EBS d.a.c.

Annual Financial Report
for the financial year ended 31 December 2023

Contents

Presentation of information

The information contained in this Directors' Report and Annual Financial Statements is that of EBS d.a.c. and its subsidiaries EBS Mortgage Finance and Haven Mortgages Limited. In this Report, and unless specified otherwise, the terms 'EBS d.a.c.' or 'the Company' refer to the parent company. 'EBS' refers to the Company and its subsidiaries. 'AIB Group' refers to AIB Group plc and 'AIB' refers to Allied Irish Banks, p.l.c. the ultimate parent and immediate parent of EBS d.a.c. respectively.

Directors and other information

Directors	Peter Hagan	Independent Non-Executive Director and Chair
	Paul Butler	Managing Director
	Paula Duffy	Non-Executive Director
	Gerry Gaffney	Executive Director
	Yvonne Hill	Independent Non-Executive Director
	Ann O'Brien	Non-Executive Director
	Paul Owens	Independent Non-Executive Director
	Edel Shine	Non-Executive Director

Company secretary Diane Lumsden

Registered office 10 Molesworth Street
Dublin 2

Registered number 500748

Independent auditor PricewaterhouseCoopers
Chartered Accountants & Statutory Audit Firm
One Spencer Dock
North Wall
Dublin 1

Banker Allied Irish Banks, p.l.c.
7/12 Dame Street
Dublin 2

Directors' report

The Directors of EBS d.a.c. present their Directors' Report (the 'Report'), consolidated and company audited financial statements for the financial year ended 31 December 2023. The Statement of Directors' responsibilities in relation to the financial statements is on page 48.

Principal activities
EBS d.a.c., a designated activity company, registered and domiciled in Ireland, is a wholly owned subsidiary of Allied Irish Banks, p.l.c. ('AIB'), which is a wholly owned subsidiary of AIB Group plc ('Group'). 'EBS' refers to the Company and its subsidiaries. 'EBS d.a.c.' or 'the Company' refer to the parent company. EBS operates as a separately branded subsidiary with its own distribution network. EBS has an Irish banking licence under the Irish Central Bank Act, 1971 (as amended).

EBS operates in the Republic of Ireland and has a countrywide network of 66 offices and a direct telephone based distribution division ('EBS Direct'). EBS's network gives it a physical presence in communities across Ireland and this is important in allowing it to provide a high quality service to its customers. EBS provides residential mortgages, savings and bancassurance products through its office network and also distributes mortgages through Haven Mortgages Limited ('Haven'), a wholly owned subsidiary, via mortgage intermediaries authorised by the Central Bank of Ireland ('CBI').

The majority of EBS's activities are outsourced to AIB under a Managed Services Agreement ('MSA'), this includes servicing of mortgage loans, customer funding and provision of treasury services as well as a range of support services.

Results for the financial year
EBS is reporting a profit before taxation for 2023 of €218m (2022: €123m), as set out in the consolidated income statement on page 58.

Net interest income increased to €298m for 2023, from €232m in 2022. The increase is due to a recovery in mortgage interest rates following an increase in market rates over the course of 2022 and 2023.

Other income increased by €18m to €46m in 2023 primarily driven by €35m of income determined under transfer pricing agreement between AIB and EBS subsidiaries in 2023 offset by reductions of, €2m in net gain on other financial assets measured at fair value through profit or loss ('FVTPL'), €11m in net gain on derecognition of financial assets and €4m in payments from AIB compensating EBS following the implementation of the Group Property Strategy in 2022.

Total operating expenses decreased to €130m in 2023, from €141m in 2022 driven by a reduction of €12m in amounts payable as determined under transfer pricing agreement between AIB and EBS subsidiaries and higher other operating expenses of €1m.

Net credit impairment writeback is €4m in 2023 unchanged from 2022. The net credit impairment writeback of €4m in 2023 reflects recoveries of amounts previously written-off of €3m and net remeasurement writeback of €1m.

For further information on credit impairment see pages 12 and 41 in the risk management section.

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

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

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

Directors' report

Business review (continued)
Household savings were maintained at a very high level in 2023. Private sector deposits stood at €305bn by year end 2023, down slightly from €312bn in December 2022, but up by 39% since end 2019. Mortgage market drawdowns amounted to €12.1bn in 2023, down from €14.1bn in 2022, largely reflecting a fall-off in switching activity.

The impact of the above factors on EBS's financial performance, was an increase in customer loans after loss allowance of €748m (+6.8%) to €11,457m and a stable credit quality position at year end, notwithstanding cost of living and interest rate increases experienced during 2023.

EBS continues to provide competitive home loans in the Irish market, offering a range of fixed and variable rates and channel options including Branch, Direct and Intermediary. EBS's main focus is to support viable owner-occupier customers, including First Time Buyers, Home Movers, Home Improvements and those switching their mortgage to EBS.

During 2023, EBS's priorities have been to continue to support customers, maintain a strong capital position and improve operational resilience.

Asset quality
The EBS loan portfolio before loss allowance increased by 6.8% during 2023 (2022: increase of 3.3%) to €11,607m as at 31 December 2023 (2022: €10,865m) as loans granted exceeded repayments and loan restructures. EBS's mortgage portfolio comprises owner-occupier mortgages €11,529m (2022: €10,764m), buy-to-let mortgages €58m (2022: €72m) and commercial mortgages €20m (2022: €29m).

Non-performing loans at 31 December 2023 were €362m (2022: €383m). The main drivers for the reduction was net redemptions exceeding net flows during the year. Non-performing loans as a percentage of gross loans and advances to customers decreased from 3.5% at 31 December 2022 to 3.1% at 31 December 2023 principally driven by increased total loan balance, repayments and loans returning to performing, further information is included in Non-performing loans in the Risk Management Report on page 32.

Expected credit losses ('ECLs') are €150m (2022: €156m). The reduction in ECL balance in 2023 is driven mainly by utilisation of provisions as part of ongoing credit management.

During 2023 EBS implemented a redeveloped IFRS 9 mortgage model for residential mortgages which resulted in €318m of customer loans and related ECL of €58m being transferred from Stage 1 to Stage 2.

EBS has outsourced the management and servicing of its mortgage portfolio to AIB. EBS has credit policies and strategies, implementation guidelines and monitoring structures in place to manage its loan portfolios, including restructured loans. EBS regularly reviews the performance of these restructured loans and has a dedicated team to focus on asset sales within the restructured portfolio. EBS remains focused on reducing non-performing loans and will continue to implement sustainable solutions for customers who engage with EBS, where feasible.

Funding activities
EBS is funded by customer deposits and a funding facility provided by AIB.

Customer funding
EBS continued to have a presence in the retail deposit market and at 31 December 2023 had total customer accounts of €5,817m (2022: €5,978m).

Deposits by banks
Deposits by Banks at 31 December 2023 were €3,564m (2022: €4,850m). The decrease of €1,286m is repayment of unsecured funding to AIB, EBS's parent following launch of the Burlington Mortgages No.2 d.a.c. ('Burlington 2') securitisation. There was no direct European Central Bank ('ECB') funding in 2023 or 2022.

Securities financing
Securities Financing increased by €2,391m to €4,346m in 2023 (2022: €1,955m), due to higher utilisation of secured funding provided by AIB following launch of Burlington Mortgages No.2 d.a.c. securitisation.

Share capital
Information on the structure of EBS's share capital, including the rights and obligations attaching to each class of shares, is set out in note 30-Share capital to the consolidated financial statements.

Capital resources and regulatory capital ratios
The objectives of EBS's capital management policy are to at all times comply with regulatory capital requirements and to ensure that EBS has sufficient capital to cover the current and future risk inherent in its business and to support its future development. Details on the management of capital adequacy risk can be found in the Risk management report on page 46.

EBS's capital requirement at 31 December 2023 is a minimum Common Equity Tier 1 ('CET1') of 11.5%, comprised of a Pillar 1 requirement of 8.0%, Capital Conservation Buffer ('CCB') of 2.5% and a Countercyclical Capital Buffer ('CCyB') for Irish exposures of 1.0%. The CBI is increasing the CCyB to 1.5% in June 2024 and EBS's minimum capital requirement will increase accordingly.

At 31 December 2023, the fully loaded CET1 and total capital ratio was 38.2% (2022: 35.7%).

At 31 December 2023, the transitional CET1 ratio and total capital ratio was 38.7% (2022: 36.9%).

Minimum Requirement for Own Funds and Eligible Liabilities ('MREL')
At 31 December 2023 EBS has a MREL ratio of 9.6% of the leverage exposure measure ('LEM') (2022:8.9%).

The Single Resolution Board ('SRB') has set the minimum MREL requirement on both a Total Risk Exposure Amount ('TREA') and LEM basis under the Bank Recovery and Resolution Directive ('BRRD II') legislative framework. The binding requirement at 31 December 2023 is 5.91% of the LEM for EBS d.a.c.

Leverage ratio
The leverage ratio at 31 December 2023 was 9.4% (2022: 8.6%) on a fully loaded basis and 9.6% (2022: 8.6%) on a transitional basis. The regulatory requirement at 31 December 2023 is 3%.

Risk management
EBS adopts the same risk management framework and risk mitigation initiatives as AIB. The risk management framework provides an AIB Group-wide definition of risk and lays down principles of how risk is to be identified, assessed, measured, monitored and controlled / mitigated, and the associated allocation of capital against same. Further information in relation to risk management, including the principal risks and uncertainties facing EBS, as required under the terms of the European accounts Modernisation Directive (2003/51/EEC) (implemented in Ireland by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005) is set out in the Risk management report on pages 11 to 47 and is incorporated into this Directors' report by means of this cross reference.

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

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

House price inflation eased considerably in the past year in Ireland with rising interest rates, the cost-of-living squeeze and economic uncertainty acting as headwinds. While there has been a notable uptick in housing starts and completions over the course of 2023, ongoing housing supply shortfalls in addition to accumulated household savings will continue to support the market. Overall, modest growth in house prices (within a range of 1.0-2.5% per annum) is anticipated over the 2024-2028 period.

Sustainability and climate change
As a subsidiary of AIB Group, EBS continues to integrate climate risk into its overall risk management approach and broader sustainability strategy. In support of AIB's sustainability strategy the EBS offers a Green 5 year fixed rate mortgage available to new and existing owner occupier customers. This offering is available to customers whose property has a Building Energy Rating ('BER') of between A1-B3 inclusively. Green Mortgages accounted for 25% of EBS's new lending in 2023 (2022: 16%). EBS is committed to continue supporting customers' transition to a low carbon economy with enhanced green products, propositions and support.

Going concern
The financial statements for the year ended 31 December 2023 have been prepared on a going concern basis as Directors are satisfied, having considered the principal risks and uncertainties impacting EBS, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is at least twelve months from the date of approval of these annual financial statements.

EBS is dependent on AIB for continued funding and is therefore dependent on the going concern status of the parent. The financial statements of AIB have been prepared on a going concern basis.

In making their assessment, the Directors of AIB considered a wide range of information relating to present and future conditions. These included financial plans covering the period 2024 to 2026, liquidity and funding forecasts and capital resources projections, all of which were prepared under base and stress scenarios.

In addition, the Directors of EBS considered the principal risks and uncertainties which could materially affect EBS's future business performance and profitability and which are outlined on pages 11 to 47.

There is no intention to liquidate the company or cease trading and EBS is not aware of any material uncertainties related to conditions or events that may cast significant doubt upon the company's ability to continue as a going concern. In addition, EBS's parent AIB has provided a letter of financial support to EBS.

On the basis of the continued availability of funding from AIB to EBS, the EBS Board approved financial plans 2024-2026, the Directors of EBS believe that it is appropriate to prepare the financial statements on a going concern basis.

Directors
At 31 December 2023, the Board of Directors of the Bank was comprised of Peter Hagan, Paul Butler, Paula Duffy, Gerry Gaffney, Yvonne Hill, Ann O'Brien, Paul Owens and Edel Shine.

The following Board changes occurred during the year.
In February 2023 Bryan O'Connor resigned from the Board, Ann O'Brien was appointed to the Board on 11 April 2023, Edel Shine was appointed to the Board on 15 August 2023 and Paula Duffy was appointed to the Board on 21 September 2023.

Directors' and Secretary's interests in shares
The Directors and Company Secretary did not hold any interests in EBS shares or debentures at the beginning of the year, during the year or at the year end, pursuant to Section 267 and 329 of the Companies Act 2014.

Shares held by the Directors in the ultimate parent company, AIB Group plc, were below 1% and not disclosable, pursuant to Section 260 of the Companies Act 2014.

Share options
Share options were not granted or exercised during the year. Independent Non-Executive Directors do not participate in share option schemes.

Long term incentive plans
There were no conditional grants of awards of ordinary shares outstanding to Executive Directors or the Company Secretary at 31 December 2023. Independent Non-Executive Directors do not participate in long term incentive plans.

There were no changes in the Directors' and Secretary's interests between 31 December 2023 and 4 March 2024.

Directors' remuneration
Details of total remuneration of the Directors in office during 2023 and 2022 are shown in the Remuneration table in note 36.

Dividend
There was no interim dividend paid to the shareholder during 2023 and the Board is not recommending the payment of a final dividend for 2023 (2022: nil).

Accounting policies
The principal accounting policies, together with the basis on which the financial statements have been prepared, are set out in note 1 to the consolidated financial statements.

Political donations
The Directors have satisfied themselves that there were no political contributions during the year that require disclosure under the Electoral Act 1997.

Directors' report

Corporate governance
The Corporate Governance Report on pages 8 to 10 form part of the Directors' report.

In accordance with Section 1097 and 1551 of the Companies Act 2014, the Directors confirm that a Board Audit Committee is established. Details on the Board Audit Committee's membership and activities are shown on page 10.

Branches outside the State
EBS has not established any branches outside the State.

Disclosure Notice under Section 33AK of the Central Bank Act 1942
EBS did not receive a Disclosure Notice under Section 33AK of the Central Bank Act 1942 during 2023.

Accounting records
The Directors have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to EBS's obligation to keep adequate accounting records by ensuring that AIB allocate adequate resources with appropriate expertise to the finance function under the Managed Services Agreement, for the provision of accounting and other financial services to EBS. The Directors monitor AIB's performance against agreed service levels through receipt of regular reports covering the services provided. The accounting records of EBS are maintained at the registered office of its ultimate parent at AIB Group plc, 10 Molesworth Street, Dublin 2, Ireland.

Directors' Compliance Statement
As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for securing EBS's compliance with its relevant obligations (as defined in section 225(1)).

The Directors confirm that:
(a) a compliance policy statement (as defined in section 225(3) (a)) has been drawn up that sets out EBS's policies, and, in the Directors' opinion, is appropriate to ensure compliance with EBS's relevant obligations;
(b) appropriate arrangements or structures that are, in the Directors' opinion, appropriate to EBS and designed to secure material compliance with the relevant obligations have been put in place; and
(c) a review of those arrangements and structures has been conducted in the financial year to which this report relates.

Non-adjusting events after the reporting period
There have been no significant events affecting EBS since the reporting date which require disclosure or amendment to the financial statements.

Statement of relevant audit information
Each of the persons who is a Director at the date of approval of this report confirms that:
(a) so far as the Director is aware, there is no relevant audit information of which EBS's auditor is unaware; and
(b) the Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that EBS's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 330 of the Companies Act 2014.

Independent auditor
The auditor, PricewaterhouseCoopers ('PwC') was appointed in May 2023 following shareholder approval on that date and have indicated a willingness to continue in office under Section 383(2) of the Companies Act, 2014, their continued appointment is subject to approval by the shareholder.

On behalf of the Board,

Peter Hagan
Chair

Paul Butler
Managing Director

4 March 2024

Corporate governance report

Corporate governance
EBS's corporate governance practices are designed to ensure compliance with applicable legal and regulatory requirements including, Irish company law and the Central Bank of Ireland's Corporate Governance Requirements for Credit Institutions 2015 (the '2015 Requirements').

Corporate governance requirements
EBS is a credit institution and is subject to the provisions of the 2015 Requirements, including compliance with requirements specifically relating to 'high impact institutions'. Acknowledging EBS's position as part of the wider AIB Group, derogations have been granted to EBS by the Central Bank of Ireland in respect of specified provisions of the 2015 Requirements.

Compliance with the requirements
In 2023, EBS was compliant with the 2015 Requirements, subject to the following two points:

- Pursuant to 7.1 of the 2015 Requirements, the Board is required to have a minimum of seven Directors. During 2023 the Board had less than the minimum required number of Directors for a period of time following the resignation of Tom Foley (2 December 2022) and Bryan O'Connor (17 February 2023). The Board returned to full compliance with the appointments of Ann O'Brien (11 April 2023) and Edel Shine (15 August 2023). The Board subsequently strengthened its membership to eight, with the appointment of Paula Duffy on 21 September 2023.

- Pursuant to 22.1 of the 2015 Requirements, the Audit Committee is required to have a minimum of three members, each of whom must be a Non-Executive Director. During 2022, the Audit Committee was comprised of three independent Non-Executive Directors, which reduced to two on 2 December 2022 following the resignation of Tom Foley as a Director and member of the Audit Committee. The Audit Committee returned to full compliance on 11 April 2023 following the appointment of Ann O'Brien, Non-Executive Director, to the Audit Committee.

The Board concluded that EBS was materially compliant with the provisions of the 2015 Requirements during 2023 and there was no known negative impact on the governance and financial position of EBS, nor was there deemed to be any poor outcomes for its customers.

The Board of Directors
The Board supports and strives to operate in accordance with the Company's purpose and values at all times and challenges management as to whether the purpose, values and strategic direction of EBS align with its desired culture, or if they do not, whether there are options to mitigate any potential negative impacts. The Board is responsible for corporate governance encompassing leadership, direction and control of EBS and is responsible for financial performance to its shareholder and ultimate parent AIB Group plc.

The Board ensures a clear division of responsibilities between the Chair, who is responsible for the overall leadership of the Board and for ensuring its effectiveness, and the Managing Director, who manages and leads the business. The Chair leads the Board, setting its agenda, ensuring the Directors receive adequate and timely information, facilitating the effective contribution of Non-Executive Directors, ensuring the ongoing training and development of all Directors, and reviewing performance of individual Directors.

Independent Non-Executive Directors provide a key layer of oversight, scrutinising the performance of management in meeting agreed objectives and monitoring and reporting against performance. They bring an independent viewpoint to the deliberations of the Board that is objective and independent of the activities of management and the Group. They constructively challenge proposals on strategy and other key matters.

The Directors have access to the advice and services of the Company Secretary, who advises the Board on governance matters ensuring that Board procedures are followed and that EBS is in compliance with applicable rules and regulations.

The governance and organisational structure is sufficient to ensure that no one individual has unfettered powers of decision or exercises excessive influence. Key roles and responsibilities are clearly defined, documented and communicated.

The Board is supported in discharging its duties by its Audit Committee and the Group Board's Risk, Remuneration and Nomination, and Corporate Governance Committees. While arrangements have been made by the Directors for the delegation of the management, organisation and administration of EBS's affairs, certain matters are reserved specifically for decision of the Board. These matters are reviewed at least annually to ensure that they remain relevant.

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

The Board of Directors (continued)
The Board met on nine occasions during 2023. The Chair ensures meetings are structured to facilitate open discussion, constructive challenge and debate. The Board receives a comprehensive executive management report at each of its scheduled quarterly meetings. The remainder of the agenda is built from the Board's indicative annual work programme, and includes strategic items for consideration, any activities out of the ordinary course of business, requested in depth reviews and scheduled updates on key projects.

The Board's professional development and continuous education programme continued throughout 2023 and was designed in conjunction with the Board's indicative work programme to ensure that training was delivered at a time when it would be of most benefit or relevance of the Board. An induction programme is provided to new Directors and includes a series of meeting with management, relevant briefings, together with any specific training identified during the course of appointment of the individual.

The review of the appropriateness of the composition of the Board and its Audit Committee is a continuous process, and recommendations for appointment are made based on merit and objective criteria, having regard to collective skills, experience, independence and knowledge of the Board along with its diversity requirements. The Board Succession Plan details planned Board composition as well as Audit Committee membership, the likely tenure of Non-Executive Directors and upcoming actions to be undertaken. The Succession Plan includes the Board's Skills Matrix.

Non-Executive Directors are generally appointed for a three-year term, with the possibility of renewal for a further three years on the recommendation of the Group Board's Nomination and Corporate Governance Committee. Any additional term beyond six years is subject to annual review and approved by the Board.

Non-Executive Directors are required to devote such times as is necessary for the effective discharge of their duties.

The effectiveness of the Board and its Audit Committee is reviewed annually.

The Board is responsible for ensuring that appropriate systems of internal controls and risk management are maintained, specifically the Board sets the Risk Appetite Statement and approves the EBS strategy and financial plans. EBS benefits as a subsidiary of AIB from the wider AIB governance and operating structure, such as oversight of audit and risk related activities. AIB provides services to EBS through a formal Master Services Agreement, updates in respect of the performance against agreed service levels which are provided to the Board regularly.

In the event of material failings or weaknesses in the risk management or internal control systems, an explanation of any such issues, including an impact assessment and a proposed remediation plan, would be presented to the Board. Agreed remediation plans would be tracked to conclusion, with status updates provided to the Board. Given the work of the Board and representations made by the management team during 2023, the Board is satisfied with the effectiveness of EBS's risk management and internal control framework, and that appropriate action would be taken to address any material failings or weaknesses identified through its operation, of which there were none in 2023.

EBS has robust governance arrangements, which include (i) a clear organisational structure with well defined, transparent, and consistent lines of responsibility, (ii) effective processes to identify, manage, monitor and report the risks to which it is or might be exposed; and (iii) adequate internal controls, including sound administrative and accounting procedures, IT systems and controls. The Board receives regular updates on EBS's risk profile together with updates on EBS's internal control system from the Audit Committee.

Financial reporting processes
The Board, supported by its Audit Committee, rely on AIB's system of internal control which is designed to manage the risk of failure to achieve EBS's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board, through established processes regarding internal control and risk management systems ensures effective oversight of the financial reporting process. EBS's control system around the financial reporting process includes:

- clearly defined organisational structure and authority levels with reporting mechanisms to the Board;
- a comprehensive set of policies and procedures relating to the controls around financial reporting and the process of preparing the financial statements; and
- ensuring the integrity of the financial statements and the accounting policies therein.

The Board evaluates and discusses significant accounting and reporting issues as the need arises.

Audit committee

The Audit Committee complies with the 2015 Requirements and section 1551 of the Companies Act 2014. The Board is assisted in the discharge of its duties by its Audit Committee, which operates under its Terms of Reference and is annually reviewed and approved by the Board.

The Audit Committee is chaired by Paul Owens and the other members of the Audit Committee are Yvonne Hill, independent Non-Executive Director, and Ann O'Brien, Non-Executive Director. They each possess the requisite degree of independence so as to be able to contribute effectively to the Audit Committee's functions. The Chair ensures meetings are structured to facilitate open discussion, constructive challenge and debate. The Audit Committee also completes an annual effectiveness evaluation as part of the overall Board effectiveness review.

During 2023, the Audit Committee, had oversight responsibility for audit matters including, inter alia:
- the quality and integrity of EBS's accounting policies, financial and narrative reports and disclosure practices.
- the independence and performance of the External Auditor (the 'Auditor') and Internal Auditor, duly liaising with the AIB Group Board Audit Committee on matters in relation to the Auditor and Internal Audit, as necessary; and
- the adequacy of arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and the effectiveness of EBS's internal control, risk management, and accounting and financial reporting systems.

During 2023, the Audit Committee met on eight occasions, and amongst other activities, reviewed EBS's annual financial statements and related accounting policies, key judgements, and practices; the effectiveness of internal controls, including the effectiveness of controls operated under the Master Services Agreement; and the findings, conclusions and recommendations of the Auditor and Internal Auditor. The Audit Committee satisfied itself through regular reports from Internal Audit and the Auditor that the system of internal controls was effective. The Audit Committee also supported the Board with its review of EBS's risk frameworks and policies.

The Audit Committee ensures that appropriate measures are taken to consider and address any control issues identified by Internal Audit and the Auditor.

The Audit Committee Chair attended a meeting of the Group Board Audit Committee and provided an annual update on the key themes and discussions at the Audit Committee meetings.

Director Attendance at Board Meetings during 2023

	Eligible to Attend	Attended
Paul Butler - Managing Director	9	9
Paula Duffy - Non-Executive Director	2	2
Gerry Gaffney - Executive Director	9	9
Peter Hagan - Independent Non-Executive Director and Chair	9	9
Yvonne Hill - Independent Non-Executive Director	9	9
Ann O'Brien - Non-Executive Director	6	6
Brian O'Connor - Non-Executive Director	1	1
Paul Owens - Independent Non-Executive Director	9	9
Edel Shine - Non-Executive Director	4	4

Members' attendance at Audit Committee Meetings during 2023

	Eligible to Attend	Attended
Yvonne Hill - Independent Non-Executive Director	8	8
Ann O'Brien - Non-Executive Director	5	5
Paul Owens - Independent Non-Executive Director and Chair	8	8

Risk management report

Introduction
All of EBS's activities involve, to varying degrees, the measurement, evaluation, acceptance and management of risks which are assessed across the AIB Group. Certain risks can be mitigated by the use of safeguards and appropriate systems and actions which form part of the AIB Group's risk management framework. EBS experiences similar risks and uncertainties facing AIB Group and adopts the same risk mitigation initiatives.

1. Risk management framework
EBS relies on AIB Group's Risk management framework and its supporting policies, processes and governance. For more information on the operation of the EBS Board see pages 8 to 10 of this Report.

2. Individual risk types
This section provides details of the exposure to, and risk management of, the following individual risk types which have been identified through the EBS Material Risk Assessment (MRA) process.

In December 2023 Climate and Environmental Risk was approved as a new Principal Risk for EBS. Other changes to EBS Principal Risks have also occurred. People Risk has been made a sub-risk of Operational Risk due to its interconnectedness whereby decisions or behaviour of individuals can directly influence other operational risks. While Culture Risk remains a Principal Risk, it is now combined with Conduct Risk.

EBS faces 10 Principal Risks which are key areas of management focus include:

3.1 Credit risk;
3.2 Liquidity and funding risk;
3.3 Market risk;
3.4 Business model risk;
3.5 Operational risk;
3.6 Conduct risk and Culture risk;
3.7 Regulatory compliance risk;
3.8 Capital adequacy risk
3.9 Model risk; and
3.10 Climate and environmental risk.

The information below in sections, paragraphs or tables denoted as audited in sections 3.1, 3.2 and 3.3 in the Risk management report forms an integral part of the audited financial statements as described in note 1.3 'Basis of preparation' to the financial statements. All other information, including tables, in the Risk management report is additional disclosure and does not form an integral part of the audited financial statements.

3.1 Credit risk

Definition of credit risk

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

Based on the annual risk identification and materiality assessment process, credit risk is grouped into the following two sub categories:

i. Counterparty risk: The risk of losses arising as a result of the counterparty not meeting their contractual obligations in full and on time and the resulting credit default risk/risk of loss leading to a risk to capital; and
ii. Concentration risk: The risk of excessive credit concentration including to an individual, counterparty, group of connected counterparties, a type of collateral or a type of credit facility.

The most significant credit risks assumed by EBS arise from mortgage lending activities to customers in the Republic of Ireland. Credit risk also arises on funds placed with other banks, derivatives relating to interest rate risk management and 'off-balance sheet' commitments.

EBS Risk Appetite Statement

EBS has its own Risk Appetite Statement ('RAS') which is fully aligned with the AIB RAS. EBS's RAS sets the aggregate level and types of risks that EBS is willing to take, accept, or tolerate in pursuit of its business objectives and strategy. Credit risk appetite is set at EBS Board level and is described, reported and monitored through a suite of qualitative and quantitative metrics. The Credit Risk metrics cover the two sub risks identified as part of the AIB Group Material Risk Assessment process – Counterparty Risk and Concentration Risk, and include concentration limits on quantum of new lending, Balance Sheet exposure and credit quality. Risk appetite is stress tested to ensure limits are within the risk taking capacity of EBS. EBS's risk appetite for credit risk is reviewed and approved at least annually.

Credit risk principles and policy *(audited)*

EBS implements and operates policies to govern the identification, assessment, approval, monitoring and reporting of credit risk. EBS relies on the AIB credit risk framework and its supporting policies, processes and governance. The AIB Credit Risk Framework and AIB Credit Risk Policy are overarching AIB Board approved documents which set out the principles of how AIB identifies, assesses, approves, monitors and reports credit risk to ensure that robust credit risk management is in place. These documents contain the minimum standards and principles that are applied across AIB to provide a common, robust and consistent approach to the management of credit risk.

The AIB Credit Risk Policy is supported by a suite of credit policies, standards and guidelines which define in greater detail the minimum standards and credit risk metrics to be applied for specific products, business lines, and market segments.

Credit Risk, as an independent risk management function, monitors key credit risk metrics and trends, including policy exceptions and breaches, reviews the overall quality of the loan book; challenges variances to planned outcomes and tracks portfolio performance against agreed credit risk indicators. This allows EBS, if required, to take early and proactive mitigating actions for any potential areas of concern.

Credit risk management

The principles and activities which govern the management of credit risk within EBS are as follows:

– Establish governance authority fora to provide independent oversight and assurance to the Board with regards to credit risk management activities and the quality of the credit portfolio;
– Formulate and implement a comprehensive credit risk strategy that is viable through various economic cycles, supported by a suite of credit policies, is aligned to EBS's approved Risk Appetite Statement and generates appropriate returns on capital within acceptable levels of credit quality;
– Operate within a sound and well defined credit granting process, within which risks for new and existing lending exposures, including connected exposures, are consistently identified, assessed, measured, managed, monitored and reported in line with risk appetite and the credit risk policies;
– Ensure all management and staff involved in core credit risk activities across the three lines of defence are fully capable of conducting their duties to the highest standard in compliance with EBS's policies and procedures;
– Establish and enforce an efficient internal review and reporting system to manage effectively EBS's credit risk across various portfolios including, establishing and enforcing internal controls and assurance practices to ensure that exceptions to policies, deviations to credit standards and limits are monitored and reported in a timely manner for review and action;
– Ensure a sound methodology exists and credit policies are in place to proactively assess credit risk, to identify deteriorating credit quality and take remedial action to minimise losses, provide customers with affordable and sustainable solutions and maximise recovery for EBS. This includes consideration of, and the granting of, forbearance measures;

3.1 Credit risk

Credit risk management (continued)

– Utilise quality management information and risk data to ensure an effective credit risk management and measurement process when reporting on the holistic credit risk profile of EBS, including any changes in credit risk profile and emerging or horizon risks;
– Mitigate potential credit risk arising from new or amended products or activities, including the identification and analysis of existing and potential risks inherent in any credit product or activity; and
– Develop and continuously reinforce a strong, credit risk focused culture across the credit risk management functions through the credit cycle, which supports EBS's goals and enables business growth, provides constructive challenge and avoids credit risks that cannot be adequately measured.

Credit approval overview *(audited)*

EBS operates credit approval criteria which:

– Include a clear indication of EBS's target market(s), in line with EBS's RAS;
– Require a thorough understanding and assessment of the borrower or counterparty, as well as the purpose and structure of credit, and the source of repayment; and
– Enforce compliance with minimum credit assessment and facility structuring standards.

Credit risk approval is undertaken by professionals operating within a defined delegated authority framework. At an AIB Group level the AIB Board is the ultimate credit approval authority. The AIB Board has delegated credit authority to various credit committees and to the Chief Credit Officer ('CCO'). The CCO is permitted to further delegate this credit authority to individuals within AIB on a risk appropriate basis. Credit limits are approved in accordance with AIB's written risk policies and guidelines. All exposures above certain levels require approval by the AIB Group Credit Committee ('GCC') and/or AIB Board. Other exposures are approved according to a system of tiered individual authorities which reflect credit competence, proven judgement and experience. Depending on the borrower/connection, grade or weighted average facility grade and the level of exposure, limits are sanctioned by the relevant credit authority. Material lending proposals are referred to credit units for independent assessment/approval or formulation of a recommendation and subsequent adjudication by the applicable approval authority.

ECL governance *(audited)*

The Board of AIB Group has put in place a framework, incorporating the governance and delegation structures commensurate with a material risk, to ensure credit risk is appropriately managed throughout AIB Group.

The key governance points in the ECL approval process during 2023 were:

– Model Risk Committee;
– Asset and Liabilities Committee;
– Business level ECL Committees;
– Group Credit Committee; and
– Board Audit Committee.

For ECL governance, EBS's management employs its expert judgement on the adequacy of ECL. The judgements are supported by detailed information on the portfolios of credit risk exposures, and by the outputs of the measurement and reclassification approaches, coupled with internal and external data provided on both short term and long-term economic outlook. Business segments and EBS management are required to ensure that there are appropriate levels of cover for all of its credit portfolios and must take account of both accounting and regulatory compliance when assessing the expected levels of loss. In addition, the redeveloped IFRS 9 mortgage model was approved by the Model Risk Committee.

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 subject to approval at individual business unit level (ECL Committee), which also includes subsidiaries, prior to onward submission to the GCC. GCC reviews and challenges ECL levels prior to recommendation to the Board Audit Committee as the final approval authority.

In addition, EBS's senior management reviews and challenges the ECL levels prior to recommendation to EBS's Audit Committee. The EBS Audit Committee then recommends the EBS financial results to the EBS Board for ultimate final approval, including ECL.

Credit risk organisation and structure *(audited)*

The Group's credit risk management structure operates through a hierarchy of lending authorities. All customer loan requests are subject to a credit assessment process. The role of the Credit Risk function is to provide direction, independent oversight of and challenge to credit risk-taking.

3.1 Credit risk

Credit risk management consideration of Environmental, Social and Governance risks

EBS continues to adapt its credit risk management processes and policies to capture environmental, social, and governance ('ESG') risks. In addition to a number of key initiatives introduced by EBS to date, throughout 2023, further mortgage sector specific rules and limitations were incorporated into credit policy within a defined climate-related and environmental risk appetite.

Internal credit ratings *(audited)*

One of the objectives of credit risk management is to accurately quantify the level of credit risk to which EBS is exposed through the initial credit approval and ongoing review process. All relevant exposures are assigned to a rating model and within that to an internal risk grade (rating). A grade is assigned on the basis of rating criteria within each rating model from which estimates of probability of default (PD) are derived.

Internal credit grades are fundamental in assessing the credit quality of loan exposures, and for assessing capital requirements for portfolios where prior regulatory approval has been received. Internal credit grades are key to management reporting, credit portfolio analysis, credit quality monitoring and in determining the level and nature of management attention applied to exposures. Changes in the objective information are reflected in the credit grade of the borrower/loan with the resultant grade influencing the management of individual loans. In line with EBS's credit management lifecycle, heightened credit management and special attention is paid to lower quality performing loans or 'criticised' loans and non-performing/defaulted loans which are defined below.

Using internal models, EBS utilises a credit grading masterscale that gives it the ability to categorise credit risk across different rating models and portfolios in a consistent manner. Masterscale consolidates complex credit information into a single attribute, aligning the output from the risk models with AIB's Forbearance and Definition of Default and Credit Impairment policies.

Masterscale grades are driven by grading model appropriate PDs combined with other asset quality indicators such as default, forbearance and arrears in order to provide EBS with a mechanism for ranking and comparing credit risk associated with a range of customers. Masterscale categorises loans into a broad range of grades which can be summarised into the following categories: strong/satisfactory grades, criticised grades and non-performing / default loans. Page 31 sets out the profile of EBS's loan portfolio under each of the above grade categories.

In addition to the internal credit ratings, the IFRS 9 PD modelling approach uses a combination of rating grades and scores obtained from these credit risk models along with key factors such as the current/recent arrears status or the current/recent forbearance status and macroeconomic factors to obtain the relevant IFRS 9 12 month and Lifetime PDs (i.e. point in time). EBS has set out its methodologies and judgements exercised in determining its expected credit loss ('ECL') under IFRS 9 on pages 16 to 27.

Strong/satisfactory *(audited)*

Accounts are considered strong/satisfactory if they have no current or recent credit distress and the probability of default is typically less than 6.95%, they are not in arrears and there are no indications that they are unlikely to repay.

Strong (typically with PD less than 0.99%): Strong credit with no weakness evident.
Satisfactory (typically with PD greater than or equal to 0.99% and less than 6.95%): Satisfactory credit with no weakness evident.

Criticised *(audited)*

Accounts of lower quality and considered as less than satisfactory are referred to as criticised and include the following:
Criticised watch: The credit is exhibiting weakness in terms of credit quality and may need additional management attention; the credit may or may not be in arrears.
Criticised recovery: Includes forborne cases that are classified as performing including those which have transitioned from default forborne, but still require additional management attention to monitor for re-default and continuing improvement in terms of credit quality.

Non-performing/default *(audited)*

EBS's definition of default is aligned with the EBA 'Guidelines on the application of the definition of default' under Article 178 of Capital Requirements Regulation and ECB Banking Supervision Guidance to Banks on non-performing loans.

EBS has aligned the definitions of 'non-performing loans', 'classification of default' and IFRS 9 Stage 3 'credit impaired', with the exception of loans measured at fair value through profit and loss, and those loans which have been derecognised and newly originated in Stage 1 or POCI (purchased or originated credit impaired) which are no longer classified as credit impaired but continue to be classified as non-performing and in default. This alignment ensures consistency with EBS's internal credit risk management and assessment practices.

3.1 Credit risk

Internal credit ratings (continued) *(audited)*

Non-performing/default (continued) *(audited)*

Loans are identified as non-performing or defaulted by a number of characteristics. The key criteria resulting in a classification of non-performing are:

– Where EBS considers a borrower to be unlikely to pay their loans in full without realisation of collateral, regardless of the existence of any past-due amount; or
– The borrower is 90 days or more past due on any material loan. Day count starts when any material amount of principal, interest or fee has not been paid by a borrower on the due date.

The criteria for the definition of financial distress and forbearance are included in the AIB's Forbearance policy. Criteria for identification of non-performing exposures ('NPEs') and unlikeliness to pay are included in AIB's Definition of Default and Credit Impairment policy.

Credit risk monitoring *(audited)*

EBS has developed and implemented processes and information systems to monitor and report on individual credits and credit portfolios in order to manage credit risk effectively. It is EBS's practice to ensure that adequate up-to-date credit management information is available to support the credit management of individual account relationships and the overall loan portfolio.

Credit risk, at a portfolio level, is monitored using key risk indicators and early warning indicators which are reported regularly to senior management and the Board. Credit managers proactively manage EBS's credit risk exposures at a transaction and relationship level. Monitoring includes credit exposure and excess management, regular review of accounts, being up-to-date with any developments in customer business, obtaining updated financial information and monitoring of covenant compliance. This is reported on a regular basis to senior management and includes information and detailed commentary on loan book growth, quality of the loan book by stage and expected credit loss P&L drivers.

EBS allocates significant resources to ensure ongoing monitoring and compliance with approved risk limits. Credit risk, including compliance with key credit risk limits, is reported monthly. Once an account has been placed on a watch list, the exposure is carefully monitored and where appropriate, exposure reductions are effected.

Through a range of forbearance solutions, EBS employs a dedicated approach to loan workout, monitoring and proactive management of non-performing loans. A specialised recovery function focuses on managing the majority of criticised loans and deals with customers in default, collection or insolvency. Their mandate is to support customers in difficulty while maximising the return on non-performing loans. Whilst the basic principles for managing weaknesses in commercial and retail exposures are broadly similar, the solutions reflect the differing nature of the assets. Further details on forbearance are set out on page 41.

Credit risk mitigants *(audited)*

The perceived strength of a borrower's repayment capacity is the primary factor in granting a loan. However, EBS uses various approaches to help mitigate risks relating to individual credits, including transaction structure, collateral and guarantees. Collateral and/or guarantees are usually required as a secondary source of repayment in the event of the borrower's default. The main types of collateral for loans and advances to customers are described below under the section on Collateral. Credit policy and credit management standards are controlled and set centrally by the Credit Risk function.

Collateral *(audited)*

Credit risk mitigation may include a requirement to obtain collateral as set out in AIB's lending policies. Where collateral and/or guarantees are required, they are usually taken as a secondary source of repayment in the event of the borrower's default. AIB maintains policies which detail the acceptability of specific classes of collateral.

The principal collateral types for loans and advances are mortgage / legal charge over residential and commercial real estate.

The nature and level of collateral required depends on a number of factors such as the type of the facility, the term of the facility and the amount of exposure. Collateral held as security for financial assets other than for loans and advances is determined by the nature of the instrument. Debt securities and treasury products are generally unsecured, with the exception of asset backed securities, which are secured by a portfolio of financial assets.

Collateral is not usually held against loans and advances to banks, including central banks, except where securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement.

3.1 Credit risk

Credit risk mitigants (continued)

Collateral (continued) *(audited)*

Methodologies for valuing collateral *(audited)*

Details on the valuation rule methodologies applied and processes used to assess the value of property assets taken as collateral are described in AIB's Property Valuation Policy and Property Valuation Guidance and are both reviewed annually.

As residential and commercial mortgage loans comprise of all EBS's loans and advances portfolio, some key principles have been applied in respect of property collateral held by EBS.

The value of property collateral is assessed at loan origination and at certain stages throughout the credit lifecycle in accordance with the Group Property Valuation Policy e.g. where subject to annual review.

In accordance with AIB Group's Property Valuation Policy and Guidelines, EBS employs a number of methods to assist in reaching appropriate valuations for property collateral held. These include:

a. External Valuation firms on the Group's Valuers Panel, are engaged by EBS to undertake valuations of Immovable Property collateral in accordance with the rules set out in the Group Property Valuation Policy.
b. Internal valuations are completed by first line of defence case managers pursuant to the rules in the Group Property Valuation Policy and in line with the Group Property Valuation Guidance, which provides appropriate valuation methodology guidance, including the Index valuation approach – used for residential property.

Collateral and ECLs *(audited)*

Applying one or a combination of the above methodologies, in line with AIB's Property Valuation Policy, has resulted in an appropriate range of discounts to original collateral valuations, influenced by the nature, status and year of purchase of the asset. The frequency and availability of such up-to-date valuations remain a key factor within ECLs determination. The spread of discounts is influenced by the type of collateral, e.g. buy-to-let, residential and also its location. The valuation arrived at is therefore, a function of the nature of the asset.

When assessing the level of ECL allowance required for property loans, apart from the value to be realised from the collateral, other cash flows, such as recourse to other assets or sponsor support, are also considered, where available. The other key driver is the time it takes to receive the funds from the realisation of collateral. While this depends on the type of collateral and the stage of its development, the period of time to realisation is typically one to five years but sometimes this time period is exceeded.

Summary of risk mitigants by selected portfolios

Set out below are details of risk mitigants used by EBS in relation to financial assets detailed in the maximum exposure to credit risk table on page 28.

Residential mortgages

For residential mortgages, EBS takes collateral in support of lending transactions for the purchase of residential property. Collateral valuations are required at the time of origination of each residential mortgage. The value at 31 December 2023 and 2022 is estimated based on property values at origination or date of latest valuation and applying the CSO Residential Property Price Index to these values to take account of price movements in the interim.

Securities financing *(audited)*

In addition to the credit risk mitigants, the Group, from time to time, enters securities financing transactions. Securities financing consists of securities borrowing transactions, reverse repurchase agreements and securities sold under agreements to repurchase.

Derivatives *(audited)*

Collateral is not usually held against loans and advances to banks, including central banks, except where securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement.

Derivative financial instruments are recognised in the statement of financial position at their fair value. Those with a positive fair value are reported as assets which at 31 December 2023 amounted to €139m (2022: €336m) and those with a negative fair value are reported as liabilities which at 31 December 2023 amounted to €83m (2022: Nil).

Measurement, methodologies and judgements

Introduction *(audited)*

AIB Group has set out the methodologies used and judgements exercised in determining its ECL allowance for the year to 31 December 2023.

AIB Group, in estimating its ECL allowance does so in line with the expected credit loss impairment model as set out by the International Financial Reporting Standard 9 *Financial Instruments* ('the standard'). This model requires a timely recognition of ECL across AIB Group.

3.1 Credit risk

Measurement, methodologies and judgements (continued)

Introduction continued *(audited)*

The standard does not prescribe specific approaches to be used in estimating ECL allowance, but stresses that the approach must reflect the following:

– An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
– Underlying models should be point in time and forward looking – recognising economic conditions;
– The ECL must reflect the time value of money;
– A lifetime ECL is calculated for financial assets in Stage 2 and 3 and Purchased and Originated Credit Impaired ('POCI'); and
– The ECL calculation must incorporate reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The standard defines credit loss as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate ('EIR') or an approximation thereof (see 'Measurement' section below).

ECLs are defined in the standard as the weighted average of credit losses across multiple macroeconomic scenarios, with weights assigned based on the probability of each scenario occurring and are an estimate of credit losses over the life of a financial instrument.

The ECL model applies to financial instruments measured at amortised cost or at fair value through other comprehensive income. In addition, the ECL approach applies to loan commitments that are not measured at fair value through profit or loss.

A key principle of the ECL model is to reflect any relative deterioration or improvement in the credit quality of financial instruments occurring (e.g. change in the risk of a default). The ECL amount recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition together with the impact on credit risk parameters.

Bases of measurement *(audited)*

Under the standard, there are two measurement bases:

1. 12-month ECL (Stage 1), which applies to all financial instruments from initial recognition as long as there has been no significant increase in credit risk; and
2. Lifetime ECL (Stages 2 and 3 and POCI), which applies when a significant increase in credit risk has been identified on an account (Stage 2), an account has been identified as being credit-impaired (Stage 3) or when an account meets the POCI criteria.

Staging *(audited)*

Financial assets are allocated to stages dependent on credit quality relative to when assets were originated. A financial asset can only originate in either Stage 1 or POCI.

Credit risk at origination *(audited)*

Credit risk at origination ('CRAO') is a key input into the staging allocation process. The origination date of an account is determined by the date on which EBS became irrevocably committed to the contractual obligation and the account was first graded on an appropriate model.

For undrawn credit facilities, EBS uses the date of origination as the date when it becomes party to the irrevocable contractual arrangements or irrevocable commitment.

EBS uses best available information for facilities which originated prior to credit risk rating model or scorecard being in place.

For accounts that originated prior to 1 January 2018, a neutral view of the macroeconomic outlook at the time is used, i.e. where macroeconomic variables are used in the Lifetime PD models, long-run averages are used instead of historical forecasts.

Stage 1 characteristics *(audited)*

Obligations are classified Stage 1 at origination, unless POCI, with a 12 month ECL being recognised. These obligations remain in Stage 1 unless there has been a significant increase in credit risk. Accounts can also return to Stage 1 if they no longer meet either the Stage 2 or Stage 3 criteria, subject to satisfaction of the appropriate probation periods, in line with regulatory requirements.

Stage 2 characteristics *(audited)*

Obligations where there has been a 'significant increase in credit risk' ('SICR') since initial recognition but do not have objective evidence of credit impairment are classified as Stage 2. For these assets, lifetime ECLs are recognised.

EBS assesses at each reporting date whether a significant increase in credit risk has occurred on its financial obligations since their initial recognition. This assessment is performed on individual obligations rather than at a portfolio level. If the increase is considered significant, the obligation will be allocated to Stage 2 and a lifetime expected credit loss will apply to the obligation. If the change is not considered significant, a 12 month expected credit loss will continue to apply and the obligation will remain in Stage 1.

3.1 Credit risk

Measurement, methodologies and judgements (continued)

SICR assessment *(audited)*
AIB Group's SICR assessment is determined based on both quantitative and qualitative measures:

Quantitative measure: This measure reflects an arithmetic assessment of the change in credit risk arising from changes in the probability of default. EBS compares each obligation's annualised average probability weighted residual origination lifetime probability of default ('LTPD') (see 'Credit risk at origination') to its current estimated annualised average probability weighted residual LTPD at the reporting date. If the difference between these two LTPDs meets the quantitative definition of SICR, EBS transfers the financial obligation into Stage 2. Increases in LTPD may be due to credit deterioration of the individual obligation or due to macroeconomic factors or a combination of both.

EBS has determined that an account had met the quantitative measure if the average residual LTPD at the reporting date was at least double the average residual LTPD at origination, and the difference between the LTPDs was at least 85bps (50bps for the non-mortgage portfolio). The appropriateness of this threshold is kept under review by EBS.

Qualitative measure: This measure reflects the assessment of the change in credit risk based on EBS's credit management and the individual characteristics of the financial asset. This is not model driven and seeks to capture any change in credit quality that may not be already captured by the quantitative criteria. The qualitative assessment reflects pro-active credit management including monitoring of account activity on an individual or portfolio level, knowledge of client behaviour, and cognisance of industry and economic trends.

The qualitative criteria for this trigger include, for example:
– A downgrade to watch grade of the borrower's/facility's credit grade reflecting the increased credit management focus on these accounts; and/or
– Forbearance has been provided and the account is within the probationary period.

Backstop indicators: EBS has adopted the rebuttable presumption within IFRS 9 that loans greater than 30 days past due represent a significant increase in credit risk. Where SICR criteria are no longer a trigger the account can exit Stage 2 and return to Stage 1.

Stage 3 characteristics *(audited)*
Defaulted borrowers (with the exception of newly originated loans that are in Stage 1 or POCI) are classified as credit impaired and allocated to Stage 3. Where default criteria are no longer met, the borrower exits Stage 3 subject to probation period in line with regulatory requirements.

The key criteria resulting in a classification of default are:
– Where EBS considers a borrower to be unlikely to pay their loans in full without realisation of collateral, regardless of the existence of any past-due amount; or
– The borrower is 90 days or more past due on any material loan (count starts when any amount of principal, interest or fee has not been paid by a borrower at the date it was due).

Identification of non-performing exposures and unlikeliness to pay are included in AIB's Definition of Default and Credit Impairment policy.

Purchased or originated credit impaired ('POCI') *(audited)*
POCIs are assets originated credit impaired and that have a discount to the contractual value when measured at fair value. EBS uses an appropriate discount rate for measuring ECL in the case of POCIs which is the credit-adjusted effective interest rate. This rate is used to discount the expected cash flows of such assets to fair value on initial recognition.

POCI obligations remain outside of the normal stage allocation process for the lifetime of the obligation. The ECL for POCI obligations is always measured at an amount equal to lifetime expected credit losses. The amount recognised as a loss allowance for these assets is the cumulative changes in lifetime expected credit losses since the initial recognition of the assets rather than the total amount of lifetime expected credit losses.

Measurement of expected credit loss *(audited)*
The measurement of ECL is estimated through one of the following approaches:
i. Standard approach: This approach is used for the majority of exposures where each ECL input parameter (Probability of Default - PD, Loss Given Default - LGD, Exposure at Default - EAD, and Prepayments - PP) is developed in line with standard modelling methodology. EBS's IFRS 9 models have been developed and approved in line with AIB's Model Risk Management Framework.

ii. Simplified approach: For portfolios not on the standard approach, EBS has followed a simplified approach. This approach consists of applying portfolio level ECL averages, drawn from similar portfolios, where it is not possible to estimate individual parameters. These generally relate to portfolios where specific IFRS 9 models have not been developed due to immateriality, low volumes or where there are no underlying grading models. As granular PDs are not available for these portfolios, a non-standard approach to staging is required with more reliance on the qualitative criteria (along with the 30 days past due back-stop).

3.1 Credit risk
Measurement, methodologies and judgements (continued)
Measurement of expected credit loss (continued) *(audited)*

iii. Management judgement: Where the estimate of ECL does not adequately capture all available forward looking information about the range of possible outcomes or where there is a significant degree of uncertainty, management judgement may be considered appropriate for an adjustment to ECL. The management adjustment must consider all relevant and supportable information, including but not limited to, historical data analysis, predictive modelling and management experience.

The methodology to incorporate the adjustment should consider the degree of any relevant over collateralization (headroom) and should not result in a zero overall ECL unless there is sufficient headroom to support this. The key judgements in the 2023 year end ECL estimates are outlined on page 27.

Effective interest rate *(audited)*
The ECL must incorporate the time value of money discounted to the reporting date using the effective interest rate ('EIR') determined at initial recognition or an approximation thereof.
– EBS uses an approximation approach based on the account level interest rate when calculating ECL which is applied to both drawn and undrawn commitments.
– This approach is subject to an annual assessment that all proxies remain appropriate and do not result in a material misstatement of the ECL.
– EBS has tested the appropriateness of using current interest rates as an approximation for the discount rates required for measuring ECLs. This testing determined that using the current interest rates as the discount rates is an appropriate approximation.

Policy elections and simplifications
Low credit risk exemption *(audited)*
EBS utilises practical expedients, as allowed by IFRS 9, for the stage allocation of particular financial instruments which are deemed 'low credit risk'. This practical expedient permits EBS to assume, without more detailed analysis, that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have 'low credit risk' at the reporting date. EBS allocates such assets to Stage 1.

Under IFRS 9 the credit risk on a financial instrument is considered low if:
– the financial instrument has a low risk of default;
– the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
– adverse changes in economic business conditions in the longer term may, (but will not necessarily), reduce the ability of the borrower to fulfil its contractual cash flow obligations.

This low credit risk exemption is applied to particular assets within the debt securities investment portfolio and for loans and advances to banks, specifically, assets which have an internal grade equivalent to an external investment grade (BBB-) or higher.

EBS applies a quantitative backstop trigger of tripling of probability of default subject to a minimum threshold movement of 30bps to determine whether assets subject to the low credit risk exemption should be allocated to Stage 2. Additionally, if any of such assets are on a watch list based on agreed criteria, they are allocated to Stage 2.

IFRS 9 ECL Credit risk models *(audited)*
The IFRS 9 ECL models provide the risk parameters which are the inputs into the model driven estimate of ECL which is used across all exposures on the standard approach to ECL.

Probability of default *(audited)*
Probability of default ('PD') is the likelihood that an account or borrower defaults over an observation period, given that they are not currently in default for each year of the expected contractual lifetime of the exposure. The PD is a point in time estimate which is reflective of the current and expected economic conditions.

In order to capture the appropriate risk dynamics across the lifetime of the exposure the development process considers:
• Macroeconomic effects captured through factors such as unemployment rate and GDP;
• Cross-sectional risk discriminators in particular the internal rating model outputs plus other factors such as forbearance and days past due; and
• Seasoning factors such as product type, delinquency and forbearance status.

Loss given default *(audited)*
Loss given default ('LGD') is a current assessment of the amount that will not be recovered in the event of default, taking account of future conditions. It can be thought of as the difference between the amount owed to EBS (i.e. the exposure) and the net present value of future cash flows less any relevant costs expected to be incurred in the recovery process. If an account returns to performing from default (excluding any loss making concession) or if the discounted post-default recoveries are equal to or greater than the exposure, the realised loss is zero.

The LGD modelling approach depends on whether the facility has underlying security and, if so, the nature of that security.

3.1 Credit risk

Measurement, methodologies and judgements (continued)
IFRS 9 Credit risk models (continued)
Loss given default (continued) *(audited)*
The value of underlying property collateral is estimated at the forecasted time of disposal (taking into account forecasted market price growth/falls and haircuts on market values that are expected at the date of sale) in order to calculate the future recovery amount. Estimated costs of disposal are taken into account in this calculation.

Exposure at default *(audited)*
Exposure at default ('EAD') is defined as the exposure amount that will be owed by a customer at the time of default. This will comprise changes in the exposure amount between the reporting date and the date that the customer defaults. This may be due to repayments, interest and fees charged and additional drawdowns by the customer.

Prepayments *(audited)*
For term credit products, prepayment occurs where a customer fully prepays an account prior to the end of its contractual term.

Prepayment is used in the lifetime ECL calculation for Stage 2 loans to account for the proportion of the facilities/ customers that prepay each year.

Determining the period over which to measure ECL *(audited)*
Both the origination date and the expected maturity of a facility must be determined for ECL purposes. The origination date is used to measure credit risk at origination (as explained above).

The expected maturity is used for assets in Stage 2, where the ECL must be estimated over the remaining life of the facility.

The expected maturity approach for term credit products is:
– the contractual maturity date, with exposure and survival probability adjusted to reflect behaviour i.e. amortisation and pre-payment.

Forward looking indicators in models *(audited)*
For ECL calculations reliant on models in the standard and simplified approaches, forward looking indicators are incorporated into the models through the use of macroeconomic variables. These have been identified statistically as the key macroeconomic variables that drive the parameter being assessed (e.g. PD or LGD). The final model structure incorporates these as inputs with the 12 month and lifetime calculations utilising the macroeconomic forecasts for each scenario. See 'macroeconomic scenarios and weightings' below for more detail on the process for generating scenarios and associated key macroeconomic factors relevant for the models. In circumstances where there is a risk that the modelled output fails to capture the appropriate response to changes in the macroeconomic environment such as inflation and interest rate changes, these risks are captured through the use of post model adjustments.

Write-offs *(audited)*
When the prospects of recovering a loan, either partially or fully, do not improve, a point may come when it will be concluded that as there is no realistic prospect of recovery, the loan and any related ECL will be written-off. EBS determines, based on specific criteria, the point at which, there is no reasonable expectation of recovery, e.g. inception of formal insolvency proceedings or receivership/other formal recovery action. When the following criteria exist, the loan can be subject to a partial or full write-off:
– A decision has been taken to enforce on a loan, due to no agreement with the customer for a restructure / settlement, all Customer engagement with EBS regarding their loan agreement has ceased.
– Inception of formal insolvency proceedings or receivership/other formal recovery action.
– Receivership or other formal recovery action (e.g. where expectation of recovery of collateral is expected through enforcement activity but no additional recoveries above the collateral value are anticipated) has commenced or is about to commence; and
– A loan is substantially provided for or no material repayments have been received for a period of time (minimum 12 months) and all customer engagement with EBS regarding their loan agreement has ceased.
– Debt forgiveness may subsequently arise where there is a formal contract with the customer for the write-off of the loan. In addition, certain forbearance solutions and restructuring agreements may include an element of debt write down (debt forgiveness). Refer to page 41 for details of forbearance.

The contractual amount outstanding of loans written off during the year that are still subject to enforcement activity are outlined on page 35 and relate to non-contracted write-offs, both full and partial.

EBS recognises cash received from the customer in excess of the carrying value of the loan after a non-contracted write-off as ‘recoveries of amounts previously written-off’ in the income statement.

3.1 Credit risk

Measurement, methodologies and judgements (continued)

Macroeconomic scenarios and weightings

The macroeconomic scenarios used by EBS for ECL allowance calculations are subject to EBS's governance process covering the development and approval of macroeconomic scenarios for planning and stress testing. The economic scenarios and attached probabilities are reviewed by the AIB Group Asset and Liability Committee ('ALCo') regularly, and such reviews took place frequently during 2023 in response to economic developments. The scenarios are then reviewed and approved by the EBS Board and approved for use by the AIB Board. The scenario probabilities are approved by the EBS Audit Committee and by AIB Board Audit Committee ('BAC'). The parameters used within EBS's ECL models include macroeconomic factors which are established as drivers of the default risk and loss estimates. Therefore, a different credit loss estimate is produced for each scenario based on a combination of these identified macroeconomic factors. The credit loss estimates for each given scenario are then weighted by the assessed likelihood of occurrence of the respective scenarios to yield the ECL outcome.

Macroeconomic scenarios:

The Irish economy recovered strongly from the 'sudden stop' to activity induced by the Covid-19 pandemic but has been buffeted by a further shock caused by the war in Ukraine which exacerbated an already growing inflation problem due to a surge in energy and food prices. A series of interest rate increases by central banks to curb inflationary pressures has generated a cost-of-living squeeze on households and raised operating costs for businesses. Amid an environment of weakening confidence levels and elevated uncertainty, global growth slowed sharply during 2022 and 2023 (with real GDP now estimated to have contracted in 2023). The Irish economy has not been immune to these developments with GDP significantly impacted in 2023 whilst Modified Domestic Demand, a more appropriate measure of domestic activity, registered below-trend growth. As part of the process of deriving an ECL calculation, a range of plausible scenarios was considered given the prevailing trends, emerging risks and uncertainties facing the domestic and global economies, as at the financial reporting date.

AIB have used four scenarios in the ECL calculation consisting of a base scenario, along with three alternative scenarios. The Base case assumes that the global economy will experience a period of subdued growth amid continuing uncertainty regarding the outlook. Interest rates will gradually be reduced as inflation falls back towards target by 2026. The upside scenario considers the implications of an end to the war in Ukraine in the second half of 2024, improved consumer and business sentiment as well as a loosening of financial conditions. A moderate downside scenario assumes persistent inflation with higher-for-longer interest rates. In addition, the more severe downside considers an overly restrictive monetary policy tightening which quickly lowers inflation but, in the process, has a far more negative impact on economic activity than had been anticipated and exposes vulnerabilities in the financial system. These developments necessitate an aggressive series of cuts in official interest rates. Non-linear effects are captured in the development of risk parameters as well as through the inclusion of both the single upside and two downside scenarios.

AIB Group's Economic Research Unit ('ERU') provide the scenario forecasts over five years. These are then independently reviewed and challenged, on both a quantitative and qualitative basis, by the Bank's Risk function. The base case is benchmarked against the outlook available from official sources (e.g., Central Bank of Ireland, Department of Finance, ESRI, etc.) to ensure it is appropriate.

Upside and downside scenarios, relative to the base case, are provided to ensure a reasonable range of possible outcomes is available for the IFRS 9 process. These scenarios are benchmarked to alternative scenarios from official sources, where possible. The longer-term economic projections (beyond five years) are sourced from a reputable external provider with the internal scenarios converging on a linear basis towards the external forecasts from years 5 to 8. External long term forecasts represent long term base line forecasts for the parameter/economy in question. The forecasted scenarios are kept under review by the Bank's ALCo and approved by the AIB Board.

The scenarios used for the year end process are described below and reflect the views of EBS at the reporting date.

Base case: While fears of a recession have eased somewhat in many economies, the economic backdrop remains challenging with subdued global growth, stubborn inflation and interest rates that are expected to remain high over the medium term. Uncertainty also remains elevated due to the lagged impacts of the monetary tightening as well as other factors such as rising geopolitical risk.

The Irish economy has not been immune to this global slowdown during 2023 with multinational-related activities mostly affected. In the context of an under performance of GDP against expectations in 2023, AIB forecasts GDP growth to range from 3.5%-4.0% over the period 2024-2026, before decelerating to 3% by 2028. These estimates are broadly in line with official, institutional, and peer projections.

The unemployment rate in Ireland has approached near record lows with some sectors of the labour market characterised by a shortage of workers and a high rate of job vacancies. The unemployment rate is expected to rise moderately during the period 2024-2028 as economic growth 'normalises' following the rapid post-pandemic recovery. Inflation reached a 40-year high during 2023 but has moderated in recent months, helped by sharp declines in wholesale energy prices. However, core inflation remains 'sticky' and is expected to ease slowly.

3.1 Credit risk
Measurement, methodologies and judgements (continued)
Macroeconomic scenarios and weightings (continued)
A similar pattern is also evident for the Euro Area as a whole and it is likely to be 2025 before inflation falls back to the 2% rate targeted by the European Central Bank

House price inflation eased considerably in the past year in Ireland with rising interest rates, the cost-of-living squeeze and economic uncertainty acting as headwinds. While there has been a notable uptick in housing starts and completions over the course of 2023, ongoing housing supply shortfalls in addition to accumulated household savings will continue to support the market. Overall, modest growth in house prices is anticipated over the 2024-2028 period.

A gradual process of lowering official interest rates is expected to commence over the 2024-2025 period as inflation falls back towards target. However, over the period 2024-2028, rates are not expected to return to the historically lows levels of prior to the currently tightening cycle, as indicated by both futures contracts and central bank guidance.

Downside 1 (‘Persistent inflation’): In this scenario, a combination of high wage inflation, further margin widening by firms, and deepening geopolitical fragmentation (that weighs on global trade, impacting supply chains and boosting commodity prices) implies that inflation remains very high in 2024-2025. Central banks are forced to continue raising interest rates into 2025. Conditions in financial markets continue to tighten, with further rises in bond yields and credit spreads and a resumption of contracting stock markets. As a result, the major economies all experience a significant recession in 2024, followed by a sluggish recovery in activity. In Ireland’s case, GDP growth remains lacklustre at 1.3% in 2024 and 2% in 2025. GDP is 4.5% lower in Ireland compared to the base case by 2026. There is also a marked rise in unemployment to circa 8% by end-2026. The recession and sharp rise in unemployment eventually sees inflation move decidedly lower by late 2025/26. There are very big falls in property prices. House prices in Ireland decline by 13% by 2025.

The ECB raises rates to 5.5% by mid-2025. Rates are then cut aggressively from Q4 2025 onwards (to 1% by early-2027) as inflation falls sharply before remaining on hold, as inflation stabilises around 2%.

Downside 2 (‘Credit crunch’): In this scenario, monetary tightening has a far more negative impact on economic activity than had been anticipated by central banks, with higher rates exposing, *inter alia*, further vulnerabilities in the financial system during 2024. Banks take a far more cautious approach to lending activities, as they are hit by rising bad debts with global property prices falling sharply. The world economy experiences a credit crunch, with rising bad debts. The lagged effects of the marked monetary tightening, in particular a sharp tightening in credit conditions, triggers a severe global recession in 2024-25. Irish GDP contracts by 1.5% in both 2024 and 2025 and is 12.5% lower by 2026 than in the base case. There is a modest pick-up in global activity from 2026 onwards after interest rates are lowered aggressively in 2024-25 and inflation falls back to its 2% target.

Jobless rates rise quickly and to very high levels in the main economies and Irish unemployment rises sharply to an average of 12.5% by 2027. Residential property prices in Ireland decline, in cumulative terms, by 24% over the 2024-26 period, followed by only a slight recovery in the market during 2027-28.

Central banks lower rates aggressively as economies enter a deep recession. Interest rates are reduced to 1% in the Eurozone by end-2025 and put on hold thereafter to end-2028, with inflation stabilising around 2%.

Upside (‘Quick economic recovery’): In this more benign scenario, the economic environment improves following an end to the war in Ukraine in the second half of 2024 which helps boost business and consumer confidence. In addition, there is a faster than anticipated rundown of personal and corporate savings and a loosening of financial conditions. Global economic activity rebounds as a result. Irish GDP growth averages 5% in 2024-2025 and 4.5% in 2026 while unemployment falls to new record lows. With a more rapid pace of economic expansion, there is an uptick in inflation once again that is slower to decline than in the base case, gradually easing back to 2% by 2027-28.

With the stronger growth in economic activity, Irish house prices perform much better than in the base case scenario rising by 4-4.5% per annum over the 2023-25 period.

Central banks continuing to raise official interest rates in 2024 with rates reaching much higher levels than in the base case peaking at 5.25% in the Euro Area. They are kept on hold at these levels until later in 2028.

3.1 Credit risk

Measurement, methodologies and judgements (continued)

Macroeconomic scenarios and weightings (continued)

The table below sets out the five year forecast for each of the key macroeconomic variables that are required to generate the scenarios or are material drivers of the ECL under (i) Base, (ii) Downside 1, (iii) Downside 2 and (iv) Upside scenarios at 31 December 2023 (average over 2024-2028) and at 31 December 2022 (average over 2023-2027).

	December 2023 5 year (2024-2028) average forecast				December 2022 5 year (2023-2027) average forecast			
Macroeconomic factor (%)	**Base**	**Downside 1 (‘Persistent inflation’)**	**Downside 2 (‘Credit crunch’)**	**Upside (‘Quick recovery’)**	Base	Downside 1 (‘Lower growth in 2023’)	Downside 2 (‘Energy shock and persistently high inflation’)	Upside (‘Quick economic recovery’)
Republic of Ireland								
GDP growth	**3.5**	**3.0**	**1.1**	**4.2**	3.6	3.4	2.6	4.3
Residential property price growth	**2.1**	**(0.5)**	**(4.7)**	**3.6**	2.5	0.2	(4.3)	3.8
Unemployment rate	**5.5**	**7.1**	**10.4**	**3.6**	5.0	6.8	8.5	3.9
Employment growth	**1.6**	**0.9**	**(0.6)**	**1.9**	1.6	1.1	0.2	1.9
Average disposable Income growth	**5.2**	**4.9**	**3.3**	**6.5**	5.1	4.3	3.4	6.0
Inflation	**2.3**	**3.3**	**2.1**	**3.4**	2.7	2.7	3.9	3.5

3.1 Credit risk

Measurement, methodologies and judgements (continued)

Macroeconomic scenarios and weightings (continued)

Additional information is provided in the table below which details the individual macroeconomic factor forecast for each year across the four scenarios, as at 31 December 2023.

	Estimate	Base					Downside 1 ('Persistent inflation')				
Macroeconomic factor	2023 %	2024 %	2025 %	2026 %	2027 %	2028 %	2024 %	2025 %	2026 %	2027 %	2028 %
Republic of Ireland											
GDP growth	1.0	3.7	4.0	3.5	3.2	3.0	1.3	2.0	3.2	4.0	4.5
Residential property price growth	(1.5)	1.0	2.0	2.5	2.5	2.5	(8.5)	(2.0)	3.0	2.5	2.5
Unemployment rate	4.5	5.1	5.3	5.6	5.7	5.8	5.2	6.9	7.8	8.0	7.7
Employment growth	2.9	1.8	1.7	1.6	1.6	1.5	0.5	(0.2)	0.7	1.3	2.0
Average disposable income growth	7.7	6.8	5.7	4.6	4.6	4.5	6.8	5.0	4.5	4.2	4.0
Inflation	5.3	3.0	2.4	2.0	2.0	2.0	5.5	4.5	2.5	2.0	2.0

	Downside 2 ('Credit crunch')					Upside ('Quick recovery')				
Macroeconomic factor	2024 %	2025 %	2026 %	2027 %	2028 %	2024 %	2025 %	2026 %	2027 %	2028 %
Republic of Ireland										
GDP growth	(1.5)	(1.5)	0.5	3.5	4.5	5.0	5.0	4.5	3.7	3.0
Residential property price growth	(12.0)	(13.0)	(1.0)	1.0	1.5	4.0	4.5	4.0	3.0	2.5
Unemployment rate	6.3	9.4	11.7	12.5	12.0	3.9	3.7	3.5	3.4	3.4
Employment growth	(1.1)	(2.5)	(1.7)	0.4	2.0	2.2	2.0	2.0	1.7	1.5
Average disposable Income growth	4.5	2.5	2.5	3.2	4.0	8.2	7.5	6.5	5.2	5.0
Inflation	2.6	2.0	2.0	2.0	2.0	5.5	4.0	3.0	2.5	2.0

The key changes to the scenario forecasts in the reporting period have been driven by a weaker global growth outlook (although the risk of recession in some advanced economies, such as the UK, has receded) as a result of weaker growth in the global labour force and increased geo-economic fragmentation with slower growth in world trade. In relation to the Irish economy, international headwinds have impacted headline GDP growth figures during 2023 with underlying domestic demand less affected. Important upward revisions to the Irish unemployment rate forecasts for the entire scenario horizon were required in late 2023 on foot of higher-than-expected trends in official data. This occurred despite strong employment growth and was explained by strong labour force growth driven by higher participation rates, particularly among women, and inward migration.

The four scenarios detailed above are used to reflect a representative sample of possible outcomes. The ECL allowance reflects a weighted average of the credit loss estimates under the four scenarios.

Similar to the scenario forecasts, the probability weight assigned to each scenario is proposed by the AIB Group's ERU. These are reviewed and approved by the AIB Group's governance processes, and by the EBS Audit Committee and Board. The probabilities described below reflect the views of EBS at the reporting date.

3.1 Credit risk

Measurement, methodologies and judgements (continued)

Macroeconomic scenarios and weightings (continued)

The weights for the scenarios at the reporting date are derived based on expert judgement, but informed by quantitative analysis (e.g., early warning indicators of economic activity and property market values) and external market information where possible.

The key drivers of the weightings are:

- The Base scenario assumptions for global growth remain very subdued when viewed in a historical context. Estimates of headline GDP growth in 2023 for Ireland have been scaled back, reflecting a big decline in output from the pharma and ICT sectors following a surge in activity in these sectors over the 2021-2022 period overlapping with the Covid pandemic. For the period 2024-2026, the Irish GDP growth forecast remains unchanged compared to mid-year and are aligned with official forecasts.
- With regard to the scenario probability weightings, the risks to growth remain very much to the downside as highlighted in recent commentary from institutions such as the OECD, IMF, ECB, and Central Bank of Ireland. Many economies, particularly in Europe, have lost momentum and central banks have indicated that interest rates may have to remain higher for longer in order to restore price stability given fears that core inflation may prove persistent.
- A sharper than expected slowdown in China is a significant risk also, especially if the real estate crisis deepens further. Geo-political risks remain elevated and have been exacerbated by the conflict in Gaza, while the outcome of the US presidential election at the start of 2025 could add to global uncertainty.
- Despite these downside risks, compared to December 2022, the more substantial risks to the downside have somewhat alleviated due to a lower impact from tighter monetary policy than previously anticipated. Hence the weighting associated with the Downside 2 scenario has reduced from 15% to 10%.

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

Scenario *(audited)*	**Weighting 31 December 2023**		**Weighting 31 December 2022**
Base	**50%**	Base	45 %
Downside 1 ('Persistent inflation’)	**30%**	Downside 1 ('Lower growth in 2023’)	30 %
Downside 2 ('Credit crunch')	**10%**	Downside 2 ('Energy shock and persistently high inflation')	15 %
Upside ('Quick recovery')	**10%**	Upside ('Quick economic recovery')	10 %

In assessing the adequacy of the ECL allowance, EBS has considered all available forward-looking information as of the balance sheet date in order to estimate the future expected credit losses. EBS, through its risk management processes (including the use of expert credit judgement and other techniques) assesses its ECL allowance for events that cannot be captured by the statistical models it uses and for other risks and uncertainties. The assessment of ECL at the balance sheet date does not reflect the worst case outcome, but rather a probability-weighted outcome of the four scenarios. Should the credit environment deteriorate beyond EBS’s expectation, EBS’s estimate of ECL would increase accordingly.

Sensitivities *(audited)*

EBS's estimates of expected credit losses are responsive to varying economic conditions and forward looking information. These estimates are driven by the relationship between historic experienced loss and the combination of macroeconomic variables. Given the co-relationship of each of the macroeconomic variables to one another and the fact that loss estimates do not follow a linear path, a sensitivity to any single economic variable is not meaningful. As such, the following sensitivities provide an indication of ECL movements that include changes in model estimates, and quantitative SICR staging assignments, with a single 100% weighting applied. Increased sensitivity for the downside 2 ‘Credit crunch’ scenario is evident in the 2023 sensitivities compared to Reported and 100% Base, driven predominantly by underlying model and staging sensitivities (including a redeveloped mortgage model suite across all key risk parameters), some more negative macro assumptions, and an element of macro sensitive PMA allocation where relevant). Further details on post model adjustments are outlined on page 27.

3.1 Credit risk

Measurement, methodologies and judgements (continued)

Sensitivities (continued) *(audited)*

Relative to the base scenario, in the 100% downside 'Persistent inflation' and 'Credit crunch' scenario, the ECL allowance increases by 12% and 129% respectively. In the 100% upside scenario, the ECL allowance declines by 9%, showing that the ECL impact of the two downside scenarios is greater than that of the upside scenario. At 31 December 2023, a 100% downside 'Persistent inflation' and 'Credit crunch' scenarios sees a higher ECL allowance sensitivity of €16m and €183m respectively compared to base (€8m and €175m respectively compared to reported).

(Audited)	**ECL allowance at 31 December 2023**				
	Reported	**100% Base**	**100% Downside Scenario ('Persistent inflation')**	**100% Downside Scenario ('Credit crunch')**	**100% Upside Scenario ('Quick recovery')**
	Total	**Total**	**Total**	**Total**	**Total**
Loans and advances to customers	**€m**	**€m**	**€m**	**€m**	**€m**
Residential mortgages	**147**	**139**	**155**	**321**	**125**
Other personal	**—**	**—**	**—**	**—**	**—**
Property and construction	**3**	**3**	**3**	**3**	**3**
Non-property business	**—**	**—**	**—**	**—**	**—**
Total	**150**	**141**	**158**	**324**	**128**
Off-balance sheet loan commitments	**—**	**—**	**—**	**—**	**—**
	150	**141**	**158**	**324**	**128**

(Audited)	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')
	Total	Total	Total	Total	Total
Loans and advances to customers	€m	€m	€m	€m	€m
Residential mortgages	152	147	152	169	145
Property and construction	4	4	5	5	4
Total	156	151	157	174	149
Off-balance sheet loan commitments	—	—	—	—	—
	156	151	157	174	149

3.1 Credit risk

Measurement, methodologies and judgements (continued)

Post model adjustments *(audited)*

Post model adjustments ('PMAs') are applied where management believe that they are necessary to ensure an adequate level of overall 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 post model adjustments are considered against the backdrop of the risk profile of the loan book, recent loss history or changes in underlying resolution strategies not captured in the models and management's view of emerging trends. Releases of PMAs may occur as new models are deployed (i.e. mortgage model) or where the risk has been judged by management to be captured in the model outcomes.

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

- NPE resolution – ECL adjustments where the current model does not take into account alternative strategies such as portfolio sales.
- Emerging headwinds – ECL adjustments required where the modelled outcomes are not sensitive to the uncertainties associated with the impact of current emerging economic headwinds.
- Macroeconomic factors – ECL adjustments reflecting the changed impact / timing of certain macroeconomic factors.

			2023
	Residential mortgages	**Commercial mortgages**	**Total**
Post model adjustments *(audited)*	**€m**	**€m**	**€m**
NPE resolution	**35**	**—**	**35**
Emerging headwinds	**5**	**—**	**5**
PMA total	**40**	**—**	**40**

			2022
	Residential mortgages	Commercial mortgages	Total
Post model adjustments *(audited)*	€m	€m	€m
NPE resolution	85	—	85
Emerging headwinds	12	—	12
Macroeconomic factors	11	—	11
PMA total	108	—	108

NPE resolution *(audited)*

The redeveloped IFRS9 mortgage model was deployed in 2023 and now incorporates portfolio sales as a potential NPE resolution mechanism. The enhancements to the model resulted in an increase in modelled ECL which allowed for the release of substantially all the mortgage NPE resolution PMA held at 31 December 2022 to reflect potential sales outcomes not captured in the model.

A new PMA of €35 million was implemented at 31 December 2023 on Stage 3 mortgages, primarily to address potential ECL underestimation from higher yields in the current interest rate environment impacting portfolio sale assumptions within the mortgage model and uncertainty of the timing to transact NPE mortgage portfolio sales.

Emerging headwinds *(audited)*

Particular focus from management was on assessing the combined effects of cost of living challenges, persistent inflationary pressures and rising interest rates on customer’s ability to repay. The ultimate impact of these effects is highly uncertain, however should they lead to a reduction in customer’s ability to meet their loan repayment obligations, there will be an increase in credit risk which is expected to have a negative impact on the asset quality of the mortgage portfolio.

A PMA of €12 million from 2022 has been reduced by €7 million, with €5 million retained to ensure appropriate cover is provided against downside risks as fixed rate mortgages contracts roll off over the next 3 years.

Macroeconomic factors *(audited)*

An ECL adjustment of €11 million at 31 December 2022 to reflect limitations within the mortgage model relating to the house price index (‘HPI’) growth, has been released following deployment of the redeveloped IFRS9 mortgage model.

Risk management report

3.1 Credit risk - Credit exposure overview

Maximum exposure to credit risk *(audited)*

Maximum exposure to credit risk from on-balance sheet and off-balance sheet financial instruments is presented before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). For financial assets recognised on the statement of financial position, the maximum exposure to credit risk is their carrying amount, and for financial guarantees and similar contracts granted, it is the maximum amount EBS would have to pay if the guarantees were called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

The following table sets out the maximum exposure to credit risk that arises within EBS and distinguishes between those assets that are carried in the statement of financial position at amortised cost and those carried at fair value at 31 December 2023 and 2022:

			2023			2022
Maximum exposure to credit risk	**Amortised Cost[1]**	**Fair Value[2]**	**Total**	Amortised Cost[1]	Fair Value[2]	Total
(audited)	**€m**	**€m**	**€m**	€m	€m	€m
Cash and balances at central banks	**74**	**—**	**74**	93	—	93
Derivative financial instruments	**—**	**139**	**139**	—	336	336
Loans and advances to banks	**3,829**	**—**	**3,829**	3,380	—	3,380
Loans and advances to customers	**11,457**	**—**	**11,457**	10,709	—	10,709
Included elsewhere:						
Accrued interest	**2**	**—**	**2**	2	—	2
Other assets	**—**	**—**	**—**	6	—	6
	15,362	**139**	**15,501**	14,190	336	14,526
Off balance sheet loan commitments [3]	**498**	**—**	**498**	428	—	428
Maximum exposure to credit risk	**15,860**	**139**	**15,999**	14,618	336	14,954

[1] All amortised cost items are loans and advances which are in a 'held-to-collect' business model.
[2] All items measured at fair value except investment securities at FVOCI and cash flow hedging derivatives are classified as 'fair value through profit or loss'.
[3] 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.

3.1 Credit risk - Credit exposure overview

Maximum exposure to credit risk *(audited)*

Credit risk exposure derives from standard on-balance sheet products such as mortgages. In addition, credit risk arises from other products and activities including 'off-balance sheet' commitments.

The following table summarises financial instruments in the statement of financial position at 31 December 2023 and 2022:

(Audited)				**2023**				2022
	Statement of financial position			**Income statement**	Statement of financial position			Income statement
	Exposure	**ECL allowance**	**Carrying amount**	**Net credit impairment writeback/ (charge)**	Exposure	ECL allowance	Carrying amount	Net credit impairment writeback/ (charge)
	€m	**€m**	**€m**	**€m**	€m	€m	€m	€m
Loans and advances to banks	**3,829**	**—**	**3,829**	**—**	3,380	—	3,380	—
Loans and advances to customers:	**11,607**	**(150)**	**11,457**	**4**	10,865	(156)	10,709	4
	15,436	**(150)**	**15,286**	**4**	14,245	(156)	14,089 -	4
Loan commitments	**498**	**—**	**498**	**—**	428	—	428	—
Total	**15,934**	**(150)**	**15,784**	**4**	14,673	(156)	14,517	4

There was a €4m net credit impairment writeback in the year comprised of a writeback of €15m for impact of updated macroeconomic scenarios and weightings, post model adjustments, repayments and recoveries of amounts previously written off, partially offset by a charge of €11m for stage transfers and new lending.

Updated macroeconomic scenarios and weightings applied during 2023 resulted in a €2m writeback, which was due to changes in the macroeconomic outlook. The ECL allowance movements are outlined on pages 34 and 35.

Recoveries of amounts previously written-off amounted to €3m in 2023 (2022: €4m).

Further details on the net credit impairment charge in the year to 31 December 2023 are set out on page 87.

3.1 Credit risk - Credit profile of the loan portfolio

The following table analyses the loan portfolio by ECL staging at 31 December 2023 and 2022:

Amortised cost			2023			2022
	Residential mortgages	Commercial mortgages	Total	Residential mortgages	Commercial mortgages	Total
Gross loans and advances to customers	€m	€m	€m	€m	€m	€m
Total gross carrying amount	**11,587**	**20**	**11,607**	10,836	29	10,865
Analysed as to ECL staging						
Stage 1	**10,362**	**8**	**10,370**	9,952	10	9,962
Stage 2	**820**	**3**	**823**	462	4	466
Stage 3	**336**	**9**	**345**	352	15	367
POCI	**69**	**—**	**69**	70	—	70
Total	**11,587**	**20**	**11,607**	10,836	29	10,865
ECL allowance - statement of financial position	€m	€m	€m	€m	€m	€m
Stage 1	**9**	**1**	**10**	14	—	14
Stage 2	**26**	**—**	**26**	18	—	18
Stage 3	**106**	**2**	**108**	113	4	117
POCI	**6**	**—**	**6**	7	—	7
Total ECL allowance	**147**	**3**	**150**	152	4	156
Carrying amount loans and advances	**11,440**	**17**	**11,457**	10,684	25	10,709
ECL allowance cover percentage	%	%	%	%	%	%
Stage 1	**0.1**	**12.5**	**0.1**	0.1	0.6	0.1
Stage 2	**3.1**	**—**	**3.1**	3.8	7.6	3.8
Stage 3	**31.5**	**22.2**	**31.4**	32.1	26.6	31.9
POCI	**9.2**	**—**	**9.2**	10.2	—	10.2
Income statement	€m	€m	€m	€m	€m	€m
Net remeasurement of loss allowance	**(3)**	**2**	**(1)**	4	(4)	—
Recoveries of amounts previously written-off	**(3)**	**—**	**(3)**	(4)	—	(4)
Net credit impairment writeback	**(6)**	**2**	**(4)**	—	(4)	(4)

3.1 Credit risk - Credit profile of the loan portfolio (continued)

Internal credit grade profile by ECL staging *(audited)*

The table below analyses the internal credit grading profile by ECL staging for loans and advances to customers at 31 December 2023 and 2022:

Amortised cost *(audited)*					**2023**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Total	**€m**	**€m**	**€m**	**€m**	**€m**
Strong	**8,967**	**429**	**—**	**14**	**9,410**
Satisfactory	**1,260**	**78**	**—**	**2**	**1,340**
Total strong/satisfactory	**10,227**	**507**	**—**	**16**	**10,750**
Criticised Watch	**142**	**249**	**—**	**3**	**394**
Criticised Recovery	**1**	**67**	**—**	**33**	**101**
Total criticised	**143**	**316**	**—**	**36**	**495**
Non Performing	**—**	**—**	**345**	**17**	**362**
Gross carrying amount	**10,370**	**823**	**345**	**69**	**11,607**
ECL allowance	**(10)**	**(26)**	**(108)**	**(6)**	**(150)**
Total carrying amount	**10,360**	**797**	**237**	**63**	**11,457**

Amortised cost					2022
	Stage 1	Stage 2	Stage 3	POCI	Total
Total	€m	€m	€m	€m	€m
Strong	8,652	39	—	3	8,694
Satisfactory	1,178	41	—	1	1,220
Total strong/satisfactory	9,830	80	—	4	9,914
Criticised Watch	132	292	—	1	425
Criticised Recovery	—	94	—	49	143
Total criticised	132	386	—	50	568
Non Performing	—	—	367	16	383
Gross carrying amount	9,962	466	367	70	10,865
ECL allowance	(14)	(18)	(117)	(7)	(156)
Total carrying amount	9,948	448	250	63	10,709

Gross loans and advances to customers

Gross loans and advances to customers increased by €742m to €11,607m in the year to 31 December 2023, as new business and interest charge of €2.1bn outpaced redemptions of €1.4bn. New lending activity was €93m higher than 2022.

Stage 2 loans increased by €357m to €823m. The increase was primarily driven by the implementation of the redeveloped mortgage model.

Stage 3 loans decreased by €22m to €345m. This reduction reflects repayments net of interest credited €54m, and other balance sheet movements €8m partially offset by net flow from performing loans of €40m during the year.

Of the total loans to customers of €11,607m, €10,750m or 93% are rated as either 'strong' or 'satisfactory' which is an increase of €836m (2022: €9,914m or 91%). The 'criticised' classification includes 'criticised watch' of €394m and 'criticised recovery' of €101m, the total of which has decreased by €73m. Overall, the total performing book has increased by €763m to €11,245m (2022: €10,482m).

ECL allowance *(audited)*

The ECL allowance on loans and advances to customers decreased by €6m to €150m in the year due to Remeasurement in stage and other movements partially offset by ECL impact of transfers between stages.

The ECL cover rate decreased from 1.4% at 31 December 2022 to 1.3% at 31 December 2023.

3.1 Credit risk - Credit profile of the loan portfolio (continued)

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 31 December 2023 and 2022. The 'internal credit grading profile by ECL staging' table above 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.

							2023					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%	**9,693**	**483**	**—**	**40**	**10,216**	9,223	103	—	37	9,363
4 - 7	1.23%	6.94%	**587**	**78**	**—**	**3**	**668**	667	54	—	6	727
8 - 10	6.94%	99.99%	**90**	**262**	**—**	**9**	**361**	72	309	—	11	392
11	100.00%	100.00%	**—**	**—**	**345**	**17**	**362**	—	—	367	16	383
Gross carrying amount			**10,370**	**823**	**345**	**69**	**11,607**	9,962	466	367	70	10,865

At 31 December 2023, 94% of the portfolio is in quality codes 1 to 7 which are strong/satisfactory (2022: 93%), 3% of the portfolio is in quality codes 8 to 10 which are criticised (2022: 4%) and the final 3% in quality code 11 which is in default (2022: 3%).

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

Non-performing loans

The table below analyses non-performing loans and advances to customers as at 31 December 2023 and 2022:

			2023
	Residential mortgages	**Commercial mortgages**	**Total**
Non-performing loans	**€m**	**€m**	**€m**
At amortised cost	**354**	**8**	**362**
Total non-performing loans and advances to customers	**354**	**8**	**362**
Non-performing loans as a % of total loans and advances to customers	**3.1 %**	**42.1 %**	**3.1 %**
ECL allowance as a % of total loans and advances to customers carried at amortised cost	**31.6 %**	**10.53 %**	**31.5 %**

			2022
	Residential mortgages	Commercial mortgages	Total
Non-performing loans	€m	€m	€m
At amortised cost	368	15	383
Total non-performing loans and advances to customers	368	15	383
Non-performing loans as % of total loans and advances to customers	3.4 %	51.7 %	3.5 %
ECL allowance as a % of total loans and advances to customers carried at amortised cost	32.7 %	26.7 %	32.4 %

Non-performing loans are aligned to EBS's definition of default and Stage 3 credit impaired with the exception of those originating in POCI (€17m). Non-performing loans have reduced by €21m to €362m or 3.1% of gross loans and advances to customers (2022: €383m and 3.5%). This reduction reflects net repayments €63m, offset by underlying net flow to non-performing loans of €39m and other balance sheet movements €3m during the year.

Residential mortgages non-performing loans decreased from €368m at 31 December 2022 to €354m at 31 December 2023. Commercial mortgages non-performing loans decreased from €15m to €8m at 31 December 2023.

3.1 Credit risk - Credit profile of the loan portfolio (continued)

Gross loans[(1)] and ECL movements *(audited)*

The following tables set out the movements in the gross carrying amount and ECL allowances for loans and advances to customers by ECL staging for the years to 31 December 2023 and 2022.

Amounts that triggered movements between Stage 1 and Stage 2 as a result of failing/curing a quantitative measure only (as disclosed on page 18) and that subsequently reverted within the period to their original stage, are excluded from 'Transferred from Stage 1 to Stage 2' and 'Transferred from Stage 2 to Stage 1'. EBS believes this presentation aids the understanding of underlying credit migration.

Gross carrying amount movements - total *(audited)*

					2023
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
At 1 January	**9,962**	**466**	**367**	**70**	**10,865**
Transferred from Stage 1 to Stage 2	**(541)**	**541**	**—**	**—**	**—**
Transferred from Stage 2 to Stage 1	**385**	**(385)**	**—**	**—**	**—**
Transferred to Stage 3	**(5)**	**(99)**	**104**	**—**	**—**
Transferred from Stage 3	**13**	**51**	**(64)**	**—**	**—**
New loans originated/top-ups	**1,767**	**—**	**—**	**—**	**1,767**
Redemptions/repayments	**(1,216)**	**(90)**	**(63)**	**(8)**	**(1,377)**
Interest credited	**274**	**18**	**9**	**2**	**303**
Write-offs	**—**	**—**	**(6)**	**—**	**(6)**
Derecognised due to disposals	**—**	**—**	**(3)**	**—**	**(3)**
Impact of model, parameter and overlay changes	**(318)**	**318**	**—**	**—**	**—**
Other movements	**49**	**3**	**1**	**5**	**58**
At 31 December	**10,370**	**823**	**345**	**69**	**11,607**

					2022
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
At 1 January	9,401	599	426	82	10,508
Transferred from Stage 1 to Stage 2	(489)	489	—	—	—
Transferred from Stage 2 to Stage 1	486	(486)	—	—	—
Transferred to Stage 3	(11)	(118)	129	—	—
Transferred from Stage 3	14	74	(88)	—	—
New loans originated/top-ups	1,674	—	—	—	1,674
Redemptions/repayments	(1,397)	(106)	(56)	(9)	(1,568)
Interest credited	235	12	7	1	255
Write-offs	—	—	(6)	(1)	(7)
Derecognised due to disposals	—	(1)	(49)	(5)	(55)
Exchange translation adjustments	—	(1)	—	—	(1)
Other movements	49	4	4	2	59
At 31 December	9,962	466	367	70	10,865

[(1)]The gross carrying amount movement is recorded at each month end with movements calculated versus the position at previous month end. The sum of all 12 months movement is then presented.

3.1 Credit risk - Credit profile of the loan portfolio (continued)

Gross loans and ECL movements (continued)

ECL allowance movements - total *(audited)*

					2023
	Stage 1 €m	**Stage 2 €m**	**Stage 3 €m**	**POCI €m**	**Total €m**
At 1 January	**14**	**18**	**117**	**7**	**156**
Transferred from Stage 1 to Stage 2	**(1)**	**15**	**—**	**—**	**14**
Transferred from Stage 2 to Stage 1	**3**	**(7)**	**—**	**—**	**(4)**
Transferred to Stage 3	**—**	**(5)**	**9**	**—**	**4**
Transferred from Stage 3	**—**	**2**	**(6)**	**—**	**(4)**
Net remeasurement	**2**	**(6)**	**6**	**(2)**	**—**
New loans originated/top-ups	**1**	**—**	**—**	**—**	**1**
Redemptions/repayments	**(1)**	**(1)**	**—**	**—**	**(2)**
Impact of model and overlay changes	**(6)**	**7**	**(7)**	**(3)**	**(9)**
Impact of credit or economic risk parameters	**(2)**	**3**	**(2)**	**—**	**(1)**
Income statement credit impairment (writeback)/ charge	**(4)**	**8**	**—**	**(5)**	**(1)**
Write-offs	**—**	**—**	**(6)**	**—**	**(6)**
Derecognised due to disposals	**—**	**—**	**(3)**	**—**	**(3)**
Other movements	**—**	**—**	**—**	**4**	**4**
At 31 December	**10**	**26**	**108**	**6**	**150**

					2022
	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m
At 1 January	16	22	124	23	185
Transferred from Stage 1 to Stage 2	(1)	13	—	—	12
Transferred from Stage 2 to Stage 1	5	(12)	—	—	(7)
Transferred to Stage 3	—	(5)	10	—	5
Transferred from Stage 3	1	4	(21)	—	(16)
Net re-measurement	(1)	—	(1)	(3)	(5)
New loans originated/top-ups	1	—	—	—	1
Redemptions/repayments	(1)	(2)	—	—	(3)
Impact of model and overlay changes	(6)	(2)	27	(9)	10
Impact of credit or economic risk parameters	—	—	3	—	3
Income statement credit impairment (writeback)/ charge	(2)	(4)	18	(12)	—
Write-offs	—	—	(6)	(1)	(7)
Derecognised due to disposals	—	—	(22)	—	(22)
Other movements	—	—	3	(3)	—
At 31 December	14	18	117	7	156

Total exposures to which an ECL applies increased during the year by €742m from €10,865m at 1 January 2023 to €11,607m at 31 December 2023.

3.1 Credit risk - Credit profile of the loan portfolio (continued)

Gross loans and ECL movements (continued) *(audited)*

Stage transfers are a key component of ECL allowance movements (i.e. Stage 1 to Stage 2 to Stage 3) being the primary driver of a higher income statement charge (and vice versa) in addition to the net re-measurement of ECL due to change in risk parameters within a stage.

Transfers from Stage 1 to Stage 2 of €541m represent the underlying credit activity where a significant increase in credit risk occurred at some point during the year through either the quantitative or qualitative criteria for stage movement. The main driver of the movements to Stage 2 was the doubling of PD since loan origination, subject to a minimum 85bps increase, (50bps for the non-mortgage portfolio). Impact of models, parameter and overlay changes due to the implementation of the redeveloped mortgage model resulted in a further €318m transfer from Stage 1 to Stage 2.

Similarly, transfers from Stage 2 to Stage 1 of €385m 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.

Transfers from Stage 2 to Stage 3 of €99m 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.

Transfers from Stage 3 to Stage 2 of €51m 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. Transfers from Stage 3 to Stage 1 of €13m primarily reflect curing events from default where no forbearance measure was required.

Reductions due to write-offs continues to reflect the utilisation of ECL stock as a result of the restructure of customer debt in line with EBS's strategy.

The contractual amount outstanding of loans written-off during the year that are subject to enforcement activity amounted to less than €1m (2022: €1m) which includes both full and partial write-offs. Total cumulative non-contracted loans written-off at 31 December 2023 amounted to €33m (2022: €35m).

In summary, the staging movements of the overall portfolio were as follows:

Stage 1 loans increased by €408m in 2023 to €10,370m with an ECL of €9m and resulting cover of 0.1%. This increase was driven by new lending and interest charged, partially offset by redemptions/repayments and impact of the implementation of the redeveloped mortgage model.

Stage 2 loans increased by €357m in 2023 to €823m with an ECL of €26m and resulting cover of 3.1% . This was driven by the implementation of the redeveloped mortgage model which increased Stage 2 loans and partially offset by repayments or redemptions and loans for which a significant increase in credit risk no longer applied and/or which had completed a probation period.

Stage 3 loans decreased by €22m in 2023 to €345m with the ECL cover increased from 31.9% to 31.4%. The reduction is primarily due to repayments which outpaced the net flows to Stage 3.

Large Exposures *(audited)*

At 31 December 2023, EBS's top 50 exposures amounted to €73m, and accounted for 1% (€70m and 1% at 31 December 2022) of the on-balance sheet total gross loans and advances to customers. No single customer exposure exceeded regulatory limits which would require disclosure.

3.1 Credit risk - Asset class analysis

Loans and advances to customers - residential mortgages

The following tables show the estimated fair value of collateral held for residential mortgages at 31 December 2023 and 2022:

					2023
	At amortised cost				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
Fully collateralised[1]					
Loan-to-value ratio:					
Less than 50%	**5,018**	**452**	**214**	**34**	**5,718**
50% - 70%	**3,309**	**293**	**94**	**22**	**3,718**
71% - 80%	**940**	**51**	**17**	**4**	**1,012**
81% - 90%	**986**	**16**	**6**	**1**	**1,009**
91% - 100%	**68**	**2**	**3**	**1**	**74**
	10,321	**814**	**334**	**62**	**11,531**
Partially collateralised					
Collateral value relating to loans over 100% loan-to-value	**31**	**4**	**3**	**—**	**38**
Total collateral value	**10,352**	**818**	**337**	**62**	**11,569**
Gross residential mortgages	**10,362**	**820**	**336**	**69**	**11,587**
ECL allowance	**(9)**	**(26)**	**(106)**	**(6)**	**(147)**
Carrying value residential mortgages	**10,353**	**794**	**230**	**63**	**11,440**

					2022
	At amortised cost				
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
Fully collateralised[1]					
Loan-to-value ratio:					
Less than 50%	5,026	244	201	33	5,504
50% - 70%	3,525	168	107	28	3,828
71% - 80%	815	34	23	5	877
81% - 90%	511	6	9	1	527
91% - 100%	45	4	7	—	56
	9,922	456	347	67	10,792
Partially collateralised					
Collateral value relating to loans over 100% loan-to-value	19	4	3	—	26
Total collateral value	9,941	460	350	67	10,818
Gross residential mortgages	9,952	462	352	70	10,836
ECL allowance	(14)	(18)	(113)	(7)	(152)
Carrying value residential mortgages	9,938	444	239	63	10,684

[1] The value of collateral held for residential mortgages which are fully collateralised has been capped at the carrying value of the loans outstanding at the financial year end.

3.1 Credit risk - Asset class analysis (continued)

Loans and advances to customers - Residential mortgages (continued)

Residential mortgages amounted to €11,587m at 31 December 2023 compared to €10,836m at 31 December 2022. The increase in the portfolio was primarily due to new business outpacing loan repayments. Total drawdowns in the year to 31 December 2023 were €1,744m. New lending in the 12 months to 31 December 2023 increased by 5% on the comparable period in 2022.

Income statement

There was a €6m writeback to the income statement for the year to 31 December 2023 compared to a net zero credit impairment writeback of for 2022. The ECL allowance cover level at 31 December 2023 is 1.3% (2022: 1.4%). For the Stage 3 element of the portfolio, €106m of ECLs are held providing cover of 32% (2022: €113m and 32% respectively).

Residential mortgage arrears

Total loans in arrears > 30 days past due (including non-performing loans) by value of the Portfolio reduced to 1.83% at 31 December 2023 from 1.89% at 31 December 2022. This was driven by an increase in the Performing book, a reduction in NPEs and arrears resolutions.

Indexed loan to value ratios of Republic of Ireland residential mortgages *(audited)*

The following table profiles the residential mortgage portfolio by the indexed loan-to-value ratios and the weighted average loan-to-value ratios at 31 December 2023 and 2022:

(Audited)					**2023**					2022
	At amortised cost					At amortised cost				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Overall Total**	Stage 1	Stage 2	Stage 3	POCI	Overall Total
	€m	**€m**	**€m**	**€m**	**€m**	€m	€m	€m	€m	€m
Less than 80%	**9,261**	**795**	**322**	**61**	**10,439**	9,366	446	335	66	10,213
81% - 100%	**1,054**	**19**	**10**	**1**	**1,084**	556	10	13	1	580
100% - 120%	**16**	**2**	**2**	**—**	**20**	11	2	2	—	15
Greater than 120%	**31**	**4**	**1**	**—**	**36**	18	4	1	—	23
Total LTVs	**10,362**	**820**	**335**	**62**	**11,579**	9,951	462	351	67	10,831
Unsecured	**—**	**—**	**1**	**7**	**8**	1	—	1	3	5
Total	**10,362**	**820**	**336**	**69**	**11,587**	9,952	462	352	70	10,836
Of which:										
Owner occupier										
Less than 80%	**9,255**	**762**	**310**	**60**	**10,387**	9,322	438	320	66	10,146
81-100%	**1,053**	**18**	**8**	**1**	**1,080**	556	9	9	1	575
100-120%	**16**	**2**	**2**	**—**	**20**	11	2	2	—	15
Greater than 120%	**30**	**4**	**1**	**—**	**35**	18	4	1	—	23
Total LTVs	**10,354**	**786**	**321**	**61**	**11,522**	9,907	453	332	67	10,759
Unsecured	**—**	**—**	**1**	**5**	**6**	1	—	1	3	5
Total	**10,354**	**786**	**322**	**66**	**11,528**	9,908	453	333	70	10,764

The weighted average indexed loan-to-value of the stock of residential mortgages at 31 December 2023 was 52%, new residential mortgages issued during the year was 65% and Stage 3 residential mortgages was 46%.

The weighted average indexed loan-to-value of the stock of residential mortgages at 31 December 2022 was 50%, new residential mortgages issued during the year was 60% and Stage 3 residential mortgages was 48%.

Risk management report

3.1 Credit risk - Asset class analysis

Loans and advances to customers - Residential mortgages *(audited)*

The following table analyses the residential mortgages portfolio showing the ECL allowance at 31 December 2023 and 2022

(Audited)			**2023**			2022
	Owner-occupier	**Buy-to-let**	**Total**	Owner-occupier	Buy-to-let	Total
Gross loans and advances to customers	**€m**	**€m**	**€m**	€m	€m	€m
Total gross carrying amount	**11,529**	**58**	**11,587**	10,764	72	10,836
Analysed by internal credit ratings						
Strong	**9,402**	**8**	**9,410**	8,684	10	8,694
Satisfactory	**1,318**	**21**	**1,339**	1,190	25	1,216
Total strong/satisfactory	**10,719**	**29**	**10,749**	9,873	36	9,910
Criticised watch	**374**	**12**	**385**	398	16	415
Criticised recovery	**99**	**—**	**100**	144	1	143
Total criticised	**473**	**12**	**485**	542	17	558
Non-performing	**337**	**17**	**353**	349	19	368
Gross carrying amount	**11,529**	**58**	**11,587**	10,764	72	10,836
Analysed as to ECL staging						
Stage 1	**10,355**	**7**	**10,362**	9,908	44	9,952
Stage 2	**786**	**34**	**820**	453	9	462
Stage 3	**322**	**14**	**336**	333	19	352
POCI	**66**	**3**	**69**	70	—	70
Total	**11,529**	**58**	**11,587**	10,764	72	10,836
ECL allowance - statement of financial position	**€m**	**€m**	**€m**	€m	€m	€m
Stage 1	**9**	**—**	**9**	14	—	14
Stage 2	**24**	**2**	**26**	18	—	18
Stage 3	**102**	**4**	**106**	109	4	113
POCI	**5**	**1**	**6**	7	—	7
Total ECL allowance	**140**	**7**	**147**	148	4	152
ECL allowance cover percentage	**%**	**%**	**%**	%	%	%
Stage 1	**0.1**	**1.4**	**0.1**	0.1	0.2	0.1
Stage 2	**3.0**	**5.9**	**3.1**	3.8	3.6	3.8
Stage 3	**31.5**	**30.9**	**31.5**	32.9	18.8	32.1
POCI	**7.9**	**42.6**	**9.2**	9.8	—	10.2
Income statement	**€m**	**€m**	**€m**	€m	€m	€m
Net remeasurement of ECL allowance	**(5)**	**2**	**(3)**	14	(10)	4
Recoveries of amounts previously written-off	**(3)**	**—**	**(3)**	(4)	—	(4)
Net credit impairment (writeback)/ charge	**(8)**	**2**	**(6)**	10	(10)	—

3.1 Credit risk - Asset class analysis (continued)

Loans and advances to customers - Commercial mortgages *(audited)*

The following table analyses commercial property lending by ECL staging at 31 December 2023 and 2022:

(Audited)	**2023**	2022
	Total	Total
Gross loans and advances to customers	**€m**	€m
Total gross carrying amount	**20**	29
Analysed by internal credit ratings		
Strong	**—**	—
Satisfactory	**1**	4
Total strong/satisfactory	**1**	4
Criticised watch	**9**	10
Criticised recovery	**1**	—
Total criticised	**10**	10
Non-performing	**9**	15
Gross carrying amount	**20**	29
Analysed as to ECL staging		
Stage 1	**8**	10
Stage 2	**3**	4
Stage 3	**9**	15
POCI	**—**	—
Total	**20**	29
ECL allowance - statement of financial position	**€m**	€m
Stage 1	**1**	—
Stage 2	**—**	—
Stage 3	**2**	4
POCI	**—**	—
Total ECL allowance	**3**	4
Commercial property	**17**	25
ECL allowance cover percentage	**%**	%
Stage 1	**12.5**	0.7
Stage 2	**—**	7.3
Stage 3	**22.2**	26.7
POCI	**—**	—
Income statement	**€m**	€m
Net remeasurement of loss allowance	**2**	(4)
Recoveries of amounts previously written-off	**—**	—
Net credit impairment charge/(writeback)	**2**	(4)

The portfolio reduced by €9m or 31% during the year to 31 December 2023.

There was a net credit impairment charge of €2m (2022: €4m writeback) to the income statement for the year to 31 December 2023.

The portfolio held €3m of ECL allowances which provided ECL allowance cover of 15%. For the Stage 3 portfolio, the ECL allowance cover is 22.2% (2022: €4m, 14% and 26.7% respectively).

3.1 Credit risk - Credit ratings

External credit ratings of certain financial assets *(audited)*

Treasury assets consist of cash and balances with CBI, and loans and advances to banks excluding operating bank accounts. The following tables present an analysis of counterparties based on internal ratings mapped to an external rating agency scale. The ratings listed below are provided by Moody's and are sourced from Bloomberg.

(Audited)		**2023**
	Cash and balances with Central Bank of Ireland	**Loans and advances to banks**
	€m	**€m**
Balance	**74**	**3,829**
	%	**%**
A1	—	100
Aa3	100	—

(Audited)		**2022**
	€m	€m
Balance	93	3,380
	%	%
A3	100	100

EBS has established and enforces operating limits and other practices that maintain exposures within levels consistent with their internal policies. EBS adheres to the principles of sound practices for managing interest rate risk and complies with any regulatory requirements as a minimum.

3.1 Credit risk - Forbearance overview

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

Forbearance

Overview

Forbearance occurs when a customer is granted a temporary or permanent concession or an agreed change to the existing contracted terms of a facility ('forbearance measure'), for reasons relating to the actual or apparent financial stress or distress of that customer. This also includes a total or partial refinancing of existing debt due to a customer availing of an embedded forbearance clause(s) in their contract. A forbearance agreement is entered into where the customer is in financial difficulty to the extent that they are unable to meet their loans to EBS in compliance with the existing agreed contracted terms and conditions. A concession or an agreed change to the contracted terms can be of a temporary (e.g. interest only) or permanent (e.g. term extension) nature.

EBS uses a range of initiatives to support its customers. EBS considers requests from customers who are experiencing cash flow difficulties on a case by case basis in line with AIB's Forbearance Policy and relevant procedures, and completes an affordability / repayment capacity assessment taking account of factors such as current and likely future financial circumstances, the customer's willingness to resolve such difficulties, and all relevant legal and regulatory obligations to ensure sustainable measures are put in place as appropriate.

AIB's credit policies, supported by relevant processes and procedures, are in place which set out the policy rules and principles underpinning EBS's approach to forbearance, ensuring the forbearance measure(s) provided to customers are affordable and sustainable, and in line with relevant regulatory requirements. Key principles include providing support to enable customers remain in their family home, whenever possible. EBS has implemented the standards for the Codes of Conduct in relation to customers in actual or apparent financial stress or distress, as set out by the Central Bank of Ireland, ensuring these customers are dealt with in a professional and timely manner.

A request for forbearance is a trigger event for EBS to undertake an assessment of the customer's financial circumstances prior to any decision to grant a forbearance measure. This may result in the downgrading of the credit grade assigned and an increase in the expected credit loss. Facilities to which forbearance has been applied continue to be classified as forborne until an appropriate probation period has passed. Under the definition of forbearance, which complies with that prescribed by the European Banking Authority, facilities subject to forbearance measures remain in forbearance stock for a minimum period of two years from the date forbearance is granted regardless of the forbearance type.

The effectiveness of forbearance measures over the lifetime of the arrangements are subject to ongoing management review and monitoring of forbearance. A forbearance measure is deemed to be effective if the customer meets the revised or original terms of the contract over a sustained period of time resulting in an improved outcome for EBS and the customer.

3.1 Credit risk - Forbearance overview (continued)

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

Forbearance (continued)

Mortgage portfolio

Under the mandate of the Central Bank's Code of Conduct on Mortgage Arrears ('CCMA'), EBS introduced a four-step process called the Mortgage Arrears Resolution Process ('MARP'). This process aims to engage with, support and find resolution for mortgage customers (for their primary residence only) who are in arrears, or are at risk of going into arrears.

The four step process is summarised as follows:

– Communications – We are here to listen, support and provide advice;
– Financial information – To allow us to understand the customer finances;
– Assessment – Using the financial information to assess the customer's situation; and
– Resolution – We work with the customer to find a resolution.

The core objective of the process is to determine sustainable solutions that, where possible, help to keep customers in their family home. In addition to relevant temporary measures (such as interest only and capital and interest moratorium), this includes permanent forbearance measures which have been devised to assist existing Republic of Ireland primary residential mortgage customers in financial difficulty. This process may result in debt write-off, where appropriate. The types of existing permanent forbearance solutions currently include; arrears capitalisation, term extension, split mortgages, negative equity trade down and voluntary sale for loss.

Residential mortgages subject to forbearance measures decreased by €69m from €410m at 31 December 2022 to €340m at 31 December 2023. The decrease in the residential mortgages forbearance portfolio was due to customers exiting their forbearance period. EBS continues to closely monitor the residential mortgage portfolio for potential latent risk during current cost of living pressures.

The following table sets out the internal credit ratings and ECL staging of forborne loans and advances to customers at 31 December 2023 and 2022

			2023			2022
	Residential mortgages	**Commercial mortgages**	**Total**	Residential mortgages	Commercial mortgages	Total
	€m	**€m**	**€m**	€m	€m	€m
Analysed by Forbearance type						
Temporary forbearance	**153**	**—**	**153** [(1)]	177	2	178 [(1)]
Permanent forbearance	**187**	**7**	**194** [(2)]	233	11	244 [(2)]
Total	**340**	**7**	**347**	410	13	422
Analysed by internal credit ratings						
Strong	**—**	**—**	**—**	—	—	—
Satisfactory	**—**	**—**	**—**	—	—	—
Total strong/satisfactory	**—**	**—**	**—**	—	—	—
Criticised Watch	**—**	**—**	**—**	—	—	—
Criticised Recovery	**99**	**1**	**100**	144	1	145
Total criticised	**99**	**1**	**100**	144	1	145
Non-performing	**241**	**6**	**247**	266	11	277
Gross carrying amount	**340**	**7**	**347**	410	12	422
Analysed by ECL staging						
Stage 1	**1**	**—**	**1**	1	—	1
Stage 2	**66**	**1**	**67**	94	1	95
Stage 3	**224**	**6**	**230**	250	11	261
POCI	**49**	**—**	**49**	65	—	65
Total	**340**	**7**	**347**	410	12	422
ECL Allowance	**84**	**2**	**86**	89	3	92

[(1)] Of which: interest only €150m (2022: €169m).
[(2)] Of which: arrears capitalisation and term extension €129m (2022: €160m) and low fixed interest rate €29m (2022: €44m).

3.2 Liquidity and funding risk

Liquidity risk is the risk that EBS 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.

EBS's liquidity risk is managed as part of the overall AIB Group liquidity management. In accordance with the Capital Requirements Regulation ('CRR2'), EBS has appointed AIB as its liquidity manager to fulfil daily cash flow management, oversee any changes required in liquidity management or reporting and manage EBS's liquidity risk as part of the overall AIB Group liquidity risk management process. Under this centralised approach the management of liquidity and related activities for EBS is integrated with its parent, AIB, which is a wholly owned subsidiary of AIB Group.

The means by which these liquidity management activities are performed, and the procedures by which AIB ensures EBS complies with the AIB Group Funding and Liquidity Risk Policy are managed through an MSA.

Identification and assessment

Liquidity and funding risk is identified and assessed by the EBS Material Risk Assessment ('MRA') process in support of the AIB Group Internal Liquidity Adequacy Assessment Process ('ILAAP'). The MRA process is a 'Top-Down' Assessment performed on at least an annual basis and identifies the key material risks to EBS, taking into account its strategic objectives, in addition to internal and external risk information.

The ILAAP is fully integrated and embedded in the strategic, financial and risk management processes of AIB Group. Embedding of the ILAAP is facilitated through the setting of risk appetite, liquidity and funding planning and the dynamic review thereof in light of key strategic decisions.

EBS adheres to AIB Group's comprehensive ILAAP Framework for managing liquidity risk and complying with the AIB Group and EBS Board's risk appetite as well as evolving regulatory standards. This is delivered through a combination of policy formation, governance, analysis, stress testing and limit setting and monitoring, and is part of the wider Risk Management Framework.

Management and measurement

The objective of liquidity management is to ensure that, at all times, EBS holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties at an economic price. The ILAAP framework and supporting Funding and Liquidity risk policy set out the key requirements for managing the risk across AIB Group. These include:

- Adherence to both internal limits and regulatory defined liquidity ratios.
- Performing a multiyear projection of the Group's funding sources taking into account its baseline scenario, strategy and operational plans as outlined in the AIB Group Funding and Liquidity Plan. The purpose of this Plan is to set out a comprehensive, forward looking liquidity and funding strategy for the Group including subsidiary companies.
- Assessing the Funding and Liquidity plan under a range of adverse scenarios, the outcomes of which should ensure sufficient liquidity to implement a sustainable strategy even in a stressed environment.
- Maintaining a Contingency Funding Plan that identifies and quantifies actions which are available to AIB Group in deteriorating liquidity conditions and emerge from a temporary liquidity crisis as a credit worthy institution.
- A further set of triggers and liquidity options are set out in the Group Recovery Plan, which presents the actions available to restore viability in the event of extreme stress.

Monitoring, escalating and reporting

EBS's funding and liquidity position is reported on a regular basis to the EBS management team and Board. In addition, it is reported as part of the overall AIB Group position to the AIB Group Asset and Liability Committee ('ALCo'), the AIB Group Risk Committee ('GRC'), the AIB Group Executive Committee ('ExCo'), the AIB Group Board Risk Committee ('BRC') and the AIB Group Board.

On an annual basis, the AIB Group Board attests to the overall liquidity adequacy via the liquidity adequacy statement as part of ILAAP. The AIB Group's ILAAP encompasses all aspects of liquidity and funding management, including planning, analysis, stress testing, control, governance, policy and contingency planning. This document is submitted to the Joint Supervisory Team and forms the basis of their supervisory review and evaluation process.

Liquidity risk stress testing

Stress testing is a key component of AIB Group's ILAAP framework. The purpose of these tests is to ensure the continued stability of the AIB Group liquidity position within pre-defined liquidity risk tolerance levels. EBS, as part of AIB Group, undertakes liquidity risk stress testing that includes both firm specific and systemic risk events and a combination of both as a key liquidity control. Stressed assumptions are applied to AIB Group liquidity buffer and liquidity risk drivers. This estimates the potential impact of a range of stress scenarios on the AIB Group liquidity position including its available liquid assets and contingent liquidity. Actions and strategies available to mitigate the impacts of the stress scenarios are evaluated as to their appropriateness. Liquidity stress test results are reported to the AIB Group ALCo, AIB Group ExCo and AIB Group Board.

3.2 Liquidity and funding risk

Encumbrance

An asset is defined as encumbered if it has been pledged as collateral and as a result is no longer available to EBS to secure funding, satisfy collateral needs or to be sold. EBS had an encumbrance ratio of 29% at 31 December 2023, the increase reflective of the Burlington 2 bonds being pledged in repo (2022: 16%). The encumbrance level is based on the amount of assets that are required in order to meet regulatory and contractual commitments.

Financial liabilities by undiscounted contractual maturity *(audited)*

The following table analyses, on an undiscounted basis, financial liabilities cash flows by remaining contractual maturity at 31 December 2023 and 2022:

(Audited)						**2023**
	On demand	**<3 months but not on demand**	**3 months to 1 year**	**1–5 years**	**Over 5 years**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**
Deposits by banks	**3,564**	**—**	**—**	**—**	**—**	**3,564**
Customer accounts	**5,439**	**128**	**250**	**—**	**—**	**5,817**
Securities financing	**—**	**4,363**	**—**	**—**	**—**	**4,363**
Derivative financial instruments	**—**	**(15)**	**2**	**97**	**3**	**87**
Other liabilities	**21**	**—**	**—**	**—**	**—**	**21**
Total	**9,024**	**4,476**	**252**	**97**	**3**	**13,852**
Off-balance sheet loan commitments	**498**	**—**	**—**	**—**	**—**	**498**

(Audited)						2022
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Deposits by banks	4,850	—	—	—	—	4,850
Customer accounts	5,566	140	272	—	—	5,978
Securities financing	—	1,955	—	—	—	1,955
Derivative financial instruments	—	—	—	—	—	—
Other liabilities	90	—	—	—	—	90
Total	10,506	2,095	272	—	—	12,873
Off-balance sheet loan commitments	428	—	—	—	—	428

3.3 Market risk

Market risk refers to the risk of income and capital losses arising from adverse movements in wholesale market prices.

Market risk in EBS is managed centrally by Group Treasury, subject to review and oversight by AIB Group ALCo. Treasury proactively manages the market risk on AIB's balance sheet. Market risk is managed against a range of limits approved at AIB Group ALCo, which incorporate forward-looking measures such as VaR limits and stress test limits and financial measures such as embedded value limits. AIB Group Treasury document an annual Market Risk Strategy as part of the annual financial planning cycle which ensures Treasury's market risk aligns with EBS's strategic business plan.

IRRBB is the current or prospective risk to both the earnings and capital of EBS as a result of adverse movements in interest rates being applied to positions held in the banking book.

Changes in interest rates impact the underlying value of EBS's assets, liabilities and off-balance sheet instruments and, hence, its economic value (or capital position). Similarly, interest rate changes will impact EBS's net interest income through interest-sensitive income and expense effects. Interest rate risk in the banking book is EBS's primary source of market risk. EBS does not engage in proprietary trading i.e. does not trade on its own account.

Interest rate sensitivity *(audited)*

The table below shows the sensitivity of the Bank's banking book to an immediate and sustained +/- 100 basis point movement in interest rates, in terms of the impact on net interest income on a forward looking basis over a twelve month period, assuming no change in the balance sheet.

	2023	2022
Sensitivity of projected net interest income to interest rate movements	**€m**	€m
+ 100 basis point parallel move in all interest rates	**34**	29
– 100 basis point parallel move in all interest rates	**(40)**	(34)

The above sensitivity table is computed under the assumption of an unchanged balance sheet and that all market rates (Risk Free Rates/Euribors/Swaps) move upwards or downwards in parallel.

Overall interest rate risk positions are managed by AIB Group Treasury. The use of derivatives to manage interest rate risk is described in note 14 of the consolidated financial statements.

Foreign exchange risk

EBS takes the euro as its functional currency. However, through the normal course of business operations, EBS naturally accumulates foreign currency positions. EBS is therefore exposed to movements in foreign exchange rates that may have an adverse effect on the economic value of EBS. The foreign currency open positions are managed centrally by AIB Group Treasury. There were GBP £0.01m and USD nil foreign currency open positions at 31 December 2023 (2022: GBP £0.1m and USD $nil).

3.4 Business model risk

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

Business model risk was identified as part of the annual EBS's MRA process. EBS identifies and assesses this risk as part of its financial planning process, which encapsulates strategic, business and financial planning. Every year, EBS prepares three-year business plans based on macroeconomic and market forecasts across a range of scenarios. The plan includes an evaluation of planned performance against a suite of key metrics, supported by detailed analysis and commentary on underlying trends and drivers, across income statement, balance sheet and targets. The plan is subject to robust review and challenge through the governance process including an independent review and challenge by the AIB Group Risk function.

EBS's Financial Plan is aligned to its strategy and risk appetite. The business plan typically describes external market conditions, competitor dynamics, business strategy, financial assumptions underpinning the strategy, actions/investment required to achieve financial outcomes and any risks/opportunities to the strategy.

Performance against plan is monitored by Executive Management and Board on a quarterly basis. Risk profile against risk appetite measures, some of which reference performance against plan, is monitored monthly by the AIB Group Risk Function, with breaches of risk appetite reported to the AIB Group Risk Committee. EBS risk appetite is also reported to the executive management and Board.

Risk management report

3.5 Operational risk

Operational risk is the risk arising from inadequate or failed internal processes, people and systems or from external events. This includes legal risk – the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings but excludes strategic and reputational risk.

Operational risk is identified and assessed by the annual EBS MRA which is a comprehensive annual top down process undertaken to determine the significant risks to which EBS is exposed to and ensure that these risks are being appropriately managed. Operational risk is also identified by the Risk and Control Assessment ('RCA'). This process serves to ensure that key operational risks are proactively identified, evaluated, monitored and reported, and appropriate action is taken as necessary.

As part of the EBS MRA approved by the Board in December 2023, People Risk was approved to be a sub risk of Operational Risk as it was primarily deemed material through its interconnectedness with Op Risk. Culture Risk continues to be a material risk but is moved from Operational Risk into Conduct and Culture Risk.

Operational risk events are identified and captured in the AIB Group's SHIELD system. These are escalated through a defined process depending on impact and severity. Root causes of events are determined, and action plans are implemented to ensure there are enhanced controls in place to keep customers and the business safe.

EBS undertakes an operational risk self-assessment which focuses on activities specific to EBS, e.g. EBS's funding and lending activities. This process includes periodic assessments of relevant operational risks and the effectiveness of the related controls to address these risks. It complements the risk-based audit approach applied by internal audit in its role as independent assessor of management's control and risk management processes.

The key people, systems and processes are provided by AIB Group and this relationship is governed by an MSA. AIB Group's Operational Risk Framework applies across all areas of AIB Group including EBS. It sets out the principles, supporting policies, roles and responsibilities, governance arrangements and processes for operational risk management.

A key focus of operational risk management in AIB Group is the oversight of outsourced service activities, as well as the end-to-end mortgage origination and servicing processes.

Operational risk is measured through a series of EBS risk appetite metrics and key risk indicators monitored by the monthly EBS Executive Risk committee and reported quarterly to the EBS Board.

3.6 Conduct risk and Culture risk

Conduct risk is defined as the risk that inappropriate actions or inactions by EBS cause poor and unfair customer outcomes or negatively impact on market integrity.

The effective management of conduct risk requires embedding a strong conduct culture with a customer centric approach to conduct risk management as articulated in EBS values, behaviours and code of conduct.

The EBS MRA and RCA forms the basis for identifying and assessing the key elements of conduct risk. The amalgamation of culture risk within conduct has commenced and further integration through frameworks, policies, procedures and metrics is planned for 2024. Culture forms an integral part of overall conduct risk management and is core to all customer and market facing decisions and interactions. It is imperative that EBS maintains a strong customer culture in order to deliver appropriate customer outcomes. Culture risk captures the need for EBS core values to be shared by all staff, demonstrated through staff behaviour and that consistent fully understood performance measures are in place.

The RCA process provides documentary evidence of risk assessments. It determines the risk profile of the business, drives risk management and actions plans including key risk indicator development and reporting. The RCA has identified a number of key conduct risks relating to customer satisfaction, employee behaviour and clients, business and product practice.

EBS uses various approaches to help mitigate risks relating to conduct risk including AIB Group's Conduct Risk Framework and AIB Group's Conduct Policy, aligned with AIB Group's strategy, which is embedded in the organization. This Framework and Policy, as well as other supporting policies, are in place to drive the consistent management of this risk.

The Group Chief Compliance Officer and team provides independent oversight and governance of Conduct risk and is a mandatory approver of product / propositions proposals, including training and awareness building.

Conduct risks are assessed and monitored across EBS in line with AIB Group's risk management procedures. Significant conduct events are assessed and remedial actions implemented where necessary. These are escalated based on a materiality assessment, in line with the Conduct Risk Framework.

3.6 Conduct risk and Culture risk (continued)
The Regulatory and Conduct Risk Committee ('RCR') is the forum that provides risk oversight of regulatory and conduct risks. The RCR was established by, and is accountable to, the AIB Group Risk Committee to oversee regulatory and conduct risks across the AIB Group. This includes monitoring and reviewing regulatory and conduct risk profile, compliance with risk appetite and reviewing risk policies.

3.7 Regulatory compliance risk
Regulatory compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with principal laws, regulations, rules, related self-regulatory codes and related supervisory expectations which relate to EBS's regulated banking and financial service activities i.e., those activities which EBS is licenced to conduct business.

EBS's MRA and the AIB Group's RCA forms the basis for identifying the key elements of regulatory compliance risk. The AIB Group's Regulatory Compliance Risk Management Framework which applies to all entities in AIB Group including EBS, sets out the principles, roles and responsibilities, and governance arrangements and is supported by a number of key policies.

The AIB Group Regulatory Compliance Risk Management Framework and the Regulatory Compliance risk management lifecycle commences with upstream regulation risk management. The Regulatory Change Team ('RCT') reside within the AIB Group's Regulatory Compliance Team, and provide oversight and support in respect of regulatory change risk management for all entities within the AIB Group, including EBS. The approach to regulatory change has been designed to ensure Regulatory requirements are clearly understood from the outset with end-to-end traceability monitored by the Regulatory Forum as part of the AIB Group Programme Board ('GPB'). It involves an up-front partnership between the RCT and Change Operations to ensure business stakeholders are identified with roles and accountabilities assigned. The process provides a platform for clear monitoring, communication, effective oversight, robust challenge and the pursuit of regulatory compliance in a collaborative manner across both first and second line of defence.

The Regulatory Compliance Risk Management lifecycle is reviewed on an annual basis by the various teams within Compliance. In order to produce a comprehensive view of Regulatory Compliance Risks across EBS, detailed risk assessments are completed based on the premise of identifying the Regulatory Compliance risks which pose the most significant threat to EBS. Risk identification and assessment is carried out through a combined top-down and bottom-up approach. The output of this risk assessment process is to produce the Compliance & Risk Assurance Plan.

The RCR is the forum that provides risk oversight of regulatory and conduct risks. AIB Group Regulatory Compliance establish written guidance to staff on the appropriate implementation of relevant laws, rules and standards through relevant regulatory compliance policies and supports the business units in understanding and implementing their regulatory compliance obligations. Regulatory Compliance assist the business in maintaining a positive and transparent relationship with the Regulators in respect of regulatory compliance and conduct matters. EBS's Risk Appetite is also reported to EBS's Executive Management and Board quarterly.

3.8 Capital adequacy risk *(audited)*
Capital adequacy risk is the risk that EBS breaches or may breach regulatory capital ratios and internal targets, measured on a forward looking basis across a range of scenarios, including a severe but plausible stress.

Identification and assessment *(audited)*
An annual EBS MRA is undertaken to determine the significant risks to which the Company is exposed and ensure that these risks are being appropriately managed.

Capital adequacy risk for EBS is evaluated through the annual financial planning and internal capital adequacy assessment process ('ICAAP') processes where the level of capital required to support growth plans and meet regulatory and internal requirements is assessed over the three year planning horizon. Plans are assessed across a range of scenarios ranging from base case and moderate downside scenarios to a severe but plausible stress using AIB Group's stress testing methodologies.

Management and measurement
The ICAAP is fully integrated and embedded in the strategic, financial and risk management processes of the AIB Group. The AIB Group's Business Model and Capital Adequacy ('BMCA') Framework sets out the key processes, governance arrangements and roles and responsibilities which support the ICAAP. The BMCA Framework was updated in 2023 to reflect the work of the Climate Stress Testing project regarding Climate Stress Testing models, roles and responsibilities and governance requirements relating to climate stress testing across the AIB Group. The climate stress testing approach and associated models consider the impact of physical and transition risks across a number of scenarios on the AIB Group's exposures. The initial scope of climate stress testing activities and climate modelling is primarily focused on the credit risk implications for the Bank's loan portfolio via both transition and physical risk. EBS exposures are included in the scope of the AIB Group Climate Stress Testing models.

3.8 Capital adequacy risk (continued)

Monitoring, escalating and reporting *(audited)*

The impact of changing regulatory requirements, changes in the risk profile of EBS's balance sheet and other internal factors, and changing external risks are regularly assessed by first line of defence and second line of defence teams via regular monitoring of performance against the Financial Plan and Strategy.

The EBS Board reviews and approves the EBS Financial Plan and the supporting stress tests on an annual basis, confirming it is satisfied with the capital adequacy of the Company. Quarterly reporting of the risk profile including performance against risk appetite is presented to the EBS Board.

3.9 Model risk

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

Model risk is identified and assessed as part of EBS’s top down MRA and also by the bottom-up process of the RCA which includes a requirement to perform a self-assessment of the risks.

AIB Group mitigates model risk by having an AIB Group Model Risk Management Framework and supporting policies in place to drive the consistent management of this risk. These set out the key controls required to mitigate model risk across the model lifecycle, from initiation of a model build through to implementation, use and ongoing monitoring. Models are built, validated and monitored by suitably qualified analytical personnel, supported by relevant business and finance functions. Models are built using the best available data, both internal and external, and any data weaknesses are appropriately mitigated through the model build. The use of industry standard techniques are applied for stages in the model lifecycle, where appropriate. All material models are validated by an appropriately qualified team, which is independent of the model build process. Where issues are identified, appropriate mitigants are applied. This can include temporary post model adjustments which are put in place until a model is re-developed. Model Risk is measured using a composite assessment of model outcomes across the lifecycle for all models.

The Model Risk Committee, which is a subcommittee of AIB Group Risk Committee, reviews and approves the use, or recommends for approval to the appropriate higher approval authority, the bank’s more material models. It is also responsible for the oversight of the performance and maintenance of the models. The Board of EBS has ultimate accountability for ensuring that the models used by EBS are fit for purpose and meet all jurisdictional regulatory and accounting standards. Operating to the principles outlined in the Model Risk Framework supports EBS’s strategic objectives and provides comfort to the Board on the integrity and completeness of the model risk governance.

3.10 Climate and environmental risk

Climate and Environmental (C&E) risk is identified and assessed as part of EBS’s top-down MRA and also by the bottom-up process of the RCA which includes a requirement to perform a self-assessment of the risks. The annual MRA identified C&E risk as a new principal risk for EBS. This was approved by the Board in December 2023 and work continues to integrate and embed this risk into EBS’s key risk activities.

Climate risk is defined as the potential negative impacts due to climate change on EBS. This includes risks posed by direct exposure to climate change, and indirect exposure through customers and suppliers. Climate risk includes the impacts that EBS and its customers and suppliers have on the climate and the impact from the climate on EBS and its customers and suppliers.

Environmental risk is defined as the potential negative impact of the activities or actions of EBS, its customers or suppliers, directly or indirectly to the naturally occurring living and non-living components of the Earth, together constituting the biophysical environment. Changes in the state of nature (quality or quantity), may act as drivers on EBS’s financial performance through risk events and could result in changes to the capacity of nature to provide social and economic functions.

Climate and Environmental risk (C&E risk) sub risks are: Physical risk, Transition risk and Liability risk.

Due to the pervasive nature of C&E risk it impacts on other principal risks and the C&E risk management aspects for these principal risks are incorporated within their relevant risk frameworks and policies.

The impact of C&E risk is incorporated in AIB Group’s stress testing framework by conducting a comprehensive scenario analysis to evaluate the potential impact of various climate-related events on AIB Group’s portfolios, operations and overall financial position. Scenario testing enables AIB Group to assess the interconnectedness of risks, considering not only direct physical risks but transition risks arising from shifts in market dynamics, investor sentiment and regulatory landscapes. EBS has identified that flooding is the most material physical risk to EBS. EBS’s exposures are included in initial scope of climate stress testing activities and climate modelling is primarily focused on the credit risk implications for EBS’s loan portfolio via both transition and physical risk.

Statement of Directors' responsibilities

The following statement which should be read in conjunction with the Statement of Auditor’s Responsibilities set out in their Audit Report, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing the Annual Financial Report and the financial statements for EBS and the Company in accordance with applicable law and regulations.

Company law requires the Directors to prepare EBS and the Company financial statements for each financial year. Under that law, the Directors have elected to prepare EBS and the Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and as applied in accordance with the provisions of the Companies Act 2014.

In preparing both EBS and the Company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that EBS and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of EBS and the Company to enable them to ensure that its financial statements comply with the Companies Act 2014. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of EBS and the Company and to prevent and detect fraud and other irregularities. Under applicable law and corporate governance requirements, the Directors are also responsible for preparing the Directors’ Report, the Corporate Governance Report and disclosures relating to the Directors’ remuneration that comply with that law.

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

For and on behalf of the Board,

Peter Hagan
Chair

Paul Butler
Managing Director

Gerry Gaffney
Executive Director

4 March 2024

Independent auditors' report

Independent auditors' report to the members of EBS d.a.c.

Report on the audit of the financial statements

Opinion

In our opinion, EBS d.a.c.'s consolidated financial statements (the 'Group') and Company financial statements (the 'financial statements'):
- give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2023 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Financial Report, which comprise:
- the Consolidated and Company statement of financial position as at 31 December 2023;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statement of cash flows for the year then ended;
- the Consolidated and Company statement of changes in shareholders' equity for the year then ended; and
- the Notes to the financial statements, which include a description of the accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Financial Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

We have provided no non-audit services to the Group or Company in the period from 1 January 2023 to 31 December 2023.

Independent auditors' report

Our audit approach

Overview

Materiality	Overall materiality • €10 million - Consolidated financial statements. • Based on circa 0.6% of net assets. • €9 million - Company financial statements. • Based on circa 0.5% of net assets. Performance materiality • €7.5 million - Consolidated financial statements. • €6.8 million - Company financial statements.
Audit scope	• We completed a full scope audit of the financial information of EBS d.a.c.. • We also performed audit procedures on certain balances and transactions of Haven Mortgages Limited, a subsidiary of EBS d.a.c., based on our assessment of the risk of material misstatement. • Taken together, the full scope audit of the complete financial information of EBS d.a.c. and those selected balances at Haven Mortgages Limited on which we performed audit procedures accounted for in excess of 95% of Group profit before taxation and total assets.
Key audit matters	• Expected credit loss - (completeness and valuation of the post model adjustments) • IT (Privileged User Access) • Recoverability of the Deferred Tax Assets

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditors' report

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Expected credit loss (completeness and valuation of the post model adjustments)

Refer to Note 1.17 “Impairment of financial assets” within Note 1 “Accounting policies”, “Impairment of financial assets” within Note 2 “Critical accounting judgements and estimates”, Note 11 “Net credit impairment writeback”, Note 16 “Loans and advances to customers” and Section 3.1 of the “Risk management - Credit risk”.

At 31 December 2023, the Group reported total gross mortgage loans to customers classified at amortised cost of €11.6bn and €150m of expected credit loss (ECL).

The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. Complex models and significant judgements are used to estimate the probability of default (PD), loss given default (LGD) and exposure at default (EAD) as well as in applying the staging criteria under IFRS 9.

The calculation of ECL requires a high degree of judgement to reflect recent developments in credit quality, arrears experience and / or emerging macroeconomic risks.

The area where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's compliance with IFRS 9 was the completeness and valuation of post model adjustments (PMAs).

Completeness and valuation of post model adjustments (PMAs)

The judgement surrounding the completeness and valuation of PMA’s represents a significant estimation risk. The modelling methodologies used to estimate ECL are developed using historical experience. Adjustments are made to model outcomes to address known model and data limitations, and emerging or non-modelled risks. In addition, modelling methodologies do not incorporate all factors that are relevant to estimating ECL. The current economic environment continues to be uncertain and differs from recent experience, which is characterised by elevated inflation, increased cost of living and increasing costs of financing, which affects the debt servicing capability for borrowers. As a result, the judgements around if and when the Group recognise adjustments to model outcomes to account for potential model weaknesses in coping with the current economic environment and outlook are highly judgemental and inherently uncertain.

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Controls

- In conjunction with our credit modelling specialists, we performed end-to-end process walkthroughs to understand and identify the key systems, applications and key controls used in the ECL processes.

- We tested the design and operating effectiveness of key controls across the processes relevant to management’s ECL calculation, including those relating to the key judgements and estimates involving our credit modelling specialists where appropriate. We also tested the design and operating effectiveness of key controls over the governance of the estimation of ECL. We attended key executive finance and risk committee meetings of AIB Group where the inputs, assumptions and adjustments to the ECL were discussed and approved and observed management’s review and challenge in these governance forums including the assessment of model limitations and any resulting judgemental post model adjustments.

Conceptual Soundness

- We involved credit modelling specialists to assist us in testing the ECL models by testing the assumptions, inputs and implementation of model formulae. This included a combination of assessing the appropriateness of model design, challenger/ sensitivity analyses, recalculating the Probability of Default and Loss Given Default and testing model implementation.

- In conjunction with our credit modelling specialists, we assessed model governance including model validation and monitoring. We assessed the AIB Group Model Validation Team’s validation reporting on the new mortgage models and their testing and analysis performed on the new models.

Post Model Adjustments

- In conjunction with our credit modelling specialists, we evaluated the conceptual soundness of the PMAs by critically assessing management’s rationale and methodology, including the limitation and / or risk that the PMA is seeking to address.

- We inspected the PMA calculation methodology and tested, on a sample basis, the completeness and accuracy of key data inputs into the PMA calculation.

- We challenged the overall completeness and reasonableness of post model adjustments by comparing the PMAs recognised by management to the key model limitations and / or data limitations that we considered to exist in the portfolio.

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Independent auditors' report

Key audit matter	How our audit addressed the key audit matter
Other assumptions Management makes other assumptions which are less judgemental or for which variations have a less significant impact on ECL. These assumptions include: • Conceptual soundness of the modelling methodologies; • Quantitative and qualitative criteria used to assess significant increases in credit risk which drives the allocation of assets to Stage 1, 2, or 3 using criteria in accordance with the accounting standards; • Accounting interpretations, modelling assumptions and data used to build and run the ECL models; and • Inputs and assumptions used to reflect the impact of multiple economic scenarios, including any changes to the forward looking scenarios.	**Quantitative and Qualitative criteria in determining specific increases in credit risk** • We challenged the appropriateness and application of the quantitative and qualitative criteria used to assess significant increases in credit risk (SICR) which determine the allocation of an asset to Stage 1, 2 or 3 in accordance with IFRS 9. • For a selection of performing loans, we critically assessed, by reference to the underlying documentation and through inquiries with management, whether the trigger for credit impaired classification had occurred. **Economic Scenarios** • In conjunction with our credit modelling specialists, we considered the base case and alternative economic scenarios. We challenged and assessed the reasonableness of the significant assumptions underpinning management's economic scenarios which we determined to be unemployment and residential property prices by comparing to independent and observable economic forecasts, leveraging a number of external data points. We assessed whether forecasted macroeconomic variables were reasonable and supportable. • With the support of our credit modelling specialists, we evaluated the overall impact of the macroeconomic factors to the ECL. This assessment considered the sensitivity of ECL to variations in the probability weighting of the economic forecasts. • We challenged the reasonableness of management's forward-looking information (FLI) upside / downside scenario weightings, having regard to relevant available information. Specifically, we challenged the appropriateness of management's change in the severe downside scenario weighting in the current year. **Overall standback** • We performed an overall assessment of ECL provision levels by IFRS 9 stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, credit risk management practices and the macroeconomic environment by considering trends in the economy and sectors to which the Group is exposed. We performed peer benchmarking where available to assess overall staging and provision coverage levels. **Disclosures** • We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards and the process and controls management had in place to prepare and approve the disclosures. **Conclusion** On the basis of the work performed we have concluded the stock of Expected Credit Loss reserves at year end is within the range of acceptable outcomes.

Independent auditors' report

Key audit matter	How our audit addressed the key audit matter
IT (Privileged User Access) The IT environment is complex and pervasive to the operations of the Group due to the multiplicity of systems and the large volume of transactions processed and its reliance on automated and IT dependent manual controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in a controlled manner. Our audit approach includes reliance on automated and IT dependent manual controls and therefore on the effectiveness of controls over IT systems impacting financial reporting. Privileged user access management controls are an integral part of the IT environment to ensure both system access and changes made to systems are authorised and appropriate. An integral part of our audit testing is therefore on the effectiveness of privileged user access management controls. In the context of our audit scope, we consider privileged user access management controls at the application layer to be critical to ensuring that only appropriately authorised changes are made to IT systems deemed relevant to our audit. Moreover, appropriate privileged user access management controls contribute to mitigating the risk of potential fraud or error. We considered this to be a key audit matter owing to the high level of reliance on IT operations within the Group as well as the risk that key IT Audit Dependencies such as automated controls and system generated reports are not designed and operating effectively.	Through enquiries with management and inspection of internal governance documents, we obtained an understanding of the Group's IT environment. In conjunction with our Digital Audit specialists, we; • Tested the design, implementation and where relevant, the operating effectiveness of preventative and detective IT General Controls (ITGC) over privileged user access management (i.e. those relating to privileged user access provisioning, revocation, recertification and authentication). • Inquired of AIB Group Internal Audit (GIA) and inspected IT related GIA reports produced during the period to understand the nature of findings, if any, and consider the impact on our audit. • Where control deficiencies were identified at the design level we considered the compensating controls in place and sought to obtain additional evidence for the in scope IT Dependencies to obtain reasonable assurance that there were no unauthorised changes made to these during the financial year. • Our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan and designed and executed additional procedures where required. **Conclusion** Having completed the additional audit procedures we concluded that we obtained sufficient evidence for the purposes of our audit.
Recoverability of the Deferred Tax Assets Refer to Note 1.9 "Income tax, including deferred income tax" within Note 1 "Accounting policies", Note 2 "Critical accounting judgements and estimates: Deferred taxation" and Note 20 Deferred taxation. The Group and Company has net deferred tax assets of €155m that primarily arise due to historical operating losses. A key judgement in the recognition of deferred tax assets is whether there is convincing evidence of sufficient future taxable profits against which those losses can be utilised. This judgement relies on the assessment of the probability and the sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance. The Group's considerations in respect of the recognition of the net deferred tax assets are outlined in the key accounting judgements and estimates section within the financial statements, which also provides an overview of the key assumptions underpinning the financial projections. We regard the recoverability of the DTA as a key audit matter owing to the degree of uncertainty given the length of recovery period involved. The recovery period is driven by management judgement over the quantum and timing of future profitability which are, by their nature, subject to estimation uncertainty.	Management prepares a Financial Plan to forecast financial performance over a three year period. The projections are then extrapolated based on estimated annual long term growth rates for the purposes of projecting future taxable profits beyond three years. We assessed whether estimated future profits used within the forecast were reasonable by reference to recent performance and challenged the key assumptions underpinning the Group's future forecasts using our knowledge of the business, the Group's strategy and wider initiatives within the Group. We assessed and challenged the reasonableness of the external economic assumptions applied in the future forecast assessment with reference to observable market data. We considered whether the forecast of taxable profits provides convincing evidence that sufficient taxable profits will be available to utilise unused tax losses. **Conclusion** On the basis of the work performed we have concluded the recognition of the deferred tax asset is reasonable.

Independent auditors' report

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to scoping the Group audit engagement, we identified components based on the Group's legal entities and determined that an audit of the complete financial information (a 'full scope' audit) should be performed by us on EBS d.a.c..

We also performed audit procedures on certain balances and transactions of Haven Mortgages Limited, a subsidiary of EBS d.a.c., based on our assessment of the risk of material misstatement.

Taken together, the full scope audit of the complete financial information of EBS d.a.c and those selected balances at Haven Mortgages Limited on which we performed audit procedures accounted for in excess of 95% of Group profit before taxation and total assets.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	**Company financial statements**
Overall materiality	€10 million.	€9 million.
How we determined it	c.0.6% of net assets.	c.0.5% of net assets.
Rationale for benchmark applied	EBS d.a.c. is a wholly owned banking subsidiary of AIB Group plc providing residential mortgages, savings and bancassurance products to customers. Having considered the key users of the financial statements, we believe that net assets provides us with the most appropriate basis for determining both Group and Company materiality respectively.	

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €7.5 million (Group audit) and €6.8 million (Company audit).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and our assessment of the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.5 million (Group audit) and €0.5 million (Company audit) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:
- Obtaining management's going concern assessment;
- Performing a risk assessment to identify factors that could impact the going concern assessment;
- Considering the Group's Financial Plan approved by the Board in January 2024. In evaluating management's base case forecasts and alternative stress scenarios we considered the Group's financial position, historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact on financial performance, capital and liquidity for a period of 12 months from the date on which the financial statements are authorised for issue;
- Assessing the ability of Allied Irish Banks, p.l.c. to provide support if required during the period of assessment;
- Reading relevant correspondence from Central Bank of Ireland and ECB Joint Supervisory Team with regards to regulatory capital and liquidity requirements of the Group; and
- Considering the adequacy of relevant disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Financial Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:
- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Independent auditors' report

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for management bias through judgement and assumptions in significant accounting estimates and manual journal entries being recorded in order to affect performance. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, management and AIB Group Legal including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- Reading the meeting minutes of the Board of Directors and Audit Committee, ;
- Discussions with AIB Group Internal Audit and consideration of internal audit reports in so far as they related to the financial statements;
- Evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud;
- Inspection of relevant regulatory correspondence from the Central Bank of Ireland and the ECB Joint Supervisory Team;
- Challenging assumptions and judgements made by management in their accounting estimates, in particular in relation to the matters set out in our key audit matters;
- Applying risk-based criteria to journal entries posted in the audit period to determine journal entries for testing purposes; and
- Designing audit procedures to incorporate elements of unpredictability around the nature and extent of audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:
https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/
Description_of_auditors_responsibilities_for_audit.pdf
This description forms part of our auditors' report.

Independent auditors' report

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

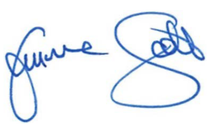
- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company statement of financial position is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions
Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 12 May 2023 to audit the financial statements for the year ended 31 December 2023 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.



Emma Scott
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
5 March 2024

Consolidated income statement

For the financial year ended 31 December 2023

	Note	**2023 €m**	2022 €m
Interest and similar income	3	**412**	277
Interest and similar expense	4	**(114)**	(45)
Net interest income		**298**	232
Net fee and commission income	5	**43**	8
Net gain on other financial assets measured at FVTPL	6	**3**	5
Net (loss)/gain on derecognition of financial assets measured at amortised cost	7	**(1)**	10
Other operating income	8	**1**	5
Other Income		**46**	28
Total operating income		**344**	260
Operating expenses	9	**(124)**	(120)
Impairment and amortisation of intangible assets	17	**(3)**	(8)
Impairment and depreciation of property, plant and equipment	18	**(3)**	(13)
Total operating expenses		**(130)**	(141)
Operating profit before credit impairment writeback and taxation		**214**	119
Net credit impairment writeback	11	**4**	4
Operating profit before taxation		**218**	123
Income tax charge	12	**(28)**	(15)
Profit for the year		**190**	108

Consolidated statement of comprehensive income

For the financial year ended 31 December 2023

	2023 €m	2022 €m
Profit for the year	**190**	108
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit (liability)/asset, net of tax	—	28
Total items that will not be reclassified subsequently to profit or loss	—	28
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Net change in cash flow hedges, net of tax	**(222)**	296
Total items that will be reclassified subsequently to profit or loss when specific conditions are met	**(222)**	296
Other comprehensive (loss)/income for the year, net of tax	**(222)**	324
Total comprehensive (loss)/income for the year	**(32)**	432

Consolidated statement of financial position

as at 31 December 2023

	Note	2023 €m	2022 €m
Assets			
Cash and balances at central banks	13	**74**	93
Derivative financial instruments	14	**139**	336
Loans and advances to banks	15	**3,829**	3,380
Loans and advances to customers	16	**11,457**	10,709
Intangible assets and goodwill	17	**25**	20
Property, plant and equipment	18	**31**	31
Other assets	19	**9**	10
Deferred tax assets	20	**155**	150
Prepayments and accrued income	21	**5**	3
Total assets		**15,724**	14,732
Liabilities			
Deposits by banks	22	**3,564**	4,850
Customer accounts	23	**5,817**	5,978
Securities financing	24	**4,346**	1,955
Derivative financial instruments	14	**83**	—
Lease liabilities	25	**8**	7
Other liabilities	27	**70**	56
Accruals and deferred income	28	**21**	34
Provisions for liabilities and commitments	29	**11**	16
Total liabilities		**13,920**	12,896
Shareholders' equity			
Share capital	30	**413**	413
Capital reserves	31	**349**	349
Reserves		**1,042**	1,074
Total shareholders' equity		**1,804**	1,836
Total liabilities and shareholders' equity		**15,724**	14,732

Peter Hagan
Chair

Diane Lumsden
Company Secretary

Paul Butler
Managing Director

Gerry Gaffney
Executive Director

Consolidated statement of changes in shareholders' equity

For the financial year ended 31 December 2023

	Share capital	Capital reserves	Cash flow hedging reserves	Revenue reserves	Total shareholders' equity
	€m	€m	€m	€m	€m
At 1 January 2023	**413**	**349**	**304**	**770**	**1,836**
Total comprehensive loss for the year					
Profit for the year	—	—	—	**190**	**190**
Other comprehensive loss	—	—	**(222)**	—	**(222)**
At 31 December 2023	**413**	**349**	**82**	**960**	**1,804**
At 1 January 2022	413	349	8	634	1,404
Total comprehensive income for the year					
Profit for the year	—	—	—	108	108
Other comprehensive income	—	—	296	28	324
At 31 December 2022	413	349	304	770	1,836

Consolidated statement of cash flows

For the financial year ended 31 December 2023

	Note	**2023 €m**	2022 €m
Cash flows from operating activities			
Profit before taxation for the year		**218**	123
Adjustments for:			
Net loss/(gain) on derecognition of financial assets measured at amortised cost		**1**	—
Net credit impairment writeback	11	**(1)**	—
Retirement benefits - defined benefit expense	26	**3**	3
Depreciation, amortisation and impairment	17/18	**6**	21
Other financial assets measured at FVTPL		**—**	5
Change in provisions for liabilities and commitments	29	**5**	(22)
Contributions to defined benefit pension schemes	26	**(2)**	(2)
		230	128
Changes in operating assets and liabilities			
Change in derivative financial instruments	14	**25**	15
Change in loans and advances to banks	15	**—**	345
Change in loans and advances to customers	16	**(748)**	(391)
Change in other assets	19	**1**	119
Change in prepayments and accrued income	21	**(2)**	(1)
Change in customer accounts	23	**(161)**	375
Change in securities financing (liability)	24	**2,391**	(427)
Change in other liabilities	27	**5**	(25)
Change in accruals and deferred income	28	**(13)**	21
Net cash flows from operating activities before taxation		**1,728**	159
Taxation		**(1)**	(2)
Net cash flows from operating activities		**1,727**	157
Cash flows from investing activities			
Additions to intangible assets	17	**(8)**	(4)
Additions to property, plant and equipment	18	**(1)**	(2)
Net cash flows from investing activities		**(9)**	(6)
Cash flows from financing activities			
Change in deposits by banks	22	**(1,286)**	2,895
Repayment of lease liabilities	25	**(2)**	(22)
Additions to lease liabilities	25	**—**	1
Net cash flows from financing activities		**(1,288)**	2,874
Change in cash and cash equivalents		**430**	3,025
Cash and cash equivalents at 1 January		**3,473**	448
Cash and cash equivalents at 31 December	35	**3,903**	3,473

Notes to the consolidated financial statements

Notes to the consolidated financial statements

Accounting policies index

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

The material accounting policies that the Company applied in the preparation of the financial statements for the financial year ended 31 December 2023 are set out in this section.

1.1. Reporting entity

EBS d.a.c. is a designated activity company, registered and domiciled in Ireland. The liability of the Company's member is limited by shares. EBS's registered office is 10 Molesworth Street, Dublin 2 and it is registered under the company number 500748. The consolidated financial statements include the financial statements of EBS d.a.c. and its subsidiary undertakings, collectively referred to as the EBS, where appropriate, including certain special purpose entities and are prepared to the end of the financial year 31 December 2023. See note 1.4 Basis of consolidation for Group structure. EBS is and has been primarily involved in retail banking.

1.2. Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively 'IFRSs') as adopted by the European Union ('EU') and applicable for the financial year ended 31 December 2023. The financial statements also comply with the Companies Act 2014 applicable to companies reporting under IFRS and the European Communities (Credit Institutions: Financial Statements) Regulations, 2015 and the Asset Covered Securities Acts 2001 and 2007. The accounting policies have been consistently applied by EBS and are consistent with the previous year, unless otherwise described.

1.3. Basis of preparation

Functional and presentation currency

The financial statements are presented in euro, which is the functional currency of EBS, rounded to the nearest million.

Basis of measurement and presentation

The financial statements have been prepared under the historical cost basis, with the exception of the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss, certain hedged financial assets and financial liabilities and investment securities at fair value through other comprehensive income ('FVOCI'). The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in shareholders' equity and the company statement of cash flow, together with the related notes. The financial statements include the information that is described as being an integral part of the audited financial statements contained in Sections 3.1, 3.2, 3.3 and 3.8 of the Risk management report as described further on page 11.

Use of judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement may involve making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The judgements that have a significant effect on the consolidated and company financial statements and estimates with a significant risk of material adjustment in the next year relate to expected credit losses on financial instruments; the recoverability of deferred tax; retirement benefit obligations; and provisions for liabilities and commitments. A description of these judgements and estimates is set out in note 2.

Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change on EBS financial reporting judgements and estimates and no material impact has been identified. As a subsidiary in AIB Group, EBS continues to integrate climate risk into its overall risk management approach and broader sustainability agenda and will participate as appropriate in the Group's commitment to be net zero by 2030.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

1.3. Basis of preparation (continued)

Going concern

The financial statements for the year ended 31 December 2023 have been prepared on a going concern basis as Directors are satisfied, having considered the risks and uncertainties impacting EBS, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is at least 12 months from the date of approval of these annual financial statements.

In making their assessment, the Directors have considered a wide range of information relating to present and future conditions. These included financial plans covering the period 2024 to 2026, liquidity and funding forecasts and capital resources projections, all of which were prepared under base and stress scenarios.

EBS is dependent on AIB for continued funding and is therefore dependent on the going concern status of the parent. The financial statements of AIB have been prepared on a going concern basis.

In addition, the Directors of EBS considered the principal risks and uncertainties which could materially affect EBS's future business performance and profitability and which are outlined on pages 11 to 47.

There is no intention to liquidate the company or cease trading and EBS is not aware of any material uncertainties related to conditions or events that may cast significant doubt upon the company's ability to continue as a going concern. In addition, EBS's parent AIB has provided a letter of financial support to EBS.

Conclusion

On the basis of the continued availability of funding from AIB to EBS, the EBS Board approved financial plans in base and alternative scenarios, the Directors of EBS believe that it is appropriate to prepare the financial statements on a going concern basis.

Adoption of new accounting standards/amendments to standards

The following new standards and amendments to standards have been adopted by EBS for the year ended 31 December 2023:

- IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2 Making Materiality Judgements*: Disclosure of Accounting Policies;
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates; and
- IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- IAS 12 *Income Taxes*: International Tax Reform - Pillar Two Model Rules.

The impact of these are set out below.

IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2 Making Materiality Judgements*: Disclosure of Accounting Policies

The amendments to IAS 1 *Presentation of Financial Statements* ('IAS 1') and IFRS *Practice Statement 2 Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures which are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. In considering which accounting policies to disclose as material, EBS considered both quantitative and qualitative factors including considering the range of users of the EBS financial statements.

The amendments had the following impact on EBS disclosure of accounting policies:

- EBS removed the following policy on the basis that the related balance was quantitatively immaterial: non-current assets held for sale.
- EBS amended the following policies by condensing or removing information from those policies which were qualitatively immaterial: interest income and expense recognition, leases, financial assets, derivatives and hedge accounting, non-credit risk provisions and shareholders' equity.

The amendments had no impact on the measurement, recognition or presentation of any items in the EBS financial statements.

1. ACCOUNTING POLICIES

1.3. Basis of preparation (continued)

Adoption of new accounting standards/amendments to standards (continued)

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates

The amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ('IAS 8') clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on EBS's financial statements.

IAS 12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 *Income Taxes* ('IAS 12') narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no material impact on EBS's financial statements.

Amendments to IAS 12 *Income Taxes*: International Tax Reform - Pillar Two Model Rules

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

See accounting policy 1.9 and note 12 for EBS's disclosure related to this amendment.

EBS has not early adopted any standard or amendment that has been issued but is not yet effective.

1.4. Basis of consolidation

The consolidated financial statements comprise the financial statements of the EBS and its subsidiaries including controlled structured entities.

Subsidiary undertakings

Subsidiary undertakings are all entities (including structured entities) over which EBS has control. EBS controls an entity where EBS is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary undertakings are fully consolidated from the date on which control is transferred to EBS. They are derecognised from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been updated where necessary to ensure consistency with the policies adopted by EBS.

If EBS loses control over a subsidiary undertaking, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss

Parent Company financial statements: Investment in subsidiary undertakings

EBS accounts for investments in subsidiary undertakings that are not classified as held for sale at cost less provisions for impairment. If the investment is classified as held for sale, EBS accounts for it at the lower of its carrying value and fair value less costs to sell.

EBS reviews its equity investment for impairment at the end of each reporting period if there are indications that impairment may have occurred.

The testing for possible impairment involves comparing the estimated recoverable amount of an investment with its carrying amount. Where the recoverable amount is less than the carrying amount, the difference is recognised as an impairment provision in EBS's financial statements. The recoverable amount is the higher of fair value less costs to sell and value-in-use ('VIU').

Dividends from a subsidiary undertaking are recognised in the income statement when EBS's right to receive the dividend is established.

1. ACCOUNTING POLICIES

1.5. Foreign currency translation

Items included in the financial statements of each of EBS's entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates.

Transactions and balances

Foreign currency transactions are translated into the respective entity's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at period end exchange rates of the amortised cost of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Exchange differences on equities and similar non-monetary items held at fair value through profit or loss are reported as part of the fair value gain or loss. Exchange differences on a financial instruments designated as a hedge of the net investment in a foreign operation are reported in other comprehensive income.

1.6. Interest income and expense recognition

Interest income and expense is recognised in the income statement using the effective interest method.

Effective interest rate

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The application of the method has the effect of recognising income receivable and expense payable on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate for financial instruments, other than credit impaired assets, EBS estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding expected credit losses. The calculation takes into account all fees, including those for any expected early redemption, and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

All costs associated with mortgage incentive schemes are included in the effective interest rate calculation. Fees and commissions payable to third parties in connection with lending arrangements, where these are direct and incremental costs related to the issue of a financial instrument, are included in interest income as part of the effective interest rate.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortised cost before adjusting for any loss allowance.

Calculation of interest income and interest expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

For financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, the calculation of interest income reverts to the gross basis.

However, for financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

When a financial asset is no longer credit impaired or has been repaid in full (i.e. cured without financial loss), EBS presents previously unrecognised interest income as a reversal of credit impairment/recovery of amounts previously written-off.

1. ACCOUNTING POLICIES

1.6. Interest income and expense recognition (continued)

Presentation

Interest income and expense presented in the consolidated income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
- Net interest income and expense on qualifying hedge derivatives designated as fair value hedges which are recognised in interest income or interest expense; and
- Interest income on financial assets measured at FVTPL.

1.7. Fee and commission income

The measurement and timing of recognition of fee and commission income is based on the core principles of IFRS 15 Revenue from Contracts with Customers.

Fee and commission income is recognised when the performance obligation in the contract has been performed, either at a 'point in time' recognition, or 'over time' recognition if the performance obligation is performed over a period of time unless the income has been included in the effective interest rate calculation.

The majority of the Company's fee and commission income arises from sale of insurance and bank assurance products.

1.8. Employee benefits

Retirement benefit obligations

EBS has operated three funded defined benefit pension schemes, as well as one defined contribution scheme. All defined benefit schemes were closed to future accrual with effect from 31 December 2013. In 2014, all EBS employees transferred to AIB.

Full actuarial valuations of defined benefit schemes are undertaken every three years and are updated to reflect current conditions at each year end reporting date.

Scheme assets are measured at fair value determined by using current bid prices.

Scheme liabilities are measured on an actuarial basis by estimating the amount of future benefit that employees have earned for their service in current and prior periods and discounting that benefit at the market yield on a high quality corporate bond of equivalent term and currency to the liability. The calculation is performed by a qualified actuary using the projected unit credit method. The difference between the fair value of the scheme assets and the present value of the defined benefit obligation at the year end reporting date is recognised in the statement of financial position. Schemes in surplus are shown as assets and schemes in deficit, together with unfunded schemes, are shown as liabilities. A surplus is only recognised as an asset to the extent that it is recoverable through a refund from the scheme or through reduced contributions in the future. Actuarial gains and losses are recognised immediately in other comprehensive income.

The cost of providing defined benefit pension schemes to employees, comprising the net interest on the net defined benefit liability/(asset), calculated by applying the discount rate to the net defined benefit liability/(asset) at the start of the annual reporting period, taking into account contributions and benefit payments during the period, is charged to the income statement within personnel expenses.

Re-measurements of the net defined benefit liability/ (asset), comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) are recognised in other comprehensive income. Amounts recognised in other comprehensive income in relation to remeasurements of the net defined benefit liability/(asset) will not be reclassified to profit or loss in a subsequent period.

In early 2017, the AIB Board reassessed its obligation to fund increases in pensions in payment. The AIB Board confirmed that funding of increases in pensions in payment is a decision to be made by the AIB Board each year where increases are discretionary.

This was based on actuarial and external legal advice obtained. Accordingly, a decision by the Board to fund a pension increase does not constitute a constructive obligation to fund future pension in payment increases. EBS has aligned itself to the position taken by AIB in terms of increases to pensions in payment.

EBS recognises the effect of an amendment to a defined benefit scheme when the plan amendment occurs, which is when EBS introduces or withdraws a defined benefit scheme, or changes the benefits payable under existing defined benefit schemes. A curtailment is recognised when a significant reduction in the number of employees covered by a defined benefit scheme occurs. A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit scheme. Gains or losses on plan amendments and curtailments are recognised in the income statement as a past service cost.

1. ACCOUNTING POLICIES

1.8. Employee benefits (continued)

Retirement benefit obligations (continued)

Changes with regard to benefits payable to retirees which represent a constructive obligation under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are accounted for as a past service cost. These are recognised in the income statement.

The costs of managing the defined benefit scheme assets are deducted from the return on scheme assets. All costs of running the defined benefit schemes are recognised in the income statement when they are incurred.

The cost of EBS's defined contribution schemes is charged to the income statement in the accounting period in which it is incurred. Any contributions unpaid at the year end reporting date are included as a liability. EBS has no further obligation under these schemes once these contributions have been paid.

1.9. Income tax, including deferred income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Income tax relating to items in equity is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the financial year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous financial years.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the reporting date and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred income tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences will be utilised. The deferred tax asset is reviewed at the end of each reporting period and the carrying amount will reflect the extent that it is probable that sufficient taxable profits will be available to allow all of the asset to be recovered.

The tax effects of income tax losses available for carry forward are recognised as an asset to the extent that it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle the current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and financial liabilities including derivative contracts, provisions for pensions and other post-retirement benefits on the difference between the fair values of the net assets acquired and their tax base.

Deferred income tax is provided on temporary differences arising from the transition to IFRS 9. In addition, temporary differences are not provided for assets and liabilities the initial recognition of which, in a transaction that is not a business combination, affects neither accounting nor taxable profit. Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which the profits arise.

EBS has adopted the amendments to IAS 12 by the IASB (International Tax Reform – Pillar Two Model Rules), issued in May 2023 and endorsed by the European Commission on 8 November 2023. The amendments provide a mandatory temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Accordingly, EBS has not recognised any changes to its deferred tax assets or liabilities in respect of Pillar Two (see note 12).

1. ACCOUNTING POLICIES

1.10. Financial assets

Recognition and initial measurement

EBS initially recognises financial assets on the trade date, being the date on which EBS commits to purchase the assets. Loan assets are recognised when cash is advanced to borrowers. In a situation where EBS commits to purchase financial assets under a contract which is not considered a regular-way transaction, the assets to be acquired are not recognised until the acquisition contract is settled. In this case, the contract to acquire the financial asset is a derivative that is measured at FVTPL in the period between the trade date and the settlement date.

Financial assets measured at amortised cost or at fair value through other comprehensive income ('FVOCI') are recognised initially at fair value adjusted for direct and incremental transaction costs. Financial assets measured at fair value through profit or loss ('FVTPL') are recognised initially at fair value and transaction costs are taken directly to the income statement.

Derivatives are measured initially at fair value on the date on which the derivative contract is entered into. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Profits or losses are only recognised on initial recognition of derivatives when there are observable current market transactions or valuation techniques that are based on observable market inputs.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and subsequently measured at amortised cost, FVOCI or FVTPL.
The classification and subsequent measurement of financial assets depend on:

- EBS's business model for managing the asset; and
- The cash flow characteristics of the asset (for assets in a ‘hold-to-collect’ or ‘hold-to-collect-and-sell’ business model).

Based on these factors, EBS classifies its financial assets into one of the following categories:

- Amortised cost

Financial assets that have not been designated as at FVTPL, and are held within a ‘hold-to-collect’ business model whose objective is to hold assets to collect contractual cash flows; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. The carrying amount of these assets is calculated using the effective interest rate method and is adjusted on each measurement date by the expected credit loss allowance for each asset, with movements recognised in profit or loss.

- Fair value through other comprehensive income ('FVOCI')

Financial assets that have not been designated as at FVTPL, and are held within a ‘hold-to-collect-and-sell’ business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI'). Movements in the carrying amount of these assets are taken through other comprehensive income ('OCI'), except for the recognition of credit impairment gains or losses, interest revenue or foreign exchange gains and losses, which are recognised in profit or loss. When a financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss other than in the case of equity instruments designated at FVOCI.

- Fair value through profit or loss ('FVTPL')

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Gains or losses (excluding interest income or expense) on such assets are recognised in profit or loss on an ongoing basis.

In addition, EBS may irrevocably designate a financial asset as at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

EBS makes an assessment of the objective of the business model at a portfolio level, as this reflects how portfolios of assets are managed to achieve a particular objective, rather than management's intentions for individual assets.
The assessment considers the following:

- The strategy for the portfolio as communicated by management;
- How the performance of the portfolio is evaluated and reported to senior management;
- The risks that impact the performance of the business model, and how those risks are managed;
- How managers of the business are compensated (i.e. based on fair value of assets managed or on the contractual cash flows collected); and
- The frequency, value and timing of sales in prior periods, reasons for those sales, and expectations of future sales activity.

Financial assets that are held for trading or managed within a business model that is evaluated on a fair value basis are measured at FVTPL because the business objective is neither hold-to-collect contractual cash flows nor hold-to-collect-and-sell contractual cash flows.

1. ACCOUNTING POLICIES

1.10. Financial assets *(continued)*

Characteristics of the contractual cash flows

An assessment ('SPPI test') is performed on all financial assets at origination that are held within a 'hold-to-collect' or 'hold-to-collect and-sell' business model to determine whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding, and for other basic lending risks and costs (i.e. liquidity, administrative costs), and profit margin.

The SPPI test requires an assessment of the contractual terms and conditions to determine whether a financial asset contains any terms that could modify the timing or amount of contractual cash flows of the asset, to the extent that they could not be described as solely payments of principal and interest. In making this assessment, EBS considers:

- Features that modify the time value of money element of interest (e.g. tenor of the interest rate does not correspond with the frequency within which it resets);
- Terms providing for prepayment and extension;
- Leverage features;
- Contingent events that could change the amount and timing of cash flows;
- Terms that limit EBS's claim to cash flows from specified assets; and
- Contractually linked instruments.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

1.11. Financial liabilities

EBS categorises financial liabilities as at amortised cost or as at fair value through profit or loss.

EBS recognises a financial liability when it becomes party to the contractual provisions of the contract.

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in EBS having a present obligation to either deliver cash or another financial asset to the holder or to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

Financial liabilities are initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost with any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement using the effective interest rate method.

1.12. Leases

EBS applies a single recognition and measurement approach for all leases, except for short-term leases of 12 months or less or leases of low-value assets, i.e. the value of the underlying asset, when new, is less than € 5,000. EBS recognises lease liabilities that represent the present value of lease payments to be made over the lease term and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

EBS recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, EBS recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by EBS and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

1.13. Determination of fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which EBS has access at that date. EBS considers the impact of non-performance risk when valuing its financial liabilities.

Financial instruments are initially recognised at fair value and, with the exception of financial assets at fair value through profit or loss, the initial carrying amount is adjusted for direct and incremental transaction costs. In the normal course of business, the fair value on initial recognition is the transaction price (fair value of consideration given or received). If EBS determines that the fair value at initial recognition differs from the transaction price and the fair value is determined by a quoted price in an active market for the same financial instrument, or by a valuation technique which uses only observable market inputs, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss. If the fair value is calculated by a valuation technique that features significant market inputs that are not observable, the difference between the fair value at initial recognition and the transaction price is deferred. Subsequently, the difference is recognised in the income statement on an appropriate basis over the life of the financial instrument, but no later than when the valuation is supported by wholly observable inputs; the transaction matures; or is closed out.

Subsequent to initial recognition, the methods used to determine the fair value of financial instruments include quoted prices in active markets where those prices are considered to represent actual and regularly occurring market transactions. Where quoted prices are not available or are unreliable because of market inactivity, fair values are determined using valuation techniques.

Quoted prices in active markets

Quoted market prices in active markets are used where those prices are considered to represent actual and regularly occurring market transactions for financial instruments in active markets.

Valuations for negotiable instruments such as debt and equity securities are determined using bid prices for asset positions and ask prices for liability positions.

Where securities are traded on an exchange, the fair value is based on prices from the exchange. The market for debt securities largely operates on an ‘over the counter’ basis which means that there is not an official clearing or exchange price for these security instruments. Therefore, market makers and/or investment banks (‘contributors’) publish bid and ask levels which reflect an indicative price that they are prepared to buy and sell a particular security. EBS’s valuation policy requires that the prices used in determining the fair value of securities quoted in active markets must be sourced from established market makers and/or investment banks.

1. ACCOUNTING POLICIES

1.13. Determination of fair value of financial instruments (continued)

Valuation techniques

In the absence of quoted market prices, and in the case of over-the-counter derivatives, fair value is calculated using valuation techniques. These valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that market participants would take into account in pricing a transaction. Valuation techniques include the use of recent orderly transactions between market participants, reference to other similar instruments, option pricing models, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Fair value may be estimated using quoted market prices for similar instruments, adjusted for differences between the quoted instrument and the instrument being valued. Where the fair value is calculated using discounted cash flow analysis, the methodology is to use, to the extent possible, market data that is either directly observable or is implied from instrument prices, such as interest rate yield curves, equities and commodities prices, credit spreads, option volatilities and currency rates. In addition, EBS considers the impact of own credit risk and counterparty risk when valuing its derivative liabilities.

The valuation methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

- The likelihood and expected timing of future cash flows of the instrument. These cash flows are generally governed by the terms of the instrument, although management judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. In addition, future cash flows may also be sensitive to the occurrence of future events, including changes in market rates; and
- Selecting an appropriate discount rate for the instrument, based on the interest rate yield curves including the determination of an appropriate spread for the instrument over the risk-free rate. The spread is adjusted to take into account the specific credit risk profile of the exposure.

All adjustments in the calculation of the present value of future cash flows are based on factors market participants would take into account in pricing the financial instrument.

Certain financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. When applying a valuation technique with unobservable data, estimates are made to reflect uncertainties in fair values resulting from a lack of market data, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on non-observable data are inherently uncertain because there is little or no current market data available from which to determine the price at which an orderly transaction between market participants would occur under current market conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments will be based on some market observable inputs even where the non-observable inputs are significant. All unobservable inputs used in valuation techniques reflect the assumptions market participants would use when fair valuing the financial instrument.

EBS tests the outputs of the valuation model to ensure that it reflects current market conditions. The calculation of fair value for any financial instrument may require adjustment of the quoted price or the valuation technique output to reflect the cost of credit risk and the liquidity of the market, if market participants would include one, where these are not embedded in underlying valuation techniques or prices used.

The choice of contributors, the quality of market data used for pricing, and the valuation techniques used are all subject to internal review and approval procedures.

Transfers between levels of the fair value hierarchy

EBS recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

1.14. Sale and repurchase agreements (including securities borrowing and lending)

Financial assets may be lent or sold subject to a commitment to repurchase them (‘repos’). Such securities are retained on the statement of financial position when substantially all the risks and rewards of ownership remain with EBS. The liability to the counterparty is included separately on the statement of financial position. The exception to this is where these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in trading income.

1. ACCOUNTING POLICIES

1.14. Sale and repurchase agreements (including securities borrowing and lending) (continued)

Similarly, when securities are purchased subject to a commitment to resell ('reverse repos'), or where EBS borrows securities, but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not usually included in the statement of financial position. The difference between the sale and repurchase price is accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements. EBS does not trade repos.

1.15. Derivatives and hedge accounting

Derivatives, such as interest rate swaps are used for risk management purposes.

Derivatives

Derivatives are measured initially at fair value on the date on which the derivative contract is entered into and subsequently remeasured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and from valuation techniques using discounted cash flow models and option pricing models as appropriate. Derivatives are included in assets when their fair value is positive and in liabilities when their fair value is negative, unless there is the legal ability and intention to settle an asset and liability on a net basis.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Profits or losses are only recognised on initial recognition of derivatives when there are observable current market transactions or valuation techniques that are based on observable market inputs.

Hedging

EBS has opted to remain with the IAS 39 Financial Instruments: Recognition and Measurement hedge accounting requirements until macro hedge accounting is addressed by the IASB as part of a separate project. This is an accounting policy choice allowed by IFRS 9 Financial Instruments.

All derivatives are carried at fair value and the accounting treatment of the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Where derivatives are held for risk management purposes, and where transactions meet the criteria specified in IAS 39 'Financial Instruments: Recognition and Measurement', EBS designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or firm commitments ('fair value hedge'); or
- hedges of the exposure to variability of cash flows attributable to a recognised asset or liability, or a highly probable forecasted transaction ('cash flow hedge');

When a financial instrument is designated as a hedging instrument in a qualifying hedge, EBS formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. EBS also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

EBS discontinues hedge accounting when:
a) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
b) the derivative expires, or is sold, terminated, or exercised;
c) the hedged item matures or is sold or repaid; or
d) a forecast transaction is no longer deemed probable.

To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item; or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, ineffectiveness arises. The amount of ineffectiveness, (taking into account the timing of the expected cash flows, where relevant) provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

In certain circumstances, EBS may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedge.

1. ACCOUNTING POLICIES

1.15. Derivatives and hedge accounting (continued)

Cash flow hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is initially recognised directly in other comprehensive income and included in the cash flow hedging reserve in the statement of changes in equity. The amount recognised in other comprehensive income is reclassed to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in other comprehensive income from the time when the hedge was effective remains in equity and is reclassified to the income statement as a reclassification adjustment as the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income from the period when the hedge was effective is reclassified to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative contracts entered into as economic hedges do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

Derivatives used to manage interest rate risk arising on mortgage loans to customers are not designated in a hedging relationship. Changes in their fair value are recognised immediately in the income statement.

1.16. Derecognition

Financial assets

EBS derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which EBS neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Relevant costs incurred with the disposal of a financial asset are deducted in computing the gain or loss on disposal.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. However, the amount held in investment securities reserves is transferred to revenue reserves on derecognition. Any interest in transferred financial assets that qualify for derecognition that is created or retained by EBS is recognised as a separate asset or liability.

EBS enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which EBS neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, EBS continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, EBS retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate or is less than adequate for performing the servicing.

The write-off of a financial asset constitutes a derecognition event. Where a financial asset is partially written-off, and the portion written-off comprises specifically identified cash flows, this will constitute a derecognition event for that part written-off.

Financial liabilities

EBS derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Any gain or loss on the extinguishment or remeasurement of a financial liability is recognised in profit or loss.

1. ACCOUNTING POLICIES

1.17. Impairment of financial assets

EBS recognises loss allowances for expected credit losses at each balance sheet date for the following financial instruments that are not measured at FVTPL:
- Financial assets at amortised cost;
- Financial assets at FVOCI (except for equity instruments); and
- Loan commitments issued.

Investments in equity instruments are recognised at fair value and accordingly, expected credit losses ('ECLs') are not recognised separately for equity instruments.

ECLs are the weighted average of credit losses. When measuring ECLs, EBS takes into account:
- probability-weighted outcomes;
- the time value of money so that ECLs are discounted to the reporting date; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of ECLs recognised as a loss allowance depends on the extent of credit deterioration since initial recognition. There are two measurement bases:
- 12-month ECLs (Stage 1), which applies to all items as long as there is no significant deterioration in credit quality since initial recognition; and
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The 12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument.

In the case of Stage 2, credit risk on the financial instrument has increased significantly since initial recognition but the instrument is not considered credit impaired. For a financial instrument in Stage 3, credit risk has increased significantly since initial recognition and the instrument is considered credit impaired.

Financial assets are allocated to stages dependent on credit quality relative to when the asset was originated.

A financial asset can only originate in either Stage 1 or as purchased or originated credit impaired ('POCI'). The ECL held against an asset depends on a number of factors, one of which is its stage allocation. Assets allocated to Stage 2 and Stage 3 have lifetime ECLs. Collateral and other credit enhancements are not considered as part of stage allocation. Collateral is reflected in EBS's loss given default models ('LGD').

Purchased or originated credit impaired

POCI financial assets are those that are credit-impaired on initial recognition. EBS may originate a credit-impaired financial asset following a substantial modification of a distressed financial asset that resulted in derecognition of the original financial asset.

POCIs are financial assets originated credit impaired that have a discount to the contractual value when measured at fair value and the fair value at origination is greater than or equal to 5%. EBS uses an appropriate discount rate for measuring ECL in the case of POCIs which is the credit-adjusted EIR. This rate is used to discount the expected cash flows of such assets to fair value on initial recognition.

POCIs remain outside of the normal stage allocation process for the lifetime of the obligation. The ECL for POCIs is always measured at an amount equal to lifetime expected credit losses. The amount recognised as a loss allowance for these assets is the cumulative changes in lifetime expected credit losses since the initial recognition of the assets rather than the total amount of lifetime expected credit losses.

At each reporting date, EBS recognises the amount of the change in lifetime expected credit losses as a credit impairment gain or loss in the income statement. Favourable changes in lifetime expected credit losses are recognised as a credit impairment gain, even if the favourable changes exceed the amount previously recognised in profit or loss as a credit impairment loss.

Modification

From time to time, EBS will modify the original terms of a customer's loan either as part of the ongoing relationship or arising from changes in the customer's circumstances such as when that customer is unable to make the agreed original contractual repayments.

1. ACCOUNTING POLICIES

1.17. Impairment of financial assets (continued)

Modification (continued)

A modification refers to either:
- A change to the previous terms and conditions of a debt contract; or
- A total or partial refinancing of a debt contract.

Modifications may occur for both customers in distress and for those not in distress. Any financial asset that undergoes a change or renegotiation of cash flows and is not derecognised is a modified financial asset.

When modification does not result in derecognition, the modified assets are treated as the same continuous lending agreement and a modification gain or loss is taken to profit or loss immediately. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

The stage allocation for modified assets which are not derecognised is by reference to the credit risk at initial recognition of the original, unmodified contractual terms i.e. the date of initial recognition is not reset.

Where renegotiation of the terms of a financial asset leads to a customer granting equity to EBS in exchange for any loan balance outstanding, the new instrument is recognised at fair value with any difference to the loan carrying amount recognised in the income statement.

Derecognition occurs if a modification or restructure is substantial on a qualitative or quantitative basis. Accordingly, certain forborne assets are derecognised. The modified/restructured asset (derecognised forborne asset ('DFA')) is considered a 'new financial instrument' and the date that the new asset is recognised is the date of initial recognition from this point forward. DFAs are allocated to Stage 1 on origination and follow the normal staging process thereafter.

If there is evidence of credit impairment at the time of initial recognition of a DFA, and the fair value at recognition is at a discount to the contractual amount of the obligation, the asset is deemed to be a POCI. POCIs are not allocated to stages but are assigned a lifetime PD and ECL for the duration of the obligation's life. Where the modification/restructure of a non-forborne credit obligation results in derecognition, the new loan is originated in Stage 1 and follows the normal staging process thereafter.

Collateralised financial assets – Repossessions

The ECL calculation for a collateralised financial asset reflects the cash flows that may result from foreclosure, costs for obtaining and settling the collateral, and whether or not foreclosure is probable.

For loans that are credit impaired, EBS may repossess collateral previously pledged as security in order to achieve an orderly realisation of the loan. EBS will then offer this repossessed collateral for sale. However, if EBS believes the proceeds of the sale will comprise only part of the recoverable amount of the loan with the customer remaining liable for any outstanding balance, the loan continues to be recognised and the repossessed asset is not recognised. However, if EBS believes that the sale proceeds of the asset will comprise all or substantially all of the recoverable amount of the loan, the loan is derecognised and the acquired asset is accounted for in accordance with the applicable accounting standard. Any further impairment of the repossessed asset is treated as an impairment of that asset and not as a credit impairment of the original loan.

Financial assets at FVOCI

The ECL allowance for financial assets measured at FVOCI does not reduce the carrying amount in the statement of financial position because the carrying amount of these assets is fair value. However, an amount equal to the ECL allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income ('OCI') as an accumulated credit impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets (together with other accumulated gains and losses in OCI).

Write-offs and debt forgiveness

EBS reduces the gross carrying amount of a financial asset either partially or fully when there is no reasonable expectation of recovery.

Where there is no formal debt forgiveness agreed with the customer, EBS may write off a loan either partially or fully when there is no reasonable expectation of recovery. This is considered a non-contracted write-off. In this case, the borrower remains fully liable for the credit obligation and is not advised of the write-off.
Once a financial asset is written-off either partially or fully, the amount written-off cannot subsequently be recognised on the balance sheet. It is only when cash is received in relation to the amount written-off that income is recognised in the income statement as a 'recovery of bad debt previously written-off'. Debt forgiveness arises where there is a formal contract agreed with the customer for the write-off of a loan.

1. ACCOUNTING POLICIES

1.18. Collateral and netting

EBS enters into master netting agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis.

Collateral

EBS obtains collateral in respect of customer advances where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives EBS a claim on these assets for both existing and future customer liabilities. The collateral is, in general, not recorded on the statement of financial position.

EBS also receives collateral in the form of cash or securities in respect of other credit instruments, such as securities borrowing contracts and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. Therefore, in the case of cash collateral, these amounts are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

In certain circumstances, EBS will pledge collateral in respect of its own liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the statement of financial position. Collateral paid away in the form of cash is recorded in loans and advances to banks or customers. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Netting

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross on the statement of financial position.

1.19. Property, plant and equipment

Property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. No depreciation is provided on freehold land. Property, plant and equipment are depreciated on a straight line basis over their estimated useful economic lives. Depreciation is calculated based on the gross carrying amount, less the estimated residual value at the end of the assets' economic lives.

EBS uses the following useful lives when calculating depreciation:

Freehold buildings and long-leasehold property	50 years
Short leasehold property	life of lease, up to 50 years
Costs of adaptation of freehold and leasehold property	
Branch properties	up to 10 years[1]
Office properties	up to 15 years[1]
Computers and similar equipment	3 – 7 years
Fixtures and fittings and other equipment	5 – 10 years

EBS depreciates right-of-use assets arising under lease obligations from the commencement date of a lease to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term on a straight-line basis.

EBS reviews its depreciation rates regularly, at least annually, to take account of any change in circumstances. When deciding on useful lives and methods, the principal factors that EBS takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, EBS estimates the amount that it would currently obtain for the disposal of the asset, after deducting the estimated cost of disposal if the asset was already of the age and condition expected at the end of its useful life.

Gains and losses on disposal of property, plant and equipment are included in the income statement. It is EBS policy not to revalue its property, plant and equipment.

[1]Subject to the maximum remaining life of the lease.

1. ACCOUNTING POLICIES

1.20. Intangible assets

Computer software and other intangible assets

Computer software and other intangible assets are stated at cost, less amortisation on a straight-line basis and provisions for impairment, if any. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by EBS, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over 3 to 9 years. Other intangible assets are amortised over the life of the asset. Computer software and other intangible assets are reviewed for impairment when there is an indication that the asset may be impaired. Intangible assets not yet available for use are reviewed for impairment on an annual basis.

1.21. Non-credit risk provisions

Provisions are recognised for present legal or constructive obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Payments are deducted from the present value of the provision, and interest at the relevant discount rate is charged annually to interest expense using the effective rate interest rate method. These are reported within Provisions for liabilities and commitments in the statement of financial position.

1.22. Shareholders' equity

Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of EBS.

On extinguishment of equity instruments, gains or losses arising are recognised net of tax directly in the statement of changes in equity.

Share capital

Share capital represents funds raised by issuing shares in return for cash or other consideration. Share capital comprises ordinary shares of the entity.

Dividends and distributions

Final dividends on ordinary shares are recognised as a liability in the EBS financial statements in the period in which they are approved by the shareholders of EBS. Proposed dividends that are declared after the end of the reporting date are not recognised as a liability.

Capital contribution

Capital contribution represents the initial principal amount net of costs of a promissory note issued by the Irish Government to EBS.

Cash flow hedging reserves

Cash flow hedging reserves represent the net gains or losses, net of tax, on effective cash flow hedging instruments that will be reclassified to the income statement when the hedged transaction affects profit or loss.

Revenue reserves

Revenue reserves represent retained earnings of the parent company and subsidiary undertakings. They also include amounts arising from the capital reduction undertaken by EBS in June 2019.

1.23. Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value and with a maturity of less than three months from the date of acquisition.

1. ACCOUNTING POLICIES

1.24. Prospective accounting changes

The following amendments to existing standards which have been approved by the IASB, but not early adopted by EBS, will impact EBS's financial reporting in future periods. EBS will consider the impact of these amendments as the situation requires. The amendments which are most relevant to EBS are detailed below.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* ('IAS 1') to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

Effective date: Annual reporting periods beginning on or after 1 January 2024. These amendments are not expected to have a material impact on EBS

Other

The IASB has published a number of minor amendments to IFRSs through standalone amendments. None of the other amendments are expected to have a significant impact on reported results or disclosures.

Notes to the consolidated financial statements

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates.

The accounting judgements that are deemed critical to EBS's results and financial position, that have the most significant effect on the amounts recognised in the financial statements and the estimates that have a significant risk of material adjustment in the next year are set out below.

Significant judgements
The significant judgements made by EBS in applying its accounting policies are as follows.
- Deferred taxation; and
- Impairment of financial assets;

The application of certain of these judgements also necessarily involves estimations, apart from that relating to retirement benefit obligations, which are discussed separately.

Deferred taxation
EBS's accounting policy for deferred tax is set out in accounting policy 1.9 in note 1. Details of EBS's deferred tax assets and liabilities are set out in note 20.

A key judgement in relation to the recoverability of deferred tax assets is that it is probable that there will be sufficient future taxable profits against which the tax losses can be used:
• *The estimated utilisation period for such losses in Ireland is within the timeframe that taxable profits are considered probable.*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable (defined for this purpose as more likely than not) that there will be sufficient future taxable profits against which the losses can be used. For a company with a history of recent losses, there must be convincing other evidence to underpin this assessment.

The recognition of these deferred tax assets relies on the assessment of future profitability and the sufficiency of those profits to absorb losses carried forward. It requires significant judgements to be made about the projection of long term future profitability because of the period over which recovery extends.

In assessing the future profitability of EBS, the Board has considered a range of positive and negative evidence for this purpose. Among this evidence, the principal positive factors include:

- EBS has a strong Irish franchise;
- The absence of any expiry dates for Irish tax losses;
- The changing banking landscape in Ireland;
- External economic forecasts for Ireland, with growth forecasted for 2024;
- The turnaround evident in EBS's financial performance over the years 2021-2023;
- The introduction of the bank resolution framework under the BRRD and the establishment in 2017 of AIB Group plc as the new holding company of AIB Group. This provides greater confidence in relation to the future viability of EBS as there are now effective tools in place that should facilitate its recapitalisation in a future crisis; and
- The non-enduring nature of the loan impairments at levels which resulted in the losses in the 2009 to 2013 prior years.

The Board considered negative evidence and the inherent uncertainties in any long term financial assumptions and projections, including:
- The absolute level of deferred tax assets compared to the Company's equity;
- The quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised;
- The slowdown in the Irish economy in 2023;
- The challenge of forecasting over a long period, taking account of the changing level of competition, and the evolving interest rate environment;
- Potential instability arising form macroeconomic headwinds and geopolitical issues over an extended period; and
- Taxation changes (including Organisation for Economic Co-operation and Development ('OECD') tax reform) and the likelihood of future developments and their impact on profitability and utilisation.

Notes to the consolidated financial statements

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Deferred taxation (continued)
Taking account of all relevant factors, and in the absence of any expiry date for tax losses in Ireland, EBS believes that it is more likely than not that there will be future profits in the medium term, and beyond, against which to use the tax losses. In this regard, EBS has carried out an exercise to determine the likely number of years required to utilise the deferred tax asset under the following scenario. Using EBS's financial plan 2024 to 2026 as a base and a profit growth rate of 2% from 2027, it was assessed that it will take less than 10 years for the deferred tax asset €166m to be utilised. Furthermore, under this scenario, it is expected that 73% of the deferred tax asset will utilised within 7 years (2022: 47%). If the growth rate assumption was decreased by 1%, then the utilisation period increases by a further 1 year. EBS's analysis of this and other scenarios examined would not alter the basis of recognition or the current carrying value. In 2022, EBS reported that it expected that it would take 15 years for the deferred tax asset to be utilised.

Impairment of financial assets
EBS's accounting policy for impairment of financial assets is set out in accounting policy 1.17 in note 1. Details of EBS's expected credit loss ('ECL') allowance are set out in note 16.

The calculation of the ECL allowance is complex and requires the use of a number of accounting judgements.

The most significant judgements applied by EBS in determining the ECL allowance are as follows:
• Determining the criteria for a significant increase in credit risk and for being classified as credit impaired; and *• Determining the need for and an appropriate methodology for post-model adjustments.*

The significant management judgements and the governance process, relating to ECL, are set out on page 13 in the Risk Management section.

Critical accounting estimates
The accounting estimates with a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year were in relation to:

• Impairment of financial assets; and
• Retirement benefit obligations;

Impairment of financial assets
EBS's accounting policy for impairment of financial assets is set out in accounting policy 1.17 in note 1. Details of EBS's expected credit loss ('ECL') allowance are set out in note 16.

The key estimates and assumptions that EBS have used in determining the ECL allowance are as follows:
• Establishing the number and relative weightings for forward looking scenarios; *• The assumptions for measuring ECL (e.g. PD, LGD and EAD and the parameters to be included within the models for modelled ECL); and* *• The estimation of post model adjustments where required.*

The calculation of the ECL allowance is complex and therefore an entity must consider large amounts of information in its determination. This process requires significant use of estimates and assumptions, some of which by their nature, are highly subjective and very sensitive to risk factors such as changes to economic conditions. Changes in the ECL allowance can materially affect net income.

ECL allowance for Loans and advances to customers at 31 December 2023 amounted to €150m (2022: €156m). The ECL for financial assets represents management's best estimate of the expected credit losses on the various portfolios at the respective reporting dates.

On an ongoing basis, the various estimates and assumptions are reviewed in light of differences between actual and previously calculated expected losses. These are then recalibrated and refined to reflect current and evolving economic conditions. The management process for the calculation of ECL allowance is underpinned by second-line levels of review. The ECL allowance is, in turn, reviewed and approved by the Group Credit Committee on a quarterly basis with final EBS levels being recommended by the EBS Audit Committee and approved by the EBS Board. Further detail on the ECL governance process is set out on page 13.

Notes to the consolidated financial statements

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical accounting estimates (continued)

Impairment of financial assets (continued)

The macroeconomic variables used in models to calculate ECL allowance are based on assumptions, forecasts and estimates against a backdrop of an evolving economic landscape. Accordingly, developments in local and international factors could have a material bearing on the ECL allowance within the next financial year. EBS's sensitivity to a range of macroeconomic factors under (i) base forecast; (ii) upside; and (iii) downside scenarios is set out on pages 21 to 24 of the Risk Management section of this report.

EBS has developed a standard approach for the measurement of ECL for the majority of EBS's exposures where each ECL input parameter (e.g. PD, LGD and EAD) is developed in line with standard modelling methodology. These are discussed further on page 19 and 20 of the Risk Management section. When considering changes in these assumptions collectively, there is a significant risk of a material adjustment to EBS's ECL allowance within the next financial year.

Where the estimate of ECL does not adequately capture all available forward looking information about the range of possible outcomes, or where there is a significant degree of uncertainty, management may consider it appropriate for an adjustment to ECL. These are referred to as post model adjustments and are set out in detail on page 27.

The sensitivity of the carrying amounts of the ECL to changes in the assumptions for measuring ECL; and the estimation of post model adjustments where required have not been provided given their diverse nature, their interrelationship and the number of estimates and assumptions involved.

Retirement benefit obligations

EBS's accounting policy for retirement benefit obligations is set out in accounting policy 1.8 in note 1. Details of EBS's retirement benefit obligations are set out in note 26.

The key estimates and assumptions that the Directors have used in determining the retirement benefit obligation are as follows:
• *Increases to pensions in payment are subject to annual consideration and approval by the Board and the Trustees of the pension schemes have no discretion in this regard,and* • *The significant actuarial assumptions used to determine the present value of the retirement benefit obligation.*

Increases to pensions in payment are specifically subject to the consent of the Company. The Company has aligned itself to the position taken by AIB in terms of increases to pensions in payment. The AIB Board has determined that the funding of the discretionary increases to pensions in payment is a decision to be made by the Board each year. A process, taking account of all relevant interests and factors has been implemented by the AIB Board. Under this annual process, AIB Group decided in February 2023, that the funding of a 3.0% discretionary increase was appropriate which was subsequently agreed by EBS. In March 2024, the AIB Group Board approved the funding of a discretionary increase of 2.25% for 2024 in relation to the three EBS defined benefit schemes and this was subsequently considered and approved by the EBS Board.

Taking this decision by the company into consideration, the long term assumption for future increases in pension in payment reflect that a constructive obligation to grant discretionary increases to pensions and payment does not exist at 31 December 2023 and therefore the long term assumptions for future increases in pension and payment has been assessed at 0.00% per annum (2022: 0.00%).

The actuarial valuation of the schemes' liabilities is dependent upon a number of financial and demographic assumptions which are inherently uncertain. Changes to those assumptions could materially impact the reported amount for schemes' liabilities and the actuarial gains/losses reported in equity. Details of the assumptions adopted by EBS in calculating the schemes' liabilities are set out in note 26 to the financial statements. A sensitivity analysis for the principal assumptions used to measure the schemes' liabilities is set out in note 26 to the financial statements.

3. INTEREST AND SIMILAR INCOME

	2023	2022
	€m	€m
Interest on loans and advances to banks at amortised cost	1	—
Interest on loans and advances to customers at amortised cost	302	258
Interest received from AIB	109	19
Interest income calculated using the effective interest method	**412**	277
Total interest and similar income	**412**	277

4. INTEREST AND SIMILAR EXPENSE

	2023	2022
	€m	€m
Interest on customer accounts	11	12
Interest on lease liabilities	—	1
Interest payable to AIB	103	32
Interest expense calculated using the effective interest method	**114**	45
Total interest and similar expense	**114**	45

5. NET FEE AND COMMISSION INCOME

	2023	2022
	€m	€m
Fee and commission receivable	13	14
Fee and commission receivable from Group companies	37	—
Fee and commission income	50	14
Fees and commission payable	(7)	(6)
	43	8

The transfer pricing agreements between AIB and EBS reflect revised OECD guidelines on transfer pricing, which are the internationally accepted principles in this area, and which take account of the functions, risks and assets involved. For 2023 this required a net payment by AIB to EBS of €37m. For 2022 this required a net payment by EBS to AIB (see note 9: Operating expenses).

Commission receivable and payable relates to fees earned and paid by EBS on insurance and other services.

6. NET GAIN ON OTHER FINANCIAL ASSETS MEASURED AT FVTPL

	2023	2022
	€m	€m
Loans and advances to customers	3	5
	3	5

The fair value gain on loans and advances to customers measured at FVTPL was €3m in 2023 (2022: €5m).

7. NET (LOSS)/GAIN ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2023		2022	
	Carrying value of derecognised financial assets measured at amortised cost	**Loss from derecognition**	Carrying value of derecognised financial assets measured at amortised cost	Gain from derecognition
	€m	**€m**	€m	€m
Loans and advances to customers	**1**	**(1)**	32	10

The loss on derecognition was based on the sales proceeds, net of costs, computed at a customer connection level. Settlements in the current year relating to prior year portfolio sales are reported on a net basis. Derecognition in 2023 arose from the sale of individual loans from a specific loan portfolio. The loans were disposed of for credit management purposes after credit deterioration had occurred.

8. OTHER OPERATING INCOME

	2023	2022
	€m	€m
Miscellaneous operating income	**1**	5
	1	5

Miscellaneous operating income comprises income recognised from out of course lodgements received on loans that required a fair value adjustment on initial recognition €1m (2022: €1m). 2022 included €4m from AIB to compensate EBS following the implementation of the Group Property Strategy.

9. OPERATING EXPENSES

	2023	2022
	€m	€m
Personnel expenses:		
Wages and salaries	**—**	—
Termination benefits	**—**	—
Retirement benefits	**2**	3
Social security costs	**—**	—
Other personnel expenses	**—**	—
	2	3
Less: staff costs capitalised	**—**	—
Total personnel expenses	**2**	3
General and administrative expenses:		
Amounts payable to AIB	**73**	85
Other administrative expenses	**49**	32
Total general and administrative expenses	**122**	117
Total operating expenses	**124**	120

Notes to the consolidated financial statements

9. OPERATING EXPENSES

Amounts payable to AIB are determined by the implementation of the cost allocation and transfer pricing agreements between AIB and EBS, that reflect the OECD guidelines on transfer pricing, which are the internationally accepted principles in this area, and which take account of the functions, risks and assets involved. Amounts payable to AIB in 2023 were €73m (2022: €85m).

Other administrative expenses in 2023 were €49m (2022: €32m) the increase was due to release of provisions in 2022 €24m, offset by higher other operating costs. See note 29 Provisions for liabilities and commitments for further information.

For the financial year ended 31 December 2023 the monthly average number of employees was nil (2022: nil). As at 31 December 2023, EBS had no employees (2022: nil).

In addition, a small number of AIB employees maintain a parallel employment relationship with EBS, in order to facilitate delivery of outsourced service activities under the Managed Services Agreement with AIB. These parallel employments are unremunerated. These employees of AIB in the Republic of Ireland have a primary employment relationship with AIB, which maintains day-to-day control over them and remains responsible for the payment of their remuneration as well as accounting for tax and other payroll deductions.

Details of Directors' remuneration are disclosed in note 36. Related party transactions.

10. AUDITOR'S REMUNERATION

The disclosure of Auditor's remuneration is in accordance with Section 322 of the Companies Act 2014. This mandates disclosure of remuneration paid/payable to the Auditor for services relating to the audit of EBS and relevant subsidiary financial statements in the categories set out below. Other assurance services include remuneration for additional assurance issued by the firm outside of the audit of the statutory financial statements of EBS and subsidiaries. This remuneration includes assignments where the Auditor provides assurance to third parties. PricewaterhouseCoopers was appointed as the Group auditor for 2023. Deloitte Ireland LLP was the Group auditor for 2022.

	2023	2022
	€'000	€'000
Auditor's remuneration (excluding VAT)		
Audit of EBS Group financial statements	**356**	339
Other assurance services - borne by the Parent company	**—**	28
Other non-audit services	**—**	—
Tax advisory services	**—**	—
	356	367

The Board and Audit Committee reviews, the level of non-audit service remuneration and is satisfied that it has not affected the independence of the Auditor.

11. NET CREDIT IMPAIRMENT WRITEBACK

The following table analyses the income statement net credit impairment writeback on financial instruments for the years ended 31 December 2023 and 2022:

		2023		2022
	Measured at amortised cost	**Total**	Measured at amortised cost	Total
Credit impairment writeback on financial instruments	**€m**	**€m**	€m	€m
Net measurement of loss allowance:				
Loans and advances to customers	**1**	**1**	—	—
Credit impairment writeback	**1**	**1**	—	—
Recoveries of amounts previously written-off	**3**	**3**	4	4
Net credit impairment writeback	**4**	**4**	4	4

12. TAXATION

	2023 €m	2022 €m
Current taxation		
Current tax on income for the financial year	**(1)**	(1)
Adjustments in respect of prior years	**—**	—
	(1)	(1)
Deferred taxation		
Origination and reversal of temporary timing differences	**—**	—
Tax losses utilised during the year	**(28)**	(16)
Adjustments in respect of prior years	**1**	2
Deferred tax charge for the year (note 20)	**(27)**	(14)
Total tax charge for the financial year	**(28)**	(15)
Effective income tax rate	**12.8 %**	12.2 %

Factors affecting the effective tax rate
The following table sets out the difference between the tax charge that would result from applying the standard corporation tax rate in Ireland of 12.5% and the actual tax charge for the year:

	2023		2022	
	€m	%	€m	%
Operating profit before taxation	**218**		123	
Corporation tax charge (12.5%)	**(27)**	**12.5**	(15)	12.5
Effects of:				
Expenses not deductible for tax purposes	**(2)**	**0.9**	(2)	1.3
Adjustments to tax charge in respect of prior years	**1**	**(0.6)**	2	(1.6)
Tax charge	**(28)**	**12.8**	(15)	12.2

Analysis of selected other comprehensive income

			2023			2022
	Gross €m	Tax €m	Net €m	Gross €m	Tax €m	Net €m
Net movement in cash flow hedge reserve	**254**	**32**	**222**	339	(43)	296
Net actuarial gain on retirement benefits	**—**	**—**	**—**	32	(4)	28
	254	**32**	**222**	371	(47)	324

Pillar Two
The member countries of the OECD/G20 Inclusive Framework have agreed the Pillar Two model rules for a global 15% minimum effective tax rate. Ireland, enacted Pillar Two legislation on 18 December 2023, effective from 1 January 2024. AIB Group, together with its subsidiaries (the 'Group') is within the scope of the Pillar Two legislation. However, as it was not effective at the reporting date, the Group has no related current tax exposure.

Under the Pillar Two legislation, if the Group's Pillar Two effective tax rate in a jurisdiction is less than the 15% minimum rate, a top-up tax is required for the difference.

12. TAXATION

Pillar Two (continued)

The Group is monitoring its exposure to the Pillar Two legislation for 2024. An initial assessment indicates that if the Pillar Two legislation had applied for 2023, the Group's Pillar Two effective rate in Ireland would have been above 15%. Accordingly, it is expected that if Pillar Two legislation had been in effect in 2023, there would have been no exposure to EBS for additional taxes under Pillar Two.

13. CASH AND BALANCES AT CENTRAL BANKS

	2023 €m	2022 €m
Cash in hand	**5**	5
Balances with Central Bank of Ireland	**69**	88
	74	93

14. DERIVATIVE FINANCIAL INSTRUMENTS

EBS operations are exposed to the risk of interest rate fluctuations to the extent that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives allow EBS to modify the re-pricing characteristics of assets and liabilities in a cost efficient manner. This flexibility helps EBS to achieve liquidity and risk management objectives.

Derivatives fluctuate in value as interest or exchange rates rise or fall, just as all assets and liabilities fluctuate in value. If the derivatives are purchased or sold as hedges of statement of financial position items, the appreciation or depreciation of the derivatives as interest or exchange rates change, will generally be offset by the unrealised appreciation or depreciation of the hedged items.

To achieve its risk management objectives, EBS uses a combination of derivative financial instruments, particularly interest rate swaps. EBS only engages in derivative activity for hedging purposes, all derivatives are in a cash flow hedging relationship.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. AIB is the counterparty to all derivative contracts noted below.

The following table presents the notional principal amount of interest rate contracts together with the positive and negative fair values attaching to those contracts at 31 December 2023 and 2022. A description of how the fair values of derivatives are determined is set out in note 34.

	2023			2022		
	Notional principal amount	**Fair values**		Notional principal amount	Fair values	
		Assets	**Liabilities**		Assets	Liabilities
	€m	**€m**	**€m**	€m	€m	€m
Derivatives designated as cash flow hedges – OTC						
Interest rate swaps	**7,396**	**139**	**(83)**	6,746	336	—
Total derivative financial instruments	**7,396**	**139**	**(83)**	6,746	336	—

Nominal values and average interest rates by residual maturity

At 31 December 2023 and 2022, EBS held the following hedging instruments of interest rate risk:

						2023
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**5 years +**	**Total**
Cash flow hedges - Interest rate swaps[1]						
Hedges of financial liabilities						
Nominal principal amount (€m)	**—**	**85**	**870**	**6,231**	**210**	**7,396**
Average interest rate (%)[2]	**—**	**(0.53)**	**0.28**	**1.73**	**2.52**	**1.56**

						2022
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years +	Total
Cash flow hedges - Interest rate swaps[1]						
Hedges of financial liabilities						
Nominal principal amount (€m)	—	125	600	5,781	240	6,746
Average interest rate (%)[2]	—	(0.52)	(0.43)	0.90	2.42	0.81

[1] Includes interest rate swaps used to hedge interest rate risk.
[2] This is the average interest rate on the fixed leg of swap agreements where the variable rate on the assets and liabilities in cash flow hedges is being swapped for a fixed rate.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below set out the amounts relating to (a) items designated as hedging instruments and (b) the hedged items in cash flow hedges of interest rate risk together with the related hedge ineffectiveness at 31 December 2023 and 2022:

											2023
		Carrying amount					Hedge ineffectiveness		Amounts reclassified from cash flow hedging reserves to the income statement		
	Nominal amount	Assets	Liabilities	Line item in statement of financial position where hedging instruments are included	Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of hedging instruments recognised in OCI in the year	Hedge ineffectiveness recognised in the income statement	Line item in the income statement that includes hedge ineffectiveness	Amounts for which hedge accounting had been used but for which the hedged future cash flows are no longer expected to occur	Amounts that have been transferred because the hedged item has affected the income statement	Line item in the income statement affected by the reclassification
(a) Hedging instruments	€m	€m	€m		€m	€m	€m		€m	€m	
Interest rate swaps											
Derivative liabilities	7,396	139	(83)	Derivative financial instruments	(254)	(254)	—	Net trading income	—	161	Interest and similar expense

						2023
	Line item in statement of financial position in which hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Amount in the cash flow hedging reserves for continuing hedges[(1)] pre tax	Amount in the cash flow hedging reserves for continuing hedges[(1)] post tax	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax
(b) Hedged items		€m	€m	€m	€m	€m
Interest rate risk	Customer accounts	254	92	80	—	—

[(1)] The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss or the cumulative change in fair value (present value) of the hedged item from inception of the hedge. The portion that is offset by the change in the cash flow hedging reserves is recognised in other comprehensive income with any hedge ineffectiveness recognised in the income statement.

14. DERIVATIVE FINANCIAL INSTRUMENTS

											2022
		Carrying amount					Hedge ineffectiveness		Amounts reclassified from cash flow hedging reserves to the income statement		
	Nominal amount	Assets	Liabilities	Line item in statement of financial position where hedging instruments are included	Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of hedging instruments recognised in OCI in the year	Hedge ineffectiveness recognised in the income statement	Line item in the income statement that includes hedge ineffectiveness	Amounts for which hedge accounting had been used but for which the hedged future cash flows are no longer expected to occur	Amounts that have been transferred because the hedged item has affected the income statement	Line item in the income statement affected by the reclassification
(a) Hedging instruments	€m	€m	€m		€m	€m	€m		€m	€m	
Interest rate swaps											
Derivative liabilities	6,746	336	—	Derivative financial instruments	338	338	—	Net trading income	—	(8)	Interest and similar expense

						2022
	Line item in statement of financial position in which hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Amount in the cash flow hedging reserves for continuing hedges[(1)] pre tax	Amount in the cash flow hedging reserves for continuing hedges[(1)] post tax	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax
(b) Hedged items		€m	€m	€m	€m	€m
Interest rate risk	Customer accounts	(324)	346	304	(1)	(1)

(1) The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss or the cumulative change in fair value (present value) of the hedged item from inception of the hedge.
The portion that is offset by the change in the cash flow hedging reserves is recognised in other comprehensive income with any hedge ineffectiveness recognised in the income statement.

15. LOANS AND ADVANCES TO BANKS

	2023 €m	2022 €m
At amortised cost		
Funds placed with Group undertaking	**3,829**	3,380
ECL allowance	**—**	—
	3,829	3380
Analysed by remaining maturity:		
Repayable on demand	**3,829**	3,380
	3,829	3380

16. LOANS AND ADVANCES TO CUSTOMERS

At amortised cost	2023 €m	2022 €m
Loans and advances to customers	**11,607**	10,865
ECL allowance	**(150)**	(156)
	11,457	10,709

	2023 €m	2022 €m
Analysed by remaining maturity:		
Repayable on demand	**189**	182
3 months or less	**1**	15
1 year or less but over 3 months	**7**	9
5 years or less but over 1 year	**181**	185
Over 5 years	**11,229**	10,474
Gross carrying amount	**11,607**	10,865
ECL allowance	**(150)**	(156)
	11,457	10,709

Included in loans and advances to customers is €3,314m (2022: €2,726m) of loans in Haven Mortgages Limited ('Haven'). EBS and Haven have securitised loans of €2,463m (2022: €2,768m) held through the securitisation vehicle Burlington Mortgages No.1 d.a.c. and €5,038m (2022: Nil) loans held through the securitisation vehicle Burlington Mortgages No.2 d.a.c..

See note 32 Contingent liabilities and commitments for detail on Special Purpose Entities.

Notes to the consolidated financial statements

16. LOANS AND ADVANCES TO CUSTOMERS

ECL allowance movement
The following table shows the movements on the ECL allowance on loans and advances to customers. Further information is disclosed in the 'Risk management' section of this report.

	2023	2022
	€m	€m
At 1 January	**156**	185
Net remeasurement of loss allowance - customers	**(1)**	—
Changes in loss allowance due to write-offs	**(6)**	(7)
Changes in loss allowance due to disposals	**(3)**	(22)
Other movement	**4**	—
At 31 December	**150**	156
Amounts include loss allowance on:		
Loans and advances to customers measured at amortised cost	**150**	156

See note 32 Contingent liabilities and commitments - Special purpose entities for continuing involvement in securitised assets.

17. INTANGIBLE ASSETS

	2023	2022
	€m	€m
Computer software (and development costs)		
Cost		
At 1 January	**53**	49
Additions-internally generated	**8**	4
At 31 December	**61**	53
Amortisation/impairment		
At 1 January	**33**	25
Charge for financial year	**3**	8
At 31 December	**36**	33
Carrying value at 31 December	**25**	20

18. PROPERTY, PLANT AND EQUIPMENT

	Owned assets				Leased assets	2023 Total
	Property			Equipment	Right-of-use assets	
	Freehold	Long leasehold	Leasehold under 50		Property	
	€m	€m	€m	€m	€m	€m
Cost						
At 1 January	**27**	**3**	**4**	**7**	**12**	**53**
Additions	**—**	**—**	**1**	**—**	**2**	**3**
At 31 December	**27**	**3**	**5**	**7**	**14**	**56**
Depreciation/impairment						
At 1 January	**11**	**—**	**2**	**4**	**5**	**22**
Depreciation charge for the year	**1**	**—**	**—**	**—**	**2**	**3**
At 31 December	**12**	**—**	**2**	**4**	**7**	**25**
Carrying value at 31 December	**15**	**3**	**3**	**3**	**7**	**31**

	Owned assets				Leased assets	2022 Total
	Property			Equipment	Right-of-use assets	
	Freehold	Long leasehold	Leasehold under 50 years		Property	
	€m	€m	€m	€m	€m	€m
Cost						
At 1 January	27	3	4	6	47	87
Additions	—	—	—	1	1	2
Amounts written-off	—	—	—	—	(36)	(36)
At 31 December	27	3	4	7	12	53
Depreciation/impairment						
At 1 January	10	—	2	3	30	45
Depreciation charge for the year	1	—	—	1	2	4
Impairment charge for the year	—	—	—	—	9	9
Amounts written-off	—	—	—	—	(36)	(36)
At 31 December	11	—	2	4	5	22
Carrying value at 31 December	16	3	2	3	7	31

18. PROPERTY, PLANT AND EQUIPMENT

The carrying value of property occupied by EBS for its own activities was €21m (2022: €21m) in relation to owned assets and €7m (2022: €7m) in relation to right-of-use assets.

Future capital expenditure
As at 31 December 2023 there was €1m capital expenditure authorised and not contracted (2022: €1m).

Property
EBS leases property for its retail branch outlets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Most of these leases carry statutory renewal rights, or include an option to renew the lease for an additional period after the end of the contract term. Where EBS is likely to exercise these options, this has been taken into account in determining the lease liability and the right-of-use asset.

Lease liabilities
A maturity analysis of lease liabilities is shown in note 25.

Amounts recognised in income statement	2023 €m	2022 €m
Interest on lease liabilities	—	1
Depreciation expense on right-of-use assets	2	2
	2	3

Amounts recognised in statement of cash flows	2023 €m	2022 €m
Total cash outflow for leases during the year(1)	2	6

(1)Includes amount reported as interest expense on lease liabilities of less than €1m (2022: €1m) and amounts reported as principal repayments on lease liabilities of €2m (2022: €5m). Refer to note 25.

19. OTHER ASSETS

	2023 €m	2022 €m
Items in transit - debit	6	6
Other assets	2	4
Proceeds due from disposal of loan portfolio	1	—
	9	10

Notes to the consolidated financial statements

20. DEFERRED TAXATION

	2023	2022
	€m	€m
Deferred tax assets:		
Cash flow hedges	(11)	(43)
Unutilised tax losses	166	193
Total gross deferred tax assets	155	150
Net deferred tax assets	155	150
Represented on the statement of financial position as follows:		
Deferred tax assets	155	150
	155	150

Analysis of movements in deferred taxation	2023	2022
	€m	€m
At 1 January	150	211
Deferred tax through other comprehensive income	32	(47)
Income statement (note 12)	(27)	(14)
At 31 December	155	150

Comments on the basis of recognition of deferred tax assets on unused tax losses are included in note 2 'Critical accounting judgements and estimates' on pages 82 to 84.

The tax losses arise in the Irish tax jurisdiction and their utilisation is dependent on the generation of future taxable profits. EBS was profitable in 2023, despite the impact of higher inflation and interest rates the Directors believe having considered the risks and uncertainties facing the business that it will continue to generate profits in the foreseeable future. In the absence of any expiry date for tax losses in Ireland, EBS therefore believes that it is more likely than not that there will be future profits against which to use the tax losses. EBS has carried out an exercise to determine the likely number of years required to utilise the deferred tax, which indicates the deferred tax asset will be fully utilised less than 10 years (2022: 15 years).

At 31 December 2023, recognised deferred tax assets on tax losses and other temporary differences, net of deferred tax liabilities, totalled €155m (2022: €150m). The amount of recognised deferred tax assets arising from unused tax losses amounts to €166m (2022: €193m) relates to Irish tax losses.

Net deferred tax assets at 31 December 2023 of €155m (2022: €150m) are expected to be recovered after more than 12 months.

21. PREPAYMENTS AND ACCRUED INCOME

	2023	2022
	€m	€m
Accrued interest	2	2
Other accrued income	1	—
Prepaid expenses	2	1
	5	3

22. DEPOSITS BY BANKS

	2023	2022
	€m	€m
Due to Allied Irish Banks, p.l.c.	**3,564**	4,850
	3,564	4,850

	2023	2022
Analysed by remaining maturity	**€m**	€m
Repayable on demand	**3,564**	4,850
	3,564	4,850

23. CUSTOMER ACCOUNTS

	2023	2022
Analysed by sector	**€m**	€m
Retail	**5,816**	5,977
Corporate	**1**	1
	5,817	5,978

	2023	2022
	€m	€m
Analysed by remaining maturity:		
Repayable on demand	**5,439**	5,566
3 months or less	**128**	140
1 year or less but over 3 months	**250**	272
5 years or less but over 1 year	**—**	—
	5,817	5,978

24. SECURITIES FINANCING

Securities financing consists of sale and repurchase transactions.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. These are referred to as reverse repurchase agreements and securities sold under agreements to repurchase.

		2023		2022
	Banks	**Total**	Banks	Total
	€m	**€m**	€m	€m
Liabilities				
Securities sold under agreements to repurchase	**4,346**	**4,346**	1,955	1,955
	4,346	**4,346**	1,955	1,955

Securities sold under agreements to repurchase mature within six months and are secured by funds received from AIB. At 31 December 2023 in relation to securities sold under agreements to repurchase, EBS had pledged collateral with a fair value of €4,346m (2022: €1,955m). These transactions were conducted under terms that are usual and customary to standard securities sold under repurchase transactions.

25. LEASE LIABILITIES

	2023 €m	2022 €m
At 31 December	**8**	7
Maturity analysis - contractual undiscounted cash flows:		
Not later than one year	**1**	1
Later than one year and not later than five years	**5**	4
Later than five years	**2**	2
Total undiscounted lease liabilities at end of year	**8**	7

Analysis of movements in lease liabilities	2023 €m	2022 €m
At 1 January	**7**	28
Lease payments[1]	**(2)**	(6)
Interest expense[1]	**—**	1
Additions	**3**	1
Disposals	**—**	(17)
At 31 December	**8**	7

[1]Repayment of principal portion of the lease liabilities amounted to €2m (2022: €5m), i.e. lease payments net of interest expense.

26. RETIREMENT BENEFITS

EBS has operated three funded defined benefit pension schemes, as well as two defined contribution schemes. All defined benefit schemes were closed to future accrual with effect from 31 December 2013.

Defined benefit schemes

Of the three defined benefit schemes, the two of most significance are the EBS Defined Benefit Pension Plan ('the main Staff Plan') and the EBS Pension Plan for Senior Management ('the Senior Managers Plan'). Following the changes to the schemes at 31 December 2013, retirement benefits for active employees at that date are calculated by reference to service and Final Pensionable Salary at 31 December 2013. This calculation of benefit for each staff member will revalue between 1 January 2014 and retirement date in line with the statutory requirement to revalue deferred benefits.

Increases to pensions in payment are specifically subject to the consent of the Company. The Company has aligned itself to the position taken by AIB Group in terms of increases to pensions in payment. The AIB Group Board has determined that the funding of the discretionary increases to pensions in payment is a decision to be made each year. A process, taking account of all relevant interests and factors has been implemented by the AIB Group Board. These interests and factors include advice of the Actuary; the interests of the members of the schemes; the interests of the employees; financial circumstances and ability to pay; the views of the Trustees; commercial interests and any competing obligations to the State. Under this annual process, AIB Group decided in March 2023, that the funding of a 3.0% discretionary increase was appropriate which was subsequently agreed by EBS. In March 2024, the AIB Group Board approved the funding of a discretionary increase of 2.25% for 2024 in relation to the three EBS defined benefit schemes and this was subsequently considered and approved by the EBS Board.

Regulatory framework

In Ireland, the Pensions Act provisions set out the requirement for a defined benefit scheme that fails to meet the Minimum Funding Standard (‘MFS’) to have a funding plan in place and be approved by the Pensions Authority. The objective of an MFS funding plan is to set out the necessary corrective action to restore the funding of the scheme over a reasonable time period and enable the scheme to meet the MFS, together with the additional risk reserve requirements, at a future date.

A review of the MFS and FSR positions is carried out at 31 December each year to ascertain if the Plans are on-track to achieve their objectives.All EBS Defined Benefit Plans achieved their objectives and exited their previous funding proposals.However, the EBS Building Society Pension Scheme for former Norwich Irish Building Society employees did not meet the Funding Standard and Funding Standard Reserve at 1 January 2023, so an Employer contribution of €200,000 was required to enable the scheme to meet the required funding levels.

Responsibilities for governance

The Trustees of each Company pension scheme are ultimately responsible for the governance of the schemes.

Risks

Pension risk is the risk that:
- The funding position of EBS's defined benefit schemes would deteriorate to such an extent that additional contributions would be required to cover its funding obligations towards current and former employees;
- The capital position of EBS is negatively affected as funding deficits will be fully deductible from regulatory capital; and
- There could be a negative impact on industrial relations if the funding level of a scheme was to deteriorate significantly.

Each scheme has a separate trustee board and EBS previously agreed funding plans to deal with deficits in each scheme. As part of each funding agreement, EBS would engage with each trustee regarding an appropriate investment strategy to reduce the risk in each scheme. The ability of the pension schemes to meet the projected pension payments is managed by the trustees through the active management of the investment portfolios. Although EBS has interaction with the trustees, it cannot direct the investment strategy of the schemes.

Irish schemes that are deemed to have a deficit under the MFS must prepare funding plans to address this situation in a timely manner and submit them to the Pensions Authority for approval.

Pension risk is monitored and controlled in line with the requirements of the AIB's pension risk framework and policy.

Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation at 31 December 2023 is 17 years (2022: 17 years).

Notes to the consolidated financial statements

26. RETIREMENT BENEFITS

Asset liability matching strategies
The 6-year funding plan submitted to the Pensions Authority has allowed for a process of de-risking the investment strategy to reduce market risk. Under Pensions Authority guidelines there is a requirement for the investment strategy to take account of the liabilities by completion of the funding plan.

Contributions
The actuarial reports are available for inspection by members of the scheme and are not available for public inspection.

Triennial actuarial valuations were prepared in 2023 with an effective date of 1 January 2023 for each scheme.

As both the EBS Defined Benefit Pension Plan and the EBS Pension Plan for Senior Management met the Funding Standard and Funding Standard Reserve at the valuation date, no contributions were recommended for the calendar year 2023. With regards to the EBS Building Society Pension Scheme for former Norwich Irish Building Society employees, this Scheme did not meet the Funding Standard and Funding Standard Reserve at the valuation date, and so the Scheme Actuary recommended an Employer contribution of €200,000 in 2023. The Company paid the recommended contribution of €200,000 in August 2023. The 2024 and 2025 contribution recommendations will be reviewed as part of the annual Funding Standard review, which is required to take place on 31 December each year.

The company also provided a total of €1.9 million in funding to the three EBS schemes for discretionary pension increases in 2023.

Financial assumptions
The following table summarises the financial assumptions adopted in the preparation of these financial statements in respect of the schemes at 31 December 2023 and 2022. The assumptions have been set based upon the advice of AIB Group's actuary and are in line with the assumptions made in the AIB Irish defined benefit scheme.

	2023	2022
Financial assumptions	**%**	%
Rate of increase of pensions in payment	**—**	—
Discount rate	**3.55**	4.20
Inflation assumption	**2.15**	2.85

Mortality assumptions
The life expectancies underlying the value of the scheme liabilities for AIB Group schemes at 31 December 2023 and 2022 are shown in the following table:

	Life expectancy - years	
	2023	2022
Retiring today age 63		
Male	**25.1**	25.0
Female	**27.0**	26.8
Retiring in 10 years' time at age 63		
Male	**25.7**	25.6
Female	**27.7**	27.6

The mortality assumptions for the EBS schemes were updated in 2021 to reflect emerging market experience. The table shows that a member of the EBS schemes retiring at age 63 on 31 December 2023 is assumed to live on average for 25.1 years for a male and 27.0 years for a female.There will be variation between members but these assumptions are expected to be appropriate for all members. The table also shows the life expectancy for members aged 53 on 31 December 2023 who will retire in ten years. Younger members are expected to live longer in retirement than those retiring now, reflecting a decrease in mortality rates in future years due to advances in medical science and improvements in standards of living.

26. RETIREMENT BENEFITS

Movement in defined benefit obligation and scheme assets
The amounts recognised in the statement of financial position of EBS are determined as follows:

	2023				2022			
	Defined benefit obligation	**Fair value of scheme assets**	**Asset ceiling/ minimum funding[1]**	**Net defined benefit (liability) asset**	Defined benefit obligation	Fair value of scheme assets	Asset ceiling/ minimum funding[1]	Net defined benefit (liability) asset
	€m	**€m**	**€m**	**€m**	€m	€m	€m	€m
At 1 January	**(134)**	**150**	**(16)**	**—**	(215)	192	(8)	(31)
Included in profit or loss								
Past service cost	**(2)**	**—**	**—**	**(2)**	(2)	—	—	(2)
Interest (cost)/income	**(5)**	**6**	**(1)**	**—**	(3)	3	—	—
Administration costs	**—**	**(1)**	**—**	**(1)**	—	(1)	—	(1)
	(7)	**5**	**(1)**	**(3)**	(5)	2	—	(3)
Included in other comprehensive income								
Remeasurements gain (loss):								
Actuarial gain/(loss) arising from:								
Experience adjustments	**—**	**—**	**—**	**—**	(1)	—	—	(1)
Changes in demographic assumptions	**—**	**—**	**—**	**—**	—	—	—	—
Changes in financial assumptions	**(9)**	**—**	**—**	**(9)**	79	—	—	79
Return on scheme assets excluding interest income	**—**	**11**	**—**	**11**	—	(38)	—	(38)
Asset ceiling / minimum funding adjustments	**—**	**—**	**(1)**	**(1)**	—	—	(8)	(8)
	(9)	**11**	**(1)**	**1**	78	(38)	(8)	32
Other								
Employer	**—**	**2**	**—**	**2**	—	2	—	2
Benefits paid	**6**	**(6)**	**—**	**—**	8	(8)	—	—
Administrative expenses paid from plan assets	**—**	**—**	**—**	**—**	—	—	—	—
	6	**(4)**	**—**	**2**	8	(6)	—	2
At 31 December	**(144)**	**162**	**(18)**	**—**	(134)	150	(16)	—

	31 December 2023	31 December 2022
	€m	€m
Recognised on the statement of financial position as:		
Retirement benefit liabilities	**—**	—
Net pension deficit	**—**	—

[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.

26. RETIREMENT BENEFITS

Scheme assets

	2023 €m	2022 €m
Investment funds		
Equity	**45**	58
Fixed interest	**81**	75
Alternatives:		
Quoted	**18**	16
Unquoted	**8**	—
Cash	**10**	1
Fair value of scheme assets at 31 December	**162**	150

None of the pension plan assets are invested in AIB Group's own financial instruments.

Sensitivity Analysis
There are inherent uncertainties around the financial assumptions adopted in calculating the actuarial valuation due to the long term nature of the liabilities being valued.

An increase or decrease in the discount rate of 25 basis points would reduce or increase the scheme liabilities by c.4.2% (2022: 4.2%). An increase or decrease in the inflation rate of 25 basis points would increase or reduce the scheme liabilities by c. 1.4% (2022: 1.5%). The addition of a one year age offset to the mortality table in use would increase the scheme liabilities by c.2.4% (2022: 2.1%).

The sensitivity analysis has been prepared using the same methodology and limitations that are used in the calculation of the defined benefit obligation. There are no changes to the methods and assumptions used in preparing the sensitivity analysis from last year to this year.

27. OTHER LIABILITIES

	2023 €m	2022 €m
Items in transit	**5**	5
Deferred compensation on sale of loan book	**—**	1
Sundry creditors	**61**	47
Other	**4**	3
	70	56

28. ACCRUALS AND DEFERRED INCOME

	2023 €m	2022 €m
Accrued interest	**7**	1
Other accrued expense	**14**	33
	21	34

29. PROVISIONS FOR LIABILITIES AND COMMITMENTS

	2023 Total €m	2022 Total €m
At 1 January	**16**	66
Charged to income statement	**6**	2
Released to income statement	**(1)**	(24)
Provisions utilised	**(10)**	(28)
At 31 December[1]	**11**	16

[1]The total provisions for liabilities and commitments expected to be settled within one year amount to €9m (2022: €12m).

Provisions for customer redress and other costs

EBS holds provisions amounting to €7m (2022: €7m) to cover customer redress and related matters, regulatory fees and charges nil (2022: €4m) and other matters including legal claims amounting to €4m (2022: €5m).

These matters are subject to uncertainty with a range of outcomes possible with the final outcome being higher or lower depending on finalisation of such matters.

30. SHARE CAPITAL

	2023		2022	
	Number of shares m	**€m**	Number of shares m	€m
Authorised:				
Ordinary share capital				
Ordinary shares of €0.25 each	**2,000**	**500**	2,000	500
Issued and fully paid up:				
Ordinary share capital				
Ordinary shares of €0.25 each	**1,655**	**413**	1,655	413

Movements in issued share capital	2023 €m	2022 €m
At 1 January	**413**	413
At 31 December	**413**	413

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of EBS. All shares rank equally with regard to EBS's residual assets.

31. CAPITAL RESERVES

	2023 €m	2022 €m
At 1 January	**349**	349
At 31 December	**349**	349

The capital reserves represents non refundable cash contribution received from EBS's shareholder and the capital provided by the Minister for Finance on behalf of the Irish State on 17 June 2010.

Notes to the consolidated financial statements

32. CONTINGENT LIABILITIES AND COMMITMENTS

(i) Off balance sheet commitments
At 31 December 2023 loan approvals that have not been drawn down as at year end, amount to €498m (2022: €428m).

Loan commitments are classified and measured in accordance with IFRS 9. EBS's accounting policy for the recognition of ECL allowances on loan commitments is set out in accounting policy number 1.17 Impairment of financial assets.

The loan commitments were assessed for an ECL at 31 December 2023, it was determined that the ECL was immaterial (2022: nil).

(ii) Special purpose entities
Securitisations are transactions in which EBS and Haven sells loans and advances to customers (residential mortgages) to special purpose entities ('SPEs'), which, in turn, may issue notes on a retained basis or to external investors. The notes issued by the SPEs are on terms which result in EBS and Haven retaining the majority of ownership risks and rewards and therefore, the loans continue to be recognised in the EBS and Haven statement of financial position. EBS and Haven remain exposed to credit risk and interest rate risk on the loans sold. Under the terms of the securitisations, the rights of the investors are limited to the assets in the securitised portfolios and any related income generated by the portfolios, without further recourse to EBS or Haven. EBS and Haven do not have the ability to otherwise use the assets transferred as part of securitisation transactions during the term of the arrangement.

Burlington Mortgages No. 1 d.a.c.
In 2020, the EBS and Haven securitised € 4 billion of residential mortgage portfolio. These mortgages were transferred to a securitisation vehicle, Burlington Mortgages No. 1 d.a.c., ('Burlington'). In order to fund the acquired mortgages, Burlington issued eleven classes of notes to EBS and Haven in the same proportion as the mortgages securitised. The transferred mortgages have not been derecognised as EBS and Haven retain substantially all the risks and rewards of ownership and they continue to be reported in the EBS and Haven financial statements. Burlington is consolidated into the EBS and Haven financial statements with all the notes being eliminated on consolidation. At 31 December 2023, the carrying amount of the transferred financial assets which EBS continues to recognise is € 2.5 billion (2022: € 2.8 billion) (fair value is € 2.4 billion (2022: € 2.6 billion)) and the carrying amount of the associated liabilities is Nil (2022: Nil).

Burlington Mortgages No. 2 d.a.c.
In 2023, the EBS and Haven securitised € 5 billion of residential mortgage portfolio. These mortgages were transferred to a securitisation vehicle, Burlington Mortgages No. 2 d.a.c., ('Burlington 2'). In order to fund the acquired mortgages, Burlington 2 issued seven classes of notes to EBS and Haven in the same proportion as the mortgages securitised. The transferred mortgages have not been derecognised as EBS and Haven retain substantially all the risks and rewards of ownership and they continue to be reported in the EBS and Haven financial statements. Burlington 2 is consolidated into the EBS and Haven financial statements with all the notes being eliminated on consolidation. At 31 December 2023, the carrying amount of the transferred financial assets which EBS continues to recognise is € 5 billion (2022: Nil) (fair value is € 4.9 billion (2022: Nil)) and the carrying amount of the associated liabilities is Nil (2022: Nil).

(iii) Legal proceedings
EBS in the course of its business is frequently involved in litigation cases. However, it is not, nor has it been involved in, nor are there, so far as EBS is aware, (other than as set out in the following paragraphs), pending or threatened by or against EBS 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 EBS.

Specifically, litigation has been served on EBS by customers that are pursuing claims in relation to mortgages. Further cases may be served in the future in relation to mortgages.

Based on the facts currently known and the current stages that the litigation is at, it is not practicable at this time to predict the final outcome of this litigation, nor the timing and possible impact on EBS.

(iv) Contingent liability/contingent asset
EBS has provided the National Asset Management Agency with a series of indemnities relating to transferred assets. Any indemnity payment would result in an outflow of economic benefit for EBS.

(v) TARGET Ireland - Gross settlement system
From 2008, EBS participated in the TARGET2 – Ireland system, which was the real time gross settlement system for large volume interbank payments in euro. As a result of an ECB consolidation project, TARGET2-Ireland was replaced by TARGET-Ireland and EBS entered into a new participation agreement with the Central Bank of Ireland (CBI) which took effect on 20th March 2023 (effective date).

32. CONTINGENT LIABILITIES AND COMMITMENTS

(v) TARGET Ireland - Gross settlement system (continued)

On 16 March 2023, EBS executed a deed of charge pursuant to which it created a first floating charge in favour of the Central Bank of Ireland over all of its right, title, interest and benefit, present and future, in and to the balances then or at any time standing to the credit of the TARGET-Ireland Accounts. The floating charge secures all liabilities of EBS DAC to the CBI arising pursuant the Participation Documents (as defined in the participation agreement between EBS and the CBI) or otherwise in connection with EBS's participation in TARGET-Ireland. On the effective date, this deed of floating charge replaced previous existing security over the TARGET2 Accounts.

In addition, EBS and the CBI entered into a Framework Agreement in respect of Eurosystem Operations (dated 7 April 2014), which included a credit line facility for intra-day credit in TARGET2-Ireland (now TARGET-Ireland). In order to secure its obligations under that Framework Agreement, EBS executed a deed of charge (also dated 7 April 2014). Pursuant to that deed, EBS created in favour of CBI a first fixed charge over all of its right, title, interest, and benefit, present and future, in and to eligible assets (as identified as such by the CBI) which are held in a designated collateral account and a floating charge in favour of the CBI over EBS' right, title, interest and benefit, present and future, in and to other eligible assets of EBS.

The deeds of charge contain provisions that during the subsistence of the security, otherwise than with the prior written consent of the CBI, EBS shall not:

- create or attempt to create or permit to arise or subsist any encumbrance on or over the charged property or any part thereof; or
- otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of or deal in the property or assets subject to the charges or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

33. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policy for financial assets in note 1.10 and financial liabilities in note 1.11, describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses at 31 December 2023 and 2022 the carrying amounts of the financial assets and financial liabilities by measurement category as defined in IFRS 9 *Financial Instruments* and by statement of financial position heading.

			2023
	At fair value through other comprehensive income	**At amortised cost**	**Total**
	Cash flow hedge derivatives		
	€m	**€m**	**€m**
Financial assets			
Cash and balances at central banks	**—**	**74**	**74**
Derivative financial instruments	**139**	**—**	**139**
Loans and advances to banks	**—**	**3,829**	**3,829**
Loans and advances to customers	**—**	**11,457**	**11,457**
Other financial assets	**—**	**8**	**8**
	139	**15,368**	**15,507**
Financial liabilities			
Deposits by banks	**—**	**3,564**	**3,564**
Customer accounts	**—**	**5,817**	**5,817**
Securities financing	**—**	**4,346**	**4,346**
Derivative financial instruments	**83**	**—**	**83**
Other financial liabilities	**—**	**83**	**83**
	83	**13,810**	**13,893**

			2022
	At fair value through other comprehensive income	At amortised cost	Total
	Cash flow hedge derivatives		
	€m	€m	€m
Financial assets			
Cash and balances at central banks	—	93	93
Derivative financial instruments	336	—	336
Loans and advances to banks	—	3,380	3,380
Loans and advances to customers	—	10,709	10,709
Other financial assets	—	6	6
	336	14,188	14,524
Financial liabilities			
Deposits by banks	—	4,850	4,850
Customer accounts	—	5,978	5,978
Securities financing	—	1,955	1,955
Other financial liabilities	—	90	90
	—	12,873	12,873

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The term 'financial instruments' includes both financial assets and financial liabilities. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which EBS has access at that date. EBS's accounting policy for the determination of fair value of financial instruments is set out in accounting policy number 1.13.

The valuation of financial instruments, including loans and advances, involves the application of judgement and estimation. Market and credit risks are key assumptions in the estimation of the fair value of loans and advances. EBS has estimated the fair value of its loans to customers taking into account market risk and the changes in credit quality of its borrowers.

Fair values are based on observable market prices, where available, and on valuation models or techniques where the lack of market liquidity means that observable prices are unavailable. The fair values of financial instruments are measured according to the following fair value hierarchy:

Level 1 – financial assets and liabilities measured using quoted market prices from an active market (unadjusted).

Level 2 – financial assets and liabilities measured using valuation techniques which use quoted market prices from an active market or measured using quoted market prices unadjusted from an inactive market.

Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable inputs.

All financial instruments are initially recognised at fair value. Financial instruments held for trading and financial instruments in fair value hedge relationships are subsequently measured at fair value through profit or loss.

All valuations are carried out within the Finance function of AIB and valuation methodologies are validated by the Risk function within AIB.

Readers of these financial statements are advised to use caution when using the data in the following table to evaluate EBS's financial position or to make comparisons with other institutions. Fair value information is not provided for items that do not meet the definition of a financial instrument such as shareholders' equity. These items are material and accordingly, the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying value of EBS as a going concern at 31 December 2023.

The methods used for calculation of fair value are as follows:

Financial instruments measured at fair value in the financial statements

Derivative financial instruments

Where derivatives are traded on an exchange, the fair value is based on prices from the exchange. The fair value of over-the-counter derivative financial instruments is estimated based on standard market discounting and valuation methodologies which use reliable observable inputs including yield curves and market rates. These methodologies are implemented by the Finance function and validated by the Risk function within AIB. Where there is uncertainty around the inputs to a derivatives' valuation model, the fair value is estimated using inputs which provide EBS's view of the most likely outcome in a disposal transaction between willing counterparties in a functioning market. Where an unobservable input is material to the outcome of the valuation, a range of potential outcomes from favourable to unfavourable is estimated.

Counterparty credit and own credit is an input into the valuation of uncollateralised customer derivatives.

Investment securities

The fair value of investment securities has been estimated based on expected sale proceeds. The expected sale proceeds are based on screen bid prices which have been analysed and compared across multiple sources for reliability. Where screen prices are unavailable, fair values are estimated using valuation techniques using observable market data for similar instruments. Where there is no market data for a directly comparable instrument, management judgement, on an appropriate credit spread to similar or related instruments with market data available, is used within the valuation technique. This is supported by cross referencing other similar or related instruments.

Notes to the consolidated financial statements

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value but with fair value information presented separately in the notes to the financial statements

Loans and advances to banks

The fair value of loans and advances to banks is estimated using discounted cash flows applying either market rates, where practicably available, or rates currently offered by other financial institutions for placements with similar characteristics.

Loans and advances to customers

EBS provides lending facilities of varying rates and maturities to personal customers.

Valuation techniques are used in estimating the fair value of loans, primarily using discounted cash flows and applying market rates where practicable and taking credit risk into account.

The fair value of mortgage products, including tracker mortgages, is calculated by discounting expected cash flows using discount rates that reflect the interest rate/credit risk in the portfolio.

Securities financing

The fair value of securities financing assets and liabilities approximates to their carrying amount as these balances are generally short-dated and fully collateralised.

Deposits by banks

The fair value of current accounts and deposit liabilities which are repayable on demand, or which re-price frequently, approximates to their book value. The fair value of all other deposits and other borrowings is estimated using discounted cash flows applying either market rates, where applicable, or interest rates currently offered by EBS.

Debt securities in issue

The estimated fair value of subordinated liabilities and other capital instruments, and debt securities in issue, is based on quoted prices were available, or where these are unavailable, are estimated using valuation techniques using observable market data for similar instruments. Where there is no market data for a directly comparable instrument, management judgement, on an appropriate credit spread to similar or related instruments with market data available, is used within the valuation technique. This is supported by cross referencing other similar or related instruments.

Other financial assets and other financial liabilities

This caption includes accrued interest receivable and payable and the carrying amount is considered representative of fair value.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets out the carrying value of financial instruments across the three levels of the fair value hierarchy at 31 December 2023 and 2022:

					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					
Derivative financial instruments					
Interest rate swaps	139	—	139	—	139
	139	—	139	—	139
Financial assets not measured at fair value					
Cash and balances at central banks	74	5	69	—	74
Loans and advances to banks	3,829	—	—	3,829	3,829
Loans and advances to customers	11,457	—	—	11,263	11,263
Other financial assets	8	—	—	8	8
	15,368	5	69	15,100	15,174
Financial liabilities measured at fair value					
Derivative financial instruments					
Interest rate swaps	83	—	83	—	83
	83	—	83	—	83
Financial liabilities not measured at fair value					
Deposits by banks	3,564	—	—	3,564	3,564
Customer accounts	5,817	—	—	5,814	5,814
Securities financing	4,346	—	—	4,346	4,346
Other financial liabilities	83	—	—	83	83
	13,810	—	—	13,807	13,807

Notes to the consolidated financial statements

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

					2022
	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					
Derivative financial instruments					
Interest rate swaps	336	—	336	—	336
	336	—	336	—	336
Financial assets not measured at fair value					
Cash and balances at central banks	93	5	88	—	93
Loans and advances to banks	3,380	—	—	3,380	3,380
Loans and advances to customers	10,709	—	—	9,692	9,692
Other financial assets	6	—	—	6	6
	14,188	5	88	13,078	13,171
Financial liabilities measured at fair value					
Derivative financial instruments					
	—	—	—	—	—
Financial liabilities not measured at fair value					
Deposits by banks	4,850	—	—	4,850	4,850
Customer accounts	5,978	—	—	5,973	5,973
Securities financing	1,955	—	—	1,955	1,955
Other financial liabilities	90	—	—	90	90
	12,873	—	—	12,868	12,868

Significant transfers between Level 1 and Level 2 of the fair value hierarchy
There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended 31 December 2023 and 2022.

Reconciliation of balances in Level 3 of the fair value hierarchy
There were no level 3 financial assets or liabilities carried at fair value on the statement of financial position as at 31 December 2023 and 31 December 2022.

Notes to the consolidated financial statements

35. STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023	2022
	€m	€m
Cash and balances at central banks	**74**	93
Funds placed with group undertakings	**3,829**	3,380
	3,903	3,473

Cash and cash equivalents include balances with original maturities of less than 3 months and balances with CBI.

36. RELATED PARTY TRANSACTIONS

(a) Transactions with AIB

EBS is a subsidiary of AIB. Banking transactions are entered into between EBS and AIB in the normal course of business. These include loans, deposits and derivatives on an arm's length basis. Interest paid to AIB and interest received from AIB is disclosed in note 3 and note 4 to the consolidated financial statements. In addition, EBS has a pricing agreement with AIB updated in 2022 to reflect revised OECD guidelines on transfer pricing, which are the internationally accepted principles in this area, and take account of the functions, risks and assets involved. See note 5 Net fees and commission income and note 9 Operating expenses.

	2023	2022
	€m	€m
Included in the statement of financial position		
Loans and advances to banks	**3,829**	3,380
Prepayments and accrued income	**2**	—
Deposits by banks	**(3,564)**	(4,850)
Accruals and deferred income	**(7)**	(1)
Derivative financial instruments		
Interest rate swaps		
Assets (Fair value)	**139**	336
Liabilities (Fair value)	**(83)**	—
Securities financing		
Liability	**(4,346)**	(1,955)
Included in the income statement		
Interest income	**109**	19
Interest expense	**(103)**	(32)
Fee and commission receivable from Group companies	**37**	—
Operating expenses	**(73)**	(85)

(b) IAS 24 Related Party Disclosures

The following disclosures are made in accordance with the provisions of IAS 24 *Related Party Disclosures*. Under IAS 24, Key Management Personnel ('KMP') are defined as comprising Executive, Non-Executive Directors and Senior Executive Officers. As at 31 December 2023 EBS has 9 KMP (2022: 8 KMP).

(i) Compensation of Key Management Personnel ('KMP')

Compensation of KMP, namely Executive and Non-Executive Directors and Senior Executive Officers, in office during the year is paid by AIB and allocated to EBS under the Master Services Agreement.

36. RELATED PARTY TRANSACTIONS

(b) IAS 24 Related Party Disclosures

(i) Compensation of Key Management Personnel ('KMP')

Directors' remuneration

The remuneration of the Independent Non-Executive Directors in office during 2023 is as follows:

	2023	2022
	€'000	€'000
Total Directors' fees	**199**	103

At 31 December 2023, the Board of Directors comprised of Paul Butler, Paula Duffy, Gerry Gaffney, Peter Hagan, Yvonne Hill, Ann O'Brien, Paul Owens and Edel Shine.

The remuneration of Non-Executive Directors (Paula Duffy and Edel Shine) and the Executive Directors (Paul Butler and Gerry Gaffney) is borne by AIB.

No additional remuneration has been made to any individuals employed directly by AIB, for roles discharged as directors of EBS. The Non-Executive Directors fees are non-pensionable.

The Directors do not participate in share option plans, therefore there were no gains on exercise of share options during the financial year in accordance with Section 305(1) of the Companies Act 2014.

There were no amounts paid by EBS (2022: nil) to persons connected with a Director of the entity in accordance with Section 306(1) of the Companies Act 2014.

Travel and subsistence

	2023	2022
	€'000	€'000
Total travel and subsistence paid to Directors	**40**	29

(ii) Transactions with Key Management Personnel ('KMP')

Loans to KMP and their close family members are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar standing not connected with EBS, and do not involve more than the normal risk of collectability or present other unfavourable features. Loans to Executive Directors and Senior Executive Officers are made on terms available to other employees in EBS generally, in accordance with established policy, within limits set on a case by case basis.

The aggregate amounts outstanding, in respect of all loans, quasi loans and credit transactions between EBS and the KMP, as defined above, together with members of their close families and entities influenced by them are shown in the following table:

	2023	2022
Loans outstanding	**€'000**	€'000
At 1 January	**—**	437
Loan repayments during the year/change of KMP/other	**72**	(20)
At 31 December	**72**	417

The balances outlined above include loans, quasi loans and credit transactions held by the connected persons of KMP identified as such during the reporting period.

36. RELATED PARTY TRANSACTIONS

(c) Companies Act 2014 disclosures

(i) Loans to Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Act disclosures, Director means the Board of Directors and any past Directors who are Directors during the relevant period. There were 8 Directors in office during the year, one of whom availed of credit facilities (2022: 1).

Details of transactions with Directors for the year ended 31 December 2023 are as follows:

	Balance at 31 December 2022 €'000	Amounts advanced during 2023 €'000	Amounts repaid during 2023 €'000	Balance at 31 December 2023 €'000
Paula Duffy				
Loans	89	—	17	72
Overdraft/credit card	—	—	—	—
Total	89	—	17	72
Interest charged during the year	—	—	—	2
Maximum debit balance during the year*	—	—	—	89

*The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

An ECL allowance is recognised for all loans and advances. Accordingly, an insignificant ECL is held on the above facilities at 31 December 2023. All facilities are performing to their terms and conditions.

Paul Butler, Gerry Gaffney, Peter Hagan, Yvonne Hill, Ann O'Brien, Paul Owens and Edel Shine had no facilities with EBS during 2023.

Details of transactions with Directors for the year ended 31 December 2022 are as follows:

	Balance at 31 December 2021 €'000	Amounts advanced during 2022 €'000	Amounts repaid during 2022 €'000	Balance at 31 December 2022 €'000
Gerry Gaffney:				
Loans	6	—	6	—
Overdraft/credit card	—	—	—	—
Total	6	—	6	—
Interest charged during the year	—	—	—	—
Maximum debit balance during the year*	—	—	—	6

*The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

An ECL allowance is recognised for all loans and advances. Accordingly, an insignificant ECL is held on the above facilities at 31 December 2022. All facilities are performing to their terms and conditions.

Paul Butler, Peter Hagan, Yvonne Hill, Bryan O'Connor, Tom Foley and Paul Owens had no facilities with EBS during 2022.

Notes to the consolidated financial statements

36. RELATED PARTY TRANSACTIONS

(c) Companies Act 2014 disclosures

(ii) Connected persons

The aggregate of disclosable loans to connected persons of Directors in office during the year ended 31 December 2023, as defined in Section 220 of the Companies Act 2014, are disclosed below:

	Balance at 31 December 2022	Amounts repaid during 2023	Balance at 31 December 2023
	€'000	€'000	€'000
Gerry Gaffney (1 Person)			
Loans	**116**	5	111
Total	**116**	5	111
Interest charged during the year	—	—	5
Maximum debit balance during year*	—	—	116
Yvonne Hill (1 Person)			
Loans	**291**	16	275
Total	**291**	16	275
Interest charged during the year	—	—	12
Maximum debit balance during year*	—	—	291
Ann O'Brien (1 Person)			
Loans	**161**	88	73
Total	**161**	88	73
Interest charged during the year	—	—	6
Maximum debit balance during year*	—	—	161

*The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

An ECL allowance is recognised for all loans and advances. Accordingly, an insignificant ECL is held on the above facilities at 31 December 2023. All facilities are performing to their terms and conditions.

	Balance at 31 December 2021	Amounts repaid during 2022	Balance at 31 December 2022
	€'000	€'000	€'000
Gerry Gaffney (1 Person)			
Loan	**122**	6	116
Total	**122**	6	116
Interest charged during the year	—	—	2
Maximum debit balance during year*	—	—	122
Yvonne Hill (1 Person)			
Loan	**311**	20	291
Total	**311**	20	291
Interest charged during the year	—	—	3
Maximum debit balance during year*	—	—	311

*The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

An ECL allowance is recognised for all loans and advances. Accordingly, an insignificant ECL is held on the above facilities at 31 December 2022. All facilities are performing to their terms and conditions.

36. RELATED PARTY TRANSACTIONS

(c) Companies Act 2014 disclosures

(iii) Aggregate balance of loans and guarantees held by Directors and their connected persons

The aggregate balance of loans and guarantees held by Directors and their connected persons as at 31 December 2023 represents less than 0.03% of the net assets of EBS. (2022: 0.03%).

(d) Summary of relationship with the Irish Government

The Irish Government is recognised as a related party under IAS 24 Related Party Disclosures as it is in a position to exercise significant influence over AIB Group. The relationship between the AIB Group and the Government is governed by a Relationship Framework which is available on the Group's website at www.aib.ie/investorrelations.

Ordinary Shares

At 31 December 2023, the State held 40.77% of the ordinary shares of AIB Group plc (31 December 2022: 56.89%). The reduction was following a directed buyback and disposals as part of a pre-arranged trading plan.

Guarantee Schemes

European Communities (Deposit Guarantee Scheme) Regulations 2015

Eligible deposits (including credit balances in current accounts, demand deposit accounts and term deposit accounts) of up to €100,000 per depositor per credit institution are covered under this scheme. The scheme is administered by the CBI and is funded by the credit institutions covered by the scheme.

37. REGULATORY COMPLIANCE

The Company policy is that the Company must comply at all times with its externally imposed capital ratios.

38. ULTIMATE PARENT COMPANY

EBS is a wholly owned subsidiary of AIB. The ultimate parent company of EBS and AIB is AIB Group plc, a company registered in the Republic of Ireland.

The ultimate parent company is the largest group of which EBS is a member, for which consolidated financial statements are prepared. The financial statements of AIB and AIB Group plc are available from its registered office AIB Group plc, 10 Molesworth Street, Dublin 2, Ireland. Alternatively, information can be viewed by accessing AIB's website at www.aib.ie/investorrelations.

39. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

There have been no significant events affecting EBS since the reporting date which require disclosure or amendment to the financial statements.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 4 March 2024.

EBS d.a.c. company financial statements and notes

Company statement of financial position

As at 31 December 2023

	Note	**2023 €m**	2022 €m
Assets			
Cash and balances at central banks	c	**74**	93
Derivative financial instruments	d	**139**	336
Loans and advances to banks	e	**3,680**	3,284
Loans and advances to customers	f	**10,208**	10,076
Securities financing	g	**1,346**	683
Intangible assets and goodwill	i	**25**	20
Property, plant and equipment	j	**31**	31
Other assets	k	**4**	6
Deferred tax assets	l	**155**	150
Prepayments and accrued income	m	**6**	3
Total assets		**15,668**	14,682
Liabilities			
Deposits by banks	n	**3,561**	4,848
Customer accounts	o	**5,817**	5,978
Securities financing	g	**4,346**	1,955
Derivative financial instruments	d	**83**	—
Lease liabilities	p	**8**	7
Other liabilities	r	**68**	56
Accruals and deferred income	s	**21**	34
Provisions for liabilities and commitments	t	**11**	16
Total liabilities		**13,915**	12,894
Shareholders' equity			
Issued share capital presented as equity	u	**413**	413
Capital reserves	v	**349**	349
Reserves		**991**	1,026
Total shareholders' equity		**1,753**	1,788
Total liabilities and shareholders' equity		**15,668**	14,682

The Company recorded a profit after taxation of €187m for the year ended 31 December 2023 (2022: €106m).

Peter Hagan
Chair

Diane Lumsden
Company Secretary

Paul Butler
Managing Director

Gerry Gaffney
Executive Director

Company statement of changes in shareholders' equity

For the financial year ended 31 December 2023

	Share capital	Capital reserves	Cash flow hedge reserve	Revenue reserve	Total shareholders' equity
	€m	€m	€m	€m	€m
At 1 January 2023	**413**	**349**	**302**	**724**	**1,788**
Total comprehensive loss for the year					
Profit for the year	**—**	**—**	**—**	**187**	**187**
Other comprehensive loss	**—**	**—**	**(222)**	**—**	**(222)**
At 31 December 2023	**413**	**349**	**80**	**911**	**1,753**
At 1 January 2022	413	349	6	590	1,358
Total comprehensive income for the year					
Profit for the year	—	—	—	106	106
Other comprehensive income	—	—	296	28	324
At 31 December 2022	413	349	302	724	1,788

Company statement of cash flow

For the financial year ended 31 December 2023

	Note	2023 €m	2022 €m
Cash flows from operating activities			
Profit before taxation for the year		**214**	120
Adjustments for:			
Net loss/(gain) on derecognition of financial assets measured at amortised cost		**1**	—
Net credit impairment charge		**—**	(5)
Retirement benefits - defined benefit expense	q	**3**	3
Depreciation, amortisation and impairment	i/j	**6**	21
Other financial assets measured at FVTPL		**—**	4
Change in provisions for liabilities and commitments	t	**5**	(22)
Contributions to defined benefit pension schemes	q	**(2)**	(2)
		227	119
Changes in operating assets and liabilities			
Change in derivative financial instruments	d	**25**	15
Change in loans and advances to banks	e	**—**	(1)
Change in loans and advances to customers	f	**(133)**	(524)
Change in securities financing (asset)	g	**(663)**	149
Change in other assets	k	**2**	106
Change in prepayments and accrued income	m	**(3)**	(1)
Change in customer accounts	o	**(161)**	375
Change in securities financing (liability)	g	**2,391**	(427)
Change in other liabilities	r	**3**	(25)
Change in accruals and deferred income	s	**(13)**	23
Net cash flows from operating activities before taxation		**1,675**	(191)
Taxation		**—**	(1)
Net cash flows from operations		**1,675**	(192)
Cash flows from investing activities			
Additions to intangible assets	i	**(8)**	(4)
Additions to property, plant and equipment	j	**(1)**	(2)
Net cash flows from investing activities		**(9)**	(6)
Cash flows from financing activities			
Change in deposits by banks	n	**(1,287)**	2,895
Repayment of lease liabilities	p	**(2)**	(22)
Additions to lease liabilities	p	**—**	1
Net cash flows from financing activities		**(1,289)**	2,874
Change in cash and cash equivalents		**377**	2,676
Cash and cash equivalents at 1 January		**3,377**	701
Cash and cash equivalents at 31 December	z	**3,754**	3,377

Notes to the company financial statements

Background
EBS d.a.c. is a designated activity company, registered and domiciled in Ireland. The liability of the Company's member is limited by shares with its Registered Office address at 10 Molesworth Street, Dublin 2. EBS d.a.c. is registered under the Companies Act 2014 as a public limited company under the company number 500748 and is the holding company of EBS.

a. Accounting policies
Where applicable, the accounting policies adopted by EBS d.a.c are the same as those of EBS as set out in note 1 to the consolidated financial statements on pages 64 to 81.

The parent company financial statements and related notes set out on pages 117 to 144 have been prepared in accordance with International Financial Reporting Standards (collectively 'IFRSs') as issued by the IASB and IFRSs as adopted by the EU as applied in accordance with the Companies Act 2014 and applicable for the financial year ended 31 December 2023. They also comply with the European Union (Credit Institutions: Financial Statements) Regulations 2015 applicable to companies reporting under IFRS.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates.

A description of the critical accounting judgements and estimates is set out in note 2 to the consolidated financial statements on pages 82 to 84.

Parent Company Income statement
In accordance with Section 304(2) of the Companies Act 2014, the parent company is availing of the exemption to omit the income statement, statement of comprehensive income and related notes from its financial statements; from presenting them to the Annual General Meeting; and from filing them with the Registrar of Companies.

b. Auditor's remuneration
The disclosure of auditor’s remuneration is in accordance with Section 322 of the Companies Act 2014. This mandates disclosure of remuneration paid/payable to the Auditor (PricewaterhouseCoopers) only for services relating to the audit of the EBS and relevant subsidiary financial statements. €200k was paid to the Auditor (PricewaterhouseCoopers) for services relating to the audit of the financial statements of EBS d.a.c. during the year to 31 December 2023 (2022: Nil).

c. Cash and balances at central banks

	2023	2022
	€m	€m
Cash on hand	**5**	5
Balances with the Central Bank	**69**	88
	74	93

Notes to the company financial statements

d. Derivative financial instruments
Details of derivative transactions entered into and their purpose are described in note 14 to the consolidated financial statements.

The following table shows the notional principal amount and the fair value of derivative financial instruments analysed by product and purpose at 31 December 2023 and 2022. A description of how the fair values of derivatives are determined is set out in note 34 to the consolidated financial statements.

	2023			2022		
	Notional principal amount	**Fair Values**		Notional principal amount	Fair Values	
		Assets	**Liabilities**		Assets	Liabilities
	€m	**€m**	**€m**	€m	€m	€m
Derivatives designated as cash flow hedges – OTC						
Interest rate swaps	**7,396**	**139**	**(83)**	6,746	336	—
Total derivative financial instruments	**7,396**	**139**	**(83)**	2,422	336	—

Nominal values and average interest rates by residual maturity
At 31 December 2023 and 2022, the Company held the following hedging instruments of interest rate risk in fair value hedges:

2023	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**5 years +**	**Total**
Cash flow hedges - Interest rate swaps[1]						
Hedges of financial liabilities						
Nominal principal amount (€m)	**—**	**85**	**870**	**6,231**	**210**	**7,396**
Average interest rate (%)[2]	**—**	**(0.53)**	**0.28**	**1.73**	**2.52**	**1.56**

2022	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years +	Total
Cash flow hedges - Interest rate swaps[1]						
Hedges of financial liabilities						
Nominal principal amount (€m)	—	125	600	5,781	240	6,746
Average interest rate (%)[2]	—	(0.52)	(0.43)	0.90	2.42	(0.81)

(1) Includes interest rate swaps used to hedge interest rate risk.
(2) This is the average interest rate on the fixed leg of swap agreements where the variable rate on the assets and liabilities in cash flow hedges is being swapped for a fixed rate.

Notes to the company financial statements

d. Derivative financial instruments

The tables below set out the amounts relating to (a) items designated as hedging instruments and (b) the hedged items in cash flow hedges of interest rate risk together with the related hedge ineffectiveness at 31 December 2023 and 2022:

2023

		Carrying amount					Hedge ineffectiveness		Amounts reclassified from cash flow hedging reserves to the income statement		
	Nominal amount	Assets	Liabilities	Line item in statement of financial position where hedging instruments are included	Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of hedging instruments recognised in OCI in the year	Hedge ineffectiveness recognised in the income statement	Line item in the income statement that includes hedge ineffectiveness	Amounts for which hedge accounting had been used but for which the hedged future cash flows are no longer expected to occur	Amounts that have been transferred because the hedged item has affected the income statement	Line item in the income statement affected by the reclassification
(a) Hedging instruments	**€m**	**€m**	**€m**		**€m**	**€m**	**€m**		**€m**	**€m**	
Interest rate swaps											
Derivative liabilities	**7,396**	**139**	**(83)**	**Derivative financial instruments**	**(254)**	**(254)**	**—**	**Net trading income**	**—**	**161**	**Interest and similar expense**

2023

	Line item in statement of financial position in which hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Amount in the cash flow hedging reserves for continuing hedges(1) pre tax	Amount in the cash flow hedging reserves for continuing hedges(1) post tax	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax
(b) Hedged items		**€m**	**€m**	**€m**	**€m**	**€m**
Interest rate risk	**Customer accounts**	**254**	**92**	**80**	**—**	**—**

(1)The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss or the cumulative change in fair value (present value) of the hedged item from inception of the hedge. The portion that is offset by the change in the cash flow hedging reserves is recognised in other comprehensive income with any hedge ineffectiveness recognised in the income statement.

d. Derivative financial instruments

												2022
		Carrying amount					Hedge ineffectiveness		Amounts reclassified from cash flow hedging reserves to the income statement		
	Nominal amount	Assets	Liabilities	Line item in statement of financial position where hedging instruments are included	Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of hedging instruments recognised in OCI in the year	Hedge ineffectiveness recognised in the income statement	Line item in the income statement that includes hedge ineffectiveness	Amounts for which hedge accounting had been used but for which the hedged future cash flows are no longer expected to occur	Amounts that have been transferred because the hedged item has affected the income statement	Line item in the income statement affected by the reclassification
(a) Hedging instruments	€m	€m	€m		€m	€m	€m		€m	€m	
Interest rate swaps											
Derivative liabilities	6,746	336	—	Derivative financial instruments	338	338	—	Net trading income	—	8	Interest and similar expense

						2022
	Line item in statement of financial position in which hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	**Amount in the cash flow hedging reserves for continuing hedges[1] pre tax**	**Amount in the cash flow hedging reserves for continuing hedges[1] post tax**	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax
(b) Hedged items		€m	€m	€m	€m	€m
Interest rate risk	Customer accounts	(324)	346	304	(1)	(1)

[1] The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss or the cumulative change in fair value (present value) of the hedged item from inception of the hedge. The portion that is offset by the change in the cash flow hedging reserves is recognised in other comprehensive income with any hedge ineffectiveness recognised in the income statement.

Notes to the company financial statements

e. Loans and advances to banks

	2023 €m	2022 €m
Funds placed with group undertaking	**3,680**	3,284
	3,680	3,284
Analysed by remaining maturity:		
Repayable on demand	**3,680**	3,284
	3,680	3,284

Funds placed with AIB have been represented as funds placed with group undertaking in 2023 to align to EBS Group presentation.

f. Loans and advances to customers

	2023 €m	2022 €m
At amortised cost		
Loans and advances to customers	**8,305**	8,151
Loans to subsidiaries and special purpose vehicles	**2,033**	2,060
	10,338	10,211
ECL allowance	**(130)**	(135)
	10,208	10,076

	2023 €m	2022 €m
Analysed by remaining maturity:		
Repayable on demand	**2,200**	2,221
3 months or less	**—**	—
1 year or less but over 3 months	**7**	9
5 years or less but over 1 year	**168**	175
Over 5 years	**7,963**	7,806
Gross carrying amount	**10,338**	10,211
ECL allowance	**(130)**	(135)
	10,208	10,076

Included in loans and advances to customers is €1,576m (2022: €1,782m) loans held through the securitisation vehicle Burlington Mortgages No.1 d.a.c. and €3,833m (2022: nil) loans held through the securitisation vehicle Burlington Mortgages No.2 d.a.c.

f. Loans and advances to customers

Loss allowance on financial assets
The following table shows the movements on the impairment loss allowance on financial assets.

	2023	2022
	€m	€m
Opening balance	**135**	170
Net remeasurement of loss allowance - customers	**—**	(6)
Changes in loss allowance due to write-offs	**(6)**	(7)
Changes in loss allowance due to disposals	**(3)**	(22)
Other movement	**4**	—
At 31 December	**130**	135
Amounts include loss allowance on:		
Loans and advances to customers measured at amortised cost	**130**	135

See note w: Contingent liabilities and commitments - Special purpose entities for continuing involvement in securitised assets.

g. Securities financing

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. These are referred to as reverse repurchase agreements and securities sold under agreements to repurchase.

			2023			2022
	Banks	**Customers**	**Total**	Banks	Customers	Total
	€m	**€m**	**€m**	€m	€m	€m
Assets						
Reverse repurchase agreements	**1,346**	**—**	**1,346**	683	—	683
Total	**1,346**	**—**	**1,346**	683	—	683
Liabilities						
Securities sold under agreements to repurchase	**4,346**	**—**	**4,346**	1,955	—	1,955
	4,346	**—**	**4,346**	1,955	—	1,955

In accordance with the terms of the reverse repurchase agreements and securities borrowing agreements, EBS accepts collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. At 31 December 2023, the total fair value of the collateral received was €1,346 million (2022: €683 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 to AIB under agreements to repurchase mature within six months and are secured by funds received from AIB. At 31 December 2023 in relation to securities sold under agreements to repurchase, EBS had pledged collateral with a fair value of €4,346m (2022: €1,955m). These transactions were conducted subject to the normal market agreements for standard repurchase transactions.

Notes to the company financial statements

h. Investments in Group undertakings

Principal subsidiary undertakings:
All subsidiaries are 100% wholly owned unless otherwise stated.

EBS Mortgage Finance u.c.
The Company holds 8 (2022: 8) €0.25 (2022: €0.25) ordinary shares, 100% (2022: 100%) in EBS Mortgage Finance u.c. ('EBSMF') which was incorporated in the Republic of Ireland on 30 October 2008. The registered address of EBS Mortgage Finance u.c. is 10 Molesworth Street, Dublin 2.

The carrying value of shares in EBSMF as at 31 December 2023 and 2022 is €2. EBSMF is expected to be wound up in the foreseeable future.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of EBSMF. All shares rank equally with regard to EBSMF’s residual assets.

Haven Mortgages Limited
The Company holds 2 (2022: 2) €1 ordinary shares (100%) in Haven Mortgages Limited ('Haven'), incorporated in the Republic of Ireland. Haven trades as a mortgage lender. The registered address of Haven is 10 Molesworth Street, Dublin 2.

The carrying value of shares in Haven as at 31 December 2023 and 2022 is €2.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of Haven. All shares rank equally with regard to Havens' residual assets.

Impairment of equity shares
An impairment review of the equity investments in EBSMF and Haven was undertaken and there were no indications that impairment had occurred during the year ended 31 December 2023.

Consolidated structured entities
The Company has acted as sponsor and invested in a special purpose entity ('SPE') in order to generate funding for the Company’s lending activities. The Company considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity.

Burlington and Burlington 2 are SPE's which are consolidated by EBS. Further details on these SPE's are set out in note 32.

There are no contractual arrangements that could require EBS or its subsidiaries to provide financial support to the consolidated structured entities listed above. During the year, neither EBS nor any of its subsidiaries provided financial support to a consolidated structured entity and there is no current intention to provide financial support.

Notes to the company financial statements

i. Intangible assets

	2023	2022
	Total	Total
	€m	€m
Cost		
At 1 January	**50**	46
Additions	**8**	4
Amounts written-off	**—**	—
At 31 December	**58**	50
Amortisation		
At 1 January	**30**	22
Charge for financial year	**3**	8
Amounts written-off	**—**	—
At 31 December	**33**	30
Carrying value at 31 December	**25**	20

j. Property, plant and equipment

						2023
	Owned assets				**Leased assets**	**Total**
	Property			**Equipment**	**Right-of-use assets**	
	Freehold	**Long leasehold**	**Leasehold under 50 years**		**Property**	
	€m	**€m**	**€m**	**€m**	**€m**	**€m**
Cost						
At 1 January	**27**	**3**	**4**	**7**	**12**	**53**
Additions	**—**	**—**	**1**	**—**	**2**	**3**
At 31 December	**27**	**3**	**5**	**7**	**14**	**56**
Depreciation/impairment						
At 1 January	**11**	**—**	**2**	**4**	**5**	**22**
Depreciation charge for the year	**1**	**—**	**—**	**—**	**2**	**3**
At 31 December	**12**	**—**	**2**	**4**	**7**	**25**
Carrying value at 31 December	**15**	**3**	**3**	**3**	**7**	**31**

Notes to the company financial statements

j. Property, plant and equipment

	Property			Equipment	Right-of-use assets	Total
	Freehold	Long leasehold	Leasehold under 50 years		Property	2022
	€m	€m	€m	€m	€m	€m
Cost						
At 1 January	27	3	4	6	47	87
Additions	—	—	—	1	1	2
Disposals	—	—	—	—	(36)	(36)
At 31 December	27	3	4	7	12	53
Depreciation/impairment						
At 1 January	10	—	2	3	30	45
Depreciation charge for the year	1	—	—	1	2	4
Impairment charge for the year	—	—	—	—	9	9
Disposals	—	—	—	—	(36)	(36)
At 31 December	11	—	2	4	5	22
Carrying value at 31 December	16	3	2	3	7	31

The carrying value of property occupied by the Company for its own activities was €21m (2022: €21m) in relation to owned assets and €7m (2022: €7m) in relation to right-of-use assets.

Leased assets
Property
The Company leases property for its offices and retail branch outlets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Both head office property and retail branch lease terms are typically for periods of 10 to 20 years. Most of these leases carry statutory renewal rights, or include an option to renew the lease for an additional period after the end of the contract term. Where the Company is likely to exercise these options, this has been taken into account in determining the lease liability and likewise, the right-of-use asset.

Lease liabilities
A maturity analysis of lease liabilities is shown in note p.

Amounts recognised in income statement	**2023** **€m**	2022 €m
Interest on lease liabilities	**—**	1
Depreciation expense on right-of-use assets	**2**	2
	2	3

Amounts recognised in statement of cash flows	**2023** **€m**	2022 €m
Total cash outflow for leases during the year	**2**	6

[(1)] Includes interest expense on lease liabilities of less than €1m (2022: €1m) and principal repayments on lease liabilities of €2m (2022: €5m).

k. Other assets

	2023	2022
	€m	€m
Items in transit - debit	**1**	3
Proceeds due from disposal of loan portfolio	**1**	—
Other assets	**2**	3
	4	6

l. Deferred taxation

	2023	2022
	€m	€m
Deferred tax assets		
Cash flow hedges	**(11)**	(43)
Unutilised tax losses	**166**	193
Total gross deferred tax assets	**155**	150
Net deferred tax assets	**155**	150
Represented on the statement of financial position as follows:		
Deferred tax assets	**155**	150
Deferred tax liabilities	**—**	—
	155	150

	2023	2022
Analysis of movements in deferred taxation	**€m**	€m
At 1 January	**150**	211
Deferred tax through other comprehensive income	**32**	(47)
Income statement	**(27)**	(14)
At 31 December	**155**	150

At 31 December 2023, deferred tax assets on tax losses and other temporary differences, net of deferred tax liabilities, totalled €155m (2022: €150m). The tax losses arise in the Irish tax jurisdiction and their utilisation is dependent on the generation of future taxable profits.

Notes to the company financial statements

m. Prepayments and accrued income

	2023 €m	2022 €m
Accrued interest	**4**	2
Prepaid expenses	**2**	1
	6	3

n. Deposits by banks

	2023 €m	2022 €m
Due to Allied Irish Banks, p.l.c.	**3,561**	4,848
	3,561	4,848

Analysed by remaining maturity	2023 €m	2022 €m
Repayable on demand	**3,561**	4,848
	3,561	4,848

o. Customer accounts

Analysed by sector	2023 €m	2022 €m
Retail	**5,816**	5,977
Corporate	**1**	1
	5,817	5,978

	2023 €m	2022 €m
Analysed by remaining maturity:		
Repayable on demand	**5,439**	5,566
3 months or less	**128**	140
1 year or less but over 3 months	**250**	272
	5,817	5,978

Notes to the company financial statements

p. Lease liabilities

	2023 €m	2022 €m
At the end of year	**8**	7
Maturity analysis - contractual undiscounted cash flows:		
Not later than one year	**1**	1
Later than one year and not later than five years	**5**	4
Later than five years	**2**	2
Total undiscounted lease liabilities at end of year	**8**	7

Analysis of movements in lease liabilities	2023 €m	2022 €m
At 1 January	**7**	28
Lease payments[1]	**(2)**	(6)
Interest expense[1]	**—**	1
Additions	**3**	1
Disposals	**—**	(17)
At 31 December	**8**	7

[1]Repayment of principal portion of the lease liabilities amounted to €2m (2022: €5m), i.e. lease payments net of interest expense.

q. Retirement benefits

The retirement benefit schemes operated by EBS are detailed in note 26 to the consolidated financial statements, all of which relate to EBS d.a.c.. 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.

r. Other liabilities

	2023 €m	2022 €m
Items in transit	**5**	5
Deferred compensation on sale of loan book	**—**	1
Sundry creditors	**60**	47
Other liabilities	**3**	3
	68	56

s. Accruals and deferred income

	2023 €m	2022 €m
Accrued interest	**7**	1
Other accrued expense	**14**	33
	21	34

Notes to the company financial statements

t. Provisions for liabilities and commitments

	2023	2022
	€m	€m
At 1 January	**16**	66
Amounts charged to income statement	**6**	2
Amounts written back to income statement	**(1)**	(24)
Provisions utilised	**(10)**	(28)
At 31 December [(1)]	**11**	16

[(1)]The total provisions for liabilities and commitments expected to be settled within one year amount to €9m (2022: €12m).

Details outlined in Note 29 Provisions for liabilities and commitments to the consolidated financial statements.

u. Share capital
The share capital of EBS d.a.c. is detailed in note 30 to the consolidated financial statements, all of which relates to EBS d.a.c..

v. Capital reserves
All capital reserves are held in EBS d.a.c. and are detailed in note 31 to the consolidated financial statements.

w. Contingent liabilities and commitments

Off balance sheet commitments
At 31 December 2023 loan approvals that have not been drawn down as at year end, amount to €269m (2022: €260m).

Loan commitments are classified and measured in accordance with IFRS 9. EBS's accounting policy for the recognition of ECL allowances on loan commitments is set out in accounting policy number 1.17 Impairment of financial assets in note 1 to the consolidated financial statements.

The loan commitments were assessed for an ECL at 31 December 2023, it was determined that the ECL was immaterial (2022: nil).

The commentary on special purpose entities, legal proceedings, contingent liability/contingent assets and participation in TARGET Ireland, as set out in note 32 to the consolidated financial statements, applies also to EBS d.a.c..

Notes to the company financial statements

x. Classification and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policy for financial assets in note 1.10 to the consolidated financial statements and financial liabilities in note 1.11 to the consolidated financial statements describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses at 31 December 2023 and 2022 the carrying amounts of the financial assets and financial liabilities by measurement category as defined in IFRS 9 *Financial Instruments* and by statement of financial position heading.

			2023
	At fair value through other comprehensive income	**At amortised cost**	**Total**
	Cash flow hedge derivatives		
	€m	**€m**	**€m**
Financial assets			
Cash and balances at central banks	**—**	**74**	**74**
Derivative financial instruments	**139**	**—**	**139**
Loans and advances to banks	**—**	**3,680**	**3,680**
Loans and advances to customers	**—**	**10,208**	**10,208**
Securities financing	**—**	**1,346**	**1,346**
Other financial assets	**—**	**3**	**3**
	139	**15,311**	**15,450**
Financial liabilities			
Deposits by banks	**—**	**3,561**	**3,561**
Customer accounts	**—**	**5,817**	**5,817**
Securities financing	**—**	**4,346**	**4,346**
Derivative financial instruments	**83**	**—**	**83**
Other financial liabilities	**—**	**81**	**81**
	83	**13,805**	**13,888**

			2022
	At fair value through other comprehensive income	At amortised cost	Total
	Cash flow hedge derivatives		
	€m	€m	€m
Financial assets			
Cash and balances at central banks	—	93	93
Derivative financial instruments	336	—	336
Loans and advances to banks	—	3,284	3,284
Loans and advances to customers	—	10,076	10,076
Securities financing	—	683	683
Other financial assets	—	3	3
	336	14,139	14,475
Financial liabilities			
Deposits by banks	—	4,848	4,848
Customer accounts	—	5,978	5,978
Securities financing	—	1,955	1,955
Other financial liabilities*	—	90	90
	—	12,871	12,871

y. Fair value of financial instruments

The methods used by EBS in calculating the fair value of financial instruments are set out in note 34 to the consolidated financial statements and apply equally to the Company.

The tables on the following pages set out the carrying amount in the statement of financial position of financial assets and financial liabilities distinguishing between those measured at fair value and those measured at amortised cost. In addition, the fair value of all financial assets and financial liabilities is shown setting out the fair value hierarchy as described below into which the fair value measurement is categorised:

Level 1 – financial assets and liabilities measured using quoted market prices from an active market (unadjusted).
Level 2 – financial assets and liabilities measured using valuation techniques which use quoted market prices from an active market or measured using quoted market prices unadjusted from an inactive market.
Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable inputs.

Readers of these financial statements are advised to use caution when using the data in the following tables to evaluate the financial position of EBS d.a.c. or to make comparisons with other institutions. Fair value information is not provided for items that do not meet the definition of a financial instrument. These items include intangible assets such as the value of the branch network and the long-term relationships with depositors, premises and equipment and shareholders' equity. These items are material and accordingly, the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying value of the Company as a going concern at 31 December 2023.

The following table sets out the carrying value of financial instruments across the three levels of the fair value hierarchy at 31 December 2023 and 2022:

					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					
Derivative financial instruments					
Interest rate swaps	139	—	139	—	139
	139	—	139	—	139
Financial assets not measured at fair value					
Cash and balances at central banks	74	5	69	—	74
Loans and advances to banks	3,680	—	—	3,680	3,680
Loans and advances to customers	10,208	—	—	8,031	8,031
Securities financing	1,346	—	—	1,346	1,346
Other financial assets	3	—	—	3	3
	15,311	5	69	13,060	13,134
Financial liabilities measured at fair value					
Derivative financial instruments					
Interest rate swaps	83	—	83	—	83
	83	—	83	—	83
Financial liabilities not measured at fair value					
Deposits by banks	3,561	—	—	3,561	3,561
Customer accounts	5,817	—	—	5,814	5,814
Securities financing	4,346	—	—	4,346	4,346
Other financial liabilities	81	—	—	81	81
	13,805	—	—	13,802	13,802

y. Fair value of financial instruments

	2022				
	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					
Derivative financial instruments					
Interest rate swaps	336	—	336	—	336
	336	—	336	—	336
Financial assets not measured at fair value					
Cash and balances at central banks	93	5	88	—	93
Loans and advances to banks	3,284	—	—	3,284	3,284
Loans and advances to customers	10,076	—	—	7,260	7,260
Securities financing	683	—	—	683	683
Other financial assets	3	—	—	3	3
	14,139	5	88	11,230	11,323
Financial liabilities measured at fair value					
Derivative financial instruments					
Interest rate swaps	—	—	—	—	—
	—	—	—	—	—
Financial liabilities not measured at fair value					
Deposits by banks	4,848	—	—	4,848	4,848
Customer accounts	5,978	—	—	5,973	5,973
Securities financing	1,955	—	—	1,955	1,955
Other financial liabilities	90	—	—	90	90
	12,871	—	—	12,866	12,866

Significant transfers between Level 1 and Level 2 of the fair value hierarchy
There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended 31 December 2023 and 2022.

Reconciliation of balances in Level 3 of the fair value hierarchy
There were no level 3 financial assets or liabilities carried at fair value on the statement of financial position as at 31 December 2023 and 2022.

z. Statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023	2022
	€m	€m
Cash and balances at central banks	**74**	93
Funds placed with group undertakings	**3,680**	3,284
Cash and cash equivalents	**3,754**	3,377

Cash and cash equivalents include balances with original maturities of less than 3 months.

aa. Related party transactions

Related parties of the Company include its parent, AIB, subsidiary undertakings, post-employment benefits, key management personnel and connected parties. The Irish Government is also considered a related party by virtue of its significant influence over AIB. Related party transactions including Directors' remuneration are detailed in note 36 to the consolidated financial statements.

The following were the principal transactions during 2023 between the Company and its parent company AIB and subsidiary undertakings:

	2023	2022
	€m	€m
Included in the statement of financial position		
Loans and advances to banks	**3,680**	3,284
Loans and advances to customers	**2,033**	2,060
Deposits by banks	**(3,561)**	(4,848)
Accruals and deferred income	**(7)**	(1)
Derivative financial instruments:		
Interest rate swaps		
Assets (Fair value)	**139**	336
Liabilities (Fair value)	**(83)**	—
Securities financing		
Asset	**1,346**	683
Liability	**(4,346)**	(1,955)
Included in the income statement		
Interest income	**107**	25
Interest expense	**(103)**	(34)
Fee and commission receivable from Group companies	**43**	27
Operating expenses	**123**	(82)

Notes to the company financial statements

ab. Credit risk information

Maximum exposure to credit risk *(audited)*
The following table sets out the maximum exposure to credit risk that arises within the Company and distinguishes between those assets that are carried in the statement of financial position at amortised cost and those carried at fair value at 31 December 2023 and 2022:

			2023			2022
	Amortised Cost	**Fair Value**	**Total**	Amortised Cost	Fair Value	Total
	€m	**€m**	**€m**	€m	€m	€m
Cash and balances at central banks	**74**	**—**	**74**	93	—	93
Derivative financial instruments	**—**	**139**	**139**	—	336	336
Loans and advances to banks	**3,680**	**—**	**3,680**	3,284	—	3,284
Loans and advances to customers	**10,208**	**—**	**10,208**	10,076	—	10,076
Securities financing	**1,346**	**—**	**1,346**	683	—	683
Included elsewhere:						
Accrued interest	**4**	**—**	**4**	2	—	2
Other assets	**4**	**—**	**4**	6	—	6
	15,316	**139**	**15,455**	14,144	336	14,480
Off balance sheet loan commitments	**269**	**—**	**269**	260	—	260
Maximum exposure to credit risk	**15,585**	**139**	**15,724**	14,404	336	14,740

Notes to the company financial statements

ab. Credit risk information

Credit profile of the loan portfolio *(audited)*

The following table analyses the mortgage loan portfolios showing the ECL allowance at 31 December 2023 and 2022:

	2023			2022		
Gross loans and advances	**Residential mortgages €m**	**Commercial mortgages €m**	**Total €m**	Residential mortgages €m	Commercial mortgages €m	Total €m
Total gross carrying amount	**8,287**	**18**	**8,305**	8,122	29	8,151
Analysed by internal credit ratings						
Strong	**6,604**	**—**	**6,604**	6,393	—	6,393
Satisfactory	**924**	**1**	**925**	893	3	896
Total strong/satisfactory	**7,528**	**1**	**7,529**	7,286	3	7,289
Criticised watch	**355**	**9**	**364**	386	9	395
Criticised recovery	**90**	**1**	**91**	130	1	131
Total criticised	**445**	**10**	**455**	516	10	526
Non-performing	**314**	**7**	**321**	320	16	336
Gross carrying amount	**8,287**	**18**	**8,305**	8,122	29	8,151
Analysed as to ECL staging						
Stage 1	**7,239**	**8**	**7,247**	7,346	10	7,356
Stage 2	**686**	**3**	**689**	405	4	409
Stage 3	**297**	**7**	**304**	306	15	321
POCI	**65**	**—**	**65**	65	—	65
Total	**8,287**	**18**	**8,305**	8,122	29	8,151
ECL allowance - statement of financial position	**€m**	**€m**	**€m**	€m	€m	€m
Stage 1	**7**	**—**	**7**	10	—	10
Stage 2	**21**	**—**	**21**	15	—	15
Stage 3	**94**	**2**	**96**	99	4	103
POCI	**6**	**—**	**6**	7	—	7
Total ECL allowance	**128**	**2**	**130**	131	4	135
Carrying amount loans and advances	**8,159**	**16**	**8,175**	7,991	25	8,016
ECL allowance cover percentage	**%**	**%**	**%**	%	%	%
Stage 1	**0.1**	**—**	**0.1**	0.1	—	0.1
Stage 2	**3.1**	**—**	**3.1**	3.7	—	3.7
Stage 3	**31.5**	**29.0**	**31.4**	32.3	26.7	32.1
POCI	**9.6**	**—**	**9.6**	10.5	—	10.8
Income statement credit impairment (writeback)/charge	**€m**	**€m**	**€m**	€m	€m	€m
Net remeasurement of loss allowance	**(2)**	**2**	**—**	(2)	(4)	(6)
Recoveries of amounts written off in previous years	**(3)**	**—**	**(3)**	(4)	—	(4)
Net credit impairment writeback	**(5)**	**2**	**(3)**	(6)	(4)	(10)

Notes to the company financial statements

ab. Credit risk information

Internal credit grade profile by ECL staging *(audited)*
The table below analyses the internal credit grading profile by ECL staging for the mortgage loan portfolios at 31 December 2023 and 2022:

Amortised Cost					**2023**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Total	**€m**	**€m**	**€m**	**€m**	**€m**
Strong	6,246	345	—	13	6,604
Satisfactory	865	58	—	2	925
Total strong/satisfactory	7,111	403	—	15	7,529
Criticised Watch	135	226	—	3	364
Criticised Recovery	1	60	—	30	91
Total criticised	136	286	—	33	455
Non Performing	—	—	304	17	321
Gross carrying amount	7,247	689	304	65	8,305
ECL allowance	(7)	(21)	(96)	(6)	(130)
Total carrying amount	7,240	668	208	59	8,175

Amortised Cost					2022
	Stage 1	Stage 2	Stage 3	POCI	Total
Total	€m	€m	€m	€m	€m
Strong	6,360	30	—	3	6,393
Satisfactory	869	27	—	—	896
Total strong/satisfactory	7,229	57	—	3	7,289
Criticised Watch	127	267	—	1	395
Criticised Recovery	—	85	—	46	131
Total criticised	127	352	—	47	526
Non Performing	—	—	321	15	336
Gross carrying amount	7,356	409	321	65	8,151
ECL allowance	(10)	(15)	(103)	(7)	(135)
Total carrying amount	7,346	394	218	58	8,016

ab. Credit risk information

Gross loans movements[1] *(audited)*
The following tables explain the changes in the gross carrying amount and ECL allowances for loans and advances to customers at amortised cost by ECL staging for the years to 31 December 2023 and 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 18 of the Risk Management Report) and that subsequently reverted within the period to their original stage, are excluded from 'Transferred from Stage 1 to Stage 2 and 'Transferred from Stage 2 to Stage 1'. The Company believes this presentation aids the understanding of the underlying credit migration.

					2023
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
At 1 January	**7,356**	**409**	**321**	**65**	**8,151**
Transferred from Stage 1 to Stage 2	**(465)**	**465**	**—**	**—**	**—**
Transferred from Stage 2 to Stage 1	**343**	**(343)**	**—**	**—**	**—**
Transferred to Stage 3	**(5)**	**(85)**	**90**	**—**	**—**
Transferred from Stage 3	**11**	**46**	**(57)**	**—**	**—**
New loans originated/top-ups	**970**	**—**	**—**	**—**	**970**
Redemptions/repayments	**(941)**	**(78)**	**(49)**	**(7)**	**(1,075)**
Interest credited	**199**	**15**	**8**	**1**	**223**
Write-offs	**—**	**—**	**(6)**	**—**	**(6)**
Derecognised due to disposals	**—**	**—**	**(3)**	**—**	**(3)**
Exchange translation adjustments	**—**	**—**	**—**	**—**	**—**
Impact of model, parameter and overlay changes	**(257)**	**257**	**—**	**—**	**—**
Other movements	**36**	**3**	**—**	**6**	**45**
At 31 December[2]	**7,247**	**689**	**304**	**65**	**8,305**

					2022
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
At 1 January	7,246	514	395	77	8,232
Transferred from Stage 1 to Stage 2	(438)	438	—	—	—
Transferred from Stage 2 to Stage 1	432	(432)	—	—	—
Transferred to Stage 3	(7)	(95)	102	—	—
Transferred from Stage 3	13	70	(83)	—	—
New loans originated/top-ups	1,005	—	—	—	1,005
Redemptions/repayments	(1,109)	(99)	(50)	(9)	(1,267)
Interest credited	180	11	6	2	199
Write-offs	—	—	(6)	(1)	(7)
Derecognised due to disposals	—	(1)	(46)	(5)	(52)
Exchange translation adjustments	—	(1)	—	—	(1)
Other movements	34	4	3	1	42
At 31 December[2]	7,356	409	321	65	8,151

[1]The gross carrying amount movement is recorded at each month end with movements calculated versus the position at previous month end. The sum of all 12 months movement is then presented.
[2]Amounts due from subsidiaries and special purpose vehicles of €2,033m at 31 December 2023 are excluded (1 January 2023: €2,060m).

Notes to the company financial statements

ab. Credit risk information

ECL allowance movements *(audited)*

	Stage 1	Stage 2	Stage 3	POCI	Total
2023	**€m**	**€m**	**€m**	**€m**	**€m**
At 1 January	**10**	**15**	**103**	**7**	**135**
Transferred from Stage 1 to Stage 2	**(1)**	**13**	**—**	**—**	**12**
Transferred from Stage 2 to Stage 1	**2**	**(7)**	**—**	**—**	**(5)**
Transferred to Stage 3	**—**	**(4)**	**8**	**—**	**4**
Transferred from Stage 3	**—**	**2**	**(5)**	**—**	**(3)**
Net remeasurement	**1**	**(5)**	**6**	**(1)**	**1**
New loans originated/top-ups	**1**	**—**	**—**	**—**	**1**
Redemptions/repayments	**(1)**	**(1)**	**—**	**—**	**(2)**
Impact of model and overlay changes	**(4)**	**6**	**(5)**	**(3)**	**(6)**
Impact of credit or economic risk parameters	**(1)**	**2**	**(2)**	**—**	**(1)**
Income statement credit impairment (writeback)/ charge	**(3)**	**6**	**2**	**(4)**	**1**
Write-offs	**—**	**—**	**(6)**	**—**	**(6)**
Derecognised due to disposals	**—**	**—**	**(3)**	**—**	**(3)**
Other movements	**—**	**—**	**—**	**3**	**3**
At 31 December	**7**	**21**	**96**	**6**	**130**

	Stage 1	Stage 2	Stage 3	POCI	Total
2022	€m	€m	€m	€m	€m
At 1 January	12	19	117	22	170
Transferred from Stage 1 to Stage 2	(1)	12	—	—	11
Transferred from Stage 2 to Stage 1	4	(11)	—	—	(7)
Transferred to Stage 3	—	(4)	9	—	5
Transferred from Stage 3	1	4	(20)	—	(15)
Net re-measurement	(1)	(1)	(1)	(3)	(6)
New loans originated/top-ups	1	—	—	—	1
Redemptions/repayments	(1)	(1)	—	—	(2)
Impact of model and overlay changes	(5)	(3)	21	(8)	5
Impact of credit or economic risk parameters	—	—	2	—	2
Income statement credit impairment (writeback)/ charge	(2)	(4)	11	(11)	(6)
Write-offs	—	—	(6)	(1)	(7)
Derecognised due to disposals	—	—	(21)	—	(21)
Other movements	—	—	2	(3)	(1)
At 31 December	10	15	103	7	135

ab. Credit risk information

Treasury assets *(audited)*

Treasury assets consist of cash and balances with CBI, central government bills and other eligible bills, held-to-maturity financial assets and loans and advances to banks excluding operating bank accounts.

The following tables present an analysis of counterparties based on internal ratings mapped to an external rating agency scale. The ratings listed below are provided by Moody's and are sourced from Bloomberg.

(Audited)		**2023**
	Cash and balances with Central Bank of Ireland	**Loans and advances to banks**
	€m	**€m**
Balance	**74**	**3,680**
	%	**%**
A1	**—**	**100**
Aa3	**100**	**—**

(Audited)		2022
	€m	€m
Balance	93	3,284
	%	%
A3	**100**	**100**

Notes to the company financial statements

ac. Liquidity risk information

Financial liabilities by undiscounted contractual maturity

The following table analyses, on an undiscounted basis, financial liabilities cash flows by remaining contractual maturity at 31 December 2023 and 2022:

						2023
	On demand	**<3 months but not on demand**	**3 months to 1 year**	**1–5 years**	**Over 5 years**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**
Deposits by banks	**3,561**	**—**	**—**	**—**	**—**	**3,561**
Customer accounts	**5,439**	**128**	**250**		**—**	**5,817**
Securities financing	**—**	**4,363**	**—**	**—**	**—**	**4,363**
Derivative financial instruments	**—**	**(15)**	**2**	**97**	**3**	**87**
Other liabilities	**21**	**—**	**—**	**—**	**—**	**21**
Total	**9,021**	**4,476**	**252**	**97**	**3**	**13,849**
Off-balance sheet loan commitments	**269**	**—**	**—**	**—**	**—**	**269**

						2022
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Deposits by banks	4,848	—	—	—	—	4,848
Customer accounts	5,566	140	272	—	—	5,978
Derivative financial instruments	—	—	—	—	—	—
Securities financing	—	1,955	—	—	—	1,955
Other liabilities	90	—	—	—	—	90
Total	10,504	2,095	272	—	—	12,871
Off-balance sheet loan commitments	260	—	—	—	—	260