# BACKING OUR CUSTOMERS

**Allied Irish Banks, p.l.c.**
**Half-Yearly Financial Report**

for the six months ended
30 June 2023

## Presentation of information

The information contained in this Half-Yearly Financial Report is that of Allied Irish Banks, p.l.c. and its subsidiaries.

In this Half-Yearly Financial Report, and unless specified otherwise, the terms 'Allied Irish Banks, p.l.c.' or 'the Company' refer to the parent company, 'the Group' or 'AIB' refers to the parent company and its subsidiaries, 'the holding company' and 'owner' refers to AIB Group plc and 'AIB Group' refers to AIB Group plc and its subsidiaries.

## AIB description

AIB is a financial services group. Our main business activities are retail, business and corporate banking, as well as mobile payments and card acquiring. We are committed to supporting the transition to the low-carbon economy and backing sustainable communities.

## Forward looking statements

This document contains certain forward looking statements with respect to the financial condition, results of operations and business of Allied Irish Banks, p.l.c. and its subsidiaries ('the 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 AIB 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 Principal risks on pages 8 to 10 in the Annual Financial Report 2022 and updated on page 23 of this Half-Yearly 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 8 to 10 of the Annual Financial Report 2022 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.

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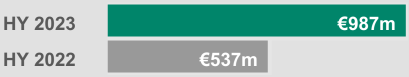
# H1 2023 RESULTS

## FINANCIAL PERFORMANCE

### PROFIT BEFORE TAX

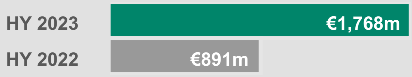
**€987m**




**Profit before tax up 84% to €987m**
Operating profit[1] of €1,205m (operating income up 73% with operating expenses up 15%), an impairment charge of €91m and exceptional items of €130m

### NET INTEREST INCOME

**€1,768m**




**Interest income up 98%**
Benefiting from the impact of a higher interest rate environment and higher average customer loan volumes. Net interest income (NIM) of 2.93%, up 145 basis points

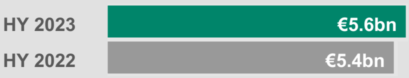
### NET CREDIT IMPAIRMENT (CHARGE) / WRITEBACK

**€(91)m**


**Maintaining cautious, forward looking approach**
Asset quality remains resilient. H1 impairment charge driven by commercial property to address the potential adverse impacts from higher interest rates and lower valuations

### NEW LENDING

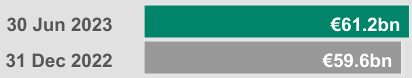
**€5.6bn**




**New lending up 2%**
Mortgage lending in Ireland in line with prior period, with growth in personal and corporate lending partially offset by lower property lending

### NET LOANS

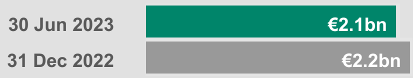
**€61.2bn**




**Net loans increased 3% to €61.2bn**
Net loans up €1.6bn driven by the Ulster Bank corporate and commercial portfolio acquisition and strong new lending exceeding redemptions

### NON-PERFORMING EXPOSURES[2]

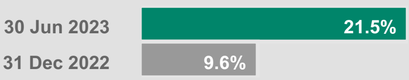
**€2.1bn**




**NPE ratio now 3.3%**
Non-performing exposures (NPEs) decreased by €0.1bn to €2.1bn

### RETURN ON TANGIBLE EQUITY[3]

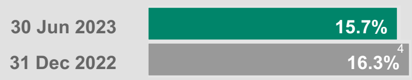
**21.5%**




Return on tangible equity (RoTE) benefiting from increased profitability

### CET1 RATIO (FULLY LOADED)

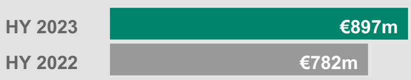
**15.7%**




Strong capital position, well in excess of regulatory requirements

### ABSOLUTE COST BASE[5]

**€897m**




Cost income ratio[5] 41%, prior period 61%. Costs up 15% primarily reflecting inflationary impacts and larger customer base

1. Operating profit before impairment losses and exceptional items.
2. NPEs refers to non-performing loans (NPLs) and excludes €95m of off-balance sheet commitments.
3. Return on Tangible Equity is based on the targeted CET1 capital on a fully loaded basis. For definition and basis of calculation, see pages 17 and 21.
4. Excluded the impact of the proposed buyback -0.4%.
5. Before exceptional items, bank levies and regulatory fees. For exceptional items, see pages 8 and 17.

# 02 BUSINESS REVIEW

# 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 period on period. 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 17. These measures should be considered in conjunction with IFRS measures as set out in the condensed consolidated interim financial statements from page 67. A reconciliation between the IFRS and management performance summary income statements is set out on page 18.

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

### 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 period.

| Management performance - summary income statement | Half-year June 2023 € m | Half-year June 2022 € m | % change |
|---|---|---|---|
| Net interest income | 1,768 | 891 | 98 |
| Other income[1] | 441 | 383 | 15 |
| Total operating income[1] | 2,209 | 1,274 | 73 |
| Personnel expenses[1] | (434) | (372) | 17 |
| General and administrative expenses[1] | (316) | (262) | 20 |
| Depreciation, impairment and amortisation[1] | (147) | (148) | — |
| Total operating expenses[1] | (897) | (782) | 15 |
| Bank levies and regulatory fees[1] | (107) | (101) | 6 |
| **Operating profit before impairment losses and exceptional items[1]** | 1,205 | 391 | — |
| Net credit impairment (charge)/writeback | (91) | 309 | — |
| **Operating profit before exceptional items[1]** | 1,114 | 700 | 59 |
| Income from equity accounted investments | 3 | 5 | -43 |
| **Profit before exceptional items[1]** | 1,117 | 705 | 58 |
| Restitution costs | (63) | (101) | |
| Inorganic transaction costs | (53) | (21) | |
| (Loss)/gain on disposal of loan portfolios | (13) | 40 | |
| Restructuring costs | (1) | (60) | |
| Other | — | (26) | |
| Total exceptional items[1] | (130) | (168) | |
| **Profit before taxation** | 987 | 537 | 84 |
| Income tax charge | (133) | (60) | — |
| **Profit for the period** | 854 | 477 | 79 |

(1) 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.

## Net interest income

**Net interest income**

# €1,768m

| Net interest income | Half-year June 2023 € m | Half-year June 2022 € m | % change |
|---|---|---|---|
| Interest income[(1)] | 2,079 | 909 | — |
| Interest expense[(1)] | (311) | (18) | — |
| Net interest income | 1,768 | 891 | 98 |
| Average interest earning assets | 121,677 | 121,666 | — |
| | % | % | Change |
| Net interest margin (NIM) | 2.93 | 1.48 | 1.45 |

**Net interest income**

**€1,768m**

Net interest income of € 1,768 million increased by € 877 million or 98% compared to the half-year to June 2022.

The Group operated in a negative or low interest rate environment in the half-year to June 2022. Since July 2022 the ECB has increased euro interest rates on a graduated basis by 400 basis points. In addition, since the start of 2022 the Bank of England has increased the base rate by 475 basis points and the Federal Reserve has increased the federal funds rate by 500 basis points.

### Interest income

Interest income of € 2,079 million in the half-year to June 2023 increased by € 1,170 million compared to the half-year to June 2022 primarily due to:

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

### Interest expense

Interest expense of € 311 million in the half-year to June 2023 increased by € 293 million compared to the half-year to June 2022 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 the half-year to June 2022 included the impact of the negative pricing strategy which was discontinued in the second half of 2022.
- Increased interest expense on deposits by banks whereas the half-year to June 2022 included the impact of TLTRO III funding at negative rates.

**Net interest margin**

**2.93%**

NIM increased by 145 basis points to 2.93% in the half-year to June 2023 compared to 1.48% in the half-year to June 2022 driven by the higher interest rate environment.

Average interest earning assets of € 121.7 billion in the half-year to June 2023 were in line with the half-year to June 2022.

| Average balance sheet | Half-year 30 June 2023 Average balance € m | Half-year 30 June 2023 Interest[(1)] € m | Half-year 30 June 2023 Average rate % | Half-year 30 June 2022 Average balance € m | Half-year 30 June 2022 Interest[(1)] € m | Half-year 30 June 2022 Average rate % |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Loans and advances to customers[(2)] | 61,219 | 1,116 | 3.68 | 57,713 | 920 | 3.21 |
| Investment securities | 16,255 | 303 | 3.77 | 16,743 | 45 | 0.54 |
| Loans and advances to banks[(3)] | 44,203 | 660 | 3.01 | 47,210 | (56) | (0.24) |
| **Average interest earning assets** | 121,677 | 2,079 | 3.45 | 121,666 | 909 | 1.51 |
| Non-interest earning assets | 8,181 | | | 6,963 | | |
| **Total average assets** | 129,858 | 2,079 | | 128,629 | 909 | |
| **Liabilities & equity** | | | | | | |
| Deposits by banks[(3)] | 913 | 16 | 3.52 | 11,264 | (24) | (0.43) |
| Customer accounts | 43,887 | 55 | 0.25 | 51,655 | (22) | (0.09) |
| Subordinated liabilities and other debt issued | 8,406 | 235 | 5.66 | 7,247 | 58 | 1.60 |
| Lease liabilities | 252 | 5 | 4.11 | 336 | 6 | 3.35 |
| **Average interest earning liabilities** | 53,458 | 311 | 1.18 | 70,502 | 18 | 0.05 |
| Non-interest earning liabilities | 63,710 | | | 44,821 | | |
| Equity | 12,690 | | | 13,306 | | |
| **Total average liabilities & equity** | 129,858 | 311 | | 128,629 | 18 | |
| **Net interest income** | | 1,768 | 2.93 | | 891 | 1.48 |

(1) Negative interest income on assets in the half-year to June 2023 of € 1 million (half-year to June 2022: € 83 million) is offset against interest income. Negative interest expense on liabilities in the half-year to June 2023 Nil (half-year to June 2022: € 70 million) is offset against interest expense.
(2) Income on Loans and advances to customers includes the negative impact of € 223 million from cash flow hedges in the half-year to June 2023 (half-year to June 2022 included the positive impact of € 65 million). See note 3 Interest and similar income in the condensed consolidated interim financial statements.
(3) Loans and advances to banks and Deposits by banks include Securities financing.

## Other income

Other income[1]

**€441m**

| **Other income[1]** | **Half-year June 2023 € m** | Half-year June 2022 € m | % *change* |
|---|---|---|---|
| Net fee and commission income | **310** | 290 | *7* |
| Net trading income/(loss) | **110** | 57 | *93* |
| – Loan acquisition forward contracts | **138** | 26 | — |
| – Equity investment hedges | **(10)** | 13 | — |
| – Other | **(18)** | 18 | — |
| Net gain on equity investments (FVTPL) | **12** | 14 | *-14* |
| Net gain on loans and advances to customers (FVTPL) | **6** | 15 | *-63* |
| Other operating income | **3** | 7 | *-57* |
| Other income | **441** | 383 | *15* |

Other income[1]

**€441m**

Other income of € 441 million increased by € 58 million or 15% compared to the half-year to June 2022.

| **Net fee and commission income** | **Half-year June 2023 €m** | Half-year June 2022 € m | % *change* |
|---|---|---|---|
| Customer accounts | **119** | 111 | *7* |
| Card income | **69** | 49 | *40* |
| Customer related foreign exchange | **40** | 40 | *-1* |
| Lending related fees | **26** | 25 | *6* |
| Stockbroking client fees and commissions | **23** | 25 | *(9)* |
| Other fees and commissions | **33** | 40 | *-18* |
| Net fee and commission income | **310** | 290 | *7* |

Net fee and commission income of € 310 million in the half-year to June 2023 increased by € 20 million or 7% compared to the half-year to June 2022 primarily reflecting higher card interchange fees and higher transaction volumes driven by the onboarding of customers from banks exiting the Irish market.

A gain of € 138 million was recognised in the half-year to June 2023 in respect of loan acquisition forward contracts comprising of a gain of € 126 million on Ulster Bank tracker (and linked) mortgages and € 12 million on Ulster Bank corporate and commercial loans (half-year to June 2022: € 26 million)[2].

Net trading loss (excluding the loan acquisition forward contracts and equity investment hedges) of € 18 million in the half-year to June 2023 primarily reflected unfavourable movements on non-customer foreign exchange contracts. This compared to a gain of € 18 million in the half-year to June 2022 which also included favourable movements on derivative valuation adjustments (XVA) and other interest rates related gains.

Net income from equity investments[3] was € 2 million in the half-year to June 2023 compared to € 27 million in the half-year to June 2022, as the prior period benefited from a higher gain on revaluation and disposal of equity investments.

Net gain on loans and advances to customers (FVTPL) of € 6 million in the half-year to June 2023 (half-year to June 2022: € 15 million) represents income recognised on previously restructured loans carried at fair value through profit or loss.

Other operating income in the half-year to June 2023 was € 3 million compared to € 7 million in the half-year to June 2022.

### IFRS basis

On an IFRS basis other income, including a net loss of € 12 million on exceptional items[1], was € 429 million in the half-year to June 2023 compared to € 415 million in the half-year to June 2022.

(1) Other income before exceptional items. A net loss of € 12 million on exceptional items in the half-year to June 2023 comprises: € 12 million loss on disposal of loan portfolios. A net gain of € 32 million in the half-year to June 2022 comprises: € 27 million gain on disposal of loan portfolios, a gain on disposal of property of € 3 million, a net gain on loans and advances to customers (FVTPL) of € 1 million and net fee and commission income of € 1 million.
(2) For further information see note 32 Fair value of financial instruments in the condensed consolidated interim financial statements.
(3) Net income on equity investments comprises a net gain on equity investments (FVTPL) of € 12 million in the half-year to June 2023 (half-year to June 2022: € 14 million) and a loss on equity investment hedges of € 10 million in the half-year to June 2023 (half-year to June 2022: gain of € 13 million).

## Operating expenses

Total operating expenses[(1)]

**€897m**

| Operating expenses[(1)] | Half-year June 2023 € m | Half-year June 2022 € m | % change |
|---|---|---|---|
| Personnel expenses | 434 | 372 | 17 |
| General and administrative expenses | 316 | 262 | 20 |
| Depreciation, impairment and amortisation | 147 | 148 | — |
| Total operating expenses | 897 | 782 | 15 |
| | | | |
| Staff numbers at period end[(2)] | 10,133 | 9,027 | 12 |
| Average staff numbers[(2)] | 9,814 | 8,946 | 10 |

Total operating expenses[(1)]

**€897m**

Total operating expenses of € 897 million increased by € 115 million or 15% compared to the half-year to June 2022.

### Personnel expenses

Personnel expenses increased by € 62 million compared to the half-year to June 2022 primarily due to salary inflation, higher average staff numbers and an allowance for variable pay.

Staff numbers at the half-year to June 2023 were 12% higher compared to the half-year to June 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 € 54 million compared to the half-year to June 2022 driven by inflationary pressures, the cost of onboarding customers from banks exiting the Irish market and technology related transformation costs.

### Depreciation, impairment and amortisation

Depreciation, impairment and amortisation was broadly in line with the half-year to June 2022.

Cost income ratio[(1)]

**41%**

Costs of € 897 million and income of € 2,209 million resulted in a cost income ratio of 41% in the half-year to June 2023 compared to 61% in the half-year to June 2022.

Bank levies and regulatory fees

**€107m**

| Bank levies and regulatory fees | Half-year June 2023 € m | Half-year June 2022 € m |
|---|---|---|
| Deposit Guarantee Scheme | 58 | 50 |
| Single Resolution Fund | 36 | 38 |
| Other regulatory levies and charges | 13 | 13 |
| Bank levies and regulatory fees | 107 | 101 |

Bank levies and regulatory fees of € 107 million increased by € 6 million compared to the half-year to June 2022 primarily due to higher Deposit Guarantee Scheme fees.

The Irish bank levy for financial institutions is payable in October each year.

### IFRS basis

On an IFRS basis total costs, including bank levies and regulatory fees of € 107 million and the cost of exceptional items[(3)] of € 118 million, were € 1,122 million in the half-year to June 2023 compared to € 1,083 million in the half-year to June 2022. This results in a cost income ratio (IFRS basis) of 51% in the half-year to June 2023, compared to 83% in the half-year to June 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 € 118 million in the half-year to June 2023 (half-year to June 2022: € 200 million) comprised of: Personnel expenses € 2 million (half-year to June 2022: € 9 million), General and administrative expenses € 116 million (half-year to June 2022: € 157 million) and Depreciation, impairment and amortisation Nil (half-year to June 2022: € 34 million).

### Net credit impairment charge

## €91m

There was a net credit impairment charge of € 91 million in the half-year to June 2023 driven by a charge in relation to commercial property, including additional post model adjustments, to address potential adverse impacts from higher interest rates and lower valuations.

The net credit impairment charge of € 91 million in the half-year to June 2023 reflected a € 91 million charge on loans and advances to customers (net remeasurement of expected credit loss ("ECL") allowance charge of € 107 million and recoveries of amounts previously written-off of € 16 million). There was also a € 9 million charge on investment debt securities, a € 3 million charge on securities financing and a € 2 million charge on loans and advances to banks offset by a € 14 million writeback on off balance sheet exposures.

There was a net credit impairment writeback of € 309 million in the half-year to June 2022 comprising a € 308 million writeback on loans and advances to customers (net remeasurement of ECL allowance writeback of € 276 million and recoveries of amounts previously written off of € 32 million). There was also a € 1 million writeback on securities financing.

For further information see pages 24 to 62 in the Risk Management section.

### Income tax charge

## €133m

The income tax charge was € 133 million in the half-year to June 2023 (half-year to June 2022: € 60 million), representing an effective tax rate of 13.5% (half-year to June 2022: 11.2%). The effective tax rate is influenced by the geographic mix of profit streams which may be taxed at different rates.

For further information see note 11 Taxation and note 20 Deferred taxation of the condensed consolidated interim financial statements.

### Total exceptional items

## €130m

| Total exceptional items | Half-year June 2023 € m | Half-year June 2022 € m |
|---|---|---|
| Restitution costs | **(63)** | (101) |
| Inorganic transaction costs | **(53)** | (21) |
| (Loss)/gain on disposal of loan portfolios | **(13)** | 40 |
| Restructuring costs | **(1)** | (60) |
| - Termination benefits | **(2)** | (3) |
| - Property transformation | **—** | (36) |
| - UK portfolio sale | **1** | (13) |
| - Other restructuring | **—** | (8) |
| Other | **—** | (26) |
| Total exceptional items | **(130)** | (168) |

These gains/costs were viewed as exceptional by management.

**Restitution costs** include a charge of € 63 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 an increased provision for customer redress of € 59 million and associated costs of € 4 million (half-year to June 2022 charge of € 87 million). The half-year to June 2022 also included costs related to the tracker mortgage examination of € 14 million.

**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 the half-year to June 2023 reflects a loss of € 13 million relating to the disposals 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 included 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

| Net loans to customers | New lending |
|---|---|
| **€61.2bn** | **€5.6bn** |

| Assets | 30 June 2023 € bn | 31 December 2022 € bn | % change |
|---|---|---|---|
| Gross loans to customers | **62.8** | 61.2 | *3* |
| ECL allowance | **(1.6)** | (1.6) | *1* |
| Net loans to customers | **61.2** | 59.6 | *3* |
| Investment securities | **16.5** | 16.3 | *2* |
| Loans and advances to banks | **37.9** | 39.7 | *-4* |
| Securities financing | **7.6** | 6.3 | *21* |
| Other assets | **8.1** | 7.9 | *1* |
| Total assets | **131.3** | 129.8 | *1* |

**Net loans to customers**

**€61.2bn**

Net loans, excluding the positive impact of foreign exchange movements of € 0.2 billion, increased by € 1.4 billion 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 € 0.7 billion of Ulster Bank corporate and commercial loans in the half-year to June 2023 bringing the total fair value of loans migrated to € 2.9 billion.

On 22 July 2023 the Group completed the migration of € 4.0 billion of eligible Ulster Bank tracker (and linked) mortgages with the migration of the remaining eligible loans expected to be completed by the end of 2023.

**New lending**

**€5.6bn**

New lending of € 5.6 billion in the half-year to June 2023 was € 0.2 billion higher compared to the half-year to June 2022. New lending comprises € 4.8 billion term lending in the half-year to June 2023 (€ 4.6 billion in the half-year to June 2022) and € 0.8 billion transaction lending (€ 0.8 billion in the half-year to June 2022).

Irish mortgage lending of € 1.7 billion was in line with the half-year to June 2022. Non-property lending of € 2.2 billion was up 12% driven by higher corporate and renewable energy & infrastructure lending partially offset by subdued SME lending. Property related lending was down 20% to € 1.0 billion reflecting the Group's prudent approach to this sector. Personal lending was up 29% to € 0.6 billion.

| Non-performing loans | Non-performing loans ratio |
|---|---|
| **€2.1bn** | **3.3%** |

Non-performing loans decreased by € 0.1 billion or 3% to € 2.1 billion at 30 June 2023.

### Non-performing loans ratio

Non-performing loans as a percentage of gross loans to customers was 3.3% at 30 June 2023 compared to 3.5% at 31 December 2022.

| ECL allowance | Non-performing loans cover |
|---|---|
| **€1.6bn** | **37%** |

The ECL allowance on loans at amortised cost of € 1.6 billion at 30 June 2023 was in line with 31 December 2022.

### Non-performing loans cover

The ECL allowance cover rate on non-performing loans has increased to 37% at 30 June 2023 compared to 35% at 31 December 2022.

### Summary of movement in loans to customers

The table below sets out the movement in loans to customers from 1 January 2023 to 30 June 2023.

| Loans to customers | Performing loans € bn | Non-performing loans € bn | Loans to customers € bn |
|---|---|---|---|
| **Gross loans (opening balance 1 January 2023)** | **59.0** | **2.2** | **61.2** |
| New lending | **5.6** | **—** | **5.6** |
| Redemptions of existing loans | **(4.6)** | **(0.3)** | **(4.9)** |
| Portfolio acquisition | **0.7** | **—** | **0.7** |
| Net movement to non-performing | **(0.3)** | **0.3** | **—** |
| Restructures and write-offs | **—** | **(0.1)** | **(0.1)** |
| Foreign exchange & other movements | **0.3** | **—** | **0.3** |
| **Gross loans (closing balance 30 June 2023)** | **60.7** | **2.1** | **62.8** |
| **ECL allowance** | **(0.9)** | **(0.7)** | **(1.6)** |
| **Net loans (closing balance 30 June 2023)** | **59.8** | **1.4** | **61.2** |

## 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 24 to 62.

| | At amortised cost | | | | | At FVTPL(1) | |
|---|---|---|---|---|---|---|---|
| **Loan portfolio profile 30 June 2023** | **Residential mortgages € bn** | **Other personal € bn** | **Property and construction € bn** | **Non-property business € bn** | **Total € bn** | **Total € bn** | **Total € bn** |
| Gross loans to customers | **30.4** | **2.8** | **9.3** | **20.1** | **62.6** | **0.2** | **62.8** |
| Of which: Stage 2 | **1.1** | **0.3** | **3.7** | **3.2** | **8.3** | | **8.3** |
| Non-performing loans | ***0.6*** | ***0.2*** | ***0.5*** | ***0.7*** | ***2.0*** | ***0.1*** | ***2.1*** |
| Total ECL allowance | **0.3** | **0.2** | **0.4** | **0.7** | **1.6** | | **1.6** |
| Total ECL allowance cover (%) | **0.9 %** | **6.3 %** | **4.4 %** | **3.9 %** | **2.6 %** | | |
| ECL allowance cover Stage 2 (%) | **3.6 %** | **14.3 %** | **5.6 %** | **12.7 %** | **8.4 %** | | |
| ECL allowance cover non-performing (%) | **30.9 %** | **67.5 %** | **33.6 %** | **36.6 %** | **36.6 %** | | |
| **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 € 16.5 billion, primarily held for liquidity purposes, increased € 0.2 billion from 31 December 2022.

### Loans and advances to banks
Loans and advances to banks of € 37.9 billion, including € 36.1 billion of cash and balances at central banks, were € 1.8 billion lower than 31 December 2022. The reduced placement with banks was primarily due to loan book growth, increased securities financing and net reduction in debt issuance partly offset by higher customer account balances.

### Securities financing
Securities financing of € 7.6 billion has increased by € 1.3 billion from 31 December 2022.

### Other assets
Other assets of € 8.1 billion comprised:
- Deferred tax assets of € 3.0 billion(2), broadly in line with 31 December 2022.
- Derivative financial instruments of € 2.5 billion, 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 relate predominantly to the property and construction asset class.
(2) For further information see note 20 Deferred taxation in the condensed consolidated interim financial statements.

## Liabilities & equity

| Customer accounts | Equity |
|---|---|
| **€103.7bn** | **€12.8bn** |

| Liabilities & equity | 30 June 2023 € bn | 31 December 2022 € bn | % change |
|---|---|---|---|
| Customer accounts | 103.7 | 102.4 | *1* |
| Deposits by banks | 0.4 | 0.5 | *-18* |
| Debt securities in issue | — | 1.0 | — |
| Subordinated liabilities | 8.1 | 7.6 | *7* |
| Other liabilities | 6.3 | 6.0 | *4* |
| Total liabilities | 118.5 | 117.5 | *1* |
| | | | |
| Equity | 12.8 | 12.3 | *5* |
| Total liabilities & equity | 131.3 | 129.8 | *1* |

| | % | % | *Change* |
|---|---|---|---|
| Loan to deposit ratio | 59 | 58 | *1* |

Customer accounts

**€103.7bn**

Customer accounts, excluding the positive impact of currency movements of € 0.2 billion, increased by € 1.1 billion compared to 31 December 2022 driven by an increase in Retail Banking partly offset by a reduction in Capital Markets and AIB UK.

### Loan to deposit ratio

The loan to deposit ratio increased to 59% at 30 June 2023 compared to 58% at 31 December 2022.

### Deposits by banks

Deposits by banks of € 0.4 billion decreased by € 0.1 billion compared to 31 December 2022.

### Debt securities in issue

Debt securities of Nil decreased by € 1.0 billion from 31 December 2022.

### Subordinated liabilities

Subordinated liabilities of € 8.1 billion increased by € 0.5 billion compared to 31 December 2022.

### Other liabilities

Other liabilities of € 6.3 billion comprised:
- Derivative financial instruments of € 3.0 billion, in line with 31 December 2022.
- Securities financing € 0.8 billion, € 0.1 billion decrease from 31 December 2022.
- Remaining liabilities of € 2.5 billion, € 0.4 billion increase from 31 December 2022.

Equity

**€12.8bn**

Equity increased by € 0.5 billion to € 12.8 billion compared to € 12.3 billion at 31 December 2022 mainly driven by the profit for the period partly offset by distributions paid.

### Segment overview

The Group's performance is 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 3.1 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 homes and 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 markets propositions.

### AIB UK

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

- a sector-led corporate bank supporting mid to large corporates focused on renewables, infrastructure, housing, commercial real estate, health and manufacturing/industrial businesses across both Great Britain and Northern Ireland, where the Bank has recognised expertise. Services include lending, treasury, trade facilities, asset finance and invoice discounting.
- 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 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

In the second half of 2022 the Group made changes to the methodologies used to allocate cost and income across operating segments in order to enhance the management of standalone segment performance. Under the Group's revised cost allocation methodology, substantially all of the costs of the Group's control, support and Treasury functions are now allocated to Retail Banking, Capital Markets and AIB UK whereas the previous methodology resulted in overheads which were managed centrally being reported in the Group segment. In addition, certain Bank levies and regulatory fees, such as the Irish bank levy, which were previously reported in Group segment are now allocated to the Retail Banking and Capital Market segments. Figures for the prior period have been restated on a comparative basis.

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

| Retail Banking contribution statement | Half-year June 2023 € m | Half-year June 2022 € m | % change |
|---|---|---|---|
| Net interest income | **1,082** | 471 | — |
| Other income | **345** | 204 | *69* |
| Total operating income | **1,427** | 675 | *111* |
| Total operating expenses | **(621)** | (539) | *15* |
| Bank levies and regulatory fees | **(9)** | (9) | — |
| Operating contribution before impairments and exceptional items | **797** | 127 | — |
| Net credit impairment (charge)/ writeback | **(46)** | 224 | — |
| Operating contribution before exceptional items | **751** | 351 | *114* |
| Income from equity accounted investments | **1** | 2 | *-50* |
| Contribution before exceptional items | **752** | 353 | *113* |

### Net interest income

**€1,082m** Net interest income has increased by € 611 million compared to the half-year to June 2022 driven by the favourable impact of a higher interest rate environment and an increase in average loan volumes.

### Other income

**€345m** Other income increased by € 141 million compared to the half-year to June 2022 driven by a gain in respect of a 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 driven by the onboarding of customers from banks exiting the Irish market.

### Total operating expenses

**€621m** Total operating expenses increased by € 82 million compared to the half-year to June 2022 due to higher personnel as well as general and administrative expenses.

### Net credit impairment charge

**€46m** There was a net credit impairment charge of € 46 million in the half-year to June 2023 comprising a € 49 million charge on loans and advances to customers (driven by personal € 25 million and non-property business € 21 million) partially offset by a € 3 million writeback for off balance sheet exposures. There was a net credit impairment writeback of € 224 million in the half-year to June 2022.

| Retail Banking balance sheet metrics | 30 June 2023 € bn | 30 June 2022 € bn | % change |
|---|---|---|---|
| Mortgages | **1.7** | 1.7 | |
| Personal | **0.6** | 0.5 | |
| Property | **0.1** | — | |
| Non-property business | **0.4** | 0.5 | |
| **New lending** | **2.8** | 2.7 | *3* |
| | **30 June 2023 € bn** | 31 December 2022 € bn | |
| Mortgages | **29.0** | 28.7 | |
| Personal | **2.7** | 2.6 | |
| Property | **0.5** | 0.5 | |
| Non-property business | **3.2** | 3.0 | |
| **Gross loans** | **35.4** | 34.8 | *2* |
| ECL allowance | **(0.7)** | (0.7) | — |
| **Net loans** | **34.7** | 34.1 | *2* |
| Current accounts | **47.4** | 45.4 | *4* |
| Deposits | **32.0** | 30.4 | *5* |
| **Customer accounts** | **79.4** | 75.8 | *5* |

### New lending

**€2.8bn** New lending was 3% higher at € 2.8 billion driven by robust mortgage lending, which was in line with the prior period, and growth in personal lending.

### Net loans

**€34.7bn** Net loans increased by € 0.6 billion primarily due to growth in performing loans of € 0.7 billion driven by the acquisition of Ulster Bank commercial loans of € 0.3 billion and new lending exceeding redemptions.

### ECL allowance

**€0.7bn** The ECL allowance of € 0.7 billion at 30 June 2023 was in line with 31 December 2022.

### Customer accounts

**€79.4bn** Customer accounts increased by € 3.6 billion compared to 31 December 2022 and includes inflows from banks exiting the Irish market.

## Capital Markets

| Capital Markets contribution statement | Half-year June 2023 € m | Half-year June 2022 € m | % change |
|---|---|---|---|
| Net interest income | **402** | 258 | *56* |
| Other income | **98** | 129 | *-24* |
| Total operating income | **500** | 387 | *29* |
| Total operating expenses | **(183)** | (154) | *19* |
| Bank levies and regulatory fees | **(4)** | (4) | — |
| Operating contribution before impairments and exceptional items | **313** | 229 | *37* |
| Net credit impairment (charge)/ writeback | **(26)** | 86 | — |
| Operating contribution before exceptional items | **287** | 315 | *-9* |
| Income from equity accounted investments | **—** | 1 | — |
| Contribution before exceptional items | **287** | 316 | *-9* |

| Capital Markets balance sheet metrics | 30 June 2023 € bn | 30 June 2022 € bn | % change |
|---|---|---|---|
| Property | **0.6** | 0.9 | |
| Non-property business | **1.5** | 1.2 | |
| **New lending** | **2.1** | 2.1 | *-4* |
| | **30 June 2023 € bn** | 31 December 2022 € bn | |
| Mortgages | **0.5** | 0.5 | |
| Personal | **0.1** | 0.1 | |
| Property | **6.6** | 6.4 | |
| Non-property business | **12.7** | 12.2 | |
| **Gross loans** | **19.9** | 19.2 | *4* |
| ECL allowance | **(0.7)** | (0.7) | — |
| **Net loans** | **19.2** | 18.5 | *4* |
| **Investment securities** | **2.3** | 2.2 | *5* |
| Current accounts | **10.6** | 12.4 | *-15* |
| Deposits | **4.1** | 3.8 | *8* |
| **Customer accounts** | **14.7** | 16.2 | *-9* |

### Net interest income

**€402m** Net interest income increased by € 144 million compared to the half-year to June 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

**€98m** Other income decreased by € 31 million compared to the half-year to June 2022 driven by lower income from equity investments and from the loan acquisition forward contract to acquire corporate and commercial loans from Ulster Bank.

### Total operating expenses

**€183m** Total operating expenses increased by € 29 million compared to the half-year to June 2022 due to higher personnel as well as general and administrative expenses.

### Net credit impairment charge

**€26m** There was a net credit impairment charge of € 26 million in the half-year to June 2023 comprising a € 36 million charge on loans and advances to customers (driven by a charge on property of € 92 million partially offset by a writeback on non-property business € 56 million) and a € 10 million writeback for off balance sheet exposures.
There was a net credit impairment writeback of € 86 million in the half-year to June 2022.

### New lending

**€2.1bn** New lending of € 2.1 billion was in line with the half-year to June 2022 with growth in corporate and renewable energy & infrastructure offset by lower property lending.

### Net loans

**€19.2bn** Net loans of € 19.2 billion at 30 June 2022 increased by € 0.7 billion compared to 31 December 2022 driven by the acquisition of Ulster Bank corporate and commercial loans of € 0.4 billion and new lending exceeding redemptions.

### ECL allowance

**€0.7bn** The ECL allowance of € 0.7 billion as at 30 June 2023 was in line with 31 December 2022.

### Investment securities

**€2.3bn** Investment securities of € 2.3 billion were € 0.1 billion higher than 31 December 2022.

### Customer accounts

**€14.7bn** Customer accounts decreased by € 1.5 billion compared to 31 December 2022.

## AIB UK

| AIB UK contribution statement | Half-year June 2023 £ m | Half-year June 2022 £ m | % change |
|---|---|---|---|
| Net interest income | 177 | 107 | 65 |
| Other income | 20 | 27 | -25 |
| Total operating income | 197 | 134 | 47 |
| Total operating expenses | (75) | (69) | 9 |
| Operating contribution before impairments and exceptional items | 122 | 65 | 88 |
| Net credit impairment charge | (4) | (1) | — |
| Operating contribution before exceptional items | 117 | 64 | 83 |
| Income from equity accounted investments | 2 | 2 | 4 |
| Contribution before exceptional items | 119 | 66 | 81 |
| Contribution before exceptional items € m | 136 | 78 | 74 |

| AIB UK balance sheet metrics | 30 June 2023 £ bn | 30 June 2022 £ bn | % change |
|---|---|---|---|
| AIB GB | 0.5 | 0.4 | — |
| AIB NI | 0.1 | 0.1 | — |
| New lending | 0.6 | 0.5 | 23 |
| | 30 June 2023 £ bn | 31 December 2022 £ bn | |
| AIB GB | 5.3 | 5.1 | 4 |
| AIB NI | 1.1 | 1.3 | -15 |
| Gross loans | 6.4 | 6.4 | — |
| ECL allowance | (0.2) | (0.2) | — |
| Net loans | 6.2 | 6.2 | — |
| Current accounts | 4.5 | 5.2 | -13 |
| Deposits | 2.9 | 2.9 | — |
| Customer accounts | 7.4 | 8.1 | -9 |

### Net interest income

**£177m** Net interest income increased by £ 70 million compared to the half-year to June 2022 driven by the favourable impact of a higher interest rate environment partly offset by lower average loan volumes primarily due to the exit from the SME market in Great Britain.

### Other income

**£20m** Other income of £ 20 million decreased by £ 7 million compared to the half-year to June 2022 as the prior period benefited from favourable movements on derivative valuation adjustments.

### Total operating expenses

**£75m** Total operating expenses increased by £ 6 million compared to the half-year to June 2022.

### Net credit impairment charge

**£4m** There was a net credit impairment charge of £ 4 million in the half-year to June 2023 compared to £ 1 million in the half-year to June 2022.

### New lending

**£0.6bn** New lending of £ 0.6 billion in the half-year to June 2023 increased by £ 0.1 billion or 23% compared to the half-year to June 2022.

### Net loans

**£6.2bn** Net loans of £ 6.2 billion were in line with 31 December 2022.

### ECL allowance

**£0.2bn** The ECL allowance of £ 0.2 billion at 30 June 2023 was in line with 31 December 2022.

### Customer accounts

**£7.4bn** Customer accounts of £ 7.4 billion at 30 June 2022 were £ 0.7 billion lower compared to 31 December 2022 driven by the Group's decision to exit the SME market in Great Britain and an increase in spending activity due to higher costs of living.

## Group

| Group contribution statement | Half-year June 2023 € m | Half-year June 2022 € m | % change |
|---|---|---|---|
| Net interest income | **82** | 35 | — |
| Other income | **(25)** | 18 | — |
| Total operating income | **57** | 53 | *8* |
| Total operating expenses | **(7)** | (7) | — |
| Bank levies and regulatory fees | **(94)** | (88) | *7* |
| Operating contribution before impairments and exceptional items | **(44)** | (42) | *-5* |
| Net credit impairment charge | **(14)** | — | — |
| Contribution before exceptional items | **(58)** | (42) | *-38* |

| Group balance sheet metrics | 30 Jun 2023 € bn | 31 Dec 2022 € bn | % change |
|---|---|---|---|
| Investment securities | **14.2** | 14.1 | *1* |
| Securities financing | **7.6** | 6.3 | *21* |
| Customer accounts | **1.0** | 1.2 | *-17* |

### Net interest income

**€82m** Net interest income of € 82 million increased by € 47 million compared to the half-year to June 2022 reflecting the impact of a higher interest rate environment.

### Other income

**€(25)m** Other income decreased by € 43 million compared to the half-year to June 2022 as the prior period benefited from favourable movements on derivative valuation adjustments, a gain on the disposal of investment securities and other interest rates related gains.

### Total operating expenses

**€7m** Total operating expenses of € 7 million were in line with the half-year to June 2022.

### Bank levies and regulatory fees

**€94m** Bank levies and regulatory fees increased by € 6 million compared to the half-year to June 2022 primarily due to higher Deposit Guarantee Scheme fees.

### Net credit impairment charge

**€14m** There was a net credit impairment charge of € 14 million in the half-year to June 2023 reflecting a € 9 million charge on investment debt securities, a € 3 million charge on securities financing and a € 2 million charge on loans and advances to banks.

### Investment securities

**€14.2bn** Investment securities of € 14.2 billion, primarily held for liquidity purposes increased by € 0.1 billion from 31 December 2022.

### Securities financing

**€7.6bn** Securities financing of € 7.6 billion has increased by € 1.3 billion from 31 December 2022.

### Customer accounts

**€1.0bn** Customer accounts were € 1.0 billion at 30 June 2023 compared to € 1.2 billion at 31 December 2022.

## 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 corresponding average balance. |
| **Average balance** | Average balances for interest-earning assets are based on daily balances. Average balances for interest-earning liabilities are based on a combination of daily/ monthly balances, with the exception of customer accounts and deposits by banks 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** | Performance measures have 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 between the IFRS and management performance summary income statements is set out on page 18. Exceptional items include:<br>– 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, reflecting customer redress compensation and associated costs. The half-year to June 2022 also included costs related to the tracker mortgage examination.<br>– Inorganic transaction costs includes 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.<br>– (Loss)/gain on disposal of loan portfolios relates to the disposals of non-performing loan portfolios.<br>– Restructuring costs reflect the implementation of the Group's revised 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.<br>– Other in 2022 reflected a charge in respect 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 at amortised cost as a percentage of non-performing loans at amortised cost. |
| **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 fully loaded basis. Details of the Group's RoTE is set out in the Capital Section on page 21. |
| **Management performance – summary income statement** | The following line items in the management performance summary income statement are considered APMs:<br>• Other income<br>• Total operating income<br>• Personnel expenses<br>• General and administrative expenses<br>• Depreciation, impairment and amortisation<br>• Total operating expenses<br>• Bank levies and regulatory fees<br>• Operating profit before impairment losses and exceptional items<br>• Operating profit before exceptional items<br>• Profit before exceptional items<br>• Total exceptional items |

## 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.

| **IFRS – summary income statement** | **Half-year June 2023 € m** | Half-year June 2022 € m |
|---|---|---|
| Net interest income | **1,768** | 891 |
| Other income | **429** | 415 |
| Total operating income | **2,197** | 1,306 |
| Total operating expenses | **(1,122)** | (1,083) |
| **Operating profit before impairment losses** | **1,075** | 223 |
| Net credit impairment (charge)/writeback | **(91)** | 309 |
| **Operating profit** | **984** | 532 |
| Income from equity accounted investments | **3** | 5 |
| **Profit before taxation** | **987** | 537 |
| Income tax charge | **(133)** | (60) |
| **Profit for the period** | **854** | 477 |

**Adjustments – between IFRS and management performance**

| | | | | | |
|---|---|---|---|---|---|
| **Other income** | **of which: exceptional items** | | | | |
| | Net fee & commission income | **—** | | (1) | |
| | Net gain on loans and advances to customers (FVTPL) | **—** | | (1) | |
| | Gain on disposal of property | **—** | | (3) | |
| | Loss/(gain) on disposal of loan portfolios | **12** | **12** | (27) | (32) |
| **Total operating expenses** | **of which: bank levies and regulatory fees** | | **107** | | 101 |
| | **of which: exceptional items** | | | | |
| | Restitution costs | **63** | | 101 | |
| | Inorganic transaction costs | **53** | | 21 | |
| | Restructuring costs | **2** | | 48 | |
| | Other | **—** | **118** | 30 | 200 |

| **Management performance – summary income statement** | **Half-year June 2023 € m** | Half-year June 2022 € m |
|---|---|---|
| Net interest income | **1,768** | 891 |
| Other income[1] | **441** | 383 |
| Total operating income[1] | **2,209** | 1,274 |
| Total operating expenses[1] | **(897)** | (782) |
| Bank levies and regulatory fees[1] | **(107)** | (101) |
| **Operating profit before impairment losses and exceptional items[1]** | **1,205** | 391 |
| Net credit impairment (charge)/writeback | **(91)** | 309 |
| **Operating profit before exceptional items[1]** | **1,114** | 700 |
| Income from equity accounted investments | **3** | 5 |
| **Profit before exceptional items[1]** | **1,117** | 705 |
| Total exceptional items[1] | **(130)** | (168) |
| **Profit before taxation** | **987** | 537 |
| Income tax charge | **(133)** | (60) |
| **Profit for the period** | **854** | 477 |

(1) 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.

# BUSINESS REVIEW – 2. CAPITAL

## Objectives

The capital position at 30 June 2023 is calculated under the prudential scope of consolidation of AIB Group plc. The objectives of AIB Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that AIB 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 2.9' on page 147 of the Annual Financial Report 2022.

## Regulatory capital and capital ratios[1]

| | Transitional basis | | Fully loaded basis | |
|---|---|---|---|---|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| | € m | € m | € m | € m |
| **Equity** | **12,792** | 12,266 | **12,792** | 12,266 |
| Less: Additional Tier 1 Securities | **(1,115)** | (1,115) | **(1,115)** | (1,115) |
| Foreseeable charges[2]/proposed ordinary dividend[3] | **(544)** | (166) | **(544)** | (166) |
| Regulatory adjustments: | | | | |
| Intangible assets and goodwill | **(539)** | (537) | **(539)** | (537) |
| Cash flow hedging reserves | **1,433** | 1,470 | **1,433** | 1,470 |
| IFRS 9 CET1 transitional add-back | **232** | 411 | **—** | — |
| Pension | **(20)** | (12) | **(20)** | (12) |
| Deferred tax | **(2,381)** | (2,192) | **(2,639)** | (2,724) |
| Calendar provisioning[4] | **(92)** | (115) | **(92)** | (115) |
| Other[5] | **(103)** | (65) | **(103)** | (65) |
| | **(1,470)** | (1,040) | **(1,960)** | (1,983) |
| **Total common equity tier 1 capital** | **9,663** | 9,945 | **9,173** | 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** | **10,775** | 11,057 | **10,285** | 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 | **28** | 27 | **30** | 29 |
| IRB Excess of provisions over expected losses eligible | **145** | 135 | **145** | 135 |
| IFRS 9 tier 2 transitional adjustment | **(123)** | (135) | **—** | — |
| Other | **(3)** | (3) | **(3)** | (3) |
| **Total tier 2 capital** | **1,547** | 1,524 | **1,672** | 1,661 |
| **Total capital** | **12,322** | 12,581 | **11,957** | 11,775 |
| **Risk-weighted assets** | | | | |
| Credit risk | **53,975** | 50,886 | **53,833** | 50,661 |
| Market risk | **339** | 291 | **339** | 291 |
| Operational risk | **4,302** | 4,302 | **4,302** | 4,302 |
| Credit valuation adjustment and settlement risk | **108** | 79 | **108** | 79 |
| **Total risk-weighted assets** | **58,724** | 55,558 | **58,582** | 55,333 |
| | **%** | % | **%** | % |
| **Common equity tier 1 ratio** | **16.5** | 17.9 | **15.7** | 16.3 |
| **Tier 1 ratio** | **18.3** | 19.9 | **17.6** | 18.3 |
| **Total capital ratio** | **21.0** | 22.6 | **20.4** | 21.3 |

(1) Prepared under the regulatory scope of consolidation Capital ratios as at 30 June 2023 have been presented including the benefit of the retained profit in the period. Under Article 26 (2) of the Capital Requirements Regulation (CRR), financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the ECB, and such permission is being sought.
(2) Consistent with Article 2 Regulation (EU) No 241/2014 a foreseeable charge has been deducted which represents the maximum dividend payout ratio under AIB Group's internal dividend policy, applied to the interim profit for 2023.
(3) The proposed ordinary dividend was € 166 million in respect of 2022. Equity at 30 June 2023 was reduced by this dividend payment in May 2023.
(4) 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.
(5) Other includes prudent valuation adjustment which has increased with the addition of the Ulster Bank tracker (and linked) mortgage portfolio forward contract.

### Capital requirements

The table below sets out AIB Group's capital requirements at 30 June 2023.

| Regulatory Capital Requirements | 30 June 2023 |
|---|---|
| **CET1 Requirements** | |
| Pillar 1 | 4.50 % |
| Pillar 2 requirement (P2R) | 1.55 % |
| Combined buffer requirement | 4.56 % |
| *Capital Conservation Buffer (CCB)* | *2.50 %* |
| *O-SII buffer* | *1.50 %* |
| *Countercyclical buffer (CCyB) Impact* | *0.56 %* |
| **CET1 Requirement** | **10.61 %** |
| **AT1** | **2.02 %** |
| **Tier 2** | **2.69 %** |
| **Total Capital Requirement** | **15.32 %** |

In addition, under Article 104a any shortfall in AT1 and Tier 2 must be held in CET1. The AT1 shortfall at 30 June 2023 is 12bps and accordingly increases the CET1 requirement to 10.73%. The table does not include Pillar 2 Guidance ("P2G") which is not publicly disclosed.

The Bank of England ("BOE") has announced the increase of the UK Countercyclical capital buffer ("CCyB") to 2% on 5 July 2023 (equating to an estimated 0.40% Group requirement).

The Central Bank of Ireland ("CBI") reintroduced the CCyB for Irish exposures at 0.5% in June 2023, increasing to 1.0% on 24 November 2023 (equating to an estimated 0.7% Group requirement) and to 1.5% on 7 June 2024.

### Acquisition of Ulster Bank tracker (and linked) mortgage portfolio

Following receipt of CCPC approval, the Group has deemed it has an irrevocable commitment to take on the Ulster Bank tracker (and linked) mortgage portfolio and therefore, has recognised additional RWAs as an Article 3 adjustment ("Application of stricter requirements by institutions") at 30 June 2023. The overall impact is an increase in the Group's RWAs of c. € 1.7 billion (c. -0.5% CET1).

### Capital ratios at 30 June 2023

### Fully Loaded Ratio

The fully loaded CET1 ratio decreased to 15.7% at 30 June 2023 from 16.3% at 31 December 2022

The decrease of -0.6% is mainly due to the increase in Risk Weighted Assets ("RWAs"). Profit after tax of € 0.9 billion (+1.5%) is offset by a foreseeable charge in respect of dividends (-1.0%), a share buyback programme completed in April (-0.4%) and other capital adjustment (+0.1%).

RWA increases include the Ulster Bank tracker (and linked) mortgage portfolio acquisition (-0.5%), increases in respect of IRB models (-0.4%) with increases in new lending offset by further application of CRR RWA related efficiencies.

The fully loaded total capital ratio decreased to 20.4% at 30 June 2023 from 21.3% at 31 December 2022 primarily due to higher RWAs and the other CET1 movements outlined above.

### Transitional Ratio

The transitional CET1 ratio decreased to 16.5% at 30 June 2023 from 17.9% at 31 December 2022. The decrease is mainly due to the fully loaded movements outlined and an additional year's phasing of the deferred tax asset deduction as well as further recognition of IFRS 9 provisions recorded in 2020 as per Regulation (EU) 2020/873 ("CRR Quick Fix" in response to the COVID-19 pandemic).

At 30 June 2023 the transitional total capital ratio decreased to 21.0% from 22.6% at 31 December 2022.

### Model Redevelopment

The Group has received a decision in relation to its redeveloped mortgage model which was submitted for approval in 2021. 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).

### Finalisation of Basel III

AIB Group continues to closely monitor regulatory developments to ensure that it maintains a strong capital position. The final Basel III requirements in respect of Counterparty Credit Risk have been implemented as part of CRR2.

Further regulatory developments in respect of the finalisation of Basel III are expected in the near term. Exact implementation details will be confirmed once the finalised requirements are transposed into law (i.e. the CRR is further updated). Initial assessments signal upward pressure on RWAs, mostly in relation to operational risk.

In relation to RWA floors, AIB 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 30 June 2023 AIB Group has an MREL ratio of 31.4% of RWAs (31 December 2022: 33.7%).

The Group’s MREL ratio is in excess of the target for 2023 and there is currently sufficient loss absorption and re-capitalisation capability. In the six months to 30 June 2023, the Group issued a replacement € 0.75 billion social bond.

The Group has estimated its January 2024 requirement is 29.4% of RWA including the combined buffer requirement.

AIB Group continues to monitor changes in MREL requirements together with developments in the SRB’s MREL Policy which has the potential to impact on its MREL target.

## Ratings

Allied Irish Banks, p.l.c.

| | 30 June 2023 | |
|---|---|---|
| **Long term ratings** | **Moody’s** | **S&P** |
| Long term | **A1** | **A** |
| Outlook | **Stable** | **Stable** |
| Investment grade | ✓ | ✓ |

| | 31 December 2021 | |
|---|---|---|
| **Long term ratings** | Moody’s | S&P |
| Long term | A1 | A- |
| Outlook | Stable | Positive |
| Investment grade | ✓ | ✓ |

## Return on Tangible Equity (“RoTE”) - AIB Group*

The RoTE for the six months to 30 June 2023 is 21.5% (2022: 9.6%).

| Return on Tangible Equity (RoTE) | Half Year June 2023 € m | December 2022 € m |
|---|---|---|
| Profit/(loss) after tax | **854** | 765 |
| AT1 coupons paid | **(33)** | (65) |
| Attributable earnings | **821** | 700 |
| | | |
| Average RWA | **56,963** | 53,846 |
| RWA * 13.5% CET1 target(1) | **7,690** | 7,269 |
| | | |
| **Return on Tangible Equity (1)** | **21.5 %** | 9.6 % |

(1) Annualised RoTE.

Note: RoTE is considered an Alternative Performance Measure.

# 03 RISK MANAGEMENT

# RISK MANAGEMENT

## Update on risk management and governance

The Group has a strong risk management approach to identify all risk types including emerging risks in order to protect its customers and achieve the Group's strategy. This is outlined in the Group's Risk Management Framework, including the key principles and practices used to manage the Group's risks, providing a robust mechanism to ensure that new risks are promptly identified, assessed, managed and appropriately overseen from a risk governance perspective. Further details on how risk is managed within the Group are set out in the Risk Management section of the Annual Financial Report 2022 on pages 69 to 148. There has been no significant change to the Group's Risk Management Framework or approach during the period.

The Group's Principal risks and uncertainties are identified by risk management practices as well as the annual Material Risk Assessment (MRA) process. The Group considers risks that arise from the impact of external market developments, geopolitical events or other emerging risks which could potentially impact on our customers, earnings, capital and liquidity, as well as on our operations or reputation.

There have been no changes to the principal risks set out on pages 8 to 10 of the Annual Financial Report 2022. The Group's ten principal risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Other factors not yet identified, or not currently material, may adversely affect the Group.

Economic uncertainties have dominated the risk agenda. In general, the economic environment of the first six months of 2023 has been better than expected with the sharp tightening of monetary policy taking time to have an effect. The persistence of inflation continued in the first half of the year, has led to higher interest rates from central banks, and market expectations for these higher rates to persist for longer.

New threats have manifested themselves which required the Group to consider their impact on its risk profile. These threats included the failure of Silicon Valley Bank ('SVB') in March 2023, and the collapse of some other US and European banks. While having no direct impacts on the Group, they created significant uncertainty in the banking sector especially the perceived threat of contagion. The fact that the sharp tightening of monetary policy played a key role in these developments highlighted the need for vigilance in the current environment as the pace and scale of such tightening can expose underlying fault lines where they exist.

In an environment of rising interest rates and cost pressures for both new and existing borrowers, the Group continues to ensure that high standards of prudent lending are maintained and those in vulnerable circumstances are treated appropriately. In this regard the Group continues to ensure that, where appropriate forbearance solutions are necessary, these are tailored to individual customer circumstances and aligned to regulatory guidance and expectations.

## Credit risk – Overview

**Critical Judgements at 30 June 2023:**

- Economic data in recent months has generally exceeded expectations (particularly for the Irish economy) though uncertainty remains regarding the lagged impact of high interest rates on the economy. In addition, the risk of a wage-price spiral could exacerbate the problem of elevated (particularly core) inflation as the labour market reaches capacity constraints. The tightening of financial conditions also risks contagion effects into the banking and commercial real estate (CRE) sectors that could generate substantial headwinds to economic activity over the next year or so.
- On foot of this, the Group's view is that, notwithstanding more encouraging economic indicators in the first half of 2023, risks to the economic outlook remain tilted to the downside. For the purposes of IFRS 9 ECL reporting, the following weightings for end-June 2023 have been applied: with Base scenario 50% (change +5% compared to year-end 2022), Upside scenario 10% (no change), Downside 1 scenario 30% (no change) and Downside 2 scenario 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 29. Under the 100% Downside 2 ('Credit Crunch') scenario, a 19% increase in ECL compared to the reported ECL allowance stock is estimated.
- ECL allowance stock relating to post model adjustments (PMAs) has increased by € 58 million in the period to € 666 million (31 December 2022: € 608 million). ECL allowance stock relating to PMAs as a percentage of total ECL stock also increased slightly to 41% (31 December 2022: 37%). The increase in PMAs is driven by charges in relation to commercial property to address potential adverse impacts from higher interest rates and lower valuations in performing and non-performing property loans. Further details are outlined in the management judgements section on pages 30 and 31.

Details on the various aspects of the Group's credit risk management are outlined on pages 75 to 91 of the Annual Financial Report 2022 with the Group's accounting policies for financial assets included in note 1 to the consolidated financial statements on pages 179 to 181.

There have been no changes to the Group's accounting policies for financial assets since 31 December 2022. In determining ECL allowance, the Group keeps under constant review its bases of measurement, methodologies and judgements as outlined on pages 80 to 91 of the Annual Financial Report 2022.

### Macroeconomic scenarios and weightings*

The macroeconomic scenarios used by the Group for ECL allowance calculations have been developed in a consistent way with that set out in the Annual Financial Report 2022 and have been subject to the Group's established governance process.

### Macroeconomic scenarios*

Economic recovery remains fragile in a number of major economies (such as the US and the Euro Area). Economic activity has held up better than expected to date in 2023, particularly in Ireland, with headline inflation in decline, an improvement in some business survey data especially for services, and a full reopening of the economy in China. Nevertheless, the Group's view is that the risks to the outlook still remain tilted to the downside. The key risks to the economic outlook during the reporting period are a persistence of high inflation (particularly core inflation) and high interest rates, unintended side-effects of a tightening of financial conditions on the banking and non-bank financial sector as well as the CRE market.

The Group has applied four scenarios in the calculation of ECL that, in its view, reflect the heightened degree of uncertainty regarding the economic outlook, as at the reporting date. These four scenarios consist of a base case scenario, in addition to three alternative scenarios (consisting of one upside and two downside scenarios that consider inter alia varying degrees of pessimism in relation to inflation, a tightening of financial conditions leading to a credit crunch and the impact of the war in Ukraine on global economic activity). 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.

**Base case:** The backdrop remains challenging as the global economy has entered a period of subdued global growth, elevated inflation and high interest rates. Stresses have also emerged in parts of the financial system. Advanced economies, in particular, are expected to see a sharp deceleration in growth rates in the period 2023-2024 from those recorded last year. Uncertainty also remains elevated.

Irish GDP is projected to grow by circa 4% per annum on average over the period 2023-2025. AIB forecasts are on the conservative side as there could be downward revisions to global growth forecasts in the months ahead from a likely tightening of credit conditions. Prospects are for weaker activity in the US and Euro Area with GDP growth of 1.0% and 0.8% in 2023, respectively, while both economies are at risk of a technical recession (i.e. two consecutive quarters of negative growth) as the year progresses. Activity is likely to pick up moderately in 2024 (growth in GDP of 1.2% is expected in both economies) as a further squeeze in real household incomes is alleviated somewhat by lower inflation while some of the tightening in monetary conditions in 2022-2023 is reversed. The UK economy is expected to contract by 0.5% in 2023 and expand by just 0.2% in 2024, picking up to 1% growth in 2025.

Unemployment has fallen to very low levels in nearly all economies. It is expected to rise only moderately during 2023-2025 (e.g., averaging 4.9% and 4.6% in Ireland and the UK, respectively, over this period) as most labour markets remain characterised by a shortage of workers and high job vacancies. Inflation hit 40-year highs last year and has now started to fall back, helped by sharp declines in wholesale energy prices. However, core inflation rates remain sticky and are expected to fall only slowly. Thus, it is likely to be late 2024/2025 before inflation falls back to its 2% target level. In Ireland, inflation is projected to ease from an average of 5% in 2023 to 2.2% in 2025.

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Overview

### Macroeconomic scenarios and weightings* *continued*

Official interest rates are expected to peak in the first half of 2023, at 4.875% in the US, 3.75% in the Eurozone and 4.5% in the UK (in the Euro Area, these are expected to remain at 3% from Q2 2025 onwards). House price inflation is forecast to slow to 1.0% in Ireland by end 2023, while a fall of 8% is expected in UK house prices during this year. From 2025 onwards, moderate growth of 2.0-2.5% in house prices is projected for both markets. CRE prices fell sharply in Ireland and UK in the second half of 2022 and are expected to decline by a further 8-9% in 2023 with a modest recovery in CRE prices in both markets from 2024 onwards.

**Downside 1 (‘Persistently high inflation’):** Amidst deepening geopolitical fragmentation, fresh upward pressure on commodity prices with higher wage demands and other costs to businesses and inflation becomes more embedded remaining very high in 2023-2024. Central banks are forced to continue raising interest rates into Q2 2024. Conditions in financial markets continue to tighten, with further rises in bond yields and credit spreads and a resumption of falls on stock markets.

As a result, the major economies all experience a significant recession in 2023, with the downturn continuing in the UK in 2024. This is followed by a sluggish recovery in activity. In Ireland’s case, GDP growth slows sharply to 2% in 2023 and 2024. GDP is lower by 3.3-3.5% in 2025 in most economies compared to the base and is almost 5% lower in Ireland. There is a marked rise in unemployment everywhere, climbing to circa 8% in both Ireland and the UK. Inflation takes longer to ease in this scenario (e.g., in 2024 it averages 5% compared to 2.8% in the Base scenario for Ireland).

There are very big falls in property prices. House prices in Ireland & the UK are predicted to decline by between 10% and 15%, respectively, in 2023-2024. There are even bigger falls in CRE prices of 15%-16% in both markets in 2023-24.

Central banks are assumed to raise rates to 5.25%, 5.75% and 6.125% in the Euro Area, UK and US, respectively, by mid-2024. Rates are then cut aggressively from Q4 2024 onwards as inflation falls sharply.

**Downside 2 (‘Credit crunch’):** Monetary tightening has had a more negative impact on economic activity than central banks anticipated. The sharp rise in interest rates continues to expose vulnerabilities in the financial system in advanced economies during 2023, as well creating further difficulties servicing and refinancing elevated debts and deficits in Emerging Market Economies. Banks take a far more cautious approach to lending activities, with a consequent marked tightening of credit and financial conditions. 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 in effect 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 2023-24. Activity in the US, UK and Euro Area economies are circa 7% lower by 2025 than in the Base scenario while Irish GDP (with growth stagnating) is 8.8% lower. There is a modest pick up in global and domestic activity from 2025 onwards after interest rates are lowered aggressively in 2023-2024 following a sharp fall-back in inflation

Labour markets are severely impacted with Irish unemployment rising sharply to average 11% by 2026 while in the larger economies, such as the UK and the US, the rate climbs 10.5% and 9.3%, respectively.

Given that the main advanced economies enter a deep recession in 2023-2024, there are very large property price falls in Ireland and the UK. Irish and UK residential property prices fall by 25% and 29%, respectively by Q2 2025, followed by only modest recoveries in 2026-27. CRE prices in Ireland and the UK fall by 35-36% by Q2 2025 also followed by a slow recovery in 2026-27.

Central banks lower rates aggressively from Q2 2023 onwards as economies enter a deep recession such that, by Q4 2024, rates are at 1% in both the Euro Area and the UK while in the US, they reach 1.625% as inflation eases back to 2% in these economies.

**Upside (‘Quick economic recovery’):**
A combination of an end to the War in Ukraine during 2023 and a faster than anticipated rundown of personal and corporate savings, boosts business and consumer confidence, and has a positive impact on financial markets and lifting global growth.

In this scenario, GDP is some 3.3% higher in most economies than in the base case by 2025. Irish GDP growth averages 5% over the period 2023-2025. World GDP growth then decelerates to trend over 2026-2027. As a result, unemployment falls further in all economies. With more robust demand in the economy, inflation increases somewhat but is slower to decline than in the base case, only easing back to 2% by end 2026/2027.

Irish and UK property prices perform much better than in the base case scenario. Irish house price rise by 4-4.5% per annum over 2023-25, with UK prices up 2-3%. Meanwhile, CRE rise by 3-3.5% on average per annum over 2023-2025 in both countries.

Central banks continuing hiking rates in the second half of 2023 and to much higher levels than in the base case. Rates rise to a peak of 5.875% in the US, 5.5% in the UK, 4.5% in the Eurozone by end 2023. They are kept on hold at these levels until the second half of 2027.

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Overview

### Macroeconomic scenarios and weightings* *continued*

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 30 June 2023 (average over 2023-2027) and at 31 December 2022 (average over 2023-2027). Further detail on the scenarios as at 31 December 2022 can be found in the Annual Financial Report 2022 on pages 84 to 88.

| | June 2023 5 year (2023-2027) average forecast | | | | December 2022 5 year (2023-2027) average forecast | | | |
|---|---|---|---|---|---|---|---|---|
| **Macroeconomic factor (%)** | **Base** | **Downside 1 (‘Persistently high inflation’)** | **Downside 2 (‘Credit crunch’)** | **Upside (‘Quick economic 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 | **3.6** | **3.1** | **2.1** | **4.3** | 3.6 | 3.4 | 2.6 | 4.3 |
| Residential property price growth | **2.1** | **—** | **(4.5)** | **3.6** | 2.5 | 0.2 | (4.3) | 3.8 |
| Unemployment rate | **5.0** | **7.2** | **9.4** | **3.9** | 5.0 | 6.8 | 8.5 | 3.9 |
| Commercial property price growth | **0.6** | **(1.6)** | **(6.7)** | **2.7** | 1.0 | (1.6) | (6.6) | 2.7 |
| Employment growth | **1.6** | **0.9** | **—** | **1.9** | 1.6 | 1.1 | 0.2 | 1.9 |
| Average disposable income growth | **5.1** | **4.6** | **3.2** | **6.1** | 5.1 | 4.3 | 3.4 | 6.0 |
| Inflation | **2.8** | **3.8** | **2.6** | **3.4** | 2.7 | 2.7 | 3.9 | 3.5 |
| **United Kingdom** | | | | | | | | |
| GDP growth | **0.7** | **—** | **(0.6)** | **1.4** | 0.4 | 0.3 | (0.3) | 1.5 |
| Residential property price growth | **(0.2)** | **(1.6)** | **(5.7)** | **2.2** | 0.2 | (1.6) | (5.7) | 2.2 |
| Unemployment rate | **4.7** | **7.2** | **9.1** | **3.7** | 5.1 | 6.8 | 8.3 | 3.7 |
| Commercial property price growth | **1.0** | **(2.0)** | **(6.9)** | **2.9** | 0.2 | (2.2) | (6.9) | 2.6 |
| Inflation | **3.0** | **4.2** | **2.8** | **4.1** | 3.3 | 3.3 | 4.4 | 4.2 |

*Forms an integral part of the condensed consolidated interim financial statements

# Credit risk – Overview

## 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 30 June 2023. Page 87 of the Annual Financial Report 2022 provides the same detail for the 31 December 2022 scenarios.

| | | | | | | | | | | 30 June 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Base | | | | | Downside 1 ('Persistently high inflation') |
| Macroeconomic factor | 2023 % | 2024 % | 2025 % | 2026 % | 2027 % | 2023 % | 2024 % | 2025 % | 2026 % | 2027 % |
| **Republic of Ireland** | | | | | | | | | | |
| GDP growth | 4.0 | 3.7 | 4.0 | 3.5 | 3.0 | 2.0 | 2.0 | 3.2 | 4.0 | 4.5 |
| Residential property price growth | 1.0 | 2.0 | 2.5 | 2.5 | 2.5 | (8.0) | (2.5) | 5.0 | 3.0 | 2.5 |
| Unemployment rate | 4.8 | 5.0 | 5.0 | 5.0 | 5.0 | 5.8 | 7.1 | 7.8 | 7.9 | 7.5 |
| Commercial property price growth | (9.0) | 3.0 | 3.0 | 3.0 | 3.0 | (12.5) | (4.5) | 3.0 | 3.0 | 3.0 |
| Employment growth | 1.5 | 1.5 | 1.7 | 1.6 | 1.5 | 0.4 | 0.2 | 0.8 | 1.4 | 2.0 |
| Average disposable income growth | 6.3 | 5.3 | 4.7 | 4.6 | 4.5 | 5.5 | 4.8 | 4.0 | 4.0 | 4.5 |
| Inflation | 5.0 | 2.8 | 2.2 | 2.0 | 2.0 | 7.5 | 5.0 | 2.5 | 2.0 | 2.0 |
| **United Kingdom** | | | | | | | | | | |
| GDP growth | (0.5) | 0.2 | 1.0 | 1.3 | 1.5 | (1.6) | (2.2) | 0.5 | 1.5 | 1.7 |
| Residential property price growth | (8.0) | 1.0 | 2.0 | 2.0 | 2.0 | (11.0) | (4.5) | 1.5 | 3.0 | 3.0 |
| Unemployment rate | 4.2 | 4.6 | 5.0 | 5.0 | 4.8 | 5.5 | 7.0 | 8.0 | 8.0 | 7.5 |
| Commercial property price growth | (8.0) | 2.0 | 3.0 | 4.0 | 4.0 | (12.5) | (3.0) | 1.5 | 2.0 | 2.0 |
| Inflation | 6.3 | 2.5 | 2.0 | 2.0 | 2.0 | 8.5 | 5.5 | 3.0 | 2.0 | 2.0 |

| | | | | | Downside 2 ('Credit crunch') | | | | | Upside ('Quick economic recovery') |
|---|---|---|---|---|---|---|---|---|---|---|
| Macroeconomic factor | 2023 % | 2024 % | 2025 % | 2026 % | 2027 % | 2023 % | 2024 % | 2025 % | 2026 % | 2027 % |
| **Republic of Ireland** | | | | | | | | | | |
| GDP growth | 0.5 | — | 1.8 | 3.5 | 4.5 | 5.5 | 4.5 | 5.0 | 3.7 | 3.0 |
| Residential property price growth | (11.5) | (12.5) | (1.0) | 1.0 | 1.5 | 4.0 | 4.5 | 4.0 | 3.0 | 2.5 |
| Unemployment rate | 6.3 | 8.7 | 10.6 | 11.0 | 10.5 | 4.3 | 4.1 | 3.8 | 3.6 | 3.6 |
| Commercial property price growth | (17.5) | (18.5) | (4.0) | 2.5 | 4.0 | 4.0 | 3.0 | 2.5 | 2.0 | 2.0 |
| Employment growth | (0.5) | (1.4) | (1.0) | 0.7 | 2.0 | 2.3 | 2.1 | 2.0 | 1.7 | 1.5 |
| Average disposable income growth | 4.0 | 2.5 | 2.5 | 3.0 | 3.8 | 8.0 | 6.5 | 6.0 | 5.2 | 5.0 |
| Inflation | 4.5 | 2.3 | 2.0 | 2.0 | 2.0 | 5.5 | 4.0 | 3.0 | 2.5 | 2.0 |
| **United Kingdom** | | | | | | | | | | |
| GDP growth | (3.0) | (4.0) | 0.5 | 1.5 | 2.0 | 0.8 | 1.4 | 1.8 | 1.7 | 1.4 |
| Residential property price growth | (14.0) | (16.0) | (1.0) | 1.0 | 1.5 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Unemployment rate | 6.3 | 8.5 | 10.0 | 10.5 | 10.0 | 3.8 | 3.7 | 3.6 | 3.7 | 3.8 |
| Commercial property price growth | (17.0) | (18.5) | (5.5) | 2.5 | 4.0 | 3.5 | 4.0 | 3.0 | 2.0 | 2.0 |
| Inflation | 5.8 | 2.2 | 2.0 | 2.0 | 2.0 | 7.5 | 5.0 | 3.7 | 2.5 | 2.0 |

The key differences to the scenario forecasts versus December 2022 relate to a slight downward revision to inflation in our main markets, a further weakening of house prices, particularly in the UK in 2023, arising from higher interest rates despite a less pessimistic outlook for the UK economy where there have been upwards revisions to GDP growth and lower unemployment rate.

Overall, macroeconomic data have generally been better than expected in the first half of 2023 and consensus forecasts have been revised upward as a result. However, recent developments in relation to the banking sector and associated market volatility pose a risk to the real economy and could lead to a tightening in financial conditions, weaker lending activity and lower confidence. As a result, the Group has maintained a conservative stance in terms of our projections.

The four scenarios detailed above are designed to capture a reasonable range of plausible outcomes. The ECL allowance reflects a weighted average of the credit loss estimates under the four scenarios.

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Overview continued

### Macroeconomic scenarios and weightings* *continued*

The weights for the scenarios are ultimately based on expert judgement, with reference to external market information where possible, though the decision is also informed by analysis using more formal econometric methods, e.g., using Early Warning Indicators of future turning points in economic activity to assess the relative probabilities of moderate and more severe downturns.

The weights that have been applied as at the reporting date are:

| Scenario | Weighting 30 June 2023 |
|---|---|
| Base | **50%** |
| Downside 1 ('Persistently high inflation') | **30%** |
| Downside 2 ('Credit crunch') | **10%** |
| Upside ('Quick economic recovery') | **10%** |

| | Weighting December 2022 |
|---|---|
| Base | 45% |
| Downside 1 ('Lower growth in 2023') | 30% |
| Downside 2 ('Energy shock and persistently high inflation') | 15% |
| Upside ('Quick economic recovery') | 10% |

Data releases for many economies in recent months have been somewhat more encouraging than was the case in December 2022. For example, Irish unemployment has trended downwards accompanied by strong employment gains, inward foreign direct investment remains fairly robust as has corporation and other tax receipts, while wage inflation remains quite moderate. In the UK, the economy is expected to experience a mild recession during 2023 with growth likely to remain below trend during 2024 while expectations of recession have fallen back in the US and Euro Area.

The Group's view is that risks remain tilted to the downside, with headwinds facing the global economy. The higher weighting (relative to the upside scenario) that has been assigned to the combined downside scenarios, as at 30 June 2023, reflects this assessment. The key drivers of these include inter alia uncertainty surrounding the lagged impact of aggressive monetary policy tightening on economic activity which has recently exposed vulnerabilities in the financial and commercial real estate sectors, particularly in the US, that could tip the economy there into recession. Moreover, persistently high underlying inflation remains a cause for concern.

In assessing the adequacy of the ECL allowance, the Group has considered 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 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.

*Forms an integral part of the condensed consolidated interim financial statements

# Credit risk – Overview

## Sensitivities

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 are provided which indicate the approximate impact on the current ECL allowance before the application of probability weights to the forward looking macroeconomic scenarios. The sensitivities provide an indication of ECL movements largely based on changes in model parameters with post model adjustments sensitivity predominantly reflected only where scenario specific features form an integral part of the adjustment. Further details on post model adjustments are outlined on pages 30 and 31.

Relative to the base scenario, in the 100% downside 'Persistently high inflation' and 'Credit crunch' scenarios, the ECL allowance increases by 11% and 25% respectively. In the 100% upside scenario, the ECL allowance declines by 5%, showing that the ECL impact of the two downside scenarios is greater than that of the upside scenario. For 30 June 2023, a 100% downside 'Persistently high inflation' and 'Credit crunch' scenario sees a higher ECL allowance sensitivity of € 172 million and € 408 million respectively compared to base (€ 86 million and € 322 million respectively compared to reported). Slightly higher relative impacts are observed for the AIB UK portfolio on an overall reported basis.

| | | | | | ECL allowance at 30 June 2023 |
|---|---|---|---|---|---|
| | Reported | 100% Base | 100% Downside Scenario 1 ('Persistently high inflation') | 100% Downside Scenario 2 ('Credit crunch') | 100% Upside Scenario ('Quick economic recovery') |
| **Loans and advances to customers** | Total € m | Total € m | Total € m | Total € m | Total € m |
| Residential mortgages | **280** | **269** | **284** | **336** | **260** |
| Other personal | **178** | **174** | **182** | **194** | **170** |
| Property and construction | **405** | **391** | **426** | **453** | **371** |
| Non-property business | **775** | **724** | **829** | **951** | **685** |
| **Total** | **1,638** | **1,558** | **1,721** | **1,934** | **1,486** |
| Off-balance sheet loan commitments | **48** | **43** | **49** | **69** | **39** |
| Financial guarantee contracts | **16** | **15** | **18** | **21** | **12** |
| | **1,702** | **1,616** | **1,788** | **2,024** | **1,537** |
| Of which: | | | | | |
| AIB UK segment | **225** | **211** | **247** | **263** | **183** |

| | | | | | ECL allowance at 31 December 2022 |
|---|---|---|---|---|---|
| | Reported | 100% Base | 100% Downside Scenario ('Lower growth in 2023') | 100% Downside Scenario ('Energy shock and persistently high inflation') | 100% Upside Scenario ('Quick economic recovery') |
| **Loans and advances to customers** | Total € m | Total € m | Total € m | Total € m | Total € m |
| 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 |

## Credit risk – Overview

### Management judgements*

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. All 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.

The PMAs approved for 30 June 2023 (and 31 December 2022 comparison) are set out below and categorised as follows:

- NPE resolution strategy – ECL adjustments where the current model does not take into account alternative resolution strategies such as portfolio sales and to ensure that downside risks are appropriately 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.

| | | | | | | 30 June 2023 |
|---|---|---|---|---|---|---|
| | Residential mortgages | Other personal | Property and construction | Non-property business | Inter bank exposure | Total |
| **Management judgements** | € m | € m | € m | € m | € m | € m |
| NPE resolution | 136 | 2 | 73 | 77 | — | 288 |
| Emerging headwinds | 43 | 11 | 114 | 126 | — | 294 |
| Macroeconomic factors | 20 | — | — | — | — | 20 |
| Other | — | — | — | 50 | 14 | 64 |
| **PMA total** | 199 | 13 | 187 | 253 | 14 | 666 |

| | | | | | | 31 December 2022 |
|---|---|---|---|---|---|---|
| | Residential mortgages | Other personal | Property and construction | Non-property business | Inter bank exposure | Total |
| **Management judgements** | € m | € m | € m | € m | € m | € m |
| 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

At 30 June 2023, the PMA related to mortgages which have been classified as non-performing for a considerable length of time has been retained to reflect expected outcomes from alternative strategies which may be adopted, such as portfolio sales. LGD models are based on empirical internal data assuming business as usual resolution and given that the models do not account for alternative strategies, post model adjustments have been applied to reflect the potential outcomes, pending model redevelopment.

Post model adjustments related to non-performing property and non-property business loans are required as the loss allowance associated with these loans does not adequately account for alternative resolution strategies, such as portfolio loan sales. At 30 June 2023 the increased post model adjustment for non-performing property loans reflects the potential reduction in asset values, particularly within commercial real estate.

### Emerging headwinds

Particular focus from management continues to be on assessing portfolios impacted by the combined effects of cost of living challenges, persistent inflationary pressures and rising interest rates 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 could be an increase in credit risk which could have a negative impact on the asset quality of the Group's loan portfolios.

Within Capital Markets a PMA of € 95 million on property is to address potential adverse sector impacts due to a reduction in commercial property values and higher interest rates.

A stage movement PMA transferring € 1.6 billion (of which € 0.2 billion relates to AIB UK) of commercial investment property exposures to Stage 2 reflects a proactive and forward-looking approach. This predominately relates to the commercial investment office portfolio and reflects changes in market dynamics due to increased interest rates and is based on a sensitivity analysis which included stressing asset values, where a potential Interest cover breach under stress could occur or where loans are unlikely to meet business as usual refinance terms.

The Capital Markets non-property business PMA (€ 67 million) due to the potential impact of inflation (including higher energy costs) and higher interest rates on non-property business has been retained but at a reduced level reflecting resilient performance of the underlying portfolios and cases completing forbearance probation periods.

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Overview
### Management judgements* *continued*
### Emerging headwinds continued
Within the Retail Banking portfolio, a PMA of € 72 million has been retained to reflect the potential credit quality impacts due to persistent and forecast additional interest rate increases and the increased cost of living. The PMA has been applied within the performing portion of the residential mortgage portfolio, € 43 million, other personal portfolio, € 11 million, and non-property business portfolio, € 18 million.

Within AIB UK, a PMA of £ 51 million (£ 35 million non-property business and £ 16 million property) also reflects the impact of higher interest rates and a projected decline in commercial real estate values.

### Macroeconomic factors
In Retail Banking, an ECL adjustment continues to be applied to reflect limitations within the mortgage model relating to the house price index ('HPI') growth. This is to ensure that the ECL remains appropriate for the underlying portfolio acknowledging the limitations within the model. This adjustment amounted to € 20 million at 30 June 2023.

### Other
### Syndicated & International Finance ('SIF')
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 needed to be increased for this portfolio.

Accordingly, expert credit judgement has determined a post model adjustment is required of € 50 million at 30 June 2023.

### Bank PD Model
The Group's IFRS 9 PD model for exposure to Bank counterparties has been subject to ongoing recalibration enhancements. At 30 June 2023 a post model adjustment of € 14 million has been incorporated to reflect the expected impact from the deployment of the recalibrated model in the second half of 2023.

Other post model adjustments in this category are not individually significant.

### ECL governance*
The key governance points in the ECL approval process during the half-year to 30 June 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.

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Overview

Key Credit Profile Metrics at 30 June 2023:

- Overall credit quality remains robust against the backdrop of inflation and higher interest rates. There was a net credit impairment charge of € 91 million in the half-year to 30 June 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. Our overall approach remains proactive, comprehensive and forward-looking and is reflected in an expected credit loss coverage rate of 2.6%. (31 December 2022: 2.7%).
- Total gross loans and advances to customers have increased from € 61.2 billion to € 62.8 billion in the half-year to 30 June 2023 which reflects new lending of € 5.6 billion exceeding redemptions / repayments of € 4.9 billion in addition to a further € 0.7 billion relating to the Ulster Bank corporate and commercial portfolio acquisition.
- Total new lending in the half-year to 30 June 2023 was € 5.6 billion which reflects an increase of € 0.2 billion versus the comparable period last year (30 June 2022: € 5.4 billion). Mortgage lending was broadly in line with the half-year to 30 June 2022 while personal lending and non-property business lending increased by 29% and 12% respectively, however property lending decreased by 20%.
- Stage 2 loans have increased by € 2.2 billion to € 8.2 billion (30 December 2022: € 6.0 billion). The increase was driven by the property and construction portfolio with an increase in Stage 2 loans of € 2.3 billion to € 3.7 billion (30 December 2022: € 1.4 billion) due to a net € 1.1 billion transferring from Stage 1 to Stage 2 primarily due to loans triggering a qualitative significant increase in credit risk event during the period. A further € 1.6 billion of commercial investment exposures (predominately commercial investment – office) transferred to Stage 2 as a result of a post model adjustment reflecting a proactive and forward-looking credit management approach to this sector following changes in market dynamics due to increased interest rates and stressing asset values where a potential Interest cover breach under stress could occur or where loans are unlikely to meet business as usual refinance terms.

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 summarises financial instruments in the statement of financial position:*

| | | | 30 June 2023 | Half-year 30 June 2023 | | | 31 December 2022 | Half-year 30 June 2022 |
|---|---|---|---|---|---|---|---|---|
| | | | Statement of financial position | Income statement | | | Statement of financial position | Income statement |
| | Exposure | ECL allowance | Carrying amount | Net credit impairment (charge)/ writeback | Exposure | ECL allowance | Carrying amount | Net credit impairment writeback/ (charge) |
| | € m | € m | € m | € m | € m | € m | € m | € m |
| Cash and balances at central banks | **36,088** | **—** | **36,088** | **—** | 38,138 | — | 38,138 | — |
| Loans and advances to banks | **1,845** | **(2)** | **1,843** | **(2)** | 1,502 | — | 1,502 | — |
| Loans and advances to customers: | | | | | | | | |
| at amortised cost | **62,648** | **(1,638)** | **61,010** | **(91)** | 60,982 | (1,618) | 59,364 | 308 |
| at FVTPL | **174** | **n/a** | **174** | **n/a** | 249 | n/a | 249 | n/a |
| | **62,822** | **(1,638)** | **61,184** | **(91)** | 61,231 | (1,618) | 59,613 | 308 |
| Securities financing | **7,631** | **(4)** | **7,627** | **(3)** | 6,283 | (1) | 6,282 | 1 |
| Investment debt securities[(1)] | **16,214** | **(3)** | **16,211** | **(9)** | 15,971 | (3) | 15,968 | (2) |
| Other – Stockbroking client debtors | **84** | **(1)** | **83** | **—** | 36 | (1) | 35 | — |
| Items in course of collection | **62** | **—** | **62** | **—** | 51 | — | 51 | — |
| Loan commitments | **15,861** | **(48)** | **(48)** | **11** | 15,060 | (59) | (59) | — |
| Financial guarantee contracts | **765** | **(16)** | **(16)** | **3** | 802 | (19) | (19) | 2 |
| **Total** | | | | **(91)** | | | | 309 |

(1) ECL allowance amounting to € 3 million (31 December 2022: € 3 million) included in carrying amount of investment securities at amortised cost.

For further details on the net credit impairment charge in the six months to 30 June 2023, see 'Net credit impairment (charge)/ writeback' (note 10).

*Forms an integral part of the condensed consolidated interim financial statements

## 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.

The following table analyses loans and advances to customers at amortised cost by segment, internal credit ratings and ECL staging:

### Amortised cost

| | 30 June 2023 | | | | | 31 December 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 |
| Residential mortgages | 28,992 | 489 | 948 | — | 30,429 | 28,764 | 528 | 987 | — | 30,279 |
| Other personal | 2,719 | 45 | 77 | — | 2,841 | 2,600 | 49 | 74 | — | 2,723 |
| Property and construction | 492 | 6,487 | 2,285 | — | 9,264 | 452 | 6,166 | 1,999 | — | 8,617 |
| Non-property business | 3,221 | 12,700 | 4,172 | 21 | 20,114 | 3,026 | 12,177 | 4,145 | 15 | 19,363 |
| **Total** | 35,424 | 19,721 | 7,482 | 21 | 62,648 | 34,842 | 18,920 | 7,205 | 15 | 60,982 |
| **Analysed by internal credit ratings**[1] | | | | | | | | | | |
| Strong | 24,601 | 13,563 | 5,176 | 1 | 43,341 | 24,294 | 12,813 | 4,763 | — | 41,870 |
| Satisfactory | 8,131 | 4,165 | 1,441 | 20 | 13,757 | 7,654 | 4,023 | 1,448 | 15 | 13,140 |
| **Total strong/satisfactory** | 32,732 | 17,728 | 6,617 | 21 | 57,098 | 31,948 | 16,836 | 6,211 | 15 | 55,010 |
| Criticised watch | 1,170 | 966 | 274 | — | 2,410 | 1,241 | 496 | 203 | — | 1,940 |
| Criticised recovery | 374 | 553 | 264 | — | 1,191 | 431 | 1,178 | 405 | — | 2,014 |
| **Total criticised** | 1,544 | 1,519 | 538 | — | 3,601 | 1,672 | 1,674 | 608 | — | 3,954 |
| **Non-performing** | 1,148 | 474 | 327 | — | 1,949 | 1,222 | 410 | 386 | — | 2,018 |
| **Gross carrying amount** | 35,424 | 19,721 | 7,482 | 21 | 62,648 | 34,842 | 18,920 | 7,205 | 15 | 60,982 |
| **Analysed by ECL staging** | | | | | | | | | | |
| Stage 1 | 32,520 | 14,023 | 5,808 | 21 | 52,372 | 31,805 | 15,317 | 5,725 | 15 | 52,862 |
| Stage 2 | 1,690 | 5,224 | 1,347 | — | 8,261 | 1,749 | 3,193 | 1,094 | — | 6,036 |
| Stage 3 | 1,129 | 474 | 327 | — | 1,930 | 1,201 | 410 | 386 | — | 1,997 |
| POCI | 85 | — | — | — | 85 | 87 | — | — | — | 87 |
| **Total** | 35,424 | 19,721 | 7,482 | 21 | 62,648 | 34,842 | 18,920 | 7,205 | 15 | 60,982 |
| **ECL allowance – statement of financial position** | | | | | | | | | | |
| Stage 1 | 96 | 85 | 44 | — | 225 | 88 | 132 | 43 | — | 263 |
| Stage 2 | 114 | 478 | 106 | — | 698 | 112 | 440 | 94 | — | 646 |
| Stage 3 | 479 | 161 | 66 | — | 706 | 468 | 133 | 99 | — | 700 |
| POCI | 9 | — | — | — | 9 | 9 | — | — | — | 9 |
| **Total** | 698 | 724 | 216 | — | 1,638 | 677 | 705 | 236 | — | 1,618 |
| **ECL allowance cover percentage** | % | % | % | % | % | % | % | % | % | % |
| Stage 1 | 0.3 | 0.6 | 0.8 | — | 0.4 | 0.3 | 0.9 | 0.8 | — | 0.5 |
| Stage 2 | 6.8 | 9.2 | 7.9 | — | 8.5 | 6.4 | 13.8 | 8.6 | — | 10.7 |
| Stage 3 | 42.4 | 34.0 | 20.0 | — | 36.6 | 39.0 | 32.4 | 25.6 | — | 35.1 |
| POCI | 10.3 | — | — | — | 10.3 | 10.7 | — | — | — | 10.7 |

| | Half-year 30 June 2023 | | | | | Half-year 30 June 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| Net remeasurement of ECL allowance | 60 | 40 | 7 | — | 107 | (193) | (85) | 2 | — | (276) |
| Recoveries of amounts previously written-off | (11) | (4) | (1) | — | (16) | (27) | (2) | (3) | — | (32) |
| **Net credit impairment charge/(writeback)** | 49 | 36 | 6 | — | 91 | (220) | (87) | (1) | — | (308) |
| | % | % | % | % | % | % | % | % | % | % |
| **Net credit impairment charge/(writeback) on average loans** | 0.14 | 0.19 | 0.08 | — | 0.15 | (0.32) | (0.27) | (0.01) | — | (0.26) |

(1) Further analysis of internal credit grade profile by ECL staging is set out on page 37. Further details on the internal credit ratings are outlined on pages 76 and 77 of the Annual Financial Report 2022.

## Credit risk – Credit profile of the loan portfolio

The following table analyses loans and advances to customers at FVTPL by segment and internal credit ratings:

### FVTPL

| | 30 June 2023 | | | | | 31 December 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 | — | 151 | — | — | 151 | — | 226 | — | — | 226 |
| Non-property business | — | 23 | — | — | 23 | — | 23 | — | — | 23 |
| **Total** | — | 174 | — | — | 174 | — | 249 | — | — | 249 |
| **Analysed by internal credit ratings** | | | | | | | | | | |
| Strong | — | 23 | — | — | 23 | — | 96 | — | — | 96 |
| Satisfactory | — | — | — | — | — | — | — | — | — | — |
| **Total strong/satisfactory** | — | 23 | — | — | 23 | — | 96 | — | — | 96 |
| **Total criticised** | — | — | — | — | — | — | — | — | — | — |
| **Non-performing** | — | 151 | — | — | 151 | — | 153 | — | — | 153 |
| **Total** | — | 174 | — | — | 174 | — | 249 | — | — | 249 |

### Gross loans and advances to customers

Total gross loans and advances to customers increased by € 1.6 billion in the half-year to June 2023. Of the total portfolio of € 62.8 billion, € 62.6 billion is measured at amortised cost with the remaining € 0.2 billion being measured at fair value through profit or loss. The increase in the half-year to June 2023 was influenced by a further € 0.7 billion relating to the Ulster Bank corporate and commercial portfolio acquisition. New lending activity of € 5.6 billion represented a slight increase of € 0.2 billion compared to the same period last year, however this was largely offset against redemptions/repayments which amounted to € 4.9 billion. New lending in Retail Banking accounted for € 2.8 billion and largely related to new mortgage lending (€ 1.7 billion) which was in line with the half-year to June 2022. Capital Markets accounted for € 2.1 billion which predominately reflected increases in corporate lending offset by reductions in property related lending. Overall, from a segment perspective, Capital Markets and Retail Banking increased by € 0.7 billion and € 0.6 billion respectively, while AIB UK also increased by € 0.3 billion.

Of the total loans to customers, € 57.1 billion or 91% are rated as either 'strong' or 'satisfactory' which is an increase of € 2.0 billion (31 December 2022: € 55.1 billion or 90%), this increase was evidenced across all business units. The 'criticised' classification includes 'criticised watch' of € 2.4 billion and 'criticised recovery' of € 1.2 billion, the total of which decreased by € 0.3 billion in the half-year to June 2023. The 'criticised watch' portfolio increased by € 0.5 billion, however this increase was influenced by the 'criticised recovery' portfolio which decreased by € 0.8 billion due to the upgrading of customers predominately in the non-property business portfolio exiting forbearance measures. The total performing book has increased by € 1.6 billion to € 60.7 billion or 97% of gross loans and advances to customers (31 December 2022: € 59.1 billion and 96%).

Overall the credit quality of the total portfolio has remained robust however emerging stress from current inflationary pressures and rising interest rates is manifesting in an increase in Stage 2 migration. Stage 2 loans have increased by € 2.2 billion to € 8.2 billion as Stage 1 loans decreased by € 0.5 billion to € 52.4 billion.

The increase in Stage 2 loans was driven by the property and construction portfolio following € 1.1 billion transferring from Stage 1 to 2 primarily due to loans triggering a qualitative significant increase in credit risk event during the period. A further € 1.6 billion of commercial investment exposures (predominately commercial investment – office) transferred to Stage 2 as a result of a post model adjustment reflecting a proactive and forward looking credit management approach to this sector following changes in market dynamics due to increased interest rates and stressing asset values where a potential Interest cover breach under stress could occur or where loans are unlikely to meet business as usual refinance terms. These transfers to Stage 2 in the property and construction portfolio were slightly offset by repayments of € 0.3 billion and net stage transfers out of Stage 2 of € 0.2 billion.

Stage 3 loans have decreased by € 0.1 billion to € 1.9 billion. Redemptions/repayments, write-offs and disposals totalling € 0.4 billion were offset by net transfers to Stage 3 of € 0.3 billion. Transfers to Stage 3 in the period predominately related to cases in the property and non-property business portfolios.

## Credit risk – Credit profile of the loan portfolio

### Non-performing loans

The table below sets out the Group's non-performing loans and advances to customers by asset class and by time in default at 30 June 2023 and 31 December 2022:

| | | | | | 30 June 2023 |
|---|---|---|---|---|---|
| | Residential mortgages | Other personal | Property and construction | Non-property business | Total |
| **Non-performing loans** | € m | € m | € m | € m | € m |
| At amortised cost | 643 | 163 | 452 | 691 | 1,949 |
| At FVTPL | — | — | 151 | — | 151 |
| **Total non-performing loans and advances to customers** | 643 | 163 | 603 | 691 | 2,100 |
| **Non-performing loans as a % of total loans and advances to customers** | 2.1 % | 5.7 % | 6.4 % | 3.4 % | 3.3 % |
| **ECL allowance as a % of non-performing loans and advances to customers at amortised cost** | 31 % | 67 % | 34 % | 37 % | 37 % |
| **Split of non-performing loans and advances by time in default** | | | | | |
| Legacy/Pre 31 December 2018 | 126 | 9 | 30 | 28 | 193 |
| Non Legacy/Post 31 December 2018 | 517 | 154 | 573 | 663 | 1,907 |
| | 643 | 163 | 603 | 691 | 2,100 |

| | | | | | 31 December 2022 |
|---|---|---|---|---|---|
| | Residential mortgages | Other personal | Property and construction | Non-property business | Total |
| **Non-performing loans** | € m | € m | € m | € m | € m |
| 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 % |
| **Split of non-performing loans and advances by time in default** | | | | | |
| Legacy/Pre 31 December 2018 | 155 | 11 | 38 | 36 | 240 |
| Non Legacy/Post 31 December 2018 | 502 | 169 | 521 | 739 | 1,931 |
| | 657 | 180 | 559 | 775 | 2,171 |

Total Group non-performing loans have decreased by € 0.1 billion or 3% to € 2.1 billion in the half-year to 30 June 2023 (31 December 2022: € 2.2 billion) reflecting net underlying decreases. The total Group non-performing loans portfolio consists of € 2.0 billion in loans and advances to customers measured at amortised cost together with € 0.1 billion of loans measured at FVTPL.

The ECL allowance cover rate on non-performing loans (at amortised cost) has increased to 37% in the half-year to 30 June 2023 (31 December 2022: 35%). The increase is primarily driven by post model adjustments relating to a cohort of non-mortgage loans which have been included in the scope of alternative recovery strategies such as portfolio sales, as well as the ongoing and persistent impact of economic uncertainty on non-legacy property and non-property business exposures. Non-performing loans as a percentage of total loans and advances to customers is 3.3% compared to 3.5% at 31 December 2022.

Exposures that entered into default prior to 31 December 2018 amount to € 0.2 billion or 0.3% of total loans and advances to customers (31 December 2022 € 0.2 billion or 0.4%) and are classified as legacy. The reduction in the period of 20% is due to cures and the remaining balances relate to exposures which may form part of alternative recovery strategies.

Exposures that have defaulted after 31 December 2018 amount to € 1.9 billion or 3.0% of total loans and advances to customers (31 December 2022: € 1.9 billion or 3.1%) and are classified as non-legacy. These exposures are spread across all asset classes, and notwithstanding the impact of inflation and rising interest rates have reduced slightly in the period. The non-property business portfolio (€ 0.7 billion) continues to be the largest impacted sector within this cohort.

## Credit risk – Credit profile of the loan portfolio

### ECL allowance

The ECL allowance on loans and advances to customers has remained unchanged in the half-year to 30 June 2023 at € 1.6 billion. The level of ECL allowance has been maintained to reflect the current economic outlook against the emerging stress from inflationary pressures and rising interest rates. The total ECL cover rate has decreased slightly from 2.7% at 31 December 2022 to 2.6% at 30 June 2023.

### Income statement

The table below analyses the key components of the income statement for loans and advances to customers at 30 June 2023 and 30 June 2022.

| **Amortised cost** | | | | | **30 June 2023** | | | | | 30 June 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 | **7** | **16** | **16** | **17** | **56** | (20) | 21 | 10 | (4) | 7 |
| Net remeasurement | **5** | **5** | **23** | **(12)** | **21** | 2 | 3 | (11) | (28) | (34) |
| New loans originated/top-ups | **1** | **5** | **9** | **7** | **22** | 1 | 5 | 6 | 6 | 18 |
| Redemptions/repayments | **(2)** | **(2)** | **(8)** | **(26)** | **(38)** | (3) | (2) | (13) | (27) | (45) |
| Impact of credit or economic risk parameters | **(4)** | **1** | **(5)** | **(8)** | **(16)** | (3) | (8) | (22) | (15) | (48) |
| Impact of model and overlay changes | **(4)** | **2** | **74** | **(10)** | **62** | (32) | (24) | (30) | (88) | (174) |
| **Total net remeasurement of ECL allowance** | **3** | **27** | **109** | **(32)** | **107** | (55) | (5) | (60) | (156) | (276) |
| **Recoveries of amounts previously written-off** | **(4)** | **(2)** | **(3)** | **(7)** | **(16)** | (9) | (3) | (8) | (12) | (32) |
| **Net credit impairment charge / (writeback)** | **(1)** | **25** | **106** | **(39)** | **91** | (64) | (8) | (68) | (168) | (308) |

There was a € 91 million net credit impairment charge in the six months to 30 June 2023 which comprised a net remeasurement of ECL allowance charge of € 107 million and recoveries of amounts previously written-off of € 16 million (30 June 2022: € 308 million writeback comprising a net remeasurement writeback of € 276 million and € 32 million of recoveries).

Credit quality remained relatively stable during the period against a backdrop of inflation and rising interest rates with credit monitoring not identifying any material impact on the portfolio.

The key drivers of the net remeasurement of ECL allowance charge of € 107 million consist of the following components and activity:

- Net stage transfers resulted in a € 56 million charge, predominantly within the non-property business, property and construction and other personal sectors. Net remeasurements within stage and new loans originated totalled € 43 million and were largely offset by redemption and repayment activity of € 38 million, which continues to have the largest impact within Stage 2 with a € 26 million writeback driven by loans that fully repaid. Further details on the ECL allowance movements are outlined on pages  56 to 60.
- In order to reflect the continued uncertain economic environment with inflation and rising interest rates and the potential adverse impacts on the commercial real estate sector, additional ECLs have been taken to capture these increased risks through post model adjustments resulting in a net charge of € 62 million for the period. Further details on post model adjustments are outlined on pages 30 to 31.
- Within the IFRS 9 models, € 16 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 macroeconomic activity has generally been better than expected in the half-year to 30 June 2023. Further details on the macroeconomic scenarios and weightings are outlined on page 24 to 28.

Recoveries of amounts previously written-off of € 16 million (30 June 2022: € 32 million) included € 7 million recoveries (30 June 2022: € 23 million) due to cash recoveries received against legacy non-performing exposures. The remaining € 9 million (30 June 2022: € 9 million) relates to interest recognised as a result of loans curing from Stage 3.

# Credit risk – Credit profile of the loan portfolio
## Internal credit grade profile by ECL staging
The table below analyses the internal credit grading profile by ECL staging for loans and advances to customers:
### Amortised cost

| | 30 June 2023* | | | | | 31 December 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 | 40,139 | 3,198 | — | 4 | 43,341 | 40,708 | 1,159 | — | 3 | 41,870 |
| Satisfactory | 11,484 | 2,270 | — | 3 | 13,757 | 11,365 | 1,772 | — | 3 | 13,140 |
| **Total strong/satisfactory** | 51,623 | 5,468 | — | 7 | 57,098 | 52,073 | 2,931 | — | 6 | 55,010 |
| Criticised watch | 662 | 1,747 | — | 1 | 2,410 | 668 | 1,271 | — | 1 | 1,940 |
| Criticised recovery | 85 | 1,046 | — | 60 | 1,191 | 119 | 1,834 | — | 61 | 2,014 |
| **Total criticised** | 747 | 2,793 | — | 61 | 3,601 | 787 | 3,105 | — | 62 | 3,954 |
| **Non-performing** | 2 | — | 1,930 | 17 | 1,949 | 2 | — | 1,997 | 19 | 2,018 |
| **Gross carrying amount** | 52,372 | 8,261 | 1,930 | 85 | 62,648 | 52,862 | 6,036 | 1,997 | 87 | 60,982 |
| ECL allowance | (225) | (698) | (706) | (9) | (1,638) | (263) | (646) | (700) | (9) | (1,618) |
| Carrying amount | 52,147 | 7,563 | 1,224 | 76 | 61,010 | 52,599 | 5,390 | 1,297 | 78 | 59,364 |
| **Analysis by asset class** | | | | | | | | | | |
| **Residential mortgages** | | | | | | | | | | |
| Strong | 23,243 | 181 | — | 4 | 23,428 | 23,104 | 206 | — | 3 | 23,313 |
| Satisfactory | 5,112 | 131 | — | 3 | 5,246 | 4,950 | 136 | — | 3 | 5,089 |
| **Total strong/satisfactory** | 28,355 | 312 | — | 7 | 28,674 | 28,054 | 342 | — | 6 | 28,402 |
| Criticised watch | 310 | 546 | — | 1 | 857 | 340 | 570 | — | 1 | 911 |
| Criticised recovery | 1 | 194 | — | 60 | 255 | 2 | 246 | — | 61 | 309 |
| **Total criticised** | 311 | 740 | — | 61 | 1,112 | 342 | 816 | — | 62 | 1,220 |
| **Non-performing** | — | — | 626 | 17 | 643 | — | — | 638 | 19 | 657 |
| **Gross carrying amount** | 28,666 | 1,052 | 626 | 85 | 30,429 | 28,396 | 1,158 | 638 | 87 | 30,279 |
| ECL allowance | (42) | (38) | (191) | (9) | (280) | (40) | (38) | (196) | (9) | (283) |
| **Carrying amount** | 28,624 | 1,014 | 435 | 76 | 30,149 | 28,356 | 1,120 | 442 | 78 | 29,996 |
| **Other personal** | | | | | | | | | | |
| Strong | 1,289 | 60 | — | — | 1,349 | 1,245 | 66 | — | — | 1,311 |
| Satisfactory | 1,011 | 121 | — | — | 1,132 | 941 | 110 | — | — | 1,051 |
| **Total strong/satisfactory** | 2,300 | 181 | — | — | 2,481 | 2,186 | 176 | — | — | 2,362 |
| Criticised watch | 98 | 82 | — | — | 180 | 87 | 79 | — | — | 166 |
| Criticised recovery | — | 17 | — | — | 17 | — | 15 | — | — | 15 |
| **Total criticised** | 98 | 99 | — | — | 197 | 87 | 94 | — | — | 181 |
| **Non-performing** | — | — | 163 | — | 163 | 1 | — | 179 | — | 180 |
| **Gross carrying amount** | 2,398 | 280 | 163 | — | 2,841 | 2,274 | 270 | 179 | — | 2,723 |
| ECL allowance | (28) | (40) | (110) | — | (178) | (24) | (37) | (116) | — | (177) |
| **Carrying amount** | 2,370 | 240 | 53 | — | 2,663 | 2,250 | 233 | 63 | — | 2,546 |
| **Property and construction** | | | | | | | | | | |
| Strong | 3,975 | 2,718 | — | — | 6,693 | 5,404 | 721 | — | — | 6,125 |
| Satisfactory | 1,096 | 659 | — | — | 1,755 | 1,341 | 374 | — | — | 1,715 |
| **Total strong/satisfactory** | 5,071 | 3,377 | — | — | 8,448 | 6,745 | 1,095 | — | — | 7,840 |
| Criticised watch | 41 | 225 | — | — | 266 | 56 | 56 | — | — | 112 |
| Criticised recovery | 14 | 84 | — | — | 98 | 19 | 240 | — | — | 259 |
| **Total criticised** | 55 | 309 | — | — | 364 | 75 | 296 | — | — | 371 |
| **Non-performing** | — | — | 452 | — | 452 | — | — | 406 | — | 406 |
| **Gross carrying amount** | 5,126 | 3,686 | 452 | — | 9,264 | 6,820 | 1,391 | 406 | — | 8,617 |
| ECL allowance | (45) | (208) | (152) | — | (405) | (84) | (117) | (119) | — | (320) |
| **Carrying amount** | 5,081 | 3,478 | 300 | — | 8,859 | 6,736 | 1,274 | 287 | — | 8,297 |
| **Non-property business** | | | | | | | | | | |
| Strong | 11,632 | 239 | — | — | 11,871 | 10,955 | 166 | — | — | 11,121 |
| Satisfactory | 4,265 | 1,359 | — | — | 5,624 | 4,133 | 1,152 | — | — | 5,285 |
| **Total strong/satisfactory** | 15,897 | 1,598 | — | — | 17,495 | 15,088 | 1,318 | — | — | 16,406 |
| Criticised watch | 213 | 894 | — | — | 1,107 | 185 | 566 | — | — | 751 |
| Criticised recovery | 70 | 751 | — | — | 821 | 98 | 1,333 | — | — | 1,431 |
| **Total criticised** | 283 | 1,645 | — | — | 1,928 | 283 | 1,899 | — | — | 2,182 |
| **Non-performing** | 2 | — | 689 | — | 691 | 1 | — | 774 | — | 775 |
| **Gross carrying amount** | 16,182 | 3,243 | 689 | — | 20,114 | 15,372 | 3,217 | 774 | — | 19,363 |
| ECL allowance | (110) | (412) | (253) | — | (775) | (115) | (454) | (269) | — | (838) |
| **Carrying amount** | 16,072 | 2,831 | 436 | — | 19,339 | 15,257 | 2,763 | 505 | — | 18,525 |

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Credit profile of the loan portfolio

**Credit exposure by midpoint PD grade**

The below table 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 30 June 2023 and 31 December 2022. The 'internal credit grading profile by ECL staging' table on page 37 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.

| | | | | | | | **30 June 2023** | | | | | 31 December 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quality Code | Lower Bound PD | Upper Bound PD | **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% | **44,512** | **3,764** | **—** | **39** | **48,315** | 44,907 | 1,623 | — | 39 | 46,569 |
| 4 - 7 | 1.23% | 6.94% | **7,321** | **1,887** | **—** | **7** | **9,215** | 7,375 | 1,424 | — | 7 | 8,806 |
| 8 - 10 | 6.94% | 99.99% | **537** | **2,610** | **—** | **22** | **3,169** | 578 | 2,989 | — | 22 | 3,589 |
| 11 | 100.00% | 100.00% | **2** | **—** | **1,930** | **17** | **1,949** | 2 | — | 1,997 | 19 | 2,018 |
| **Gross carrying amount** | | | **52,372** | **8,261** | **1,930** | **85** | **62,648** | 52,862 | 6,036 | 1,997 | 87 | 60,982 |

At 30 June 2023, 92% of the portfolio is in quality codes 1 to 7 which are typically strong/satisfactory (31 December 2022: 91%), 5% of the portfolio is in quality codes 8 to 10 which are typically criticised (31 December 2022: 6%) and the final 3% in quality code 11 is in default (30 December 2022: 3%).

IFRS 9 Stage 1 and Stage 2 classification is not dependent solely on the absolute probability of default but includes a significant increase in credit risk ('SICR'), including relative movement in IFRS 9 probability of default since initial recognition. There is therefore no direct relationship between internal PD grades and IFRS 9 stage classification.

## Credit risk – Credit profile of the loan portfolio – Asset class analysis

**Asset class summary – key points:**

- The **residential mortgage** portfolio has increased slightly by € 0.1 billion in the six months to 30 June 2023 to € 30.4 billion with new lending in line with the half-year to 30 June 2022. The staging composition has remained relatively unchanged in the half year to 30 June 2023 with ECL cover maintained at 0.9% (31 December 2022: 0.9%). There was a € 1 million net credit impairment writeback in the period (30 June 2022: € 64 million writeback).
- The **other personal** portfolio has increased by € 0.1 billion in the six months to 30 June 2023 to € 2.8 billion. New lending activity in the period was largely offset by redemptions/repayments. The stage composition has remained unchanged in the period and total ECL cover reduced slightly to 6.3% (31 December 2022: 6.5%). There was a net credit impairment charge of € 25 million in the period (30 June 2022: € 8 million writeback).
- The **property and construction** portfolio has increased by € 0.6 billion in the six months to 30 June 2023 to € 9.4 billion, due to new lending and the Ulster Bank corporate and commercial portfolio acquisition. The staging composition has deteriorated particularly Stage 2 which has increased by € 2.3 billion reflecting the Group's proactive and forward looking credit management approach to transfer € 1.6 billion of commercial real estate exposures (predominately commercial investment – office) having considered the potential adverse sector impact. There was a net credit impairment charge of € 106 million in the period (30 June 2022: € 68 million writeback).
- The **non-property portfolio** has increased by € 0.8 billion in the six months to 30 June 2023 to € 20.2 billion, due to new lending and the Ulster Bank corporate and commercial portfolio acquisition. The staging composition has improved in the period as Stage 1 loans have increased by € 0.8 billion, Stage 2 loans have remained unchanged and Stage 3 loans have reduced marginally by € 0.1 billion. Total ECL cover has reduced by 0.4% to 3.9% (31 December 2022: 4.3%). There was a € 39 million net credit impairment writeback in the period (30 June 2022: € 168 million writeback).

### Loans and advances to customers – Residential mortgages

Residential mortgages amounted to € 30.4 billion at 30 June 2023, with the majority (97%) relating to residential mortgages in the Republic of Ireland and the remainder relating to the United Kingdom. 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 € 29.2 billion and buy-to-let € 1.2 billion (31 December 2022: owner-occupier € 28.9 billion and buy-to-let € 1.4 billion).

#### Income statement

There was a € 1 million net credit impairment writeback in the six months to 30 June 2023 compared to a € 64 million writeback in the same period in 2022. This comprises a net remeasurement of ECL allowance charge of € 3 million and recoveries of previously written-off loans of € 4 million.

The key drivers of the net remeasurement of ECL allowance charge of € 3 million consist of the following components and activity:

- Credit quality remained resilient with net stage transfers from Stage 1 to Stage 2 resulting in a € 7 million charge and a further € 5 million charge was due to net remeasurements within stage.
- There was a € 4 million writeback reflecting a reduction in exposure of the NPE cohort resolution post model adjustment. Further details on post model adjustments are outlined on pages 30 and 31.
- The impact of the updated macroeconomic scenarios and weightings resulted in a € 4 million writeback.

The ECL allowance provision cover level at 30 June 2023 for the Group's residential mortgage portfolio is 0.9% (31 December 2022: 0.9%). For the Stage 3 element of the Group's residential mortgage portfolio, € 0.2 billion of ECLs are held providing cover of 31% (31 December 2022: € 0.2 billion and 31% respectively).

#### Residential mortgages – page 40

- Residential mortgage portfolio at amortised cost by segment, internal credit ratings and ECL staging

#### Republic of Ireland residential mortgages – pages 41 to 42

- By ECL staging
- An age profile of the Republic of Ireland residential mortgage portfolio by ECL staging

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.

## Credit risk – Credit profile of the loan portfolio – Asset class analysis

### Loans and advances to customers – Residential mortgages

The following table analyses the residential mortgage portfolio at amortised cost by segment, internal credit ratings and ECL staging:

| | | | | | 30 June 2023* | | | | | 31 December 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 |
| Owner occupier | 27,894 | 408 | 893 | — | 29,195 | 27,526 | 429 | 928 | — | 28,883 |
| Buy-to-let | 1,098 | 81 | 55 | — | 1,234 | 1,238 | 99 | 59 | — | 1,396 |
| **Total** | 28,992 | 489 | 948 | — | 30,429 | 28,764 | 528 | 987 | — | 30,279 |
| **Analysed by internal credit ratings** | | | | | | | | | | |
| Strong | 22,303 | 330 | 795 | — | 23,428 | 22,151 | 343 | 819 | — | 23,313 |
| Satisfactory | 5,029 | 147 | 70 | — | 5,246 | 4,832 | 168 | 89 | — | 5,089 |
| **Total strong/satisfactory** | 27,332 | 477 | 865 | — | 28,674 | 26,983 | 511 | 908 | — | 28,402 |
| Criticised watch | 809 | 9 | 39 | — | 857 | 865 | 9 | 37 | — | 911 |
| Criticised recovery | 250 | — | 5 | — | 255 | 303 | 2 | 4 | — | 309 |
| **Total criticised** | 1,059 | 9 | 44 | — | 1,112 | 1,168 | 11 | 41 | — | 1,220 |
| **Non-performing** | 601 | 3 | 39 | — | 643 | 613 | 6 | 38 | — | 657 |
| **Gross carrying amount** | 28,992 | 489 | 948 | — | 30,429 | 28,764 | 528 | 987 | — | 30,279 |
| **Analysed by ECL staging** | | | | | | | | | | |
| Stage 1 | 27,313 | 471 | 882 | — | 28,666 | 26,976 | 496 | 924 | — | 28,396 |
| Stage 2 | 1,010 | 15 | 27 | — | 1,052 | 1,107 | 26 | 25 | — | 1,158 |
| Stage 3 | 584 | 3 | 39 | — | 626 | 594 | 6 | 38 | — | 638 |
| POCI | 85 | — | — | — | 85 | 87 | — | — | — | 87 |
| Total | 28,992 | 489 | 948 | — | 30,429 | 28,764 | 528 | 987 | — | 30,279 |
| **ECL allowance – statement of financial position** | | | | | | | | | | |
| Stage 1 | 41 | 1 | — | — | 42 | 40 | — | — | — | 40 |
| Stage 2 | 37 | — | 1 | — | 38 | 37 | — | 1 | — | 38 |
| Stage 3 | 186 | — | 5 | — | 191 | 191 | 1 | 4 | — | 196 |
| POCI | 9 | — | — | — | 9 | 9 | — | — | — | 9 |
| Total | 273 | 1 | 6 | — | 280 | 277 | 1 | 5 | — | 283 |
| **ECL allowance cover percentage** | % | % | % | % | % | % | % | % | % | % |
| Stage 1 | 0.2 | 0.2 | — | — | 0.1 | 0.1 | — | — | — | 0.1 |
| Stage 2 | 3.7 | — | 1.1 | — | 3.6 | 3.3 | — | 0.9 | — | 3.2 |
| Stage 3 | 31.8 | — | 12.7 | — | 30.5 | 32.3 | 12.8 | 10.1 | — | 30.8 |
| POCI | 10.3 | — | — | — | 10.3 | 10.6 | — | — | — | 10.6 |
| | | | | | Half-year to 30 June 2023* | | | | | Half-year to 30 June 2022* |
| **Income statement** | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| Net remeasurement of ECL allowance | 2 | — | 1 | — | 3 | (55) | — | — | — | (55) |
| Recoveries of amounts previously written-off | (4) | — | — | — | (4) | (8) | — | (1) | — | (9) |
| **Net credit impairment (writeback)/ charge** | (2) | — | 1 | — | (1) | (63) | — | (1) | — | (64) |
| | % | % | % | % | % | % | % | % | % | % |
| **Net credit impairment (writeback)/ charge on average loans** | (0.01) | — | 0.08 | — | (0.01) | (0.11) | — | (0.05) | — | (0.11) |

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Credit profile of the loan portfolio – Asset class analysis

### 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:

| | 30 June 2023* | | | 31 December 2022* | | |
|---|---|---|---|---|---|---|
| | Owner-occupier | Buy-to-let | Total | Owner-occupier | Buy-to-let | Total |
| | € m | € m | € m | € m | € m | € m |
| **Gross carrying amount** | 28,302 | 1,179 | 29,481 | 27,955 | 1,337 | 29,292 |
| **Analysed as to ECL staging** | | | | | | |
| Stage 1 | 26,773 | 1,011 | 27,784 | 26,321 | 1,151 | 27,472 |
| Stage 2 | 927 | 98 | 1,025 | 1,024 | 109 | 1,133 |
| Stage 3 | 520 | 67 | 587 | 526 | 74 | 600 |
| POCI | 82 | 3 | 85 | 84 | 3 | 87 |
| Total | 28,302 | 1,179 | 29,481 | 27,955 | 1,337 | 29,292 |
| **ECL allowance – statement of financial position** | | | | | | |
| Stage 1 | 41 | 1 | 42 | 39 | 1 | 40 |
| Stage 2 | 35 | 2 | 37 | 35 | 2 | 37 |
| Stage 3 | 173 | 13 | 186 | 172 | 20 | 192 |
| POCI | 8 | 1 | 9 | 8 | 1 | 9 |
| Total | 257 | 17 | 274 | 254 | 24 | 278 |
| **Republic of Ireland residential mortgages at amortised cost** | 28,045 | 1,162 | 29,207 | 27,701 | 1,313 | 29,014 |
| **ECL allowance cover percentage** | % | % | % | % | % | % |
| Stage 1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Stage 2 | 3.9 | 2.0 | 3.7 | 3.5 | 1.7 | 3.3 |
| Stage 3 | 33.3 | 19.8 | 31.7 | 32.7 | 27.9 | 32.1 |
| POCI | 9.3 | 41.2 | 10.3 | 9.9 | 38.4 | 10.6 |
| | Half-year to 30 June 2023* | | | Half-year to 30 June 2022* | | |
| **Income statement** | € m | € m | € m | € m | € m | € m |
| Net remeasurement of ECL allowance | 8 | (6) | 2 | (28) | (27) | (55) |
| Recoveries of amounts previously written-off | (2) | (2) | (4) | (5) | (3) | (8) |
| **Net credit impairment (writeback)/charge** | 6 | (8) | (2) | (33) | (30) | (63) |
| | % | % | % | % | % | % |
| **Net credit impairment (writeback)/charge on average loans** | 0.02 | (0.64) | (0.01) | (0.06) | (0.94) | (0.11) |

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Credit profile of the loan portfolio – Asset class analysis

### Loans and advances to customers – Republic of Ireland residential mortgages

Residential mortgages in Ireland amounted to € 29.5 billion at 30 June 2023 compared to € 29.3 billion at 31 December 2022. The portfolio has increased by € 0.2 billion in the six months to 30 June 2023. Total drawdowns in the half-year to June 2023 were € 1.7 billion (30 June 2022: € 1.7 billion), of which, 98% were to owner-occupiers. The weighted average indexed loan-to-value of the stock of residential mortgages in the half-year to June 2023 was 50% (31 December 2022: 48%) and Stage 3 residential mortgages was 46% (31 December 2022: 46%). The split of the Irish residential mortgage portfolio is 96% owner-occupier and 4% buy-to-let and comprises € 18.3 billion (62%) on fixed rate, € 6.9 billion (23%) on variable rate and € 4.3 billion (15%) on tracker rate mortgages. (31 December 2022: € 17.6 billion (60%) on fixed rate, € 6.8 billion (23%) on variable rate and € 4.9 billion (17%) tracker rate mortgages).

Non-performing loans remained stable at € 0.6 billion at 30 June 2023 (31 December 2022: € 0.6 billion).

### Residential mortgage arrears

Total concentration of loans in arrears (including non-performing loans) by value remained stable at 1.3% in the six months to 30 June 2023, with 1.2% of the owner-occupier portfolio and 3.6% of the buy-to-let portfolio in arrears (1.2% and 3.0% respectively at 31 December 2022). The number of loans in arrears (based on number of accounts) greater than 90 days was 1.2% at 30 June 2023 and remains below the industry average of 4.7%[1]. For the owner-occupier portfolio, the number of loans in arrears greater than 90 days at 1.1% were below the industry average of 4.1%[1]. For the buy-to-let portfolio, loans in arrears greater than 90 days at 2.3% were below the industry average of 10.7%[1].

(1) Source: Central Bank of Ireland ("CBI") Residential Mortgage Arrears and Repossessions Statistics published 16 June 2023, based on number of accounts as at 31 March 2023.

### Republic of Ireland residential mortgages – aged analysis

The following table provides an age profile of the Republic of Ireland residential mortgage portfolio by ECL staging.

| | 30 June 2023 | | | | | 31 December 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | At amortised cost | | | | | At amortised cost | | | | |
| | 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 |
| Not past due | 27,776 | 966 | 273 | 77 | 29,092 | 27,464 | 1,075 | 292 | 79 | 28,910 |
| 1 - 30 days | 8 | 37 | 14 | — | 59 | 8 | 37 | 14 | 1 | 60 |
| 31 - 60 days | — | 15 | 11 | — | 26 | — | 12 | 6 | — | 18 |
| 61 - 90 days | — | 7 | 7 | — | 14 | — | 9 | 9 | — | 18 |
| 91 - 180 days | — | — | 34 | 1 | 35 | — | — | 30 | 1 | 31 |
| 181 - 365 days | — | — | 56 | 1 | 57 | — | — | 56 | 2 | 58 |
| Over 365 days | — | — | 192 | 6 | 198 | — | — | 193 | 4 | 197 |
| **Total gross carrying amount of residential mortgages** | 27,784 | 1,025 | 587 | 85 | 29,481 | 27,472 | 1,133 | 600 | 87 | 29,292 |
| ECL allowance | (42) | (37) | (186) | (9) | (274) | (40) | (37) | (192) | (9) | (278) |
| **Carrying value** | 27,742 | 988 | 401 | 76 | 29,207 | 27,432 | 1,096 | 408 | 78 | 29,014 |
| | | | | | | | | | | |
| Of which: | | | | | | | | | | |
| Owner-occupier | | | | | | | | | | |
| Not past due | 26,767 | 874 | 239 | 75 | 27,955 | 26,315 | 974 | 248 | 77 | 27,614 |
| 1 - 30 days | 6 | 32 | 12 | — | 50 | 6 | 32 | 12 | 1 | 51 |
| 31 - 60 days | — | 14 | 6 | — | 20 | — | 10 | 6 | — | 16 |
| 61 - 90 days | — | 7 | 5 | — | 12 | — | 8 | 8 | — | 16 |
| 91 - 180 days | — | — | 31 | 1 | 32 | — | — | 29 | 1 | 30 |
| 181 - 365 days | — | — | 54 | 1 | 55 | — | — | 53 | 1 | 54 |
| Over 365 days | — | — | 173 | 5 | 178 | — | — | 170 | 4 | 174 |
| **Total** | 26,773 | 927 | 520 | 82 | 28,302 | 26,321 | 1,024 | 526 | 84 | 27,955 |

### Forbearance

Irish residential mortgages subject to forbearance measures decreased by € 0.1 billion from € 0.7 billion at 31 December 2022 to € 0.6 billion at 30 June 2023. Details on the Group's forbearance portfolio are set out on page 62 .

## Credit risk – Credit profile of the loan portfolio – Asset class analysis
### 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:

| | 30 June 2023* | | | | | 31 December 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 | 639 | 8 | 22 | — | 669 | 644 | 8 | 23 | — | 675 |
| Loans/overdrafts | 2,080 | 37 | 55 | — | 2,172 | 1,956 | 41 | 51 | — | 2,048 |
| **Total** | 2,719 | 45 | 77 | — | 2,841 | 2,600 | 49 | 74 | — | 2,723 |
| **Analysed by internal credit ratings** | | | | | | | | | | |
| Strong | 1,274 | 14 | 61 | — | 1,349 | 1,232 | 17 | 62 | — | 1,311 |
| Satisfactory | 1,092 | 28 | 12 | — | 1,132 | 1,015 | 29 | 7 | — | 1,051 |
| **Total strong/satisfactory** | 2,366 | 42 | 73 | — | 2,481 | 2,247 | 46 | 69 | — | 2,362 |
| Criticised watch | 177 | 1 | 2 | — | 180 | 163 | 1 | 2 | — | 166 |
| Criticised recovery | 15 | 2 | — | — | 17 | 14 | — | 1 | — | 15 |
| **Total criticised** | 192 | 3 | 2 | — | 197 | 177 | 1 | 3 | — | 181 |
| **Non-performing** | 161 | — | 2 | — | 163 | 176 | 2 | 2 | — | 180 |
| **Gross carrying amount** | 2,719 | 45 | 77 | — | 2,841 | 2,600 | 49 | 74 | — | 2,723 |
| **Analysed by ECL staging** | | | | | | | | | | |
| Stage 1 | 2,293 | 39 | 66 | — | 2,398 | 2,171 | 42 | 61 | — | 2,274 |
| Stage 2 | 265 | 6 | 9 | — | 280 | 254 | 5 | 11 | — | 270 |
| Stage 3 | 161 | — | 2 | — | 163 | 175 | 2 | 2 | — | 179 |
| POCI | — | — | — | — | — | — | — | — | — | — |
| **Total** | 2,719 | 45 | 77 | — | 2,841 | 2,600 | 49 | 74 | — | 2,723 |
| **ECL allowance – statement of financial position** | | | | | | | | | | |
| Stage 1 | 28 | — | — | — | 28 | 24 | — | — | — | 24 |
| Stage 2 | 40 | — | — | — | 40 | 37 | — | — | — | 37 |
| Stage 3 | 108 | — | 2 | — | 110 | 114 | 1 | 1 | — | 116 |
| POCI | — | — | — | — | — | — | — | — | — | — |
| **Total** | 176 | — | 2 | — | 178 | 175 | 1 | 1 | — | 177 |
| **ECL allowance cover percentage** | % | % | % | % | % | % | % | % | % | % |
| Stage 1 | 1.2 | — | — | — | 1.2 | 1.1 | — | — | — | 1.1 |
| Stage 2 | 14.9 | — | — | — | 14.9 | 14.4 | — | — | — | 13.6 |
| Stage 3 | 67.2 | — | 75.6 | — | 67.3 | 65.2 | 24.9 | 52.5 | — | 64.6 |
| POCI | — | — | — | — | — | — | — | — | — | — |

| | Half-year to 30 June 2023* | | | | | Half-year to 30 June 2022* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| Net remeasurement of ECL allowance | 27 | — | — | — | 27 | (5) | — | — | — | (5) |
| Recoveries of amounts previously written-off | (2) | — | — | — | (2) | (3) | — | — | — | (3) |
| **Net credit impairment charge/(writeback)** | 25 | — | — | — | 25 | (8) | — | — | — | (8) |
| | % | % | % | % | % | % | % | % | % | % |
| **Net credit impairment charge/(writeback) on average loans** | 0.96 | — | — | — | 0.96 | (0.16) | — | — | — | (0.16) |

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Credit profile of the loan portfolio – Asset class analysis
### Loans and advances to customers – Other personal

At 30 June 2023, the other personal lending portfolio of € 2.8 billion comprises € 2.1 billion in loans and overdrafts and € 0.7 billion in credit card facilities (31 December 2022: € 2.7 billion, € 2.0 billion and € 0.7 billion respectively). Credit quality of the portfolio improved slightly throughout the period, with 13% categorised as less than satisfactory, of which defaulted loans amounted to € 0.2 billion (31 December 2022: 13% and € 0.2 billion).

New lending totalled € 0.6 billion for the six months to 30 June 2023 (30 June 2022: € 0.5 billion), however this was largely offset by redemptions/repayments.

Stage 3 loans, predominantly in Retail Banking, decreased by € 16 million in the half-year to 30 June 2023. At 30 June 2023, the ECL allowance cover was 6% with Stage 3 cover at 67% (31 December 2022: 7% and 65% respectively).

**Income statement**

There was a net credit impairment charge of € 25 million to the income statement in the six months to 30 June 2023 compared to an € 8 million net credit impairment writeback in the same period in 2022. This comprises a net remeasurement of ECL allowance charge of € 27 million and recoveries of previously written-off loans of € 2 million.

The key drivers of the net remeasurement of ECL allowance charge of € 27 million consist of the following components and activity:

- There was a € 24 million charge driven predominately by € 16 million downward net stage transfers.
- Post model adjustments resulted in a € 2 million charge and the impact of the updated macroeconomic scenarios and weightings resulted in a € 1 million charge.

# Credit risk – Credit profile of the loan portfolio – Asset class analysis

## 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[(1)]:

| | | | | | 30 June 2023 | | | | | 31 December 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 |
| Residential Investment | 58 | 1,522 | 249 | — | 1,829 | 46 | 1,471 | 223 | — | 1,740 |
| Student Housing | — | 312 | 497 | — | 809 | — | 304 | 456 | — | 760 |
| Housing Associations | — | 143 | 585 | — | 728 | — | 133 | 416 | — | 549 |
| Commercial investment – Office | 35 | 1,515 | 421 | — | 1,971 | 30 | 1,352 | 357 | — | 1,739 |
| Commercial investment – Retail | 55 | 950 | 83 | — | 1,088 | 62 | 855 | 88 | — | 1,005 |
| Commercial investment – Mixed | 73 | 815 | 108 | — | 996 | 66 | 878 | 122 | — | 1,066 |
| Commercial investment – Industrial | 30 | 307 | 92 | — | 429 | 26 | 290 | 86 | — | 402 |
| **Total investment** | 251 | 5,564 | 2,035 | — | 7,850 | 230 | 5,283 | 1,748 | — | 7,261 |
| Land and development: | | | | | | | | | | |
| Residential development | 31 | 768 | 145 | — | 944 | 28 | 586 | 152 | — | 766 |
| Commercial development | 6 | 83 | 40 | — | 129 | 4 | 173 | 30 | — | 207 |
| **Total land and development** | 37 | 851 | 185 | — | 1,073 | 32 | 759 | 182 | — | 973 |
| Contractors | 204 | 72 | 65 | — | 341 | 190 | 124 | 69 | — | 383 |
| **Total** | 492 | 6,487 | 2,285 | — | 9,264 | 452 | 6,166 | 1,999 | — | 8,617 |
| **Analysed by internal credit ratings** | | | | | | | | | | |
| Strong | 158 | 5,051 | 1,484 | — | 6,693 | 117 | 4,866 | 1,142 | — | 6,125 |
| Satisfactory | 192 | 847 | 716 | — | 1,755 | 180 | 816 | 719 | — | 1,715 |
| **Total strong/satisfactory** | 350 | 5,898 | 2,200 | — | 8,448 | 297 | 5,682 | 1,861 | — | 7,840 |
| Criticised watch | 35 | 189 | 42 | — | 266 | 33 | 57 | 22 | — | 112 |
| Criticised recovery | 29 | 52 | 17 | — | 98 | 30 | 196 | 33 | — | 259 |
| **Total criticised** | 64 | 241 | 59 | — | 364 | 63 | 253 | 55 | — | 371 |
| **Non-performing** | 78 | 348 | 26 | — | 452 | 92 | 231 | 83 | — | 406 |
| **Gross carrying amount** | 492 | 6,487 | 2,285 | — | 9,264 | 452 | 6,166 | 1,999 | — | 8,617 |
| **Analysed by ECL staging** | | | | | | | | | | |
| Stage 1 | 337 | 3,056 | 1,733 | — | 5,126 | 284 | 4,828 | 1,708 | — | 6,820 |
| Stage 2 | 77 | 3,083 | 526 | — | 3,686 | 76 | 1,107 | 208 | — | 1,391 |
| Stage 3 | 78 | 348 | 26 | — | 452 | 92 | 231 | 83 | — | 406 |
| POCI | — | — | — | — | — | — | — | — | — | — |
| **Total** | 492 | 6,487 | 2,285 | — | 9,264 | 452 | 6,166 | 1,999 | — | 8,617 |
| **ECL allowance – statement of financial position** | | | | | | | | | | |
| Stage 1 | 2 | 25 | 18 | — | 45 | 1 | 65 | 18 | — | 84 |
| Stage 2 | 6 | 185 | 17 | — | 208 | 6 | 103 | 8 | — | 117 |
| Stage 3 | 36 | 109 | 7 | — | 152 | 30 | 60 | 29 | — | 119 |
| POCI | — | — | — | — | — | — | — | — | — | — |
| **Total** | 44 | 319 | 42 | — | 405 | 37 | 228 | 55 | — | 320 |
| **ECL allowance cover percentage** | % | % | % | % | % | % | % | % | % | % |
| Stage 1 | 0.5 | 0.8 | 1.0 | — | 0.9 | 0.4 | 1.3 | 1.0 | — | 1.2 |
| Stage 2 | 7.3 | 6.0 | 3.3 | — | 5.6 | 7.5 | 9.3 | 4.1 | — | 8.5 |
| Stage 3 | 46.7 | 31.2 | 27.2 | — | 33.7 | 32.7 | 26.1 | 35.2 | — | 29.4 |
| POCI | — | — | — | — | — | — | — | — | — | — |
| | | | | | Half-year to 30 June 2023 | | | | | Half-year to 30 June 2022 |
| **Income statement** | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| Net remeasurement of ECL allowance | 7 | 93 | 9 | — | 109 | (43) | (18) | 1 | — | (60) |
| Recoveries of amounts previously written-off | (2) | (1) | — | — | (3) | (7) | (1) | — | — | (8) |
| **Net credit impairment charge/ (writeback)** | 5 | 92 | 9 | — | 106 | (50) | (19) | 1 | — | (68) |
| | % | % | % | % | % | % | % | % | % | % |
| **Net credit impairment charge/ (writeback)on average loans** | 0.99 | 1.46 | 0.40 | — | 1.18 | (4.14) | (0.19) | 0.01 | — | (0.45) |

(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.

## Credit risk – Credit profile of the loan portfolio – Asset class analysis

### Loans and advances to customers – Property and construction

The property and construction portfolio consists of € 9.3 billion in loans and advances to customers measured at amortised cost together with € 151 million of loans measured at FVTPL (total € 9.4 billion).

Property and construction loans measured at FVTPL decreased by € 75 million to € 151 million (31 December 2022: € 226 million), driven by the reclassification of a customer loan to amortised costs in the six months to 30 June 2023 following a re-finance and changes to the terms and conditions relating to this loan.

The portfolio measured at amortised cost amounted to 15% of loans and advances to customers and comprised 85% investment loans (€ 7.9 billion), 11% land and development loans (€ 1.1 billion) and 4% other property and construction loans (€ 0.3 billion). The Capital Markets and AIB UK segments continue to account for the majority of this portfolio at 70% and 25% respectively.

The portfolio measured at amortised cost increased by € 0.7 billion in the period as new lending of € 1.0 billion (30 June 2022: € 1.2 billion), in addition to a further € 0.1 billion increase due to the Ulster Bank corporate and commercial portfolio acquisition, was partially offset by redemptions/repayments.

At 30 June 2023, € 8.4 billion of the portfolio was in a strong/satisfactory grade, which is an increase of € 0.6 billion in the period. The level of non-performing loans remained relatively stable in the period at € 0.5 billion.

Stage 2 loans have increased by € 2.3 billion to € 3.7 billion at 30 June 2023 (31 December 2022: € 1.4 billion). The increase in Stage 2 loans was driven by € 1.1 billion transferring from Stage 1 to Stage 2 primarily due to loans triggering a qualitative significant increase in credit risk event during the period. A further € 1.6 billion of commercial investment exposures (predominately commercial investment – office) transferred to Stage 2 as a result of a post model adjustment reflecting a proactive and forward-looking credit management approach to this sector following changes in market dynamics due to increased interest rates and stressing asset values where a potential Interest cover breach under stress could occur or where loans are unlikely to meet business as usual refinance terms.These transfers to Stage 2 were slightly offset by repayments of € 0.3 billion and net stage transfers out of Stage 2 of € 0.2 billion.

#### Income statement

There was a net credit impairment charge of € 106 million to the income statement in the six months to 30 June 2023 compared to a € 68 million writeback in the same period in 2022. This comprises a net remeasurement of ECL allowance charge of € 109 million and recoveries of previously written-off loans of € 3 million.

The key drivers of the net remeasurement of ECL allowance charge of € 109 million consist of the following components and activity:

- Staging composition deterioration during the period led to a € 29 million charge as € 1.1 billion transferred from Stage 1 to Stage 2, however the total net stage transfers charge was € 16 million. Net remeasurements resulted in a further € 23 million charge while new loans originated charge of € 9 million were largely offset against redemption and repayment activity writeback of € 8 million.
- In order to capture potential adverse sector impacts, additional ECL has been taken to address the increased risks through the use of a € 74 million post model adjustment charge. The main increases in the period reflect a € 34 million charge relating to Stage 3 non-legacy cases to address latent risk in the portfolio. A € 29 million charge relates to the negative outlook for the ROI and UK commercial investment portfolio which also includes the impact of transferring € 1.6 billion of commercial Investment property exposures to Stage 2. A further € 10 million charge reflects where the existing loss allowance associated with aged non-performing property loans does not adequately account for an alternative resolution strategy, including portfolio sale. Further details on post model adjustments are outlined on pages 30 to 31.
- The impact of the updated macroeconomic scenarios and weightings resulted in a € 5 million writeback.

The ECL allowance for the portfolio totalled € 0.4 billion providing ECL allowance cover of 4%. For the Stage 3 portfolio, the ECL allowance cover is 34%. (31 December 2022: € 0.3 billion, 4% and 29% respectively).

## Credit risk – Credit profile of the loan portfolio – Asset class analysis
## Loans and advances to customers – Property and construction
### Investment

Investment property loans amounted to € 7.9 billion at 30 June 2023 (31 December 2022: € 7.3 billion) of which € 4.5 billion related to commercial investment. The geographic profile of the investment property portfolio is predominately in the Republic of Ireland (€ 5.3 billion) and the United Kingdom (€ 2.1 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 20% of the portfolio at € 1.8 billion. The Irish housing market is currently characterised by a notable weakness in housing supply compared with the underlying level of demand. Consequently, house price inflation has remained high in the half-year to June 2023 despite the higher interest rate environment.
- The student housing residential investment sub-sector represents 9% of the portfolio at € 0.8 billion. Despite 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 8% of the portfolio at € 0.8 billion. Similar to other residential sub-sectors, Social housing is under-supplied by the market and remained resilient in both Ireland and the UK in the half-year to June 2023.
- The office commercial investment sub-sector represents 21% of the portfolio at € 2.0 billion. This sub-sector is challenged by increasing interest rates and economic uncertainties. ESG requirements and a shift towards hybrid working models are key factors which will likely increase demarcation pressures in office pricing and headline rent between prime and non-prime locations.
- The retail commercial investment sub-sector represents 12% of the portfolio at € 1.1 billion. Given the perceived higher risk profile, the retail sub-sector has been slower to recover post-COVID than other sub-sectors. However, vacancy rates in shopping centres remains steady with many prime centres reporting very high occupancy rates. Despite uncertainties as a result of the current inflationary impact, many operators are performing well and occupier interest is up.
- The industrial commercial investment sub-sector represents 4% of the portfolio at € 0.4 billion. Strong occupancy rates within the sub-sector with very low standing stock vacancy across Dublin industrial parks. Despite slowing global growth, rents remain stable in ROI and on an upward trajectory.
- The mixed commercial investment sub-sector represents 11% of the portfolio at € 1.0 billion.

At 30 June 2023, there was a net credit impairment charge of € 106 million to the income statement on the investment property element of the property and construction portfolio (30 June 2022: € 60 million writeback).

### Land and development

Land and development loans amounted to € 1.1 billion at 30 June 2023 (30 December 2022: € 1.0 billion) of which € 0.9 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 of the total property and construction portfolio:
- The residential development sub-sector represents 10% of the portfolio at € 1.0 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 has slowed in the half-year to June 2023 in line with the impact of increasing interest rates and cost inflation.
- The commercial development sub-sector represents 1% of the portfolio at € 0.1 billion.

At 30 June 2023, there was a net credit impairment writeback of € 2 million to the income statement on the land and development element of the property and construction portfolio (30 June 2022: € 8 million writeback).

### Contractors

The contractors sub-sector represents 4% of the portfolio at € 0.3 billion. The demand for this sub-sector is underpinned by public works and residential projects. While continuing to perform, this sub-sector continues to face challenges as a result of the current market and environment such as a shortage in skilled labourers, supply chain disruptions and inflation to input costs.

## Credit risk – Credit profile of the loan portfolio – Asset class analysis

### 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:

| | | | | | 30 June 2023 | | | | | 31 December 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 |
| Agriculture | 1,348 | 396 | 65 | — | 1,809 | 1,191 | 398 | 67 | — | 1,656 |
| Energy | 21 | 1,626 | 1,430 | — | 3,077 | 21 | 1,395 | 1,398 | — | 2,814 |
| Manufacturing | 167 | 2,506 | 170 | — | 2,843 | 166 | 2,509 | 189 | — | 2,864 |
| Distribution: | | | | | | | | | | |
| Hotels | 92 | 1,263 | 414 | — | 1,769 | 109 | 1,164 | 431 | — | 1,704 |
| Licensed premises | 126 | 130 | 40 | — | 296 | 134 | 116 | 43 | — | 293 |
| Retail/wholesale | 458 | 1,208 | 102 | — | 1,768 | 431 | 1,185 | 160 | — | 1,776 |
| Other distribution | 94 | 197 | 88 | — | 379 | 89 | 190 | 86 | — | 365 |
| **Total distribution** | 770 | 2,798 | 644 | — | 4,212 | 763 | 2,655 | 720 | — | 4,138 |
| Transport | 204 | 1,865 | 668 | — | 2,737 | 197 | 1,885 | 550 | — | 2,632 |
| Financial | 10 | 280 | 99 | 21 | 410 | 10 | 356 | 96 | 15 | 477 |
| Other services | 701 | 3,229 | 1,096 | — | 5,026 | 678 | 2,979 | 1,125 | — | 4,782 |
| **Total** | 3,221 | 12,700 | 4,172 | 21 | 20,114 | 3,026 | 12,177 | 4,145 | 15 | 19,363 |
| **Analysed by internal credit ratings** | | | | | | | | | | |
| Strong | 866 | 8,168 | 2,836 | 1 | 11,871 | 794 | 7,587 | 2,740 | — | 11,121 |
| Satisfactory | 1,818 | 3,143 | 643 | 20 | 5,624 | 1,627 | 3,010 | 633 | 15 | 5,285 |
| **Total strong/satisfactory** | 2,684 | 11,311 | 3,479 | 21 | 17,495 | 2,421 | 10,597 | 3,373 | 15 | 16,406 |
| Criticised watch | 149 | 767 | 191 | — | 1,107 | 180 | 429 | 142 | — | 751 |
| Criticised recovery | 80 | 499 | 242 | — | 821 | 84 | 980 | 367 | — | 1,431 |
| **Total criticised** | 229 | 1,266 | 433 | — | 1,928 | 264 | 1,409 | 509 | — | 2,182 |
| **Non-performing** | 308 | 123 | 260 | — | 691 | 341 | 171 | 263 | — | 775 |
| **Gross carrying amount** | 3,221 | 12,700 | 4,172 | 21 | 20,114 | 3,026 | 12,177 | 4,145 | 15 | 19,363 |
| **Analysed by ECL staging** | | | | | | | | | | |
| Stage 1 | 2,577 | 10,457 | 3,127 | 21 | 16,182 | 2,374 | 9,951 | 3,032 | 15 | 15,372 |
| Stage 2 | 338 | 2,120 | 785 | — | 3,243 | 312 | 2,055 | 850 | — | 3,217 |
| Stage 3 | 306 | 123 | 260 | — | 689 | 340 | 171 | 263 | — | 774 |
| POCI | — | — | — | — | — | — | — | — | — | — |
| **Total** | 3,221 | 12,700 | 4,172 | 21 | 20,114 | 3,026 | 12,177 | 4,145 | 15 | 19,363 |
| **ECL allowance – statement of financial position** | | | | | | | | | | |
| Stage 1 | 25 | 59 | 26 | — | 110 | 23 | 67 | 25 | — | 115 |
| Stage 2 | 31 | 293 | 88 | — | 412 | 32 | 337 | 85 | — | 454 |
| Stage 3 | 149 | 52 | 52 | — | 253 | 133 | 71 | 65 | — | 269 |
| POCI | — | — | — | — | — | — | — | — | — | — |
| Total | 205 | 404 | 166 | — | 775 | 188 | 475 | 175 | — | 838 |
| **ECL allowance cover percentage** | % | % | % | % | % | % | % | % | % | % |
| Stage 1 | 1.0 | 0.6 | 0.8 | — | 0.7 | 1.0 | 0.7 | 0.8 | — | 0.7 |
| Stage 2 | 9.2 | 13.8 | 11.2 | — | 12.7 | 10.3 | 16.4 | 10.0 | — | 14.1 |
| Stage 3 | 48.7 | 42.3 | 20.0 | — | 36.7 | 39.1 | 41.5 | 24.7 | — | 34.8 |
| POCI | — | — | — | — | — | — | — | — | — | — |
| | | | | | Half-year 30 June 2023 | | | | | Half-year 30 June 2022 |
| **Income statement** | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| Net remeasurement of ECL allowance | 24 | (53) | (3) | — | (32) | (90) | (67) | 1 | — | (156) |
| Recoveries of amounts previously written-off | (3) | (3) | (1) | — | (7) | (9) | (1) | (2) | — | (12) |
| **Net credit impairment (writeback)/charge** | 21 | (56) | (4) | — | (39) | (99) | (68) | (1) | — | (168) |
| | % | % | % | % | % | % | % | % | % | % |
| **Net credit impairment (writeback)/charge on average loans** | 0.66 | (0.45) | (0.08) | — | (0.20) | (1.55) | (0.31) | (0.01) | — | (0.45) |

# Credit risk – Credit profile of the loan portfolio – Asset class analysis

## Loans and advances to customers – Non-property business

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 (26%) 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 together with a further € 23 million of loans measured at FVTPL (total € 20.2 billion). The FVTPL element of the portfolio has remained unchanged in the period.

The portfolio measured at amortised cost increased by € 0.7 billion to € 20.1 billion in the six months to 30 June 2023 (31 December 2022: € 19.4 billion). New lending accounted for € 2.2 billion (30 June 2022: € 2.0 billion) with a further € 0.6 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 32% of total Group loans and advances to customers in the half-year to 30 June 2023 (31 December 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 half-year to 30 June 2023 at 87% (31 December 2022: 85%). The value of loans graded less than satisfactory (including defaulted loans) decreased from € 3.0 billion at 31 December 2022 to € 2.6 billion at 30 June 2023. The performing forborne portfolio, seen in the criticised recovery category, decreased by € 0.6 billion to € 0.8 billion in the half-year to 30 June 2023 (31 December 2022: €1.4 billion), as borrowers successfully demonstrated repayment capacity over 24 months.

Additional disclosures on the non-property business portfolio are outlined on page 51.

The following are the key themes within the main sub-sectors of the non-property business portfolio:

- The agriculture sub-sector represents 9% of the portfolio at € 1.8 billion. Overall, the sector has benefited from rising commodity prices which have been sufficient to offset the increases in input costs such as feed, fertiliser and fuel, however input costs are expected to remain elevated in 2023. The sub-sector faces challenges to consider and adopt sustainability and associated emissions reduction targets through means such as science-based technology and participation in climate related schemes. The transition of activities to more climate friendly and sustainable methods will continue to be a key challenge in the second half of 2023 and 2024;
- The energy sub-sector comprises 15% of the portfolio at € 3.1 billion. This sub-sector continues to be a strong focus of growth for the Group which reflects the increase of € 0.3 billion in the half-year to 30 June 2023. This was driven by new lending to renewable energy initiatives (wind and solar). The sector has proven resilient, benefiting from higher prices and inflation adjustment mechanisms;
- The manufacturing sub-sector comprises 14% of the portfolio at € 2.8 billion. Performance was stable as many operators successfully passed through cost increases or mitigated inflationary pressures through operational efficiencies. Notwithstanding the challenges facing this sub-sector such as inflationary and input cost pressures and supply chain challenges, both food and non-food manufacturing are benefiting from strong domestic and international demand;
- The hotels sub-sector comprises 9% of the portfolio at € 1.8 billion. The sector performed strongly on a 'Revenue per Available Room' basis owing to a strong rebound in tourist numbers and recovery of airport flight schedules, a strong events calendar, pass-through of rising costs and reduced supply as rooms are utilised for emergency refugee accommodation. The outlook is however challenging owing to ongoing operational cost inflation (energy, staffing, food and beverage), potential recessionary impact on disposable income and staff availability;
- The licensed premises sub-sector comprises 1% of the portfolio at € 0.3 billion. Trade has recovered in this sub-sector post COVID-19 albeit not to the same extent as accommodation and regional differences are evident (e.g. urban versus rural) while facing similar challenges to the hotels sub-sector (inflation, staffing, consumer sentiment);
- The retail/wholesale sub-sector comprises 9% of the portfolio at € 1.8 billion. Grocery retail/wholesalers continued to trade well with many businesses experiencing increases in profitability despite increased costs which are being passed through. 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 sub-sector comprises 14% of the portfolio at € 2.7 billion and consists primarily of logistic, storage and travel businesses. Cost challenges remain as a result of the current inflationary environment, such as fuel costs, labour (cost and availability) and upgrading to greener fleets. Larger haulage operators benefit from fuel surcharge agreements allowing the efficient pass through of price increases. Demand for logistics and warehousing remains strong as a result of sustained online retail purchasing since COVID-19 albeit light and heat cost is a key consideration. The travel sector has rebounded in the half-year to 30 June 2023 but challenges remain due to inflation and potential recessionary impacts on disposable income;
- The financial sub-sector comprises 2% of the portfolio at € 0.4 billion. This sub-sector is proving resilient despite recent stresses observed in the US and European markets. Insurance businesses continue to perform well during 2023 as a result of the demand for housing and insurance related products; and
- The other services sub-sector comprises 25% of the portfolio at € 5.0 billion, which includes businesses such as solicitors, accounting, audit, tax, computer services, research and development, consultancy, hospitals and nursing homes. Overall, this sub-sector is broad and diverse in nature with a stable performance despite the inflationary pressures which are present in the economy.

## Credit risk – Credit profile of the loan portfolio – Asset class analysis
### Loans and advances to customers – Non-property business
#### Income statement

There was a net credit impairment writeback of € 39 million to the income statement in the six months to 30 June 2023 compared to a € 168 million writeback in the same period in 2022. This comprises a net remeasurement of ECL allowance writeback of € 32 million and recoveries of previously written-off loans of € 7 million.

The key drivers of the net remeasurement of ECL allowance writeback of € 32 million consist of the following components and activity:

- Moderate improvements in stage composition led to a € 14 million writeback driven by a € 26 million writeback on redemption and repayment activity, which continues to impact predominantly within Stage 2 with a € 19 million writeback driven by loans that fully repaid. Net stage transfers resulted in a € 17 million charge, however these were largely offset by a € 12 million net remeasurement writeback.
- Post model adjustments resulted in a € 10 million writeback. This writeback primarily relates to a reduction in the Capital Markets post model adjustment to capture the potential impact of inflation (including higher energy costs) and higher interest rates on non-property business which has been retained at a reduced level reflecting resilient performance of the underlying portfolios. Further detail on post model adjustments are outlined on pages 30 to 31.
- The impact of the updated macroeconomic scenarios and weightings resulted in a € 8 million writeback reflecting the reduced downside risk.

The ECL allowance for the portfolio totalled € 0.8 billion in ECL providing ECL allowance cover of 4%. For the Stage 3 portfolio, the ECL allowance cover is 37% (31 December 2022: € 0.8 billion, 4% and 35% respectively).

# Credit risk – Credit profile of the loan portfolio – Asset class analysis
## Loans and advances to customers – Non-property business
### Additional disclosures

The following table provides further analyses by industry sector of the non-property business portfolio, by gross carrying amount and ECL allowance. Given the international profile of the Syndicated International Finance (SIF) business, all exposures within this business unit are reported separately.

| 30 June 2023 | Analysed by ECL stage profile Stage 1 | Stage 2 | Stage 3 | Gross carrying amount | Analysed by ECL stage profile Stage 1 | Stage 2 | Stage 3 | ECL allowance |
|---|---|---|---|---|---|---|---|---|
| | € m | € m | € m | € m | € m | € m | € m | € m |
| Agriculture | 1,502 | 209 | 92 | 1,803 | 14 | 13 | 35 | 62 |
| Energy | 2,889 | 175 | 1 | 3,065 | 13 | 23 | 1 | 37 |
| Manufacturing | 1,899 | 179 | 56 | 2,134 | 9 | 14 | 18 | 41 |
| Distribution: | | | | | | | | |
| Hotels | 508 | 984 | 194 | 1,686 | 5 | 142 | 32 | 179 |
| Licensed premises | 113 | 104 | 79 | 296 | 1 | 21 | 36 | 58 |
| Retail/Wholesale | 1,341 | 169 | 70 | 1,580 | 11 | 19 | 31 | 61 |
| Other distribution | 217 | 21 | 16 | 254 | 1 | 3 | 8 | 12 |
| **Total distribution** | 2,179 | 1,278 | 359 | 3,816 | 18 | 185 | 107 | 310 |
| Transport | 1,971 | 250 | 25 | 2,246 | 11 | 21 | 16 | 48 |
| Financial | 226 | 3 | 1 | 230 | 2 | — | — | 2 |
| Other services | 3,194 | 699 | 133 | 4,026 | 19 | 63 | 63 | 145 |
| **Total** | 13,860 | 2,793 | 667 | 17,320 | 86 | 319 | 240 | 645 |
| **SIF** | 2,322 | 450 | 22 | 2,794 | 24 | 93 | 13 | 130 |
| **Total** | 16,182 | 3,243 | 689 | 20,114 | 110 | 412 | 253 | 775 |

| 31 December 2022 | Analysed by ECL stage profile Stage 1 | Stage 2 | Stage 3 | Gross carrying amount | Analysed by ECL stage profile Stage 1 | Stage 2 | Stage 3 | ECL allowance |
|---|---|---|---|---|---|---|---|---|
| | € m | € m | € m | € m | € m | € m | € m | € m |
| Agriculture | 1,355 | 228 | 67 | 1,650 | 10 | 18 | 24 | 52 |
| Energy | 2,626 | 144 | 29 | 2,799 | 14 | 19 | 23 | 56 |
| Manufacturing | 1,839 | 134 | 67 | 2,040 | 12 | 16 | 24 | 52 |
| Distribution: | | | | | | | | |
| Hotels | 263 | 1,137 | 221 | 1,621 | 14 | 158 | 40 | 212 |
| Licensed premises | 86 | 114 | 93 | 293 | 1 | 22 | 31 | 54 |
| Retail/Wholesale | 1,284 | 213 | 77 | 1,574 | 10 | 24 | 33 | 67 |
| Other distribution | 188 | 23 | 15 | 226 | 1 | 3 | 7 | 11 |
| **Total distribution** | 1,821 | 1,487 | 406 | 3,714 | 26 | 207 | 111 | 344 |
| Transport | 1,814 | 235 | 28 | 2,077 | 8 | 22 | 19 | 49 |
| Financial | 220 | 3 | 1 | 224 | 2 | — | — | 2 |
| Other services | 3,279 | 437 | 140 | 3,856 | 24 | 45 | 55 | 124 |
| **Total** | 12,954 | 2,668 | 738 | 16,360 | 96 | 327 | 256 | 679 |
| **SIF** | 2,418 | 549 | 36 | 3,003 | 19 | 127 | 13 | 159 |
| **Total** | 15,372 | 3,217 | 774 | 19,363 | 115 | 454 | 269 | 838 |

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 € 0.2 billion to € 2.8 billion at 30 June 2023 (31 December 2022: €3.0 billion).

At 30 June 2023, 94% of the SIF lending portfolio is in a strong/ satisfactory grade (31 December 2022: 94%). 89% of the SIF portfolio is rated by S&P, with 69% rated B+ or above, 16% rated B and 4% rated B- or below.

The majority of the loans (81%) are to large borrowers with EBITDA > € 250 million. Exposures are well diversified by name and sector with the top 20 borrowers accounting for 30% of total exposure. 60% of the borrowers in this portfolio are domiciled in the USA, 6% in the UK, and 34% in the Rest of the World (primarily Europe) (31 December 2022: 62% in the USA, 4% in the UK and 34% in the Rest of the World (primarily Europe) respectively).

At 30 June 2023, there was a net credit impairment writeback of € 23 million on the SIF portfolio (31 December 2022: € 32 million charge).

## Credit risk – Credit profile of the loan portfolio

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:

### Gross exposures to customers

| | 30 June 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | At amortised cost | | | | | | | | At FVTPL |
| | Gross carrying amount | | | Analysed by ECL stage profile | | | | | |
| | Loans and advances to customers | Loan commitments 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: | | | | | | | | | |
| Agriculture | 1,809 | 742 | 2,551 | 2,193 | 255 | 103 | — | 2,551 | — |
| Energy | 3,077 | 1,670 | 4,747 | 4,501 | 244 | 2 | — | 4,747 | 9 |
| Manufacturing | 2,843 | 1,965 | 4,808 | 4,316 | 422 | 70 | — | 4,808 | — |
| Distribution | 4,212 | 1,790 | 6,002 | 4,026 | 1,594 | 382 | — | 6,002 | 14 |
| Transport | 2,737 | 910 | 3,647 | 3,294 | 321 | 32 | — | 3,647 | — |
| Financial | 410 | 676 | 1,086 | 1,081 | 4 | 1 | — | 1,086 | — |
| Other services | 5,026 | 2,311 | 7,337 | 6,274 | 914 | 149 | — | 7,337 | — |
| Property and construction | 9,264 | 2,183 | 11,447 | 6,969 | 3,996 | 482 | — | 11,447 | 151 |
| Residential mortgages | 30,429 | 1,416 | 31,845 | 30,071 | 1,057 | 632 | 85 | 31,845 | — |
| Other personal | 2,841 | 2,963 | 5,804 | 5,061 | 571 | 172 | — | 5,804 | — |
| **Total** | 62,648 | 16,626 | 79,274 | 67,786 | 9,378 | 2,025 | 85 | 79,274 | 174 |
| **Concentration by location**[(1)] | | | | | | | | | |
| Republic of Ireland | 49,522 | 12,619 | 62,141 | 53,606 | 6,958 | 1,492 | 85 | 62,141 | 174 |
| United Kingdom | 8,514 | 3,065 | 11,579 | 9,666 | 1,571 | 342 | — | 11,579 | — |
| North America | 2,041 | 387 | 2,428 | 2,197 | 217 | 14 | — | 2,428 | — |
| Rest of the World | 2,571 | 555 | 3,126 | 2,317 | 632 | 177 | — | 3,126 | — |
| | 62,648 | 16,626 | 79,274 | 67,786 | 9,378 | 2,025 | 85 | 79,274 | 174 |

### ECL allowance

| | 30 June 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At amortised cost | | | | | | | |
| | Gross carrying amount | | | Analysed by ECL stage profile | | | | |
| | Loans and advances to customers | Loan commitments 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 |
| Non-property business: | | | | | | | | |
| Agriculture | 68 | 3 | 71 | 15 | 15 | 41 | — | 71 |
| Energy | 37 | 6 | 43 | 16 | 26 | 1 | — | 43 |
| Manufacturing | 71 | 4 | 75 | 16 | 40 | 19 | — | 75 |
| Distribution | 359 | 10 | 369 | 23 | 237 | 109 | — | 369 |
| Transport | 62 | 1 | 63 | 16 | 28 | 19 | — | 63 |
| Financial | 4 | 1 | 5 | 4 | — | 1 | — | 5 |
| Other services | 174 | 8 | 182 | 31 | 85 | 66 | — | 182 |
| Property and construction | 405 | 23 | 428 | 49 | 215 | 164 | — | 428 |
| Residential mortgages | 280 | — | 280 | 42 | 38 | 191 | 9 | 280 |
| Other personal | 178 | 8 | 186 | 30 | 46 | 110 | — | 186 |
| **Total** | 1,638 | 64 | 1,702 | 242 | 730 | 721 | 9 | 1,702 |
| **Concentration by location**[(1)] | | | | | | | | |
| Republic of Ireland | 1,203 | 48 | 1,251 | 160 | 493 | 589 | 9 | 1,251 |
| United Kingdom | 231 | 9 | 240 | 52 | 121 | 67 | — | 240 |
| North America | 52 | 2 | 54 | 16 | 29 | 9 | — | 54 |
| Rest of the World | 152 | 5 | 157 | 14 | 87 | 56 | — | 157 |
| | 1,638 | 64 | 1,702 | 242 | 730 | 721 | 9 | 1,702 |

(1) Based on country of risk.

## Credit risk – Credit profile of the loan portfolio

### Gross exposures to customers

| | 31 December 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | At amortised cost | | | | | | | | At FVTPL |
| | Gross carrying amount | | | Analysed by ECL stage profile | | | | | |
| | Loans and advances to customers | Loan commitments 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: | | | | | | | | | |
| Agriculture | 1,656 | 668 | 2,324 | 1,975 | 270 | 79 | — | 2,324 | — |
| Energy | 2,814 | 1,668 | 4,482 | 4,240 | 213 | 29 | — | 4,482 | 9 |
| Manufacturing | 2,864 | 1,939 | 4,803 | 4,318 | 397 | 88 | — | 4,803 | — |
| Distribution | 4,138 | 1,580 | 5,718 | 3,378 | 1,908 | 432 | — | 5,718 | 14 |
| Transport | 2,632 | 914 | 3,546 | 3,196 | 310 | 40 | — | 3,546 | — |
| Financial | 477 | 572 | 1,049 | 972 | 76 | 1 | — | 1,049 | — |
| Other services | 4,782 | 2,103 | 6,885 | 6,049 | 679 | 157 | — | 6,885 | — |
| 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**(1) | | | | | | | | | |
| 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 | — |
| | 60,982 | 15,862 | 76,844 | 67,547 | 7,114 | 2,096 | 87 | 76,844 | 249 |

### ECL allowance

| | 31 December 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At amortised cost | | | | | | | |
| | Gross carrying amount | | | Analysed by ECL stage profile | | | | |
| | Loans and advances to customers | Loan commitments 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 |
| Non-property business: | | | | | | | | |
| Agriculture | 54 | 3 | 57 | 11 | 20 | 26 | — | 57 |
| Energy | 56 | 8 | 64 | 16 | 25 | 23 | — | 64 |
| Manufacturing | 89 | 11 | 100 | 23 | 49 | 28 | — | 100 |
| Distribution | 398 | 14 | 412 | 30 | 269 | 113 | — | 412 |
| Transport | 65 | 1 | 66 | 12 | 30 | 24 | — | 66 |
| Financial | 31 | — | 31 | 3 | 28 | — | — | 31 |
| Other services | 145 | 10 | 155 | 33 | 63 | 59 | — | 155 |
| 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**(1) | | | | | | | | |
| 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 |
| | 1,618 | 78 | 1,696 | 284 | 685 | 718 | 9 | 1,696 |

(1) Based on country of risk.

## Credit risk – Credit profile of the loan portfolio

### 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 amortised cost**

| | | | | | | | 30 June 2023 |
|---|---|---|---|---|---|---|---|
| | 1-30 days | 31-60 days | 61-90 days | 91-180 days | 181-365 days | > 365 days | Total |
| **Industry sector** | € m | € m | € m | € m | € m | € m | € m |
| Non-property business: | | | | | | | |
| Agriculture | 9 | 3 | 2 | 4 | 7 | 12 | 37 |
| Energy | — | — | — | — | — | 2 | 2 |
| Manufacturing | 3 | 1 | — | — | 2 | 6 | 12 |
| Distribution | 20 | 18 | 1 | 6 | 41 | 54 | 140 |
| Transport | 2 | — | — | 1 | 1 | 6 | 10 |
| Financial | — | — | — | — | — | 1 | 1 |
| Other services | 38 | 8 | 3 | 11 | 11 | 26 | 97 |
| Property and construction | 183 | 5 | 11 | 42 | 24 | 46 | 311 |
| Residential mortgages | 64 | 27 | 16 | 38 | 59 | 209 | 413 |
| Other personal | 40 | 10 | 7 | 18 | 32 | 83 | 190 |
| **Total gross carrying amount** | 359 | 72 | 40 | 120 | 177 | 445 | 1,213 |
| | | | | | | | |
| **ECL staging** | | | | | | | |
| Stage 1 | 78 | — | — | — | — | — | 78 |
| Stage 2 | 89 | 55 | 24 | — | — | — | 168 |
| Stage 3 | 192 | 17 | 15 | 119 | 176 | 440 | 959 |
| POCI | — | — | 1 | 1 | 1 | 5 | 8 |
| | 359 | 72 | 40 | 120 | 177 | 445 | 1,213 |
| | | | | | | | |
| **Segment** | | | | | | | |
| Retail Banking | 133 | 42 | 27 | 74 | 130 | 398 | 804 |
| Capital Markets | 210 | 2 | 6 | 31 | 17 | 12 | 278 |
| AIB UK | 16 | 28 | 7 | 15 | 30 | 35 | 131 |
| Group | — | — | — | — | — | — | — |
| | 359 | 72 | 40 | 120 | 177 | 445 | 1,213 |
| | | | | | | | |
| **As a percentage of total gross loans at amortised cost** | % | % | % | % | % | % | % |
| | 0.57 | 0.11 | 0.06 | 0.19 | 0.28 | 0.71 | 1.94 |

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 30 June 2023 and 31 December 2022

## Credit risk – Credit profile of the loan portfolio
### Aged analysis of contractually past due loans and advances to customers *continued*

**At amortised cost**

| | | | | | | | 31 December 2022 |
|---|---|---|---|---|---|---|---|
| | 1-30 days | 31-60 days | 61-90 days | 91-180 days | 181-365 days | > 365 days | Total |
| **Industry sector** | € m | € m | € m | € m | € m | € m | € m |
| Non-property business: | | | | | | | |
| Agriculture | 9 | 3 | 1 | 2 | 4 | 15 | 34 |
| Energy | 18 | — | — | — | 1 | — | 19 |
| Manufacturing | 8 | 2 | 1 | 1 | 3 | 6 | 21 |
| Distribution | 61 | 6 | 2 | 13 | 40 | 60 | 182 |
| Transport | 1 | — | — | — | 3 | 6 | 10 |
| Financial | — | — | — | — | — | 1 | 1 |
| Other services | 14 | 4 | 3 | 7 | 12 | 28 | 68 |
| Property and construction | 64 | 14 | 18 | 19 | 45 | 53 | 213 |
| Residential mortgages | 67 | 19 | 20 | 33 | 60 | 209 | 408 |
| Other personal | 39 | 12 | 7 | 21 | 30 | 88 | 197 |
| **Total gross carrying amount** | 281 | 60 | 52 | 96 | 198 | 466 | 1,153 |
| | | | | | | | |
| **ECL staging** | | | | | | | |
| Stage 1 | 85 | — | — | — | — | — | 85 |
| Stage 2 | 128 | 39 | 19 | — | — | — | 186 |
| Stage 3 | 67 | 21 | 33 | 96 | 197 | 461 | 875 |
| POCI | 1 | — | — | — | 1 | 5 | 7 |
| | 281 | 60 | 52 | 96 | 198 | 466 | 1,153 |
| | | | | | | | |
| **Segment** | | | | | | | |
| Retail Banking | 129 | 39 | 35 | 72 | 144 | 408 | 827 |
| Capital Markets | 13 | 2 | — | 18 | 9 | 21 | 63 |
| AIB UK | 139 | 19 | 17 | 6 | 45 | 37 | 263 |
| Group | — | — | — | — | — | — | — |
| | 281 | 60 | 52 | 96 | 198 | 466 | 1,153 |
| | | | | | | | |
| **As a percentage of total gross loans at amortised cost** | % | % | % | % | % | % | % |
| | 0.46 | 0.10 | 0.09 | 0.16 | 0.32 | 0.76 | 1.89 |

In the half-year to June 2023, total loans past due have remained unchanged at € 1.2 billion or 1.9% of total loans and advances to customers (31 December 2022: € 1.2 billion or 1.9%).

Residential Mortgage loans past due at 30 June 2023 represent the largest concentration amounting to € 0.4 billion or 34% of total loans past due (31 December 2022: € 0.4 billion or 35%). Non-property business loans which were past due represent 25% or € 0.3 billion (31 December 2022: 29% or € 0.4 billion), with property and construction at 25% or € 0.3 billion (31 December 2022: 19% or € 0.2 billion), and other personal at 16% or € 0.2 billion (31 December 2022: 17% or € 0.2 billion).

All loans past due by 90 days or more on any material obligation are considered non-performing/defaulted.

## Credit risk – Credit profile of the loan portfolio
### Gross loans[1] and ECL movements

The following tables set out the movements in the gross carrying amount and ECL allowance for loans and advances to customers by ECL staging between 1 January 2023 and 30 June 2023 and the corresponding movements for the year to 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 80 and 81 of the Annual Financial Report 2022) 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

| | 30 June 2023* | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | € m | € m | € m | € m | € m |
| **At 1 January 2023** | **52,862** | **6,036** | **1,997** | **87** | **60,982** |
| Transferred from Stage 1 to Stage 2 | **(3,137)** | **3,137** | **—** | **—** | **—** |
| Transferred from Stage 2 to Stage 1 | **1,605** | **(1,605)** | **—** | **—** | **—** |
| Transferred to Stage 3 | **(65)** | **(385)** | **450** | **—** | **—** |
| Transferred from Stage 3 | **28** | **128** | **(156)** | **—** | **—** |
| New loans originated/top-ups[2] | **6,545** | **—** | **—** | **—** | **6,545** |
| Redemptions/repayments | **(5,152)** | **(879)** | **(257)** | **(5)** | **(6,293)** |
| Interest credited | **1,086** | **177** | **37** | **1** | **1,301** |
| Write-offs | **—** | **—** | **(77)** | **—** | **(77)** |
| Derecognised due to disposals | **(19)** | **—** | **(64)** | **—** | **(83)** |
| Exchange translation adjustments | **187** | **40** | **11** | **—** | **238** |
| Impact of model, parameter and overlay changes | **(1,603)** | **1,603** | **—** | **—** | **—** |
| Other movements | **35** | **9** | **(11)** | **2** | **35** |
| **At 30 June 2023** | **52,372** | **8,261** | **1,930** | **85** | **62,648** |

| | 31 December 2022* | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | € m | € m | € m | € m | € m |
| **At 1 January 2022** | 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[3] | 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 2022** | 52,862 | 6,036 | 1,997 | 87 | 60,982 |

(1) Movements on the gross loans table have been prepared on a 'sum of the months' basis.
(2) Includes € 0.7 billion of loans acquired from Ulster Bank.
(3) Includes € 2.1 billion of loans acquired from Ulster Bank.

*Forms an integral part of the condensed consolidated interim financial statements

# ECL Credit risk – Credit profile of the loan portfolio
## Gross loans and ECL movements *continued*
### ECL allowance movements – total

| | | | | | 30 June 2023* |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | € m | € m | € m | € m | € m |
| **At 1 January 2023** | **263** | **646** | **700** | **9** | **1,618** |
| Transferred from Stage 1 to Stage 2 | (50) | 124 | — | — | 74 |
| Transferred from Stage 2 to Stage 1 | 42 | (77) | — | — | (35) |
| Transferred to Stage 3 | (1) | (45) | 70 | — | 24 |
| Transferred from Stage 3 | 1 | 14 | (22) | — | (7) |
| Net remeasurement | 7 | 13 | 2 | (1) | 21 |
| New loans originated/top-ups | 22 | — | — | — | 22 |
| Redemptions/repayments | (12) | (26) | — | — | (38) |
| Impact of model and overlay changes | (50) | 54 | 58 | — | 62 |
| Impact of credit or economic risk parameters | (2) | (7) | (7) | — | (16) |
| **Income statement net credit impairment (writeback)/charge** | (43) | 50 | 101 | (1) | 107 |
| Write-offs | — | — | (77) | — | (77) |
| Derecognised due to disposals | — | (1) | (20) | — | (21) |
| Exchange translation adjustments | 1 | 4 | 3 | — | 8 |
| Other movements | 4 | (1) | (1) | 1 | 3 |
| **At 30 June 2023** | **225** | **698** | **706** | **9** | **1,638** |

| | | | | | 31 December 2022* |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | € m | € m | € m | € m | € m |
| **At 1 January 2022** | 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)**(1) | 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 2022** | 263 | 646 | 700 | 9 | 1,618 |

(1) Net credit impairment charge of € 50 million includes the impact of the Ulster Bank portfolio acquired during the year which resulted in a net charge of € 39 million.

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Credit profile of the loan portfolio
### Gross loans and ECL movements *continued*

Total exposures to which an ECL applies increased during the period by € 1.6 billion from € 61.0 billion at 1 January 2023 to € 62.6 billion at 30 June 2023.

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. An ECL charge of € 61 million due to stage transfers and net remeasurement within stage occurred in the half-year to June 2023 which reflects underlying credit management activity and a slight deterioration in credit parameters which inform the modelled outcomes.

Model and overlay changes resulted in an ECL charge of € 62 million and further detail on the post model adjustments are outlined within the management judgements section on pages 30 and 31. These ensure exposures subject to risk, which are not adequately reflected in the modelled outcomes retain an appropriate ECL.

The updated macroeconomic scenarios and weightings resulted in a release of € 16 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 € 8 million. This was driven by an improvement in macroeconomic activity which has generally been better than expected in the half-year to June 2023 and forecasts have been revised upward as a result.

The gross loan transfers from Stage 1 to Stage 2 of € 3.1 billion are due to underlying credit management activity where a significant increase in credit risk occurred at some point during the period through either the quantitative or qualitative criteria for stage movement. 50% 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 7% caused solely by the backstop of 30 days past due. Of the € 3.1 billion which transferred from Stage 1 to Stage 2 in the half-year to June 2023, approximately € 2.6 billion is reported as Stage 2 at 30 June 2023. In addition, a post model adjustment approved in the half-year to June 2023 resulted in € 1.6 billion of commercial real estate exposures (predominately commercial investment – office) transferring to Stage 2 as a proactive and forward-looking credit management approach following changes in market dynamics due to increased interest rates and stressing asset values where a potential Interest cover breach under stress could occur or where loans are unlikely to meet business as usual refinance terms. This is presented separately under impact of model, parameter and overlay changes.

Where a movement to Stage 2 is triggered by multiple drivers simultaneously these are reported in the following order: quantitative; qualitative; backstop.

Similarly, transfers from Stage 2 to Stage 1 of € 1.6 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 € 0.4 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 € 0.1 billion had transferred from Stage 1 to Stage 2 earlier in the year.

Transfers from Stage 3 to Stage 2 of € 0.1 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 decreased by € 0.5 billion in the period to € 52.4 billion with an ECL of € 0.2 billion and resulting cover of 0.4% (31 December 2022: 0.5%).

Stage 2 loans increased by € 2.2 billion in the period to € 8.2 billion with an ECL of € 0.7 billion and resulting cover of 8.5% (31 December 2022: 10.7%). The increase in Stage 2 loans was driven by the property portfolio following € 1.1 billion transferring from Stage 1 to 2 primarily due to loans triggering a qualitative significant increase in credit risk event during the period and the commercial investment portfolio post model adjustment.

Stage 3 exposures decreased by € 0.1 billion in the period to € 1.9 billion with the ECL cover increasing from 35.1% to 36.6%.

# Credit risk – Credit profile of the loan portfolio

## Movements in off-balance sheet exposures

The following tables set out the movements in the nominal amount and ECL allowance for loan commitments and financial guarantees by ECL staging:

### Nominal amount movements

| | | | | | | | | 30 June 2023* |
|---|---|---|---|---|---|---|---|---|
| | | | | Loan commitments | | | | Financial guarantees |
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | € m | € m | € m | € m | € m | € m | € m | € m |
| **At 1 January 2023** | **13,947** | **1,033** | **80** | **15,060** | **738** | **45** | **19** | **802** |
| Transferred from Stage 1 to Stage 2 | **(411)** | **411** | **—** | **—** | **(11)** | **11** | **—** | **—** |
| Transferred from Stage 2 to Stage 1 | **418** | **(418)** | **—** | **—** | **45** | **(45)** | **—** | **—** |
| Transferred to Stage 3 | **(5)** | **(10)** | **15** | **—** | **—** | **—** | **—** | **—** |
| Transferred from Stage 3 | **6** | **3** | **(9)** | **—** | **—** | **—** | **—** | **—** |
| Net movement | **756** | **53** | **(8)** | **801** | **(69)** | **34** | **(2)** | **(37)** |
| **At 30 June 2023** | **14,711** | **1,072** | **78** | **15,861** | **703** | **45** | **17** | **765** |

| | | | | | | | | 31 December 2022* |
|---|---|---|---|---|---|---|---|---|
| | | | | Loan commitments | | | | Financial guarantees |
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | € m | € m | € m | € m | € m | € m | € m | € m |
| **At 1 January 2022** | 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 | 1,292 | 98 | (57) | 1,333 | (2) | (8) | (7) | (17) |
| **At 31 December 2022** | 13,947 | 1,033 | 80 | 15,060 | 738 | 45 | 19 | 802 |

The internal credit grade profile of loan commitments and financial guarantees is set out in the following table:

| | 30 June 2023* | 31 December 2022* |
|---|---|---|
| | € m | € m |
| Strong | **11,625** | 10,844 |
| Satisfactory | **4,644** | 4,528 |
| Criticised watch | **179** | 257 |
| Criticised recovery | **83** | 134 |
| Default | **95** | 99 |
| **Total** | **16,626** | 15,862 |

### Non-performing off-balance sheet commitments

Total non-performing off-balance sheet commitments amounted to € 95 million (31 December 2022: € 99 million).

*Forms an integral part of the condensed consolidated interim financial statements

## Credit risk – Credit profile of the loan portfolio
### Movements in off-balance sheet exposures *continued*
### ECL allowance movements

| | | | | | | | | 30 June 2023* |
|---|---|---|---|---|---|---|---|---|
| | Loan commitments | | | | Financial guarantee contracts | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | € m | € m | € m | € m | € m | € m | € m | € m |
| **At 1 January 2023** | 19 | 35 | 5 | 59 | 2 | 4 | 13 | 19 |
| Transferred from Stage 1 to Stage 2 | (1) | 11 | — | 10 | (2) | 2 | — | — |
| Transferred from Stage 2 to Stage 1 | 1 | (6) | — | (5) | 2 | (3) | — | (1) |
| Transferred to Stage 3 | — | (2) | — | (2) | — | — | — | — |
| Transferred from Stage 3 | 1 | — | — | 1 | — | — | — | — |
| Net remeasurement | (6) | (9) | — | (15) | — | 1 | (3) | (2) |
| **Net income statement credit** | (5) | (6) | — | (11) | — | — | (3) | (3) |
| Other movements | 1 | (1) | — | — | — | — | — | — |
| **At 30 June 2023** | 15 | 28 | 5 | 48 | 2 | 4 | 10 | 16 |

| | | | | | | | | 31 December 2022* |
|---|---|---|---|---|---|---|---|---|
| | Loan commitments | | | | Financial guarantee contracts | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | € m | € m | € m | € m | € m | € m | € m | € m |
| **At 1 January 2022** | 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)**[(1)] | 3 | 6 | (2) | 7 | (3) | (3) | (1) | (7) |
| Other movements | — | — | (1) | (1) | — | — | — | — |
| **At 31 December 2022** | 19 | 35 | 5 | 59 | 2 | 4 | 13 | 19 |

(1) Net income statement charge of € 7 million for loan commitments includes € 6 million of loan commitments acquired as part of the Ulster Bank portfolio acquisition.

*Forms an integral part of the condensed consolidated interim financial statements

# Credit risk
## Credit ratings
### External credit ratings of financial assets

The following table sets out the credit quality of financial assets based on external credit ratings. These include loans and advances to banks of € 1.8 billion (31 December 2022: € 1.5 billion), securities financing of € 7.6 billion (31 December 2022: € 6.2 billion), investment debt securities at amortised cost of € 4.3 billion (31 December 2022: € 4.1 billion), and at FVOCI of € 11.9 billion (31 December 2022: € 11.8 billion) and trading portfolio financial assets of € 0.1 billion (31 December 2022: Nil). Information on the credit ratings for loans and advances to customers where an external credit rating is available is disclosed on page 51.

| | | | | | | | | | | | | 30 June 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 | 404 | — | 2,206 | 1,544 | 4,154 | 4,365 | 138 | 3,708 | 477 | 8,688 | 75 | 12,917 |
| A/A- | 7,830 | 1,301 | 15 | 192 | 9,338 | 1,476 | 265 | 240 | — | 1,981 | — | 11,319 |
| BBB+/BBB/BBB- | 7 | 31 | 32 | 5 | 75 | 355 | 161 | 719 | — | 1,235 | — | 1,310 |
| Sub investment | — | 79 | — | — | 79 | — | — | — | — | — | — | 79 |
| Unrated | 3 | 105 | — | 23 | 131 | — | — | — | — | — | | 131 |
| Total | 8,244 | 1,516 | 2,253 | 1,764 | 13,777 | 6,196 | 564 | 4,667 | 477 | 11,904 | 75 | 25,756 |
| Of which: | | | | | | | | | | | | |
| Stage 1 | 8,244 | 1,508 | 2,253 | 1,764 | 13,769 | 6,196 | 537 | 4,667 | 477 | 11,877 | 75 | 25,721 |
| Stage 2 | — | 8 | — | — | 8 | — | 27 | — | — | 27 | — | 35 |
| Stage 3 | — | — | — | — | — | — | — | — | — | — | — | — |

| | | | | | | | | | | | | 31 December 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 | 11,915 | 5,763 | 499 | 5,122 | 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.

## Credit risk

### Additional credit quality and forbearance disclosures on loans and advances to customers

#### Forbearance

The Group's approach to forbearance initiatives are outlined on pages 126 to 128 in the 'Risk management' section of the Annual Financial Report 2022. The following tables set out the internal credit ratings and ECL staging of forborne loans and advances to customers:

| | 30 June 2023 | | | | | | 31 December 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 | |
| **Analysed by forbearance type** | € m | € m | € m | € m | € m | | € m | € m | € m | € m | € m | |
| Temporary forbearance | 332 | 15 | 32 | 337 | 716 | (1) | 374 | 19 | 74 | 842 | 1,309 | (1) |
| Permanent forbearance | 339 | 41 | 307 | 857 | 1,544 | (2) | 378 | 47 | 479 | 1,044 | 1,948 | (2) |
| | 671 | 56 | 339 | 1,194 | 2,260 | | 752 | 66 | 553 | 1,886 | 3,257 | |
| **Analysed by internal credit ratings** | | | | | | | | | | | | |
| Strong | — | — | — | — | — | | — | — | — | — | — | |
| Satisfactory | — | — | — | — | — | | — | — | — | — | — | |
| **Total strong/ satisfactory** | — | — | — | — | — | | — | — | — | — | — | |
| Criticised watch | — | — | — | — | — | | — | — | — | — | — | |
| Criticised recovery | 255 | 17 | 98 | 821 | 1,191 | | 309 | 15 | 259 | 1,431 | 2,014 | |
| **Total criticised** | 255 | 17 | 98 | 821 | 1,191 | | 309 | 15 | 259 | 1,431 | 2,014 | |
| **Non-performing** | 416 | 39 | 241 | 373 | 1,069 | | 443 | 51 | 294 | 455 | 1,243 | |
| **Gross carrying amount** | 671 | 56 | 339 | 1,194 | 2,260 | | 752 | 66 | 553 | 1,886 | 3,257 | |
| **Analysed by ECL staging** | | | | | | | | | | | | |
| Stage 1 | 1 | — | 14 | 70 | 85 | | 2 | — | 19 | 98 | 119 | |
| Stage 2 | 194 | 17 | 84 | 751 | 1,046 | | 246 | 15 | 240 | 1,333 | 1,834 | |
| Stage 3 | 399 | 39 | 241 | 373 | 1,052 | | 424 | 51 | 294 | 455 | 1,224 | |
| POCI | 77 | — | — | — | 77 | | 80 | — | — | — | 80 | |
| **Total** | 671 | 56 | 339 | 1,194 | 2,260 | | 752 | 66 | 553 | 1,886 | 3,257 | |
| **ECL allowance** | 136 | 28 | 104 | 277 | 545 | | 151 | 32 | 146 | 424 | 753 | |

(1) Of which: interest only € 332 million, payment moratorium € 229 million, reduced payment € 112 million (31 December 2022: of which: interest only € 715 million, payment moratorium € 401 million, reduced payment € 107 million).
(2) Of which: arrears capitalisation and term extension € 604 million, amendment to or non-enforcement of financial covenant € 349 million, restructure € 415 million (31 December 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 the increasing rate of inflation and subsequent affordability issues as the cost of household goods and services rise, including mortgage repayments as a result of rising interest rates.

The total forbearance portfolio has decreased by € 1.0 billion to € 2.3 billion in the half-year to June 2023 (31 December 2022: € 3.3 billion). The decrease was driven by the performing forborne element of the portfolio in criticised recovery which decreased by € 0.8 billion, due to lower inflows and customers exiting forbearance due to repayments or completion of probation criteria. The overall reduction in the half-year to June 2023 was in the non-property business portfolio which decreased by € 0.6 billion, as cases predominately in the hotels and licensed premises sectors exited forbearance.

## 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.

### 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/external covered bonds. The composition of the liquidity pool is subject to limits recommended by the Risk function and approved by the Board.

At 30 June 2023, the Group held € 64,774 million (31 December 2022: € 61,077 million) in qualifying liquid assets 'QLA'[(1)]/ contingent funding of which € 7,074 million (31 December 2022: € 7,845 million) was not available due to repurchase, secured loans and other restrictions. At 30 June 2023, the Group's available QLA was € 57,700 million (31 December 2022: € 53,232 million). During the six months to 30 June 2023, the available QLA ranged from € 52,170 million to € 59,819 million and the average balance was € 54,459 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 the six months to 30 June 2023 by € 4,468 million which was predominantly due to an increase in customer deposits in Ireland, retained and senior debt issuance, offset by an increase in customer loans, covered bond maturities and the directed buyback of shares.

### 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.

For further details of liquidity risk and its management, see pages 129 to 135 of the Annual Financial Report 2022.

### 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.

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| **Liquidity metrics** | **%** | % |
| Liquidity Coverage Ratio | **164** | 192 |
| Net Stable Funding Ratio | **158** | 164 |

The Group monitors and reports its liquidity positions against Capital Requirements Regulations (CRR2) and other related liquidity regulations (LCR Delegated Act). It has fully complied with the minimum LCR and NSFR requirements of 100% in the six months to 30 June 2023. The Group LCR decreased in the six months to 30 June 2023 by 28% which was predominantly due to a payment associated with the Ulster Bank loan portfolio acquisition falling into the LCR 30 day stress horizon. The Group NSFR decreased in the six months to 30 June 2023 by 6% predominantly due to an increase in customer loans and securities financing.

### Funding structure

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.

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| **Customer accounts** | **€ m** | € m |
| Total | **103,705** | 102,362 |
| Of which: | | |
| Euro | **91,707** | 89,820 |
| Sterling | **9,754** | 10,478 |
| US dollar | **2,061** | 1,924 |
| Other currencies | **183** | 140 |

Customer accounts increased by € 1,343 million in the six months to 30 June 2023. The increase in the value of Euro deposits of € 1,887 million is due to deposit inflows associated with the banks exiting the Irish market coupled with higher income and employment levels. This was partially offset by a € 724 million decrease in GBP deposits driven by the AIB UK strategy of withdrawing from the GB SME market. This was reflective of a € 1,039 million underlying decrease in GBP deposits offset by a € 315 million increase in the value of GBP deposits due to GBP currency movements.

## Liquidity and funding risk

### Composition of wholesale funding[1]

The Group maintains access to a variety of sources of wholesale funding including bank deposits, securities financing, debt securities and subordinated debt. At 30 June 2023, total wholesale funding outstanding was € 9,305 million (31 December 2022: € 10,021 million) of which € 1,769 million is due to mature in less than one year (31 December 2022: € 2,507 million).

| | | | | | | | | | 30 June 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 | **117** | **—** | **12** | **—** | **129** | **99** | **192** | **—** | **420** |
| Securities financing | **685** | **108** | **—** | **—** | **793** | **—** | **—** | **—** | **793** |
| Senior debt | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| ACS | **—** | **—** | **—** | **—** | **—** | **—** | **5** | **21** | **26** |
| Subordinated liabilities and other capital instruments - Externally issued | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **60** | **60** |
| Subordinated liabilities and other capital instruments - AIB Group plc | **—** | **—** | **125** | **722** | **847** | **1,364** | **2,971** | **2,824** | **8,006** |
| **Total 30 June 2023** | **802** | **108** | **137** | **722** | **1,769** | **1,463** | **3,168** | **2,905** | **9,305** |
| Of which: | | | | | | | | | |
| Secured | **685** | **108** | **12** | **—** | **805** | **99** | **197** | **81** | **1,182** |
| Unsecured | **117** | **—** | **125** | **722** | **964** | **1,364** | **2,971** | **2,824** | **8,123** |
| **Total 30 June 2023** | **802** | **108** | **137** | **722** | **1,769** | **1,463** | **3,168** | **2,905** | **9,305** |

| | | | | | | | | | 31 December 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 | — | — | — | — | — | — | — | — | — |
| ACS | — | 999 | — | — | 999 | — | — | 25 | 1,024 |
| Subordinated liabilities and other capital instruments - Externally issued | — | — | — | — | — | — | — | 57 | 57 |
| Subordinated liabilities and other capital instruments - AIB Group plc | — | 252 | — | 126 | 378 | 2,085 | 2,073 | 2,992 | 7,528 |
| **Total 31 December 2022** | 820 | 1,561 | — | 126 | 2,507 | 2,181 | 2,259 | 3,074 | 10,021 |
| Of which: | | | | | | | | | |
| Secured | 798 | 1,099 | — | — | 1,897 | 96 | 186 | 25 | 2,204 |
| Unsecured | 22 | 462 | — | 126 | 610 | 2,085 | 2,073 | 3,049 | 7,817 |
| **Total 31 December 2022** | 820 | 1,561 | — | 126 | 2,507 | 2,181 | 2,259 | 3,074 | 10,021 |

(1) The maturity analysis has been prepared using the residual contractual maturity of the liabilities.

In the six months to 30 June 2023, subordinated liabilities (via AIB Group plc) increased by € 478 million primarily reflecting a € 750 million Senior Unsecured Note issued in January offset by a contractual maturity. Securities Financing decreased by € 105 million in the six months to 30 June 2023.

Outstanding asset covered securities (“ACS”) at 30 June 2023 decreased € 998 million to € 26 million due to a contractual maturity. For further details on debt securities, see note 24 ‘Debt securities in issue’ to the condensed consolidated interim financial statements.

# Liquidity and funding risk

## Currency composition of wholesale funding

At 30 June 2023, 74% (31 December 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.

| | 30 June 2023 | | | | | 31 December 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | EUR | GBP | USD | Other | Total | EUR | GBP | USD | Other | Total |
| | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| Deposits by central banks and banks | 95 | 314 | — | 11 | 420 | 220 | 290 | 4 | — | 514 |
| Securities financing | 472 | — | 321 | — | 793 | 401 | — | 497 | — | 898 |
| Senior debt | — | — | — | — | — | — | — | — | — | — |
| ACS | 26 | — | — | — | 26 | 1,024 | — | — | — | 1,024 |
| Subordinated liabilities and other capital instruments - Externally issued | 13 | 47 | — | — | 60 | 12 | 45 | — | — | 57 |
| Subordinated liabilities and other capital instruments | 6,306 | — | 1,700 | — | 8,006 | 5,798 | — | 1,730 | — | 7,528 |
| **Total wholesale funding** | 6,912 | 361 | 2,021 | 11 | 9,305 | 7,455 | 335 | 2,231 | — | 10,021 |
| **% of wholesale funding** | % | % | % | % | % | % | % | % | % | % |
| | 74 | 4 | 22 | — | 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 6.5% at 30 June 2023 (31 December 2022: 8%) with € 8,815 million of the Group's assets encumbered (31 December 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.

# 04 FINANCIAL STATEMENTS

# CONDENSED CONSOLIDATED INCOME STATEMENT (unaudited)

## for the half-year ended 30 June 2023

| | Notes | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|---|
| Interest income calculated using the effective interest rate method | 3 | **2,033** | 1,022 |
| Other interest income and similar income | 3 | **47** | 40 |
| Interest and similar income | 3 | **2,080** | 1,062 |
| Interest and similar expense | 4 | **(312)** | (171) |
| **Net interest income** | | **1,768** | 891 |
| Dividend income | | **1** | 1 |
| Fee and commission income | 5 | **397** | 377 |
| Fee and commission expense | 5 | **(87)** | (86) |
| Net trading income | 6 | **110** | 57 |
| Net gain on other financial assets measured at FVTPL | 7 | **18** | 30 |
| Net (loss)/gain on derecognition of financial assets measured at amortised cost | | **(11)** | 28 |
| Other operating income | 8 | **1** | 8 |
| **Other income** | | **429** | 415 |
| **Total operating income** | | **2,197** | 1,306 |
| Operating expenses | 9 | **(975)** | (901) |
| Impairment and amortisation of intangible assets | | **(111)** | (108) |
| Impairment and depreciation of property, plant and equipment | | **(36)** | (74) |
| **Total operating expenses** | | **(1,122)** | (1,083) |
| **Operating profit before impairment losses** | | **1,075** | 223 |
| Net credit impairment (charge)/writeback | 10 | **(91)** | 309 |
| **Operating profit** | | **984** | 532 |
| Income from equity accounted investments | 18 | **3** | 5 |
| **Profit before taxation** | | **987** | 537 |
| Income tax charge | 11 | **(133)** | (60) |
| **Profit for the period** | | **854** | 477 |
| Attributable to: | | | |
| – Equity holders of the parent | | **856** | 478 |
| – Non-controlling interests | | **(2)** | (1) |
| **Profit for the period** | | **854** | 477 |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

for the half-year ended 30 June 2023

| | Notes | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|---|
| **Profit for the period** | | **854** | 477 |
| **Other comprehensive income** | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | |
| Remeasurement of defined benefit asset/(liability), net of tax | 11 | **—** | 29 |
| ***Total items that will not be reclassified subsequently to profit or loss*** | | **—** | 29 |
| ***Items that will be reclassified subsequently to profit or loss when specific conditions are met*** | | | |
| Net change in foreign currency translation reserves, net of tax | 11 | **47** | (27) |
| Net change in cash flow hedges, net of tax | 11 | **37** | (839) |
| Net change in fair value of investment debt securities at FVOCI, net of tax | 11 | **2** | (130) |
| ***Total items that will be reclassified subsequently to profit or loss when specific conditions are met*** | | **86** | (996) |
| **Other comprehensive income for the period, net of tax** | | **86** | (967) |
| **Total comprehensive income for the period** | | **940** | (490) |
| Attributable to: | | | |
| – Equity holders of the parent | | **942** | (489) |
| – Non-controlling interests | | **(2)** | (1) |
| **Total comprehensive income for the period** | | **940** | (490) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

## as at 30 June 2023

| | Notes | 30 June 2023 € m | December 2022 € m |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | 33 | 36,088 | 38,138 |
| Trading portfolio financial assets | | 87 | 8 |
| Derivative financial instruments | 12 | 2,489 | 2,511 |
| Loans and advances to banks | 13 | 1,843 | 1,502 |
| Loans and advances to customers | 14 | 61,184 | 59,613 |
| Securities financing | 15 | 7,627 | 6,282 |
| Investment securities | 17 | 16,537 | 16,270 |
| Investments accounted for using the equity method | 18 | 229 | 173 |
| Intangible assets and goodwill | | 903 | 940 |
| Property, plant and equipment | | 510 | 536 |
| Other assets | 19 | 342 | 296 |
| Current taxation | | 7 | 15 |
| Deferred tax assets | 20 | 2,955 | 3,032 |
| Prepayments and accrued income | | 462 | 423 |
| Retirement benefit assets | 21 | 24 | 13 |
| **Total assets** | | 131,287 | 129,752 |
| **Liabilities** | | | |
| Deposits by central banks and banks | 22 | 420 | 514 |
| Customer accounts | 23 | 103,704 | 102,359 |
| Customer accounts – AIB Group plc | | 1 | 3 |
| Securities financing | 15 | 793 | 898 |
| Trading portfolio financial liabilities | | 53 | 4 |
| Derivative financial instruments | 12 | 3,029 | 2,982 |
| Debt securities in issue | 24 | 26 | 1,024 |
| Lease liabilities | | 243 | 257 |
| Current taxation | | 10 | 1 |
| Deferred tax liabilities | 20 | 28 | 30 |
| Retirement benefit liabilities | 21 | 15 | 16 |
| Other liabilities | 25 | 1,374 | 1,106 |
| Accruals and deferred income | | 479 | 386 |
| Provisions for liabilities and commitments | 26 | 274 | 340 |
| Subordinated liabilities and other capital instruments – Externally issued | 27 | 60 | 57 |
| Subordinated liabilities and other capital instruments – AIB Group plc | 27 | 8,006 | 7,528 |
| **Total liabilities** | | 118,515 | 117,505 |
| **Equity** | | | |
| Share capital | 28 | 1,637 | 1,671 |
| Share premium | 28 | 1,386 | 1,386 |
| Reserves | | 8,639 | 8,078 |
| **Total shareholders' equity** | | 11,662 | 11,135 |
| Other equity interests – AIB Group plc | 29 | 1,115 | 1,115 |
| Non-controlling interests | | (5) | (3) |
| **Total equity** | | 12,772 | 12,247 |
| **Total liabilities and equity** | | 131,287 | 129,752 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

for the half-year ended 30 June 2023

| | Attributable to equity holders of parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Other equity interests | Capital reserves | Capital redemption reserves | Revaluation reserves | Investment securities reserves | Cash flow hedging reserves | Revenue reserves | Foreign currency translation reserves | Total | Non-controlling interests | Total equity |
| | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| **At 1 January 2023** | 1,671 | 1,386 | 1,115 | 1,133 | 39 | 13 | (36) | (1,470) | 8,982 | (583) | 12,250 | (3) | 12,247 |
| **Total comprehensive income for the period** | | | | | | | | | | | | | |
| Profit for the period | — | — | — | — | — | — | — | — | 856 | — | 856 | (2) | 854 |
| Other comprehensive income *(note 11)* | — | — | — | — | — | — | 2 | 37 | — | 47 | 86 | — | 86 |
| **Total comprehensive income for the period** | — | — | — | — | — | — | 2 | 37 | 856 | 47 | 942 | (2) | 940 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | | |
| *Contributions by and distributions to owners of the Group:* | | | | | | | | | | | | | |
| Dividends paid on ordinary shares *(note 37)* | — | — | — | — | — | — | — | — | (166) | — | (166) | — | (166) |
| Distributions paid to other equity interests *(note 29)* | — | — | — | — | — | — | — | — | (33) | — | (33) | — | (33) |
| Buyback of ordinary shares *(note 28)* | (34) | — | — | — | 34 | — | — | — | (215) | — | (215) | — | (215) |
| Other movements | — | — | — | — | — | (1) | — | — | — | — | (1) | | (1) |
| **Total contributions by and distributions to owners of the Group** | (34) | — | — | — | 34 | (1) | — | — | (414) | — | (415) | — | (415) |
| **At 30 June 2023** | 1,637 | 1,386 | 1,115 | 1,133 | 73 | 12 | (34) | (1,433) | 9,424 | (536) | 12,777 | (5) | 12,772 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

## for the half-year ended 30 June 2022

| | Attributable to equity holders of parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Other equity interests | Capital reserves | Capital redemption reserves | Reval-uation reserves | Investment securities reserves | Cash flow hedging reserves | Revenue reserves | Foreign currency translation reserves | Total | Non-controlling interests | Total equity |
| | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| **At 1 January 2022** | 1,696 | 1,386 | 1,115 | 1,133 | 14 | 13 | 152 | 149 | 8,522 | (512) | 13,668 | (1) | 13,667 |
| **Total comprehensive income for the period** | | | | | | | | | | | | | |
| Profit for the period | — | — | — | — | — | — | — | — | 478 | — | 478 | (1) | 477 |
| Other comprehensive income *(note 11)* | — | — | — | — | — | — | (130) | (839) | 29 | (27) | (967) | — | (967) |
| **Total comprehensive income for the period** | — | — | — | — | — | — | (130) | (839) | 507 | (27) | (489) | (1) | (490) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | | |
| *Contributions by and distributions to owners of the Group:* | | | | | | | | | | | | | |
| Dividends paid on ordinary shares *(note 37)* | — | — | — | — | — | — | — | — | (142) | — | (142) | — | (142) |
| Distributions paid to other equity interests *(note 29)* | — | — | — | — | — | — | — | — | (33) | — | (33) | — | (33) |
| Buyback of ordinary shares *(note 28)* | (25) | — | — | — | 25 | — | — | — | (91) | — | (91) | — | (91) |
| **Total contributions by and distributions to owners of the Group** | (25) | — | — | — | 25 | — | — | — | (266) | — | (266) | — | (266) |
| **At 30 June 2022** | 1,671 | 1,386 | 1,115 | 1,133 | 39 | 13 | 22 | (690) | 8,763 | (539) | 12,913 | (2) | 12,911 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

## for the financial year ended 31 December 2022

| | Attributable to equity holders of parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Other equity interests | Capital reserves | Capital redemption reserves | Revaluation reserves | Investment securities reserves | Cash flow hedge reserves | Revenue reserves | Foreign currency translation reserves | Total | Non-controlling interests | Total equity |
| | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m | € m |
| **At 1 January 2022** | 1,696 | 1,386 | 1,115 | 1,133 | 14 | 13 | 152 | 149 | 8,522 | (512) | 13,668 | (1) | 13,667 |
| **Total comprehensive income for the year** | | | | | | | | | | | | | |
| Profit for the year | — | — | — | — | — | — | — | — | 768 | — | 768 | (2) | 766 |
| Other comprehensive income (note 11) | — | — | — | — | — | — | (188) | (1,619) | (8) | (71) | (1,886) | — | (1,886) |
| **Total comprehensive income for the year** | — | — | — | — | — | — | (188) | (1,619) | 760 | (71) | (1,118) | (2) | (1,120) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | | |
| *Contributions by and distributions to owners of the Group:* | | | | | | | | | | | | | |
| Dividends paid on ordinary shares *(note 37)* | — | — | — | — | — | — | — | — | (142) | — | (142) | — | (142) |
| Distributions paid to other equity interests *(note 29)* | — | — | — | — | — | — | — | — | (67) | — | (67) | — | (67) |
| Buyback of ordinary shares *(note 28)* | (25) | — | — | — | 25 | — | — | — | (91) | — | (91) | — | (91) |
| **Total contributions by and distributions to owners of the Group** | (25) | — | — | — | 25 | — | — | — | (300) | — | (300) | — | (300) |
| **At 31 December 2022** | 1,671 | 1,386 | 1,115 | 1,133 | 39 | 13 | (36) | (1,470) | 8,982 | (583) | 12,250 | (3) | 12,247 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

## for the half-year ended 30 June 2023

| | Notes | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation for the period | | **987** | 537 |
| Adjustments for: | | | |
| – Non-cash and other items | 34 | **444** | (76) |
| – Change in operating assets | 34 | **(2,955)** | (1,046) |
| – Change in operating liabilities | 34 | **(78)** | 3,471 |
| – Taxation (paid)/refund | | **(22)** | 13 |
| **Net cash (outflow)/inflow from operating activities** | | **(1,624)** | 2,899 |
| **Cash flows from investing activities** | | | |
| Purchase of investment securities | | **(1,897)** | (2,467) |
| Proceeds from sales, redemptions and maturity of investment securities | | **1,815** | 1,525 |
| Additions to property, plant and equipment | | **(7)** | (6) |
| Disposal of property, plant and equipment | | **2** | 4 |
| Additions to intangible assets | | **(74)** | (67) |
| Partial repayment of investment in associated undertaking | | **—** | 9 |
| Investments accounted for using the equity method | 18 | **(53)** | (13) |
| **Net cash outflow from investing activities** | | **(214)** | (1,015) |
| **Cash flows from financing activities** | | | |
| Proceeds on issue of subordinated liabilities and other capital instruments – AIB Group plc | 27 | **750** | 1,000 |
| Redemption of subordinated loans – AIB Group plc | | **—** | (250) |
| Maturity of subordinated loans - AIB Group plc | | **(253)** | — |
| Dividends paid on ordinary shares | 37 | **(166)** | (142) |
| Buyback of ordinary shares | 28 | **(215)** | (91) |
| Distributions paid to other equity interests | | **(33)** | (33) |
| Repayment of lease liabilities | | **(15)** | (22) |
| Interest paid on subordinated liabilities and other capital instruments | | **(132)** | (85) |
| **Net cash (outflow)/inflow from financing activities** | | **(64)** | 377 |
| **Change in cash and cash equivalents** | | **(1,902)** | 2,261 |
| Opening cash and cash equivalents | | **39,316** | 43,557 |
| Effect of exchange translation adjustments | | **156** | (109) |
| **Closing cash and cash equivalents** | 33 | **37,570** | 45,709 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 Basis of preparation, accounting policies and estimates

### Reporting entity

Allied Irish Banks, p.l.c. ('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. Allied Irish Banks, p.l.c. is registered under the Companies Act 2014 as a public limited company under the company number 24173.

The condensed consolidated interim financial statements for the six months to 30 June 2023 ('Half-Yearly Financial Report') comprise the parent company and its subsidiary undertakings, collectively referred to as 'the Group', and the Group's interests in associated undertakings and joint ventures.

The consolidated financial statements of the Group for the year ended 31 December 2022 ('the Annual Financial Report 2022') are available upon request from the Group Company Secretary or at www.aib.ie.

### Going concern

The financial statements for the six months to 30 June 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 condensed consolidated interim financial statements.

### Basis of preparation

The condensed consolidated interim financial statements for the six months to 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These statements should be read in conjunction with the Annual Financial Report 2022, which was prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively 'IFRS') as adopted by the European Union ('EU'). The condensed consolidated interim financial statements comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows together with the related notes. These notes include certain risk related disclosures which are contained in the 'Risk management' section of the Half-Yearly Financial Report. The relevant information in the 'Risk management' section is identified as forming an integral part of the condensed consolidated interim financial statements.

### Accounting policies

The accounting policies described on pages 169 to 194 of the Annual Financial Report 2022 have been applied in this Half-Yearly Financial Report.

### New and amended standards and interpretations

For details on amendments to IAS 12 *Income Taxes* relating to the Pillar Two Rules, refer to note 20. There have been no new standards, or amendments to standards, adopted by the Group for the six months to 30 June 2023 which have had a material impact on the Group.

### Critical accounting judgements and estimates

The preparation of the condensed consolidated interim 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 may involve making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and for any future period affected. The judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in the areas of impairment of financial assets; deferred tax; retirement benefit obligations; and provisions for liabilities and commitments.

Critical accounting judgements and estimates adopted by the Group are set out on pages 195 to 199 of the Annual Financial Report 2022 and while they remain appropriate, additional details and disclosures, taking account of developments in the six months to 30 June 2023, are as follows:

*Impairment of financial assets*
- The significant judgements relating to management adjustments to reflect all available information that have not been included in the risk measurement process modelled outcomes are outlined on pages 30 and 31.
- The updated macroeconomic scenarios and weightings used in models to calculate ECL allowance are set out on pages 24 to 28.

## 1 Basis of preparation, accounting policies and estimates *continued*

### Prospective accounting changes

Information on prospective accounting changes is set out on pages 193 and 194 of the Annual Financial Report 2022. There are no standards that are not yet effective that would be expected to have a material impact on the Group in future reporting periods.

### Statement of compliance

The condensed consolidated interim financial statements comply with IAS 34 Interim Financial Reporting, as issued by the IASB and as adopted by the EU.

PricewaterhouseCoopers, Chartered Accountants and Statutory auditors, were appointed as the Group's independent auditor following the Group's AGM in May 2023. The interim figures for the six months to 30 June 2023 are unaudited but have been reviewed by the Group's independent auditor, PricewaterhouseCoopers, whose report is set out on pages 114. The financial information presented herein does not amount to statutory financial statements within the meaning of the Companies Act 2014. The Half-Yearly Financial Report is a requirement of the Transparency (Directive 2004/109/EC) Regulations 2007.

The summary financial statements for the financial year ended 31 December 2022 as presented in the condensed consolidated interim financial statements, represent an abbreviated version of the Group's full accounts for that year, on which the Group's previous independent auditor, Deloitte Ireland LLP, issued an unqualified audit report and did not include a reference to any matters to which the statutory auditor drew attention by way of emphasis without qualifying the report. The 31 December 2022 financial statements are not annexed to these condensed consolidated interim financial statements. The financial statements for the financial year ended 31 December 2022 have been filed in the Companies Registration Office.

## 2 Segmental information

### Segment overview

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

### Segment allocations

In the second half of 2022 the Group made changes to the methodologies used to allocate cost and income across operating segments in order to enhance the management of standalone segment performance. Under the Group's revised cost allocation methodology, substantially all of the costs of the Group's control, support and Treasury functions are now allocated to Retail Banking, Capital Markets and AIB UK whereas the previous methodology resulted in overheads which were managed centrally being reported in the Group segment. In addition certain Bank levies and regulatory fees, such as the Irish bank levy, which were previously reported in Group segment are now allocated to the Retail Banking and Capital Market segments. Figures for the prior half year have been restated on a comparative basis.

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.

## 2 Segmental information *continued*

| | Retail Banking | Capital Markets | AIB UK | Group | Total | Exceptional items (1) | Half-year 30 June 2023 Total |
|---|---|---|---|---|---|---|---|
| | € m | € m | € m | € m | € m | € m | € m |
| **Operations by business segment** | | | | | | | |
| Net interest income | 1,082 | 402 | 202 | 82 | 1,768 | — | 1,768 |
| Net fee and commission income* | 211 | 73 | 20 | 6 | 310 | — | 310 |
| Other | 134 | 25 | 3 | (31) | 131 | (12) (2)(5) | 119 |
| Other income | 345 | 98 | 23 | (25) | 441 | (12) | 429 |
| Total operating income | 1,427 | 500 | 225 | 57 | 2,209 | (12) | 2,197 |
| Other operating expenses | (621) | (183) | (86) | (7) | (897) | (118) | (1,015) |
| *Of which: Personnel expenses* | *(273)* | *(112)* | *(46)* | *(3)* | *(434)* | *(2)* (3) | *(436)* |
| *General and administrative expenses* | *(236)* | *(49)* | *(28)* | *(3)* | *(316)* | *(116)* (4-6) | *(432)* |
| *Depreciation, impairment and amortisation* | *(112)* | *(22)* | *(12)* | *(1)* | *(147)* | *—* | *(147)* |
| Bank levies and regulatory fees | (9) | (4) | — | (94) | (107) | — | (107) |
| Total operating expenses | (630) | (187) | (86) | (101) | (1,004) | (118) | (1,122) |
| **Operating profit/(loss) before impairment losses** | 797 | 313 | 139 | (44) | 1,205 | (130) | 1,075 |
| Net credit impairment charge | (46) | (26) | (5) | (14) | (91) | — | (91) |
| **Operating profit/(loss)** | 751 | 287 | 134 | (58) | 1,114 | (130) | 984 |
| Income from equity accounted investments | 1 | — | 2 | — | 3 | — | 3 |
| **Profit/(loss) before taxation** | 752 | 287 | 136 | (58) | 1,117 | (130) | 987 |

(1) Exceptional items are shown separately above. These are items that Management view as distorting comparability of performance from period to period.
Exceptional items include:
(2) Loss on disposal of loan portfolios;
(3) Termination benefits;
(4) Restitution costs;
(5) Restructuring costs; and
(6) Inorganic transaction costs.

| ***Analysis of net fee and commission income** | Retail Banking € m | Capital Markets € m | AIB UK € m | Group € m | Half-year 30 June 2023 Total € m |
|---|---|---|---|---|---|
| Customer accounts | 100 | 13 | 6 | — | 119 |
| Card income | 81 | 4 | 6 | — | 91 |
| Foreign exchange fees | 22 | 14 | 3 | 1 | 40 |
| Credit related fees | 4 | 15 | 7 | — | 26 |
| Specialised payment services fees | 67 | — | — | — | 67 |
| Stockbroking client fees and commissions | — | 23 | — | — | 23 |
| Asset management and advisory fees | — | 2 | — | — | 2 |
| Other fees and commissions | 17 | 5 | — | 3 | 25 |
| Fees received for services provided to AIB Group plc | — | — | — | 4 | 4 |
| **Fee and commission income** | 291 | 76 | 22 | 8 | 397 |
| Specialised payment services expenses | (58) | — | — | — | (58) |
| Card expenses | (19) | (1) | (2) | — | (22) |
| Other fee and commission expenses | (3) | (2) | — | (2) | (7) |
| **Fee and commission expense** | (80) | (3) | (2) | (2) | (87) |
| | 211 | 73 | 20 | 6 | 310 |

Further information on 'Net fee and commission income' is set out in note 5.

## 2 Segmental information *continued*

| | Retail Banking | Capital Markets | AIB UK | Group | Total | Exceptional items (1) | Half-year 30 June 2022 Total |
|---|---|---|---|---|---|---|---|
| | € m | € m | € m | € m | € m | € m | € m |
| **Operations by business segment** | | | | | | | |
| Net interest income | 471 | 258 | 127 | 35 | 891 | — | 891 |
| Net fee and commission income* | 185 | 77 | 24 | 4 | 290 | 1 (7) | 291 |
| Other | 19 | 52 | 8 | 14 | 93 | 31 (2)(5) | 124 |
| Other income | 204 | 129 | 32 | 18 | 383 | 32 | 415 |
| Total operating income | 675 | 387 | 159 | 53 | 1,274 | 32 | 1,306 |
| Other operating expenses | (539) | (154) | (82) | (7) | (782) | (200) | (982) |
| *Of which: Personnel expenses* | *(233)* | *(93)* | *(43)* | *(2)* | *(371)* | *(9)* (3-5) | *(380)* |
| *General and administrative expenses* | *(195)* | *(39)* | *(26)* | *(3)* | *(263)* | *(157)* (4-7) | *(420)* |
| *Depreciation, impairment and amortisation* | *(111)* | *(22)* | *(13)* | *(2)* | *(148)* | *(34)* (5) | *(182)* |
| Bank levies and regulatory fees | (9) | (4) | — | (88) | (101) | — | (101) |
| Total operating expenses | (548) | (158) | (82) | (95) | (883) | (200) | (1,083) |
| **Operating profit/(loss) before impairment losses** | 127 | 229 | 77 | (42) | 391 | (168) | 223 |
| Net credit impairment writeback/(charge) | 224 | 86 | (1) | — | 309 | — | 309 |
| **Operating profit/(loss)** | 351 | 315 | 76 | (42) | 700 | (168) | 532 |
| Income from equity accounted investments | 2 | 1 | 2 | — | 5 | — | 5 |
| **Profit/(loss) before taxation** | 353 | 316 | 78 | (42) | 705 | (168) | 537 |

(1) Exceptional items are shown separately above. These are items that Management view as distorting comparability of performance from period to period. Exceptional items include:
(2) Gain on disposal of loan portfolios;
(3) Termination benefits;
(4) Restitution costs;
(5) Restructuring costs;
(6) Inorganic transaction costs; and
(7) Other.

| *Analysis of net fee and commission income | Retail Banking | Capital Markets | AIB UK | Group | Half-year 30 June 2022 Total |
|---|---|---|---|---|---|
| | € m | € m | € m | € m | € m |
| Customer accounts | 86 | 9 | 7 | 9 | 111 |
| Card income | 60 | 5 | 6 | — | 71 |
| Foreign exchange fees | 22 | 13 | 5 | — | 40 |
| Credit related fees | 4 | 14 | 7 | — | 25 |
| Specialised payment services fees | 66 | — | — | — | 66 |
| Stockbroking client fees and commissions | — | 25 | — | — | 25 |
| Asset management and advisory fees | — | 8 | — | — | 8 |
| Other fees and commissions | 26 | 7 | 2 | (8) (1) | 27 |
| Fees received for services provided to AIB Group plc | — | — | — | 4 | 4 |
| **Fee and commission income** | 264 | 81 | 27 | 5 | 377 |
| Specialised payment services expenses | (58) | — | — | — | (58) |
| Card expenses | (19) | (1) | (2) | — | (22) |
| Other fee and commission expenses | (2) | (3) | — | (1) | (6) |
| **Fee and commission expense** | (79) | (4) | (2) | (1) | (86) |
| | 185 | 77 | 25 | 4 | 291 |

(1) Reflects the allocation of the Group's segment fee and commission income to Retail Banking and Capital Markets segments.

Further information on 'Net fee and commission income' is set out in note 5.

## 2 Segmental information *continued*
### Other amounts – statement of financial position

| | Retail Banking | Capital Markets | AIB UK | Group | Total |
|---|---|---|---|---|---|
| | | | | | 30 June 2023 |
| | € m | € m | € m | € m | € m |
| Loans and advances to customers: | | | | | |
| – measured at amortised cost | 34,726 | 18,997 | 7,266 | 21 | 61,010 |
| – measured at FVTPL | — | 174 | — | — | 174 |
| Total loans and advances to customers | 34,726 | 19,171 | 7,266 | 21 | 61,184 (1) |
| Customer accounts | 79,383 | 14,730 | 8,573 | 1,019 | 103,705 (2) |

| | Retail Banking | Capital Markets | AIB UK | Group | Total |
|---|---|---|---|---|---|
| | | | | | 31 December 2022 |
| | € m | € m | € m | € m | € m |
| 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 (1) |
| Customer accounts | 75,798 | 16,240 | 9,097 | 1,227 | 102,362 (2) |

(1) Includes AIB Group plc – Nil (2022: Nil).
(2) Includes AIB Group plc – € 1 million (2022: € 3 million).

| | Ireland | United Kingdom | Rest of the World | Total |
|---|---|---|---|---|
| | | | | Half-year 30 June 2023 |
| **Geographic information**(1)(2) | € m | € m | € m | € m |
| Gross external revenue | 1,982 | 197 | 18 | 2,197 |
| Inter-geographical segment revenue | (36) | 53 | (17) | — |
| **Total revenue** | 1,946 | 250 | 1 | 2,197 |

| | Ireland | United Kingdom | Rest of the World | Total |
|---|---|---|---|---|
| | | | | Half-year 30 June 2022 |
| **Geographic information**(1)(2) | € m | € m | € m | € m |
| Gross external revenue | 1,322 | (3) | (13) | 1,306 |
| Inter-geographical segment revenue | (173) | 156 | 17 | — |
| **Total revenue** | 1,149 | 153 | 4 | 1,306 |

Revenue from external customers comprises interest and similar income (note 3) and interest and similar expense (note 4), and all other items included in 'Other income'.

| | Ireland | United Kingdom | Rest of the World | Total |
|---|---|---|---|---|
| | | | | 30 June 2023 |
| **Geographic Information** | € m | € m | € m | € m |
| Non-current assets(3) | 1,367 | 44 | 2 | 1,413 |

| | Ireland | United Kingdom | Rest of the World | Total |
|---|---|---|---|---|
| | | | | 31 December 2022 |
| **Geographic Information** | € m | € m | € m | € m |
| Non-current assets(3) | 1,426 | 48 | 2 | 1,476 |

(1) The geographical distribution of total revenue is based primarily on the location of the office recording the transaction.
(2) For details of significant geographic concentrations, see the 'Risk management' section.
(3) Non-current assets comprise intangible assets, goodwill and property, plant and equipment.

| 3 Interest and similar income | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Interest on loans and advances to customers at amortised cost | 1,069 | 880 |
| Interest on loans and advances to banks at amortised cost | 546 | 22 |
| Interest on securities financing at amortised cost | 114 | 4 |
| Interest on investment securities | 304 | 46 |
| **Interest income on financial assets** | 2,033 | 952 |
| Deposits by central banks and banks at amortised cost | — | 26 |
| Customer accounts at amortised cost | — | 43 |
| Securities financing | — | 1 |
| **Negative interest on financial liabilities** | — | 70 |
| **Interest income calculated using the effective interest rate method** | 2,033 | 1,022 |
| Interest income on finance leases and hire purchase contracts | 38 | 36 |
| Interest income on financial assets at FVTPL | 9 | 4 |
| **Other interest income and similar income** | 47 | 40 |
| **Interest and similar income** | 2,080 | 1,062 |

The Group presents interest resulting from negative effective interest rates on financial liabilities as interest income rather than as offset against interest expense.

Included in negative interest on financial liabilities for the six months to 30 June 2022 is interest of € 26 million relating to the TLTRO III programme. The Group repaid its TLTRO borrowings in December 2022 (See note 4 of the Annual Financial Report 2022 for further details).

Interest income includes a charge of € 223 million (Half-Year 30 June 2022: a credit of € 65 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'.

| 4 Interest and similar expense | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Interest on deposits by central banks and banks | 8 | 1 |
| Interest on customer accounts | 55 | 22 |
| Interest on securities financing | 8 | 1 |
| Interest on debt securities in issue | 3 | 1 |
| Interest on lease liabilities | 5 | 6 |
| Interest on subordinated liabilities and other capital instruments(1) | 232 | 57 |
| **Interest expense on financial liabilities** | 311 | 88 |
| Cash and balances at central banks | — | 76 |
| Loans and advances to banks | — | 2 |
| Securities financing | — | 4 |
| Investment securities | 1 | 1 |
| **Negative interest on financial assets** | 1 | 83 |
| **Interest expense calculated using the effective interest rate method** | 312 | 171 |

(1) Includes interest expense of € 147 million (30 June 2022: € 79 million) on instruments with AIB Group plc.

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 reported above, calculated using the effective interest rate method, relates to financial liabilities not carried at fair value through profit or loss.

Interest expense includes a credit of € 18 million (Half-Year 30 June 2022 a charge of € 5 million) transferred from other comprehensive income in respect of cash flow hedges which is included in 'Interest on customer accounts'.

| 5 Net fee and commission income | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Customer accounts | 119 | 111 |
| Card income | 91 | 71 |
| Foreign exchange fees | 40 | 40 |
| Credit related fees | 26 | 25 |
| Specialised payment services fees[1] | 67 | 66 |
| Stockbroking client fees and commissions | 23 | 25 |
| Asset management and advisory fees | 2 | 8 |
| Other fees and commissions[2] | 25 | 27 |
| Fees received for services provided to AIB Group plc | 4 | 4 |
| **Fee and commission income** | **397** | 377 |
| Specialised payment services expenses[1] | (58) | (58) |
| Card expenses[3] | (22) | (22) |
| Other fee and commissions expenses | (7) | (6) |
| **Fee and commission expense** | **(87)** | (86) |
| **Net fee and commission income** | **310** | 291 |

(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.
(2) Other fees and commissions includes wealth commissions € 11 million, insurance commissions € 6 million and other commissions € 8 million (Half-Year 30 June 2022: € 13 million, € 6 million and € 8 million respectively).
(3) Card expenses includes credit card commissions of € 21 million and ATM expenses of € 1 million (Half-Year 30 June 2022: € 21 million and € 1 million respectively).

Fees and commissions which are an integral part of the effective interest rate are recognised as part of interest and similar income (note 3) or interest and similar expense (note 4).

| 6 Net trading income | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Foreign exchange contracts | (18) | (21) |
| Interest rate contracts and debt securities[1] | (1) | 31 |
| Credit derivative contracts | (1) | 5 |
| Equity investments, index contracts and warrants | (8) | 16 |
| Forward contracts to acquire loans [2] | 138 | 26 |
| **Net trading income** | **110** | 57 |

(1) Includes a gain of € 2 million (Half-Year 30 June 2022: gain of € 14 million) in relation to XVA adjustments. XVA comprises counterparty valuation adjustments ('CVA') and funding valuation adjustments ('FVA').
(2) Includes a gain of € 12 million (Half-Year 30 June 2022: gain of € 26 million) relating to the forward contract to acquire Ulster Bank corporate and commercial loans and a gain of € 126 million relating to the forward contract to acquire Ulster Bank tracker (and linked) mortgages. See notes 32 and 38 for further information.

The total hedging ineffectiveness on cash flow hedges reflected in the condensed consolidated income statement amounted to Nil (Half-Year 30 June 2022: Nil).

| 7 Net gain on other financial assets measured at FVTPL | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Loans and advances to customers[1] | 6 | 16 |
| Investment securities – equity | 12 | 14 |
| **Net gain on other financial assets measured at FVTPL** | **18** | 30 |

(1) Excludes interest income (note 3).

## 8 Other operating income

| | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Loss on disposal of investment securities at FVOCI – debt | (5) | (2) |
| (Loss)/gain on termination of hedging swaps[1] | (4) | 9 |
| Miscellaneous operating income | 10 | 1 |
| **Other operating income** | **1** | 8 |

(1) The majority of the loss/gain on termination of hedging swaps relates to the disposal of debt securities at FVOCI. In the Half-Year to 30 June 2023, it includes a charge of € 8 million transferred from other comprehensive income in respect of cash flow hedges (Half-Year 30 June 2022: charge of € 1 million).

## 9 Operating expenses

| | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Personnel expenses: | | |
| Wages and salaries | 346 | 301 |
| Termination benefits[1] | 2 | 3 |
| Retirement benefits[2] | 51 | 47 |
| Social security costs | 37 | 33 |
| Other personnel expenses[3][4] | 11 | 6 |
| | 447 | 390 |
| Less: staff costs capitalised[5] | (11) | (10) |
| Personnel expenses | 436 | 380 |
| General and administrative expenses [6] | 369 | 319 |
| Restitution and associated costs[7] | 63 | 101 |
| | 432 | 420 |
| Bank levies and regulatory fees | 107 | 101 |
| **Operating expenses** | **975** | 901 |

(1) Includes charges for voluntary severance programmes of € 2 million (Half-Year 30 June 2022: € 3 million).
(2) Comprises a defined contribution charge of € 43 million (Half-Year 30 June 2022: a charge of € 39 million), a charge of € 2 million in relation to defined benefit expense (Half-Year 30 June 2022: a charge of € 3 million), and a long-term disability payments/death in service benefit charge of € 6 million (Half-Year 30 June 2022: a charge of € 5 million). For details of retirement benefits, see note 21.
(3) Share-based payment charge of Nil (Half-Year 30 June 2022: Nil).
(4) Other personnel expenses include staff training, recruitment and various other staff costs.
(5) Staff costs capitalised relate to intangible assets.
(6) Includes Nil (Half-Year 30 June 2022: € 27 million) relating to the CBI Tracker Mortgage Examination fine.
(7) Relates to Belfry provision and the associated costs. The half-year to 30 June 2022 also included costs related to the Tracker Mortgage Examination.

## 10 Net credit impairment (charge)/writeback

The following table analyses the income statement net credit impairment (charge)/writeback on financial instruments.

| | | | Half-year 30 June 2023 | | | Half-year 30 June 2022 |
|---|---|---|---|---|---|---|
| **Credit impairment (charge)/writeback on financial instruments** | **Measured at amortised cost €m** | **Measured at FVOCI €m** | **Total €m** | Measured at amortised cost €m | Measured at FVOCI €m | Total €m |
| Net re-measurement of ECL allowance | | | | | | |
| Loans and advances to banks | (2) | — | (2) | — | — | — |
| Loans and advances to customers | (107) | — | (107) | 276 | — | 276 |
| Securities financing | (3) | — | (3) | 1 | — | 1 |
| Loan commitments | 11 | — | 11 | — | — | — |
| Financial guarantee contracts | 3 | — | 3 | 2 | — | 2 |
| Investment securities – debt | — | (9) | (9) | (2) | — | (2) |
| **Credit impairment (charge)/ writeback** | (98) | (9) | (107) | 277 | — | 277 |
| Recoveries of amounts previously written-off | 16 | — | 16 | 32 | — | 32 |
| **Net credit impairment (charge)/writeback** | (82) | (9) | (91) | 309 | — | 309 |

## 11 Taxation

| | **Half-year 30 June 2023 €m** | Half-year 30 June 2022 €m |
|---|---|---|
| **Current tax** | | |
| Corporation tax in Ireland | | |
| Current tax on income for the period | (3) | (2) |
| Adjustments in respect of prior periods | — | — |
| | (3) | (2) |
| Foreign tax | | |
| Current tax on income for the period | (35) | (13) |
| Adjustments in respect of prior periods | — | — |
| | (35) | (13) |
| **Current tax charge for the period** | (38) | (15) |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | 1 | 1 |
| Adjustments in respect of prior periods | 1 | — |
| 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 | (97) | (46) |
| **Deferred tax charge for the period** | (95) | (45) |
| **Total tax charge for the period** | (133) | (60) |
| **Effective tax rate** | 13.5 % | 11.2 % |

## 11 Taxation (continued)

### Analysis of selected other comprehensive income

| | Half-year 30 June 2023 | | | Half-year 30 June 2022 | | |
|---|---|---|---|---|---|---|
| | Gross | Tax | Net | Gross | Tax | Net |
| | € m | € m | € m | € m | € m | € m |
| **Retirement benefit schemes** | | | | | | |
| Remeasurement of defined benefit asset/(liability) | — | — | — | 30 | (1) | 29 |
| **Total** | — | — | — | 30 | (1) | 29 |
| | | | | | | |
| **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* | (46) | 6 | (40) | 32 | (4) | 28 |
| *– Exchange differences on translation of foreign operations* | 87 | — | 87 | (55) | — | (55) |
| **Total** | 41 | 6 | 47 | (23) | (4) | (27) |
| | | | | | | |
| **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* | 213 | (27) | 186 | (59) | 7 | (52) |
| Hedging (losses) recognised in other comprehensive income | (185) | 36 | (149) | (934) | 147 | (787) |
| **Total** | 28 | 9 | 37 | (993) | 154 | (839) |
| | | | | | | |
| **Investment debt securities at FVOCI reserves** | | | | | | |
| Fair value losses transferred to income statement | 5 | (1) | 4 | 2 | — | 2 |
| Fair value losses recognised in other comprehensive income | (2) | — | (2) | (148) | 16 | (132) |
| **Total** | 3 | (1) | 2 | (146) | 16 | (130) |

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## 12 Derivative financial instruments

The following table presents the notional principal amount and the fair value of derivative financial instruments analysed by purpose.

| | 30 June 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | Notional principal amount | Fair values | | Notional principal amount | Fair values | |
| | | Assets | Liabilities | | Assets | Liabilities |
| | € m | € m | € m | € m | € m | € m |
| **Derivatives held for trading** | | | | | | |
| Interest rate derivatives | 14,352 | 557 | (549) | 12,289 | 521 | (517) |
| Foreign exchange derivatives | 5,207 | 29 | (46) | 5,990 | 121 | (72) |
| Equity derivatives | 91 | — | (6) | 83 | 4 | — |
| Credit derivatives | 83 | — | (1) | 43 | — | (1) |
| Forward contracts to acquire loans(1) | 5,478 | 141 | — | 1,232 | — | (9) |
| **Total derivatives held for trading** | 25,211 | 727 | (602) | 19,637 | 646 | (599) |
| **Derivatives held for hedging** | | | | | | |
| Derivatives designated as cash flow hedges | 45,910 | 174 | (1,974) | 30,813 | 145 | (1,950) |
| Derivatives designated as fair value hedges | 22,701 | 1,588 | (414) | 22,111 | 1,677 | (433) |
| Derivatives designated as net investment hedges | 1,515 | — | (39) | 1,459 | 43 | — |
| **Total derivatives held for hedging** | 70,126 | 1,762 | (2,427) | 54,383 | 1,865 | (2,383) |
| **Total derivative financial instruments** | 95,337 | 2,489 | (3,029) | 74,020 | 2,511 | (2,982) |

(1) Relates to the forward contract to acquire corporate and commercial loans from Ulster Bank and the forward contract to acquire tracker (and linked) mortgages from Ulster Bank. See notes 32 and 37 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 policies and control framework as described in the 'Risk management' section of the Annual Financial Report 2022.

The Group has significantly increased hedging of net interest income sensitivity to market rate changes in the first half of 2023 through receive fixed and pay floating interest rate swaps designated as cash flow hedges.

For further details on the Group's derivative activity see note 16 of the Annual Financial Report 2022.

## 13 Loans and advances to banks

| | 30 June 2023 | 31 December 2022 |
|---|---|---|
| | € m | € m |
| **At amortised cost** | | |
| Funds placed with central banks | 267 | 262 |
| Funds placed with other banks | 1,578 | 1,240 |
| | 1,845 | 1,502 |
| ECL allowance | (2) | — |
| **Total loans and advances to banks** | 1,843 | 1,502 |

Loans and advances to banks include cash collateral of € 1,189 million (31 December 2022 € 963 million) placed with derivative counterparties and placed with repurchase agreement counterparties.

## 14 Loans and advances to customers

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| **At amortised cost** | | |
| Loans and advances to customers | 61,023 | 59,397 |
| Amounts receivable under finance leases and hire purchase contracts | 1,625 | 1,585 |
| | 62,648 | 60,982 |
| ECL allowance | (1,638) | (1,618) |
| | 61,010 | 59,364 |
| **Mandatorily at fair value through profit or loss** | | |
| Loans and advances to customers | 174 | 249 |
| **Total loans and advances to customers** | 61,184 | 59,613 |
| **Additional information:** | | |
| Amounts which are repayable on demand or at short notice | 2,194 | 1,954 |
| Amounts due from associated undertakings | 26 | 18 |

Loans and advances to customers include cash collateral amounting to € 21 million (31 December 2022: € 15 million) placed with derivative counterparties.

## 15 Securities financing

Securities financing transactions are generally entered into on a collateralised basis, with debt securities and equities, usually advanced or received as collateral. 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. 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.

| | 30 June 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | Banks € m | Customers € m | Total € m | Banks € m | Customers € m | Total € m |
| **Assets** | | | | | | |
| Reverse repurchase agreements | 4,081 | 171 | 4,252 | 2,888 | 29 | 2,917 |
| Securities borrowing transactions | 2,246 | 1,129 | 3,375 | 2,431 | 934 | 3,365 |
| **Total**(1) | 6,327 | 1,300 | 7,627 | 5,319 | 963 | 6,282 |
| **Liabilities** | | | | | | |
| Securities sold under agreements to repurchase | 789 | 4 | 793 | 898 | — | 898 |
| **Total** | 789 | 4 | 793 | 898 | — | 898 |

(1) Classified as ECL Stage 1 and have an ECL of € 4 million at 30 June 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 30 June 2023, the total fair value of the collateral received was € 7,627 million (31 December 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 30 June 2023, in relation to securities sold under agreements to repurchase, the Group had pledged collateral with a fair value of € 793 million (31 December 2022: € 898 million). These transactions were conducted under terms that are usual and customary to standard securities sold under repurchase agreements.

## 16 ECL allowance on financial assets

The following table shows the movements on the ECL allowance on financial assets. Further information is disclosed in the 'Risk management' section of this report.

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| **At 1 January** | **1,623** | 1,888 |
| Exchange translation adjustments | **8** | (13) |
| Net re-measurement of ECL allowance – investment securities – debt | **—** | 2 |
| Net re-measurement of ECL allowance – banks | **2** | — |
| Net re-measurement of ECL allowance – customers | **107** | 50 |
| Net re-measurement of ECL allowance – securities financing | **3** | — |
| Changes in ECL allowance due to write-offs | **(77)** | (94) |
| Changes in ECL allowance due to disposals | **(21)** | (210) |
| Other | **3** | — |
| **At end of period** | **1,648** | 1,623 |
| Amounts included in financial assets measured at amortised cost: | | |
| Investment securities – debt | **3** | 3 |
| Loans and advances to banks | **2** | — |
| Loans and advances to customers | **1,638** | 1,618 |
| Securities financing | **4** | 1 |
| Other assets – stockbroking client debtors | **1** | 1 |
| **At end of period** | **1,648** | 1,623 |

## 17 Investment securities

The following table analyses the carrying value of investment securities by major classification at 30 June 2023 and 31 December 2022.

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| **Debt securities at FVOCI** | | |
| Government securities | **2,923** | 3,824 |
| Supranational banks and government agencies securities | **1,744** | 1,298 |
| Asset backed securities | **477** | 453 |
| Bank securities | **6,196** | 5,763 |
| Corporate securities | **564** | 499 |
| **Total debt securities at FVOCI** | **11,904** | 11,837 |
| **Debt securities at amortised cost** | | |
| Government securities | **2,084** | 2,052 |
| Supranational banks and government agencies securities | **169** | 166 |
| Asset backed securities | **1,764** | 1,628 |
| Bank securities | **74** | 73 |
| Corporate securities | **216** | 212 |
| **Total debt securities at amortised cost** | **4,307** | 4,131 |
| **Total debt securities** | **16,211** | 15,968 |
| **Equity securities** | | |
| Equity investments at FVTPL | **326** | 302 |
| **Total equity securities** | **326** | 302 |
| **Total investment securities** | **16,537** | 16,270 |

The following table analyses total debt securities by ECL stage:

| | | |
|---|---|---|
| Gross amount | | |
| Stage 1 | **16,177** | 15,961 |
| Stage 2 | **37** | 10 |
| **Total debt securities** | **16,214** | 15,971 |
| ECL[(1)] | **(3)** | (3) |
| **Carrying value** | **16,211** | 15,968 |

(1) Relates to debt securities at amortised cost.

## 18 Investments accounted for using the equity method

| Share of net assets including goodwill | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| At 1 January | 173 | 127 |
| Investment in associated undertakings | 3 | 21 |
| Investment in joint venture | 50 | 24 |
| Disposal of investment in associated undertaking | — | (11) |
| Share of results of equity accounted investments (after tax) | 3 | 12 |
| **At end of period** | **229** | 173 |

| | | |
|---|---|---|
| Of which: | | |
| Associates | 174 | 159 |
| Joint venture | 55 | 14 |

Investments in associated undertakings comprises the Group's investment in First Merchant Processing (Ireland) DAC trading as AIB Merchant Services, Synch Payments DAC, Clearpay DAC, First Homes Scheme DAC and Autolease Fleet Management Ltd.

Included in the income statement is the contribution net of tax from investments accounted for using the equity method as follows:

| Income statement | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Share of equity accounted investments (after tax) | | |
| Associates [(1)] | 12 | 12 |
| Joint ventures | (9) | (7) |
| **Income from equity accounted investments** | **3** | 5 |

(1) Includes AIB Merchant Services € 14 million (Half-Year 30 June 2022: € 12 million).

## 19 Other assets

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| Proceeds due from disposal of loan portfolio[(1)] | 9 | 41 |
| Stockbroking client debtors | 83 | 17 |
| Items in transit | 83 | 84 |
| Items in course of collection | 62 | 51 |
| Sale of debt securities awaiting settlement | 3 | — |
| Other[(2)] | 102 | 103 |
| | **342** | 296 |

(1) ECL – Nil.
(2) Includes sundry debtors € 25 million (31 December 2022: € 41 million).

## 20 Deferred taxation

| Analysis of movements in deferred taxation | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| At 1 January | **3,002** | 2,781 |
| Exchange translation and other adjustments | **6** | (8) |
| Deferred tax through other comprehensive income *(note 11)* | **14** | 311 |
| Income statement *(note 11)* | **(95)** | (82) |
| **At end of period** | **2,927** | 3,002 |
| | | |
| Analysed as to: | | |
| Deferred tax assets | **3,019** | 3,096 |
| Deferred tax liabilities | **(92)** | (94) |
| | **2,927** | 3,002 |
| **Represented on the statement of financial position:** | | |
| Deferred tax assets | **2,955** | 3,032 |
| Deferred tax liabilities | **(28)** | (30) |
| | **2,927** | 3,002 |

Information on the basis of recognition of deferred tax assets on unused tax losses is included in note 2 'Critical accounting judgements and estimates' on pages 195 and 196 of the Annual Financial Report 2022.

With regards to the Group's deferred tax asset for unutilised losses, during 2023 the Group recognised a charge to the income statement of € 97 million, a credit to other comprehensive income of € 6 million and an exchange translation and other adjustments of € 6 million. As a result, the amount of recognised deferred tax assets arising from unutilised tax losses amounted to € 2,657 million (31 December 2022: € 2,742 million) of which € 2,452 million (31 December 2022: € 2,546 million) relates to Irish tax losses and € 205 million (31 December 2022: € 196 million) relates to UK tax losses (of which € 196 million (31 December 2022: € 187 million) relates to the Group's principal UK subsidiary). Net deferred tax assets at 30 June 2023 of € 2,704 million (31 December 2022: € 2,873 million) are expected to be recovered after more than 12 months.

The Group has not recognised deferred tax assets in respect of: Irish tax on unused tax losses at 30 June 2023 of € 161 million, (31 December 2022: € 161 million); overseas tax (UK and USA) on unused tax losses of € 3,052 million (31 December 2022: € 2,996 million); and foreign tax credits for Irish tax purposes of € 12 million (31 December 2022: € 13 million). Of these tax losses totalling € 3,213 million for which no deferred tax is recognised: € 7 million expires in 2032; € 41 million expires in 2033; € 26 million in 2034; and € 5 million in 2035.

In December 2022, the EU adopted a directive setting out how the Pillar Two Rules relating to the new global minimum effective tax rate of 15% should be applied within the EU from 31 December 2023. The Department of Finance has held a public consultation and has confirmed it intends to legislate for the Pillar Two Rules in the 2023 Finance Bill.

In May 2023, the International Accounting Standards Board issued amendments to IAS 12 *Income Taxes* which provide for a mandatory temporary exception to the normal requirement to account for deferred tax insofar as the tax concerned arises under the Pillar Two Rules. The amendments to IAS 12 also require an entity to make disclosures about its exposure to Pillar Two income taxes, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, which is likely to be applicable for the Group's 2023 Annual Financial Report.

## 21 Retirement benefits

The Group's accounting policy for retirement benefit obligations is set out on page 178 of the Annual Financial Report 2022. All defined benefit schemes operated by the Group were closed to future accrual no later than 31 December 2013 and employees who were members of a defined benefit scheme (including hybrid arrangements) transferred to a defined contribution ('DC') scheme.

### Defined contribution schemes

The total cost in respect of defined contribution schemes for the half-year ended 30 June 2023 was € 43 million (Half-year 30 June 2022: € 39 million).

### Defined benefit schemes

The Group's net pension surplus at 30 June 2023 was € 9 million (31 December 2022: net pension deficit € 3 million), comprising retirement benefit assets of € 24 million (31 December 2022: € 13 million) and retirement benefit liabilities of € 15 million (31 December 2022: € 16 million).

*(i) Financial assumptions*

The following table summarises the financial assumptions adopted in the preparation of these financial statements in respect of the main schemes for the half-year ended 30 June 2023 and the year ended 31 December 2022. The assumptions have been set based upon the advice of the Group's actuary.

| Financial assumptions | 30 June 2023 % | 31 December 2022 % |
|---|---|---|
| **Irish scheme** | | |
| Rate of increase of pensions in payment(1) | 2.50 | 2.60 |
| Discount rate | 4.02 | 4.20 |
| Inflation assumptions(2) | 2.60 | 2.85 |
| **UK scheme** | | |
| Rate of increase of pensions in payment | 3.20 | 3.10 |
| Discount rate | 5.30 | 5.00 |
| Inflation assumptions (RPI) | 3.20 | 3.10 |

(1) For further details on this assumption please refer to the discussion below.
(2) The inflation assumption applies to the revaluation of deferred members' benefits up to their retirement date.

The demographic assumptions for retirement benefit obligations are set out in note 27 of the Annual Financial Report 2022.

*(ii) Contributions*

Contributions of £ 9.25 million were made to the UK scheme as part of the revised funding arrangement which was implemented in December 2019. For further details on the agreed funding arrangement see note 27 of the Annual Financial Report 2022.

*(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.

*(iv) Rate of increase of pensions in payment – Irish scheme*

As described in note 27 of the Annual Financial Report 2022, the Board has determined that the funding of discretionary increases to pensions in payment is a decision to be made by the Board each year. Under this process, the Group decided in February 2022 and February 2023 that the funding of discretionary increases was not appropriate in either year in relation to the 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 2.5% (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 € 821 million at 30 June 2023 (31 December 2022: € 886 million).

## 21 Retirement benefits *continued*

*(v) Movement in defined benefit obligation and scheme assets*

The following table sets out the movement in the defined benefit obligation and scheme assets:

| | 30 June 2023 | | | | 31 December 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 | (102) | 116 | (13) | 1 | (90) | 101 | (10) | 1 |
| Administration costs | — | (1) | — | (1) | — | (4) | — | (4) |
| | (104) | 115 | (13) | (2) | (91) | 97 | (10) | (4) |
| **Included in other comprehensive income** | | | | | | | | |
| *Remeasurements gain/(loss):* | | | | | | | | |
| – Actuarial gain/(loss) arising from: | | | | | | | | |
| – Experience adjustments | (96) | — | — | (96) | (217) | — | — | (217) |
| – Changes in demographic assumptions | — | — | — | — | 18 | — | — | 18 |
| – Changes in financial assumptions | 65 | — | — | 65 | 1,390 | — | — | 1,390 |
| – Return on scheme assets excluding interest income | — | 122 | — | 122 | — | (1,349) | — | (1,349) |
| – Asset ceiling/minimum funding adjustments | — | — | (91) | (91) | — | — | 138 | 138 |
| Total remeasurement gain/(loss) | | | | — [2] | | | | (20) [2] |
| Translation adjustment on non-euro schemes | (23) | 25 | — | 2 | 42 | (45) | — | (3) |
| | (54) | 147 | (91) | 2 | 1,233 | (1,394) | 138 | (23) |
| **Other** | | | | | | | | |
| Contributions by employer | — | 12 | — | 12 | — | 24 | — | 24 |
| Benefits paid | 104 | (104) | — | — | 249 | (249) | — | — |
| | 104 | (92) | — | 12 | 249 | (225) | — | 24 |
| **At end of period** | (4,904) | 5,624 | (711) | 9 | (4,850) | 5,454 | (607) | (3) |

| | 30 June 2023 | 31 December 2022 |
|---|---|---|
| | € m | € m |
| **Recognised on the statement of financial position as:** | | |
| Retirement benefit assets | | |
| UK scheme | 12 | 3 |
| Other schemes | 12 | 10 |
| **Total retirement benefit assets** | 24 | 13 |
| Retirement benefit liabilities | | |
| Irish scheme | — | — |
| EBS scheme | — | — |
| Other schemes | (15) | (16) |
| **Total retirement benefit liabilities** | (15) | (16) |
| **Net pension surplus/(deficit)** | 9 | (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 nil (31 December 2022: € 8 million), see page 68.

## 22 Deposits by central banks and banks

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| Central Bank Borrowings – secured | 303 | 282 |
| Central Bank Borrowings – unsecured | — | — |
| | 303 | 282 |
| Other Bank Borrowings – unsecured | 117 | 232 |
| | 420 | 514 |

Deposits by central banks and banks include cash collateral at 30 June 2023 of € 74 million (31 December 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:

| | 30 June 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | Central banks € m | Banks € m | Total € m | Central banks € m | Banks € m | Total € m |
| Total carrying value of financial assets pledged | 518 | 17 | 535 | 8,749 | 15 | 8,764 |
| Of which: | | | | | | |
| Government securities | 9 | 17 | 26 | 540 | 15 | 555 |
| Other securities[(1)] | 509 | — | 509 | 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.

## 23 Customer accounts

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| Current accounts | 63,844 | 64,402 |
| Demand deposits | 33,741 | 32,595 |
| Time deposits | 6,092 | 5,335 |
| Other – non-controlling interests[(1)] | 27 | 27 |
| | 103,704 | 102,359 |
| Of which: | | |
| Non-interest bearing current accounts | 59,158 | 59,266 |
| Interest bearing deposits, current accounts and short term borrowings | 44,546 | 43,093 |
| | 103,704 | 102,359 |
| Amounts include: | | |
| Due to associated undertakings | 213 | 271 |

(1) Relates to long term loans from minority shareholders in Augmentum Limited, see note 40 of the Annual Financial Report 2022 for further details.

Customer accounts include cash collateral of € 82 million (31 December 2022 € 71 million) received from derivative counterparties in relation to net derivative positions (see note 38 of the Annual Financial Report 2022 for further details on cash collateral).

At 30 June 2023, the Group's five largest customer deposits amounted to 1% (31 December 2022: 1%) of total customer accounts.

## 24 Debt securities in issue

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| **Issued by subsidiaries** | | |
| Bonds and other medium term notes | **26** | 1,024 |
| | **26** | 1,024 |

### Analysis of movements in debt securities in issue

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| **At 1 January** | **1,024** | 1,789 |
| Issued during the period | **—** | — |
| Matured | **(1,000)** | (750) |
| Other(1) | **2** | (15) |
| **At end of period** | **26** | 1,024 |

(1) Includes a positive fair value hedge adjustment of € 2 million (2022: negative €15 million).

## 25 Other liabilities

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| Notes in circulation | **37** | 40 |
| Items in transit | **121** | 105 |
| Creditors | **38** | 37 |
| Stockbroking client creditors | **64** | 13 |
| Bank drafts | **304** | 298 |
| Items in course of collection | **350** | 261 |
| Other (1) | **460** | 352 |
| | **1,374** | 1,106 |

(1) Includes invoice discounting credit balances on customer accounts € 35 million (31 December 2022: € 55 million) and the purchase of debt securities awaiting settlement € 97 million (31 December 2022: Nil).

## 26 Provisions for liabilities and commitments

| | Legal claims € m | Belfry related provisions € m | FSPO decision € m | Restructuring costs € m | Other provisions € m | Total € m | |
|---|---|---|---|---|---|---|---|
| | | | | | | 30 June 2023 | |
| **Provisions (excluding loan commitments and financial guarantee contracts)** | | | | | | | |
| **At 1 January 2023** | 29 | 79 | 60 | 8 | 86 | 262 | |
| Charged to income statement | 4 | 63 | — | — | — | 67 | (1) |
| Released to income statement | (1) | — | — | — | (2) | (3) | (1) |
| Provisions utilised | (3) | (77) | — | (3) | (33) | (116) | |
| Exchange translation adjustments | — | — | — | — | — | — | |
| **At 30 June 2023** | 29 | 65 | 60 | 5 | 51 | 210 | (2) |
| **Loan commitments and financial guarantee contracts** | | | | | | | |
| **At 1 January 2023** | | | | | | 78 | |
| Net writeback to the income statement | | | | | | (14) | (3) |
| Disposals | | | | | | — | |
| Exchange translation adjustments | | | | | | — | |
| **At 30 June 2023** | | | | | | 64 | |
| **Total provisions for liabilities and loan commitments** | | | | | | 274 | |

| | Legal claims € m | Belfry related provisions € m | FSPO decision € m | Restructuring costs € m | Other provisions € m | Total € m | |
|---|---|---|---|---|---|---|---|
| | | | | | | 31 December 2022 | |
| **Provisions (excluding loan commitments and financial guarantee contracts)** | | | | | | | |
| **At 1 January 2022** | 31 | 75 | 79 | 27 | 210 | 422 | |
| Charged to income statement | 6 | 94 | — | 4 | 36 | 140 | (1) |
| Released to income statement | (3) | — | (16) | (4) | (30) | (53) | (1) |
| Provisions utilised | (5) | (90) | (3) | (18) | (130) | (246) | |
| Exchange translation adjustments | — | — | — | (1) | — | (1) | |
| **At 31 December 2022** | 29 | 79 | 60 | 8 | 86 | 262 | (2) |
| **Loan commitments and financial guarantee contracts** | | | | | | | |
| **At 1 January 2022** | | | | | | 79 | |
| Net charge to the income statement | | | | | | — | (3) |
| Disposals | | | | | | (1) | |
| Exchange translation adjustments | | | | | | — | |
| **At 31 December 2022** | | | | | | 78 | |
| **Total provisions for liabilities and loan commitments** | | | | | | 340 | |

(1) Included in note 9.
(2) Amounts expected to be settled within one year amount to € 160 million (31 December 2022: € 190 million).
(3) Included in note 10.

## 26 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 € 25 million charge including amounts for legal and settlement costs (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. Based on an initial assessment, a provision was also recorded for € 75 million.

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 by € 82 million for the cost of redress. Furthermore, associated costs required to conclude the redress programme, were estimated at € 12 million and were separately provided for. Following utilisations during the year, the closing provision was € 79 million at 31 December 2022.

In 2023, the provision for the customer redress was further reassessed, principally as a result of additional information that was obtained during the period and increased by € 59 million. Payments to impacted customers are ongoing with the Group making payments of € 70 million in 2023. The provision for associated costs was also reassessed and increased by € 4 million and € 7 million of the provision was utilised during the period.

While the Group's best estimate of the provision at 30 June 2023 is € 65 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 decision

Note 33 of the Annual Financial Report 2022 sets out the background in relation to the FSPO Decision. The Group continued to engage with stakeholders during 2023 and a number of related issues also continue to exist that have yet to be resolved, including tax liabilities arising that the Group will be required to discharge on behalf of impacted customers. Notwithstanding the near completion of payments to customers based on the FSPO decision, the level of provision required for these other costs has been assessed at € 60 million (31 December 2022: € 60 million). These issues are subject to uncertainty with a range of possible outcomes with the final outcome being higher or lower depending on finalisation of such issues.

### (c) Restructuring costs

Restructuring cost provisions mainly relate to the UK restructuring with other amounts relating to the property transformation strategy.

### (d) Other provisions

Other provisions, none of which are individually material, include provisions for customer redress and related matters, right-of-use commitments, onerous contracts and other miscellaneous provisions.

*Regulatory provision*

The Group previously conducted a review of certain technical matters relating to previous submissions to the Single Resolution Board which was the basis of the annual fee to the Single Resolution Fund. At 31 December 2022, the Group had provided € 31 million in relation to matters arising from this review. A final settlement of € 29 million was paid and the remaining provision of € 2 million was released to the income statement.

## 27 Subordinated liabilities and other capital instruments

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| **Dated loan capital – European Medium Term Note Programme:** | | |
| € 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) | 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) | 46 | 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) | 1 | 1 |
| | 60 | 57 |
| **Subordinated tier 2 loans - AIB Group plc** | | |
| € 500 million subordinated tier 2 loan due November 2029, Callable 2024 | 471 | 466 |
| € 1 billion subordinated tier 2 loan due May 2031, Callable 2026 | 889 | 881 |
| **Subordinated loans – AIB Group plc** | | |
| € 500 million subordinated loan due March 2023 | — | 252 |
| $ 750 million subordinated loan due October 2023 | 125 | 126 |
| € 750 million subordinated loan due May 2024 | 722 | 714 |
| $ 1 billion subordinated loan due April 2025 | 896 | 906 |
| € 500 million subordinated loan due July 2025 | 468 | 465 |
| € 750 million subordinated loan due November 2027 | 661 | 656 |
| € 750 million unsubordinated loan due July 2026 | 718 | 718 |
| $ 750 million subordinated loan due October 2026 | 679 | 699 |
| € 750 million subordinated loan due February 2029 | 735 | 736 |
| € 1 billion subordinated loan due April 2028 | 913 | 909 |
| € 750 million subordinated loan due July 2029 | 729 | — |
| | 6,646 | 6,181 |
| | 8,066 | 7,585 |

| Maturity of dated loan capital | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| Dated loan capital outstanding is repayable as follows: | | |
| 5 years or more | 60 | 57 |
| Subordinated loans outstanding are repayable as follows: | | |
| Less than 5 years | 5,182 | 4,536 |
| 5 years or more | 2,824 | 2,992 |

During the period, AIB Group plc as the lender, entered into the following loan agreement with Allied Irish Banks, p.l.c., as the borrower, whereby the obligations of the borrower were unsecured and subordinated:

In January 2023, AIB Group plc lent € 750 million to Allied Irish Banks, p.l.c. at (a) a fixed rate of 4.75% per annum in respect of the period from, and including, the drawdown date 23 January 2023 and to, but excluding, the call date 23 July 2028, and (b) thereafter, the rate equal to the Single Mid-Swap Rate plus 1.95% per annum. Interest is payable annually in arrears on 23 July commencing on 23 January 2023 up to and including the maturity date. The loan is due to be repaid in full on the maturity date, 23 January 2029, unless previously prepaid.

For further details of subordinated liabilities and other capital instruments, see note 34 of the Annual Financial Report 2022.

## 28 Share capital

| | 30 June 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | Number of shares | | Number of shares | |
| | m | € m | 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 | **2,618.8** | **1,637** | **2,673.4** | **1,671** |

| | 30 June 2023 | 31 December 2022 |
|---|---|---|
| **Share premium** | € m | € m |
| At beginning and end of period: | **1,386** | 1,386 |

### Movements in share capital

In April 2023, the Company completed a directed share buyback. This buyback resulted in the repurchase by the Company of 54,674,818 ordinary shares with a nominal value of € 0.625 each from AIB Group plc, for a total consideration of € 215 million. Following repurchase these shares were cancelled and the nominal amount of the acquired shares transferred from share capital to capital redemption reserves. The number of ordinary shares in issue was 2,618,753,655 at 30 June 2023.

For further details on the structure of the Company's share capital, see note 35 of the Annual Financial Report 2022.

## 29 Other equity interests

| | 30 June 2023 € m | 31 December 2022 € m |
|---|---|---|
| **Issued by Allied Irish Banks, p.l.c.** | | |
| Issued to AIB Group plc | | |
| € 500 million Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities issued 2019 | **496** | 496 |
| € 625 million Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities issued 2020 | **619** | 619 |
| **Total** | **1,115** | 1,115 |

Other equity interests are included in the Group's capital base.

For further details on these securities, see note 36 of the Annual Financial Report 2022.

## 30 Contingent liabilities and commitments

The following table gives the nominal or contract amounts of contingent liabilities and commitments:

| | Contract amount | |
|---|---|---|
| | **30 June 2023** | 31 December 2022 |
| | **€ m** | € m |
| **Contingent liabilities[1] – credit related** | | |
| Guarantees and assets pledged as collateral security: | | |
| Guarantees and irrevocable letters of credit | **735** | 764 |
| Other contingent liabilities | **30** | 38 |
| | **765** | 802 |
| **Commitments[2]** | | |
| Documentary credits and short term trade-related transactions | **177** | 121 |
| Undrawn formal standby facilities, credit lines and other commitments to lend: | | |
| Less than 1 year | **9,881** | 9,173 |
| 1 year and over | **5,803** | 5,766 |
| | **15,861** | 15,060 |
| | **16,626** | 15,862 |

(1) Contingent liabilities are off-balance sheet products and include guarantees, irrevocable letters of credit and other contingent liability products such as performance bonds.
(2) A commitment is an off-balance sheet product, where there is an agreement to provide an undrawn credit facility. The contract may or may not be cancelled unconditionally at any time without notice depending on the terms of the contract.

For details of the credit ratings and geographic concentration of contingent liabilities and commitments, see pages 52 and 59 in the 'Risk management' section of this report.

Provisions for ECLs on loan commitments and financial guarantee contracts are set out in note 26.

### 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 26).

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.

## 31 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 a special purpose entity ('SPE') forms the basis for their treatment in the Group's financial statements. An SPE is consolidated in the financial statements when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the entity and meets the criteria set out in IFRS 10 *Consolidated Financial Statements*. The primary form of SPE utilised by the Group are securitisations and employee compensation trusts. Further details of SPEs are set out in note 41 of the Annual Financial Report 2022.

In addition, the Group enters into repurchase agreements and securities lending transactions in the normal course of business that do not result in the derecognition of the financial assets concerned. Details of these transactions are set out in note 41 of the Annual Financial Report 2022.

### Securitisation activity in the six months to 30 June 2023

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.

The following table shows the financial assets (loans and advances) transferred but not derecognised, their current carrying value, and the liability due to external investors:

| | | | 30 June 2023 |
|---|---|---|---|
| | Carrying amount of assets originally transferred | Carrying amount of assets currently recognised | Carrying amount of associated liabilities currently recognised |
| | € m | € m | € m |
| Loans and advances to customers | **5,079** | **5,028** | **—** |

The Group did not undertake any securitisation activity during the six months to 30 June 2022.

## 32 Fair value of financial instruments

| | | | | | 30 June 2023 |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Fair value hierarchy | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| | € m | € m | € m | € m | € m |
| **Financial assets measured at fair value** | | | | | |
| Trading portfolio financial assets: | | | | | |
| Equity securities | 12 | 12 | — | — | 12 |
| Debt securities | 75 | 75 | — | — | 75 |
| Derivative financial instruments: | | | | | |
| Interest rate derivatives | 2,319 | — | 2,254 | 65 [(1)] | 2,319 |
| Exchange rate derivatives | 29 | — | 29 | — | 29 |
| Equity derivatives | — | — | — | — | — |
| Credit derivatives | — | — | — | — | — |
| Forward contracts to acquire loans | 141 [(2)] | — | — | 141 | 141 |
| Loans and advances to customers at FVTPL | 174 | — | — | 174 | 174 |
| Investment debt securities at FVOCI: | | | | | |
| Government securities | 2,923 | 2,923 | — | — | 2,923 |
| Supranational banks and government agencies | 1,744 | 1,744 | — | — | 1,744 |
| Asset backed securities | 477 | 413 | 64 | — | 477 |
| Bank securities | 6,196 | 6,196 | — | — | 6,196 |
| Corporate securities | 564 | 564 | — | — | 564 |
| Equity investments at FVTPL | 326 | 16 | — | 310 | 326 |
| | 14,980 | 11,943 | 2,347 | 690 | 14,980 |
| **Financial assets not measured at fair value** | | | | | |
| Cash and balances at central banks | 36,088 | 637 [(3)] | 35,451 | — | 36,088 |
| Loans and advances to banks | 1,843 | — | 267 | 1,576 | 1,843 |
| Loans and advances to customers: | | | | | |
| Mortgages[(4)] | 30,181 | — | — | 30,461 | 30,461 |
| Non-mortgages | 30,829 | — | — | 30,773 | 30,773 |
| Total loans and advances to customers | 61,010 | — | — | 61,234 | 61,234 |
| Loans and advances - AIB Group plc | — | — | — | — | — |
| Securities financing: | | | | | |
| Reverse repurchase agreements | 4,252 | — | — | 4,252 | 4,252 |
| Securities borrowing | 3,375 | — | — | 3,375 | 3,375 |
| Investment debt securities measured at amortised cost | 4,307 | 2,464 | — | 1,868 | 4,332 |
| Other financial assets | 669 | — | — | 669 | 669 |
| | 111,544 | 3,101 | 35,718 | 72,974 | 111,793 |
| **Financial liabilities measured at fair value** | | | | | |
| Trading portfolio financial liabilities: | | | | | |
| Equity securities | 11 | 11 | — | — | 11 |
| Debt securities | 42 | 42 | — | — | 42 |
| Derivative financial instruments: | | | | | |
| Interest rate derivatives | 2,937 | — | 2,451 | 486 [(1)] | 2,937 |
| Exchange rate derivatives | 85 | — | 85 | — | 85 |
| Equity derivatives | 6 | — | 6 | — | 6 |
| Credit derivatives | 1 | — | 1 | — | 1 |
| | 3,082 | 53 | 2,543 | 486 | 3,082 |
| **Financial liabilities not measured at fair value** | | | | | |
| Deposits by central banks and banks: | | | | | |
| Other borrowings | 117 | — | — | 117 | 117 |
| Secured borrowings | 303 | — | 303 | — | 303 |
| Customer accounts: | | | | | |
| Current accounts | 63,844 | — | — | 63,844 | 63,844 |
| Demand deposits | 33,741 | — | — | 33,741 | 33,741 |
| Time deposits | 6,119 | — | — | 6,092 | 6,092 |
| Customer accounts – AIB Group plc | 1 | — | — | 1 | 1 |
| Securities financing: | | | | | |
| Securities sold under agreements to repurchase | 793 | — | — | 793 | 793 |
| Debt securities in issue | 26 | — | — | 27 | 27 |
| Subordinated liabilities and other capital instruments | 8,066 | 50 | 8,168 | 13 | 8,231 |
| Other financial liabilities | 1,735 | — | — | 1,735 | 1,735 |
| | 114,745 | 50 | 8,471 | 106,363 | 114,884 |

(1) Includes € 14 million derivative assets and € 433 million derivative liabilities categorised as level 3 on the basis that a component of the XVA valuation is derived from unobservable inputs.
(2) Includes € 15 million relating to the forward contract to acquire Ulster Bank corporate and commercial loans and € 126 million relating to the forward contract to acquire Ulster Bank tracker (and linked) mortgages. See note 38 for further information.
(3) Comprises cash on hand.
(4) Includes residential and commercial mortgages.

## 32 Fair value of financial instruments *continued*

| | Carrying amount | Fair value | | | |
|---|---|---|---|---|---|
| 31 December 2022 | | Fair value hierarchy | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| | € m | € m | € m | € m | € m |
| **Financial assets measured at fair value** | | | | | |
| Trading portfolio financial assets: | | | | | |
| Equity securities | 8 | 8 | — | — | 8 |
| Derivative financial instruments: | | | | | |
| Interest rate derivatives | 2,343 | — | 2,255 | 88 (1) | 2,343 |
| Exchange rate derivatives | 164 | — | 164 | — | 164 |
| Equity derivatives | 4 | — | 4 | — | 4 |
| Credit derivatives | — | — | — | — | — |
| Loans and advances to customers at FVTPL | 249 | — | — | 249 | 249 |
| Investment debt securities at FVOCI: | | | | | |
| Government securities | 3,824 | 3,824 | — | — | 3,824 |
| Supranational banks and government agencies | 1,298 | 1,298 | — | — | 1,298 |
| Asset backed securities | 453 | 438 | 15 | — | 453 |
| Bank securities | 5,763 | 5,763 | — | — | 5,763 |
| Corporate securities | 499 | 499 | — | — | 499 |
| Equity investments at FVTPL | 302 | 18 | — | 284 | 302 |
| | 14,907 | 11,848 | 2,438 | 621 | 14,907 |
| **Financial assets not measured at fair value** | | | | | |
| Cash and balances at central banks | 38,138 | 573 (2) | 37,565 | — | 38,138 |
| Loans and advances to banks | 1,502 | — | 262 | 1,240 | 1,502 |
| Loans and advances to customers: | | | | | |
| Mortgages(3) | 30,031 | — | — | 28,625 | 28,625 |
| Non-mortgages | 29,333 | — | — | 29,253 | 29,253 |
| Total loans and advances to customers | 59,364 | — | — | 57,878 | 57,878 |
| Loans and advances - AIB Group plc | — | — | — | — | — |
| Securities financing: | | | | | |
| Reverse repurchase agreements | 2,917 | — | — | 2,917 | 2,917 |
| Securities borrowing | 3,365 | — | — | 3,365 | 3,365 |
| Investment debt securities measured at amortised cost | 4,131 | 2,413 | — | 1,739 | 4,152 |
| Other financial assets | 592 | — | — | 592 | 592 |
| | 110,009 | 2,986 | 37,827 | 67,731 | 108,544 |
| **Financial liabilities measured at fair value** | | | | | |
| Trading portfolio financial liabilities: | | | | | |
| Equity securities | 4 | 4 | — | — | 4 |
| Derivative financial instruments: | | | | | |
| Interest rate derivatives | 2,900 | — | 2,477 | 423 (1) | 2,900 |
| Exchange rate derivatives | 72 | — | 72 | — | 72 |
| Equity derivatives | — | — | — | — | — |
| Credit derivatives | 1 | — | 1 | — | 1 |
| Forward contracts to acquire loans | 9 (4) | — | — | 9 | 9 |
| | 2,986 | 4 | 2,550 | 432 | 2,986 |
| **Financial liabilities not measured at fair value** | | | | | |
| Deposits by central banks and banks: | | | | | |
| Other borrowings | 232 | — | — | 232 | 232 |
| Secured borrowings | 282 | — | 282 | — | 282 |
| Customer accounts: | | | | | |
| Current accounts | 64,402 | — | — | 64,402 | 64,402 |
| Demand deposits | 32,595 | — | — | 32,595 | 32,595 |
| Time deposits | 5,362 | — | — | 5,348 | 5,348 |
| Securities financing: | | | | | |
| Securities sold under agreements to repurchase | 898 | — | — | 898 | 898 |
| Customer accounts - AIB Group plc | 3 | — | — | 3 | 3 |
| Debt securities in issue | 1,024 | 999 | 11 | 16 | 1,026 |
| Subordinated liabilities and other capital instruments | 7,585 | 49 | 7,592 | 13 | 7,654 |
| Other financial liabilities | 1,383 | — | — | 1,383 | 1,383 |
| | 113,766 | 1,048 | 7,885 | 104,890 | 113,823 |

(1) Includes € 40 million derivative assets and € 372 million derivative liabilities categorised as level 3 on the basis that a component of the XVA valuation is derived from unobservable inputs.
(2) Comprises cash on hand.
(3) Includes residential and commercial mortgages.
(4) Includes € 9 million relating to the forward contract to acquire Ulster Bank corporate and commercial loans. See note 38 for further information.

## 32 Fair value of financial instruments *continued*

Details of the methodologies used for calculating fair value and the definition of terms are set out in note 43 of the Annual Financial Report 2022.

### 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.

### Reconciliation of balances in Level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

| | | | | | | | | 30 June 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 |
| At 1 January 2023 | 88 | — | — | 249 | 284 | 621 | 432 | 432 |
| Transfers into/out of level 3(1) | — | — | — | — | — | — | — | — |
| **Total gains or (losses) in:** | | | | | | | | |
| *Profit or loss:* | | | | | | | | |
| Net trading income | 118 | — | — | — | — | 118 | 54 | 54 |
| Net change in FVTPL | — | — | — | 6 | 15 | 21 | — | — |
| | 118 | — | — | 6 | 15 | 139 | 54 | 54 |
| *Other comprehensive income:* | | | | | | | | |
| Net change in fair value of investment securities | — | — | — | — | — | — | — | — |
| Net change in fair value of cash flow hedges | — | — | — | — | — | — | — | — |
| | — | — | — | — | — | — | — | — |
| Purchases/additions | — | — | — | 1 | 16 | 17 | — | — |
| Sales/disposals | — | — | — | — | (5) | (5) | — | — |
| Cash received: | | | | | | | | |
| Principal | — | — | — | (82) | — | (82) | — | — |
| **At 30 June 2023** | 206 | — | — | 174 | 310 | 690 | 486 | 486 |

(1) Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

## 32 Fair value of financial instruments (continued)
### Reconciliation of balances in Level 3 of the fair value hierarchy

| | | | | | | | | 31 December 2022 |
|---|---|---|---|---|---|---|---|---|
| | 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 |
| At 1 January 2022 | 301 | — | — | 243 | 248 | 792 | 96 | 96 |
| Transfers into/out of level 3[(1)] | — | — | — | — | — | — | — | — |
| **Total gains or (losses) in:** | | | | | | | | |
| *Profit or loss:* | | | | | | | | |
| Net trading income | (213) | — | — | — | — | (213) | 336 | 336 |
| Net change in FVTPL | — | — | — | 14 | 89 | 103 | — | — |
| | (213) | — | — | 14 | 89 | (110) | 336 | 336 |
| *Other comprehensive income:* | | | | | | | | |
| Net change in fair value of investment securities | — | — | — | — | — | — | — | — |
| Net change in fair value of cash flow hedges | — | — | — | — | — | — | — | — |
| | — | — | — | — | — | — | — | 0 |
| 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 |

(1) Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The table below sets out the total gains or losses included in profit or loss that is attributable to the change in unrealised gains or losses relating to assets and liabilities categorised as Level 3 in the fair value hierarchy held at 30 June 2023 and 31 December 2022:

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | **€ m** | € m |
| Net trading income –income/(losses) | **86** | (281) |
| Gains on equity investments at FVTPL | **14** | 13 |
| Losses on loans and advances at FVTPL | **(2)** | (16) |
| | **98** | (284) |

## 32 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 30 June 2023 € m | Fair value 31 December 2022 € m | Valuation technique | Significant unobservable input | Range of inputs 30 June 2023 | Range of inputs 31 December 2022 |
|---|---|---|---|---|---|---|---|
| Uncollateralised customer derivatives | Asset | 65 | 88 | CVA | LGD | 31% - 48% | 26% - 43% |
| | Liability | 486 | 423 | | | (Base 39%) | (Base 34%) |
| | | | | | PD | 0.6% - 2.7% | 0.8% - 4.6% |
| | | | | | | (Base 1.5% 1 Year PD) | (Base 2.1% 1 year PD) |
| | | | | FVA | Funding spreads | (0.1%) - 0.1% | (0.1%) to 0.2% |
| Ulster Bank forward contract - corporate and commercial loans | Asset | 15 | — | Discounted Expected Future Cash flows | PD | (0.5%) - 0.5% | (0.5%) - 0.5% |
| | Liability | — | 9 | | | | |
| | | | | | Discount Yield | (0.5%) - 0.5% | (0.5%) - 0.5% |
| Ulster Bank forward contract - tracker (and linked) mortgages | Asset | 126 | — | Discounted Expected Future Cash flows | PD | (0.25%) - 0.25% | N/A |
| | | | | | Discount Yield | (0.1%) - 0.1% | N/A |
| Visa Inc. Series B Preferred Stock | Asset | 33 | 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 | 174 | 249 | Discounted cash flows(1) | Discount on market value | (5%) - 3% | (4%) - 3% |
| | | | | Collateral values | Collateral changes | N/A | N/A |

(1) 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 a net negative XVA valuation adjustment amounting to € 7 million (31 December 2022: negative € 18 million). The sensitivity to unobservable inputs for this XVA valuation adjustment at 30 June 2023 ranges from (i) negative € 7 million to positive € 5 million for CVA (31 December 2022: negative € 12 million to positive € 6 million) and (ii) negative € 1 million to Nil for FVA (31 December 2022: negative € 2 million to positive € 1 million).

### Ulster Bank forward contract – corporate and commercial loans

The Group entered into an agreement in 2021 to acquire performing Ulster Bank corporate and commercial loans which was subject to regulatory approval. This transaction is an asset acquisition as the Group concluded that it did not meet the definition of a business combination. Following the receipt of regulatory authority approval, 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 agreement date to the earlier of the reporting date or the acquisition date for a loan. The notional value of the forward contract at 30 June 2023 represents the principal amount to be acquired by the Group in the second half of 2023.

The following are key considerations in determining the fair value of the forward contract at 30 June 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 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 € 1 million to positive € 1 million for PDs at 30 June 2023, and negative € 4 million to a positive of € 4 million for discount yield.

## 32 Fair value of financial instruments *continued*

### 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 30 June 2023 represents the principal amount of loans to be acquired by the Group in the second half of 2023.

The following are key considerations in determining the fair value of the forward contract at 30 June 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 € 31 million to positive € 34 million for PDs at 30 June 2023, and negative € 20 million to a positive of € 21 million for discount yield.

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.

### 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 will be convertible into Class A Common Stock of Visa Inc. over time, with the first partial conversion 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. 62% haircut (31 December 2022: 71%). This was converted at the period 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.

### Loans and advances to customers measured at FVTPL

The fair value measurement sensitivity to unobservable collateral values and interest rates ranges from negative € 8 million to positive € 5 million at 30 June 2023 (31 December 2022: negative € 9 million to positive € 8 million).

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 facilitates, 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.

## 32 Fair value of financial instruments *continued*

### Sensitivity of Level 3 measurements

The implementation of valuation techniques involves a considerable degree of judgement. While the Group believes its estimates of fair value are appropriate, the use of different measurements or assumptions could lead to different fair values. The following table sets out the impact of using reasonably possible alternative assumptions in the valuation methodology at 30 June 2023 and 31 December 2022:

| | **30 June 2023** | | | |
|---|---|---|---|---|
| | **Level 3** | | | |
| | **Effect on income statement** | | **Effect on other comprehensive income** | |
| | **Favourable** | **Unfavourable** | **Favourable** | **Unfavourable** |
| | **€ m** | **€ m** | **€ m** | **€ m** |
| **Classes of financial assets** | | | | |
| Derivative financial instruments | **60** | **(56)** | **—** | **—** |
| Investment securities – equity | **24** (1) | **(24)** (1) | **—** | **—** |
| Loans and advances to customers measured at FVTPL | **5** | **(8)** | **—** | **—** |
| **Total** | **89** | **(88)** | **—** | **—** |
| | | | | |
| **Classes of financial liabilities** | | | | |
| Derivative financial liabilities | **5** | **(8)** | **—** | **—** |
| **Total** | **5** | **(8)** | **—** | **—** |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Level 3 | | | |
| | Effect on income statement | | Effect on other comprehensive income | |
| | Favourable | Unfavourable | Favourable | Unfavourable |
| | € m | € m | € m | € m |
| **Classes of financial assets** | | | | |
| Derivative financial instruments | 6 | (11) | — | — |
| Investment securities – equity | 24 (1) | (15) (1) | — | — |
| Loans and advances to customers measured at FVTPL | 8 | (9) | — | — |
| **Total** | 38 | (35) | — | — |
| | | | | |
| **Classes of financial liabilities** | | | | |
| Derivative financial liabilities | 1 | (2) | — | — |
| **Total** | 1 | (2) | — | — |

(1) Relates to a significant equity investment, the carrying value of which was € 33 million at 30 June 2023 (31 December 2022: € 22 million). Sensitivity information has not been provided for other equities as the portfolio comprises several investments, none of which is individually material.

### 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.

## 33 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:

| | 30 June 2023 | 30 June 2022 |
|---|---|---|
| | € m | € m |
| Cash and balances at central banks | 36,088 | 44,561 |
| Loans and advances to banks | 1,482 | 1,148 |
| **Total** | **37,570** | 45,709 |

Cash and balances at central banks (net of ECL allowance of Nil) comprise:

| | 30 June 2023 | 31 December 2022 |
|---|---|---|
| | € m | € m |
| Central Bank of Ireland | 31,241 | 32,573 |
| Bank of England | 3,979 | 4,584 |
| Federal Reserve Bank of New York | 231 | 408 |
| Other (cash on hand) | 637 | 573 |
| **Total** | **36,088** | 38,138 |

The Group is required to hold minimum reserve balances with the Central Bank of Ireland.

The Group is also required by law to maintain reserve balances with the Bank of England. At 30 June 2023, these amounted to € 267 million (30 June 2022: € 336 million).

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.

## 34 Statement of cash flows
### Non-cash and other items included in profit before taxation

| Non-cash items | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Profit on disposal of property | — | (3) |
| Net loss/(gain) on derecognition of financial assets measured at amortised cost | 11 | (28) |
| Dividends received from equity investments | (1) | (1) |
| Investments accounted for using the equity method | (3) | (5) |
| Net credit impairment charge/(writeback) | 107 | (277) |
| Change in provisions | 64 | 108 |
| Retirement benefits - defined benefit expense | 2 | 3 |
| Depreciation, amortisation and impairment | 147 | 182 |
| Interest on subordinated liabilities and other capital instruments | 149 | 80 |
| Loss on disposal of investment securities | 5 | 2 |
| Loss/(gain) on termination of hedging swaps | 4 | (9) |
| Amortisation of premiums and discounts | 19 | 22 |
| Net gain on equity investments at FVTPL | (12) | (14) |
| Net loss on loans and advances to customers at FVTPL | 2 | 2 |
| Change in prepayments and accrued income | (36) | 3 |
| Change in accruals and deferred income | 75 | 79 |
| Effect of exchange translation and other adjustments(1) | (78) | (208) |
| **Total non-cash items** | **455** | (64) |
| Contributions to defined benefit pension schemes | (12) | (13) |
| Dividends received on equity investments | 1 | 1 |
| **Total other items** | **(11)** | (12) |
| **Non-cash and other items for the period** | **444** | (76) |

| Change in operating assets(1) | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Change in trading portfolio financial assets | (79) | (2) |
| Change in derivative financial instruments | — | (22) |
| Change in loans and advances to banks | (22) | 7 |
| Change in loans and advances to customers | (1,420) | (213) |
| Change in securities financing | (1,361) | (608) |
| Change in other assets | (73) | (208) |
| | **(2,955)** | (1,046) |

| Change in operating liabilities(1) | Half-year 30 June 2023 € m | Half-year 30 June 2022 € m |
|---|---|---|
| Change in deposits by central banks and banks | (104) | 172 |
| Change in customer accounts | 1,035 | 3,113 |
| Change in securities financing | (96) | 730 |
| Change in trading portfolio financial liabilities | 49 | 4 |
| Change in debt securities in issue | (1,000) | (750) |
| Change in notes in circulation | (3) | (29) |
| Change in other liabilities | 41 | 231 |
| | **(78)** | 3,471 |

(1) 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.

## 35 Related party transactions

Other than as outlined below, there have been no related party transactions or changes therein since 31 December 2022 (as set out in note 46 of the Annual Financial Report 2022) that have materially affected the Group's financial position or performance in the six months ended 30 June 2023.

**Transactions with owner**

The following were the principal transactions between Allied Irish Banks, p.l.c. and its owner, AIB Group plc, in the six months to 30 June 2023:

- 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 5);
- Allied Irish Banks, p.l.c. issued subordinated debt to AIB Group plc amounting to € 750 million (note 27); and
- Interest expense on subordinated debt from the parent company, AIB Group plc, amounted to € 147 million (note 4).

**Transactions with Key Management Personnel**

Key Management Personnel ('KMP') as defined in IAS 24 *Related Party Disclosures* ('IAS 24'), comprise Executive and Non-Executive Directors and Senior Executive Officers.

At 30 June 2023, 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, amounted to € 1.49 million (31 December 2022: € 1.56 million).

**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.

At 31 December 2022, the Irish Government held 56.89% of the total ordinary shares in AIB Group plc (1,520,799,849 ordinary shares). At 30 June 2023, the Irish Government's shareholding has reduced to 46.90% (1,228,114,680 ordinary shares) following a directed share buyback, the sell down of shares and disposals as part of a pre-arranged trading plan. The relationship also encompasses a number of other dimensions, including guarantee schemes and the Relationship Framework.

*(i) Irish Government and related entities*

The following table outlines the amounts outstanding (excluding accrued interest) at 30 June 2023 and 31 December 2022 with the Irish Government and related entities which are considered individually significant. 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.

| | 30 June 2023 Balance € m | 31 December 2022 Balance € m |
|---|---|---|
| **Assets** | | |
| Cash and balances at central banks(1) | 31,241 | 32,573 |
| Trading portfolio financial assets | 57 | — |
| Investment securities(2) | 4,584 | 4,860 |
| **Total assets** | 35,882 | 37,433 |

| | 30 June 2023 Balance € m | 31 December 2022 Balance € m |
|---|---|---|
| **Liabilities** | | |
| Deposits by central banks and banks | — | — |
| Customer accounts | 620 | 340 |
| Trading portfolio financial liabilities | 42 | — |
| **Total liabilities** | 662 | 340 |

(1) Cash and balances at central banks represent the placements which the Group holds with the Central Bank.
(2) Investment securities at 30 June 2023 comprise € 4,584 million (31 December 2022: € 4,860 million) in Irish Government securities held in the normal course of business.

All other balances, both assets and liabilities are carried out in the ordinary course of banking business on normal terms and conditions.

## 35 Related party transactions *continued*

*(ii) Local government[1] and Commercial semi-state bodies[2]*

During 2023 and 2022, AIB 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 the purposes of this disclosure.

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 30 June 2023 and 31 December 2022:

| | **30 June 2023 € m** | 31 December 2022 € m |
|---|---|---|
| **Assets** | | |
| Loans and advances to banks | — | 1 |
| Investment securities | — | 35 |

## 36 Financial and other information

| | **Half-year 30 June 2023 %** | Half-year 30 June 2022 % |
|---|---|---|
| **Operating ratios** | | |
| Operating expenses/operating income | **51.1** | 82.9 |
| Other income/operating income | **19.5** | 31.8 |

| **Rates of exchange** | **Half-year 30 June 2023** | Half-year 30 June 2022 | Year 31 December 2022 |
|---|---|---|---|
| €/$* | | | |
| Closing | **1.0866** | 1.0387 | 1.0666 |
| Average | **1.0804** | 1.0932 | 1.0531 |
| €/£* | | | |
| Closing | **0.8583** | 0.8582 | 0.8869 |
| Average | **0.8763** | 0.8425 | 0.8527 |

*Throughout this report, US dollar is denoted by $ and Pound sterling is denoted by £.

## 37 Dividends

On 7 March 2023, the Board recommended for approval by the Company's sole shareholder, AIB Group plc, a final dividend for the year ended 31 December 2022 of € 166 million. The final dividend was approved by AIB Group plc on 4 May 2023 and paid by the Company to AIB Group plc on 12 May 2023. In 2022, dividends of € 142 million were approved and paid by the Company to AIB Group plc.

## 38 Non-adjusting events after the reporting period

### Ulster Bank corporate and commercial loans

Subsequent to 30 June 2023, the Group acquired eligible performing loans of € 130 million and eligible non-performing loans of € 48 million. It was agreed that (subject to the finalisation of pricing) all non-performing loans to be acquired under the agreement would be included in the final tranche of loan transfers to the Group. The non-performing loans will be recognised as purchased or originated credit impaired (POCI) loans. The transfer of the Ulster Bank corporate and commercial loans is now complete.

### Ulster Bank tracker (and linked) mortgage portfolio

In 2022, the Group confirmed that Allied Irish Banks, p.l.c. had entered into an agreement for the acquisition of an Ulster Bank tracker (and linked) mortgage portfolio of c. € 5.7 billion for a consideration of c. € 5.4 billion. The agreement received CCPC approval in January 2023. The final consideration payable depends on movements in the portfolio up to completion. Subsequent to 30 June 2023, the Group acquired eligible performing loans of € 4 billion with the remaining eligible loans expected to be acquired by the end of 2023.

## 39 Approval of Half-Yearly Financial Report

The Half-Yearly Financial Report was approved by the Board of Directors on 27 July 2023.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES
## for the half-year ended 30 June 2023

The Directors are responsible for preparing the Group Half-Yearly Financial Report in accordance with IAS 34 Interim Financial Reporting as issued by the IASB and adopted by the EU; the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019.

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

Each of the Directors listed below confirm to the best of their knowledge and belief that the condensed set of financial statements have been prepared in accordance with IAS 34 and that they give a true and fair view of the assets, liabilities, financial position and profit of the Group and that as required by the Transparency (Directive 2004/109/EC) Regulations 2007, the Half-Yearly Financial Report includes:

- a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year;
- a fair review of related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during the period; and
- any changes in the related parties' transactions described in the last annual report, that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

**For and on behalf of the Board**

| Jim Pettigrew | Colin Hunt | Donal Galvin |
|---|---|---|
| Chair | Chief Executive Officer | Chief Financial Officer |

27 July 2023

**Non-Executive Directors**

Anik Chaumartin
Basil Geoghegan
Tanya Horgan
Sandy Kinney Pritchard
Elaine MacLean
Andy Maguire
Brendan McDonagh (Deputy Chair)
Helen Normoyle (Senior Independent Director)
Ann O'Brien
Fergal O'Dwyer
Jim Pettigrew (Chair)
Jan Sijbrand
Ranjit (Raj) Singh

**Executive Directors**

Colin Hunt (Chief Executive Officer)
Donal Galvin (Chief Financial Officer)

# INDEPENDENT REVIEW REPORT TO ALLIED IRISH BANKS, P.L.C.

## Report on the condensed consolidated interim financial statements

### Our conclusion
We have reviewed Allied Irish Banks, p.l.c.'s (the "Group") condensed consolidated interim financial statements (the "interim financial statements") in the Half-Yearly Financial Report of Allied Irish Banks, p.l.c. for the six month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019.

The interim financial statements comprise:
- the Condensed Consolidated Statement of Financial Position as at 30 June 2023;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-Yearly Financial Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

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

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However future events or conditions may cause the group to cease to continue as a going concern.

## Responsibilities for the interim financial statements and the review

### *Our responsibilities and those of the directors*

The Half-Yearly Financial Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019.

In preparing the Half-Yearly Financial Report including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half-Yearly Financial Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019 and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers
Chartered Accountants
Dublin

27 July 2023

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