. However, if the Group believes that the sale proceeds of the asset will comprise all or substantially all of the recoverable amount of the loan, the loan is derecognised and the acquired asset is accounted for in accordance with the applicable accounting standard. Any further impairment of the repossessed asset is treated as an impairment of that asset and not as a credit impairment of the original loan.

Financial assets at FVOCI

The ECL allowance for financial assets measured at FVOCI does not reduce the carrying amount in the statement of financial position because the carrying amount of these assets is fair value. However, an amount equal to the ECL allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income ('OCI') as an accumulated credit impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets (together with other accumulated gains and losses in OCI).

Write-offs and debt forgiveness

The Group reduces the gross carrying amount of a financial asset either partially or fully when there is no reasonable expectation of recovery.

Where there is no formal debt forgiveness agreed with the customer, the Group may write off a loan either partially or fully when there is no reasonable expectation of recovery. This is considered a non-contracted write-off. In this case, the borrower remains fully liable for the credit obligation and is not advised of the write-off.

Once a financial asset is written-off either partially or fully, the amount written-off cannot subsequently be recognised on the balance sheet. It is only when cash is received in relation to the amount written-off that income is recognised in the income statement as a 'recovery of bad debt previously written-off'.

Debt forgiveness arises where there is a formal contract agreed with the customer for the write-off of a loan.

(r) Collateral and netting

The Group enters into master netting 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.

Collateral

The Group obtains collateral in respect of customer advances where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities. The collateral is, in general, not recorded on the statement of financial position.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as securities borrowing contracts and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. Therefore, in the case of cash collateral, these amounts are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

In certain circumstances, the Group will pledge collateral in respect of its own liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the statement of financial position. Collateral paid away in the form of cash is recorded in loans and advances to banks or customers. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

(r) Collateral and netting continued

Netting

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross on the statement of financial position.

(s) Financial guarantees and loan commitment contracts

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities ('facility guarantees') and to other parties in connection with the performance of customers under obligations relating to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties. In its normal course of business, Allied Irish Banks, p.l.c. (the principal operating company) issues financial guarantees to other Group entities.

A loan commitment is a contract with a borrower to provide a loan or credit on specified terms at a future date. The contract may or may not be cancelled unconditionally at any time without notice depending on the terms of the contract.

The origination date for financial guarantees and loan commitment contracts is the date when the contracts become irrevocable. The credit risk at this date is used to determine if a significant increase in credit risk has subsequently occurred.

Financial guarantees and loan commitments are initially recognised in the financial statements at fair value on the date that the guarantee is given. Subsequent to initial recognition, the Group applies the impairment provisions of IFRS 9 *Financial Instruments* and calculates an ECL allowance for financial guarantees and loan commitment contracts (i.e. those that are not measured at FVTPL).

The ECL allowance calculated on financial guarantees and loan commitment contracts is reported within Provisions for liabilities and commitments.

(t) Property, plant and equipment

Property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. No depreciation is provided on freehold land. Property, plant and equipment are depreciated on a straight line basis over their estimated useful economic lives. Depreciation is calculated based on the gross carrying amount, less the estimated residual value at the end of the assets' economic lives.

The Group uses the following useful lives when calculating depreciation:

Freehold buildings and long-leasehold property	50 years
Short leasehold property	life of lease, up to 50 years
Costs of adaptation of freehold and leasehold property	
Branch properties	up to 10 years ⁽¹⁾
Office properties	up to 15 years ⁽¹⁾
Computers and similar equipment	3 – 7 years
Fixtures and fittings and other equipment	5 – 10 years

The Group depreciates right-of-use assets arising under lease obligations from the commencement date of a lease to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term on a straight line basis.

The Group reviews its depreciation rates regularly, at least annually, to take account of any change in circumstances. When deciding on useful lives and methods, the principal factors that the Group takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset, after deducting the estimated cost of disposal if the asset was already of the age and condition expected at the end of its useful life.

Gains and losses on disposal of property, plant and equipment are included in the income statement. It is Group policy not to revalue its property, plant and equipment.

(1) Subject to the maximum remaining life of the lease.

(u) Intangible assets

Computer software and other intangible assets

Computer software and other intangible assets are stated at cost, less amortisation on a straight line basis and provisions for impairment, if any. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over 3 to 9 years. Other intangible assets are amortised over the life of the asset. Computer software and other intangible assets are reviewed for impairment when there is an indication that the asset may be impaired. Intangible assets not yet available for use are reviewed for impairment on an annual basis.

1 Accounting policies continued

(u) Intangible assets continued

Acquired intangible assets

Customer related intangible assets and brands acquired in a business combination are recognised at fair value at acquisition date.

Customer related intangible assets and brands have a finite useful life and are carried at cost less accumulated amortisation and provision for impairment, if any. Amortisation is calculated using the straight line basis to allocate the cost over their estimated useful life (6 years).

(v) Non-credit risk provisions

Provisions are recognised for present legal or constructive obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Payments are deducted from the present value of the provision, and interest at the relevant discount rate is charged annually to interest expense using the effective interest rate method. These are reported within Provisions for liabilities and commitments in the statement of financial position.

(w) Equity

Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Group.

On extinguishment of equity instruments, gains or losses arising are recognised net of tax directly in the statement of changes in equity.

Share capital

Share capital represents funds raised by issuing shares in return for cash or other consideration. Share capital comprises ordinary shares of the entity.

Dividends and distributions

Final dividends on ordinary shares are recognised as a liability in the Group's financial statements in the period in which they are approved by the shareholders of the Company. Proposed dividends that are declared after the end of the reporting date are not recognised as a liability, they disclosed in note 51.

Other equity interests

Other equity interests include:

- Additional Tier 1 Perpetual Contingent Temporary Write-down Securities (AT1s) (note 37); and
- Warrants to acquire a fixed number of the company shares for a fixed amount of currency are classified as equity instruments and are recognised on initial recognition at the fair value of consideration received.

Distributions on the AT1s are recognised in equity when approved for payment by the Board of Directors.

Capital contributions

Capital contributions represent the receipt of non-refundable considerations arising from transactions with the Irish Government (note 47). These contributions comprise both financial and non-financial net assets. The contributions are classified as equity and may be either distributable or non-distributable. Capital contributions are distributable if the assets received are in the form of cash or another asset that is readily convertible to cash, otherwise, they are treated as non-distributable. Capital contributions in the statement of financial position arose during 2011 from (a) EBS transaction and (b) non-refundable receipts from the Irish Government and the NPRFC.

The capital contribution from the EBS transaction is treated as non-distributable as the related net assets received were largely non-cash in nature.

Non-refundable receipts of € 6,054 million from the Irish Government and the NPRFC are distributable. These are included in revenue reserves.

Investment securities reserves

Investment securities reserves represent the net unrealised gain or loss, net of tax, arising from the recognition in the statement of financial position of investment securities at FVOCI.

On disposal of equity securities which had been designated at FVOCI on initial recognition, any amounts held in the investment securities reserves account is transferred directly to revenue reserves without recycling through profit or loss.

Cash flow hedging reserves

Cash flow hedging reserves represent the net gains or losses, net of tax, on effective cash flow hedging instruments that will be reclassified to the income statement when the hedged transaction affects profit or loss.

Revenue reserves

Revenue reserves include the following:

- Retained earnings of the parent company, subsidiaries and associated undertakings;
- Amounts transferred from issued share capital, share premium and capital redemption reserves following Irish High Court approval;
- Amounts arising from the capital reduction which followed the 'Scheme of Arrangement' undertaken by the Group in December 2017;
- Remeasurements of defined benefit pension schemes; and
- Transactions with owners including distributions and buybacks.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

(w) Equity continued

Merger reserve

The merger reserve arose following the Scheme of Arrangement approved by the Irish High Court in December 2017 where a new company, AIB Group plc ('the Company'), was introduced as the holding company of AIB Group (note 38).

In the consolidated financial statements of AIB Group plc, the carrying value of the investment in Allied Irish Banks, p.l.c. by AIB Group plc was eliminated against the share capital and share premium account in Allied Irish Banks, p.l.c. and the merger reserve in AIB Group plc resulting in a negative merger reserve.

In AIB Group plc's company financial statements, impairment losses which arise from AIB Group plc's investment in Allied Irish Banks, p.l.c. will be charged to the profit or loss account and transferred to the merger reserve in so far as a credit balance remains in the merger reserve. Reversal of impairments will be credited to the profit or loss account and transferred to the merger reserve in so far as it does not exceed the impairment charged.

(x) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value and with a maturity of less than three months from the date of acquisition.

(y) Prospective accounting changes

The following amendments to existing standards which have been approved by the IASB, but not early adopted by the Group, will impact the Group's financial reporting in future periods. The Group will consider the impact of these amendments as the situation requires. The amendments which are most relevant to the Group are detailed below.

Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 *Leases* ('IFRS 16') to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

Effective date: Annual reporting periods beginning on or after 1 January 2024. These amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* ('IAS 1') to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

Effective date: Annual reporting periods beginning on or after 1 January 2024. These amendments are not expected to have a material impact on the Group.

Amendments to IFRS 7 *Financial Instruments: Disclosures* and IAS 7 *Statement of Cash Flows: Disclosures: Supplier Finance Arrangements*

In May 2023, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures* ('IFRS 7') and IAS 7 *Statement of Cash Flows* ('IAS 7') to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are subject to EU endorsement.

Effective date: Annual reporting periods beginning on or after 1 January 2024. These amendments are not expected to have a material impact on the Group.

Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*

In August 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* ('IAS 21') to clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments are subject to EU endorsement.

Effective date: Annual reporting periods beginning on or after 1 January 2025. These amendments are not expected to have a material impact on the Group.

Other

The IASB has published a number of minor amendments to IFRSs through standalone amendments. None of the other amendments are expected to have a significant impact on reported results or disclosures.

2 Critical accounting judgements and estimates

The accounting judgements that have the most significant effect on the amounts recognised in the financial statements, and the estimates that have a significant risk of material adjustment in the next year are set out below.

Significant judgements

The significant judgements made by the Group in applying its accounting policies are as follows:

- Deferred taxation;
- Impairment of financial assets; and
- Provisions for liabilities and commitments.

The application of certain of these judgements also involves estimations which are discussed separately.

Deferred taxation

The Group's accounting policy for deferred tax is set out in accounting policy (i) in note 1. Details of the Group's deferred tax assets and liabilities are set out in note 27.

A key judgement in relation to the recoverability of deferred tax assets is that it is probable that there will be sufficient future taxable profits against which the losses can be used:

- *The estimated utilisation period for such losses in Ireland is within the timeframe that taxable profits are considered probable; and*
- *Taxable profits are considered more likely than not in the UK for a period of 15 years.*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that there will be sufficient future taxable profits against which the losses can be used. For a company with a history of recent losses, there must be convincing other evidence to underpin this assessment.

The recognition of these deferred tax assets relies on the assessment of future profitability and the sufficiency of those profits to absorb losses carried forward. It requires significant judgements to be made about the projection of long-term future profitability because of the period over which recovery extends.

In assessing the future profitability of the Group, the Board has considered a range of positive and negative evidence for this purpose. Among this evidence, the principal positive factors include:

- AIB as a pillar bank with a strong Irish franchise;
- The absence of any expiry dates for Irish and UK tax losses;
- The changing banking landscape in Ireland;
- External economic forecasts for Ireland, with growth forecasted for 2024;
- The recent inorganic activity of the Group including the Group's joint venture AIB life;
- The turnaround evident in the Group's financial performance over the years 2021-2023;
- The introduction of the bank resolution framework under the BRRD and the establishment in 2017 of AIB Group plc as the new holding company of the Group. This provides greater confidence in relation to the future viability of Allied Irish Banks, p.l.c. (as the principal operating bank subsidiary) as there are now effective tools in place that should facilitate its recapitalisation in a future crisis; and
- The non-enduring nature of the loan impairments at levels which resulted in the losses in the 2009 to 2013 prior years.

The Board 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 slowdown in the Irish economy in 2023;
- The challenge of forecasting over a long period, taking account of the changing level of competition, and the evolving interest rate environment;
- Potential instability arising from macroeconomic headwinds and geopolitical issues over an extended period; and
- Taxation changes (including Organisation for Economic Co-operation and Development ('OECD') tax reform) and the likelihood of future developments and their impact on profitability and utilisation.

Taking account of all relevant factors, and in the absence of any expiry date for tax losses in Ireland, it is more likely than not that there will be future profits in the medium term, and beyond, in the relevant Irish Group companies against which to use the tax losses. In this regard, the Group has carried out an exercise to determine the likely number of years required to utilise the deferred tax asset under the following scenario. Using the Group's financial plan 2024 to 2026 as a base and a profit growth rate of 2% from 2027, it was assessed that it will take less than 13 years for the Irish deferred tax asset (€ 2.3 billion) to be utilised. Furthermore, under this scenario, it is expected that c. 80% will be utilised within 10 years. If the growth rate assumption was decreased by 1%, then the utilisation period increases by a further c.1 year. The Group's analysis of this and other scenarios examined would not alter the basis of recognition or the current carrying value. In 2022, the Group reported that it expected that it would take less than 15 years for the deferred tax asset to be utilised with 65% being utilised within 10 years.

Given the relative size of the Group's operations in the UK compared to the role that the Irish operations play in supporting a functioning banking environment, a different judgement has been applied to the period that taxable profits are considered more likely than not in the UK. Despite the absence of any expiry date for tax losses in the UK, the Group has concluded that the recognition of deferred tax assets in its UK subsidiary be limited to the amount projected to be realised within a time period of 15 years. This is the timescale within which the Group believes that it can assess the likelihood of its UK profits arising as being more likely than not.

However, for certain other subsidiaries and branches, the Group has also concluded that it is more likely than not that there will be insufficient profits to support the recognition of deferred tax assets.

Notes to the Consolidated Financial Statements continued

2 Critical accounting judgements and estimates continued

Impairment of financial assets

The Group's accounting policy for impairment of financial assets is set out in accounting policy (q) in note 1. Details of the Group's ECL allowance are set out in note 21.

The calculation of the ECL allowance is complex and requires the use of a number of accounting judgements.

The most significant judgements applied by the Group in determining the ECL allowance are as follows:

- Determining the criteria for a significant increase in credit risk and for being classified as credit impaired; and
- Determining the need for and an appropriate methodology for post-model adjustments.

The significant management judgement and the governance process, relating to ECL, are set out on pages [127](#) to [141](#) in the Risk Management section.

Provisions for liabilities and commitments

The Group's accounting policy for provisions for liabilities and commitments is set out in accounting policy (v) in note 1. Details of the Group's provision for liabilities and commitments are shown in note 34.

Significant management judgement is required to determine whether the Group has a present obligation as a result of a past event and whether it is probable an outflow of resources will be required to settle the obligation.

The Group recognises liabilities where it has present legal or constructive obligations as a result of past events and it is more likely than not that these obligations will result in an outflow of resources to settle the obligations and the amount can be reliably estimated.

Judgement is required in determining whether the Group has a present obligation and whether it is probable that an outflow of economic benefits will be required to settle this obligation. This judgement is applied to information available at the time of determining the provision including, but not limited to, judgements around interpretations of legislation, regulations and case law depending on the nature of the provision.

Critical accounting estimates

The accounting estimates with a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year were in relation to:

- Impairment of financial assets;
- Retirement benefit obligations; and
- Investment in subsidiary in the separate financial statements.

Impairment of financial assets

The Group's accounting policy for impairment of financial assets is set out in accounting policy (q) in note 1. Details of the Group's expected credit loss ('ECL') allowance are set out in note 21.

The key estimates and assumptions that the Group has used in determining the ECL allowance are as follows:

- Establishing the number and relative weightings for forward looking scenarios;
- Inputs into discounted cash-flows ('DCF's') for certain stage 3 credit impaired obligors;
- The assumptions for measuring ECL (e.g. PD, LGD and EAD and the parameters to be included within the models for modelled ECL); and
- The estimation of post model adjustments where required.

The calculation of the ECL allowance is complex and therefore the Group must consider large amounts of information in its determination. This process requires significant use of estimates and assumptions, some of which by their nature, are highly subjective and very sensitive to risk factors such as changes to economic conditions. Changes in the ECL allowance can materially affect net income.

On an ongoing basis, the various estimates and assumptions are reviewed in light of differences between actual and previously calculated expected losses. These are then recalibrated and refined to reflect current and evolving economic conditions. The ECL allowance is, in turn, reviewed and approved by the Group Credit Committee on a quarterly basis with final Group levels being approved by the Board Audit Committee. Further detail on the ECL governance process is set out on page [127](#).

The macroeconomic variables used in models to calculate ECL allowance are based on assumptions, forecasts and estimates against a backdrop of an evolving economic landscape. Accordingly, developments in local and international factors could have a material bearing on the ECL allowance within the next financial year. The Group's sensitivity to a range of macroeconomic factors under (i) base forecast; (ii) upside; and (iii) downside scenarios is set out on pages [134](#) to [138](#) of the Risk Management section of this report.

DCF's are the most significant input to the ECL calculation for Stage 3 credit impaired borrowers where the gross credit exposure is greater than or equal to € 1 million for Ireland or greater than or equal to £ 500,000 for the UK. Collateral valuations and the estimated time to realisation of collateral is a key component of the DCF model. The DCF assessment produces a base case ECL which is then adjusted, considering all relevant and supportable information, including but not limited to, historical data analysis, predictive modelling and management judgement, to incorporate the impact of multiple scenarios on the base ECL.

2 Critical accounting judgements and estimates continued

Impairment of financial assets continued

The Group has developed a standard approach for the measurement of ECL for the majority of the Group's exposures where each ECL input parameter (e.g. PD, LGD and EAD) is developed in line with standard modelling methodology. These are discussed further on pages 131 to 133 of the Risk Management section. When considering changes in these assumptions collectively, there is a significant risk of a material adjustment to the Group's ECL allowance within the next financial year.

Where the estimate of ECL does not adequately capture all available forward looking information about the range of possible outcomes, or where there is a significant degree of uncertainty, management may consider it appropriate for an adjustment to ECL. These are referred to as post model adjustments and are set out in detail on pages 140 and 141.

The sensitivity of the carrying amounts of the ECL to changes in assumptions and estimates relating to inputs into DCFs for certain Stage 3 credit impaired obligors; the assumptions for measuring ECL; and the estimation of post model adjustments where required have not been provided given their diverse nature, their interrelationship and the number of estimates and assumptions involved.

Retirement benefit obligations

The Group's accounting policy for retirement benefit obligations is set out in accounting policy (h) in note 1. Details of the Group's retirement benefit obligations are set out in note 28.

The key estimates and assumptions that the Group has used in determining the retirement benefit obligation are as follows:

- *In a situation where the Group believes the Trustee has the ability to grant discretionary increases without any funding being provided by the Group, the Group has assumed that the Trustee will grant increases and as a result the scheme's liabilities include an estimate for this matter; and*
- *The significant actuarial assumptions used to determine the present value of the retirement benefit obligation.*

The Trustee of the Irish Scheme has awarded an increase, in certain years, in respect of pensions eligible for discretionary pension in payment increases notwithstanding a decision by the Group not to fund such increases. This reflected the ability of the Trustee to grant an increase when the financial position of the scheme would enable such an increase at that point in time. Taking these decisions by the Trustee into consideration, the long term assumption for future increases in pension in payment reflects an assessment of the Trustee's ability to grant further increases without any funding from the Group, capped at a long-term inflation assumption.

Having taken actuarial advice, the Group has adopted a rate of 2.05% (31 December 2022: 2.6%) for the long-term assumption for future discretionary increases in pensions in payment (which is the lower of the surplus available to the Trustee to distribute or the long-term inflation assumption). This increased the scheme liabilities by € 822 million at 31 December 2023 (31 December 2022: € 886 million).

The actuarial valuation of the schemes' liabilities is dependent upon a number of financial and demographic assumptions which are inherently uncertain. Changes to those assumptions could materially impact the reported amount for schemes' liabilities and the actuarial gains/losses reported in equity. Details of the assumptions adopted by the Group in calculating the schemes' liabilities and a sensitivity analysis for the principal assumptions used to measure the schemes' liabilities are set out in note 28 to the financial statements.

Investment in subsidiary in the separate financial statements

The Group's accounting policy for the impairment of investment in subsidiary undertakings is set out in accounting policy (d) in note 1 of the Group financial statements. Details of the Company's investment in subsidiary are shown in note (e) to the Company's financial statements.

The key estimates and assumptions that the Group has used in assessing the value-in-use ('VIU') of its investment in subsidiary undertakings are as follows:

- *The estimation of expected cash flows based on the financial plan for 2024-2026;*
- *The assumption of an appropriate growth rate; and*
- *The estimation of an appropriate discount rate including the assumption of an appropriate risk-free rate and the assumption of an appropriate credit spread.*

The investment in subsidiary in the separate financial statements of the Company are reviewed for impairment when there are indications that impairment losses may have occurred. If any such indications exist, the Company undertakes an impairment review by comparing the carrying value of the investment in the subsidiary with its estimated recoverable amount with any shortfall being reported as an impairment charge in the Company's financial statements. The estimated recoverable amount is based on VIU calculations.

The Company tested its investment in Allied Irish Banks, p.l.c. at 31 December 2023 to determine whether the impairment losses recognised in previous periods no longer existed or may have decreased. In determining the VIU, the estimated pre-tax cash flow projections in the Company's financial plan for the period 2024 to 2026 were used as a base and a growth rate of 2% from 2026 was assumed into perpetuity. These projections were discounted at a risk adjusted interest rate of 12.1%. The VIU was calculated at € 14,385 million which resulted in a reversal of € 588 million of previous impairments.

Given the uncertainties and the high level of subjectivity involved in the estimation process, it is possible that the outcomes in the next financial year could differ from the expectations on which the Company's estimates are based resulting in the recognition and measurement of materially different amounts from those estimated in these financial statements.

Details of the VIU calculation and the sensitivity of the carrying amount of the investment to possible changes in key variables are set out in note (e) to the Company's financial statements.

Notes to the Consolidated Financial Statements continued

3 Segmental information

Segment overview

The Group has identified reportable segments on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ('CODM') in order to allocate resources to the segment and assess its performance. Based on this identification, the reportable segments are the operating segments within the Group, the head of each being a member of the Executive Committee. The Executive Committee is the CODM and it relies primarily on the management accounts to assess performance of the reportable segments and when making resource allocation decisions.

Transactions between operating segments are on normal commercial terms and conditions, with internal charges and transfer pricing adjustments reflected in the performance of each operating segment. Revenue sharing agreements are used to allocate external customer revenues to an operating segment on a reasonable basis. The geographical distribution of total revenue is based primarily on the location of the office recording the transaction.

The Group's performance in 2023 was managed and reported across the Retail Banking, AIB Capital Markets (Capital Markets), AIB UK and Group segments. Segment performance excludes exceptional items.

Retail Banking

Our leading Irish retail franchise provides a comprehensive range of products and services to over 3.2 million customers delivered through our branch, digital and phone banking channels; with an expanded reach into the retail customer base via EBS, Haven, AIB Merchant Services, Payzone, Nifti and AIB life.

- Homes & Consumer are responsible for meeting the everyday banking needs of customers in Ireland by delivering innovative products, propositions and services and for growing our market leading positions. Our aim is to achieve a seamless and transparent customer experience across all our products and services including mortgages, current accounts, personal lending, payments and credit cards, deposits, insurance and wealth.
- SME serves our micro and small SME customers through our sector-led strategy and local expertise with an extensive product and services offering. Our aim is to help our customers create and build sustainable businesses in their communities.
- Financial Solutions Group (FSG) is our dedicated centre of excellence for the management of the vast majority of the Group's non-performing exposures (NPEs), with the objective of supporting our customers in difficulty and delivering the Group's strategy to reduce NPEs.

Capital Markets

Capital Markets provides institutional, corporate and business banking services to the Group's larger customers and customers requiring specific sector or product expertise. Capital Markets' relationship driven model serves customers through sector specialist teams including: corporate banking, real estate finance, business banking and energy, climate action & infrastructure.

In addition to traditional credit products, Capital Markets offers customers foreign exchange and interest rate risk management products, cash management products, trade finance, mezzanine finance, structured and specialist finance and equity investments, as well as private banking services and advice. Capital Markets also has syndicated and international finance teams based in Dublin and in New York. Goodbody offers further capabilities in wealth management, corporate finance, asset management and wider capital market propositions.

AIB UK

AIB UK offers corporate, retail and business banking services in two distinct markets:

- a sector-led corporate bank with a comprehensive range of lending and deposit products, offering specific sector expertise across both Great Britain and Northern Ireland; and
- a full service retail bank in Northern Ireland (AIB NI) to personal and business customers with a focus on mortgage and business lending.

Group

Group comprises wholesale treasury activities and Group control and support functions. Treasury manages the Group's liquidity and funding positions and provides customer treasury services and economic research. The Group's control and support functions in the period included Technology, Operations, Finance, Risk, Legal, Corporate Governance & Customer Care, Human Resources, Sustainability and Corporate Affairs, Enterprise Development and Group Internal Audit.

Segment allocations

Under the Group's cost allocation methodology, substantially all of the costs of the Group's control, support and Treasury functions are allocated to Retail Banking, Capital Markets and AIB UK. In addition, certain Bank levies and regulatory fees, such as the Irish bank levy, are allocated to the Retail Banking and Capital Markets segments.

Funding and liquidity income/charges are based on each segment's funding requirements and the Group's funding cost profile, which is informed by wholesale and retail funding costs. Income attributable to capital is allocated to segments based on each segment's capital requirement.

3 Segmental information continued

	2023						2023
	Retail Banking	Capital Markets	AIB UK	Group	Total	Exceptional items ⁽¹⁾	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Operations by business segment							
Net interest income	2,409	896	425	111	3,841	—	3,841
Net fee and commission income*	438	150	40	5	633	—	633
Other	224	42	5	(4)	267	(19) ⁽²⁾⁽⁵⁾	248
Other income	662	192	45	1	900	(19)	881
Total operating income	3,071	1,088	470	112	4,741	(19)	4,722
Other operating expenses	(1,253)	(373)	(185)	(15)	(1,826)	(131)	(1,957)
<i>Of which: Personnel expenses</i>	(564)	(233)	(99)	(6)	(902)	(10) ⁽³⁾	(912)
<i>General and administrative expenses</i>	(465)	(97)	(62)	(5)	(629)	(121) ⁽⁴⁾⁽⁶⁾	(750)
<i>Depreciation, impairment and amortisation</i>	(224)	(43)	(24)	(4)	(295)	—	(295)
Bank levies and regulatory fees	(51)	(12)	(1)	(121)	(185)	—	(185)
Total operating expenses	(1,304)	(385)	(186)	(136)	(2,011)	(131)	(2,142)
Operating profit/(loss) before impairment losses	1,767	703	284	(24)	2,730	(150)	2,580
Net credit impairment charge	(57)	(88)	(26)	(1)	(172)	—	(172)
Operating profit/(loss)	1,710	615	258	(25)	2,558	(150)	2,408
Income/(loss) from equity accounted investments	7	—	6	(1)	12	—	12
Profit/(loss) on disposal of business	—	2	—	(28)	(26)	—	(26)
Profit/(loss) before taxation	1,717	617	264	(54)	2,544	(150)	2,394

(1) Exceptional items are shown separately above. These are items that Management view as distorting comparability of performance year-on-year. Exceptional items are set out in (2) to (6) below.

(2) Loss on disposal of loan portfolios.

(3) Termination benefits.

(4) Restitution costs.

(5) Restructuring costs.

(6) Inorganic transaction costs.

	2023				
	Retail Banking	Capital Markets	AIB UK	Group	Total
	€ m	€ m	€ m	€ m	€ m
*Analysis of net fee and commission income					
Customer accounts	202	26	12	—	240
Card income	166	9	12	—	187
Foreign exchange fees	47	33	6	2	88
Credit related fees	8	32	14	—	54
Specialised payment services fees	138	—	—	—	138
Stockbroking client fees and commissions	—	46	—	—	46
Asset management and advisory fees	—	4	—	—	4
Other fees and commissions	36	6	—	7	49
Fee and commission income	597	156	44	9	806
Specialised payment services expenses	(119)	—	—	—	(119)
Card expenses	(34)	(1)	(4)	—	(39)
Other fee and commission expenses	(6)	(5)	—	(4)	(15)
Fee and commission expense	(159)	(6)	(4)	(4)	(173)
	438	150	40	5	633

Further information on 'Net fee and commission income' is set out in note 6.

Notes to the Consolidated Financial Statements continued

3 Segmental information continued

	2022						Total
	Retail Banking	Capital Markets	AIB UK	Group	Exceptional items ⁽¹⁾	Total	
	€ m	€ m	€ m	€ m	€ m	€ m	
Operations by business segment							
Net interest income	1,186	565	294	50	2,095	—	2,095
Net fee and commission income*	387	149	46	5	587	1 ⁽⁷⁾	588
Other	31	84	10	88	213	17 ⁽²⁾⁽⁵⁾	230
Other income	418	233	56	93	800	18	818
Total operating income	1,604	798	350	143	2,895	18	2,913
Other operating expenses	(1,151)	(325)	(172)	(11)	(1,659)	(249)	(1,908)
Of which: Personnel expenses	(502)	(196)	(80)	(2)	(780)	(17) ⁽³⁾⁻⁽⁵⁾	(797)
General and administrative expenses	(414)	(87)	(67)	(7)	(575)	(195) ⁽⁴⁾⁻⁽⁷⁾	(770)
Depreciation, impairment and amortisation	(235)	(42)	(25)	(2)	(304)	(37) ⁽⁵⁾	(341)
Bank levies and regulatory fees	(50)	(12)	(1)	(92)	(155)	—	(155)
Total operating expenses	(1,201)	(337)	(173)	(103)	(1,814)	(249)	(2,063)
Operating profit/(loss) before impairment losses	403	461	177	40	1,081	(231)	850
Net credit impairment writeback/(charge)	144	(102)	(49)	—	(7)	—	(7)
Operating profit/(loss)	547	359	128	40	1,074	(231)	843
Income from equity accounted investments	7	25	5	—	37	—	37
Profit/(loss) before taxation	554	384	133	40	1,111	(231)	880

(1) Exceptional items are shown separately above. These are items that Management view as distorting comparability of performance year-on-year. Exceptional items are set out in (2) to (7) below.

(2) Gain on disposal of loan portfolios.

(3) Termination benefits.

(4) Restitution costs.

(5) Restructuring costs.

(6) Inorganic transaction costs.

(7) Other.

	2022				
	Retail Banking	Capital Markets	AIB UK	Group	Total
	€ m	€ m	€ m	€ m	€ m
*Analysis of net fee and commission income					
Customer accounts	176	18	14	18	226
Card income	134	9	13	—	156
Foreign exchange fees	44	30	10	2	86
Credit related fees	7	29	14	—	50
Specialised payment services fees	137	—	—	—	137
Stockbroking client fees and commissions	—	47	—	—	47
Asset management and advisory fees	—	12	—	—	12
Other fees and commissions	51	11	2	(13)	51
Fee and commission income	549	156	53	7	765
Specialised payment services expenses	(120)	—	—	—	(120)
Card expenses	(37)	(2)	(5)	—	(44)
Other fee and commission expenses	(5)	(5)	(1)	(2)	(13)
Fee and commission expense	(162)	(7)	(6)	(2)	(177)
Total net fee and commission income	387	149	47 ⁽¹⁾	5	588

(1) Includes € 1 million reported under exceptional items.

Further information on 'Net fee and commission income' is set out in note 6.

3 Segmental information continued

	31 December 2023				
	Retail Banking	Capital Markets	AIB UK	Group	Total
	€ m	€ m	€ m	€ m	€ m
Other amounts - statement of financial position					
Loans and advances to customers:					
– measured at amortised cost	39,227	19,326	6,868	28	65,449
– measured at FVTPL	—	42	—	—	42
Total loans and advances to customers	39,227	19,368	6,868	28	65,491
Customer accounts	80,454	15,171	8,004	1,153	104,782

	31 December 2022				
	Retail Banking	Capital Markets	AIB UK	Group	Total
	€ m	€ m	€ m	€ m	€ m
Other amounts - statement of financial position					
Loans and advances to customers:					
– measured at amortised cost	34,165	18,215	6,969	15	59,364
– measured at FVTPL	—	249	—	—	249
Total loans and advances to customers	34,165	18,464	6,969	15	59,613
Customer accounts	75,798	16,240	9,097	1,224	102,359

	Year to 31 December 2023			
	Ireland	United Kingdom	Rest of the World	Total
	€ m	€ m	€ m	€ m
Geographic information⁽¹⁾				
Gross external revenue	4,042	642	38	4,722
Inter-geographical segment revenue	158	(115)	(43)	—
Total revenue	4,200	527	(5)	4,722

	Year to 31 December 2022			
	Ireland	United Kingdom	Rest of the World	Total
	€ m	€ m	€ m	€ m
Geographic information⁽¹⁾				
Gross external revenue	2,868	64	(19)	2,913
Inter-geographical segment revenue	(316)	292	24	—
Total revenue	2,552	356	5	2,913

Revenue from external customers comprises interest and similar income (note 4) and interest and similar expense (note 5), and all other items of income (notes 6 to 10).

	31 December 2023			
	Ireland	United Kingdom	Rest of the World	Total
	€ m	€ m	€ m	€ m
Geographic Information				
Non-current assets ⁽²⁾	1,429	53	1	1,483

	31 December 2022			
	Ireland	United Kingdom	Rest of the World	Total
	€ m	€ m	€ m	€ m
Geographic Information				
Non-current assets ⁽²⁾	1,426	48	2	1,476

(1) For details of significant geographic concentrations, see the Risk management section.

(2) Non-current assets comprise intangible assets and goodwill and property, plant and equipment.

Notes to the Consolidated Financial Statements continued

	2023	2022
	€ m	€ m
4 Interest and similar income		
Interest on loans and advances to customers at amortised cost	2,295	1,877
Interest on loans and advances to banks at amortised cost	1,267	237
Interest on securities financing at amortised cost	273	42
Interest on investment securities	714	193
Interest income on financial assets	4,549	2,349
Negative interest on financial liabilities	—	83
Interest income calculated using the effective interest rate method	4,549	2,432
Interest income on finance leases and hire purchase contracts	80	70
Interest income on financial assets at FVTPL	16	10
Other interest income and similar income	96	80
Total interest and similar income	4,645	2,512

The Group presents interest resulting from negative effective interest rates on financial liabilities as interest income rather than as offset against interest expense.

Interest income includes a debit of € 607 million (2022: a credit of € 70 million) transferred from other comprehensive income in respect of cash flow hedges which is included in 'Interest on loans and advances to customers at amortised cost'.

Included in negative interest on financial liabilities in 2022 is interest of € 25 million relating to the TLTRO III programme. The Group repaid its TLTRO borrowing in December 2022.

	2023	2022
	€ m	€ m
5 Interest and similar expense		
Interest on customer accounts	175	46
Interest on deposits by central banks and banks	19	5
Interest on securities financing	23	11
Interest on debt securities in issue	436	134
Interest on lease liabilities	9	11
Interest on subordinated liabilities and other capital instruments	97	50
Interest expense on financial liabilities	759	257
Negative interest on financial assets	2	96
Interest expense calculated using the effective interest rate method	761	353
Non-trading derivatives (not in hedge accounting relationships - economic hedges) ⁽¹⁾	43	64
Other interest and similar expense	43	64
Total interest and similar expense	804	417

(1) Refer to note 1(c) for further information about the change in presentation for certain line items in the primary statements.

The Group presents interest resulting from negative effective interest rates on financial assets as interest expense rather than as offset against interest income.

Interest expense includes a credit of € 42 million (2022: a credit of € 4 million) transferred from other comprehensive income in respect of cash flow hedges which is included in 'Interest on customer accounts'.

Interest expense reported above, calculated using the effective interest rate method, relates to financial liabilities not carried at fair value through profit or loss.

	2023	2022
	€ m	€ m
6 Net fee and commission income		
Customer accounts	240	226
Card income	187	156
Foreign exchange fees	88	86
Credit related fees	54	50
Specialised payment services fees ⁽¹⁾	138	137
Stockbroking client fees and commissions	46	47
Asset management and advisory fees	4	12
Other fees and commissions	49	51
Fee and commission income	806	765
Specialised payment services expenses ⁽¹⁾	(119)	(120)
Card expenses	(39)	(44)
Other fee and commissions expenses	(15)	(13)
Fee and commission expense	(173)	(177)
Total net fee and commission income	633	588

(1) Specialised payment services: fee income and fee expenses in respect of services and prepaid credits for cellular phone and utilities sold to third parties.

Fees and commissions which are an integral part of the effective interest rate are recognised as part of interest and similar income (note 4) or interest and similar expense (note 5).

	2023	2022
	€ m	€ m
7 Net trading income		
Foreign exchange contracts ⁽¹⁾	(3)	(5)
Interest rate contracts and debt securities ⁽²⁾	6	35
Credit derivative contracts	(3)	3
Equity investments, index contracts and warrants	(13)	5
Forward contracts to acquire loans ⁽³⁾	223	62
Total net trading income	210	100

(1) Refer to note 1(c) for further information about the change in presentation for certain line items in the primary statements.

(2) Includes a gain of € 4 million (2022: gain of € 12 million) in relation to XVA adjustments. XVA comprises counterparty valuation adjustments ("CVA") and funding valuation adjustments ("FVA").

(3) Includes a gain of € 20 million (2022: gain of € 62 million) relating to the forward contract to acquire Ulster Bank corporate and commercial loans and a gain of € 203 million (2022: Nil) relating to the forward contract to acquire Ulster Bank tracker (and linked) mortgages. See note 44 for further information.

The total hedging ineffectiveness on cash flow hedges reflected in the consolidated income statement amounted to Nil in 2023 (2022: Nil).

	2023	2022
	€ m	€ m
8 Net gain on other financial assets measured at FVTPL		
Loans and advances to customers ⁽¹⁾	3	14
Investment securities – equity	27	88
Total net gain on other financial assets measured at FVTPL	30	102

(1) Excludes interest income (note 4).

Notes to the Consolidated Financial Statements continued

9 Net (loss)/gain on derecognition of financial assets measured at amortised cost

	2023		2022	
	Carrying value of derecognised financial assets measured at amortised cost	Loss from derecognition	Carrying value of derecognised financial assets measured at amortised cost	Gain from derecognition
	€ m	€ m	€ m	€ m
Loans and advances to customers	204	(9)	595	18

Derecognition relates to the sale of portfolios of non-performing loans, small and medium enterprise (“SME”) loans in AIB UK and the sale of individual loans (for credit management purposes) from a specific loan portfolio where credit deterioration had occurred.

	2023	2022
	€ m	€ m
10 Other operating income		
Loss on disposal of investment securities at FVOCI – debt	(22)	(7)
Gain on termination of hedging swaps ⁽¹⁾	14	4
Dividend income ⁽²⁾	2	2
Miscellaneous operating income	23	11
Total other operating income	17	10

(1) The majority of the gain on termination of hedging swaps relates to the disposal of debt securities at FVOCI. In addition, it includes debit of € 8 million (2022: Nil) transferred from other comprehensive income in respect of cash flow hedges.

(2) Refer to note 1(c) for further information about the change in presentation of certain line items in the primary statements.

	2023	2022
	€ m	€ m
11 Operating expenses		
Personnel expenses:		
Wages and salaries	711	620
Termination benefits ⁽¹⁾	7	7
Retirement benefits ⁽²⁾	105	93
Social security costs	79	69
Other personnel expenses ⁽³⁾	36	30
	938	819
Less: staff costs capitalised ⁽⁴⁾	(26)	(22)
Total personnel expenses	912	797
General and administrative expenses ⁽⁵⁾	688	676
Restitution and associated costs ⁽⁶⁾	62	94
	750	770
Bank levies and regulatory fees	185	155
Total operating expenses	1,847	1,722

(1) Includes charges for voluntary severance programmes of € 7 million (2022: € 7 million).

(2) Comprises a defined contribution charge of € 89 million (2022: a charge of € 80 million), a charge of € 5 million in relation to defined benefit expense (2022: a charge of € 4 million), and a long term disability payments/death in service benefit charge of € 11 million (2022: a charge of € 9 million). For details of retirement benefits, see note 28.

(3) Other personnel expenses include staff training, recruitment and various other staff costs.

(4) Staff costs capitalised relate to intangible assets.

(5) 2022 included € 27 million relating to the CBI Tracker Mortgage Examination fine.

(6) 2023 includes a charge for the Belfry provision (including associated costs) and a partial release for other customer provisions. 2022 included a charge for the Belfry provision and a partial release of other provisions.

The average number of employees for 2023 and 2022 is set out in note 48.

12 Net credit impairment charge

The following table analyses the income statement net credit impairment charge on financial instruments for the years to 31 December 2023 and 2022.

	2023			2022		
	Measured at amortised cost	Measured at FVOCI	Total	Measured at amortised cost	Measured at FVOCI	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Credit impairment charge on financial instruments						
Net remeasurement of ECL allowance						
Loans and advances to banks	—	—	—	—	—	—
Loans and advances to customers	(216)	—	(216)	(50)	—	(50)
Securities financing	—	—	—	—	—	—
Loan commitments	15	—	15	(7)	—	(7)
Financial guarantee contracts	2	—	2	7	—	7
Investment securities – debt	—	—	—	(2)	—	(2)
Credit impairment charge	(199)	—	(199)	(52)	—	(52)
Recoveries of amounts previously written-off	27	—	27	45	—	45
Total net credit impairment charge	(172)	—	(172)	(7)	—	(7)

13 Auditor's remuneration

The disclosure of auditor's remuneration is in accordance with Section 322 of the Companies Act 2014. This mandates disclosure of remuneration paid/payable to the Group Auditor only, for services relating to the audit of the Group and relevant subsidiary financial statements in the categories set out below. PricewaterhouseCoopers, Chartered Accountants and Statutory auditors, were appointed as the Group's independent auditor following the Group's AGM in May 2023. Deloitte Ireland LLP was the Group's auditor for 2022.

	2023		2022	
	Ireland	Overseas	Ireland	Overseas
	€ m	€ m	€ m	€ m
<i>Auditor's remuneration (excluding VAT):</i>				
Audit of Group financial statements	2.9	0.9	3.0	1.1
Other assurance services	0.7	0.1	0.9	0.1
Other non-audit services	—	—	0.2	—
Total auditor's remuneration	3.6	1.0	4.1	1.2

The 2023 amounts in the table above relate to fees payable to PricewaterhouseCoopers from the date of their appointment for services provided, split between those payable to the statutory auditors, PricewaterhouseCoopers in Ireland and fees paid to overseas auditors, PricewaterhouseCoopers LLP in the UK. The 2022 amounts relate to statutory audit fees payable to Deloitte Ireland LLP and overseas auditors, Deloitte LLP in the UK.

Other assurance services include remuneration for additional assurance issued by the firms outside of the audit of the statutory financial statements of the Group and its subsidiaries. This remuneration includes assignments where the Auditor, in Ireland, provides assurance to third parties.

The Group policy on the provision of non-audit services to the parent and its subsidiary companies includes the prohibition on the provision of certain services and the pre-approval by the Board Audit Committee of the engagement of the Auditor in other instances.

The Board Audit Committee has reviewed the level of non-audit services remuneration and is satisfied that it has not affected the independence of the Auditor. It is Group policy to subject all large consultancy assignments to competitive tender, where appropriate.

Notes to the Consolidated Financial Statements continued

	2023	2022
	€ m	€ m
14 Taxation		
Current tax		
Corporation tax in Ireland		
Current tax on income for the year	(6)	(5)
Adjustments in respect of prior years	—	(1)
	(6)	(6)
Foreign tax		
Current tax on income for the year	(71)	(27)
Adjustments in respect of prior years	—	—
	(71)	(27)
Current tax charge for the year	(77)	(33)
Deferred tax		
Origination and reversal of temporary differences	1	(6)
Adjustments in respect of prior years	2	—
Recognition of deferred tax assets in respect of current period losses	—	—
Reduction in carrying value of deferred tax assets in respect of carried forward losses	(262)	(76)
Deferred tax charge for the year	(259)	(82)
Total tax charge for the year	(336)	(115)
Effective tax rate	14.0 %	13.1 %

Factors affecting the effective tax rate

The following table sets out the difference between the tax charge that would result from applying the standard corporation tax rate in Ireland of 12.5% and the actual tax charge for the year:

	2023		2022	
	€ m	%	€ m	%
Profit before tax	2,394		880	
Tax charge at standard corporation tax rate in Ireland of 12.5%	(299)	12.5	(110)	12.5
<i>Effects of:</i>				
Foreign profits taxed at other rates	(40)	1.7	(12)	1.4
Expenses not deductible for tax purposes	(11)	0.4	(17)	1.9
Exempted income, income at reduced rates and tax credits	(1)	0.1	1	(0.1)
Share of results of investments accounted for using the equity method shown post tax in the income statement	3	(0.2)	2	(0.2)
Income taxed at higher tax rates	(12)	0.5	(11)	1.3
Tax legislation on equity distributions	8	(0.3)	8	(0.9)
Reversal of amounts previously not recognised	13	(0.5)	16	(1.8)
Other tax adjustments	1	(0.1)	10	(1.2)
Change in tax rates	—	—	(1)	0.1
Adjustments to tax charge in respect of prior years	2	(0.1)	(1)	0.1
Tax charge	(336)	14.0	(115)	13.1

The member countries of the OECD/G20 Inclusive Framework have agreed the Pillar Two model rules for a global 15% minimum effective tax rate. Ireland, the Group's primary operating jurisdiction, enacted Pillar Two legislation on 18 December 2023, effective from 1 January 2024. The Group is within the scope of the Pillar Two legislation. However, as it was not effective at the reporting date, the Group has no related current tax exposure for 2023.

Under the Pillar Two legislation, when effective, if the Group's Pillar Two effective tax rate in a jurisdiction is less than the 15% minimum rate, the Group is liable to pay a top up tax for the difference. For the purposes of the Pillar Two legislation, a number of adjustments are required in calculating the Pillar Two effective tax rate. In particular, a transitional adjustment applies to deferred tax expense for utilisation of carried forward losses, where a deferred tax asset has been recorded at a rate lower than 15%. The use of these losses is deemed to be at a rate of 15% where the loss is a Pillar Two loss.

The Group continues to assess its exposure to the Pillar Two legislation. An initial assessment indicates that if Pillar Two legislation had been in effect in 2023, the Group would not have had any top-up tax expense for the year in Ireland or in any of the other jurisdictions that the Group operates in. This is because the Pillar Two effective tax rate in each of those jurisdictions would have been above 15% or a transitional exemption would have applied.

14 Taxation continued

Analysis of selected other comprehensive income

	2023			2022		
	Gross € m	Tax € m	Net € m	Gross € m	Tax € m	Net € m
Retirement benefit schemes						
Remeasurement of defined benefit asset/(liability)	(2)	—	(2)	(20)	12	(8)
Total	(2)	—	(2)	(20)	12	(8)
Foreign currency translation reserves						
Amounts reclassified from the foreign currency translation reserves to the income statement as a reclassification adjustment:						
– amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur	—	—	—	—	—	—
– amounts that have been transferred because the hedged item has affected the income statement	—	—	—	—	—	—
Recognised in other comprehensive income:						
– Net (losses)/gains on net investment hedges	(28)	3	(25)	79	(10)	69
– Exchange differences on translation of foreign operations	82	—	82	(140)	—	(140)
Total	54	3	57	(61)	(10)	(71)
Cash flow hedging reserves						
Amounts reclassified from the cash flow hedging reserves to the income statement as a reclassification adjustment:						
– amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur	—	—	—	—	—	—
– amounts that have been transferred because the hedged item has affected the income statement	573	(72)	501	(74)	9	(65)
Hedging gains/(losses) recognised in other comprehensive income	791	(110)	681	(1,833)	279	(1,554)
Total	1,364	(182)	1,182	(1,907)	288	(1,619)
Investment debt securities at FVOCI reserves						
Fair value losses transferred to income statement	22	(3)	19	7	(1)	6
Fair value losses recognised in other comprehensive income	(68)	8	(60)	(216)	22	(194)
Total	(46)	5	(41)	(209)	21	(188)

15 Loss on disposal of business

	2023 € m	2022 € m
Loss on disposal of business	(26)	—
Total loss on disposal of business	(26)	—

The loss of € 26 million primarily relates to the repatriation of part of the capital of certain foreign subsidiaries in the Group which have ceased trading. A pro-rata amount of the related foreign currency cumulative translation reserve was transferred to the income statement.

16 Trading portfolio

	2023		2022	
	Trading portfolio assets € m	Trading portfolio liabilities € m	Trading portfolio assets € m	Trading portfolio liabilities € m
Equity securities	9	(5)	8	(4)
Debt securities	84	(134)	—	—
Total trading portfolio	93	(139)	8	(4)

Notes to the Consolidated Financial Statements continued

17 Derivative financial instruments

Derivatives are entered into to service customer requirements, to manage the Group's interest rate, exchange rate, equity and credit exposures and for trading purposes. Derivative instruments are contractual agreements whose value is derived from price movements in underlying assets, interest rates, foreign exchange rates or indices.

Market risk is the exposure to potential loss through holding interest rate, exchange rate and equity positions in the face of absolute and relative price movements, interest rate volatility, movements in exchange rates and shifts in liquidity. Credit risk is the exposure to loss should the counterparty to a financial instrument fail to perform in accordance with the terms of the contract.

Credit risk in derivative contracts is the risk that the Group's counterparty in the contract defaults prior to maturity at a time when the Group has a claim on the counterparty under the contract (i.e. contracts with a positive fair value). The Group would then have to replace the contract at the current market rate, which may result in a loss. For risk management purposes, consideration is taken of the fact that not all counterparties to derivative positions are expected to default at the point where the Group is most exposed to them. While notional principal amounts are used to express the volume of derivative transactions, the amounts subject to credit risk are much lower because derivative contracts typically involve payments based on the net differences between specified prices or rates.

The following table presents the notional principal amount of interest rate, exchange rate, equity and credit derivative contracts together with the positive and negative fair values attaching to those contracts at 31 December 2023 and 2022:

	2023			2022		
	Notional principal amount	Fair values		Notional principal amount	Fair values	
	Assets	Liabilities	Assets		Liabilities	
	€ m	€ m	€ m	€ m	€ m	€ m
Derivative financial instruments⁽¹⁾						
Interest rate contracts	86,899	2,351	(1,869)	65,213	2,343	(2,900)
Exchange rate contracts	6,287	14	(29)	7,449	164	(72)
Equity contracts	92	—	(1)	83	4	—
Credit derivatives	83	—	(3)	43	—	(1)
Forward contracts to acquire loans ⁽²⁾	1,047	12	—	1,232	—	(9)
Total	94,408	2,377	(1,902)	74,020	2,511	(2,982)

(1) Interest rate, exchange rate, equity and credit derivative contracts are entered into for both hedging and trading purposes.

(2) Relates to a forward contract to acquire tracker (and linked) mortgages from Ulster Bank in 2023 and a forward contract to acquire corporate and commercial loans from Ulster Bank in 2022. See note 44 for further information.

The Group uses the same credit control and risk management policies in undertaking all off-balance sheet commitments as it does for on-balance sheet lending including counterparty credit approval, limit setting and monitoring procedures. In addition, derivative instruments are subject to the market risk policy and control framework as described in the 'Risk management' section of this report.

The increase in interest rate contracts reflects the Group's hedging of net interest income in response to the sharp interest rate increases and market volatility in the period.

The Group has the following concentration of exposures in respect of notional principal amount and positive fair value of derivative financial instruments. The concentrations are based primarily on the location of the office recording the transaction.

	Notional principal amount		Positive fair value	
	2023	2022	2023	2022
	€ m	€ m	€ m	€ m
Ireland	90,975	71,328	2,261	2,411
United Kingdom	3,341	2,572	113	96
United States of America	92	120	3	4
Total	94,408	74,020	2,377	2,511

Trading book activities

The Group maintains trading positions in a variety of financial instruments including derivatives. These derivative financial instruments include interest rate, foreign exchange, equity and credit derivatives. Most of these positions arise as a result of activity generated by corporate customers while the remainder represent trading decisions of the Group's derivative and foreign exchange traders with a view to generating incremental income.

All trading activity is conducted within risk limits approved by the Board. Systems are in place which measure risks and profitability associated with derivative trading positions as market movements occur. Independent risk control units monitor these risks.

Banking book activities

In addition to meeting customer needs, the Group's principal objective in holding or transacting derivatives is the management of interest rate and foreign exchange risks which arise within the banking book through the operations of the Group as outlined below. Market risk within the banking book is also controlled through limits approved by the Board and monitored by an independent second line risk function.

17 Derivative financial instruments continued

The operations of the Group are exposed to interest rate risk arising from the fact that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives are used to modify the repricing or maturity characteristics of assets and liabilities in a cost-efficient manner. This flexibility helps the Group to achieve interest rate risk management objectives. Similarly, foreign exchange derivatives can be used to hedge the Group's exposure to foreign exchange risk.

The fair values of derivatives fluctuate as the underlying market interest rates or foreign exchange rates change. If the derivatives are purchased or sold as hedges of statement of financial position items, the change in fair value of the derivatives will generally be offset by the change in fair value of the hedged items.

To achieve its risk management objectives, the Group uses a combination of derivative financial instruments, particularly interest rate swaps, cross currency interest rate swaps, futures, options and currency swaps, as well as other contracts. The risk that counterparties to derivative contracts (both trading and banking book) might default on their obligations is monitored on an ongoing basis. The level of credit risk is minimised by dealing with counterparties of good credit standing, by the use of Credit Support Annexes and ISDA Netting Agreements and increased clearing of derivatives through Central Clearing Counterparties ('CCP's'). As the traded instruments are recognised at market value, any changes in market value directly affect reported income for a given period.

The following table shows the notional principal amount and the fair value of derivative financial instruments analysed by product and purpose at 31 December 2023 and 2022. A description of how the fair values of derivatives are determined is set out in note 44.

	2023			2022		
	Notional principal amount € m	Fair Values Assets Liabilities € m € m		Notional principal amount € m	Fair Values Assets Liabilities € m € m	
Derivatives held for trading						
<i>Interest rate derivatives – over the counter ('OTC')</i>						
Interest rate swaps	5,199	138	(351)	5,067	114	(454)
Cross-currency interest rate swaps	645	3	—	421	—	(5)
Interest rate options bought and sold	3,493	14	(18)	2,305	28	(29)
Total interest rate derivatives – OTC	9,337	155	(369)	7,793	142	(488)
<i>Interest rates derivatives – OTC – central clearing</i>						
Interest rate swaps	4,650	278	(49)	4,417	379	(29)
Total interest rate derivatives – OTC – central clearing	4,650	278	(49)	4,417	379	(29)
<i>Interest rate derivatives – exchange traded</i>						
Interest rate futures bought and sold	85	—	—	79	—	—
Total interest rate derivatives – exchange traded	85	—	—	79	—	—
Total interest rate derivatives	14,072	433	(418)	12,289	521	(517)
<i>Foreign exchange derivatives – OTC</i>						
Foreign exchange contracts	4,783	12	(26)	5,985	121	(72)
Currency options bought and sold	—	—	—	5	—	—
Total foreign exchange derivatives	4,783	12	(26)	5,990	121	(72)
<i>Equity derivatives – OTC</i>						
Equity index options bought and sold	—	—	—	5	—	—
Equity total return swaps	92	—	(1)	78	4	—
Total equity derivatives	92	—	(1)	83	4	—
<i>Credit derivatives – OTC – central clearing</i>						
Credit derivatives	83	—	(3)	43	—	(1)
Total credit derivatives	83	—	(3)	43	—	(1)
<i>Other</i>						
Forward contracts to acquire loans ⁽¹⁾	1,047	12	—	1,232	—	(9)
Total	1,047	12	—	1,232	—	(9)
Total derivatives held for trading	20,077	457	(448)	19,637	646	(599)

(1) Relates to a forward contract to acquire tracker (and linked) mortgages from Ulster Bank in 2023 and a forward contract to acquire corporate and commercial loans from Ulster Bank in 2022. See note 44 for further information.

Notes to the Consolidated Financial Statements continued

17 Derivative financial instruments continued

	2023			2022		
	Notional principal amount	Fair values		Notional principal amount	Fair values	
	Assets	Liabilities		Assets	Liabilities	
	€ m	€ m	€ m	€ m	€ m	€ m
Derivatives held for hedging						
<i>Derivatives designated as fair value hedges – OTC</i>						
Interest rate swaps	422	9	(1)	1,653	21	—
Total derivatives designated as fair value hedges – OTC	422	9	(1)	1,653	21	—
<i>Derivatives designated as fair value hedges – OTC – central clearing</i>						
Interest rate swaps	24,015	1,228	(341)	20,458	1,656	(433)
Total interest rate fair value hedges – OTC – central clearing	24,015	1,228	(341)	20,458	1,656	(433)
Total derivatives designated as fair value hedges	24,437	1,237	(342)	22,111	1,677	(433)
<i>Derivatives designated as cash flow hedges – OTC</i>						
Interest rate swaps	255	—	(12)	840	1	(17)
Total interest rate cash flow hedges – OTC	255	—	(12)	840	1	(17)
<i>Derivatives designated as cash flow hedges – OTC – central clearing</i>						
Interest rate swaps	48,135	681	(1,097)	29,973	144	(1,933)
Total interest rate cash flow hedges – OTC – central clearing	48,135	681	(1,097)	29,973	144	(1,933)
Total derivatives designated as cash flow hedges	48,390	681	(1,109)	30,813	145	(1,950)
<i>Derivatives designated as net investment hedges – OTC</i>						
Forward exchange contracts	1,504	2	(3)	1,459	43	—
Total derivatives designated as net investment hedges – OTC	1,504	2	(3)	1,459	43	—
Total derivatives held for hedging	74,331	1,920	(1,454)	54,383	1,865	(2,383)
Total derivative financial instruments	94,408	2,377	(1,902)	74,020	2,511	(2,982)

Fair value hedges

Fair value hedges are entered into to hedge the exposure to changes in the fair value of recognised assets or liabilities arising from changes in interest rates, primarily, debt securities and fixed rate liabilities. The fair values of financial instruments are set out in note 44.

The net mark to market on fair value hedging derivatives, excluding accrual and risk adjustments at 31 December 2023 is positive € 764 million (2022: positive € 1,168 million) and the net mark to market on the related hedged items at 31 December 2023 is negative € 748 million (2022: negative € 1,154 million).

Netting financial assets and financial liabilities

Derivative financial instruments are shown on the statement of financial position at their fair value. Those with a positive fair value are reported as assets and those with a negative fair value are reported as liabilities.

Details on offsetting financial assets and financial liabilities are set out in note 39.

17 Derivative financial instruments continued

Nominal values and average interest rates by residual maturity

At 31 December 2023 and 2022, the Group held the following hedging instruments of interest rate risk and foreign exchange rate risk in fair value, cash flow and net investment hedges respectively:

						2023
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years +	Total
Fair value hedges – Interest rate swaps						
Assets						
Hedges of investment securities – debt						
Nominal principal amount (€ m)	213	291	427	8,343	5,134	14,408
Average interest rate (%) ⁽¹⁾	0.29	1.11	0.72	0.83	1.40	1.03
Hedges of loans and advances to customers						
Nominal principal amount (€ m)	—	—	—	—	15	15
Average interest rate (%) ⁽¹⁾	—	—	—	—	2.59	2.59
Liabilities						
Hedges of debt securities in issue						
Nominal principal amount (€ m)	—	—	1,655	6,089	770	8,514
Average interest rate (%) ⁽¹⁾	—	—	2.90	4.17	5.24	4.02
Hedges of subordinated debt						
Nominal principal amount (€ m)	—	—	500	1,000	—	1,500
Average interest rate (%) ⁽¹⁾	—	—	1.88	2.88	—	2.54
Cash flow hedges – Interest rate swaps⁽²⁾						
Hedges of financial assets						
Nominal principal amount (€ m)	756	2,045	5,710	22,697	15,279	46,487
Average interest rate (%) ⁽³⁾	3.37	2.07	2.08	2.58	2.26	2.40
Hedges of financial liabilities						
Nominal principal amount (€ m)	—	13	69	1,606	215	1,903
Average interest rate (%) ⁽³⁾	—	0.46	0.88	2.12	3.36	2.21
Net investment hedges – Forward exchange contracts						
Nominal principal amount (€ m)	299	803	402	—	—	1,504
Forward FX rate (%) ⁽⁴⁾	0.87	0.87	0.87	—	—	0.87

(1) Represents the fixed rate on the hedged item which is being swapped for a variable rate.

(2) Includes interest rate swaps used to hedge interest rate risk.

(3) This is the average interest rate on the fixed leg of swap agreements where the variable rate on the assets and liabilities in cash flow hedges is being swapped for a fixed rate.

(4) Being the forward FX rates on the hedging derivatives which are being used to hedge the Group's net investment in foreign operations.

Notes to the Consolidated Financial Statements continued

17 Derivative financial instruments continued

Nominal values and average interest rates by residual maturity continued

						2022
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years +	Total
Fair value hedges – Interest rate swaps						
Assets						
Hedges of investment securities – debt						
Nominal principal amount (€ m)	92	213	420	5,461	6,863	13,049
Average interest rate (%) ⁽¹⁾	0.84	0.02	0.87	0.66	0.56	0.60
Hedges of loans and advances to customers						
Nominal principal amount (€ m)	—	—	—	—	15	15
Average interest rate (%) ⁽¹⁾	—	—	—	—	2.60	2.60
Liabilities						
Hedges of debt securities in issue						
Nominal principal amount (€ m)	—	1,253	128	5,391	775	7,547
Average interest rate (%) ⁽¹⁾	—	1.00	4.75	3.10	5.73	3.05
Hedges of subordinated debt						
Nominal principal amount (€ m)	—	—	—	1,500	—	1,500
Average interest rate (%) ⁽¹⁾	—	—	—	2.54	—	2.54
Cash flow hedges – Interest rate swaps⁽²⁾						
Hedges of financial assets						
Nominal principal amount (€ m)	131	151	7,570	11,026	10,040	28,918
Average interest rate (%) ⁽³⁾	0.86	0.88	1.48	1.33	0.97	1.24
Hedges of financial liabilities						
Nominal principal amount (€ m)	—	55	52	861	927	1,895
Average interest rate (%) ⁽³⁾	—	0.21	1.14	1.41	1.80	1.56
Net investment hedges – Forward exchange contracts						
Nominal principal amount (€ m)	386	977	96	—	—	1,459
Forward FX rate (%) ⁽⁴⁾	0.86	0.87	0.85	—	—	0.86

(1) Represents the fixed rate on the hedged item which is being swapped for a variable rate.

(2) Includes interest rate swaps and cross currency swaps used to hedge interest rate risk on variable rate EUR/GBP and EUR/USD assets and liabilities.

(3) This is the average interest rate on the fixed leg of swap agreements where the variable rate on the assets and liabilities in cash flow hedges is being swapped for a fixed rate.

(4) Being the forward FX rates on the hedging derivatives which are being used to hedge the Group's net investment in foreign operations.

17 Derivative financial instruments continued

Fair value hedges of interest rate risk

The tables below set out the amounts relating to items designated as (a) hedging instruments and (b) hedged items in fair value hedges of interest rate risk together with the related hedge ineffectiveness at 31 December 2023 and 2022:

								2023
								Carrying amount ⁽¹⁾
	Nominal	Assets	Liabilities	Line item in Statement of Financial Position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for the year	Hedge ineffectiveness recognised in the income statement	Line item in the income statement that includes hedge ineffectiveness	
	€ m	€ m	€ m		€ m	€ m		
(a) Hedging instruments								
Interest rate swaps hedging:								
Investment securities – debt	14,408	1,102	(136)	Derivative financial instruments	(724)	(1)	Net trading income	
Debt securities in issue	8,514	136	(133)	Derivative financial instruments	256	4	Net trading income	
Subordinated debt	1,500	—	(73)	Derivative financial instruments	66	1	Net trading income	
Customer loans	15	—	(1)	Derivative financial instruments	(1)	—	Net trading income	
								2023
	Carrying amount of hedged items recognised in Statement of Financial Position		Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged item		Line item in Statement of Financial Position where hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Accumulated amount of fair value hedge adjustments remaining in Statement of Financial Position for any hedged items that have ceased to be adjusted for hedging gains and losses	
	Assets	Liabilities	Assets	Liabilities		€ m	€ m	
	€ m	€ m	€ m	€ m				
(b) Hedged items								
Investment securities – debt	13,540	—	—	(925)	Investment securities	723	—	
Debt securities in issue	—	(8,423)	89	—	Debt securities in issue	(252)	—	
Subordinated debt	—	(1,412)	88	—	Subordinated liabilities and other capital instruments	(65)	—	
Customer loans	15	—	1	—	Customer loans	1	—	
								2022
								Carrying amount ⁽¹⁾
	Nominal	Assets	Liabilities	Line item in Statement of Financial Position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for the year	Hedge ineffectiveness recognised in the income statement	Line item in the income statement that includes hedge ineffectiveness	
	€ m	€ m	€ m		€ m	€ m		
(a) Hedging Instruments								
Interest rate swaps hedging:								
Investment securities – debt	13,049	1,669	(1)	Derivative financial instruments	1,679	18	Net trading income	
Debt securities in issue	7,547	8	(294)	Derivative financial instruments	(407)	—	Net trading income	
Subordinated debt	1,500	—	(138)	Derivative financial instruments	(128)	(2)	Net trading income	
								2022
	Carrying amount of hedged items recognised in Statement of Financial Position		Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items		Line item in Statement of Financial Position where hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Accumulated amount of fair value hedge adjustments remaining in Statement of Financial Position for any hedged items that have ceased to be adjusted for hedging gains and losses	
	Assets	Liabilities	Assets	Liabilities		€ m	€ m	
	€ m	€ m	€ m	€ m				
(b) Hedged items								
Investment securities – debt	11,652	—	—	(1,649)	Investment securities	(1,661)	—	
Debt securities in issue	—	(7,203)	342	—	Debt securities in issue	407	—	
Subordinated debt	—	(1,347)	153	—	Subordinated liabilities and other capital instruments	126	—	

(1) The net mark to market on fair value hedging derivatives, excluding accruals of € 130 million, is positive € 765 million (2022: € 76 million and positive € 1,168 million).

Notes to the Consolidated Financial Statements continued

17 Derivative financial instruments continued

Cash flow hedges of interest rate

The tables below set out the amounts relating to (a) items designated as hedging instruments and (b) the hedged items in cash flow hedges of interest rate risk together with the related hedge ineffectiveness at 31 December 2023 and 2022:

										2023											
										Carrying amount		Hedge ineffectiveness		Amounts reclassified from cash flow hedging reserves to the income statement							
										Nominal amount € m	Assets € m	Liabilities € m	Line item in the Statement of Financial Position where hedging instruments are included	Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year € m	Change in fair value of hedging instruments recognised in OCI in the year € m	Hedge ineffectiveness recognised in the income statement € m	Line item in the income statement that includes hedge ineffectiveness	Amounts for which hedge accounting had been used but for which the hedged future cash flows are no longer expected to occur € m	Amounts that have been transferred because the hedged item has affected the income statement € m	Line item in the income statement affected by the reclassification	
(a) Hedging Instruments																					
Interest rate swaps⁽¹⁾																					
Derivatives hedging assets										46,487	604	(1,095)	Derivative financial instruments	1,480	1,480	—	Net trading income	—	(615)	Interest and similar income and other operating income	
Derivatives hedging liabilities										1,903	77	(14)	Derivative financial instruments	(75)	(75)	—	Net trading income	—	42	Interest and similar expense	

(1) Hedging interest rate risk. These can include both interest rate swaps and cross currency swaps, both of which are hedging interest rate risk.

										2023				
										Change in fair value of hedged items used for calculating hedge ineffectiveness for the year € m	Amounts in the cash flow hedging reserves for continuing hedges ⁽¹⁾ pre tax € m	Amounts in the cash flow hedging reserves for continuing hedges ⁽¹⁾ post tax € m	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax € m	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax € m
(b) Hedged items														
Interest rate risk														
Loans and advances to customers										(1,480)	(432)	(344)	13	11
Interest rate risk														
Customer accounts										75	52	45	—	—

(1) The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss or the cumulative change in fair value (present value) of the hedged item from inception of the hedge. The portion that is offset by the change in the cash flow hedging reserves is recognised in other comprehensive income with any hedge ineffectiveness recognised in the income statement.

17 Derivative financial instruments continued

Cash flow hedges of interest rate continued

											2022										
											Amounts reclassified from cash flow hedging reserves to the income statement										
											Carrying amount		Hedge ineffectiveness		Amounts for which hedge accounting had been used but for which the hedged future cash flows are no longer expected to occur		Amounts that have been transferred because the hedged item has affected the income statement		Line item in the income statement affected by the reclassification		
											Nominal amount	Assets	Liabilities	Line item in the Statement of Financial Position where hedging instruments are included	Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of the hedging instruments recognised in OCI in the year	Hedge Ineffectiveness recognised in the income statement	Line item in the income statement that includes hedge ineffectiveness	€ m	€ m	€ m
											€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
(a) Hedging instruments																					
Interest rate swaps⁽¹⁾																					
Derivatives hedging assets	28,918	7	(1,941)	Derivative financial instruments	(1,879)	(1,998)	—	Net trading income	—	70	Interest and similar income										
Derivatives hedging liabilities	1,895	138	(9)	Derivative financial instruments	165	165	—	Net trading income	—	4	Interest and similar expense										

(1) Hedging interest rate risk. These can include both interest rate swaps and cross currency interest rate swaps, both of which are hedging interest rate risk.

											2022									
											Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax		Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax							
											Change in fair value of hedged items used for calculating hedge ineffectiveness for the year		Amounts in the cash flow hedging reserves for continuing hedges ⁽¹⁾ pre tax		Amounts in the cash flow hedging reserves for continuing hedges ⁽¹⁾ post tax		Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax		Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax	
											€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m		
(b) Hedged items																				
Interest rate risk				Loans and advances to customers	1,879	(1,913)	(1,623)	47	41											
Interest rate risk				Customer accounts	(165)	127	111	—	—											

(1) The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss or the cumulative change in fair value (present value) of the hedged item from inception of the hedge. The portion that is offset by the change in the cash flow hedging reserves is recognised in other comprehensive income with any hedge ineffectiveness recognised in the income statement.

Notes to the Consolidated Financial Statements continued

17 Derivative financial instruments continued

Cash flow hedges

The table below sets out the hedged cash flows which are expected to occur in the following periods:

					2023
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	€ m	€ m	€ m	€ m	€ m
Forecast receivable cash flows	1,400	692	1,381	1,113	4,586
Forecast payable cash flows	73	44	59	21	197

					2022
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	€ m	€ m	€ m	€ m	€ m
Forecast receivable cash flows	940	610	1,038	810	3,398
Forecast payable cash flows	67	55	106	66	294

The table below sets out the hedged cash flows, including amortisation of terminated cash flow hedges, which are expected to impact the income statement in the following periods:

					2023
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	€ m	€ m	€ m	€ m	€ m
Forecast receivable cash flows	1,400	692	1,381	1,113	4,586
Forecast payable cash flows	88	47	48	29	212

					2022
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	€ m	€ m	€ m	€ m	€ m
Forecast receivable cash flows	940	610	1,038	810	3,398
Forecast payable cash flows	99	74	109	60	342

Ineffectiveness reflected in the income statement that arose from cash flow hedges in 2023 amounted to Nil (2022: Nil).

Pay fixed cash flow hedges are used to hedge the cash flows on variable rate liabilities and receive fixed cash flow hedges are used to hedge the cash flows on variable rate assets.

The total amount recognised in other comprehensive income net of tax in respect of cash flow hedges in 2023 was a gain of € 1,182 million (2022: a loss of € 1,619 million).

	2023	2022
	€ m	€ m
18 Loans and advances to banks		
At amortised cost		
Funds placed with central banks	259	262
Funds placed with other banks	1,070	1,240
	1,329	1,502
ECL allowance	—	—
Total loans and advances to banks	1,329	1,502

	2023	2022
	€ m	€ m
Loans and advances to banks by geographical area⁽¹⁾		
Ireland	937	1,100
United Kingdom	388	398
United States of America	4	4
Total loans and advances to banks by geographical area	1,329	1,502

(1) The classification of loans and advances to banks by geographical area is based primarily on the location of the office recording the transaction.

Loans and advances to banks include cash collateral of € 741 million (2022: € 963 million) placed with derivative counterparties in relation to net derivative positions and placed with repurchase agreement counterparties. In addition, these include € 5 million (2022: € 5 million) relating to restricted balances held in trust in respect of certain payables which are included in 'other liabilities' (note 33).

The group is required by law to maintain reserve balances with the Bank of England. At 31 December 2023, these amounted to € 259 million (2022: € 261 million).

Notes to the Consolidated Financial Statements continued

	2023	2022
	€ m	€ m
19 Loans and advances to customers		
At amortised cost		
Loans and advances to customers ⁽¹⁾	65,320	59,397
Amounts receivable under finance leases and hire purchase contracts	1,649	1,585
	66,969	60,982
ECL allowance	(1,520)	(1,618)
	65,449	59,364
Mandatorily at fair value through profit or loss		
Loans and advances to customers	42	249
Total loans and advances to customers	65,491	59,613

Additional information:

Amounts which are repayable on demand	2,145	1,954
Amounts due from equity accounted investments ⁽²⁾	45	18

(1) During the period, the Group acquired Ulster Bank corporate and commercial loans of € 884 million and Ulster Bank tracker (and linked) mortgages of € 3,842 million. See note 44 for further information.

(2) Undrawn commitments amount to € 225 million and are for less than one year (2022: € 133 million).

Loans and advances to customers include cash collateral amounting to € 21 million (2022: € 15 million) placed with derivative counterparties.

For details of credit quality of loans and advances to customers, including forbearance, refer to the sections denoted as 'audited' in the 'Risk management' section 2.1.2 to 2.1.6 of this report.

Amounts receivable under finance leases and hire purchase contracts

The following balances principally comprise of leasing arrangements and hire purchase agreements of vehicles, plant, machinery and equipment:

	2023	2022
	€ m	€ m
Gross receivables		
Not later than 1 year	640	638
Later than 1 year and not later than 2 years	466	443
Later than 2 years and not later than 3 years	344	320
Later than 3 years and not later than 4 years	208	191
Later than 4 years and not later than 5 years	104	89
Later than 5 years	19	17
Total	1,781	1,698
Unearned future finance income	(142)	(121)
Deferred costs incurred on origination	10	8
Present value of minimum payments	1,649	1,585
ECL allowance for uncollectible minimum payments receivable ⁽¹⁾	43	63

(1) Included in 'ECL allowance on financial assets' (note 21).

20 Securities financing

Securities financing transactions are generally entered into on a collateralised basis, with debt securities and equities, usually advanced or received as collateral. Reverse repurchase agreements involve purchase of debt securities with an agreement to resell substantially identical investments at a fixed price on a certain future date. Securities borrowing agreements involve purchase of debt securities and equities with an agreement to resell substantially identical investments at a fixed price on a certain future date. Securities sold under agreements to repurchase involves sales of securities with agreements to repurchase substantially identical investments at a fixed price on a certain future date.

	2023			2022		
	Banks € m	Customers € m	Total € m	Banks € m	Customers € m	Total € m
Assets						
Reverse repurchase agreements	3,628	171	3,799	2,888	29	2,917
Securities borrowing transactions	1,541	1,126	2,667	2,431	934	3,365
Total ⁽¹⁾	5,169	1,297	6,466	5,319	963	6,282
Liabilities						
Securities sold under agreements to repurchase	575	—	575	898	—	898
Total	575	—	575	898	—	898

(1) Classified as ECL Stage 1 and have an ECL of € 1 million at 31 December 2023 (31 December 2022: € 1 million).

In accordance with the terms of the reverse repurchase agreements and securities borrowing agreements, the Group accepts collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. At 31 December 2023, the total fair value of the collateral received was € 6,466 million (2022: € 6,282 million), none of which had been resold or repledged. These transactions were conducted under terms that are usual and customary to standard reverse repurchase agreements and securities borrowing agreements.

Securities sold under agreements to repurchase mature within six months and are secured by debt securities and eligible assets.

At 31 December 2023, in relation to securities sold under agreements to repurchase, the Group had pledged collateral with a fair value of € 575 million (2022: € 898 million). These transactions were conducted under terms that are usual and customary to standard securities sold under repurchase transactions.

21 ECL allowance on financial assets

The following table shows the movements on the ECL allowance on financial assets. Further information is disclosed in the Gross Loans and ECL movement tables in the 'Risk management' section of this report. See pages [152](#) to [158](#).

	2023 € m	2022 € m
At 1 January	1,623	1,888
Exchange translation adjustments	4	(13)
Net re-measurement of ECL allowance – investment securities-debt	—	2
Net re-measurement of ECL allowance – banks	—	—
Net re-measurement of ECL allowance – customers	216	50
Net re-measurement of ECL allowance – securities financing	—	—
Changes in ECL allowance due to write-offs	(125)	(94)
Changes in ECL allowance due to disposals	(200)	(210)
Other	7	—
At 31 December	1,525	1,623
Amount included in financial assets measured at amortised cost:		
Investment securities – debt	3	3
Loans and advances to banks	—	—
Loans and advances to customers	1,520	1,618
Securities financing	1	1
Other assets – stockbroking client debtors	1	1
At 31 December	1,525	1,623

Notes to the Consolidated Financial Statements continued

22 Investment securities

The following table analyses the carrying value of investment securities by major classification at 31 December 2023 and 2022.

	2023 € m	2022 € m
Debt securities at FVOCI		
Government securities	2,986	3,824
Supranational banks and government agencies securities	2,228	1,298
Asset backed securities	454	453
Bank securities	6,198	5,763
Corporate securities	622	499
Total debt securities at FVOCI⁽¹⁾	12,488	11,837
<i>of which provided as collateral</i>	3,558	4,505
Debt securities at amortised cost		
Government securities	2,177	2,052
Supranational banks and government agencies securities	179	166
Asset backed securities	1,917	1,628
Bank securities	77	73
Corporate securities	160	212
Total debt securities at amortised cost	4,510	4,131
<i>of which provided as collateral</i>	1,397	1,425
Total debt securities	16,998	15,968
<i>Total of which provided as collateral</i>	4,955	5,930
Equity securities		
Equity investments at FVTPL	355	302
Total equity securities	355	302
Total investment securities	17,353	16,270

The following table analyses the carrying amount of debt securities by ECL stage:

Gross amount		
Stage 1	16,991	15,961
Stage 2	10	10
Total debt securities	17,001	15,971
ECL ⁽²⁾	(3)	(3)
Carrying value	16,998	15,968

(1) The ECL of € 2 million (2022: € 2 million) on debt securities 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.

(2) Relates to debt securities at amortised cost.

23 Investments accounted for using the equity method

	2023			2022		
	Associates	Joint venture	Total	Associates	Joint venture	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Share of net assets including goodwill						
At 1 January	159	14	173	124	3	127
Investment during the year	18	107	125	21	24	45
Disposal of equity accounted investments ⁽¹⁾	—	—	—	(11)	—	(11)
Share of results of equity accounted investments (after tax)	31 ⁽²⁾	(19)	12	25 ⁽²⁾	(13)	12
At 31 December	208	102	310	159	14	173

(1) Income from equity accounted investments included a profit on disposal of investment in an associated undertaking of Nil (2022 : € 25 million).

(2) Share of results of equity accounted investments includes € 35 million (2022: € 27 million) relating to AIB Merchant Services.

Details of the Group's associates and joint venture

Investments in associates comprises the Group's investment in AIB Merchant Services, Synch Payments DAC, Clearpay DAC, First Homes Scheme DAC and Autolease Fleet Management Ltd. Investment in joint venture comprises the Group's investment in Saol Assurance Holdings Ltd (formerly AIB JV Holdings Limited), trading as AIB life, being the Group's joint venture with Great-West Lifeco Inc. None of the investments are considered individually material to the Group.

The following is the principal associate company of the Group at 31 December 2023 and 2022:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2023 %	2022 %
Zolter Services DAC (holds 100% of First Merchant Processing Ireland DAC and First Merchant Processing UK Ltd, together trading as AIB Merchant Services).	Provider of merchant payment solutions	Registered Office: Unit 6, Belfield Business Park, Clonskeagh, Dublin 4 Ireland	49.9	49.9

In accordance with Sections 316 and 348 of the Companies Act 2014 and the European Communities (Credit Institutions: Financial Statements) Regulations 2015, AIB Group plc will annex a full listing of associated undertakings to its annual return to the Companies Registration Office.

Transactions with the Group's associates and joint venture

Banking transactions between the Group and its associates and joint venture are entered into in the normal course of business. For further information see notes 19 and 30. There was no unrecognised share of losses of associates or joint ventures at 31 December 2023 or 2022.

Change in the Group's ownership interest in associates

There were no disposals and/or change in the Group's ownership interest in the current year. The Group's interests in Fulfil Holdings Limited were disposed of in 2022.

Significant restrictions

There is no significant restriction on the ability of associates or joint ventures to transfer funds to the Group in the form of cash or dividends, or to repay loans or advances made by the Group.

Notes to the Consolidated Financial Statements continued

24 Intangible assets and goodwill

	2023					
	Software externally purchased	Software internally generated	Software under construction	Goodwill ⁽¹⁾	Other	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Cost						
At 1 January	243	1,638	149	120	40	2,190
Additions	10	91	95	8	2	206
Transfers in/(out)	—	86	(86)	—	—	—
Amounts written-off ⁽²⁾	(16)	(11)	—	—	—	(27)
Exchange translation adjustments	—	1	—	—	—	1
At 31 December	237	1,805	158	128	42	2,370
Amortisation/impairment						
At 1 January	221	1,005	—	—	24	1,250
Amortisation for the year ⁽³⁾	9	205	—	—	6	220
Impairment for the year ⁽³⁾	—	1	—	—	—	1
Amounts written-off ⁽²⁾	(16)	(11)	—	—	—	(27)
Exchange translation adjustments	—	1	—	—	—	1
At 31 December	214	1,201	—	—	30	1,445
Carrying value at 31 December	23	604	158	128	12	925
	2022					
	Software externally purchased	Software internally generated	Software under construction	Goodwill ⁽¹⁾	Other	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Cost						
At 1 January	238	1,472	167	120	40	2,037
Additions	11	71	92	—	—	174
Transfers in/(out)	—	102	(102)	—	—	—
Amounts written-off ⁽²⁾	(6)	(4)	(8)	—	—	(18)
Exchange translation adjustments	—	(3)	—	—	—	(3)
At 31 December	243	1,638	149	120	40	2,190
Amortisation/impairment						
At 1 January	219	804	—	—	18	1,041
Amortisation for the year ⁽³⁾	8	204	—	—	6	218
Impairment for the year ⁽³⁾	—	2	8	—	—	10
Amounts written-off ⁽²⁾	(6)	(4)	(8)	—	—	(18)
Exchange translation adjustments	—	(1)	—	—	—	(1)
At 31 December	221	1,005	—	—	24	1,250
Carrying value at 31 December	22	633	149	120	16	940

(1) During the year the Group acquired two subsidiaries, Gaiastream Ltd (trading as Clearstream Solutions) and ParkMagic Mobile Solutions Ltd, which were not material either individually or collectively. The Group recognised goodwill of € 8 million as a result of these transactions.

(2) Relates to assets which are no longer in use with a Nil carrying value.

(3) Included in 'Impairment and amortisation of intangible assets' in the consolidated income statement.

Future capital expenditure in relation to both intangible assets and property, plant and equipment is set out in note 25.

25 Property, plant and equipment

	2023							
	Owned assets					Leased assets		
	Property					Right-of-use assets		
	Freehold	Long leasehold	Leasehold under 50 years	Equipment	Assets under construction	Property	Other	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Cost								
At 1 January	168	38	107	378	9	377	4	1,081
Transfers in/(out)	2	—	1	1	(4)	—	—	—
Additions	4	1	2	15	12	57	5	96
Amounts written off ⁽¹⁾	(1)	—	(1)	(24)	—	(4)	(4)	(34)
Other	—	—	—	—	—	13	—	13
Exchange translation adjustments	—	—	—	—	—	—	—	—
At 31 December	173	39	109	370	17	443	5	1,156
Depreciation/impairment								
At 1 January	50	13	53	298	—	128	3	545
Depreciation charge for the year ⁽²⁾	5	1	9	24	—	34	1	74
Impairment charge for the year ⁽²⁾	—	—	—	—	—	—	—	—
Amounts written off ⁽¹⁾	(1)	—	(1)	(24)	—	(4)	(4)	(34)
Transfers (to)/from held for sale	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	13	—	13
Exchange translation adjustments	—	—	—	—	—	—	—	—
At 31 December	54	14	61	298	—	171	—	598
Carrying value at 31 December	119	25	48	72	17	272	5	558

(1) Relates to assets which are no longer in use with a Nil carrying value.

(2) Included in 'Impairment and depreciation of property, plant and equipment' in the consolidated income statement.

Notes to the Consolidated Financial Statements continued

25 Property, plant and equipment continued

	Owned assets					Leased assets		
	Property			Equipment	Assets under construction	Right-of-use assets		Total
	Freehold	Long leasehold	Leasehold under 50 years			Property	Other	
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Cost								
At 1 January	174	41	124	377	5	479	3	1,203
Transfers in/(out)	1	—	1	1	(3)	—	—	—
Additions	7	—	1	17	7	7	1	40
Net re-measurements	—	—	—	—	—	(11)	—	(11)
Transfers (to)/from held for sale	(12)	(3)	(1)	(1)	—	—	—	(17)
Early termination/maturities	—	—	—	—	—	(97)	—	(97)
Amounts written off ⁽¹⁾	(1)	—	(18)	(15)	—	—	—	(34)
Exchange translation adjustments	(1)	—	—	(1)	—	(1)	—	(3)
At 31 December	168	38	107	378	9	377	4	1,081
Depreciation/impairment								
At 1 January	50	13	53	290	—	164	2	572
Depreciation charge for the year ⁽²⁾	5	1	10	23	—	37	1	77
Impairment charge for the year ⁽²⁾	1	—	9	2	—	24	—	36
Early termination/maturities	—	—	—	—	—	(97)	—	(97)
Amounts written off ⁽¹⁾	(1)	—	(18)	(15)	—	—	—	(34)
Transfers (to)/from for sale	(5)	(1)	(1)	(1)	—	—	—	(8)
Exchange translation adjustments	—	—	—	(1)	—	—	—	(1)
At 31 December	50	13	53	298	—	128	3	545
Carrying value at 31 December	118	25	54	80	9	249	1	536

(1) Relates to assets which are no longer in use with a Nil carrying value.

(2) Included in 'Impairment and depreciation of property, plant and equipment' in the consolidated income statement.

The net carrying value of property occupied by the Group for its own activities was € 183 million (2022: € 189 million) in relation to owned assets and € 272 million in relation to right-of-use assets (2022: € 249 million), excluding those held as disposal groups and non-current assets held for sale. Property leased to others by the Group had a carrying value of € 9 million (2022: € 8 million).

Future capital expenditure

The table below shows future capital expenditure in relation to both property, plant and equipment and intangible assets (excluding right-of-use assets).

	2023	2022
	€ m	€ m
Estimated outstanding commitments for capital expenditure not provided for in the financial statements	7	6
Capital expenditure authorised but not yet contracted for	7	22

25 Property, plant and equipment continued

Leased assets

Property

The Group leases property for its offices and retail branch outlets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Most of these leases carry statutory renewal rights, or include an option to renew the lease for an additional period after the end of the contract term. Where the Group is likely to exercise these options, this has been taken into account in determining the lease liability and the right-of-use asset.

Other

The Group leases motor vehicles, ATM offsite locations and IT equipment.

Lease liabilities

A maturity analysis of lease liabilities is shown in note 32.

	2023	2022
	€ m	€ m
Amounts recognised in income statement		
Depreciation expense on right-of-use assets	35	38
Interest on lease liabilities (note 5)	9	11

	2023	2022
	€ m	€ m
Amounts recognised in statement of cash flows		
Total cash outflow for leases during the year ⁽¹⁾	43	55

(1) Includes amounts reported as interest expense on lease liabilities of € 9 million (2022: € 11 million) and amounts reported as principal repayments on lease liabilities of € 34 million (2022: € 44 million). Refer to note 32.

	2023	2022
	€ m	€ m
26 Other assets		
Proceeds due from disposal of loan portfolio ⁽¹⁾	43	41
Stockbroking client debtors	21	17
Items in transit	83	84
Items in course of collection	42	51
Other ⁽²⁾	71	103
Total other assets	260	296

(1) ECL – Nil (2022: Nil).

(2) Includes sundry debtors € 37 million (2022: € 41 million).

Notes to the Consolidated Financial Statements continued

	2023	2022
	€ m	€ m
27 Deferred taxation		
Deferred tax assets:		
Unutilised tax losses	2,474	2,742
Cash flow hedges	97	311
Transition to IFRS 9	4	4
Assets used in the business	17	15
Retirement benefits	4	6
Assets leased to customers	16	15
Other	3	3
Total gross deferred tax assets	2,615	3,096
Deferred tax liabilities:		
Cash flow hedges	(11)	(43)
Retirement benefits	(6)	(1)
Assets used in the business	(22)	(22)
Investment securities	—	(5)
Acquisition of subsidiary	(2)	(2)
Other	(16)	(21)
Total gross deferred tax liabilities	(57)	(94)
Net deferred tax assets	2,558	3,002
Represented on the statement of financial position:		
Deferred tax assets	2,581	3,032
Deferred tax liabilities	(23)	(30)
	2,558	3,002

For each of the years ended 31 December 2023 and 2022, full provision has been made for capital allowances and other temporary differences.

	2023	2022
	€ m	€ m
Analysis of movements in deferred taxation		
At 1 January	3,002	2,781
Exchange translation and other adjustments	(11)	(8)
Deferred tax through other comprehensive income (<i>note 14</i>)	(174)	311
Income statement (<i>note 14</i>)	(259)	(82)
At 31 December	2,558	3,002

With regard to the Group's deferred tax asset for unutilised losses, during 2023 the Group recognised a charge to the income statement of € 262 million (2022: € 76 million) and exchange translations and other adjustments of € 8 million (2022: € 22 million). As a result, the amount of recognised deferred tax assets arising from unutilised tax losses amounted to € 2,474 million (2022: € 2,742 million) of which € 2,289 million (2022: € 2,546 million) relates to Irish tax losses and € 185 million (2022: € 196 million) relates to UK tax losses (of which € 185 million (2022: € 187 million) relates to the Group's principal UK subsidiary).

Additional commentary on the basis of recognition of deferred tax assets on unused tax losses is included in note 2.

27 Deferred taxation continued

Temporary differences recognised in other comprehensive income consist of deferred tax on financial assets at FVOCI, cash flow hedges and actuarial gains/losses on retirement benefit schemes. Temporary differences recognised in the income statement consist of provisions for expected credit losses on financial instruments, amortised income, assets leased to customers, and assets used in the course of the business.

Net deferred tax assets at 31 December 2023 of € 2,361million (2022: € 2,873 million) are expected to be recovered after more than 12 months.

For the Group's principal UK subsidiary, the Group has concluded that the recognition of deferred tax assets be limited to the amount projected to be realised within a time period of 15 years. This is the timescale within which the Group believes that it can assess the likelihood of its profits arising as being more likely than not. The deferred tax asset for unutilised tax losses in the principal UK subsidiary amounts to £160 million at 31 December 2023 (2022: £ 166 million).

For certain other subsidiaries and branches, the Group has concluded that it is more likely than not that there will be insufficient profits to support full recognition of deferred tax assets. The Group has not recognised deferred tax assets in respect of: Irish tax on unused tax losses at 31 December 2023 of € 161 million (2022: € 161 million); overseas tax (UK and USA) on unused tax losses of € 3,058 million (2022: € 2,996 million); and foreign tax credits for Irish tax purposes of € 12 million (2022: € 13 million). Of these tax losses totalling € 3,219 million for which no deferred tax is recognised: € 7 million expires in 2032; € 40 million in 2033; € 26 million in 2034; and € 5 million in 2035.

The aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates for which deferred tax liabilities have not been recognised amounted to Nil (2022: Nil).

Deferred tax recognised directly in equity amounted to Nil (2022: Nil).

	2023				
Analysis of income tax relating to other comprehensive income	Gross	Tax	Net of tax	Non-controlling interests net of tax	Net amount attributable to equity holders of the parent
	€ m	€ m	€ m	€ m	€ m
Profit for the year	2,394	(336)	2,058	(3)	2,061
Net change in foreign currency translation reserves	54	3	57	—	57
Net change in cash flow hedging reserves	1,364	(182)	1,182	—	1,182
Net change in fair value of investment securities at FVOCI	(46)	5	(41)	—	(41)
Remeasurement of defined benefit asset/(liability)	(2)	—	(2)	—	(2)
Total comprehensive income for the year	3,764	(510)	3,254	(3)	3,257
Attributable to:					
Equity holders of the parent	3,767	(510)	3,257	—	3,257
Non-controlling interests	(3)	—	(3)	(3)	—

	2022				
Analysis of income tax relating to other comprehensive income	Gross	Tax	Net of tax	Non-controlling interests net of tax	Net amount attributable to equity holders of the parent
	€ m	€ m	€ m	€ m	€ m
Profit for the year	880	(115)	765	(2)	767
Net change in foreign currency translation reserves	(61)	(10)	(71)	—	(71)
Net change in cash flow hedging reserves	(1,907)	288	(1,619)	—	(1,619)
Net change in fair value of investment securities at FVOCI	(209)	21	(188)	—	(188)
Remeasurement of defined benefit asset/(liability)	(20)	12	(8)	—	(8)
Total comprehensive income for the year	(1,317)	196	(1,121)	(2)	(1,119)
Attributable to:					
Equity holders of the parent	(1,315)	196	(1,119)	—	(1,119)
Non-controlling interests	(2)	—	(2)	(2)	—

Notes to the Consolidated Financial Statements continued

28 Retirement benefits

The Group operates a number of defined contribution and defined benefit schemes for employees. All defined benefit schemes are closed to future accrual.

Defined contribution

From 1 January 2014, all Group staff accrue future pension benefits on a defined contribution ("DC") basis with a standard employer contribution of 10%. An additional matched employer contribution, subject to limits based on age bands of 2%, 5% or 8% is also paid into the schemes.

The amount included in operating expenses in respect of DC schemes is € 89 million (2022: € 80 million) (note 11).

Defined benefit schemes

All defined benefit schemes operated by the Group closed to future accrual no later than 31 December 2013 and staff transferred to defined contribution schemes for future pension benefits. The most significant defined benefit schemes operated by the Group are the AIB Group Irish Pension Scheme ('the Irish scheme') and the AIB Group UK Pension Scheme ('the UK scheme').

Retirement benefits for the defined benefit schemes are calculated by reference to service and Final Pensionable Salary at 31 December 2013. The Final Pensionable Salary used in the calculation of this benefit for staff is based on their average pensionable salary in the period between 30 June 2009 and 31 December 2013. This calculation of benefit for each staff member will revalue between 1 January 2014 and retirement date in line with the statutory requirement to revalue deferred benefits. There is no link to any future changes in salaries.

In the main Irish Scheme, there are 15,750 members comprising 4,479 pensioners and 11,271 deferred members at 31 December 2023. 7,570 members have benefits accrued from 2007 to 2013 under a hybrid arrangement. In addition, there are 944 members comprising 153 pensioners and 791 deferred members at 31 December 2023 in EBS Defined Benefit Schemes.

(i) Responsibilities for governance

The Trustees of each Group pension scheme are ultimately responsible for the governance of the schemes. In respect of the Irish schemes, the Scheme Actuary reviews the statutory minimum funding requirement annually. In the event of a deficit on the statutory funding basis either the Group can meet the deficit over an agreed period through agreeing a funding proposal with the Trustees and pensions regulator or making a contribution to meet the deficit. There are currently no funding proposals or contribution requirements in respect of the Irish schemes and the Scheme Actuary's most recent review confirmed that the schemes met their statutory funding obligations.

(ii) Risks

Details of the pension risk to which the Group is exposed are set out in the Risk section on pages [187](#) and [188](#) of this report.

(iii) Valuations

Independent actuarial valuations for the AIB Group Irish Pension Scheme ('Irish scheme') and the AIB Group UK Pension Scheme ('UK scheme') are carried out on a triennial basis by the Schemes' actuary, Mercer. The most recent valuation of the Irish scheme was carried out at 30 June 2021 and reported the scheme to be in surplus. The next actuarial valuation of the Irish scheme will be 30 June 2024. No deficit funding is required at this time as the Irish scheme continues to meet the minimum funding standard. The most recent valuation of the UK scheme was carried out at 31 December 2020. The next actuarial valuation of the UK scheme will be 31 December 2023 with the results expected to be agreed by 31 March 2025.

(iv) Contributions

Total contributions to all defined benefit pension schemes operated by the Group in 2023 amounted to € 24 million (2022: € 24 million). There were no contributions made to the Irish Scheme in 2023 (2022: Nil). Contributions of £ 18.5 million were made to the UK scheme (2022: £ 18.5 million) as part of the revised funding arrangement which was implemented in December 2019.

Total contributions to all defined benefit pension schemes operated by the Group for the year to 31 December 2024 are estimated to be € 21 million.

28 Retirement benefits continued

(v) Financial assumptions

The following table summarises the financial assumptions adopted in the preparation of these financial statements in respect of the main schemes at 31 December 2023 and 2022. The assumptions have been set based upon the advice of the Group's actuary.

	2023	2022
	%	%
Financial assumptions		
Irish scheme		
Rate of increase of pensions in payment	2.05	2.60
Discount rate	3.55	4.20
Inflation assumptions ⁽¹⁾	2.15	2.85
UK scheme		
Rate of increase of pensions in payment	3.00	3.10
Discount rate	4.80	5.00
Inflation assumptions (RPI)	3.00	3.10

(1) The inflation assumption applies to the revaluation of deferred members' benefits up to their retirement date.

(vi) Funding of increases in pensions in payment for the Irish defined benefit schemes

The Board previously determined that the funding of discretionary increases to pensions in payment is a decision to be made by the Board each year. A process, taking account of all relevant interests and factors was implemented by the Board. These interests and factors include: the advice of the Actuary; the interests of the members of the scheme; the interests of the employees; the Group's financial circumstances and ability to pay; the views of the Trustees; the Group's commercial interests and any competing obligations to the State. As a result of this process, the Group's judgement is that a constructive obligation to fund future discretionary pension in payment increases does not exist.

The Group decided in March 2023 and February 2024 that the funding of discretionary increases was not appropriate in either year in relation to the Irish scheme.

(vii) Rate of increase of pensions in payment – Irish scheme

Notwithstanding the decisions by the Board not to fund discretionary increases, the Trustee of the Irish scheme awarded an increase of 6.75% in 2023. Taking this decision by the Trustee into consideration and the financial position of the scheme, the long-term assumption for future discretionary increases in pensions in payment continues to reflect an assessment of the Trustee's ability to grant further discretionary increases without funding from the Group. Having taken actuarial advice, the Group has adopted a rate of 2.05% (31 December 2022: 2.6%) for the long-term assumption for future discretionary increases in pensions in payment (which is the lower of the surplus available to the Trustee to distribute or the long-term inflation assumption). This increased the scheme liabilities by € 822 million at 31 December 2023 (31 December 2022: € 886 million).

(viii) Demographic assumptions

Demographic assumptions include assumptions for mortality, proportions married, commutation and retirement age. The mortality assumption has the most material impact on changes in demographic assumptions and further details on this assumption are set out below. The life expectancies underlying the value of the scheme liabilities for the Irish and UK schemes at 31 December 2023 and 2022 are shown in the following table.

	Life expectancy – years			
	Irish scheme		UK scheme	
	2023	2022	2023	2022
Retiring today age 63				
Males	25.1	25.0	24.3	25.0
Females	27.0	26.8	26.2	26.8
Retiring in 10 years at age 63				
Males	25.7	25.6	24.6	25.3
Females	27.7	27.6	27.2	27.8

The mortality assumptions for the Irish and UK schemes were updated in 2021 to reflect emerging market experience. The table shows that a member of the Irish scheme retiring at age 63 on 31 December 2023 is assumed to live on average for 25.1 years for a male (24.3 years for the UK scheme) and 27.0 years for a female (26.2 years for the UK scheme). There will be variation between members but these assumptions are expected to be appropriate for all members. The table also shows the life expectancy for members aged 53 on 31 December 2023 who will retire in ten years. Younger members are expected to live longer in retirement than those retiring now, reflecting a decrease in mortality rates in future years due to advances in medical science and improvements in standards of living.

Notes to the Consolidated Financial Statements continued

28 Retirement benefits continued

(ix) Movement in defined benefit obligation and scheme assets

The following table sets out the movement in the defined benefit obligation and scheme assets during 2023 and 2022.

	2023				2022			
	Defined benefit obligation	Fair value of scheme assets	Asset ceiling/minimum funding ⁽¹⁾	Net defined benefit (liabilities) assets	Defined benefit obligation	Fair value of scheme assets	Asset ceiling/minimum funding ⁽¹⁾	Net defined benefit (liabilities) assets
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January	(4,850)	5,454	(607)	(3)	(6,241)	6,976	(735)	—
Included in profit or loss								
Past service cost	(2)	—	—	(2)	(1)	—	—	(1)
Interest (cost)/income	(205)	232	(26)	1	(90)	101	(10)	1
Administration costs	—	(4)	—	(4)	—	(4)	—	(4)
	(207)	228	(26)	(5)	(91)	97	(10)	(4)
Included in other comprehensive income								
<i>Remeasurement loss:</i>								
– Actuarial gain/(loss) arising from:								
– Experience adjustments	(96)	—	—	(96)	(217)	—	—	(217)
– Changes in demographic assumptions	17	—	—	17	18	—	—	18
– Changes in financial assumptions	(95)	—	—	(95)	1,390	—	—	1,390
– Return on scheme assets excluding interest income	—	189	—	189	—	(1,349)	—	(1,349)
– Asset ceiling/minimum funding adjustments	—	—	(17)	(17)	—	—	138	138
Total remeasurement loss				(2) ⁽²⁾				(20) ⁽²⁾
Translation adjustment on non-euro schemes	(12)	15	—	3	42	(45)	—	(3)
	(186)	204	(17)	1	1,233	(1,394)	138	(23)
Other								
Contributions by employer	—	24	—	24	—	24	—	24
Benefits paid	220	(220)	—	—	249	(249)	—	—
	220	(196)	—	24	249	(225)	—	24
At 31 December	(5,023)	5,690	(650)	17	(4,850)	5,454	(607)	(3)

	31 December 2023	31 December 2022
	€ m	€ m
Recognised on the statement of financial position as:		
Retirement benefit assets		
UK scheme	21	3
Other schemes	10	10
Total retirement benefit assets	31	13
Retirement benefit liabilities		
Irish scheme	—	—
EBS scheme	—	—
Other schemes	(14)	(16)
Total retirement benefit liabilities	(14)	(16)
Net pension surplus/(deficit)	17	(3)

(1) In recognising the net surplus or deficit on a pension scheme, the funded status of each scheme is adjusted to reflect any minimum funding requirement and any ceiling on the amount that the sponsor has a right to recover from a scheme.

(2) After tax € 2 million (2022: € 8 million).

28 Retirement benefits continued

Scheme assets

The following table sets out an analysis of the scheme assets:

	2023	2022
	€ m	€ m
Cash and cash equivalents	196	146
<i>Quoted equity instruments</i>		
Basic materials	56	61
Consumer goods	92	104
Consumer services	121	111
Energy	93	105
Financials	212	200
Healthcare	152	174
Industrials	134	130
Technology	239	207
Telecoms	88	79
Utilities	40	46
Total quoted equity instruments	1,227	1,217
<i>Quoted debt instruments</i>		
Corporate bonds	721	682
Government bonds	1,032	1,001
Total quoted debt instruments	1,753	1,683
Real estate⁽¹⁾⁽²⁾	300	344
Derivatives	9	17
<i>Quoted investment funds</i>		
Alternatives	26	16
Cash	11	3
Equity	187	190
Fixed interest	109	110
Forestry	48	46
Liability Driven Investment	978	810
Multi-asset	10	12
Total quoted investment funds	1,369	1,187
Mortgage backed securities⁽²⁾	139	177
Insurance contracts⁽³⁾	697	683
Fair value of scheme assets at 31 December	5,690	5,454

(1) Located in Europe.

(2) A quoted market price in an active market is not available.

(3) Further details on these contracts are set out in the section "Asset-liability matching strategies" within this note.

Notes to the Consolidated Financial Statements continued

28 Retirement benefits continued

Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the liabilities of the pension schemes. Set out in the table below is a sensitivity analysis of the key assumptions for the Irish scheme and the UK scheme at 31 December 2023. A sensitivity analysis for the rate of increase of pensions in payment is not provided, as this rate is dependent on the surplus available to the Trustee to distribute and the advice of the actuary. See page 271.

Note that the changes in assumptions are independent of each other i.e. the effect of the reflected change in the discount rate assumes that there has been no change in the rate of mortality assumption and vice versa.

	2023				2022			
	Irish scheme defined benefit obligation		UK scheme defined benefit obligation		Irish scheme defined benefit obligation		UK scheme defined benefit obligation	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Discount rate (0.25% movement)	(105)	113	(20)	21	(102)	105	(22)	23
Inflation (0.25% movement)	42	(40)	20	(19)	43	(41)	22	(21)
Future mortality (1 year change in life expectancy)	107	(107)	18	(18)	100	(100)	22	(22)

Maturity of the defined benefit obligation

The weighted average duration of the Irish scheme at 31 December 2023 is 14 years (2022: 14 years) and of the UK scheme at 31 December 2023 is 12 years (2022: 13 years).

Asset-liability matching strategies

UK scheme

The Group and the Trustee undertook a substantial de-risking of the UK scheme in 2019. A transaction entered into involved the acquisition of two insurance contracts from Legal and General Assurance Society ("LGAS") using the majority of the assets of the UK scheme. These insurance contracts are: a pensioner buy-in contract in respect of the pensioner members and an assured payment policy ("APP") in respect of deferred members. The ultimate obligation to pay the members benefits still remains with the scheme.

The pensioner buy-in contract removes financial and demographic risk attaching to the current UK pensioners. This pensioner buy-in contract is effectively a qualifying insurance contract, and exactly matches the amount and timing of the benefits covered. Accordingly, the fair value of the pensioner buy-in contract is set equal to the corresponding value of the liabilities, using the same assumptions.

The APP significantly reduces the inflation and interest rate risk attaching to UK deferred members although demographic risks remain. The APP can (at the UK Trustee's election) be partially surrendered on an annual basis for the purpose of wholly or partially funding buy-in of further tranches of deferred members over a defined period of time. This will remove exposure to the risks not covered by the APP over time. The fair value of the APP is measured as the estimated cost of purchasing the contract on the open market. Since the initial de-risking transaction in 2019, additional members (including deferred and subsequent retirees) have been added to the buy-in policy, with a partial surrender of a portion of the APP to fund the cost.

The Group agreed with the Scheme Trustee a revised funding arrangement for the UK scheme to support the purchase of the pensioner buy-in contract and the APP. Under this funding arrangement, the Group expects to make payments of £ 18.5 million in 2024 and £ 8.5 million in 2025. These amounts are what is expected to be required to finalise the buy-in of the Scheme based on latest estimates from LGAS of c. £ 27 million. These payments and any other related costs are subject to change prior to finalisation.

Irish scheme

The Irish scheme continued to de-risk in 2023, with further allocations to liability matching assets and sales of equities. As part of a strategy to increase the scheme's level of interest rate and inflation hedging, the allocation to the Liability Driven Investment ("LDI") portfolio has increased further. The LDI fund is comprised of a mixture of nominal bonds, inflation linked bonds and interest rate and inflation derivatives.

Other long term employee benefits

Other long term employee benefits include additional benefits which the Group provides to employees who suffer prolonged periods of sickness, subject to the qualifying terms of the insurer. It provides for the partial replacement of income in event of illness or injury resulting in the employee's long term absence from work.

Furthermore, on the death of an employee before their normal retirement date, the Group has in place insurance policies to cover the additional financial costs to the Group under the terms of the schemes.

In 2023, the Group contributed € 11 million (2022: € 9 million) towards insuring these benefits which are included in 'Operating expenses' (note 11).

	2023	2022
	€ m	€ m
29 Deposits by central banks and banks		
Central Bank Borrowings - secured	288	282
Central Bank Borrowings - unsecured	452	—
	740	282
Other Bank Borrowings - unsecured	1,040	232
Total deposits by central banks and banks	1,780	514

Deposits by central banks and banks include cash collateral at 31 December 2023 of € 1,018 million (2022: € 210 million) received from derivative counterparties in relation to net derivative positions and from repurchase agreement counterparties.

Financial assets pledged

Financial assets pledged for secured borrowings and providing access to future funding facilities with central banks and banks are detailed in the following table:

	2023			2022		
	Central banks	Banks	Total	Central banks	Banks	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Total carrying value of financial assets pledged	436	18	454	8,749	15	8,764
Of which:						
Government securities	—	18	18	540	15	555
Other securities ⁽¹⁾	436	—	436	8,209	—	8,209

(1) The Group has issued covered bonds secured on pools of residential mortgages. Securities, other than those issued to external investors, have been pledged as collateral in addition to other securities held by the Group.

	2023	2022
	€ m	€ m
30 Customer accounts		
Current accounts	62,928	64,402
Demand deposits	32,083	32,595
Time deposits	9,771	5,362
	104,782	102,359
Of which:		
Non-interest bearing current accounts	58,643	59,266
Interest bearing deposits, current accounts and short term borrowings	46,139	43,093
Total customer accounts	104,782	102,359
Amounts include:		
Due to equity accounted investments	303	271

Customer accounts include cash collateral of € 94 million (2022: € 71 million) received from derivative counterparties in relation to net derivative positions.

At 31 December 2023, the Group's five largest customer deposits amounted to 1% (2022: 1%) of total customer accounts.

Notes to the Consolidated Financial Statements continued

	2023	2022
	€ m	€ m
31 Debt securities in issue		
Issued by AIB Group plc		
Euro Medium Term Note Programme	5,901	4,451
Global Medium Term Note Programme	2,495	1,728
	8,396	6,179
Issued by subsidiaries		
Bonds and other medium term notes	27	1,024
Total debt securities in issue	8,423	7,203

	2023	2022
	€ m	€ m
Analysis of movements in debt securities in issue		
At 1 January	7,203	5,881
Issued during the year	2,431	3,231
Repurchased	—	(847)
Matured	(1,382)	(750)
Other ⁽¹⁾	171	(312)
At 31 December	8,423	7,203

(1) Comprises a positive fair value hedge adjustment of € 254 million (2022: negative € 404 million) and negative exchange translation adjustments of € 83 million (2022: positive € 92 million).

On 23 January 2023, AIB Group plc issued € 750 million Senior Unsecured 4.625% Notes maturing on 23 July 2029. The notes bear interest on the outstanding nominal amount, payable annually in arrears on 23 July each year, commencing on 24 July 2023 up to and including the maturity date.

On 13 September 2023, AIB Group plc issued \$ 1 billion Senior Unsecured 6.608% Notes maturing on 13 September 2029. The notes bear interest on the outstanding nominal amount, payable semi-annually in arrears on 13 March and 13 September each year, commencing on 13 March 2024 up to and including the maturity date.

On 23 October 2023, AIB Group plc issued € 750 million Senior Unsecured 5.25% Notes maturing on 23 October 2031. The notes bear interest on the outstanding nominal amount, payable annually in arrears on 23 October each year, commencing on 23 October 2024 up to and including the maturity date.

All the issuances by AIB Group plc are initially eligible to meet the Group's MREL requirements. These instruments are redeemable for tax or for regulatory reasons, subject to the permission of the relevant regulation authority.

32 Lease liabilities

	2023	2022
	€ m	€ m
Analysis of movements in lease liabilities		
At 1 January	257	346
Lease payments ⁽¹⁾	(43)	(55)
Interest expense ⁽¹⁾	9	11
Additions	59	8
Early terminations	(1)	(40)
Net remeasurements	—	(12)
Foreign exchange translation adjustments	1	(1)
At 31 December	282	257

(1) Repayment of principal portion of the lease liabilities amounted to € 34 million (2022: € 44 million), i.e. lease payments net of interest expense.

	2023	2022
	€ m	€ m
Maturity analysis – contractual undiscounted cash flows:		
Not later than one year	43	39
Later than one year and not later than five years	136	125
Later than five years	181	154
Total undiscounted lease liabilities at end of year	360	318

	2023	2022
	€ m	€ m
33 Other liabilities		
Notes in circulation	34	40
Items in transit	108	105
Creditors	36	37
Stockbroking client creditors	18	13
Bank drafts	271	298
Items in course of collection	284	261
Other ⁽¹⁾	331	352
Total other liabilities	1,082	1,106

(1) Includes invoice discounting credit balances on customer accounts € 73 million (2022: € 55 million).

Notes to the Consolidated Financial Statements continued

34 Provisions for liabilities and commitments

The Group has presented legal claims, Belfry related provisions, FSPO provision and other provisions as separate classes of provisions in 2023. Restructuring costs which were previously presented separately, are now included within other provisions as those amounts are no longer considered material. The related comparatives for 2022 have been restated⁽¹⁾.

					2023
	Legal claims	Belfry related provisions	FSPO provision	Other provisions	Total
	€ m	€ m	€ m	€ m	€ m
Provisions (excluding loan commitments and financial guarantee contracts)					
At 1 January 2023	29	79	60	94	262
Charged to income statement	11	88	—	10	109 ⁽²⁾
Released to income statement	(4)	—	(28)	(9)	(41) ⁽²⁾
Provisions utilised	(13)	(126)	(12)	(42)	(193)
Exchange translation adjustments	—	—	—	1	1
At 31 December 2023	23	41	20	54	138⁽³⁾

Loan commitments and financial guarantees contracts

At 1 January 2023					78
Net charge to income statement					(17) ⁽⁴⁾
Disposals					(1)
Exchange translation adjustments					(1)
At 31 December 2023					59
Total provisions for liabilities and commitments					197

					2022
	Legal claims	Belfry related provisions	FSPO provision	Other provisions	Total
	€ m	€ m	€ m	€ m	€ m
Provisions (excluding loan commitments and financial guarantee contracts)					
At 1 January 2022	31	75	79	237	422
Charged to income statement	6	94	—	40	140 ⁽²⁾
Released to income statement	(3)	—	(16)	(34)	(53) ⁽²⁾
Provisions utilised	(5)	(90)	(3)	(148)	(246)
Exchange translation adjustments	—	—	—	(1)	(1)
At 31 December 2022	29	79	60	94	262⁽³⁾

Loan commitments and financial guarantees contracts

At 1 January 2022					79
Net charge to income statement					— ⁽⁴⁾
Disposals					(1)
Exchange translation adjustments					—
At 31 December 2022					78
Total provisions for liabilities and commitments					340

(1) Refer to note 1(c) for further information about the change in presentation for certain notes to the financial statements.

(2) Included in note 11.

(3) Amounts expected to be settled within one year are € 92 million (31 December 2022: € 190 million).

(4) Included in note 12.

The ECL allowance on loan commitments and financial guarantee contracts are presented as a provision in the balance sheet (i.e. as a liability under IFRS 9 *Financial Instruments*) and separate from the ECL allowance on financial assets. For details of the internal credit ratings and geographic concentration of contingent liabilities and commitments, see pages 157 and 144 in the 'Risk management' section of this report.

34 Provisions for liabilities and commitments continued

(a) Belfry related provisions

During the period 2002 to 2006 the Group sold a series of investment property funds, known as Belfry, which subsequently incurred losses to c. 2,500 individual investors (c. £ 214 million invested). The Group settled claims from certain of those investors in 2021 which resulted in a charge (including amounts for legal and settlement costs) which was reported in Legal claims in 2021. Following this, the Group instigated a programme to review the suitability of advice outcomes for individual investors to determine if redress may be due in certain instances and based on an initial assessment, a provision was also recorded in 2021.

Following the approval by the Board during 2022 of the customer treatment methodology and the close out of the individual case assessments, the initial provision recorded in 2021 was reassessed and increased for the cost of redress. Furthermore, associated costs required to conclude the redress programme, were estimated, and separately provided for.

In 2023, the provision for redress was further reassessed, primarily as a result of additional information that was obtained during the period and increased by € 77 million. Payments are substantially complete with the Group making payments of € 112 million in 2023. The provision for associated costs was also reassessed and increased by € 11 million and € 14 million of the provision was utilised during the period. Separately, the independent Appeals Panel review of submitted appeals is ongoing.

While the Group's best estimate of the provision at 31 December 2023 is € 41 million, the final cost is subject to some uncertainty (with a range of possible outcomes) and the final outcome may be higher or lower depending on the finalisation of all associated matters.

(b) FSPO provision

In 2020, following a Financial Services and Pensions Ombudsman ('FSPO') decision in relation to a complaint by a customer from the '06-09 Terms and Conditions who never had a tracker' cohort, which found that the Bank had breached the terms of the customer's mortgage loan contract and directed it to remedy the matter in what the FSPO believed was a fair and proportionate manner, the Group decided to accept the decision in full. Furthermore, the Group decided to apply the remedy to all other customers within this cohort, and payments to customers on that basis have effectively concluded. The Group has continued to engage with stakeholders regarding some related items.

Following utilisations of € 12 million, the Group's best estimate of the provision at 31 December 2023 for customer redress and compensation and other related costs amounted to € 20 million (31 December 2022: € 60 million). The final cost is subject to some uncertainty (with a range of possible outcomes) and the final outcome may be higher or lower depending on the finalisation of all associated matters.

(c) Other provisions

Other provisions includes ROU commitments, customer redress (repayments to customers), restructuring costs and miscellaneous provisions. During the period, the Group settled an outstanding obligation for € 29 million relating to previous submissions to the Single Resolution Board. The remaining provision of € 2 million was released to the income statement.

Notes to the Consolidated Financial Statements continued

35 Subordinated liabilities and other capital instruments

		2023	2022
		€ m	€ m
Dated loan capital – European Medium Term Note Programme:			
Issued by AIB Group plc			
€ 500 million Subordinated Tier 2 Notes due 2029, Callable 2024	(a)	484	466
€ 1 billion Subordinated Tier 2 Notes due 2031, Callable 2026	(b)	928	881
Issued by subsidiaries			
€ 500m Callable Step-up Floating Rate Notes due October 2017			
– nominal value € 25.5 million (maturity extended to 2035 as a result of the Subordinated Liabilities Order)	(c)	13	12
£ 368m 12.5% Subordinated Notes due June 2019			
– nominal value £ 79 million (maturity extended to 2035 as a result of the Subordinated Liabilities Order)	(c)	47	44
£ 500m Callable Fixed/Floating Rate Notes due March 2025			
– nominal value £ 1 million (maturity extended to 2035 as a result of the Subordinated Liabilities Order)	(c)	1	1
		61	57
Total subordinated liabilities and capital instruments		1,473	1,404
		2023	2022
		€ m	€ m
Maturity of dated loan capital			
Dated loan capital outstanding is repayable as follows:			
5 years or more		1,473	1,404

Dated loan capital

The dated loan capital in this section is subordinated in right of payment to senior creditors, including depositors, of the respective issuing entities. Following the implementation in Ireland of the EU (Bank Recovery and Resolution) Regulations 2015, these notes are loss absorbing at the point of non-viability. There were no movements in subordinated liabilities and other capital instruments apart from fair value hedge adjustments and exchange translation adjustments.

(a) € 500 million Subordinated Tier 2 Notes due 2029, Callable 2024

On 19 November 2019, AIB Group plc issued € 500 million Subordinated Tier 2 Notes due 2029, Callable 2024. These notes mature on 19 November 2029 but may be redeemed in whole, but not in part, at the option of the Group on the optional redemption date on 19 November 2024, subject to the approval of the regulatory authorities, with approval being conditional on meeting the requirements of the EU Capital Requirements Regulation. The notes bear interest on the outstanding nominal amount at a fixed rate of 1.875%, payable annually in arrears on 19 November each year. The interest rate will be reset on 19 November 2024 to Eur 5 year Mid Swap rate plus the initial margin of 215 basis points.

(b) € 1 billion Subordinated Tier 2 Notes due 2031, Callable 2026

On 30 September 2020, AIB Group plc issued € 1 billion Subordinated Tier 2 Notes due 2031, Callable 2026. These notes mature on 30 May 2031 but may be redeemed in whole, but not in part, at the option of the Group on the optional redemption date on 30 May 2026, subject to the approval of the regulatory authorities, with approval being conditional on meeting the requirements of the EU Capital Requirements Regulation. The notes bear interest on the outstanding nominal amount at a fixed rate of 2.875%, payable annually in arrears on 30 May each year. The interest rate will be reset on 30 May 2026 to Eur 5 year Mid Swap rate plus the initial margin of 330 basis points.

(c) Other dated subordinated loan capital

Following liability management exercises and the Subordinated Liabilities Order ("SLO") in 2011, residual balances remained on the dated loan capital instruments above. The SLO, which was effective from 22 April 2011, changed the terms of all of those outstanding dated loan capital instruments. The original liabilities were derecognised and new liabilities were recognised, with their initial measurement based on the fair value at the SLO effective date. The contractual maturity date changed to 2035 as a result of the SLO, and payment of coupons became optional at the discretion of the Group. The Board of Allied Irish Banks, p.l.c. has considered the matter and as at the date of this report, the Group's position is that coupons are not paid on these instruments. These instruments will amortise to their nominal value in the period to their maturity in 2035.

36 Share capital

The following table shows the authorised and fully paid issued share capital:

	31 December 2023		31 December 2022	
	Number of shares m	€ m	Number of shares m	€ m
Authorised				
Ordinary share capital				
Ordinary shares of € 0.625 each	4,000.0	2,500	4,000.0	2,500
Issued and fully paid				
Ordinary share capital				
Ordinary shares of € 0.625 each	2,618.7	1,637	2,673.4	1,671

All AIB Group plc ordinary shares in issue confer identical rights, including in respect of capital, dividends and voting.

Movement in ordinary shares

The following table shows the movement in the number of ordinary shares:

	2023	2022
	Number of shares m	Number of shares m
At 1 January	2,673.4	2,714.4
Repurchase and cancellation of shares ⁽¹⁾	(54.7)	(41.0)
At 31 December	2,618.7	2,673.4

(1) In April 2023, AIB Group plc completed a directed share buyback. This buyback resulted in the repurchase of 54,674,818 ordinary shares with a nominal value of € 0.625 each for a total consideration of € 215 million. Following repurchase these shares were cancelled and € 34 million, which represents the nominal value of the acquired shares, were transferred from share capital to capital redemption reserves.

Warrants

In 2017, AIB issued warrants to the Minister for Finance to subscribe for 271,166,685 ordinary shares of AIB Group plc representing 9.99% of the issued share capital at the time (31 December 2023: 10.35%). The exercise price for the warrants is 200% of the Offer Price of € 4.40 per ordinary share, the Offer Price being the price in euro per ordinary share which was payable under the IPO. This price may be adjusted in accordance with the terms of the Warrant Instrument and the warrants will be capable of exercise by the holder of the warrants during the period commencing on 27 June 2018 and ending on 27 June 2027. Following the Share Buyback Programme the exercise price has been adjusted to € 8.478.

In accordance with the terms of the Warrant Agreement, no cash consideration was payable by the Minister to AIB Group plc in respect of the issue of the warrants.

Structure of the Company's share capital

The following table shows the structure of the Company's share capital:

	31 December 2023		31 December 2022	
	Authorised share capital %	Issued share capital %	Authorised share capital %	Issued share capital %
Class of share				
Ordinary share capital	100	100	100	100

Capital resources

The following table shows the Group's capital resources:

	31 December	
	2023 € m	2022 € m
Equity	15,069	12,261
Dated capital notes (note 35)	1,473	1,404
Total capital resources	16,542	13,665

The objectives of the Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the current and future risk inherent in its business and to support its future development.

Notes to the Consolidated Financial Statements continued

36 Share capital continued

Earnings per share

The calculation of basic earnings per unit of ordinary shares is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue, excluding own shares held. The ordinary shares are included in the weighted average number of shares on a time apportioned basis.

The 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 own shares held, adjusted for the effect of dilutive potential ordinary shares.

There was no difference in the weighted average number of shares used for basic and diluted earnings per share for 2023 and 2022. Warrants issued to the Minister of Finance were not included in calculating the diluted earnings per share as they were antidilutive.

The following table shows the basic and diluted earnings per share:

	2023	2022
	€ m	€ m
Basic and diluted earnings per share		
Profit attributable to equity holders of the parent	2,061	767
Distributions on other equity interests (<i>note 37</i>)	(65)	(65)
Profit attributable to ordinary shareholders of the parent	1,996	702
Weighted average number of ordinary shares in issue during the year (millions)	2,635.9	2,688.3
Basic and diluted earnings per share (cent)	EUR 75.7 c	EUR 26.1 c

		2023	2022
		€ m	€ m
37 Other equity interests			
Issued by AIB Group plc			
€ 500 million Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities issued 2019	(a)	496	496
€ 625 million Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities issued 2020	(b)	619	619
Total other equity interests		1,115	1,115

Distributions amounting to € 65 million (2022: € 65 million) were paid in 2023 on the Additional Tier 1 Securities issued by AIB Group plc. Other equity interests are included in the Group's capital base.

The securities, which do not carry voting rights, rank pari passu with holders of other Tier 1 instruments (excluding the Company's ordinary shares). They rank ahead of the holders of ordinary share capital of the Company but junior to the claims of senior creditors and to Tier 2 capital of the Company.

Under the EU (Bank Recovery and Resolution) Regulations 2015, these securities are loss absorbing at the point of non-viability.

Furthermore, if the CET1 ratio of the Group at any time falls below 7%, subject to certain conditions, the Company shall write down the AT1s by the write-down amount and irrevocably cancel any accrued and unpaid interest up to (but excluding) the write-down date. To the extent permitted, in order to comply with regulatory capital and other requirements, the Company may reinstate any previously written down amount.

(a) In 2019, the Company issued € 500 million nominal value of Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities ('AT1s').

Interest on the securities, at a fixed rate of 5.250% per annum, is payable semi-annually in arrears on 9 April and 9 October, commencing on 9 April 2020. On the first reset date on 9 April 2025, in the event that the securities are not redeemed, interest will be reset to the relevant 5 year fixed rate plus a margin of 570.2 bps per annum. The interest payment is fully discretionary and non-cumulative and conditional upon the Company being solvent at the time of payment, having sufficient distributable reserves and not being required by the regulatory authorities to cancel an interest payment.

The securities are perpetual securities with no fixed redemption date. The Company may, in its sole and full discretion, subject to regulatory approval, redeem all (but not some only) of the securities on any day falling in the period commencing on (and including) 9 October 2024 and ending on (and including) the first reset date or on any interest payment date thereafter at the prevailing principal amount together with accrued but unpaid interest. In addition, the securities are redeemable at the option of the Company for certain regulatory or tax reasons, subject to regulatory approval.

(b) In 2020, the Company issued € 625 million nominal value of Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities ('AT1s').

Interest on the securities, at a fixed rate of 6.250% per annum, is payable semi-annually in arrears on 23 June and 23 December, commencing on 23 December 2020. On the first reset date on 23 December 2025, in the event that the securities are not redeemed, interest will be reset to the relevant 5 year fixed rate plus a margin of 662.9 bps per annum. The interest payment is fully discretionary and non-cumulative and conditional upon the Company being solvent at the time of payment, having sufficient distributable reserves and not being required by the regulatory authorities to cancel an interest payment.

The securities are perpetual securities with no fixed redemption date. The Company may, in its sole and full discretion, subject to regulatory approval, redeem all (but not some only) of the securities on any day falling in the period commencing on (and including) 23 June 2025 and ending on (and including) the first reset date or on any interest payment date thereafter at the prevailing principal amount together with accrued but unpaid interest. In addition, the securities are redeemable at the option of the Company for certain regulatory or tax reasons, subject to regulatory approval.

Notes to the Consolidated Financial Statements continued

38 Capital reserves, merger reserve and capital redemption reserves

The following table shows the movement on capital reserves:

	2023			2022		
	Capital contribution reserves € m	Other capital reserves € m	Total € m	Capital contribution reserves € m	Other capital reserve € m	Total € m
At beginning and end of year	955 ⁽¹⁾	178 ⁽²⁾	1,133	955 ⁽¹⁾	178 ⁽²⁾	1,133

(1) Relates to the acquisition of EBS d.a.c.

(2) Other capital reserves represent transfers from retained earnings in accordance with relevant legislation.

For details regarding the capital contribution reserves, refer to accounting policy (w) in note 1.

The following table shows the movement on merger reserve:

	2023 € m	2022 € m
At beginning and end of year	(3,622)	(3,622)

The following table shows the movement on capital redemption reserves:

	2023 € m	2022 € m
At 1 January	39	14
Transfer from ordinary share capital (note 36)	34	25
At 31 December	73	39

39 Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- Are offset in the Group's statement of financial position; or
- Are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and advances and customer accounts are not included in the tables below unless they are offset in the statement of financial position.

The Group has a number of ISDA Master Agreements (netting agreements) in place which allow it to net the termination values of derivative contracts upon the occurrence of an event of default with respect to its counterparties. The enforcement of netting agreements would potentially reduce the statement of financial position carrying amount of derivative assets and liabilities by € 1,556 million at 31 December 2023 (2022: € 2,220 million). Additionally, the Group has agreements in place which may allow it to net the termination values of cross currency swaps upon the occurrence of an event of default.

The Group's sale and repurchase and reverse sale and repurchase transactions and securities borrowing and lending are covered by netting agreements with terms similar to those of ISDA Master Agreements. The ISDA Master Agreements and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position where a right of set-off of recognised amounts becomes enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. Offsetting in the statement of financial position is applied where the Group has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group provides and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives;
- Sale and repurchase agreements;
- Reverse sale and repurchase agreements; and
- Securities lending and borrowing.

Collateral is subject to the standard industry terms of Credit Support Annexes ("CSAs"), which enable the Group to pledge or sell securities received during the term of the transaction. The collateral must be returned on the maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions where the counterparty fails to post collateral. The CSAs in place provide collateral for derivative contracts. At 31 December 2023, € 713 million (2022: € 795 million) of CSAs are included within financial assets and € 839 million (2022: € 245 million) of CSAs are included within financial liabilities.

39 Offsetting financial assets and financial liabilities continued

The following table shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements at 31 December 2023 and 2022. The effects of over-collateralisation have not been taken into account in the table below.

		2023					
		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
					Financial instruments	Cash collateral	Net amount
		€ m	€ m	€ m	€ m	€ m	€ m
Financial assets							
Derivative financial instruments	17	2,356	—	2,356	(1,556)	(218)	582
Securities financing							
Reverse repurchase agreements	20	7,530	(3,731)	3,799	(3,734)	(65)	—
Securities borrowings	20	2,667	—	2,667	(2,667)	—	—
Total		12,553	(3,731)	8,822	(7,957)	(283)	582
		2022					
		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		
					Financial instruments	Cash collateral	Net amount
		€ m	€ m	€ m	€ m	€ m	€ m
Financial liabilities							
Derivative financial instruments	17	1,881	—	1,881	(1,556)	(92)	233
Securities financing							
Securities sold under agreements to repurchase	20	4,306	(3,731)	575	(534)	(41)	—
Total		6,187	(3,731)	2,456	(2,090)	(133)	233

Notes to the Consolidated Financial Statements continued

39 Offsetting financial assets and financial liabilities continued

								2022
	Note	Gross amounts of recognised financial assets € m	Gross amounts of recognised financial liabilities offset in the statement of financial position € m	Net amounts of financial assets presented in the statement of financial position € m	Related amounts not offset in the statement of financial position		Net amount € m	
					Financial instruments € m	Cash collateral € m		
Financial assets								
Derivative financial instruments	17	2,501	—	2,501	(2,220)	(200)	81	
Securities financing								
Reverse repurchase agreements	20	8,222	(5,305)	2,917	(2,899)	(18)	—	
Securities borrowings	20	3,365	—	3,365	(3,365)	—	—	
Total		14,088	(5,305)	8,783	(8,484)	(218)	81	

								2022
	Note	Gross amounts of recognised financial liabilities € m	Gross amounts of recognised financial assets offset in the statement of financial position € m	Net amounts of financial liabilities presented in the statement of financial position € m	Related amounts not offset in the statement of financial position		Net amount € m	
					Financial instruments € m	Cash collateral € m		
Financial liabilities								
Derivative financial instruments	17	2,932	—	2,932	(2,220)	(749)	(37)	
Securities financing								
Securities sold under agreements to repurchase	20	6,203	(5,305)	898	(879)	(19)	—	
Total		9,135	(5,305)	3,830	(3,099)	(768)	(37)	

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured on the following bases:

- Derivative assets and liabilities – fair value; and
- Securities financing – amortised cost.

39 Offsetting financial assets and financial liabilities continued

The following table reconciles the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position', as set out in the previous pages to the line items presented in the statement of financial position at 31 December 2023 and 2022:

			2023	
	Net amounts of financial assets presented in the statement of financial position	Line item in statement of financial position	Carrying amounts in statement of financial position	Financial assets not in scope of offsetting disclosures
	€ m		€ m	€ m
Financial assets				
Derivative financial instruments	2,356	Derivative financial instruments	2,377	21
Securities financing				
Reverse repurchase agreements	3,799			
Securities borrowings	2,667	Securities financing	6,466	—
			2023	
	Net amounts of financial liabilities presented in the statement of financial position	Line item in statement of financial position	Carrying amounts in statement of financial position	Financial liabilities not in scope of offsetting disclosures
	€ m		€ m	€ m
Financial liabilities				
Securities financing				
Securities sold under agreements to repurchase	575	Securities financing	575	—
Derivative financial instruments	1,881	Derivative financial instruments	1,902	21
			2022	
	Net amounts of financial assets presented in the statement of financial position	Line item in statement of financial position	Carrying amounts in statement of financial position	Financial assets not in scope of offsetting disclosures
	€ m		€ m	€ m
Financial assets				
Derivative financial instruments	2,501	Derivative financial instruments	2,511	10
Securities financing				
Reverse repurchase agreements	2,917			
Securities borrowing	3,365	Securities financing	6,282	—
			2022	
	Net amounts of financial liabilities presented in the statement of financial position	Line item in statement of financial position	Carrying amounts in statement of financial position	Financial liabilities not in scope of offsetting disclosures
	€ m		€ m	€ m
Financial liabilities				
Securities financing				
Securities sold under agreements to repurchase	898	Securities financing	898	—
Derivative financial instruments	2,932	Derivative financial instruments	2,982	50

Notes to the Consolidated Financial Statements continued

40 Contingent liabilities and commitments

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk to meet the financing needs of customers. These instruments involve, to varying degrees, elements of credit risk which are not reflected in the consolidated statement of financial position. Credit risk is defined as the possibility of sustaining a loss because the other party to a financial instrument fails to perform in accordance with the terms of the contract.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and risk management policies in undertaking off-balance sheet commitments as it does for 'on-balance sheet lending'.

The following table gives the nominal or contract amounts of contingent liabilities and commitments:

	Contract amount	
	2023	2022
	€ m	€ m
Contingent liabilities⁽¹⁾ – credit related		
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	829	764
Other contingent liabilities	28	38
	857	802
Commitments⁽²⁾		
Documentary credits and short term trade-related transactions	208	121
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year	9,827	9,173
1 year and over	6,101	5,766
	16,136	15,060
Total contingent liabilities and commitments	16,993	15,862

(1) Contingent liabilities are off-balance sheet products and include guarantees, irrevocable letters of credit and other contingent liability products.

(2) A commitment is an off-balance sheet product where there is an agreement to provide an undrawn credit facility.

For details of the internal credit ratings and geographic concentration of contingent liabilities and commitments, see pages 157 and 144 in 'Risk management' section of this report.

Provisions for ECLs on loan commitments and financial guarantee contracts are set out in note 34.

40 Contingent liabilities and commitments continued

Legal proceedings

The Group, in the course of its business, is frequently involved in litigation cases. However, it is not, nor has been involved in, nor are there, so far as the Group is aware, (other than as set out in the following paragraphs), pending or threatened by or against the Group any legal or arbitration proceedings, including governmental proceedings, which may have, or have had during the previous twelve months, a material effect on the financial position, profitability or cash flows of the Group.

Specifically, litigation has been served on the Group by customers that are pursuing claims in relation to tracker mortgages. Customers have also lodged complaints to the Financial Services and Pensions Ombudsman ("FSPO") in relation to tracker mortgages issues which are outlined in 'Provisions for liabilities and commitments' (note 34).

Further claims may also be served in the future in relation to tracker mortgages. The Group will also receive further rulings by the FSPO in relation to complaints concerning tracker mortgages.

Based on the facts currently known and the current stages that the litigation and the FSPO's complaints process is at, it is not practicable at this time to predict the final outcome of this litigation/FSPO complaints, nor the timing and possible impact on the Group.

Target-Ireland – Gross Settlement System

From 2008, AIB participated in the TARGET2 – Ireland system, which was the real time gross settlement system for large volume interbank payments in euro. As a result of an ECB consolidation project, TARGET2-Ireland was replaced by TARGET-Ireland and AIB entered into a new participation agreement with the Central Bank of Ireland (CBI) which took effect on 20th March 2023 (effective date). On 16th March 2023 AIB executed a deed of charge pursuant to which it created a first floating charge in favour of the Central Bank of Ireland over all of its right, title, interest and benefit, present and future, in and to the balances then or at any time standing to the credit of the TARGET-Ireland Accounts. The floating charge secures all liabilities of Allied Irish Banks, p.l.c. to the CBI arising pursuant to the Participation Documents (as defined in the participation agreement between AIB and the CBI) or otherwise in connection with AIB's participation in TARGET-Ireland. On the effective date, this deed of floating charge replaced previous existing security over the TARGET2 Accounts.

In addition, AIB and the CBI entered into a Framework Agreement in respect of Eurosystem Operations (dated 7 April 2014), which included a credit line facility for intra-day credit in TARGET2-Ireland (now Target-Ireland). In order to secure its obligations under that Framework Agreement, AIB executed a deed of charge (also dated 7 April 2014). Pursuant to that deed, AIB created a first fixed charge over all of its right, title, interest, and benefit, present and future, in and to eligible assets (as identified as such by the CBI) which are held in a designated collateral account and a floating charge in favour of the CBI over AIB's right, title, interest and benefit, present and future, in and to other eligible assets of AIB.

The deeds of charge contain provisions that during the subsistence of the security, otherwise than with the prior written consent of the CBI, AIB 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
- otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of or deal in the property or assets subject to the charges 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.

The financial assets pledged as collateral, in relation to the first fixed charge, are included in the disclosure in note 29 for financial assets pledged.

Notes to the Consolidated Financial Statements continued

41 Subsidiaries and structured entities

The material Group subsidiary companies at 31 December 2023 and 2022 are:

Name of company	Principal activity	Place of incorporation	Registered Office
Allied Irish Banks, p.l.c.	A direct subsidiary of AIB Group plc and the principal operating company of the Group and holds the majority of the subsidiaries within the Group. Its activities include banking and financial services – a licensed bank	Ireland	10 Molesworth Street, Dublin 2, Ireland.
AIB Mortgage Bank Unlimited Company	Issue of mortgage covered securities – a licensed bank	Ireland	10 Molesworth Street, Dublin 2, Ireland.
EBS d.a.c.	Mortgages and savings – a licensed bank	Ireland	10 Molesworth Street, Dublin 2, Ireland.
AIB Group (UK) p.l.c. trading as Allied Irish Bank (GB) in Great Britain and AIB (NI) in Northern Ireland	Banking and financial services – a licensed bank	Northern Ireland	92 Ann Street, Belfast BT1 3HH.

The proportion of ownership interest and voting power held by AIB Group plc in Allied Irish Banks, p.l.c. is 100% of the ordinary share capital. All subsidiaries of Allied Irish Banks, p.l.c., being the immediate subsidiary of AIB Group plc, are wholly owned apart from Augmentum Limited ('Augmentum'), in which there are non-controlling interests. Practically all subsidiaries in the Group are involved in the provision of financial services or ancillary services.

Significant restrictions

Each of the subsidiaries listed above which is a licensed bank is required by its respective financial regulator to maintain capital ratios above a certain minimum level. These minimum ratios restrict the payment of dividend by the subsidiary and, where the ratios fall below the minimum requirement, will require the parent company to inject capital to make up the shortfall.

Consolidated structured entities

The Group has acted as sponsor and invested in a number of structured entities in order to generate funding for the Group's lending activities (with the exception of AIB PFP Scottish Limited Partnership). The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity.

The following structured entities are consolidated by the Group:

- Burlington Mortgages No. 1 DAC;
- Burlington Mortgages No. 2 DAC; and
- AIB PFP Scottish Limited Partnership.

Further details on these structured entities are set out in note 42.

There are no contractual arrangements that could require AIB Group plc or its subsidiaries to provide financial support to the consolidated structured entities listed above. During the year, neither AIB Group plc nor any of its subsidiaries provided financial support to a consolidated structured entity and there is no current intention to provide financial support.

Unconsolidated structured entities

The Group acts as a fund or investment manager for a number of unconsolidated structured entities for which it receives investment or fund management fees. The Group acts as sponsor of these entities. The Group has no units within these funds. Therefore the carrying amount of assets and liabilities in relation to these entities in the Group's statement of financial position is Nil (2022: Nil).

The Group's maximum exposure to loss is equal to the value of outstanding fees owed from these entities of Nil at 31 December 2023 (31 December 2022: € 2 million). These entities are financed by investors in the entities. 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.

Non-controlling interests in subsidiary undertaking

On 31 October 2019, Augmentum Limited of which 75% is owned by the Group and 25% by a non-controlling interest, First Data Global Services Limited (part of First Data Corporation which is owned by Fiserv Inc.), acquired 97.93% of the equity share capital and voting rights of Seneral Limited ('Seneral'), the holding company for Payzone Ireland Limited ('Payzone').

Seneral/Payzone place of business: 4 Heather Road, Sandyford Industrial Estate, Dublin 18.

42 Off-balance sheet arrangements and transferred financial assets

Under IFRS, transactions and events are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. As a result, the substance of transactions with structured entities forms the basis for their treatment in the Group's financial statements. A structured entity is consolidated in the financial statements when the substance of the relationship between the Group and the structured entity indicates that the structured entity is controlled by the entity and meets the criteria set out in IFRS 10 *Consolidated Financial Statements*. The principal forms of structured entity utilised by the Group are securitisations and employee compensation trusts.

Securitisations

The Group utilises securitisations primarily to support the following business objectives:

- As an investor, the Group has primarily been an investor in securitisations issued by other credit institutions as part of the management of its interest rate and liquidity risks through the Treasury function;
- As an investor, securitisations have been utilised by the Group to invest in transactions that offered an appropriate risk-adjusted return opportunity; and
- As an originator of securitisations to support the funding activities of the Group.

The Group controls certain structured entities which were set up to support its funding activities. Details of these structured entities are set out below under the heading 'Structured Entities'. The Group controls two structured entities set up in relation to the funding of the Group Pension Schemes which are also detailed below.

Securities borrowing and reverse repurchase agreements

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss is included in trading income.

Employee compensation trusts

The Group and some of its subsidiary companies use trust structures to benefit employees and to facilitate the ownership of the Group's equity by employees. The Group consolidates these trust structures where the risks and rewards of the underlying shares have not been transferred to the employees.

Transfer of financial assets

The Group enters into transactions in the normal course of business in which it transfers previously recognised financial assets. Transferred financial assets may, in accordance with IFRS 9 *Financial Instruments*:

- Continue to be recognised in their entirety; or
- Be derecognised in their entirety but the Group retains some continuing involvement.

The most common transactions where the transferred assets are not derecognised in their entirety are securities sold under an agreement to repurchase, issuance of covered bonds and securitisations.

(i) Transferred financial assets not derecognised in their entirety

Securities sold under agreements to repurchase and securities lending

Sale and repurchase agreements are transactions in which the Group sells a financial asset to another party, with an obligation to repurchase it at a fixed price on a certain later date. The Group continues to recognise the financial assets in full in the statement of financial position as it retains substantially all the risks and rewards of ownership. The Group's sale and repurchase agreements are with banks and customers. The obligation to pay the repurchase price is recognised within 'Securities financing' (note 20). As the Group sells the contractual rights to the cash flows of the financial assets, it does not have the ability to use or pledge the transferred assets during the term of the sale and repurchase agreement. The Group remains exposed to credit risk and interest rate risk on the financial assets sold. The obligation arising as a result of sale and repurchase agreements together with the carrying value of the financial assets pledged are set out in the table below.

The Group enters into securities lending in the form of collateral swap agreements with other parties. The Group continues to recognise the financial assets in full in the statement of financial position as it retains substantially all the risks and rewards of ownership. As a result of these transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of the transaction. A fee is generated for the Group under this transaction.

Issuance of covered bonds

Covered bonds, which the Group issues, are debt securities backed by cash flows from mortgages for the purpose of financing loans secured on residential property through its wholly owned subsidiary, AIB Mortgage Bank Unlimited Company. The Group retains all the risks and rewards of these mortgage loans, including credit risk and interest rate risk, and therefore, the loans continue to be recognised on the Group's statement of financial position with the related covered bonds held by external investors included within 'Debt securities in issue' (note 31). As the Group segregates the assets which back these debt securities into 'cover asset pools' it does not have the ability to otherwise use such segregated financial assets during the term of these debt securities. However, of the total debt securities of this type issued amounting to € 9.9 billion (2022: € 8.3 billion), internal Group companies hold € 9.87 billion (2022: € 7.3 billion) which are eliminated on consolidation.

Notes to the Consolidated Financial Statements continued

42 Off-balance sheet arrangements and transferred financial assets continued

Structured entities

Securitisations are transactions in which the Group sells loans and advances to customers (mainly mortgages) to structured entities which, in turn, issue notes to external investors. The notes issued by the structured entities are on terms which result in the Group retaining the majority of ownership risks and rewards and therefore, the loans continue to be recognised in the Group's statement of financial position. The Group remains exposed to credit risk, interest rate risk and foreign exchange risk on the loans sold. If debt is issued to external investors, the liability in respect of the cash received is included within 'Debt securities in issue' (note 31). Under the terms of the securitisations, the rights of the investors are limited to the assets in the securitised portfolios and any related income generated by the portfolios, without further recourse to the Group. The Group does not have the ability to otherwise use the assets transferred as part of securitisation transactions during the term of the arrangement.

Burlington Mortgages No. 1 DAC

In 2020, the Group securitised € 4 billion of its residential mortgage portfolio held in two of its subsidiaries, EBS d.a.c. and Haven Mortgages Limited. These mortgages were transferred to a securitisation vehicle, Burlington Mortgages No. 1 DAC ('Burlington 1'). In order to fund the acquired mortgages, Burlington issued eleven classes of notes to EBS d.a.c. and Haven in the same proportion as the mortgages securitised. The transferred mortgages have not been derecognised as the Group retains substantially all the risks and rewards of ownership and continue to be reported in the Group's financial statements. Burlington 1 is consolidated into the Group's financial statements with all the notes being eliminated on consolidation. At 31 December 2023, the carrying amount of the transferred financial assets which the Group continues to recognise is € 2.4 billion (2022: € 2.8 billion) (fair value € 2.4 billion (2022: € 2.6 billion)) and the carrying amount of the associated liabilities is Nil (2022: Nil).

Burlington Mortgages No. 2 DAC

In 2023, the Group securitised c. € 5 billion of its residential mortgage portfolio held in two of its subsidiaries, EBS d.a.c. and Haven Mortgages Limited. These mortgages were transferred to a securitisation vehicle, Burlington Mortgages No. 2 DAC ('Burlington 2'). In order to fund the acquired mortgages, Burlington 2 issued seven classes of notes to EBS d.a.c. and Haven in the same proportion as the securitised mortgages. The transferred mortgages have not been derecognised as the Group retains substantially all the risks and rewards of ownership and continue to be reported in the Group's financial statements. Burlington 2 is consolidated into the Group's financial statements with all the notes being eliminated on consolidation. At 31 December 2023, the carrying amount of the transferred financial assets which the Group continues to recognise is € 5 billion (fair value € 4.9 billion) and the carrying amount of the associated liabilities is Nil.

The following table summarises as at 31 December 2023 and 2022, the carrying value and fair value of financial assets which did not qualify for derecognition together with their associated financial liabilities.

	2023				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net fair value position
	€ m	€ m	€ m	€ m	€ m
Securities sold under agreements to repurchase/ similar products	4,955 ⁽¹⁾⁽²⁾	575 ⁽¹⁾	4,973	575	4,398
Covered bond programmes					
Residential mortgage backed	38 ⁽³⁾	27 ⁽⁴⁾	37	28	9
2022					
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net fair value position
	€ m	€ m	€ m	€ m	€ m
Securities sold under agreements to repurchase/similar products	5,945 ⁽¹⁾⁽²⁾	898 ⁽¹⁾	5,949	898	5,051
Covered bond programmes					
Residential mortgage backed	1,845 ⁽³⁾	1,024 ⁽⁴⁾	1,756	1,026	730

(1) See note 20.

(2) Includes € 4,360 million of assets pledged in relation to securities lending arrangements (2022: € 5,030 million).

(3) The asset pools of € 15 billion (2022: € 15 billion) in the covered bond programme have been apportioned on a pro-rata basis in relation to the value of bonds held by external investors and those held by the Group companies. The € 38 million (2022: € 1,845 million) above refers to those assets apportioned to external investors.

(4) Included in 'Bonds and other medium term notes' issued by subsidiaries (note 31).

42 Off-balance sheet arrangements and transferred financial assets continued

AIB Group (UK) p.l.c. Pension Scheme interest in the AIB PFP Scottish Limited Partnership

In December 2013, the Group agreed with the Trustee of the AIB UK Defined Benefit Pension Scheme ('the UK scheme') a restructure of the funding of the deficit in the UK scheme.

The Group established a pension funding partnership, AIB PFP Scottish Limited Partnership ('SLP') under which a portfolio of loans were transferred to the SLP from another Group entity, AIB UK Loan Management Limited ('UKLM') for the purpose of ring-fencing the repayments on these loans to fund future deficit payments of the UK scheme.

Assets ring-fenced for this purpose entitled the UK Scheme to expected annual payments in the range of £ 15 million to £ 35 million per annum from 2016 until 2032, with a potential termination payment in 2032 of up to £ 60 million. This funding plan was replaced in December 2019, as part of the de-risking of the UK scheme (note 28). Under the 2019 funding arrangement, the Group expects to make payments of £ 18.5 million in 2024 and £ 8.5 million in 2025. This is subject to change prior to finalisation. The 2019 funding arrangement also limited the potential liability of the SLP to the UK scheme and, when the cash held by the SLP exceeded the maximum potential liability limit in 2023, the ring-fenced loans were removed from the arrangement on 30 June 2023. UKLM has the right to cash flows on the loans from that date.

The general partner in the partnership, AIB PFP (General Partner) Limited which is an indirect subsidiary of Allied Irish Banks, p.l.c. has controlling power over the partnership. In addition, the pension scheme has a priority right to the cash flows from the partnership, up to the SLP's maximum potential liability limit, and any risks and rewards thereafter are expected to be borne by the Group through UKLM's junior partnership interest.

(ii) Transferred financial assets derecognised in their entirety but the Group retains some continuing involvement

The Group has a continuing involvement in transferred financial assets where it retains any of the risks and rewards of ownership of the transferred financial assets. Set out below are transactions in which the Group has a continuing involvement in assets transferred.

Pension scheme

On 31 July 2012, the Group entered into a Contribution Deed with the Trustee of the AIB Group Irish Pension Scheme ('the Irish Scheme'), whereby it agreed to make contributions to the scheme to enable the Trustee ensure that the regulatory Minimum Funding Standard position of non-pensioner members of the pension scheme was not affected by the agreed early retirement scheme. These contributions amounting to € 594 million were settled through the transfer to the Irish Scheme of interests in a structured entity owning loans and advances previously transferred at fair value from the Group. The loans and advances were derecognised in the Group's financial statements as all of the risks and rewards of ownership had transferred.

A subsidiary company of the Group was appointed as a service provider for the loans and advances transferred. Under the servicing agreement, the Group subsidiary company collects the cash flows on the transferred loans and advances on behalf of the pension scheme in return for a fee. The fee is based on an annual rate of 0.125% of the principal balance outstanding of all transferred loans and advances on the last day of each calendar month. The Group has not recognised a servicing asset/liability in relation to this servicing arrangement as the fee is considered to be at market rate. Under the servicing agreement, the Irish Scheme has the right to replace the Group subsidiary company as the service provider with an external third party. In 2023, the Group recognised € 0.4 million (cumulative € 9.6 million) (2022: € 0.5 million (cumulative € 9.2 million)) in the income statement for the servicing of the loans and advances transferred.

NAMA

During 2010 and 2011, the Group transferred financial assets with a net carrying value of € 15,428 million to NAMA. All assets transferred were derecognised in their entirety.

As part of this transaction, the Group has provided NAMA with a series of indemnities relating to the transferred assets.

The Group was appointed by NAMA as a service provider for the loans and advances transferred, for which it receives a fee. The fee is based on the lower of actual costs incurred or 0.1% of the value of the financial assets transferred. The Group has not recognised a servicing asset/liability in relation to this servicing arrangement. In 2023, the Group recognised € 1 million (cumulative € 101 million) (2022: € 2 million (cumulative € 100 million)) in the income statement for the servicing of financial assets transferred to NAMA.

Notes to the Consolidated Financial Statements continued

43 Classification and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policy for financial assets in note 1 (j) and financial liabilities in note 1 (k), describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the carrying amounts of the financial assets and financial liabilities by measurement category and by statement of financial position heading at 31 December 2023 and 2022.

					2023
	At fair value through profit or loss	At fair value through other comprehensive income		At amortised cost	Total
	Mandatorily € m	Debt investments € m	Hedging derivatives € m	€ m	€ m
Financial assets					
Cash and balances at central banks	—	—	—	38,018 ⁽¹⁾	38,018
Trading portfolio financial assets	93	—	—	—	93
Derivative financial instruments	1,694 ⁽²⁾	—	683	—	2,377
Loans and advances to banks	—	—	—	1,329	1,329
Loans and advances to customers	42	—	—	65,449	65,491
Securities financing	—	—	—	6,466	6,466
Investment securities	355	12,488	—	4,510	17,353
Other financial assets	—	—	—	688	688
Total	2,184	12,488	683	116,460	131,815
Financial liabilities					
Deposits by central banks and banks	—	—	—	1,780	1,780
Customer accounts	—	—	—	104,782	104,782
Securities financing	—	—	—	575	575
Trading portfolio financial liabilities	139	—	—	—	139
Derivative financial instruments	790 ⁽³⁾	—	1,112	—	1,902
Debt securities in issue	—	—	—	8,423	8,423
Subordinated liabilities and other capital instruments	—	—	—	1,473	1,473
Other financial liabilities	—	—	—	1,571	1,571
Total	929	—	1,112	118,604	120,645

(1) Includes cash on hand € 598 million.

(2) Held for trading € 457 million and fair value hedges € 1,237 million.

(3) Held for trading € 448 million and fair value hedges € 342 million.

43 Classification and measurement of financial assets and financial liabilities continued

	2022				
	At fair value through profit or loss	At fair value through other comprehensive income		At amortised cost	Total
	Mandatorily € m	Debt investments € m	Hedging derivatives € m	€ m	€ m
Financial assets					
Cash and balances at central banks	—	—	—	38,138 ⁽¹⁾	38,138
Trading portfolio financial assets	8	—	—	—	8
Derivative financial instruments	2,323 ⁽²⁾	—	188	—	2,511
Loans and advances to banks	—	—	—	1,502	1,502
Loans and advances to customers	249	—	—	59,364	59,613
Securities financing	—	—	—	6,282	6,282
Investment securities	302	11,837	—	4,131	16,270
Other financial assets	—	—	—	592	592
Total	2,882	11,837	188	110,009	124,916
Financial liabilities					
Deposits by central banks and banks	—	—	—	514	514
Customer accounts	—	—	—	102,359	102,359
Securities financing	—	—	—	898	898
Trading portfolio financial liabilities	4	—	—	—	4
Derivative financial instruments	1,032 ⁽³⁾	—	1,950	—	2,982
Debt securities in issue	—	—	—	7,203	7,203
Subordinated liabilities and other capital instruments	—	—	—	1,404	1,404
Other financial liabilities	—	—	—	1,375	1,375
Total	1,036	—	1,950	113,753	116,739

(1) Includes cash on hand € 573 million.

(2) Held for trading € 646 million and fair value hedges € 1,677 million.

(3) Held for trading € 599 million and fair value hedges € 433 million.

Notes to the Consolidated Financial Statements continued

44 Fair value of financial instruments

The term 'financial instruments' includes both financial assets and financial liabilities. The fair value of a financial instrument 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 market, or in its absence, the most advantageous market to which the Group has access at that date. The Group's accounting policy for the 'determination of fair value of financial instruments' is set out in note 1 accounting policy (m).

The valuation of financial instruments, including loans and advances, involves the application of judgement and estimation. Market and credit risks are key assumptions in the estimation of the fair value of loans and advances. The Group has estimated the fair value of its loans to customers taking into account market risk and the changes in credit quality of its borrowers.

Fair values are based on observable market prices where available, and on valuation models or techniques where the lack of market liquidity means that observable prices are unavailable. The fair values of financial instruments are classified according to the following fair value hierarchy that reflects the observability of significant market inputs:

Level 1 – financial assets and liabilities measured using quoted market prices from an active market (unadjusted);

Level 2 – financial assets and liabilities measured using valuation techniques which use quoted market prices from an active market or measured using quoted market prices unadjusted from an inactive market; and

Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market inputs.

All valuations are carried out within the Finance function and valuation methodologies are validated by the independent Risk function within the Group. Readers of these financial statements are advised to use caution when using the data in the following tables to evaluate the Group's financial position or to make comparisons with other institutions. Fair value information is not provided for items that do not meet the definition of a financial instrument.

The methods used for calculation of fair value in 2023 are as follows:

Financial instruments measured at fair value in the financial statements

(i) Trading portfolio financial instruments

The fair value of trading debt securities, together with quoted equity shares is based on quoted prices or bid/offer quotations sourced from external securities dealers, where these are available on an active market. Where securities and equities are traded on an exchange, the fair value is based on prices from the exchange.

(ii) Derivative financial instruments

Where derivatives are traded on an exchange, the fair value is based on prices from the exchange. The fair value of over-the-counter derivative financial instruments is estimated based on standard market discounting and valuation methodologies which use reliable observable inputs including yield curves and market rates. These methodologies are implemented by the Finance function and validated by the Risk function. Where there is uncertainty around the inputs to a derivative's valuation model, the fair value is estimated using inputs which provide the Group's view of the most likely outcome in a disposal transaction between willing counterparties in a functioning market. Where an unobservable input is material to the outcome of the valuation, a range of potential outcomes from favourable to unfavourable is estimated.

Counterparty valuation adjustment ('CVA') and Funding valuation adjustment ('FVA') are applied to all uncollateralised over-the-counter derivatives. The combination of CVA and FVA is referred to as XVA.

CVA is calculated as: Expected positive exposure ('EPE') multiplied by probability of default ('PD') multiplied by loss given default ('LGD'). EPE profiles are generated at a counterparty netting set through simulation. PDs are derived from market based credit default swaps ('CDS') information. As most counterparties do not have a quoted CDS, PDs are derived by mapping each counterparty to an index CDS credit grade. LGDs are based on the specific circumstances of the counterparty and take into account valuation of offsetting security, where applicable. For smaller exposures where security valuations are not individually assessed, an LGD of 60% is applied (2022: 60%).

FVA is calculated as: Expected exposure ('EE') multiplied by funding spread ('FS') multiplied by counterparty survival probability (1-PD). EE profiles (net of expected positive and negative exposures) are generated at a counterparty netting set through simulation. Funding spreads used are an average implied by CDSs for the Group's most active external derivative counterparties. The rationale in applying these spreads is to best estimate the FVA which a counterparty would apply in a transaction to close out the Group's existing positions.

Where XVA valuation adjustments have been applied to a derivative instrument, the entire instrument is classified as Level 3 in the fair value hierarchy where a not insignificant component of the XVA valuation is derived from unobservable inputs.

Within the range of estimates and fair value sensitivity measurements, a favourable and an adverse scenario have been selected for PDs and LGDs for CVA. The favourable/adverse scenario for customer PDs are (i) a single rating upgrade and (ii) a single rating downgrade, respectively. Customer LGDs are shifted according to estimates of improvement in value of security compared with potential derivatives market values. Within the combination of LGD and PD, both are shifted together yielding positive and negative valuations which are disclosed as potential alternative valuations. See 'Sensitivity of Level 3 measurements' within this note. For FVA, an adverse scenario is the use of the bond yields of the Group's most active derivative counterparties while a favourable scenario is an upgrade in the CDS of the reference entities used to derive funding spreads.

(iii) Investment securities

The fair value of investment securities has been estimated based on expected sale proceeds. The expected sale proceeds are based on bid prices which have been analysed and compared across multiple sources for reliability. Where bid prices are unavailable, fair values are estimated by valuation techniques using observable market data for similar instruments. Where there is no market data for a directly comparable instrument, management judgement on an appropriate credit spread to similar or related instruments with market data available is used within the valuation technique. This is supported by cross referencing other similar or related instruments.

44 Fair value of financial instruments continued

(iv) Loans and advances to customers

The Group provides lending facilities of varying rates and maturities to corporate and personal customers.

Valuation techniques are used in estimating the fair value of loans, primarily using discounted cash flows and applying market rates where practicable and taking credit risk into account.

The majority of loans and advances to customers are held at amortised cost, however, the Group has a small number of loans and advances which are required to be measured at FVTPL having failed the SPPI test. The valuation techniques used apply equally to those held at FVTPL and those held at amortised cost.

A key assumption for determining the fair value of loans and advances is that the carrying amount of variable rate loans (excluding mortgage products) approximates to market value. For fixed rate loans, the fair value is calculated by discounting expected cash flows using discount rates that reflect the interest rate risk in that portfolio.

The fair value of mortgage products, including tracker mortgages, is calculated by discounting expected cash flows using discount rates that reflect the interest rate/credit risk in the portfolio.

Financial instruments not measured at fair value but with fair value information presented separately in the notes to the financial statements

(i) Loans and advances to banks

The fair value of loans and advances to banks is estimated using discounted cash flows applying either market rates, where practicable, or rates currently offered by other financial institutions for placings with similar characteristics.

(ii) Loans and advances to customers at amortised cost

See methodology above under the heading 'Loans and advances to customers'.

(iii) Securities financing

The fair value of securities financing assets and liabilities approximate their carrying amount as these balances are generally short-dated and fully collateralised.

(iv) Deposits by central banks and banks and customer accounts

The fair value of current accounts and deposit liabilities which are repayable on demand, or which re-price frequently, approximates to their book value. The fair value of all other deposits and other borrowings is estimated using discounted cash flows and applying applicable market rates as appropriate.

(v) Subordinated liabilities and debt securities in issue

The estimated fair value of subordinated liabilities and other capital instruments, and debt securities in issue, is based on quoted prices where available, or where these are unavailable, are estimated using valuation techniques using observable market data for similar instruments. Where there is no market data for a directly comparable instrument, management judgement, on an appropriate credit spread to similar or related instruments with market data available, is used within the valuation technique. This is supported by cross-referencing other similar or related instruments.

(vi) Other financial assets and other financial liabilities

This caption includes accrued interest receivable and payable and other receivables (including amounts awaiting settlement and accounts payable). The carrying amount is considered representative of fair value.

(vii) Commitments pertaining to credit-related instruments

Details of the various credit-related commitments and other off-balance sheet financial guarantees entered into by the Group are included in note 40 'Contingent liabilities and commitments'. The ECL is considered a reasonable approximation of these credit-related financial instruments.

Notes to the Consolidated Financial Statements continued

44 Fair value of financial instruments continued

The table below sets out the carrying amount and fair value of financial instruments across the three levels of the fair value hierarchy at 31 December 2023 and 2022:

	2023					2022				
	Carrying amount	Fair Value				Carrying amount	Fair Value			
		Fair value hierarchy					Fair value hierarchy			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m		
Financial assets measured at fair value										
Trading portfolio financial assets	93	93	—	—	93	8	8	—	—	8
Derivative financial instruments:										
Interest rate derivatives ⁽¹⁾	2,351	—	2,234	117	2,351	2,343	—	2,255	88	2,343
Exchange rate derivatives	14	—	14	—	14	164	—	164	—	164
Equity derivatives	—	—	—	—	—	4	—	4	—	4
Forward contracts to acquire loans ⁽²⁾	12	—	—	12	12	—	—	—	—	—
Loans and advances to customers at FVTPL	42	—	—	42	42	249	—	—	249	249
Investment debt securities at FVOCI	12,488	12,411	77	—	12,488	11,837	11,822	15	—	11,837
Equity investments at FVTPL	355	15	—	340	355	302	18	—	284	302
	15,355	12,519	2,325	511	15,355	14,907	11,848	2,438	621	14,907
Financial assets not measured at fair value										
Cash and balances at central banks	38,018	598 ⁽³⁾	37,420	—	38,018	38,138	573 ⁽³⁾	37,565	—	38,138
Loans and advances to banks	1,329	—	259	1,070	1,329	1,502	—	262	1,240	1,502
Loans and advances to customers:										
Mortgages ⁽⁴⁾	34,472	—	—	33,459	33,459	30,031	—	—	28,625	28,625
Non-mortgages	30,977	—	—	30,909	30,909	29,333	—	—	29,253	29,253
Securities financing	6,466	—	—	6,466	6,466	6,282	—	—	6,282	6,282
Investment debt securities measured at amortised cost	4,510	2,566	—	1,971	4,537	4,131	2,413	—	1,739	4,152
Other financial assets	688	—	—	688	688	592	—	—	592	592
	116,460	3,164	37,679	74,563	115,406	110,009	2,986	37,827	67,731	108,544
Financial liabilities measured at fair value										
Trading portfolio financial liabilities	139	139	—	—	139	4	4	—	—	4
Derivative financial instruments:										
Interest rate derivatives ⁽¹⁾	1,869	—	1,563	306	1,869	2,900	—	2,477	423	2,900
Exchange rate derivatives	29	—	28	1	29	72	—	72	—	72
Equity derivatives	1	—	1	—	1	—	—	—	—	—
Credit derivatives	3	—	3	—	3	1	—	1	—	1
Forward contracts to acquire loans ⁽⁵⁾	—	—	—	—	—	9	—	—	9	9
	2,041	139	1,595	307	2,041	2,986	4	2,550	432	2,986
Financial liabilities not measured at fair value										
Deposits by central banks and banks	1,780	—	740	1,040	1,780	514	—	282	232	514
Customer accounts:										
Current accounts	62,928	—	—	62,928	62,928	64,402	—	—	64,402	64,402
Demand deposits	32,083	—	—	32,083	32,083	32,595	—	—	32,595	32,595
Time deposits	9,771	—	—	9,755	9,755	5,362	—	—	5,348	5,348
Securities financing	575	—	—	575	575	898	—	—	898	898
Debt securities in issue	8,423	8,573	—	28	8,601	7,203	7,214	11	16	7,241
Subordinated liabilities and other capital instruments	1,473	1,497	—	13	1,510	1,404	1,401	—	13	1,414
Other financial liabilities	1,571	—	—	1,571	1,571	1,375	—	—	1,375	1,375
Loan commitments and other credit related commitments	43	—	—	43	43	59	—	—	59	59
Financial guarantees	16	—	—	16	16	19	—	—	19	19
	118,663	10,070	740	108,052	118,862	113,831	8,615	293	104,957	113,865

(1) Includes € 84 million (2022: € 40 million) derivative assets and € 262 million (2022: € 372 million) derivative liabilities categorised as level 3 where a not insignificant component of the XVA valuation is derived from unobservable inputs.

(2) Relates to the forward contract to acquire Ulster Bank tracker (and linked) mortgages. See 'Ulster Bank forward contract – tracker (and linked) mortgages' below for further information.

(3) Comprises cash on hand.

(4) Includes residential and commercial mortgages.

(5) Relates to the forward contract to acquire Ulster Bank corporate and commercial loans. See 'Ulster Bank forward contract – corporate and commercial loans' below for further information.

44 Fair value of financial instruments continued

Significant transfers between Level 1 and Level 2 of the fair value hierarchy

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended 31 December 2023 and 2022.

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table shows (i) A reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy and (ii) Total unrealised gains or losses included in profit or loss that is attributable to the assets and liabilities categorised as Level 3 in the fair value hierarchy at the end of the year.

							2023	
	Financial assets					Financial liabilities		
	Derivatives	Investment securities		Loans and advances at FVTPL	Equities at FVTPL	Total	Derivatives	Total
		Debt	Equities at FVOCI					
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
Movement in level 3 assets and liabilities								
At 1 January 2023	88	—	—	249	284	621	432	432
Transfers into/out of level 3 ⁽¹⁾	—	—	—	—	—	—	—	—
Total gains or (losses) in:								
<i>Profit or loss:</i>								
Net trading income	41	—	—	—	—	41	(125)	(125)
Net change in FVTPL	—	—	—	3	30	33	—	—
	41	—	—	3	30	74	(125)	(125)
<i>Other comprehensive income:</i>								
Net change in fair value of investment securities	—	—	—	—	—	—	—	—
Net change in fair value of cash flow hedges	—	—	—	—	—	—	—	—
Purchases/additions	—	—	—	20	35	55	—	—
Sales/disposals/redemptions	—	—	—	(135)	(9)	(144)	—	—
Cash received:								
Principal	—	—	—	(95)	—	(95)	—	—
At 31 December 2023	129	—	—	42	340	511	307	307
Total unrealised gains or losses included in profit or loss for assets and liabilities classified as level 3 at the end of the year								
Net trading income - income	71	—	—	—	—	71	76	76
Gains on equity investments at FVTPL	—	—	—	—	27	27	—	—
Losses on loans and advances at FVTPL	—	—	—	(15)	—	(15)	—	—
	71	—	—	(15)	27	83	76	76

(1) Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

Notes to the Consolidated Financial Statements continued

44 Fair value of financial instruments continued

Reconciliation of balances in Level 3 of the fair value hierarchy

	2022						2022	
	Financial assets					Total	Financial liabilities	
	Derivatives	Investment securities		Loans and advances at FVTPL	Equities at FVTPL		Derivatives	Total
		Debt	Equities at FVOCI					
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
Movement in level 3 assets and liabilities								
At 1 January 2022	301	—	—	243	248	792	96	96
Transfers into/out of level 3 ⁽¹⁾	—	—	—	—	—	—	—	—
Total gains or (losses) in:								
<i>Profit or loss:</i>								
Net trading income	(213)	—	—	—	—	(213)	336	336
Net change in FVTPL	—	—	—	14	89	103	—	—
	(213)	—	—	14	89	(110)	336	336
<i>Other comprehensive income:</i>								
Net change in fair value of investment securities	—	—	—	—	—	—	—	—
Net change in fair value of cash flow hedges	—	—	—	—	—	—	—	—
Purchases/additions	—	—	—	25	72	97	—	—
Sales/disposals	—	—	—	(1)	(125)	(126)	—	—
Cash received:								
Principal	—	—	—	(32)	—	(32)	—	—
At 31 December 2022	88	—	—	249	284	621	432	432
Total unrealised gains or losses included in profit or loss for assets and liabilities classified as level 3 at the end of the year								
Net trading income - losses	(56)	—	—	—	—	(56)	(225)	(225)
Gains on equity investments at FVTPL	—	—	—	—	13	13	—	—
Losses on loans and advances at FVTPL	—	—	—	(16)	—	(16)	—	—
	(56)	—	—	(16)	13	(59)	(225)	(225)

(1) Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

44 Fair value of financial instruments continued

Significant unobservable inputs

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Financial instrument		Fair value		Valuation technique	Significant unobservable input	Range of estimates	
		2023 € m	2022 € m			31 December 2023	31 December 2022
Uncollateralised customer derivatives	Asset	117	88	CVA	LGD	41% - 59%	26% - 43%
	Liability	307	423			(Base 49%)	(Base 34%)
					PD	0.4% - 1.9%	0.8% - 4.6%
			FVA	Funding spreads	(Base 0.9% 1-year PD)	(Base 2.1% 1-year PD)	
Ulster Bank forward contract – tracker (and linked) mortgages	Asset	12	—	Discounted Expected Future Cash flows	PD	(0.25%) - 0.25%	n/a
	Liability	—	—		Discount Yield	(0.1%) - 0.1%	n/a
Ulster Bank forward contract – corporate and commercial loans	Asset	—	—	Discounted Expected Future Cash flows	PD	—	(0.5%) to 0.5%
	Liability	—	9		Discount Yield	—	(0.5%) to 0.5%
Visa Inc. Series B Preferred Stock ⁽¹⁾	Asset	41	22	Quoted market price (to which a discount has been applied)	Final conversion rate	0% - 90%	0% - 90%
Loans and advances to customers measured at FVTPL	Asset	—	249	Discounted cash flows ⁽²⁾	Discount on market value	—	(4%) - 3%

(1) Sensitivity information has not been provided for other equities as the portfolio comprises several investments, none of which is individually material.

(2) Expected cash flows discounted at market rates, taking into consideration the fair value of collateral where relevant.

Uncollateralised customer derivatives

Interest rate derivatives (assets and liabilities) include negative XVA valuation adjustments amounting to net € 12 million (2022: € 18 million). The sensitivity to unobservable inputs for this XVA valuation adjustment at 31 December 2023 ranges from (i) negative € 9 million to positive € 4 million for CVA (2022: negative € 12 million to positive € 6 million) and (ii) negative € 2 million to positive € 1 million for FVA (2022: negative € 2 million to positive € 1 million).

A number of other derivatives are subject to valuation methodologies which use unobservable inputs. As the variability of the valuation is not greater than € 1 million in any individual case or collectively, the detail is not disclosed here.

Ulster Bank forward contract – tracker (and linked) mortgages

The Group entered into an agreement in 2022 with NatWest Group plc and Ulster Bank Ireland DAC for the acquisition of the Ulster Bank tracker (and linked) mortgage portfolio which was subject to regulatory approval. Following the receipt of regulatory authority approval in 2023, the contract to acquire the loans (which is not considered a regular way transaction) is a forward contract which recognises the change in fair value from the date of agreed transfer of beneficial ownership (1 September 2022) to the earlier of the reporting date or the acquisition date for a loan. The notional value of the forward contract at 31 December 2023 represents the principal amount of loans to be acquired by the Group in 2024.

The following are key considerations in determining the fair value of the forward contract at 31 December 2023:

- **Valuation technique:** The loans are valued by discounting the expected future cash flows, allowing for interest and principal payments to date and fees/charges. Key drivers of the valuation include PDs which determine potential reductions in expected cash flows due to changes in credit quality, and the discount yield which is used to calculate a present value of the expected future cash flows. The updated calculated value for the loans, compared with the agreed transaction price, determines the change in fair value.
- **Unobservable input:** The PDs used for generation of the underlying expected cash flows are unobservable as the loans are not publicly quoted, and the discount yield is also unobservable due to lack of publicly available information for transactions of this type.
- **Range of estimates:** The range of estimates is based on the application of favourable/adverse scenarios for customer PDs and discounting yields, based on the trend of previous movements in these rates.

The fair value sensitivity to unobservable inputs ranges from negative € 4.8 million to positive € 5.4 million for PDs at 31 December 2023, and negative € 3.2 million to positive of € 3.2 million for discount yield.

Notes to the Consolidated Financial Statements continued

44 Fair value of financial instruments continued

Ulster Bank forward contract – corporate and commercial loans

The Group entered into a binding agreement in 2022 to acquire performing Ulster Bank corporate and commercial loans which was subject to regulatory approval. The transfer of the loans completed in August 2023. Following the receipt of regulatory authority approval, the contract to acquire the loans was a forward contract. The notional value of the forward contract at 31 December 2022 represented the principal amount of performing loans acquired by the Group in 2023.

The following are key considerations in determining the fair value of the forward contract at 31 December 2022:

- **Valuation technique:** The loans are valued by discounting the expected future cash flows, allowing for interest and principal payments to date and fees/charges. Key drivers of the valuation include PDs which determine potential reductions in expected cash flows due to changes in credit quality, and the discount yield which is used to calculate a present value of the expected future cash flows. The updated value for the loans is then compared with the agreed transaction price to determine the change in fair value.
- **Unobservable input:** The PDs used for generation of the underlying expected cash flows are unobservable as the loans are not publicly quoted, and the discount yield is also unobservable due to lack of publicly available information for transactions of this type.
- **Range of estimates:** The range of estimates is based on the application of favourable/adverse scenarios for customer PDs and discounting yields, based on the trend of previous movements in these rates.

The fair value sensitivity to unobservable inputs ranges from negative € 3.1 million to positive of € 2.9 million for PDs at 31 December 2022, and negative € 8.7 million to positive of € 8.9 million for discount yield.

Visa Inc. Series B Preferred Stock

In June 2016, the Group received Series B Preferred Stock in Visa Inc. with a fair value of € 65 million as part consideration for its holding of shares in Visa Europe. The preferred stock is convertible into Class A Common Stock of Visa Inc. over time, with partial conversions having occurred in 2020 and 2022. The remaining conversion is subject to certain Visa Europe litigation risks that may affect the ultimate conversion rate. In addition, the stock, being denominated in US dollars, is subject to foreign exchange risk.

- **Valuation technique:** Quoted market price of Visa Inc. Class A Common Stock to which a discount has been applied for the illiquidity and the conversion rate variability of the preferred stock of Visa Inc. 56% haircut (2022: 71%). This was converted at the year end exchange rate.
- **Unobservable input:** Final conversion rate of Visa Inc. Series B Preferred Stock into Visa Inc. Class A Common Stock.
- **Range of estimates:** Estimates range from (a) no discount for conversion rate variability with a discount for illiquidity only; to (b) 90% discount for conversion rate variability.

The fair value measurement sensitivity to unobservable discount rates ranges from negative € 31 million to positive € 23 million at 31 December 2023 (2022: negative € 15 million to positive of € 24 million).

Loans and advances to customers measured at FVTPL

For loans and advances to customers measured at FVTPL of € 42 million, categorised within Level 3 of the fair value hierarchy in 2023, the Group does not believe that a reasonably possible change to alternative assumptions would change fair value significantly and therefore has not disclosed those amounts in the table above or provided the related disclosures.

The fair value measurement sensitivity to unobservable inputs ranged from negative € 9 million to positive € 8 million at 31 December 2022.

Fair value is applied in respect of secondary facilities arising on restructured loans subject to forbearance measures, on the likelihood that additional cash flows, in excess of their primary facilities, will be received from customers. Given the significant uncertainty with regard to such cash flows, the Group does not attribute a fair value unless it is reasonably certain that this value will be realised.

Day 1 gain or loss:

No difference existed between the fair value at initial recognition of financial instruments and the amount that was determined at that date using a valuation technique incorporating significant unobservable data.

45 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	2023	2022
	€ m	€ m
Cash and balances at central banks	38,018	38,138
Loans and advances to banks ⁽¹⁾⁽²⁾⁽³⁾	1,023	1,178
Total cash and cash equivalents	39,041	39,316

(1) Included in 'Loans and advances to banks' total of € 1,329 million (2022: € 1,502 million) set out in note 18.

(2) Includes € 5 million (2022: € 5 million) relating to restricted balances held in trust in respect of certain payables which are included in 'Other liabilities' (note 33).

(3) Includes € 80 million (2022: € 50 million) of restricted cash balances that are held to meet certain requirements under the Asset Covered Securities Act 2001.

Cash and balances at central banks (net of ECL allowance of Nil) comprises:

	2023	2022
	€ m	€ m
Central Bank of Ireland	33,282	32,573
Bank of England	3,869	4,584
Federal Reserve Bank of New York	269	408
Other (cash on hand)	598	573
Total cash and balances at central banks	38,018	38,138

There are certain regulatory restrictions on the ability of subsidiaries to transfer funds to the parent company in the form of cash dividends, loans or advances. The impact of such restrictions is not expected to have a material effect on the Group's ability to meet its cash obligations.

Notes to the Consolidated Financial Statements continued

46 Statement of cash flows

Non-cash and other items included in profit before taxation

	2023	2022
	€ m	€ m
Non-cash items		
(Profit)/loss on disposal of property	(2)	1
Loss on disposal of business	26	—
Net loss/(gain) on derecognition of financial assets measured at amortised cost	9	(18)
Dividends received from equity investments	(2)	(2)
Investments accounted for using the equity method	(12)	(37)
Net credit impairment charge	199	52
Change in other provisions	68	87
Retirement benefits – defined benefit expense	5	4
Depreciation, amortisation and impairment	295	341
Interest on subordinated liabilities and other capital instruments	42	41
Interest on debt securities ⁽¹⁾	274	146
Loss on disposal of investment securities	22	7
Gain on termination of hedging swaps	(14)	(4)
Amortisation of premiums and discounts	35	50
Net gain on equity investments at FVTPL	(27)	(88)
Net loss on loans and advances to customers at FVTPL	14	16
Change in prepayments and accrued income	(115)	—
Change in accruals and deferred income	162	53
Effect of exchange translation and other adjustments ⁽²⁾	27	(315)
Total non-cash items	1,006	334
Contributions to defined benefit pension schemes	(24)	(24)
Dividends received on equity investments	2	2
Total other items	(22)	(22)
Non-cash and other items for the year ended 31 December	984	312

	2023	2022
	€ m	€ m
Change in operating assets⁽²⁾		
Change in trading portfolio financial assets	(85)	—
Change in net derivative financial instruments	(32)	(149)
Change in loans and advances to banks	26	69
Change in loans and advances to customers	(6,023)	(3,221)
Change in securities financing	(213)	(2,343)
Change in other assets	36	21
	(6,291)	(5,623)

	2023	2022
	€ m	€ m
Change in operating liabilities⁽²⁾		
Change in deposits by central banks and banks	1,260	(9,852)
Change in customer accounts	2,276	10,045
Change in securities financing	(306)	851
Change in trading portfolio liabilities	135	2
Change in debt securities in issue	(1,000)	(750)
Change in notes in circulation	(6)	(56)
Change in other liabilities	(213)	(237)
	2,146	3

(1) Relates to debt securities classified at origination as MREL.

(2) The impact of foreign exchange translation for each line of the statement of financial position is removed in order to show the underlying cash impact.

47 Related party transactions

Related parties in the Group include the parent company, AIB Group plc, subsidiary undertakings, associated undertakings, joint arrangements, post-employment benefits, Key Management Personnel and connected parties. The Irish Government is also considered a related party by virtue of its significant influence over the Group. The immediate holding company and controlling party is AIB Group plc with its registered office at 10 Molesworth Street, Dublin 2.

(a) Transactions with subsidiary undertakings

AIB Group plc is the ultimate parent company of the Group. Banking transactions between the parent company and its subsidiaries and between subsidiaries are entered into in the normal course of business. These include loans, deposits, provision of derivative contracts, foreign currency contracts and the provision of guarantees on an 'arm's length basis'. Furthermore, pricing arrangements between Allied Irish Banks, p.l.c. and certain Irish subsidiaries, and between certain Irish subsidiaries reflect revised OECD guidelines on transfer pricing, which are the internationally accepted principles in this area, and take account of the functions, risks and assets involved. Details of related party transactions and balances between AIB Group plc and its subsidiaries are set out in note (k) to AIB Group plc Company financial statements. In accordance with IFRS 10 *Consolidated Financial Statements* transactions between the parent company and its subsidiaries and between subsidiaries have been eliminated on consolidation.

(b) Associated undertakings and joint ventures

From time to time, the Group provides certain banking and financial services for associated undertakings. These transactions 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 comparable transactions with other persons and do not involve more than the normal risk of collectability or present other unfavourable features. Details of loans to associates and joint venture are set out in notes 19 and 30 to the consolidated financial statements.

(c) Provision of banking and related services and funding to Group Pension schemes

The Group provides certain banking and financial services including money transmission services for the AIB Group Pension schemes. Such services are provided in the ordinary course of business, on substantially the same terms, including interest rates, as those prevailing at the time for comparable transactions with other persons.

During 2013, the Group established a pension funding partnership, AIB PFP Scottish Limited Partnership ('SLP') in the UK. Following this, a subsidiary of Allied Irish Banks, p.l.c. transferred loans to the SLP for the purpose of ring-fencing the repayments of these loans to fund future deficit payments of the AIB UK Defined Benefit Pension Scheme (note 42).

During 2012, the Group agreed to make certain contributions to the pension scheme which were settled through the transfer to the AIB Group Irish Pension Scheme of interests in a special purpose entity owning loans and advances previously transferred at fair value from the Group. A subsidiary of the Group was appointed as a service provider for the loans and advances transferred in return for a servicing fee at a market rate (note 42).

Notes to the Consolidated Financial Statements continued

47 Related party transactions continued

(d) IAS 24 Related Party Disclosures

The following disclosures are made in accordance with the provisions of IAS 24 *Related Party Disclosures* ('IAS 24'). Under IAS 24, Key Management Personnel ('KMP') are defined as comprising Executive and Non-Executive Directors together with Senior Executive Officers, namely, the members of the Executive Committee. As at 31 December 2023, the Group had 25 KMP (2022: 25 KMP).

(i) Compensation of Key Management Personnel

Details of compensation paid to KMP are provided below. The figures shown include the figures separately reported in respect of Directors' remuneration on page [106](#) to [107](#).

	2023	2022
	€ m	€ m
Short term compensation ⁽¹⁾	7.5	7.1
Post-employment benefits ⁽²⁾	1.0	0.9
Termination benefits	0.4	—
Total compensation of key management personnel	8.9	8.0

(1) Comprises (a) in the case of Executive Directors and Senior Executive Officers: salary and a non-pensionable cash allowance in lieu of company car, medical insurance and other contractual benefits including, where relevant, payment in lieu of notice, and (b) in the case of Non-Executive Directors: Directors' fees and travel and subsistence expenses incurred in the performance of the duties of their office, which are paid by the Group.

(2) Comprises payments to defined benefit or defined contribution pension schemes, in accordance with actuarial advice, to provide post-retirement pensions. The Group's defined benefit pension schemes closed to future accrual with effect from 31 December 2013 and all employee pension benefits have accrued on the basis of defined contributions since that date.

(ii) Transactions with Key Management Personnel

Loans to KMP and their close family members 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 comparable transactions with other persons of similar standing not connected with the Group, and do not involve more than the normal risk of collectability or present other unfavourable features. Loans to Directors and Senior Executive Officers are made on terms available to other employees in the Group generally, in accordance with established policy, within limits set on a case by case basis.

The aggregate amounts outstanding, in respect of all loans, quasi loans and credit transactions between the Group and KMP, as defined above, together with members of their close families and entities controlled by them are shown in the following table:

	2023	2022
	€ m	€ m
Loans outstanding		
At 1 January	1.56	1.51
Loans issued during the year	—	—
Net loan repayments during the year/change of KMP/other	0.41	0.05
At 31 December	1.97	1.56

Total commitments outstanding refers to the total of any undrawn amounts on credit cards and/or overdraft facilities provided to KMP. Total commitments outstanding as at 31 December 2023 were € 0.12 million (2022: € 0.13 million).

Deposit and other credit balances held by KMP and their close family members as at 31 December 2023 amounted to € 2.08 million (2022: € 2.48 million).

47 Related party transactions continued

(e) Companies Act 2014 disclosures

(i) Loans to Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Act disclosures, Director means the Board of Directors and any past Directors who are Directors during the relevant period.

There were 15 Directors in office during the year, 5 of whom availed of credit facilities (2022: 6). Of the Directors who availed of credit facilities, 2 had balances outstanding at 31 December 2023 (2022: 3 of 6).

Details of transactions with Directors for the year ended 31 December 2023 are as follows:

	Balance at 31 December 2022	Amounts advanced during 2023	Amounts repaid during 2023	Balance at 31 December 2023
	€ 000	€ 000	€ 000	€ 000
Tanya Horgan				
Loans	47	—	4	43
Overdraft/credit card*	—	—	—	—
Total	47	—	4	43
Interest charged during the year				3
Maximum debit balance during the year**				47
Colin Hunt				
Loans	642	—	45	597
Overdraft/credit card*	16	—	—	15
Total	658	—	45	612
Interest charged during the year				17
Maximum debit balance during the year**				666

* Amounts advanced and repaid are not shown for overdraft/credit card facilities as these are revolving in nature (i.e. they may be drawn, repaid and redrawn up to their limit over the course of the year).

** The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

Ms Helen Normoyle and Mr Fergal O'Dwyer held overdraft facilities which were not used during the year. Ms Ann O'Brien held a credit card facility with the Group, which had a Nil opening balance, and a maximum debit balance of less than € 500 in the period.

Ms Anik Chaumartin, Mr Donal Galvin, Mr Basil Geoghegan, Ms Sandy Kinney Pritchard, Mr Andy Maguire, Ms Elaine MacLean, Mr Brendan McDonagh, Mr Jim Pettigrew, Mr Jan Sijbrand and Mr Raj Singh had no credit facilities with the Group in 2023.

All facilities are performing to their terms and conditions. An expected credit loss allowance is held for all loans and advances. Accordingly, a total expected credit loss allowance of under € 500 was held on the above facilities at 31 December 2023.

Notes to the Consolidated Financial Statements continued

47 Related party transactions continued

(e) Companies Act 2014 disclosures

(i) Loans to Directors (continued)

Details of transactions with Directors for the year ended 31 December 2022 are as follows:

	Balance at 31 December 2021	Amounts advanced during 2022	Amounts repaid during 2022	Balance at 31 December 2022
	€ 000	€ 000	€ 000	€ 000
Tanya Horgan				
Loans	55	—	8	47
Overdraft/credit card*	—	—	—	—
Total	55	—	8	47
Interest charged during the year				2
Maximum debit balance during the year**				55
Colin Hunt				
Loans	691	—	49	642
Overdraft/credit card*	12	—	—	16
Total	703	—	49	658
Interest charged during the year				8
Maximum debit balance during the year**				714
Carolán Lennon				
Loans	—	—	—	—
Overdraft/credit card*	8	—	—	10
Total	8	—	—	10
Interest charged during the year				—
Maximum debit balance during the year**				16

* Amounts advanced and repaid are not shown for overdraft/credit card facilities as these are revolving in nature (i.e. they may be drawn, repaid and redrawn up to their limit over the course of the year).

** The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

Ms Helen Normoyle and Mr Fergal O'Dwyer held overdraft facilities which were not used during the year. Ms Ann O'Brien held a credit card facility with the Group, which had a Nil opening and closing balance, and a maximum debit balance of less than € 1,000 in the period.

Ms Anik Chaumartin, Mr Donal Galvin, Mr Basil Geoghegan, Ms Sandy Kinney Pritchard, Mr Andy Maguire, Ms Elaine MacLean, Mr Brendan McDonagh, Mr Jim Pettigrew, Mr Jan Sijbrand and Mr Raj Singh had no credit facilities with the Group in 2022.

All facilities are performing to their terms and conditions. An expected credit loss allowance is held for all loans and advances. Accordingly, a total expected credit loss allowance of under € 1,000 was held on the above facilities at 31 December 2022.

47 Related party transactions continued

(e) Companies Act 2014 disclosures continued

(ii) Connected persons

The aggregate of disclosable loans to connected persons of Directors in office during the year are as follows:

	Balance at 31 December 2022	Amounts advanced during 2023	Amounts repaid during 2023	Balance at 31 December 2023
	€ 000	€ 000	€ 000	€ 000
Tanya Horgan (3 persons)				
Loans	440	—	17	423
Overdraft/credit card*	2	—	—	3
Total	442	—	17	426
Interest charged during the year				10
Maximum debit balance during the year**				445
Brendan McDonagh (1 person)				
Loans	—	—	—	—
Overdraft/credit card*	4	—	—	9
Total	4	—	—	9
Interest charged during the year				—
Maximum debit balance during the year**				9
Helen Normoyle (3 persons)				
Loans	48	—	4	44
Overdraft/credit card*	2	—	—	8
Total	50	—	4	52
Interest charged during the year				2
Maximum debit balance during the year**				57
Ann O'Brien (1 person)				
Loans	161	—	88	73
Overdraft/credit card*	—	—	—	—
Total	161	—	88	73
Interest charged during the year				6
Maximum debit balance during the year**				161
Fergal O'Dwyer (3 persons)				
Loans	—	243	219	24
Overdraft/credit card*	1	—	—	1
Total	1	243	219	25
Interest charged during the year				1
Maximum debit balance during the year**				245

* Amounts advanced and repaid are not shown for overdraft/credit card facilities as these are revolving in nature (i.e. they may be drawn, repaid and redrawn up to their limit over the course of the year).

** The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

Notes to the Consolidated Financial Statements continued

47 Related party transactions continued

(e) Companies Act 2014 disclosures continued

(ii) Connected persons continued

	Balance at 31 December 2021	Amounts advanced during 2022	Amounts repaid during 2022	Balance at 31 December 2022
	€ 000	€ 000	€ 000	€ 000
Tanya Horgan (2 persons)				
Loans	346	212	118	440
Overdraft/credit card*	1	—	—	2
Total	347	212	118	442
Interest charged during the year				8
Maximum debit balance during the year**				561
Carolann Lennon (2 persons)				
Loans	—	—	—	—
Overdraft/credit card*	—	—	—	—
Total	—	—	—	—
Interest charged during the year				—
Maximum debit balance during the year**				3
Brendan McDonagh (1 person)				
Loans	—	—	—	—
Overdraft/credit card*	4	—	—	4
Total	4	—	—	4
Interest charged during the year				—
Maximum debit balance during the year**				6
Helen Normoyle (3 persons)				
Loans	52	—	4	48
Overdraft/credit card*	3	—	—	2
Total	55	—	4	50
Interest charged during the year				2
Maximum debit balance during the year**				58
Ann O'Brien (1 person)				
Loans	345	—	185	161
Overdraft/credit card*	—	—	—	—
Total	345	—	185	161
Interest charged during the year				3
Maximum debit balance during the year**				345
Fergal O'Dwyer (2 persons)				
Loans	—	—	—	—
Overdraft/credit card*	1	—	—	1
Total	1	—	—	1
Interest charged during the year				—
Maximum debit balance during the year**				5

* Amounts advanced and repaid are not shown for overdraft/credit card facilities as these are revolving in nature (i.e. they may be drawn, repaid and redrawn up to their limit over the course of the year).

** The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

An expected credit loss allowance is held for all loans and advances. Accordingly, a total expected credit loss allowance of less than € 1,000 was held on the above facilities at 31 December 2023.

(iii) Aggregate balance of loans and guarantees held by Directors and their connected persons

The aggregate balance of loans and guarantees held by Directors and their connected persons as at 31 December 2023 represents c. 0.01 % of the net assets of the Group (2022: c. 0.01%).

47 Related party transactions continued

(f) Summary of relationship with the Irish Government

The Irish Government is recognised as a related party under IAS 24 as it is in a position to exercise significant influence over the Group.

Relationship Framework

In order to comply with contractual commitments imposed on the Group in connection with its recapitalisation by the Irish State and with the requirements of EU state aid applicable in respect of that recapitalisation, a Relationship Framework was entered into between the Minister and the Group in March 2012. This provides the framework under which the relationship between the Minister and the Group is governed. The Relationship Framework was amended and restated on 12 June 2017. Furthermore, the AIB Group plc Relationship Framework was put in place on 8 December 2017 in substitution for the Relationship Framework dated 12 June 2017. Under the relationship framework, the authority and responsibility for strategy and commercial policies (including business plans and budgets) and conducting the Group's day-to-day operations rest with the Board and the Group's management team, however the Group remains subject to certain obligations which require advance consultation with or approval by the State.

These obligations relate to, inter alia:

- The composition of the board;
- Declaration and payment of dividends;
- Restrictions on various types of remuneration;
- Buy-backs or redemptions by the Group of its shares; and
- Material acquisitions/disposals.

The relationship of the Irish Government with the Group is outlined under the following headings:

– Ordinary shares

At 31 December 2023, the State's shareholding in the Company has reduced to 1,067,638,190 ordinary shares (40.77%) following a directed share buyback, the sell down of shares, the placing of shares, and disposals as part of a pre-arranged trading plan. At 31 December 2022, the State held 1,520,799,849 ordinary shares (56.89%).

– Issue of warrants to the Minister for Finance

In 2017, the Group issued warrants to the Minister to subscribe for 271,166,685 ordinary shares. Following the reduction in issued share capital during the year, these warrants now represent 10.35% of the issued share capital. For further details see note 36.

– Guarantee schemes

European Communities (Deposit Guarantee Scheme) Regulations 2015

Eligible deposits (including credit balances in current accounts, demand deposit accounts and term deposit accounts) of up to € 100,000 per depositor per credit institution are covered under this scheme. The scheme is administered by the CBI and is funded by the credit institutions covered by the scheme.

Strategic Banking Corporation of Ireland Scheme

The Group through its participation in the Strategic Banking Corporation of Ireland ('SBCI') Support loan Schemes (the 'Schemes') benefits from a Government guarantee against losses on qualifying finance agreements on amounts advanced under the Schemes. At 31 December 2023, c. € 548 million is outstanding across individual schemes of which the Future Growth Loan Scheme; Brexit/COVID-19 Working Capital Loan Schemes, Growth & Sustainability Loan Schemes, Covid-19 and Ukraine Credit Guarantee Scheme benefit from up to 80% Government guarantee.

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

The Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 was one of various stabilisation measures implemented by the State to support the Irish banking system including the Group. The Group no longer has any guaranteed liabilities under the scheme however, certain of the covenants in the scheme continue to apply to the Group including reporting covenants, until the scheme is terminated by the Minister for Finance.

– NAMA

The Group has provided NAMA with a series of indemnities relating to transferred assets. Any indemnity payment would result in an outflow of economic benefit for the Group.

– Funding support

The Group availed of Targeted Long Term Refinancing Operation III ("TLTRO III") funding from the ECB, through the Central Bank and which was repaid in full in December 2022. See note 4 for further details in relation to the Group's participation in the TLTRO programme.

These facilities, together with other assets and liabilities with Irish Government entity counterparties, are set out below.

– Irish bank levy

The bank levy was calculated based on each financial institution's Deposit Interest Retention Tax ('DIRT') payment in a base year with 2019 being the base year for 2023. The annual levy paid by the Group for 2023 and reflected in operating expenses (note 11) in the income statement amounted to € 37 million (2022: € 37 million). The basis of calculation will change in 2024.

– Other transactions with the Irish Government and entities under its control

In addition to the above matters, the Group also enters into other normal banking transactions with the Irish Government, its agencies and entities under its control. This includes transactions with (i) Government related entities, (ii) local government and commercial semi-state bodies and (iii) financial institutions under Irish Government control/significant influence. Other transactions include the payment of taxes, pay related social insurance, local authority rates, and the payment of regulatory fees, as appropriate.

Notes to the Consolidated Financial Statements continued

47 Related party transactions continued

(f) Summary of relationship with the Irish Government continued

(i) Irish Government and related entities

The following table outlines the amounts outstanding at 31 December 2023 and 2022 with Irish Government and related entities which are considered individually significant (excluding accrued interest). Related entities includes departments of the Irish Government located in the State and embassies, consulates and other institutions of the Irish Government located outside the State. The Post Office Savings Bank ('POSB') and the National Treasury Management Agency ('NTMA') are also included.

	2023	2022
	Balance	Balance
	€ m	€ m
Assets		
Cash and balances at central banks ⁽¹⁾	33,282	32,573
Trading portfolio financial assets	54	—
Investment securities ⁽²⁾	4,356	4,860
Liabilities		
Trading portfolio financial liabilities	134	—
Customer accounts	466	340

(1) Cash and balances at central banks represent the placements which the Group holds with the Central Bank.

(2) Investment securities at 31 December 2023 comprise € 4,356 million (2022: € 4,860 million) in Irish Government securities held in the normal course of business.

The Group has disclosed details of the share buyback and the Irish bank levy separately in these financial statements. All other banking transactions are entered into in the normal course of business.

(ii) Local government⁽¹⁾ and Commercial semi-state bodies⁽²⁾

During 2023 and 2022, the Group entered into banking transactions in the normal course of business with local government bodies and semi-state bodies. These transactions include the granting of loans and the acceptance of deposits, as well as derivative and clearing transactions.

(1) This category includes local authorities, borough corporations, county borough councils, county councils, boards of town commissioners, urban district councils, non-commercial public sector entities, public voluntary hospitals and schools.

(2) Semi-state bodies is the name given to organisations within the public sector operating with some autonomy. They include commercial organisations or companies in which the State is the sole or main shareholder.

(iii) Financial institutions under Irish Government control/significant influence

The Irish Government no longer has significant influence over Bank of Ireland and therefore this financial institution is no longer considered a related party for purposes of this disclosure in 2023. Bank of Ireland was a related party in the comparative period.

The Irish Government has a controlling interest in Permanent tsb plc and controls the Irish Bank Resolution Corporation Limited (In Special Liquidation). Due to the Group's related party relationship with the Irish Government, balances between these financial institutions and the Group are considered related party transactions in accordance with IAS 24. Transactions with these institutions are normal banking transactions entered into in the ordinary course of cash management business under normal business terms. The transactions constitute the short-term placing and acceptance of deposits, derivative transactions, investment debt securities and repurchase agreements.

The following balances were outstanding in total to these financial institutions at 31 December 2023 and 2022:

	2023	2022
	€ m	€ m
Assets		
Loans and advances to banks	—	1
Investment securities	—	35

(g) Indemnities

The Group has indemnified the Directors of Allied Irish Banks Pensions Limited and AIB DC Pensions (Ireland) Limited, the trustees of the Group's Ireland defined benefit pension scheme and defined contribution pension scheme, respectively, against any actions, claims or demands arising out of their actions as Directors of the trustee companies, other than by reason of wilful default.

48 Employees

The following table shows the geographical analysis of average employees for 2023 and 2022:

Average number of staff (Full time equivalents)	2023	2022
Ireland	9,485	8,517
United Kingdom	681	672
United States of America	34	32
Total	10,200	9,221

The following table shows the segmental analysis of average employees for 2023 and 2022:

	2023	2022
Retail Banking	4,516	4,194
Capital Markets	1,143	1,016
AIB UK	614	605
Group ⁽¹⁾	3,927	3,406
Total	10,200	9,221

(1) Group comprises wholesale treasury activities and Group control and support functions. Treasury manages the Group's liquidity and funding positions and provides customer treasury services and economic research. The Group control and support functions in the period included Technology, Operations, Finance, Risk, Legal, Corporate Governance & Customer Care, Human Resources, Sustainability and Corporate Affairs, Enterprise Development and Group Internal Audit.

The average number of employees for 2023 and 2022 set out above excludes employees on career breaks and other unpaid long-term leaves. Actual full time equivalent numbers at 31 December 2023 were 10,551 (2022: 9,590).

49 Regulatory compliance

The Group's policy is that the Group and its regulated subsidiaries must comply at all times with their externally imposed capital ratios.

50 Financial and other information

	2023	2022
	%	%
Operating ratios		
Operating expenses/operating income	45.4	70.8
Other income/operating income	18.7	28.1
Rates of exchange	2023	2022
€/\$*		
Closing	1.1050	1.0666
Average	1.0811	1.0531
€/£*		
Closing	0.8691	0.8869
Average	0.8698	0.8527

*Throughout this report, US dollar is denoted by \$ and Pound sterling is denoted by £.

Currency Information	Assets		Liabilities and equity	
	2023	2022	2023	2022
	€ m	€ m	€ m	€ m
Euro	116,450	108,236	116,560	109,514
Other	19,899	21,516	19,789	20,238
Total	136,349	129,752	136,349	129,752

Notes to the Consolidated Financial Statements continued

51 Dividends

A final dividend for the year ended 31 December 2022 of 6.2 cent per ordinary share, amounting to € 166 million, was approved at the Annual General Meeting on 4 May 2023 and subsequently paid on 12 May 2023. Final dividends are not accounted for until they have been approved at the Annual General Meeting of shareholders.

52 Non-adjusting events after the reporting period

No significant non-adjusting events have taken place since 31 December 2023.

53 Approval of financial Statements

The financial statements were approved by the Board of Directors on 5 March 2024.

AIB Group plc Company Statement of Financial Position

as at 31 December 2023

	Notes	2023 € m	2022 € m
Assets			
Loans and advances to banks – subsidiary	d	9,993	8,022
Investment in subsidiary undertaking	e	13,758	13,385
Prepayments and accrued income		164	98
Total assets		23,915	21,505
Liabilities			
Debt securities in issue	f	8,486	6,520
Subordinated liabilities and other capital instruments	g	1,500	1,500
Accruals and deferred income		158	90
Total liabilities		10,144	8,110
Equity			
Share capital	h	1,637	1,671
Merger reserve	i	6,234	5,646
Reserves		4,775	4,953
Total shareholders' equity		12,646	12,270
Other equity interests	j	1,125	1,125
Total equity		13,771	13,395
Total liabilities and equity		23,915	21,505

The Company recorded a profit after taxation of € 822 million for the year ended 31 December 2023 (2022: profit € 3,491 million).



Jim Pettigrew
Chair



Colin Hunt
Chief Executive Officer



Donal Galvin
Chief Financial Officer



Conor Gouldson
Group Company Secretary

AIB Group plc Company Statement of Changes in Equity

for the financial year ended 31 December 2023

	2023					
	Attributable to equity holders of the parent					Total
	Share capital	Other equity interests	Merger reserve	Revenue reserves	Capital redemption reserves	
	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January 2023	1,671	1,125	5,646	4,928	25	13,395
Total comprehensive income for the year						
Profit after tax	—	—	—	822	—	822
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	822	—	822
Transactions with owners, recorded directly in equity						
Dividends paid on ordinary shares (note 51 to the consolidated financial statements)	—	—	—	(166)	—	(166)
Distributions paid to other equity interests (note 37 to the consolidated financial statements)	—	—	—	(65)	—	(65)
Buyback of ordinary shares	(34)	—	—	(215)	34	(215)
Transfer between merger and revenue reserves (note i)	—	—	588	(588)	—	—
Total contributions by and distribution to owners	(34)	—	588	(1,034)	34	(446)
At 31 December 2023	1,637	1,125	6,234	4,716	59	13,771
	2022					
	Attributable to equity holders of the parent					Total
	Share capital	Other equity interests	Merger reserve	Revenue reserves	Capital redemption	
	€ m	€ m	€ m	€ m		€ m
At 1 January 2022	1,696	1,125	2,364	4,997	—	10,182
Total comprehensive income for the year						
Profit after tax	—	—	—	3,491	—	3,491
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	3,491	—	3,491
Transactions with owners, recorded directly in equity						
Dividends paid on ordinary shares (note 51 to the consolidated financial statements)	—	—	—	(122)	—	(122)
Distributions paid to other equity interests (note 37 to the consolidated financial statements)	—	—	—	(65)	—	(65)
Buyback of ordinary shares	(25)	—	—	(91)	25	(91)
Transfer between merger and revenue reserves (note i)	—	—	3,282	(3,282)	—	—
Total contributions by and distributions to owners	(25)	—	3,282	(3,560)	25	(278)
At 31 December 2022	1,671	1,125	5,646	4,928	25	13,395

AIB Group plc Company Statement of Cash Flows

for the financial year ended 31 December 2023

	2023 € m	2022 € m
Cash flows from operating activities		
Profit before taxation for the year	822	3,491
Adjustments for:		
– Non-cash and other items		
Dividend income	(166)	(142)
Distributions from Additional Tier 1 Securities issued by subsidiary	(67)	(67)
Interest on subordinated liabilities and other capital instruments	38	38
Interest on debt securities ⁽¹⁾	274	146
Change in prepayments and accrued income	(68)	(44)
Change in accruals and deferred income	—	(17)
Reversal of impairment of subsidiary undertaking (note e)	(588)	(3,282)
Other income	—	(3)
	(577)	(3,371)
– Change in operating assets		
Change in loans and advances to banks – subsidiary	(2,050)	(2,385)
Net cash outflow from operating activities	(1,805)	(2,265)
Cash flows from investing activities		
Dividends received from subsidiary	166	142
Buyback of ordinary shares by subsidiary	215	91
Distributions received from Additional Tier 1 Securities issued by subsidiary	67	67
Net cash inflow from investing activities	448	300
Cash flows from financing activities		
Proceeds on issue of debt securities ⁽¹⁾ (note f)	2,431	3,231
Maturity of debt securities	(382)	—
Dividends paid on ordinary shares	(166)	(122)
Buyback of ordinary shares	(215)	(91)
Repurchase of debt securities ⁽¹⁾	—	(844)
Distributions paid to other equity interests	(65)	(65)
Interest paid on debt securities ⁽¹⁾	(204)	(108)
Interest paid on subordinated liabilities and other capital instruments	(38)	(38)
Net cash inflow from financing activities	1,361	1,963
Change in cash and cash equivalents	4	(2)
Opening cash and cash equivalents	3	5
Closing cash and cash equivalents	7	3

(1) Relates to debt securities classified at origination as MREL.

Net cash outflow from operating activities includes interest received of € 253 million (2022: € 151 million) and interest paid of Nil (2022: Nil).

Notes to AIB Group plc Company Financial Statements

Background

AIB Group plc is a company domiciled in Ireland with its registered office address at 10 Molesworth Street, Dublin 2, Ireland. AIB Group plc is registered under the Companies Act 2014 as a public limited company under the company number 594283 and is the holding company of the Group.

a Accounting policies

Where applicable, the accounting policies adopted by AIB Group plc ('the parent company' or 'the Company') are the same as those of the Group as set out in note 1 to the consolidated financial statements.

The parent company financial statements and related notes have been prepared in accordance with International Financial Reporting Standards (collectively 'IFRSs') as adopted by the EU and applicable for the financial year ended 31 December 2023. They also comply with those parts of the Companies Act 2014 and with the European Union (Credit Institutions: Financial Statements) Regulations 2015 applicable to companies reporting under IFRS.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates.

A description of the critical accounting estimate that applies to the Company is set out in note 2 to the consolidated financial statements.

Parent Company Income statement

In accordance with Section 304(2) of the Companies Act 2014, the parent company is availing of the exemption to omit the income statement, statement of comprehensive income and related notes from its financial statements; from presenting them to the Annual General Meeting and from filing them with the Registrar of Companies.

	2023	2022
	€ m	€ m
Amounts payable to subsidiary under Master Service Agreement	9	8
Total operating expenses	9	8

c Auditor's remuneration

The disclosure of auditor's remuneration is in accordance with Section 322 of the Companies Act 2014. This mandates disclosure of remuneration paid/payable to the Group Auditor only, for services relating to the audit of the Group and relevant subsidiary financial statements.

PricewaterhouseCoopers was appointed as the Group auditor for 2023. Deloitte Ireland LLP was the Group auditor for 2022. € 5,000 was paid to the Group Auditor for services relating to the audit of the financial statements of AIB Group plc during the year to 31 December 2023 (2022: Nil). No fees were paid/payable to overseas auditors (2022: Nil).

	2023	2022
	€ m	€ m
d Loans and advances to banks		
At amortised cost		
Funds placed with subsidiary, Allied Irish Banks, p.l.c.	9,996	8,025
ECL allowance	(3)	(3)
Total loans and advances to banks	9,993	8,022

Funds placed with subsidiary, Allied Irish Banks, p.l.c.

During 2023, AIB Group plc as the lender entered into loan agreements as described below with Allied Irish Banks, p.l.c. as the borrower, whereby the obligations were unsecured and subordinated.

- In January 2023, AIB Group plc lent € 750 million to Allied Irish Banks, p.l.c. repayable on 23 July 2029 with an optional redemption date of 23 July 2028 at a fixed interest rate of 4.750% up to the maturity date.
- In September 2023, AIB Group plc lent \$ 1 billion to Allied Irish Banks, p.l.c. repayable on 13 September 2029 with an optional redemption date of 13 September 2028 at a fixed interest rate of 6.733% up to the maturity date.
- In October 2023, AIB Group plc lent € 750 million to Allied Irish Banks, p.l.c. repayable on 23 October 2031 with an optional redemption date of 23 October 2030 at a fixed interest rate of 5.375% up to the maturity date.

	2023	2022
	€ m	€ m
e Investment in subsidiary undertaking		
At 1 January	13,385	10,194
Additions – Additional Tier 1 Securities	—	—
Reversal of impairment of equity shares	588	3,282
Buyback of equity shares	(215)	(91)
At 31 December	13,758	13,385

AIB Group plc ('the Company') holds the entire ordinary share capital of Allied Irish Banks, p.l.c. ('the subsidiary') which it acquired in 2017 (2,714,381,237 ordinary shares of nominal value € 0.625 each) and which had a book value at acquisition of € 12,940 million and has a carrying value at 31 December 2023 of € 12,633 million (2022: € 12,260 million). Separately, the Company invested € 1,125 million in Additional Tier 1 Securities (AT1) issued by Allied Irish Banks, p.l.c. These investments follow the Company's own issuance of AT1 securities as detailed in note j.

Allied Irish Banks, p.l.c. is a financial services company incorporated and registered in Ireland with a registered office at 10 Molesworth Street, Dublin 2. It is the parent company of a number of subsidiaries, both credit institutions and others, all of which are 100% owned apart from Augmentum Limited in which there are non-controlling interests. It operates predominantly in Ireland, providing a comprehensive range of services to retail customers, as well as business and corporate customers. Allied Irish Banks, p.l.c. and its subsidiaries offer a full suite of products for retail customers, including mortgages, personal loans, credit cards, current accounts, insurance, pensions, financial planning, investments, savings and deposits. Its products for business and corporate customers include finance and loans, business current accounts, deposits, foreign exchange and interest rate risk management products, trade finance products, invoice discounting, leasing, credit cards, merchant services, payments and corporate finance.

Allied Irish Banks, p.l.c. together with its principal subsidiaries in Ireland, AIB Mortgage Bank Unlimited Company and EBS d.a.c. are regulated by the Central Bank of Ireland/Single Supervisory Mechanism. Its principal subsidiary outside the Republic of Ireland, AIB Group (UK) p.l.c., is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Impairment of investment in subsidiary

The Company reviews its investment in the subsidiary for impairment at the end of each reporting period if there are indications that impairment may have occurred.

The testing for possible impairment involves comparing the estimated recoverable amount of an investment with its carrying amount. Where the recoverable amount is less than the carrying amount, the difference is recognised as an impairment provision in the Company's financial statements. The recoverable amount is the higher of fair value less costs to sell and value-in-use ('VIU').

The subsidiary's fair value is largely that of the Company since the net assets of the subsidiary are, in effect, the same as those of the Company. Accordingly, AIB Group plc's market capitalisation is a proxy for the fair value of Allied Irish Banks, p.l.c.

At 31 December 2023, the market capitalisation of AIB Group plc was € 10.2 billion. This was lower than the carrying amount of its investment in the subsidiary of € 13,170 million. AIB Group plc tested its investment for impairment and reviewed the recoverable amount as determined by a VIU calculation compared with the carrying amount.

The Company uses a discounted cash flow to equity model to derive a VIU, in line with industry practice. Under this approach, recoverable value is determined by the present value of future distributable items which takes into consideration the requirement to retain earnings in line with relevant target capital ratios and risk-weighted assets. Accordingly, the principal inputs to the model are (a) future profitability; (b) risk-weighted asset levels; (c) the discount rate used; and (d) target capital ratios.

The VIU was determined at € 14,385 million which was higher than the carrying amount (i.e. € 13,170 million) due to the impact of the improvement in the economic environment on the Group's three year plan and accordingly, the Company recognised a reversal of an earlier impairment amounting to € 588 million in 2023 resulting in a carrying value of € 13,758 million. Accordingly, the VIU is higher than the market capitalisation noted above. Amongst the main reasons for this are that the VIU typically considers a longer time frame and there is also limited free-float of the Group's shares. Following the share buyback of € 215 million in April 2023, the carrying value prior to impairment reversal was € 13,170 million.

Basis used to calculate recoverable amount

In determining VIU, the Company used discounted cash flow projections attributable to equity and AT1 holders. These projections were the output arising from the recent three year Strategic Plan (2024 to 2026) approved by the Board. This output from the Plan will be used by the Company on an on-going basis during the three year planning cycle. The Strategic Plan involved significant judgements which were subject to review and validation at a number of levels of governance and is the current best estimate of the expected cash flows over the planning period. For cash flows beyond the planning period, the Company extrapolated into perpetuity the year 3 expected cash flows as a base, using a long term growth rate to derive a terminal value. Risk weighted assets are assumed to grow at the same rate as that for long term profit growth.

Notes to AIB Group plc Company Financial Statements continued

e Investment in subsidiary undertaking continued

Basis used to calculate recoverable amount continued

The Company used the following key assumptions in the VIU calculation:

- Long term profit/risk-weighted asset growth rate after 2026 of 2%;
- Discount rate of 12.1%; and
- Common equity Tier 1 trending to 14.5% (Target >14.0%).

Future profitability and growth rates are dependent on several factors, including the economic environment both local and international, and the impact of regulatory requirements on the banking industry and the continuing developments in the financial services sector. Profitability and growth were reassessed in the annual planning exercise covering the period 2024 to 2026 undertaken by the Group in the second half of 2023. The discount rate to be used in future periods may increase/decrease due to changes to the risk free rate or to the risk premium. Changes to these inputs may increase or decrease the impairment loss allowance/reversal in future periods.

The following sensitivities of the carrying value of the investment in the subsidiary to key input variables reflect the impact of the variables individually and not any interrelationships. It is possible that more than one favourable and/or unfavourable change will occur at the same time:

- If the long term profit/risk-weighted asset growth was assumed to be 100 bps higher (or lower), the carrying value at December 2023 would not increase (or decrease).
- If the discount rate was assumed to be 100 bps lower the carrying value at December 2023 would not increase, however, if the discount rate was assumed to be 100 bps higher it would decrease the carrying value by € 636 million.
- If year 3 expected cash flows that are used as a base to derive the terminal value were increased/decreased by € 100 million, the carrying value would not increase or decrease.

31 December 2022

At 31 December 2022 the market capitalisation of AIB Group plc was € 9.7 billion. The Company recognised an impairment reversal amounting to € 3,282 million, as the VIU calculation for the impairment of equity shares at 31 December 2022 amounted to € 12,260 million, which was higher than the carrying value of € 8,978 million. The VIU calculation was based on the output of the three year Strategic Plan (2023 – 2025), long term profit/risk-weighted asset growth rate after 2025 of 2%, discount rate of 12.5% and Common equity Tier 1 trending to 14.0% (Target > 13.5%).

If the long term profit/risk-weighted asset growth was assumed to be 100 bps higher (or lower) on a standalone basis, the carrying value at December 2022 would increase by € 433 million or decrease by (€ 345 million). If the discount rate was assumed to be 100 bps higher (or lower) on a standalone basis, the carrying value at December 2022 would decrease by € 1,069 million or increase by € 588 million. In addition, if year 3 expected cash flows that are used as a base to derive the terminal value were increased/decreased by € 100 million, the carrying value would increase by c. € 375 million / decrease by c. € 491 million.

	2023	2022
	€ m	€ m
f Debt securities in issue		
Euro Medium Term Note Programme	6,000	4,753
Global Medium Term Note Programme	2,486	1,767
Total debt securities in issue	8,486	6,520

Analysis of movements in debt securities in issue

	2023	2022
	€ m	€ m
At 1 January	6,520	4,044
Issued during the year	2,431	3,231
Repurchased	—	(847)
Matured	(382)	—
Exchange translation adjustments	(83)	92
At 31 December	8,486	6,520

For details of debt securities issued by the Company during 2023, refer to note 31 to the consolidated financial statements.

The instruments issued by AIB Group plc were issued for the purpose of meeting Group MREL requirements.

g Subordinated liabilities and other capital instruments

	2023	2022
	€ m	€ m
Dated loan capital – European Medium Term Note Programme:		
€ 500 million Subordinated Tier 2 Notes due 2029, Callable 2024	500	500
€ 1 billion Subordinated Tier 2 Notes due 2031, Callable 2026	1,000	1,000
Total subordinated liabilities and other capital instruments	1,500	1,500

The dated loan capital above issued under the European Medium Term Note Programme, is subordinated in right of payment to the ordinary creditors, including depositors, of the Group.

For details of subordinated liabilities and other capital instruments issued by the Company during 2023, refer to note 35 to the consolidated financial statements.

h Share capital

The ordinary share capital of AIB Group plc is detailed in note 36 to the consolidated financial statements.

	2023	2022
	€ m	€ m
i Merger reserve		
At 1 January	5,646	2,364
Transfer from revenue reserves	588	3,282
At 31 December	6,234	5,646

Under the Scheme of Arrangement ('the Scheme') approved by the Irish High Court on 6 December 2017 which became effective on 8 December 2017, a new company, AIB Group plc ('the Company'), was introduced as the holding company of AIB Group. The share capital of Allied Irish Banks, p.l.c., other than a single share owned by AIB Group plc, was cancelled and an equal number of new shares were issued by the Company to the shareholders of Allied Irish Banks, p.l.c. The difference between the carrying value of the net assets of Allied Irish Banks, p.l.c. entity on acquisition by the Company and the nominal value of the shares issued on implementation of the Scheme was accounted for as a merger reserve.

In the Company's financial statements, impairment losses which arise from the Company's investment in Allied Irish Banks, p.l.c. will be charged to profit or loss and subsequently transferred to the merger reserve in so far as a credit balance remains in the merger reserve.

In 2023, the Company recognised an impairment reversal amounting to € 588 million (2022: € 3,282 million) which resulted in a transfer from revenue reserves leaving a balance of € 6,234 million (2022: € 5,646 million) in merger reserves.

	2023	2022
	€ m	€ m
j Other equity interests		
Issued by AIB Group plc		
€ 500 million Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities issued 2019	500	500
€ 625 million Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities issued 2020	625	625
Total other equity interests	1,125	1,125

Additional Tier 1 Perpetual Contingent Temporary Write-down Securities

For further details in relation to AT1s issued by the Company, see note 37 to the consolidated financial statements.

Notes to AIB Group plc Company Financial Statements continued

k Related party transactions

Related parties of AIB Group plc include subsidiary undertakings including their associated undertakings, joint venture, post-employment benefit schemes, Key Management Personnel and connected parties. The Irish Government is also considered a related party by virtue of its significant influence over AIB Group plc.

Under a Master Service Agreement, Allied Irish Banks, p.l.c. provides various services which include accounting, taxation and administrative services to AIB Group plc (note b).

Amounts included in AIB Group plc company's income statement in relation to transactions with its immediate subsidiary, Allied Irish Banks, p.l.c. are as follows:

	Notes	2023 € m	2022 € m
Interest income		323	192
Operating expenses	b	9	8
Ordinary dividend		166	142
Distributions received from Additional Tier 1 Securities		67	67

Amounts included in AIB Group plc company's statement of financial position in relation to balances with its immediate subsidiary, Allied Irish Banks, p.l.c. are as follows:

	Notes	2023 € m	2022 € m
Investment in subsidiary undertaking	e	13,758	13,385
Loans and advances to banks	d	9,993	8,022
Prepayments and accrued income		164	98

l Credit risk information

The following table sets out the maximum exposure to credit risk for financial assets all of which are carried at amortised cost⁽¹⁾ at 31 December 2023 and 2022:

	2023 Total € m	2022 Total € m
Maximum exposure to credit risk		
Loans and advances to banks	9,993	8,022
Included elsewhere:		
Accrued interest	164	98
Total	10,157	8,120

(1) All amortised cost items are loans and advances which are in a 'held to collect' business model.

m Liquidity and funding risk

Financial assets and financial liabilities by contractual residual maturity

The following table analyses financial assets and financial liabilities by contractual residual maturity at 31 December 2023 and 2022:

	2023					2023
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial assets						
Loans and advances to banks ⁽¹⁾	7	—	750	4,584	4,655	9,996
Other financial assets	—	164	—	—	—	164
	7	164	750	4,584	4,655	10,160
Financial liabilities						
Debt securities in issue ⁽²⁾	—	—	750	4,584	3,155	8,489
Subordinated liabilities and other capital instruments	—	—	—	—	1,500	1,500
Other financial liabilities	158	—	—	—	—	158
	158	—	750	4,584	4,655	10,147
2022						
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial assets						
Loans and advances to banks ⁽¹⁾	3	253	128	4,391	3,250	8,025
Other financial assets	—	98	—	—	—	98
	3	351	128	4,391	3,250	8,123
Financial liabilities						
Debt securities in issue ⁽²⁾	—	253	128	4,391	1,750	6,522
Subordinated liabilities and other capital instruments	—	—	—	—	1,500	1,500
Other financial liabilities	90	—	—	—	—	90
	90	253	128	4,391	3,250	8,112

(1) Shown gross of expected credit losses.

(2) Shown gross of transaction costs.

General information

EU Taxonomy Disclosure Tables	325
Shareholder Information	329
Forward Looking Statement	330
Glossary of Terms	331
Principal Addresses	337
Index	338

EU Taxonomy Disclosure Tables

1. Assets for calculation of GAR (Revenue & CapEx)

Assets for the calculation of GAR (revenue) (€m)

Assets for the calculation of GAR (capex) (€m)

Key		Assets for the calculation of GAR (revenue) (€m)								Assets for the calculation of GAR (capex) (€m)														
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)										
		Total [gross] carrying amount	Of which transitional	Of which enabling	Of which environmentally sustainable (Taxonomy-aligned)	Of which transitional	Of which enabling	Of which environmentally sustainable (Taxonomy-aligned)	Of which transitional	Of which enabling	Of which environmentally sustainable (Taxonomy-aligned)	Of which transitional	Of which enabling	Of which environmentally sustainable (Taxonomy-aligned)	Of which transitional	Of which enabling	Of which environmentally sustainable (Taxonomy-aligned)							
Of which use of proceeds																								
	GAR – Covered assets in both numerator and denominator																							
	1 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	58,943	36,822	5,487	5,487								36,822	5,487	5,487									
	2 Financial undertakings	17,990																						
	3 Credit institutions	12,623																						
	4 Loans and advances	5,937																						
	5 Debt securities, including UoP	6,686																						
	6 Equity instruments																							
	7 Other financial corporations	5,367																						
	8 of which investment firms	215																						
	9 Loans and advances	189																						
	10 Debt securities, including UoP	26																						
	11 Equity instruments																							
	12 of which management companies	15																						
	13 Loans and advances	15																						
	14 Debt securities, including UoP																							
	15 Equity instruments																							
	16 of which insurance undertakings	30																						
	17 Loans and advances	30																						
	18 Debt securities, including UoP																							
	19 Equity instruments																							
	20 Non-financial undertakings [Subject to NFRD]	900	62										166											
	21 Loans and advances	900	62										166											
	22 Debt securities, including UoP																							
	23 Equity instruments																							
	24 Households	40,028	36,760	5,487	5,487								36,760	5,487	5,487									
	25 of which loans collateralised by residential immovable property	33,992	33,947	5,487	5,487								33,947	5,487	5,487									
	26 of which building renovation loans																							
	27 of which motor vehicle loans	711	711										711											
	28 Local governments financing	22																						
	29 Housing financing																							
	30 Other local government financing	22																						
	31 Collateral obtained by taking possession: residential and commercial immovable properties	2																						
	32 Assets excluded from the numerator for GAR calculation (covered in the denominator)	33,466																						
	33 Financial and Non-financial undertakings: (NFCs less NFRD)	25,811																						
	34 SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	16,540																						
	35 Loans and advances	15,956																						
	36 of which loans collateralised by commercial	5,620																						
	37 of which building renovation loans																							
	38 Debt securities	569																						
	39 Equity instruments	15																						
	40 Non-EU country counterparties not subject	9,271																						
	41 Loans and advances	9,072																						
	42 Debt securities	198																						
	43 Equity instruments																							
	44 Derivatives	1,920																						
	45 On demand interbank loans	328																						
	46 Cash and cash-related assets	598																						
	47 Other categories of assets (e.g. Goodwill, commodities etc.)	4,809																						
	48 Total GAR assets	92,409	36,822	5,487	5,487								36,822	5,487	5,487									
	49 Assets not covered for GAR calculation	45,451																						
	50 Central governments and Supranational	7,199																						
	51 Central banks exposure	37,701																						
	52 Trading book	550																						
	53 Total assets	137,860	36,822	5,487	5,487								36,822	5,487	5,487									
	Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																							
	54 Financial guarantees	858																						
	55 Assets under management	6,969																						
	56 Of which debt securities	2,029																						
	57 Of which equity instruments	2,950																						

Notes:

- As at 31 December 2023 no taxonomy eligible or aligned exposure has been identified for the other four environmental objectives (water and marine resources, circular economy, pollution, biodiversity and ecosystems), and as such columns for these environmental objectives have not been included in the template.
- Due to rounding, numbers presented in this template may not add up precisely to the totals provided.

EU Taxonomy Disclosure Tables continued

5. KPI off-balance sheet exposures (stock) (%)

	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
1 Financial guarantees (FinGuar KPI)	—	—	—	—	—	—	—	—	—	—
2 Assets under management (AuM KPI)	—	—	—	—	—	—	—	—	—	—

Notes:

- As at 31 December 2023 no taxonomy eligible or aligned exposure has been identified within financial guarantees or assets under management, as such the flow template for off-balance sheet exposures has not been disclosed.

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES

Notes:

- AIB does not lend to nuclear energy related activities in accordance with the Group exclusion policy and as such there is no exposure to activities outlined under sections 4.26, 4.27 and 4.28 of Annexes I and II to Delegated Regulation 2021/2139.
- As at 31 December 2023 no lending to activities outlined under sections 4.29, 4.30 and 4.31 of Annexes I and II to Delegated Regulation 2021/2139 is contained within the Taxonomy eligible or Taxonomy aligned assets as such templates 2-5 have not been disclosed.

Shareholder Information

Internet-based Shareholder Services

Ordinary Shareholders with access to the internet may:

- register for electronic communications on the following link, www.computershare.com/register/ie;
- view any outstanding payments, change your address and view your shareholding by signing into Investor Centre on www.computershare.com/ie/InvestorCentre. You will need your unique user ID and password which you created during registration, or register at www.computershare.com/ie/investor/register to become an Investor Centre member. To register you will be required to enter the name of the company in which you hold shares, your Shareholder Reference Number ("SRN"), your family or company name and security code (provided on screen); and
- download standard forms required to initiate changes in details held by the Registrar on the Investor Centre accessed above or via the Investor Relations section of AIB's website at www.aib.ie/investorrelations, clicking on the Shareholder Information and Personal Shareholder Information option, and following the on-screen instructions.

Shareholders may also use AIB's website to access the Company's Annual Financial Report.

Stock Exchange Listings

AIB Group plc is an Irish registered company. Its ordinary shares are traded on the primary listing segment of the official list of Euronext Dublin and the premium listing segment of the Official List of the London Stock Exchange.

Registrar & Shareholder Enquiries

The Company's Registrar for shareholder enquiries is:

Computershare Investor Services (Ireland) Ltd., 3100 Lake Dr, Citywest Business Campus, Dublin 24, D24 AK82
Telephone: +353-1-247 5411.
Facsimile: +353-1-216 3151
Website: www.computershare.com or www.investorcentre.com/ie/contactus

Major shareholdings

The issued share capital of the AIB Group plc is 2,618,753,655 ordinary shares of € 0.625 each.

As of 29 February 2024, the Minister for Finance of Ireland holds 1,067,638,190 ordinary shares representing 40.77% of the total voting rights attached to issued share capital.

Financial calendar

Annual General Meeting: 2 May 2024, at 10 Molesworth Street, Dublin 2.

Interim results

The unaudited Half-Yearly Financial Report 2024 will be announced on 2 August 2024 and will be available on the Company's website – www.aib.ie.

Forward Looking Statement

This document contains certain forward looking statements with respect to the financial condition, results of operations and business of AIB Group and certain of the plans and objectives of the Group. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'may', 'could', 'will', 'seek', 'continue', 'should', 'assume', or other words of similar meaning. Examples of forward looking statements include, among others, statements regarding the Group's future financial position, capital structure, Government shareholding in the Group, income growth, loan losses, business strategy, projected costs, capital ratios, estimates of capital expenditures, and

plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward looking information. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements. These are set out in the Principal risks on pages [27](#) to [30](#) in the 2023 Annual Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by the Group's ability along with governments and other stakeholders to measure, manage

and mitigate the impacts of climate change effectively, the impact of higher inflation on customer sentiment and by Irish, UK and wider European and global economic and financial market considerations. Future performance will further be impacted by the direct and indirect consequences of the Russia-Ukraine War on European and global macroeconomic conditions. Any forward looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the list of important factors on pages [27](#) to [30](#) of the 2023 Annual Financial Report is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward looking statement.

Glossary of Terms

Additional Tier 1 Capital	Additional Tier 1 Capital ("AT1") are securities issued by AIB and included in its capital base as fully CRD IV compliant additional tier 1 capital on a fully loaded basis.
Arrears	Arrears relates to interest or principal on a loan which was due for payment, but where payment has not been received. Customers are said to be in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue.
Bank Recovery and Resolution Directive	The Bank Recovery and Resolution Directive ("BRRD") is a European legislative package issued by the European Commission and adopted by EU Member States. The BRRD introduces a common EU framework for how authorities should intervene to address banks which are failing or are likely to fail. The framework includes early intervention and measures designed to prevent failure and in the event of bank failure for authorities to ensure an orderly resolution.
Banking book	A regulatory classification to support the regulatory capital treatment that applies to all exposures which are not in the trading book. Banking book positions tend to be structural in nature and, typically, arise as a consequence of the size and composition of a bank's balance sheet. Examples include the need to manage the interest rate risk on fixed rate mortgages or rate insensitive current account balances. The banking book portfolio will also include all transactions/positions which are accounted for on an interest accruals basis or, in the case of financial instruments, on a hold to collect and sell basis.
Basel III	Basel III is a global, voluntary regulatory framework on bank capital adequacy, stress testing and market liquidity risk.
Basel IV	Basel IV represents the next generation of risk-weighted assets regulations, addressing critical aspects of banking stability and risk management in the post-crisis era.
Basis point	One hundredth of a per cent (0.01%), so 100 basis points is 1%. Used in quoting movements in interest rates or yields on securities.
Basis risk	A type of market risk that refers to the possibility that the change in the price of an instrument (e.g. asset, liability, derivative) may not match the change in price of the associated hedge, resulting in losses arising in the Group's portfolio of financial instruments.
Buy-to-let mortgage	A residential mortgage loan approved for the purpose of purchasing a residential investment property.
Capital Requirements Directive	Capital Requirements Directive ("CRD"): Capital adequacy legislation implemented by the European Union and adopted by Member States designed to ensure the financial soundness of credit institutions and certain investment firms and give effect in the EU to the Basel II proposals which came into force on 20 July 2006.
Capital Requirements Directive IV	Capital Requirements Directive IV ("CRD IV"), which came into force on 1 January 2014, comprises a Capital Requirements Directive and a Capital Requirements Regulation which implements the Basel III capital proposals together with transitional arrangements for some of its requirements. The Regulation contains the detailed prudential requirements for credit institutions and investment firms. Requirements Regulation (No. 575/2013) ("CRR") and the Capital Requirements Directive (2013/36/EU).
Collateralised bond obligation/ collateralised debt obligation	A collateralised bond obligation ("CBO")/collateralised debt obligation ("CDO") is an investment vehicle (generally an SPE) which allows third party investors to make debt and/or equity investments in a vehicle containing a portfolio of loans and bonds with certain common features. In the case of synthetic CBOs/CDOs, the risk is backed by credit derivatives instead of the sale of assets (cash CBOs/CDOs).
Commercial paper	Commercial paper is similar to a deposit and is a relatively low-risk, short term, unsecured promissory note traded on money markets and issued by companies or other entities to finance their short-term expenses. In the USA, commercial paper matures within 270 days maximum, while in Europe, it may have a maturity period of up to 365 days; although maturity is commonly 30 days in the USA and 90 days in Europe.
Commercial property	Commercial property lending focuses primarily on the following property segments: a) Apartment complexes; b) Office projects; c) Retail projects; d) Hotels; and e) Selective mixed-use projects and special purpose properties.
Common equity tier 1 capital ("CET 1")	The highest quality form of regulatory capital under Basel III that comprises ordinary shares issued and related share premium, retained earnings and other reserves excluding cash flow hedging reserves, and deducting specified regulatory adjustments.
Common equity tier 1 ratio	Common equity tier 1 ratio – A measurement of a bank's common equity tier 1 capital expressed as a percentage of its total risk weighted assets.

Glossary of Terms continued

Concentration risk	Concentration risk is the risk of loss from lack of diversification, investing too heavily in one industry, one geographic area or one type of security.
Contractual maturity	The period when a scheduled payment is due and payable in accordance with the terms of a financial instrument.
Contractual residual maturity	The time remaining until the expiration or repayment of a financial instrument in accordance with its contractual terms.
Credit default swaps	An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event, such as a default, occurs, at which time a payment is made and the swap terminates. Credit default swaps are typically used by the purchaser to provide credit protection in the event of default by a counterparty.
Credit derivatives	Financial instruments where credit risk connected with loans, bonds or other risk weighted assets or market risk positions is transferred to counterparties providing credit protection. The credit risk might be inherent in a financial asset such as a loan or might be a generic credit risk such as the bankruptcy risk of an entity.
Credit impaired	Under IFRS 9, these include Stage 3 financial assets where there is objective evidence of impairment and, therefore, considered to be in default. A lifetime ECL is recognised for such assets. Also credit impaired are POCI financial assets which are credit-impaired on initial recognition.
Credit rating	An evaluation of the creditworthiness of an entity seeking to enter into a credit agreement.
Credit risk	The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.
Credit risk mitigation	Techniques used by lenders to reduce the credit risk associated with an exposure by the application of credit risk mitigants. Examples include: collateral; guarantee; and credit protection.
Credit spread	Credit spread can be defined as the difference in yield between a given security and a comparable benchmark government security, or the difference in value of two securities with comparable maturity and yield but different credit qualities. It gives an indication of the issuer's or borrower's credit quality.
Credit support annex	Credit support annex ("CSA") provides credit protection by setting out the rules governing the mutual posting of collateral. CSAs are used in documenting collateral arrangements between two parties that trade over-the-counter derivative securities. The trade is documented under a standard contract called a master agreement, developed by the International Swaps and Derivatives Association ("ISDA"). The two parties must sign the ISDA master agreement and execute a credit support annex before they trade derivatives with each other.
Credit valuation adjustment	Credit valuation adjustment ("CVA") is an adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of derivative counterparties.
Criticised	Accounts of lower quality and considered as less than satisfactory are referred to as criticised and include criticised watch and criticised recovery below:
Customer accounts	A liability of the Group where the counterparty to the financial contract is typically a personal customer, a corporation (other than a financial institution) or the government. This caption includes various types of deposits and credit current accounts, all of which are unsecured.
Debt restructuring	This is the process whereby customers in arrears, facing cash flow or financial distress, renegotiate the terms of their loan agreements in order to improve the likelihood of repayment. Restructuring may involve altering the terms of a loan agreement including a partial write down of the balance. In certain circumstances, the loan balance may be swapped for an equity stake in the counterparty.
Debt securities	Assets on the Group's balance sheet representing certificates of indebtedness of credit institutions, public bodies and other undertakings.
Debt securities in issue	Liabilities of the Group which are represented by transferable certificates of indebtedness of the Group to the bearer of the certificates.

Default	When a customer breaches a term and/or condition of a loan agreement, a loan is deemed to be in default for case management purposes. Depending on the materiality of the default, if left unmanaged it can lead to loan impairment. Default is also used in a CRD IV context when a loan is greater than 90 days past due and/or the borrower is unlikely to pay his credit obligations. This may require additional capital to be set aside.
Derecognition	The removal of a previously recognised financial asset or financial liability from the Group's statement of financial position.
ECB refinancing rate	The main refinancing rate or minimum bid rate is the interest rate which banks have to pay when they borrow from the ECB under its main refinancing operations.
ECLs	Expected credit loss ("ECLs") – The weighted average of credit losses (of a loan, lease or other financial asset) based on changes in the expected credit loss either over a 12-month period or its lifetime.
Eurozone	The eurozone consists of the following nineteen European Union countries that have adopted the euro as their common currency: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.
Exposure at default	The expected or actual amount of exposure to the borrower at the time of default.
Exposure value	For on balance sheet exposures, it is the amount outstanding less provisions and collateral held taking into account relevant netting agreements. For off-balance sheet exposures, including commitments and guarantees, it is the amount outstanding less provisions and collateral held taking into account relevant netting agreements and credit conversion factors.
Forbearance	Forbearance is the term used when repayment terms of a loan contract have been renegotiated in order to make these terms more manageable for borrowers. Standard forbearance techniques have the common characteristic of rescheduling principal or interest repayments, rather than reducing them. Standard forbearance techniques employed by the Group include: – interest only; a reduction in the payment amount; a temporary deferral of payment (a moratorium); extending the term of the mortgage; and capitalising arrears amounts and related interest.
Funding value adjustment	Funding value adjustment ("FVA") is an adjustment to the valuation of OTC derivative contracts due to a bank's funding rate exceeding the risk-free rate.
GDP	Gross Domestic Product ("GDP") is a monetary measure of the value of all final goods and services produced in a period of time (quarterly or yearly). GDP estimates are commonly used to determine the economic performance and standard of living of a whole country or region, and to make international comparisons.
Guarantee	An undertaking by the Group/other party to pay a creditor should a debtor fail to do so.
Home loan	A loan secured by a mortgage on the primary residence or second home of a borrower.
Interest rate risk in the banking book (IRRBB)	The current or prospective risk to both the earnings and capital of the Group as a result of adverse movements in interest rates that affect the banking book positions.
Internal Capital Adequacy Assessment Process	Internal Capital Adequacy Assessment Process ("ICAAP"): The Group's own assessment, through an examination of its risk profile from regulatory and economic capital perspectives, of the levels of capital that it needs to hold.
Internal liquidity adequacy assessment process	The Internal Liquidity Adequacy Assessment Processes ("ILAAP") is a key element of the risk management framework for credit institutions. ILAAP is defined in the EBA's SREP Guidelines as "the processes for the identification, measurement, management and monitoring of liquidity implemented by the institution pursuant to Article 86 of Directive 2013/36/EU". It thus contains all the qualitative and quantitative information necessary to underpin the risk appetite, including the description of the systems, processes and methodology to measure and manage liquidity and funding risks.
Internal Ratings Based Approach	The Internal Ratings Based Approach ("IRBA") allows banks, subject to regulatory approval, to use their own estimates of certain risk components to derive regulatory capital requirements for credit risk across different asset classes. The relevant risk components are: Probability of Default ("PD"); Loss Given Default ("LGD"); and Exposure at Default ("EAD").
ISDA Master Agreements	Standardised contracts, developed by the International Swaps and Derivatives Association ("ISDA"), used as an umbrella under which bilateral derivatives contracts are entered into.

Glossary of Terms continued

Leverage ratio	To prevent an excessive build-up of leverage on institutions' balance sheets, Basel III introduces a non-risk-based leverage ratio to supplement the risk-based capital framework of Basel II. It is defined as the ratio of tier 1 capital to total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives, and should generally follow the accounting measure of exposure.
Liquidity Coverage Ratio	Liquidity Coverage Ratio ("LCR"): The ratio of the stock of high quality liquid assets to expected net cash outflows over the next 30 days under a stress scenario. CRD IV requires that this ratio exceeds 100% on 1 January 2018.
Liquidity risk	The risk that Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.
Loan to deposit ratio	This is the ratio of loans and advances expressed as a percentage of customer accounts, as presented in the statement of financial position.
Loan to value	Loan to value ("LTV") is an arithmetic calculation that expresses the amount of the loan as a percentage of the value of security/collateral. A high LTV indicates that there is less of a cushion to protect the lender against collateral price decreases or increases in the loan carrying amount if repayments are not made and interest is capitalised onto the outstanding loan balance.
Loans past due	When a borrower fails to make a contractually due payment, a loan is deemed to be past due. 'Past due days' is a term used to describe the cumulative number of days that a missed payment is overdue. Past due days commence from the close of business on the day on which a payment is due but not received. In the case of overdrafts, past due days are counted once a borrower: <ul style="list-style-type: none"> • has breached an advised limit; • has been advised of a limit lower than the then current amount outstanding; or • has drawn credit without authorisation. When a borrower is past due, the entire exposure is reported as past due, rather than the amount of any excess or arrears.
Loss Given Default	Loss Given Default ("LGD") is the expected or actual loss in the event of default, expressed as a percentage of 'exposure at default'.
Medium term notes	Medium term notes ("MTNs") are notes issued by the Group across a range of maturities under the European Medium Term Notes ("EMTN") and the Global Medium Term Notes ("GMTN") programmes.
Minimum requirements for own funds and eligible liabilities (MREL)	A European Union wide requirement under the Bank Recovery and Resolution Directive for all European banks and investment banks to hold a minimum level of equity and/or loss absorbing eligible liabilities to ensure the operation of the bail-in tool to absorb losses and recapitalise an institution in resolution.
National Asset Management Agency	National Asset Management Agency ("NAMA") was established in 2009 as one of a number of initiatives taken by the Irish Government to address the serious problems which arose in Ireland's banking sector as the result of excessive property lending.
Net interest income	The amount of interest received or receivable on assets net of interest paid or payable on liabilities.
Net interest margin	Net interest margin ("NIM") is a measure of the difference between the interest income generated on average interest earning financial assets (lendings) and the amount of interest paid on average interest bearing financial liabilities (borrowings) relative to the amount of interest-earning assets.
Net Stable Funding Ratio	Net Stable Funding Ratio ("NSFR"): The ratio of available stable funding to required stable funding over a 1 year time horizon.
New transaction lendings	New transaction lending is defined as incremental increase in drawn balances against facilities granted for a specific period of time whereby the borrower can draw down or repay amounts as required to manage cash flow. It includes revolving credit facilities, overdrafts and invoice discounting facilities.
Non-performing exposures	Non-performing exposures are defined by the European Banking Authority to include material exposures which are more than 90 days past due (regardless of whether they are credit impaired) and/or exposures in respect of which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days the exposure is past due.
Off-balance sheet items	Off-balance sheet items include undrawn commitments to lend, guarantees, letters of credit, acceptances and other items as listed in Annex I of the CRR.

Offsetting	Offsetting, or 'netting', is the presentation of the net amounts of financial assets and financial liabilities in the statement of financial position as a result of Group's rights of set-off.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, but excludes strategic and business risk. In essence, operational risk is a broad canvas of individual risk types which include product and change risk, outsourcing, information security, cyber, business continuity, health and safety risks, people risk and legal risk.
Private equity investments	Equity securities in operating companies not quoted on a public exchange, often involving the investment of capital in private companies.
Probability of Default	Probability of Default ("PD") is the likelihood that a borrower will default on an obligation to repay.
Regulatory capital	Regulatory capital is determined in accordance with rules established by the SSM/ECB for the consolidated Group and by local regulators for individual Group companies.
Re-pricing risk	Re-pricing risk is a form of interest rate risk (i.e. a type of market risk) that occurs when asset and liability positions are mismatched in terms of re-pricing (as opposed to final contractual) maturity. Where these interest rate gaps are left unhedged, it can result in losses arising in the Group's portfolio of financial instruments.
Repurchase agreement	Repurchase agreement ("Repo") is a short-term funding agreement that allows a borrower to create a collateralised loan by selling a financial asset to a lender. As part of the agreement, the borrower commits to repurchase the security at a date in the future repaying the proceeds of the loan. For the counterparty to the transaction, it is termed a reverse repurchase agreement or a reverse repo.
Residential mortgage-backed securities	Residential mortgage-backed securities ("RMBS") are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.
Risk weighted assets	Risk weighted assets ("RWAs") are a measure of assets (including off-balance sheet items converted into asset equivalents e.g. credit lines) which are weighted in accordance with prescribed rules and formulas as defined in the Basel Accord to reflect the risks inherent in those assets.
Securities financing transactions	Securities financing transactions allow investors and firms to use assets, such as the shares or bonds they own, to secure funding for their activities.
Securitisation	Securitisation is the process of aggregation and repackaging of non-tradable financial instruments such as loans and advances, or company cash flows into securities that can be issued and traded in the capital markets.
Single Resolution Fund	The Single Resolution Fund (SRF) is an emergency fund that can be called upon in times of crisis.
Single Supervisory Mechanism	The Single Supervisory Mechanism ("SSM") is a system of financial supervision comprising the European Central Bank ("ECB") and the national competent authorities of participating EU countries. The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe.
Special purpose entity	Special purpose entity ("SPE") is a legal entity which can be a limited company or a limited partnership created to fulfil narrow or specific objectives. A company will transfer assets to the SPE for management or use by the SPE to finance a large project thereby achieving a narrow set of goals without putting the entire firm at risk. This term is used interchangeably with SPV (special purpose vehicle).

Glossary of Terms continued

Stage allocation:	Under IFRS 9, loans and advances to customers, other than POCIs are classified into one of three stages:
Stage 1	Includes newly originated loans and loans that have not had a significant increase in credit risk since initial recognition.
Stage 2	Includes loans that have had a significant increase in credit risk since initial recognition but do not have objective evidence of being credit impaired.
Stage 3	Includes loans that are defaulted or are otherwise considered to be credit impaired.
POCI	POCIs are assets originated credit impaired and that have a discount to the contractual value when measured at fair value.
Stress testing	Stress testing is a technique used to evaluate the potential effects on an institution's financial condition of an exceptional but plausible event and/or movement in a set of financial variables.
Structured securities	This involves non-standard lending arrangements through the structuring of assets or debt issues in accordance with customer and/or market requirements. The requirements may be concerned with funding, liquidity, risk transfer or other needs that cannot be met by an existing off the shelf product or instrument. To meet this requirement, existing products and techniques must be engineered into a tailor-made product or process.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
Syndicated and international lending	Syndicated and international lending involves lending to entities by leveraging off their equity structures having considered the cash generating capacity of the business and its capacity to repay any associated debt. Leveraging structures are typically used in management and private equity buy-outs, mergers and acquisitions. Syndicated and international lending is extended typically to non-investment grade borrowers and carries commensurate rates of return.
Tier 1 capital	A measure of a bank's financial strength defined by the Basel Accord. It captures common equity tier 1 capital and other instruments in issue that meet the criteria for inclusion as additional tier 1 capital. These are subject to certain regulatory deductions.
Tier 2 capital	Broadly includes qualifying subordinated debt and other tier 2 securities in issue. It is subject to adjustments relating to the excess of expected loss on the IRBA portfolios over the accounting expected credit losses on the IRBA portfolios, securitisation positions and material holdings in financial companies.
Tracker mortgage	A mortgage with a variable interest rate which tracks the European Central Bank ("ECB") rate, at an agreed margin above the ECB rate and will increase or decrease within five days of an ECB rate movement.
Trade date and settlement date accounting	<ol style="list-style-type: none"> 1. Trade date accounting records the transaction on the date on which an agreement has been entered (the trade date), instead of on the date the transaction has been finalised (the settlement date). 2. Under the settlement date accounting approach, the asset is recognised on the date on which it is received by the Group, on disposal, the asset is not derecognised until the asset is delivered to the buyer.
Value at Risk	The Group's core risk measurement methodology is based on an historical simulation application of the industry standard Value at Risk ("VaR") technique. The methodology incorporates the portfolio diversification effect within each standard risk factor (interest rate, credit spread, foreign exchange, equity, as applicable). The resulting VaR figures, calculated at the close of business each day, are an estimate of the probable maximum loss in fair value over a one day holding period that would arise from an adverse movement in market rates. This VaR metric is derived from an observation of historical prices over a period of one year and assessed at a 95% statistical confidence level (i.e. the VaR metric may be exceeded at least 5% of the time).
Wholesale funding	Wholesale funding refers to funds raised from wholesale market sources. Examples of wholesale funding include senior unsecured bonds, covered bonds, securitisations, repurchase transactions, interbank deposits and deposits raised from non-bank financial institutions.
Yield curve risk	A type of market risk that refers to the possibility that an interest rate yield curve changes its shape unexpectedly (e.g. flattening, steepening, non-parallel shift), resulting in losses arising in the Group's portfolio of interest rate instruments.

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All numbers are listed with international codes. To dial a location from within the same jurisdiction, drop the country code after the + sign and place a 0 before the area code.

Index

	Page
A	
Accounting policies	217
Annual General Meeting	329
Approval of financial statements	314
Associated undertakings	305
Auditor's remuneration	245
Average balance sheets and interest rates	35
B	
Board Audit Committee	85
Board Committees	77
Board and Executive Officers	76
Business model risk	189
C	
Capital adequacy risk	192
Capital	49
Capital reserves	284
Capital redemption reserves	284
Chairman's statement	8
Chief Executive's review	10
Commitments	288
Company secretary	77
Conduct risk and culture risk	190
Contingent liabilities and commitments	288
Capital contributions	284
Corporate Governance report	66
Credit impairment – income statement	245
Credit ratings	127 and 174
Credit risk	126
Critical accounting judgements and estimates	235
Currency information	313
Customer accounts	275
D	
Debt securities in issue	276
Deferred taxation	268
Deposits by central banks and banks	275
Derivative financial instruments	248
Directors	70
Directors' interests	115
Directors' remuneration	106
Dividends	314

	Page
E	
Earnings per share	282
ECL	130
ECL allowance on financial assets	261
Employees	313
Exchange rates	313
Equity risk	188
F	
Fair value of financial instruments	296
Finance leases and hire purchase contracts	260
Financial and other information	313
Financial assets and financial liabilities by contractual residual maturity	181
Financial calendar	329
Financial liabilities by undiscounted contractual maturity	182
Financial statements	210
Forbearance	175
G	
Gain on financial assets	243
Glossary	331
Going concern	219
Governance and oversight	66
I	
Income statement	210
Independent auditor's report	200
Intangible assets	264
Interest and similar income	242
Interest and similar expense	242
Interest rate risk in the banking book	184
Interest rate sensitivity	186
Internal Audit	88
Investment securities	262
Investments in Group undertakings	290
Irish Government	311
Investments accounted for using the equity method	263

	Page		Page
L		R	
Liquidity risk	177	Regulatory capital and capital ratios	49
Loans and advances to banks	259	Regulatory compliance	313
Loans and advances to customers	260	Regulatory compliance risk	191
Lease liabilities	277	Related party transactions	305
Liquidity and funding risk	177	Report of the Directors	114
		Retirement benefits	270
M		Risk appetite	26
Market risk	184	Risk framework	26
Model risk	193	Risk governance structure	122
		Risk identification and assessment process	123
N		Risk management	122
Net fee and commission income	243	Risk management and internal controls	111
Net trading income	243		
Nomination and Corporate Governance Committee	93	S	
Non-adjusting events after the reporting period	314	Schedule to the Directors' report	117
Notes to the financial statements	216	Segmental information	238
		Securities financing	261
O		Share capital	281
Off-balance sheet arrangements and transferred financial assets	291	Statement of cash flows	304
Offsetting financial assets and financial liabilities	284	Statement of comprehensive income	211
Operating and financial review	34	Statement of changes in equity	213
Operational risk	189	Statement of Directors' Responsibilities	199
Other equity interests	283	Statement of financial position	212
Other liabilities	277	Stock exchange listings	329
Other operating income	244	Subordinated liabilities and other capital instruments	280
		Subsidiaries and structured entities	290
P		Supervision and regulation	120
Pension risk	187	Sustainable Business Advisory Committee	110
Principal addresses	337		
Property, plant and equipment	265	T	
Prospective accounting changes	234	Taxation	246
Provisions for liabilities and commitments	278	Technology & Data Advisory Committee	109
		Trading portfolio financial assets	247
		Trading portfolio financial liabilities	247
		Transferred financial assets	291
		V	
		Viability statement	113
		W	
		Website	329

