2020

The Governor and Company of the Bank of Ireland
Interim Report
(for the six months ended 30 June 2020)

Bank of Ireland

Inside this report

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These are the consolidated results of The Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries (together the 'Group')

The Group's forward-looking statement can be found on page 89.

Business review

Operating and financial review

Basis of presentation

This operating and financial review (OFR) is presented on an underlying basis. For an explanation of underlying see page 4.

Percentages presented throughout this document are calculated on the absolute underlying figures and so may differ from the percentage variances calculated on the rounded numbers presented. Where the percentages are not measured this is indicated by n/m.

The income statements are presented for the six months ended 30 June 2020 compared to the six months ended 30 June 2019. The balance sheets are presented for 30 June 2020 compared to 31 December 2019.

Principal rates of exchange used in the preparation of the Interim Financial Statements are set out on page 89.

References to 'the State' throughout this document should be taken to refer to the Republic of Ireland (RoI), its Government and, where and if relevant, Government departments, agencies and local Government bodies.

Further information on measures referred to in the OFR is found in Alternative performance measures on page 90.

Summary consolidated income statement on an underlying basis

Loss before tax of €828 million for the six months ended 30 June 2020 compared to a profit before tax of €313 million in the same period in 2019.

Operating profit before net impairment losses on financial instruments of €265 million for the six months ended 30 June 2020 is €168 million lower than the same period in 2019 reflecting a reduction in operating income of €193 million, partially offset by a reduction in operating expenses of €31 million.

Net impairment losses on financial instruments for the period of €937 million are €858 million higher than the same period in 2019. Lower operating income and the increased net impairment losses are the key drivers of the underlying loss before tax for the period of €675 million compared to an underlying profit of €374 million in the same period in 2019.

Operating income (net of insurance claims) has decreased by €193 million compared to the same period in 2019 primarily due to:
- **net interest income** of €1,072 million for the six months ended 30 June 2020 is €6 million higher than the same period in 2019, primarily reflecting income from average loan book growth and improved deposit pricing discipline offsetting pressures from the lower interest rate environment and UK competitive pressures; and
- a reduction in **net other income** of €199 million which largely reflects the negative impact of volatile equity markets and interest rates on other valuation items as well as lower business income due to reduced economic activity.

	Table	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Net interest income		1,072	1,066
Net other income		143	342
Operating income (net of insurance claims)		**1,215**	**1,408**
Operating expenses (before levies and regulatory charges)		(871)	(902)
Levies and regulatory charges		(70)	(73)
Impairment of goodwill		(9)	-
Operating profit before net impairment losses on financial instruments		**265**	**433**
Net impairment losses on financial instruments		(937)	(79)
Share of results of associates and joint ventures (after tax)		(3)	20
Underlying (loss) / profit before tax		**(675)**	**374**
Non-core items	1	(153)	(61)
(Loss) / profit before tax		**(828)**	**313**
Tax credit / (charge)		98	(89)
(Loss) / profit for the period		**(730)**	**224**
Return on assets (bps) (annualised)		(112)	36

Operating expenses (before levies and regulatory charges and impairment of goodwill) are €31 million or 3% lower than the same period in 2019 as the Group continued to focus on reducing its operational costs while maintaining its investment in regulatory compliance, technology and business growth.

The Group has incurred incremental expenditure of €12 million in managing its response to the COVID-19 pandemic. Excluding these costs the Group's operating expenses (before levies and regulatory charges and impairment of goodwill) would have been €43 million lower than the same period in 2019.

Our transformation programme continues to make progress with the commencement of the rollout of our new mobile app to customers in Q2. A further €109 million was invested in this programme in the six months ended 30 June 2020 , of which €54 million is capitalised on the balance sheet (six months ended 30 June 2019: €54 million), €28 million is recognised in other operating expenses in the income statement (six months ended 30 June 2019: €63 million), being €35 million lower than the same period in 2019 due to lower levels of investment spend, and €27 million recognised through non- core items (six months ended 30 June 2019: €21 million).

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

Net impairment losses on financial instruments of €937 million for the six months ended 30 June 2020, compared to €79 million for the same period in 2019. Approximately 60% of the impairment loss was recognised for assets that are not credit-impaired.

The credit loss in the reporting period reflects impairments recognised arising from: impairment model updates, including the change in the macroeconomic outlook due to the COVID-19 pandemic (€0.4 billion); loss emergence primarily from a number of commercial exposures in Corporate and Treasury and Retail UK (€0.3 billion), including losses on legacy property exposures (€0.2 billion); and the application of a Group management adjustment to reflect the potential risk that longer-term credit supports may be required for customers affected by COVID-19 (€0.2 billion).

The Group's **non-core charge** increased by €92 million to €153 million for the period. The non-core charge for the six months ended 30 June 2020 primarily reflects impairment of internally generated computer software of €136 million, restructuring costs of €27 million and customer redress charges of €7 million, partially offset by income of €17 million relating to investment return on treasury stock held for policyholders in the Wealth and Insurance business.

The **taxation** credit for the period is €98 million with an effective statutory taxation rate of 12% (six months ended 30 June 2019: taxation charge of €89 million and taxation rate of 28%).

On an underlying basis, the effective taxation rate for the six months ended 30 June 2020 is 12% (six months ended 30 June 2019: 19%). The effective taxation rate is influenced by changes in the jurisdictional mix of profits and losses.

Non-core items

Table: 1 Non-core items	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m	Change %
Impairment of internally generated computer software	(136)	-	n/m
Cost of restructuring programme	(27)	(27)	n/m
- Transformation Investment costs	*(27)*	*(21)*	*n/m*
- Other restructuring charges	*-*	*(6)*	*n/m*
Investment return on Treasury shares held for policyholders	17	1	n/m
Gain / (loss) on liquidation of business activities	9	(3)	n/m
Customer redress charges	(7)	(62)	89%
Portfolio divestments	(5)	8	n/m
- Operating expenses[1]	*(24)*	*(23)*	*(4%)*
- Operating income	*19*	*29*	*(34%)*
- Impairment gains on other financial instruments	*-*	*2*	*n/m*
Gross-up for policyholder tax in the Wealth and Insurance business	(4)	22	n/m
Total non-core items	**(153)**	**(61)**	**n/m**

Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core:

Impairment of internally generated computer software
During the six months ended 30 June 2020, the Group reviewed its intangible software assets for indicators of impairment, including internal indicators such as obsolescence, and external indicators such as the evolution of emerging technologies. The Group concluded that certain aspects of the Transformation Investment asset product set capability had not matured sufficiently, and that technology and approaches to systems transformation have evolved.

The Group formed the judgement that certain software assets were impaired, as they were no longer expected to provide future economic benefits. Accordingly, an impairment charge of €136 million has been recognised in the period, of which €127 million relates to the Transformation Investment Asset and €9 million relates to other internally generated computer software. There was no similar charge for the six months ended 30 June 2019.

Cost of restructuring programme
During the six months ended 30 June 2020, the Group recognised a charge of €27 million. Transformation Investment costs of €27 million primarily relate to a reduction in employee numbers (€10 million), programme management costs (€16 million) and other related costs of €1 million. A cost of restructuring charge of €27 million was incurred in the same period in 2019, €21 million related to Transformation Investment costs and €6 million related to other restructuring costs.

[1] *At 30 June 2020 includes staff costs of €5 million (30 June 2019: €5 million).*

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

Investment return on Treasury shares held for policyholders

Under IFRS accounting standards, the Group income statement excludes the impact of the change in value of Bank of Ireland Group plc ('BOIG plc') shares held by Wealth and Insurance for policyholders. In the six months ended 30 June 2020, there was a gain of €17 million (30 June 2019: €1 million). The period on period movement reflects a change in valuation during the period. At 30 June 2020, there were 7.4 million shares (31 December 2019: 5.0 million shares) for the benefit of policyholders.

Gain / (loss) on liquidation of business activities

The Group recognised a €9 million gain on disposal of business activities during the six months ended 30 June 2020. €6 million of which relates to the recycling of cumulative unrealised foreign exchange gains and losses through the income statement following the liquidation of subsidiaries in the UK (30 June 2019: €3 million loss) and €3 million relates to a reduction to the provision for migration and other costs associated with the disposal of the UK credit cards portfolio in 2019.

Customer redress charges

The Group has set aside a further €7 million (30 June 2019: €55 million) provision in respect of the Tracker Mortgage Examination Review to cover the operational costs associated with the length and nature of the review, additional redress and compensation costs for a number of customers and costs of closing out the review. No further provision has been made in respect of other customer redress (30 June 2019: €7 million).

Portfolio divestments

Where the Group has made a strategic decision to exit an area of a business, the related income and expenses are treated as non-core. In the period ended 30 June 2020, the Group has decided to exit its Irish non-branch ATM business. As a result, the operating income and costs of this business have been recognised as non-core in the current period.

During 2019, the Group disposed of the UK credit card portfolio and entered into a servicing contract with the purchaser to service the portfolio during the migration period. The fee income earned for servicing the portfolio and the associated migration and servicing costs are included as non-core. In addition, during 2019, the Group commenced the exit of unprofitable ATMs in the UK. As a result, the income and costs of the Post Office ATMs business have been treated as non-core during 2019 and 2020.

As a result, during the six months ended 30 June 2020, €19 million of operating income and €24 million of operating costs arising from these business have been recognised as non-core (30 June 2019: €29 million of operating income, €23 million of operating costs and €2 million of impairment gains).

Gross-up for policyholder tax in the Wealth and Insurance business

Accounting standards require that the income statement be grossed up in respect of the total tax payable by Wealth and Insurance, comprising both policyholder and shareholder tax. The tax gross-up relating to policyholder tax is included within non-core items.

During the six months ended 30 June 2020, the Group recognised a charge of €4 million (six months ended 30 June 2019: €22 million credit). The period on period movement is mainly due to adverse investment market performance in 2020.

Summary consolidated balance sheet *(incorporating capital)*

Summary consolidated balance sheet	30 June 2020 €bn	31 December 2019 €bn
Assets (after impairment loss allowances)		
Loans and advances to customers[1]	77	79
Liquid assets	29	27
Wealth and Insurance assets	19	20
Other assets	7	6
Total assets	**132**	**132**
Liabilities		
Customer deposits	87	84
Wholesale funding	10	11
Wealth and Insurance liabilities	19	20
Other liabilities	5	5
Subordinated liabilities	1	2
Total liabilities	**122**	**122**
Stockholders' equity	9	9
Non-controlling interests - Other equity instruments	1	1
Total liabilities and stockholders' equity	**132**	**132**
Credit-impaired loans and advances to customers	4.4	3.1
Non-performing exposures	4.6	3.5
Non-performing exposures ratio	5.8%	4.4%
Liquidity Coverage Ratio[2]	149%	138%
Net Stable Funding Ratio[3]	135%	131%
Loan to Deposit Ratio	89%	95%

During the six months ended 30 June 2020, the Group's **loans and advances to customers (after impairment loss allowances)** reduced to €76.7 billion from €79.5 billion at 31 December 2019. This is primarily due to adverse foreign exchange movements of €2.3 billion, increased net impairment of €0.9 billion, partially offset by net new lending of €0.2 billion in the period. The COVID-19 pandemic, combined with some ongoing Brexit uncertainty has generated muted demand for credit.

The Group's **asset quality** has been negatively impacted by the uncertain market environment and a number of case specific events arising from Corporate and investment property portfolios. Non-Performing Exposures (NPEs) increased by €1.1 billion to €4.6 billion for the six months ended 30 June 2020, and represented 5.8% of gross loans at 30 June 2020.

The increase in NPEs was mainly due to a revised definition of default that was implemented for the majority of the Group's portfolios in first six months of 2020 which resulted in €0.5 billion of assets being re-classified as NPEs. Details of the revised definition of default are provided in the Credit risk exposures note on page 53.

The remaining increase in NPEs reflected the emergence of new defaults for case specific reasons in the Corporate and Property and construction portfolios.

At 30 June 2020, overall Group **customer deposit** volumes are € 2.5 billion higher than at 31 December 2019. The main driver of this movement was due to €3.7 billion growth in Retail Ireland, principally due to higher current account credit balances predominantly from the impact of COVID-19 restrictions and lower consumer spending, whilst deposit volumes in Corporate and Treasury remained stable. Deposit volumes in Retail UK increased by £0.4 billion to £19.5 billion although decreased by €1.1 billion in Euro terms due to the weaker Sterling vs Euro exchange rate.

Wholesale funding sources decreased by €0.9 billion to €10.1 billion, primarily due to asset covered securities (ACS) maturities (€0.8 billion), repayment of Bank of England funding (€0.3 billion) and Credit Link Note maturity (€0.2 billion), partially offset by an increase in senior issuance to the parent (€0.6 billion) and higher bank deposits.

The net pension position has moved to a surplus of €0.5 billion at 30 June 2020 from a net deficit of €0.1 billion at 31 December 2019. The primary drivers of this movement are a decrease in liabilities and an increase in assets in the period. The decrease in pension liabilities is due to the impact of widening credit spreads which more than offset lower interest rate elements of the discount rate and lower long-term inflation assumptions. The increase in pension assets is due to the increase in Liability Driven Investments asset portfolio (hedging the interest rate and inflation rate movements) offsetting the decrease in equity and other correlated asset values.

The Group's fully loaded Common equity tier 1 (CET1) ratio decreased by c.20 basis points during the six months ended 30 June 2020 to 13.6% and the regulatory CET1 ratio decreased by c.10 basis points over the period to 14.9%. The fully loaded ratio decrease of c.20 basis points is primarily due to pre-impairment **organic capital generation** (c.45 basis points), offset by the impact of credit quality deterioration (c.-65 basis points), Risk weighted asset (RWA) growth (c.-15 basis points), the net impact of regulatory change (c.-20 basis points), investment in the Group's transformation programmes (c.-15 basis points) and other net movements, (c.50 basis points).

Further information on measures referred to in the OFR, including gross new lending, NPE's, wholesale funding and organic capital is found in Alternative performance measures on page 90.

[1] Includes €0.4 billion of loans and advances to customers at 30 June 2020 (31 December 2019: €0.3 billion) that are measured at fair value through profit or loss (FVTPL) and are therefore not subject to impairment under IFRS 9.
[2] The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.
[3] The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.

Summary consolidated balance sheet *(incorporating capital) (continued)*

Capital

CRD IV - 31 December 2019			CRD IV - 30 June 2020[1]	
Regulatory %	Fully loaded %		Regulatory %	Fully loaded %
		Capital ratios		
15.0%	13.8%	Common equity tier 1	14.9%	13.6%
16.3%	15.1%	Tier 1	16.3%	15.0%
18.6%	17.4%	Total capital	18.7%	17.4%
7.1%	6.5%	Leverage ratio	6.8%	6.3%

Fully loaded ratio[1]

The Group's fully loaded CET 1 ratio is 13.6% at 30 June 2020 (31 December 2019: 13.8%).

Leverage ratio[1]

The leverage ratio at 30 June 2020 is 6.8% on a CRD IV regulatory basis (31 December 2019: 7.1%) and 6.3% on a proforma fully loaded basis (31 December 2019: 6.5%).

[1] *The capital and leverage ratios are calculated under the prudential scope of consolidation of the BOIG plc Group. Further details on the capital position of BOIG plc Group and The Governor and Company of the Bank of Ireland can be found in BOIG plc's Pillar 3 disclosures for the year ended 31 December 2019, available on the Group's website.*

Divisional review
Income statement - operating segments

6 months ended 30 June 2020	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Total operating expenses €m	Operating profit / (loss) before net impairment (losses) on financial instruments €m	Net impairment (losses) on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	(Loss) / profit before taxation €m
Retail Ireland	479	-	106	585	-	585	(360)	225	(281)	(4)	-	(60)
Wealth and Insurance	(4)	764	(521)	239	(233)	6	(70)	(64)	-	-	-	(64)
Retail UK	274	-	1	275	-	275	(164)	111	(270)	1	-	(158)
Corporate and Treasury	327	-	28	355	-	355	(96)	259	(385)	-	-	(126)
Group Centre	2	(1)	(7)	(6)	(3)	(9)	(261)	(270)	(1)	-	-	(271)
Other reconciling items	1	-	9	10	-	10	-	10	-	-	-	10
BOIG Group plc - underlying[1]	**1,079**	**763**	**(384)**	**1,458**	**(236)**	**1,222**	**(951)**	**271**	**(937)**	**(3)**	**-**	**(669)**
Less:												
Attributable to BOIG plc	(7)	-	-	(7)	-	(7)	1	(6)	-	-	-	(6)
Group underlying[1]	**1,072**	**763**	**(384)**	**1,451**	**(236)**	**1,215**	**(950)**	**265**	**(937)**	**(3)**	**-**	**(675)**
Total non-core items												
Impairment of intangibles	-	-	-	-	-	-	(136)	(136)	-	-	-	(136)
Cost of restructuring programme	-	-	-	-	-	-	(27)	(27)	-	-	-	(27)
Investment return on treasury shares held for policyholders	-	-	17	17	-	17	-	17	-	-	-	17
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	9	9
Customer redress charges	(1)	-	-	(1)	-	(1)	(6)	(7)	-	-	-	(7)
Portfolio divestments	-	-	19	19	-	19	(24)	(5)	-	-	-	(5)
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	(4)	(4)	-	(4)	-	(4)	-	-	-	(4)
Group total	**1,071**	**763**	**(352)**	**1,482**	**(236)**	**1,246**	**(1,143)**	**103**	**(937)**	**(3)**	**9**	**(828)**

[1] *Underlying performance excludes the impact of non-core items (see page 4).*

Divisional review *(continued)*
Income statement - operating segments *(continued)*

6 months ended 30 June 2019	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Total operating expenses €m	Operating profit / (loss) before net impairment (losses) on financial instruments €m	Net impairment (losses) on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	(Loss) / profit before taxation €m
Retail Ireland	497	-	137	634	-	634	(374)	260	(1)	4	-	263
Wealth and Insurance	(4)	700	911	1,607	(1,456)	151	(67)	84	-	-	-	84
Retail UK	287	-	(7)	280	-	280	(168)	112	(36)	16	-	92
Corporate and Treasury	291	-	55	346	-	346	(96)	250	(43)	-	-	207
Group Centre	(5)	(2)	8	1	(4)	(3)	(273)	(276)	1	-	-	(275)
Other reconciling items	3	-	-	3	-	3	2	5	-	-	-	5
BOIG Group plc - underlying[1]	**1,069**	**698**	**1,104**	**2,871**	**(1,460)**	**1,411**	**(976)**	**435**	**(79)**	**20**	**-**	**376**
Less:												
Attributable to BOIG plc	(3)	-	-	(3)	-	(3)	1	(2)	-	-	-	(2)
Group underlying[1]	**1,066**	**698**	**1,104**	**2,868**	**(1,460)**	**1,408**	**(975)**	**433**	**(79)**	**20**	**-**	**374**
Total non-core items												
Impairment of internally generated computer software	-	-	-	-	-	-	-	-	-	-	-	-
Cost of restructuring programme	-	-	-	-	-	-	(27)	(27)	-	-	-	(27)
Investment return on treasury shares held for policyholders	-	-	1	1	-	1	-	1	-	-	-	1
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Customer redress charges	(5)	-	-	(5)	-	(5)	(57)	(62)	-	-	-	(62)
Portfolio divestments	13	-	16	29	-	29	(23)	6	2	-	-	8
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	22	22	-	22	-	22	-	-	-	22
Group total	**1,074**	**698**	**1,143**	**2,915**	**(1,460)**	**1,455**	**(1,082)**	**373**	**(77)**	**20**	**(3)**	**313**

[1] *Underlying performance excludes the impact of non-core items (see page 4).*

Principal Risks and Uncertainties

Principal risks and uncertainties facing the Group for the remaining six months of 2020 are listed below. This summary should not be regarded as a complete and comprehensive statement of all potential risks / uncertainties. Other factors not yet identified, or not currently material, may adversely affect the Group.

The Group faces a number of risks introduced or accelerated by the COVID-19 pandemic. In addition to existing risks, new risks associated with the rapid shift to digital services and remote and flexible working norms are accelerated. Arising from COVID-19 new risks associated with unemployment at unprecedented levels, an uncertain path back to economic growth, increased government intervention and economic stimulus for the economy, shortening of supply chains and reduction in international trade have emerged. The full impact on the Group is uncertain and is driven by the extent, duration and intensity of the COVID-19 pandemic.

Business and strategic risk is the risk arising from changes in external factors (such as the macroeconomic environment, customer behaviour and competitive landscape) that impact the demand for and / or profitability of products and services, income generation and / or future strategy. This risk includes the risk that the Group does not make appropriate strategic decisions, does not successfully execute these decisions, or that strategic decisions do not have the intended effect. It also includes risks to the Group's business model relating to:

i. the macroeconomic environment;
ii. geopolitical uncertainties, including tensions associated with global trade negotiations;
iii. business model appropriateness in our core markets of RoI and UK;
iv. the Group's multi-year transformation programme;
v. people risks and competition for skilled resources, which are impacted by transformation and also by the prevailing market competitiveness and remuneration restrictions;
vi. evolving banking models with enhanced digital propositions and rapidly changing consumer and business behaviours;
vii. key benchmark interest rate reform;
viii. climate risks with emerging regulatory frameworks; ;
ix. the impact of COVID-19 and
x. Brexit and specifically the uncertainty relating to ongoing trade negotiations and the future trading relationship between the UK and EU which could impact the markets in which the Group operates. This would include potential impacts on pricing, partner appetite, customer confidence and credit demand, collateral values and customers' ability to meet their financial obligations and consequently the Group's financial performance, balance sheet, capital and dividend capacity.

The Group is undergoing significant transformation across culture, business and systems, which presents challenges and risks, and significant customer considerations. Failure to transform successfully, or responding to the other above risks, could prevent the Group from realising its strategic priorities.

The impact of COVID-19 extends across all other business and strategic risks. It has accelerated existing trends, with consumer activity switching rapidly to digital alternatives and new ways of working impacting customers and colleagues, and created an uncertain economic outlook with groups of customers and sectors likely to benefit from a recovery at differing scales and speeds.

Conduct risk is the risk that the Group, and / or its staff, conducts business in an inappropriate or negligent manner that leads to adverse customer outcomes. It includes all Group customers and it also includes the risk that the Group's wholesale market activities do not meet the necessary standards of integrity and the level of professionalism required or expected. The Group will increase oversight of processes developed to help customers who availed of interim supports during the economic dislocation caused by the COVID-19 pandemic.

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes, but is not limited to, default risk, concentration risk, country risk, migration risk and collateral risk. Credit risk arises from loans and advances to customers. It also arises from the financial transactions the Group enters into with financial institutions, sovereigns and state institutions.

Credit risk has increased during the first six months of 2020, almost entirely due to the economic impact of the COVID-19 pandemic and associated social restrictions. While the Group's NPEs had reduced significantly in previous reporting periods, a combination of a revised technical definition of default and the deterioration in economic conditions due to COVID-19 during 2020 has resulted in in a higher level of NPEs at 30 June 2020. The Group has in place a range of initiatives to manage challenged and vulnerable credit risk and is taking appropriate action to manage and support customers impacted by the recent change in the economic environment.

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by, amongst other things, the maturity structure of loans and investments held by the Group, while cash outflows are driven by items such as the term maturity of debt issued by the Group and outflows from customer deposit accounts. The liquidity risk of the Group may also be impacted by the extent, duration and intensity of the COVID-19 pandemic due to unexpected lengthening of asset maturities, non-repayment of assets, a sudden withdrawal of deposits or disruption to wholesale and / or currency funding markets. Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities. Additionally the Group funds an element of its sterling balance sheet in part from euro (via cross currency derivatives), which creates an exposure for the Group to the cost associated with implementing this hedging.

Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits. This variation, arising from changing customer mortality, life expectancy, health or behavioural characteristics, may be short or long term in nature. There has been no material adverse impact from COVID-19 on the life insurance risk profile to date. High levels of reinsurance act as a significant mitigant if there were adverse mortality developments, together with the diversification effect of mortality and longevity risks. The impact of COVID-19 will continue to be monitored and there is no material adverse impact expected for the second half of the year.

Principal Risks and Uncertainties *(continued)*

Market risk is the risk of loss arising from movements in interest rates, foreign exchange rates or other market prices (including credit spreads). Market risk arises from the structure of the balance sheet, the Group's business mix and includes discretionary risk-taking. The market risk profile of the Group may, in addition to the above risks which arise in the usual course of a business cycle, be impacted by market volatility during the COVID-19 pandemic. Earnings for New Ireland Assurance Company plc (NIAC) are also indirectly exposed to changes in equity and property markets as a result of fee income on customer investments in its unit-linked book.

Operational risk reflects risks which may result in financial loss, disruption of services to customers, and damage to our reputation, including through the availability, resilience and security of our core IT systems and the potential for failings in our customer processes. That includes the risks associated with the current important stage of the Group's multi-year systems transformation agenda, as well as the risk of cybersecurity attacks which target financial institutions and corporates as well as governments and other institutions. The risk of these attacks remains material as their frequency, sophistication and severity continue to develop in an increasingly digital world. Operational risk also includes model risk which is the risk of adverse consequences from decisions based on incorrect or misused model outputs and reports. COVID-19 has caused in significant changes for our customers and corresponding operational changes for the Bank, including the deployment of interventions to mitigate model risk. The potential for increased operational risk arising from COVID-19 and the legacy of changes that may ensue, to ways of working for our customers and colleagues, will be kept under continuous review by the Group.

Pension risk is the risk in the Group's defined benefit pension schemes that the assets are inadequate or fail to generate returns that are sufficient to meet the schemes' liabilities. This risk crystallises for the sponsor when a deficit emerges of a size which implies a material probability that the liabilities will not be met. The defined benefit pension schemes are subject to market fluctuations and these movements impact the Group's capital position.

Regulatory risk is the risk of failure by the Group to meet new or existing regulatory and / or legislative requirements and deadlines or to embed regulatory requirements into processes. Underpinned by strong engagement with regulatory stakeholders, regulatory risk comprises regulatory compliance risk, corporate governance risk, regulatory change risk and financial crime risk. The regulatory landscape continues to evolve and the banking sector is subject to increasing scrutiny. This requires the Group to adapt to, and operate within, a dynamic and challenging environment, resulting in enhanced regulatory oversight arising from the COVID-19 pandemic, particularly in the area of financial crime. In addition, uncertainty surrounding the outcome of disputes, legal proceedings and regulatory investigations (e.g. the Tracker Mortgage Examination Review), as well as potential adverse judgements in litigation or regulatory proceedings remains a risk.

Reputation risk is defined as the risk to earnings or franchise value arising from an adverse perception of the Group's image on the part of customers, suppliers, counterparties, shareholders, investors, colleagues, legislators, regulators, partners or wider society. Reputation is not a standalone risk but overlaps with other risk areas and may often arise as a consequence of external events or operational risk related issues.

Capital adequacy risk is the risk that the Group breaches or may breach regulatory capital requirements or internal capital targets. The Group's business and financial condition would be negatively affected if the Group was, or was considered to be, insufficiently capitalised. While all material risks impact on the Group's capital adequacy to some extent, capital adequacy is primarily impacted by significant increases in credit risk or RWAs, materially worse than expected financial performance and changes to minimum regulatory requirements.

The Group also faces other significant and emerging risks and further detail on risks facing the Group, including key mitigating considerations, may be found in the principal risks and uncertainties section on pages 9 to 18 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

Responsibility statement
for the six months ended 30 June 2020

The Directors listed below (being all the Directors of The Governor and Company of the Bank of Ireland) are responsible for preparing the Interim Report in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as adopted by the European Union, the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and the Transparency Rules of the Central Bank of Ireland.

The Directors confirm that to the best of each Director's knowledge and belief the condensed set of interim financial statements have been prepared in accordance with IAS 34 and that they give a true and fair view of the assets, liabilities, financial position and loss of the Group and that as required by the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, the Interim Report includes a fair review of:

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year (see page 10);
- details of any related parties' transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2020; and
- details of any changes to related parties' transactions described in The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019 that could have a material effect on the financial position or performance of the Group in the six months ended 30 June 2020.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Court by
4 August 2020

Patrick Kennedy	Patrick Haren	Francesca McDonagh
Patrick Kennedy	***Patrick Haren***	***Francesca McDonagh***
Governor	*Deputy Governor*	*Group Chief Executive*

Executive Directors: Francesca McDonagh (Group Chief Executive), Myles O'Grady (Group Chief Financial Officer).
Non-Executive Directors: Patrick Kennedy (Governor), Patrick Haren (Deputy Governor), Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Richard Goulding, Michele Greene, Fiona Muldoon, Patrick Mulvihill, Steve Pateman.

Independent review report

to the members of The Governor and Company of the Bank of Ireland

Introduction

We have been engaged by The Governor and Company of the Bank of Ireland (the 'Bank') to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2020 which comprises the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's (FRC's) International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ('TD Regulations'), and the Transparency Rules of the Central Bank of Ireland.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the TD Regulations and the Transparency Rules of the Central Bank of Ireland. As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Directors are responsible for ensuring that the condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of consolidated financial statements in the interim financial report based on our review.

Scope of review

We conducted our review having regard to the FRC's International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the interim financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Bank in accordance with the terms of our engagement to assist the Bank in meeting the requirements of the TD Regulations and the Transparency Rules of the Central Bank of Ireland. Our review has been undertaken so that we might state to the Bank those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank for our review work, for this report, or for the conclusions we have reached.

KPMG

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

4 August 2020

Consolidated interim financial statements and notes *(unaudited)*

Consolidated condensed income statement

(for the six months ended 30 June 2020) (unaudited)

	Note	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Interest income calculated using the effective interest method	4	1,138	1,181
Interest income on finance leases and hire purchase receivables	4	89	84
Interest income		**1,227**	**1,265**
Interest expense	5	(156)	(191)
Net interest income		**1,071**	**1,074**
Net insurance premium income	6	763	698
Fee and commission income	7	217	254
Fee and commission expense	7	(85)	(103)
Net trading (expense) / income	8	(36)	78
Life assurance investment income, gains and losses	9	(470)	848
Other leasing income	10	31	27
Other leasing expense	10	(26)	(22)
Other operating income	11	17	61
Total operating income		**1,482**	**2,915**
Insurance contract liabilities and claims paid	12	(236)	(1,460)
Total operating income, net of insurance claims		**1,246**	**1,455**
Total operating expenses		(1,116)	(1,055)
- other operating expenses	13	*(971)*	*(1,055)*
- impairment of intangible assets	20	*(136)*	-
- impairment of goodwill	20	*(9)*	-
Cost of restructuring programme	14	(27)	(27)
Operating profit before impairment losses on financial instruments		**103**	**373**
Net impairment losses on financial instruments	15	(937)	(77)
Operating (loss) / profit		**(834)**	**296**
Share of results of associates and joint ventures (after tax)		(3)	20
Gain / (loss) on liquidation of business activities		9	(3)
(Loss) / profit before tax		**(828)**	**313**
Taxation credit / (charge)	16	98	(89)
(Loss) / profit for the period		**(730)**	**224**
Attributable to stockholders		(730)	224
Attributable to non-controlling interests		-	-
(Loss) / profit for the period		**(730)**	**224**

Consolidated condensed statement of comprehensive income
(for the six months ended 30 June 2020) (unaudited)

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
(Loss) / profit for the period	**(730)**	**224**
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss in subsequent periods		
- Debt instruments at fair value through other comprehensive income, net of tax	(41)	48
- Cash flow hedge reserve, net of tax	11	8
- Foreign exchange reserve	(169)	(2)
Total items that may be reclassified to profit or loss in subsequent periods	**(199)**	**54**
Items that will not be reclassified to profit or loss in subsequent periods		
- Remeasurement of the net defined benefit pension asset / (liability), net of tax	562	(61)
- Net change in liability credit reserve	15	-
Total items that will not be reclassified to profit or loss in subsequent periods	**577**	**(61)**
Other comprehensive income for the period, net of tax	**378**	**(7)**
Total comprehensive income for the period, net of tax	**(352)**	**217**
Total comprehensive income attributable to equity stockholders	(352)	217
Total comprehensive income attributable to non-controlling interests	-	-
Total comprehensive income for the period, net of tax	**(352)**	**217**

The effect of tax on these items is shown in note 16.

Consolidated condensed balance sheet

(as at 30 June 2020) (unaudited)

	Note	30 June 2020 €m	31 December 2019 €m
Assets			
Cash and balances at central banks		9,385	8,325
Items in the course of collection from other banks		169	223
Trading securities		61	32
Derivative financial instruments		2,642	1,999
Other financial assets at FVTPL		15,637	16,484
Loans and advances to banks		3,022	3,328
Debt securities at amortised cost		5,297	4,511
Financial assets at FVOCI		11,537	10,797
Loans and advances to customers	17	76,748	79,487
Interest in associates		52	56
Interest in joint ventures		71	76
Intangible assets and goodwill	20	720	838
Investment properties		945	999
Property, plant and equipment		950	1,009
Current tax assets		32	36
Deferred tax assets	21	1,078	1,088
Other assets		2,594	2,501
Retirement benefit assets	28	714	129
Total assets		**131,654**	**131,918**
Equity and liabilities			
Deposits from banks	22	2,023	2,179
Customer accounts	23	86,579	84,043
Items in the course of transmission to other banks		378	219
Derivative financial instruments		2,559	2,478
Debt securities in issue	24	8,101	8,815
Liabilities to customers under investment contracts		5,454	5,890
Insurance contract liabilities		12,472	12,694
Other liabilities		2,313	3,043
Lease liabilities		532	565
Current tax liabilities		32	33
Provisions	25	128	143
Loss allowance provision on loan commitments and financial guarantees	27	77	30
Deferred tax liabilities	21	58	72
Retirement benefit obligations	28	181	268
Subordinated liabilities	29	1,474	1,693
Total liabilities		**122,361**	**122,165**
Equity			
Capital stock		1,625	1,625
Stock premium account		571	571
Retained earnings		5,775	5,915
Other reserves		645	900
Stockholders' equity		**8,616**	**9,011**
Other equity instruments - Additional Tier 1	30	675	740
Total equity excluding non-controlling interests		**9,291**	**9,751**
Non-controlling interests		2	2
Total equity		**9,293**	**9,753**
Total equity and liabilities		**131,654**	**131,918**

Consolidated condensed statement of changes in equity

(for the six months ended 30 June 2020) (unaudited)

	Capital stock €m	Stock premium account €m	Retained earnings €m	Other reserves: Debt instruments at FVOCI reserve €m	Other reserves: Cash flow hedge reserve €m	Other reserves: Liability credit reserve €m	Other reserves: Foreign exchange reserve €m	Other reserves: Capital reserve €m	Other reserves: Revaluation reserve €m	Attributable to equity holders of parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Opening balance 1 January 2020	**1,625**	**571**	**5,915**	**158**	**(14)**	**(3)**	**(703)**	**1,428**	**34**	**9,011**	**740**	**2**	**9,753**
Loss for the period	-	-	(730)	-	-	-	-	-	-	(730)	-	-	(730)
Other comprehensive income	-	-	562	(41)	11	15	(169)	-	-	378	-	-	378
Total comprehensive income for the period	**-**	**-**	**(168)**	**(41)**	**11**	**15**	**(169)**	**-**	**-**	**(352)**	**-**	**-**	**(352)**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- Redemption of AT1 securities (note 30)	-	-	(10)	-	-	-	-	-	-	(10)	(740)	-	(750)
- AT1 securities issued during the period, net of expenses (note 30)	-	-	-	-	-	-	-	-	-	-	675	-	675
- Distribution on other equity instruments - AT1 coupon (note 30)	-	-	(28)	-	-	-	-	-	-	(28)		-	(28)
- Dividends on preference equity instruments paid in cash	-	-	(4)	-	-	-	-	-	-	(4)	-	-	(4)
Total transactions with owners	**-**	**-**	**(42)**	**-**	**-**	**-**	**-**	**-**	**-**	**(42)**	**(65)**	**-**	**(107)**
Transfer from capital reserves to retained earnings	-	-	71	-	-	-	-	(71)	-	-	-	-	-
Transfer from liability credit reserve to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(1)	-	-	-	-	-	-	(1)	-	-	(1)
Balance at 30 June 2020	**1,625**	**571**	**5,775**	**117**	**(3)**	**12**	**(872)**	**1,357**	**34**	**8,616**	**675**	**2**	**9,293**

Consolidated condensed statement of changes in equity *(continued)*
(for the six months ended 30 June 2019) (unaudited)

				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Opening balance 1 January 2019	**1,625**	**571**	**5,542**	**133**	**(10)**	**24**	**(833)**	**1,373**	**31**	**8,456**	**740**	**2**	**9,198**
Profit for the period	-	-	224	-	-	-	-	-	-	224	-	-	224
Other comprehensive income	-	-	(61)	48	8	-	(2)	-	-	(7)	-	-	(7)
Total comprehensive income for the period	**-**	**-**	**163**	**48**	**8**	**-**	**(2)**	**-**	**-**	**217**	**-**	**-**	**217**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- Dividends on preference equity instruments paid in cash	-	-	(3)	-	-	-	-	-	-	(3)	-	-	(3)
- Distribution on other equity instruments - Additional tier 1 coupon	-	-	(28)	-	-	-	-	-	-	(28)	-	-	(28)
- Redemption of AT1 securities	-	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the period, net of expenses (note 30)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**(31)**	**-**	**-**	**-**	**-**	**-**	**-**	**(31)**	**-**	**-**	**(31)**
Transfer to capital reserve from retained earnings	-	-	(65)	-	-	-	-	65	-	-	-	-	-
Other movements	-	-	1	-	-	-	-	-	-	1	-	-	1
Balance at 30 June 2019	**1,625**	**571**	**5,610**	**181**	**(2)**	**24**	**(835)**	**1,438**	**31**	**8,643**	**740**	**2**	**9,385**

Consolidated condensed statement of changes in equity *(continued)*
(for the year ended 31 December 2019) (audited)

				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2019	1,625	571	5,542	133	(10)	24	(833)	1,373	31	8,456	740	2	9,198
Profit for the year	-	-	443	-	-	-	-	-	-	443	-	-	443
Other comprehensive income for the year	-	-	39	25	(4)	(18)	130	-	3	175	-	-	175
Total comprehensive income for the year	**-**	**-**	**482**	**25**	**(4)**	**(18)**	**130**	**-**	**3**	**618**	**-**	**-**	**618**
Transactions with owners													
Contributions by and distributions to owners													
of the Group													
- Dividends on preference equity interests													
paid in cash	-	-	(7)	-	-	-	-	-	-	(7)	-	-	(7)
- Distribution on other equity instruments -													
Additional tier 1 coupon, net of tax	-	-	(55)	-	-	-	-	-	-	(55)	-	-	(55)
- Redemption of AT1 securities	-	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the period, net of													
expenses (note 30)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**(62)**	**-**	**-**	**-**	**-**	**-**	**-**	**(62)**	**-**	**-**	**(62)**
Transfer from capital reserve to retained earnings	-	-	(55)	-	-	-	-	55	-	-	-	-	-
Transfer from liability credit reserve to retained													
earnings	-	-	9	-	-	(9)	-	-	-	-	-	-	-
Other movements	-	-	(1)	-	-	-	-	-	-	(1)	-	-	(1)
Balance at 31 December 2019	**1,625**	**571**	**5,915**	**158**	**(14)**	**(3)**	**(703)**	**1,428**	**34**	**9,011**	**740**	**2**	**9,753**

Consolidated condensed cash flow statement

(for the six months ended 30 June 2020) (unaudited)

	Note	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Cash flows from operating activities			
(Loss) / profit before tax		(828)	313
Share of results of associates and joint ventures		3	(20)
(Gain) / loss on disposal / liquidation of business activities		(9)	3
Impairment of intangible assets and goodwill		145	-
Depreciation and amortisation	10,13	145	163
Net impairment losses on financial instruments, excluding cash recoveries	15	959	94
Revaluation of investment property		40	9
Interest expense on subordinated liabilities		39	57
Interest expense on lease liabilities		7	6
Charge for pension and similar obligations	13	47	49
Net change in accruals and interest payable		(40)	(41)
Net change in prepayments and interest receivable		43	51
Charge for provisions	25	18	77
Net change in operating expenses accrued		37	57
Non-cash and other items		22	44
Cash flows from operating activities before changes in operating assets and liabilities		**628**	**862**
Net cash flow from operating assets and liabilities		1,448	(1,729)
Net cash flow from operating activities before tax		**2,076**	**(867)**
Tax paid		(13)	(16)
Net cash flow from operating activities		**2,063**	**(883)**
Investing activities (section a below)		(1,683)	(219)
Financing activities (section b below)		(991)	(893)
Effect of exchange translation and other adjustments		198	28
Net change in cash and cash equivalents		**(413)**	**(1,967)**
Opening cash and cash equivalents		11,326	8,349
Closing cash and cash equivalents		**10,913**	**6,382**
(a) Investing activities			
Additions to financial assets at FVOCI		(1,858)	(805)
Disposals / redemptions of financial assets at FVOCI		1,108	1,247
Additions to debt securities at amortised cost		(859)	(705)
Disposals / redemptions of debt securities at amortised cost		60	144
Additions to property, plant and equipment, intangible assets and investment property		(143)	(144)
Disposal of property, plant and equipment, intangible assets and investment property		9	38
Net change in interest in associates		-	6
Cash flows from investing activities		**(1,683)**	**(219)**
(b) Financing activities			
Repayment of subordinated liabilities		(208)	(750)
Partial remittance of dividend payable to Parent		(600)	-
Interest paid on subordinated liabilities		(36)	(67)
Interest paid on lease liability		(7)	(6)
Payment of lease liability		(33)	(39)
Distribution paid on other equity instruments - AT1 coupon		(28)	(28)
Dividend paid on other preference equity interests		(4)	(3)
Net proceeds from the issue of other equity instruments		675	-
Redemption of AT1 securities		(750)	-
Cash flows from financing activities		**(991)**	**(893)**

Notes to the consolidated financial statements *(unaudited)*

1 Group accounting policies

Basis of preparation

The interim financial statements of The Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries (collectively the 'Group') for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union. These interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the European Union (Credit Institutions: Financial Statements) Regulations 2015.

Statutory financial statements

These interim financial statements do not comprise statutory financial statements within the meaning of the Companies Act 2014. The statutory financial statements for the year ended 31 December 2019 were approved by the Court of Directors on 21 February 2020, contained an unqualified audit report and did not include a reference to any matters to which the statutory auditor drew attention by way of emphasis. The statutory financial statements were filed with the Companies Registration Office on 27 May 2020.

Interim financial statements

The interim financial statements comprise the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the notes to the consolidated interim financial statements on pages 22 to 88.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the interim financial statements for the six months ended 30 June 2020 is a period of twelve months from the date of approval of these interim financial statements (the 'period of assessment').

In making this assessment, the Directors considered the Group's business, profitability projections, funding and capital plans, together with a range of other factors such as the outlook for the Irish economy, along with ongoing developments in EU economies. The Directors also considered the economic impact of COVID-19 on the Group's core markets in Ireland and the UK, which has resulted in reduced levels of activity across the Group's businesses. The matters of primary consideration by the Directors are set out below:

Capital

The Group has developed capital plans under base and stress scenarios and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment.

Funding and liquidity

The Directors have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment.

Conclusion

On the basis of the above, the Directors consider it appropriate to prepare the interim financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

Comparatives

Comparative figures have been adjusted where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period. Any adjustments to comparatives are disclosed in the relevant note or supplementary asset disclosure as appropriate.

Accounting policies

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 74 to 89 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019, except for the application of amendments to standards, as set out below, as of 1 January 2020.

Amendments to IFRS 3 'Business Combinations'

This amendment narrowed and clarified the definition of a business. The amended definition emphasises that a business must include inputs and a process, and clarified that the process must be substantive; and the inputs and process must together significantly contribute to creating outputs. This amendment narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This amendment applies to business combinations and asset acquisitions that occur on or after 1 January 2020 and does not have a significant impact on the Group at 30 June 2020.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

These amendments are aimed at improving the understanding of the existing requirements rather than significantly impacting current materiality judgements. They provide a new definition of material which shall be used to assess whether information, either individually or in combination with other information, is material in the context of the financial statements. These amendments do not have a significant impact on the Group at 30 June 2020.

2 Critical accounting estimates and judgements

The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets, liabilities, income and expense. Other than as set out below, there have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2019, as set out on pages 90 to 93 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

Impairment loss allowance on financial assets

The Group's credit risk methodologies are set out on pages 172 to 177 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

Changes in estimates

Forward-looking Information

Forward-looking Information (FLI) refers to probability-weighted future macroeconomic scenarios approved semi-annually by the Group Risk Policy Committee (GRPC) and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group uses three RoI FLI scenarios and three UK FLI scenarios, being a central scenario, an upside scenario and a downside scenario, all extending over a five year forecast period, with reversion to long run averages for years beyond the forecast period. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The Group's FLI methodology is set out on pages 176 and 177 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

The central FLI scenario for the period ending 30 June 2020 is based on internal and external information and management judgement and follows the same process as used in prior periods.

The upside and downside scenarios are ordinarily generated using a simulation model that uses historical volatilities and correlations for key macroeconomic variables to generate a distribution around the central forecast.

However, due to the unprecedented nature of the COVID-19 economic shock, the Group employed an amended approach for the selection of the upside and downside FLI scenarios for the 30 June 2020 reporting date in order to avoid counter-intuitive trends in the respective scenarios.

In order to incorporate available reasonable and supportable information and apply meaningful upside and downside FLI scenarios, two narrative-driven alternative scenarios were constructed to reflect different lengths of restrictions, depth of downturn and pace of economic recovery.

The existing FLI methodology was leveraged whereby the narrative-driven upside and downside scenarios were assessed relative to the central scenario, with a lower probability weighting attached to the upside as it was assessed to be more distant from the central scenario on the distribution. The weightings were also informed by an expert judgement and external forward-looking information (e.g. equity market indicators).

The table below shows the annual forecast values for 2020 and 2021 together with the average forecast values for the key macroeconomic variables under each scenario for the forecast period 2022 to 2024 for both the Republic of Ireland and the United Kingdom:

	Republic of Ireland			United Kingdom		
30 June 2020	**Downside**	**Central**	**Upside**	**Downside**	**Central**	**Upside**
Scenario probability weighting	30%	50%	20%	30%	50%	20%
GDP growth[1]	0.2%	1.2%	2.4%	(0.1%)	1.0%	2.2%
GNP growth[1]	(0.2%)	0.5%	2.0%	n/a	n/a	n/a
Unemployment rate[2]	9.6%	7.1%	5.9%	7.2%	5.3%	4.5%
Residential property price growth[3]	(3.4%)	(1.6%)	(0.2%)	(3.4%)	(1.8%)	(0.4%)
Commercial property price growth[3]	(4.8%)	(2.8%)	(1.0%)	(5.0%)	(3.0%)	(1.3%)

The table on page 24 sets out the annual forecast values for 2020, 2021 and the average forecast values for the period 2022 to 2024 for the key macroeconomic variables which underpin the above mean average values.

[1] *Annual growth rates.*
[2] *Average yearly rate.*
[3] *Year-end figures.*

2 Critical accounting estimates and judgements *(continued)*

	Republic of Ireland			United Kingdom		
30 June 2020	**2020**	**2021**	**2022-2024**	**2020**	**2021**	**2022-2024**
Downside - 30% scenario probability weighting						
GDP growth[1]	(12.0%)	5.7%	2.5%	(13.0%)	7.9%	1.6%
GNP growth[1]	(14.0%)	6.9%	2.1%	n/a	n/a	n/a
Unemployment rate[2]	14.8%	10.9%	7.5%	9.5%	7.9%	6.3%
Residential property price growth[3]	(10.0%)	(5.0%)	(0.7%)	(10.0%)	(5.0%)	(0.7%)
Commercial property price growth[3]	(14.0%)	(9.0%)	(0.3%)	(15.0%)	(9.0%)	(0.3%)
Central - 50% scenario probability weighting						
GDP growth[1]	(8.3%)	6.1%	2.7%	(9.3%)	8.8%	1.8%
GNP growth[1]	(11.6%)	7.3%	2.3%	n/a	n/a	n/a
Unemployment rate[2]	13.0%	8.2%	4.8%	7.3%	6.0%	4.5%
Residential property price growth[3]	(10.0%)	(1.0%)	1.0%	(10.0%)	(2.0%)	1.0%
Commercial property price growth[3]	(14.0%)	(2.0%)	0.7%	(15.0%)	(3.0%)	1.0%
Upside - 20% scenario probability weighting						
GDP growth[1]	(5.0%)	8.5%	2.9%	(6.0%)	10.7%	2.2%
GNP growth[1]	(7.0%)	9.7%	2.5%	n/a	n/a	n/a
Unemployment rate[2]	9.8%	6.2%	4.5%	6.3%	4.2%	4.0%
Residential property price growth[3]	(7.0%)	1.0%	1.7%	(7.0%)	(1.0%)	2.0%
Commercial property price growth[3]	(10.5%)	0.0%	1.8%	(11.5%)	(0.5%)	1.8%

The downside, upside and central scenarios are described as follows:

Downside scenario
Attempts to contain COVID-19 prove difficult with restrictions remaining in place for longer and lifted more slowly than assumed in the Central scenario. GDP in Ireland and the UK falls sharply in 2020 and while both economies expand in 2021, heightened uncertainty, elevated unemployment and increasing business failures dampen the recovery and continue to weigh on economic activity throughout the forecast horizon. In addition, the UK and EU fail to reach agreement on a new post-Brexit relationship and trade reverts to World Trade Organisation rules, further dampening GDP growth in the two countries.

Central scenario
The COVID-19 global pandemic imparts a severe shock to the world economy. Necessary restrictions to contain the spread of COVID-19 have led to a broad range of sectors in many economies shutting down, including in Ireland and the UK. While the Irish and UK governments and respective central banks have taken important measures to mitigate the impact, both economies are set to record large falls in GDP in 2020 and experience significant short-term spikes in unemployment. Assuming efforts to suppress COVID-19 are largely successful, allowing the restrictions - which are generally in place for an 8-12 week period to be gradually lifted - economic activity starts to rebound over the second half of 2020 and GDP rises in 2021 (though it takes until 2022 before output is back to its pre-crisis level). In tandem with this, the unemployment rate begins to come down. Over the medium-term, which encompasses new post-Brexit UK-EU trading arrangements along the lines of a Free Trade Agreement, GDP growth in the two economies slows to more moderate rates.

Upside scenario
Efforts to contain COVID-19 prove very successful, with medical advances allowing restrictions to be lifted a little earlier and more quickly. The Irish and UK economies bounce back swiftly albeit still post declines in GDP for 2020 as a whole, and grow strongly in 2021 with output returning to its pre-crisis level. Over the medium-term, which sees an extended Brexit transition period until end-2022 and a close UK-EU relationship thereafter (along the lines of a European Economic Area type arrangement), GDP growth eases in the two economies with unemployment settling at relatively low rates.

Property price growth, all scenarios
In the central scenario, property prices record a significant fall in 2020 closely correlated to the forecast economic growth shock. Further more limited declines in 2021 culminate in a range of discounts to a trough point at the end of 2021 in the range of 11% to 18% across residential and commercial sectors respectively. Property prices stabilise in 2022 and return to a modest growth profile over the medium term.

Property price movement relative to the central scenario in the downside and upside scenarios is broadly correlated to the change in the economic macros. In the downside scenario, price falls match the central scenario in 2020 on account of property price impact lagging economic performance. Therefore the downside sees additional negativity carried forward and persisting materially until the end of 2021 with more limited declines in 2022 culminating in a range of discounts to a trough point at the end of 2022 of 17% to 26% across residential and commercial sectors respectively. Prices stabilise in 2023 with flat performance into the medium term. In the upside scenario, modest growth returns in 2021 for RoI and in 2022 for the UK, increasing gradually into the medium term in each jurisdiction.

[1] *Annual growth rates.*
[2] *Average yearly rate.*
[3] *Year-end figures.*

2 Critical accounting estimates and judgements *(continued)*

The quantum of impairment loss allowance is impacted by the application of three probability-weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 30 June 2020, excluding Group management adjustments, was increased as a result of applying multiple scenarios rather than only a central scenario.

30 June 2020 **Impact of applying multiple scenarios rather than only a central scenario**	**Additional impairment loss allowance**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
	Impact €m	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**
Residential mortgages	5	15%	6	20%	3	0.8%	14	3%
- Retail Ireland	*-*	*-*	*3*	*21%*	*3*	*0.8%*	*6*	*2%*
- Retail UK	*5*	*21%*	*3*	*19%*	*-*	*-*	*8*	*8%*
Non-property SME and corporate	1	1%	11	5%	-	-	12	2%
Property and construction	-	-	13	19%	1	0.4%	14	3%
Consumer	7	7%	2	6%	-	-	9	4%
Total	13	5%	32	9%	4	0.4%	49	3%

The following table indicates the approximate extent to which impairment loss allowance, excluding Group management adjustments, would be higher or lower than reported were a 100% weighting applied to the central, upside and downside future macroeconomic scenarios respectively.

30 June 2020 **Impact of applying only a central upside or downside scenario rather than multiple probability weighted scenarios**	**Multiple scenarios**	**Central only scenario**		**Upside only scenario**		**Downside only scenario**	
	Impairment loss allowance €m	**Impairment loss allowance €m**	**Impact %**	**Impairment loss allowance €m**	**Impact %**	**Impairment loss allowance €m**	**Impact %**
Residential mortgages	462	(14)	(3%)	(74)	(16%)	121	26%
- Retail Ireland	*358*	*(6)*	*(2%)*	*(44)*	*(12%)*	*51*	*14%*
- Retail UK	*104*	*(8)*	*(8%)*	*(30)*	*(29%)*	*70*	*67%*
Non-property SME and corporate	749	(12)	(2%)	(94)	(13%)	100	13%
Property and construction	447	(14)	(3%)	(48)	(11%)	64	14%
Consumer	224	(9)	(4%)	(38)	(17%)	44	20%
Total	**1,882**	**(49)**	**(3%)**	**(254)**	**(13%)**	**329**	**17%**

The following table indicates the approximate extent to which impairment loss allowances for the residential mortgage portfolios, excluding Group management adjustments, would be higher or lower than the application of a central scenario if there was an immediate change in residential property prices.

30 June 2020 **Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances**	**Impairment loss allowance - central scenario €m**	**Residential property price reduction of 10%**		**Residential property price reduction of 5%**		**Residential property price increase of 5%**		**Residential property price increase of 10%**	
		Impact €m	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**
Residential mortgages	448	94	21%	44	10%	(40)	(9%)	(77)	(17%)
- Retail Ireland	*352*	*61*	*17%*	*29*	*8%*	*(27)*	*(8%)*	*(52)*	*(15%)*
- Retail UK	*96*	*33*	*34%*	*15*	*16%*	*(13)*	*(14%)*	*(25)*	*(26%)*

2 Critical accounting estimates and judgements *(continued)*

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 30 June 2020 to Stage 2 would increase the Group's impairment loss allowance by approximately €22 million excluding Group management adjustments.

Management Judgement in Impairment Measurement
A higher level of management judgement has been incorporated into the Group's impairment measurement process for the six months ending 30 June 2020 compared to previous periods. Management judgement can be described with reference to Management judgement in impairment model parameters and a post-model Group management adjustment to impairment loss allowance.

Management judgement in impairment model parameters
The macroeconomic scenario, which reflects the impact of COVID-19, is unprecedented compared to historic experience, resulting in impairment models generating Probability of Default (PD) rates that in certain cases were not considered to be reasonable.

In order for the Group's impairment loss allowance as at 30 June 2020 to reflect an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, management judgement is required to adjust certain impairment model parameters (i.e. PD rates and staging classification). The Group has assessed reasonable and supportable information available both internally and externally to inform its approach for management judgement applied to impairment model parameters.

Where initial estimates for PD rates from impairment models were considered to be unreasonable, a number of reference points were assessed utilising data derived from internal and external information (including bottom-up case reviews for corporate portfolios; historical peak default rates; payment break cases; and equity implied PDs). Where relevant, management judgement informed by these reference points was utilised to select more appropriate PDs for the central scenario, with corresponding PDs in the upside and downside scenarios derived from the central scenario taking into account the severity of the respective scenarios.

Once the PDs incorporating management judgement were applied, the standard Expected Credit Loss (ECL) calculation was followed within the existing control framework.

In addition, for certain non-retail portfolios, the assessment for a significant increase in credit risk (SICR) included consideration of qualitative factors that are not captured through the quantitative model-based assessment (e.g. sector, business model). This assessment informed the staging classification of exposures.

The ECL model framework was also updated in the period to reflect the implementation of the revised definition of default (as outlined in the Credit risk exposures note on page 53) and model factor updates to reflect recent observed information. This included the utilisation of an enhanced data source for the sales ratio parameter in the Retail Ireland residential mortgages Loss Given Default (LGD) model.

Post-model Group management adjustment
To ensure that the measurement of impairment reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, the need for a Group management adjustment to the outputs of the Group's staging and impairment measurement methodologies is considered at each reporting date in arriving at the final impairment loss allowance. Such a need may arise, for example, due to a model limitation or late breaking event.

COVID-19 Group management adjustment
At 30 June 2020, the Group considered the data and measurement limitations arising from the unprecedented impact of COVID-19, including the availability of government supports and the general availability of payment breaks to all customers regardless of credit status. The Group's view is that modelled impairment losses at 30 June 2020 may not fully capture expected credit losses relating to these customers as the days past due count has been paused in line with the industry-wide approach. As a result, at 30 June 2020, the Group's impairment loss allowance of €2.1 billion includes a Group management adjustment of €190 million, with €169 million of this management adjustment allocated to Stage 1 and €21 million to Stage 2. €69 million of the adjustment is related to RoI and UK residential mortgages, a further €69 million relates to the Republic of Ireland and UK small and medium enterprise portfolios; €44 million is related to the Consumer portfolio; and €8 million relates to property and construction.

While individual assessments for all larger corporate cases and a number of business banking cases that received COVID-19 concessions have been completed, payment break cohorts in the mortgage, consumer, asset finance, and remaining SME and property and construction were reviewed at a portfolio level.

The above portfolio level review was completed with reference to the outputs of the IFRS 9 impairment models, combined with other available data sources including a customer vulnerability assessment and management judgement. Given the level at which this review was performed, the Group did not reclassify any exposures into a different stage than that initially identified by the impairment models. During the second half of the year, upon expiry of payment breaks, the Group anticipates that its credit and arrears management processes will identify those customers who will return to full repayments and those who may require longer-term credit supports beyond payment breaks and its impairment models will reflect this accordingly.

The total payment break population at 30 June 2020 is c.€11.5 billion. Further details in relation to payment breaks including staging, are set out on page 67. The Group's management adjustment of €169 million in Stage 1 is broadly equivalent to the impact from a transfer of c.40% of Stage 1 payment breaks into Stage 2.

Stage 3 Group management adjustment for residential mortgages
The impairment loss allowance for residential mortgages of €581 million also includes a management adjustment of €50 million (31 December 2019: €56 million), for the Retail Ireland portfolio.

2 Critical accounting estimates and judgements *(continued)*

The management adjustment for the Retail Ireland mortgage portfolio primarily reflects the concentration of Stage 3 assets which are longer in default, where utilisation of alternative recovery strategies to achieve realisation may require higher impairment coverage on disposal that currently cannot be reasonably be reflected in the IFRS 9 impairment model methodology. The €50 million (31 December 2019: €50 million) management adjustment reflects the size and profile of the Stage 3 population at 30 June 2020 and has been calculated and applied through increases to the LGD component of modelled impairment loss allowances for Stage 3 residential mortgages that have been in default for more than five years.

The €6 million management adjustment previously applied to the Retail UK mortgage portfolio at 31 December 2019 is no longer considered to be required, noting that the COVID-19 management adjustment outlined above includes €29 million relating to the Retail UK mortgage portfolio and the amount of impairment loss allowance for the portfolio is considered to be appropriate.

Taxation

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates, based on a judgement of the application of law and practice in certain cases, to determine the quantification of any liabilities arising. At 30 June 2020, the net Deferred Tax Asset (DTA) was €1,020 million (31 December 2019: €1,016 million), of which €1,174 million (31 December 2019: €1,089 million) related to trading losses. The closing DTA includes €1,104 million of Irish trading losses, €63 million of UK trading losses, and €7 million of US trading losses.

A significant judgement relates to the Group's assessment of the recoverability of the portion of the DTA relating to trading losses.

The recognition of a DTA relies on management's estimate of the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences against which the losses can be utilised. This is particularly relevant due to the material impact of COVID-19 on business performance in the current period and future projections and also changes in UK tax legislation for the utilisation of tax losses. Under current UK and Irish legislation, there is no time limit on the utilisation of these losses.

RoI deferred tax asset

Judgement

The Group's judgement takes into consideration the impact of both positive and negative evidence in assessing the recoverability of the deferred tax asset. Positive factors which have been considered include:
- With the exception of the current year and the years of the financial crisis, the Group has a sustained history of Irish operating profits and a large market share and it is considered likely that the Group's Irish activities will be profitable into the future;
- the absence of any expiry dates for Irish and UK tax losses; and
- external forecasts for Ireland and the UK which indicate a return to growth and improved employment levels in 2021.

The Group also considered negative evidence and the inherent uncertainties in any long term financial assumptions and projections, including:
- the absolute level of deferred tax assets compared to the Group's equity;
- the quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised; and
- the challenge of projecting over a long period, taking account of the level of competition and a lower-for-longer interest rate environment.

Based on the Group's projections, the DTA in respect of tax losses is estimated to be recovered in full by the end of 2045 (31 December 2019: 2037). The increase in the recovery period is due to more challenging economic headwinds including the significant impacts of COVID-19.

Based on the Group's proven earnings history, its strong position within the Irish financial services market and its strategic priorities to deliver sustained future Irish profits, the Group continues to recognise the Irish DTA in full.

The longer term impact of COVID-19 and related items remains uncertain. The assessment of deferred tax assets in this context will be subject to ongoing review.

UK deferred tax assets

Judgement

Changes were introduced to UK tax legislation in 2017 which are relevant to the losses incurred in the current period and also when assessing the utilisation of UK tax losses and the recognition of the UK deferred tax asset at 30 June 2020.

In general terms, UK tax legislation restricts the proportion of a bank's annual taxable profit that can be offset by pre 2017 losses to 25%. Greater flexibility is provided for tax losses that were incurred after 2017 such that they can, where possible, be carried forward and offset against up to 50% of the remaining relevant taxable profits of other UK group companies each year. There is therefore now the potential to recognise a deferred tax asset for brought forward, post April 2017 losses, that can be surrendered to UK companies within the same UK tax group in future periods.

UK Branch

Judgement

Notwithstanding the absence of any expiry date for trading losses in the UK, the Group continues to conclude that, for the purpose of valuing its DTA, its brought forward trading losses within the Bank's UK branch (the 'UK branch') will be limited by reference to a ten year period of projected UK branch profits at the prevailing UK tax rates. This ten year timescale is the period over which the Group believes it can conclude that it is probable that future taxable profits will be available in the UK branch. Any remaining unutilised UK branch carried forward trading losses have been recognised for DTA purposes at the Irish tax rate, on the basis that it is expected that these will be utilised against future Bank profits in Ireland as permitted by current tax legislation.

The DTA of the UK Branch relating to trading losses has been reassessed and increased by €3 million at 30 June 2020 (31 December 2019: reduction of €2 million).

2 Critical accounting estimates and judgements *(continued)*

Bank of Ireland (UK) plc

Judgement

The Directors believe that Bank of Ireland (UK) plc will be profitable over the longer term but acknowledge the external challenges facing the banking industry. In particular, during 2020 the economic environment has become more challenging with COVID-19, residual Brexit uncertainty, forecast continuation of a lower-for-longer interest rate environment and accelerated transformation of banking business models.

Therefore, notwithstanding the absence of any expiry date for trading losses in the UK, management believes it continues to be appropriate to restrict the recognition of the DTA relating to the tax losses of Bank of Ireland (UK) plc to the amount of losses that are expected to be used within ten years. This ten year timescale is supported by forecast taxable profits and takes into account the Group's long-term financial and strategic plans and reflects the period over which the Group believes it can conclude that it is probable that future taxable profits will be available in Bank of Ireland (UK) plc.

The DTA of Bank of Ireland (UK) plc relating to trading losses has been reassessed and increased by €7 million at 30 June 2020 (31 December 2019: reduction of €45 million).

There is a risk that the final taxation outcome could be different to the amounts currently recorded. If future profits or subsequent forecasts differ from current forecasts, a further adjustment may be required to the deferred tax asset.

Sources of estimation uncertainty

To the extent that the recognition of a DTA is dependent on sufficient future profitability, a degree of estimation and the use of assumptions are required to support the conclusion that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The Group's profitability projections are based on its strategic priorities where the focus will be to increase overall returns, improve cost efficiencies and grow sustainable profits. The projections also reflect the significant impact of COVID-19 on business performance, the external challenges facing the banking industry including the lower for longer interest rate environment and the uncertainty around the impact of Brexit on the UK economy (note 21).

The Group's assessment of deferred tax recoverability is based on its financial projections covering its five year initial planning period with an annual 2% growth rate thereafter. The forecast for year five onwards is based on the projections within that fifth year of the initial planning period and the deferred tax recoverability is most sensitive to the forecast in the initial planning period.

The use of alternative assumptions representing reasonably possible alternative outcomes would not impact the recognition of the Group's deferred tax assets (DTAs) although they could increase or decrease the estimated recovery period. If the projected rate of growth of taxable profits from the fifth year of the strategic planning period was decreased by two percentage points, the Group estimates that this would increase the recovery period of its Irish DTA by five years. If it was increased by one percentage point, the Group estimates that this would decrease the recovery period of its Irish DTA by two years.

Intangible assets

Judgement

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits are recognised as intangible assets, with a net book value at 30 June 2020 of €661 million (31 December 2019: €760 million).

Computer software and other intangible assets are assessed for impairment indicators annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment is a key area of judgement for the Group.

During the six months ended 30 June 2020, the Group reviewed its software intangible assets for indicators of impairment, including internal indicators such as obsolescence, and external indicators such as the evolution of emerging technologies. As a consequence of the existence of such indicators, the Group formed the judgement that certain software assets were impaired, as they were no longer expected to provide future economic benefits. Accordingly, an impairment charge of €136 million has been recognised in the period (six months ended 30 June 2019: €nil). The Group considers that the remaining carrying amount of €661 million is recoverable as it comprises both intangible assets which are currently in use, with no indicators of a reduction in useful economic lives, and intangible assets which are currently in development and which are expected to be deployed in the near future when available for use.

3 Operating segments

The Group has five reportable operating segments which reflect the internal financial and management reporting structure and are organised as follows:

Retail Ireland

Retail Ireland is one of the largest providers of financial services in Ireland with a network of 261 branches, phone contact centre, c.1,490 self-serve devices, and online, smartphone and tablet banking applications. Retail Ireland offers a broad range of financial products and services including current accounts, savings, mortgages, credit cards, motor finance and loans to personal and business banking customers and is managed through a number of business units, namely Distribution Channels, Customer Segments and Propositions, Products (including Bank of Ireland Mortgage Bank) and Business Banking (including Bank of Ireland Finance).

Wealth and Insurance

Wealth and Insurance includes the Group's life assurance subsidiary New Ireland Assurance Company plc which distributes protection, investment and pension products to the Irish market, across three core channels made up of the Group's distribution channels, independent financial brokers and its own financial advisor network and corporate partners. It also includes Investment markets and the Group's general insurance brokerage, Bank of Ireland Insurance Services, which offers home, car and travel insurance cover through its agency with insurance providers.

Retail UK

The Retail UK division incorporates the financial services partnership and foreign exchange joint venture with the UK Post Office, the financial services partnership with the AA, the UK residential mortgage business, the Group's branch network in Northern Ireland (NI), the Group's business banking business in NI and the Northridge Finance motor and asset finance, vehicle leasing and fleet management business. The Group also has a business banking business in Great Britain which is being run down. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly-owned UK licenced banking subsidiary.

Corporate and Treasury

Corporate and Treasury incorporates the Group's corporate banking, wholesale financial markets, specialised acquisition finance and large transaction property lending businesses, across the RoI, UK and internationally, with offices in Ireland, the UK, the US, Germany, France and Spain.

Group Centre

Group Centre comprises Group Technology and Customer Solutions, Group Finance, Group Risk, Group Internal Audit, Group Marketing and Group People Services. These Group central functions establish and oversee policies and provide and manage certain processes and delivery platforms for the divisions.

Other reconciling items

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

Basis of preparation of segmental information

The analysis of results by operating segment is based on the information used by the chief operating decision maker to allocate resources and assess performance. The Group Chief Executive Officer (CEO) and Group Chief Financial Officer (Group CFO) are considered to be the chief operating decision maker for the Group. The Group's operating segments reflect its organisational and management structures. The CEO and CFO review the Group's internal reporting based around these segments to assess performance and allocate resources. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The measures of segmental assets and liabilities provided to the chief operating decision maker are not adjusted for transfer pricing adjustments or revenue sharing agreements as the impact on the measures of segmental assets and liabilities is not significant.

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

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

External revenue comprises interest income, net insurance premium income, fee and commission income, net trading expense or income, life assurance investment income, gains and losses, other operating income, other leasing income and share of results of associates and joint ventures.

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

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Underlying profit or loss' in its internal management reporting systems. Underlying profit or loss excludes:

- impairment of internally generated computer software;
- cost of restructuring programme;
- investment return on Treasury shares held for policyholders;
- gain / loss on disposal / liquidation of business activities;
- customer redress charges;
- portfolio divestments; and
- gross-up for policyholder tax in the Wealth and Insurance business.

Underlying profit or loss also excludes any operating profit or loss attributable to BOIG plc.

3 Operating segments *(continued)*

6 months ended 30 June 2020	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	BOIG Group plc €m	BOIG plc €m	Group €m
Net interest income	**479**	**(4)**	**274**	**327**	**2**	**1**	**1,079**	**(7)**	**1,072**
Other income, net of insurance claims	106	10	1	28	(11)	9	143	-	143
Total operating income, net of insurance claims	**585**	**6**	**275**	**355**	**(9)**	**10**	**1,222**	**(7)**	**1,215**
Other operating expenses	(326)	(66)	(134)	(90)	(195)	-	(811)	1	(810)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(326)*	*(65)*	*(132)*	*(90)*	*(100)*	-	*(713)*	*1*	*(712)*
- Transformation Investment charge	-	-	-	-	*(28)*	-	*(28)*	-	*(28)*
- Levies and regulatory charges	-	(1)	(2)	-	(67)	-	(70)	-	(70)
Depreciation and amortisation	(34)	(4)	(21)	(6)	(66)	-	(131)	-	(131)
Impairment of goodwill	-	-	(9)	-	-	-	(9)	-	(9)
Total operating expenses	**(360)**	**(70)**	**(164)**	**(96)**	**(261)**	**-**	**(951)**	**1**	**(950)**
Underlying operating profit / (loss) before impairment charges on financial assets	**225**	**(64)**	**111**	**259**	**(270)**	**10**	**271**	**(6)**	**265**
Net impairment losses on financial instruments	(281)	-	(270)	(385)	(1)	-	(937)	-	(937)
Share of results of associates and joint ventures	(4)	-	1	-	-	-	(3)	-	(3)
Underlying loss before tax	**(60)**	**(64)**	**(158)**	**(126)**	**(271)**	**10**	**(669)**	**(6)**	**(675)**

6 months ended 30 June 2020 Reconciliation of underlying loss before tax to loss before tax	Group €m
Underlying loss before tax	(675)
Impairment of internally generated computer software	(136)
Cost of restructuring programme	(27)
Investment return on Treasury shares held for policyholders	17
Gain on disposal / liquidation of business activities	9
Customer redress charges	(7)
Portfolio divestments	(5)
Gross-up for policyholder tax in the Wealth and Insurance business	(4)
Loss before tax	**(828)**

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

3 Operating segments *(continued)*

6 months ended 30 June 2019	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	BOIG Group plc €m	BOIG plc €m	Group €m
Net interest income	**497**	**(4)**	**287**	**291**	**(5)**	**3**	**1,069**	**(3)**	**1,066**
Other income, net of insurance claims	137	155	(7)	55	2	-	342	-	342
Total operating income, net of insurance claims	**634**	**151**	**280**	**346**	**(3)**	**3**	**1,411**	**(3)**	**1,408**
Other operating expenses	(336)	(64)	(145)	(89)	(195)	2	(827)	1	(826)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(336)*	*(64)*	*(142)*	*(89)*	*(62)*	*2*	*(691)*	*1*	*(690)*
- Transformation Investment charge	*-*	*-*	*-*	*-*	*(63)*	*-*	*(63)*	*-*	*(63)*
- Levies and regulatory charges	*-*	*-*	*(3)*	*-*	*(70)*	*-*	*(73)*	*-*	*(73)*
Depreciation and amortisation	(38)	(3)	(23)	(7)	(78)	-	(149)	-	(149)
Impairment of goodwill	-	-	-	-	-	-	-	-	-
Total operating expenses	**(374)**	**(67)**	**(168)**	**(96)**	**(273)**	**2**	**(976)**	**1**	**(975)**
Underlying operating profit / (loss) before impairment charges on financial assets	**260**	**84**	**112**	**250**	**(276)**	**5**	**435**	**(2)**	**433**
Net impairment gains / losses on financial instruments	(1)	-	(36)	(43)	1	-	(79)	-	(79)
Share of results of associates and joint ventures	4	-	16	-	-	-	20	-	20
Underlying profit / (loss) before tax	**263**	**84**	**92**	**207**	**(275)**	**5**	**376**	**(2)**	**374**

Reconciliation of underlying profit before tax to profit before tax	**Group €m**
Underlying profit before tax	374
Customer redress charges	(62)
Cost of restructuring programme	(27)
Gross-up for policyholder tax in the Wealth and Insurance business	22
Portfolio divestments	8
Loss on disposal / liquidation of business activities	(3)
Investment return on Treasury shares held for policyholders	1
Profit before tax	**313**

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

3 Operating segments *(continued)*

30 June 2020 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**52**	**-**	**71**	**-**	**-**	**-**	**123**
External assets	33,916	18,830	32,995	37,019	8,859	(4)	131,615
Inter segment assets	74,539	675	1,524	92,863	25,390	(194,991)	-
Total assets	**108,455**	**19,505**	**34,519**	**129,882**	**34,249**	**(194,995)**	**131,615**
Other Bank assets							39
Group assets							**131,654**
External liabilities	58,701	18,506	25,446	13,734	5,264	(4)	121,647
Inter segment liabilities	47,831	283	6,916	115,739	24,249	(195,018)	-
Total liabilities	**106,532**	**18,789**	**32,362**	**129,473**	**29,513**	**(195,022)**	**121,647**
Other Bank liabilities							714
Group liabilities							**122,361**

31 December 2019 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**56**	**-**	**76**	**-**	**-**	**-**	**132**
External assets	34,873	19,532	35,608	34,355	7,519	(4)	131,883
Inter segment assets	69,738	696	2,046	90,488	24,893	(187,861)	-
Total assets	**104,611**	**20,228**	**37,654**	**124,843**	**32,412**	**(187,865)**	**131,883**
Other Bank assets							35
Group assets							**131,918**
External liabilities	55,579	19,240	27,061	13,858	5,716	(4)	121,450
Inter segment liabilities	46,957	252	7,880	109,956	22,842	(187,887)	-
Total liabilities	**102,536**	**19,492**	**34,941**	**123,814**	**28,558**	**(187,891)**	**121,450**
Other Bank liabilities							715
Group liabilities							**122,165**

3 Operating segments *(continued)*

6 months ended 30 June 2020 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**628**	**296**	**578**	**249**	**18**	**(23)**	**1,746**	**-**	**1,746**
Inter segment revenues	264	(24)	(65)	281	95	(551)	-	-	-
Revenue before claims paid	**892**	**272**	**513**	**530**	**113**	**(574)**	**1,746**	**-**	**1,746**
Insurance contract liabilities and claims paid	-	(233)	-	-	(3)	-	(236)	-	(236)
Revenue	**892**	**39**	**513**	**530**	**110**	**(574)**	**1,510**	**-**	**1,510**
Interest expense	**(31)**	**-**	**(108)**	**72**	**(85)**	**3**	**(149)**	**(7)**	**(156)**
Capital expenditure	**49**	**9**	**23**	**60**	**2**	**-**	**143**	**-**	**143**

6 months ended 30 June 2019 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**687**	**1,613**	**602**	**357**	**8**	**(16)**	**3,251**	**-**	**3,251**
Inter segment revenues	228	49	(23)	165	123	(542)	-	-	-
Revenue before claims paid	**915**	**1,662**	**579**	**522**	**131**	**(558)**	**3,251**	**-**	**3,251**
Insurance contract liabilities and claims paid	-	(1,456)	-	-	(4)	-	(1,460)	-	(1,460)
Revenue	**915**	**206**	**579**	**522**	**127**	**(558)**	**1,791**	**-**	**1,791**
Interest expense	**(41)**	**-**	**(116)**	**62**	**(97)**	**1**	**(191)**	**-**	**(191)**
Capital expenditure	**12**	**9**	**27**	**-**	**96**	**-**	**144**	**-**	**144**

4 Interest income

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

Interest income on loans and advances to customers for the six months ended 30 June 2020 is shown net of a charge of €1 million (six months ended 30 June 2019: €5 million) related to redress arising from the Tracker Mortgage Examination review.

For the six months ended 30 June 2020, €52 million of interest was recognised on credit-impaired loans and advances to customers (six months ended 30 June 2019: €40 million).

For the six months ended 30 June 2020, €57 million of interest income was received on credit-impaired loans and advances to customers (six months ended 30 June 2019: €42 million).

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Financial assets measured at amortised cost		
Loans and advances to customers	1,107	1,134
Loans and advances to banks	8	15
Debt securities at amortised cost	3	6
Interest income on financial assets measured at amortised cost	**1,118**	**1,155**
Debt securities at FVOCI	8	16
	1,126	**1,171**
Negative interest on financial liabilities	12	10
Interest income calculated using the effective interest method	**1,138**	**1,181**
Interest income on finance leases and hire purchase receivables	89	84
Interest income	**1,227**	**1,265**

5 Interest expense

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Debt securities in issue	55	52
Customer accounts	48	71
Subordinated liabilities	37	50
Lease liabilities	7	6
Deposits from banks	6	9
Interest expense from financial liabilities measured at amortised cost	**153**	**188**
Negative interest on financial assets	3	3
Interest expense	**156**	**191**

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

6 Net insurance premium income

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Premiums written	833	768
Ceded reinsurance premiums	(67)	(68)
Net premium written	**766**	**700**
Change in provision for unearned premiums	(3)	(2)
Net insurance premium income	**763**	**698**

7 Fee and commission income and expense

6 months ended 30 June 2020 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Group €m
Retail banking customer fees	115	-	32	20	-	167
Credit related fees	3	-	1	8	-	12
Insurance commissions	-	6	1	-	-	7
Asset management fees	-	1	-	-	-	1
Brokerage fees	1	-	-	-	-	1
Other	3	2	13	11	-	29
Fee and commission income	**122**	**9**	**47**	**39**	**-**	**217**

7 Fee and commission income and expense *(continued)*

6 months ended 30 June 2019 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Group €m
Retail banking customer fees	137	-	48	21	-	206
Credit related fees	4	-	3	11	-	18
Insurance commissions	-	6	1	-	-	7
Asset management fees	-	1	-	-	-	1
Brokerage fees	1	-	-	-	-	1
Other	5	3	2	11	-	21
Fee and commission income	**147**	**10**	**54**	**43**	**-**	**254**

Expense
Fee and commission expense of €85 million (six months ended 30 June 2019: €103 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

8 Net trading (expense) / income

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Financial liabilities designated at fair value	85	(104)
Related derivatives held for trading	(87)	101
	(2)	**(3)**
Net (expense) / income from financial instruments mandatorily measured at fair value through profit or loss[1]		
- Other financial instruments held for trading	(29)	45
- Securities and non-trading debt	(3)	6
- Loans and advances	2	6
- Equities[2]	-	26
	(32)	**80**
Net fair value hedge ineffectiveness	(4)	(2)
Net trading (expense) / income	**(36)**	**78**

Net trading (expense) / income includes the gains and losses on financial instruments held for trading and those designated at fair value through profit or loss (other than unit-linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €7 million of a net gain arising from foreign exchange (six months ended 30 June 2019: €10 million).

Net fair value hedge ineffectiveness reflects a net charge from hedged items of €39 million (six months ended 30 June 2019: €13 million) offsetting a net gain from hedging instruments of €35 million (six months ended 30 June 2019: €11 million).

[1] *Net (expense) / income from financial instruments mandatorily measured at fair value through profit or loss includes interest (expense) / income from debt instruments and dividend income from equities. It also includes realised and unrealised gains and losses.*
[2] *Non-trading equities and debt securities mandatorily measured at fair value through profit or loss are reported in the balance sheet under the caption 'Other financial assets at FVTPL'. The income from life assurance investments which also comprises 'Other financial assets at FVTPL' is reported in note 9 'Life assurance investment income, gains and losses'.*

9 Life assurance investment income, gains and losses

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
(Losses) / gains on other financial assets held on behalf of Wealth and Insurance policyholders	(448)	825
(Losses) / gains on investment property held on behalf of Wealth and Insurance policyholders	(22)	23
Life assurance investment income, gains and losses	**(470)**	**848**

Life assurance investment income, gains and losses comprise the investment return, realised gains and losses and unrealised gains and losses which accrue to the Group on all investment assets held by the Wealth and Insurance division, other than those held for the benefit of policyholders whose contracts are considered to be investment contracts. These instruments are mandatorily measured at FVTPL.

Life assurance investment losses of €470 million for the six months ended 30 June 2020 is consistent with adverse investment market performance (six months ended 30 June 2019: gains of €848 million). Movement in insurance contract liabilities (note 12) is consistent with the lower investment returns in the period.

10 Other leasing income and expense

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Other leasing income	31	27
Other leasing expense	(26)	(22)
Net other leasing income	**5**	**5**

Other leasing income and expense relate to the business activities of Marshall Leasing Limited (MLL), a wholly-owned subsidiary of the Group. MLL is a car and commercial leasing and fleet management company based in the UK.

Other leasing income includes: €18 million of operating lease income (six months ended 30 June 2019: €16 million), €10 million arising from the sale of leased assets (six months ended 30 June 2019: €7 million), and €3 million relating to other income (six months ended 30 June 2019: €4 million).

Other leasing expense includes depreciation of €14 million related to rental vehicles (six months ended 30 June 2019: €14 million) and other selling and disposal costs of €12 million (six months ended 30 June 2019: €8 million).

11 Other operating income

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Other insurance income	31	26
Movement in Value of in Force asset	(27)	30
Elimination of investment return on treasury stock held for the benefit of policyholders in the Wealth and Insurance business	7	-
Transfer from debt instruments at FVOCI reserve on asset disposal	3	1
Other income	2	3
Dividend income	1	1
Other operating income	**17**	**61**

12 Insurance contract liabilities and claims paid

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Claims paid		
Policy surrenders	415	444
Death and critical illness claims	87	86
Annuity payments	45	45
Other claims	23	25
Gross claims paid	**570**	**600**
Recovered from reinsurers	(58)	(58)
Net claims paid	**512**	**542**
Change in insurance contract liabilities		
Change in gross liabilities	(222)	1,015
Change in reinsured liabilities	(54)	(97)
Net change in insurance contract liabilities	**(276)**	**918**
Insurance contract liabilities and claims paid	**236**	**1,460**

13 Other operating expenses

Administrative expenses and staff costs	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Staff costs excluding restructuring and Transformation Investment staff costs	430	419
Amortisation of intangible assets (note 20)	83	96
Levies and regulatory charges	70	73
Transformation Investment charge	28	63
Depreciation of property, plant and equipment	48	53
Lease expenses - short term leases	-	2
Other administrative expenses excluding cost of restructuring programme	312	349
Total	**971**	**1,055**
Total staff costs are analysed as follows:		
Wages and salaries	327	310
Retirement benefit costs (defined benefit plans)	47	49
Social security costs	38	37
Retirement benefit costs (defined contribution plans)	17	15
Other staff expenses	1	8
Staff costs excluding restructuring and Transformation Investment staff costs	**430**	**419**
Additional restructuring and Transformation Investment staff costs:		
Included in cost of restructuring programme (note 14)	10	17
Included in Transformation Investment charge	2	11
Total staff costs recognised in the income statement	**442**	**447**

The Group has incurred levies and regulatory charges of €70 million in the six months ended 30 June 2020 (six months ended 30 June 2019: €73 million). The lower charge is driven by a decrease in certain levies including the Central Bank of Ireland Industry Funding Levy and the Deposit Guarantee Scheme.

Transformation Investment income statement charge of €28 million (six months ended 30 June 2019: €63 million) includes €12 million (six months ended 30 June 2019: €15 million) for associated application and infrastructure costs.

In the six months ended 30 June 2020, there was €34 million depreciation of Right of Use (RoU) assets under IFRS 16 included within depreciation of property, plant and equipment (six months ended 30 June 2019: €40 million) and no charge under the short-term lease exemption (six months ended 30 June 2019: €2 million).

During the six months ended 30 June 2020, the Group incurred a charge of €6 million (six months ended 30 June 2019: €50 million) in other administrative expenses relating to the Tracker Mortgage Examination review.

Staff numbers
At 30 June 2020, the number of staff (full time equivalents) was 10,341 (30 June 2019: 10,405). During the six months ended 30 June 2020, the average number of staff (full time equivalents) was 10,383 (six months ended 30 June 2019: 10,368).

14 Cost of restructuring programme

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Transformation Investment costs	27	21
- Programme management costs	*16*	*2*
- Staff costs (note 13)	*10*	*17*
- Other related costs	*1*	*-*
- Property related costs	*-*	*2*
Other restructuring charges	-	6
Total	**27**	**27**

During the six months ended 30 June 2020, the Group recognised a restructuring charge of €27 million (six months ended 30 June 2019: €27 million), all of which relates to Transformation Investment costs (six months ended 30 June 2019: €21 million) as set out in the table above.

15 Net impairment losses on financial instruments

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Loans and advances to customers	(888)	(81)
- Movement in impairment loss allowances (note 17)	*(910)*	*(98)*
- Cash recoveries	*22*	*17*
Loan commitments	(46)	3
Guarantees and irrevocable letters of credit	(2)	-
Other financial assets	(1)	1
Net impairment losses on financial instruments	**(937)**	**(77)**

Loans and advances to customers at amortised cost

Net impairment losses

The Group's net impairment losses on loans and advances to customers at amortised cost are set out in the table below.

Net impairment losses on loans and advances to customers - composition	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Residential mortgages	(153)	(31)
- Retail Ireland	*(77)*	*(25)*
- Retail UK	*(76)*	*(6)*
Non-property SME and corporate	(365)	(37)
- Corporate	*(214)*	*(43)*
- Republic of Ireland SME	*(133)*	*3*
- UK SME	*(18)*	*3*
Property and construction	(246)	11
- Investment	*(235)*	*8*
- Development[1]	*(11)*	*3*
Consumer	(124)	(24)
Total	**(888)**	**(81)**

[1] *Formerly land and development.*

15 Net impairment losses on financial instruments *(continued)*

In April 2019, the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs through an unconsolidated special purpose vehicle named Mulcair Securities Designated Activity Company (DAC). An impairment gain of €5 million arose on the disposal of this portfolio, which was included in the Group's net impairment loss on financial instruments for the six months ended 30 June 2019.

There have been no such disposals or resulting impairment gains / losses in the six months ended 30 June 2020.

Further information on the 2019 disposal is outlined in note 26 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

16 Taxation

The taxation credit for the period is €98 million with an effective statutory taxation rate of 12% (six months ended 30 June 2019: taxation charge of €89 million and taxation rate of 28%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses.

Between 2009 and 2011, the Group conducted a series of liability management exercises in order to enhance its equity capital which involved the repurchase or exchange of certain of its external liabilities in the UK at less than par, thus generating gains. The Group determined, with the benefit of opinions from external tax advisors and legal counsel, that these gains were not subject to taxation. The Group has proactively engaged with the UK tax authority, HM Revenue & Customs (HMRC), over the last number of years as it considers these transactions. The Group understands that HMRC has accepted the Group’s tax assessment in respect of certain of the gains that arose and its review continues in respect of others. The Group continues to believe that all of the gains arising from these transactions are not subject to tax and hence that it is not probable that a liability will arise. No provisions have therefore been made. However, in respect of one transaction on which a gain of £168 million (€189 million) was recognised, HMRC has challenged the Group’s tax assessment. As a result, the Group believes that the possibility that tax will arise in respect of those gains is not remote. HMRC’s review with respect to other transactions is ongoing.

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Current tax		
Irish Corporation Tax		
- Current period	2	23
- Adjustments in respect of prior periods	-	-
Foreign tax		
- Current period	15	27
- Adjustments in respect of prior periods	3	(2)
Current tax charge	**20**	**48**
Deferred tax		
Current period (losses) / profits	(76)	21
Origination and reversal of temporary differences	(21)	16
Reassessment of value of tax losses carried forward	(10)	-
Impact of corporation tax rate change	(9)	-
Adjustments in respect of prior periods	(2)	4
Deferred tax (credit) / charge	**(118)**	**41**
Total taxation (credit) / charge	**(98)**	**89**

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
(Loss) / profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2019: 12.5%)	(104)	39
Effects of:		
Foreign earnings subject to different rates of tax	12	22
Reassessment of value of tax losses carried forward	(10)	-
Impact of corporation tax rate change on deferred tax	(9)	-
Current period UK losses not valued for deferred tax	8	-
Adjustments in respect of prior year	1	2
Share of results of associates and joint ventures shown post tax in the income statement	-	(2)
Other adjustments for tax purposes	4	28
Taxation (credit) / charge	**(98)**	**89**

16 Taxation *(continued)*

	6 months ended 30 June 2020			6 months ended 30 June 2019		
	Pre-tax €m	Tax €m	Net of Tax €m	Pre-tax €m	Tax €m	Net of Tax €m
Debt instruments at FVOCI reserve						
Changes in fair value	(43)	5	(38)	55	(6)	49
Transfer to income statement						
- Asset disposal	(3)	-	(3)	(1)	-	(1)
Net change in debt instruments at FVOCI reserve	**(46)**	**5**	**(41)**	**54**	**(6)**	**48**
Remeasurement of the net defined benefit pension asset / (liability)	**662**	**(100)**	**562**	**(72)**	**11**	**(61)**
Cash flow hedge reserve						
Changes in fair value	447	(58)	389	(27)	(2)	(29)
Transfer to income statement	(430)	52	(378)	42	(5)	37
Net change in cash flow hedge reserve	**17**	**(6)**	**11**	**15**	**(7)**	**8**
Net change in foreign exchange reserve	**(169)**	**-**	**(169)**	**(2)**	**-**	**(2)**
Liability credit reserve						
Changes in fair value of liabilities designated at fair value through profit or loss due to own credit risk	19	(4)	15	-	-	-
Other comprehensive income for the period	**483**	**(105)**	**378**	**(5)**	**(2)**	**(7)**

17 Loans and advances to customers

Loans and advances to customers includes cash collateral of €7 million (31 December 2019: €98 million) placed with derivative counterparties in relation to net derivative liability positions.

Of loans and advances to customers at FVTPL at 30 June 2020, €244 million (31 December 2019: €246 million) represent the Life Loan mortgage product, which was offered by the Group until November 2010. The cash flows of the Life Loans are not considered to consist solely of payments of principal and interest, and as such are classified at FVTPL. The remaining €155 million (31 December 2019: €6 million) of loans and advances to customers at FVTPL relate to syndicated corporate facilities. As the Group's objective is to realise cash flows through the sale of these assets, they are classified as loans and advances to customers at FVTPL.

In 2019, the Group completed three transactions whereby it derecognised or disposed of €479 million of loans and advances to customers (after impairment loss allowance) as follows:

- A portfolio of residential mortgage NPEs with a net carrying value of €326 million, was transferred to Mulcair Securities Designated Activity Company (DAC).
- A portfolio of residential and commercial property NPEs with a net carrying value of €151 million, was sold to Promontoria 2019 DAC.
- A portfolio of UK personal loan NPEs with a net carrying value of €2 million, was sold to Intrum Finance Limited.

In June 2019, the Group purchased a €265 million portfolio of commercial loans predominantly in the RoI from KBC Ireland.

	30 June 2020 €m	31 December 2019 €m
Loans and advances to customers at amortised cost	74,720	76,543
Finance leases and hire purchase receivables	3,751	4,000
	78,471	80,543
Less allowance for impairment charges on loans and advances to customers	(2,122)	(1,308)
Loans and advances to customers at amortised cost	**76,349**	**79,235**
Loans and advances to customers at fair value through profit or loss[1]	399	252
Total loans and advances to customers	**76,748**	**79,487**

There have been no such disposals nor any acquisitions of loan books in the six months ended 30 June 2020.

Further information on the 2019 disposals is outlined in note 26 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

[1] *Loans and advances to customers at FVTPL are not subject to impairment under IFRS 9.*

17 Loans and advances to customers *(continued)*

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost.

30 June 2020 **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	40,435	13,686	3,684	4,905	62,710
Stage 2 - Lifetime ECL (not credit-impaired)	1,680	5,899	3,426	265	11,270
Stage 3 - Lifetime ECL (credit-impaired)	2,199	1,047	1,027	128	4,401
Purchased / originated credit-impaired	3	27	60	-	90
Gross carrying amount at 30 June 2020	**44,317**	**20,659**	**8,197**	**5,298**	**78,471**

30 June 2020 **Impairment loss allowance**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	105	154	12	151	422
Stage 2 - Lifetime ECL (not credit-impaired)	41	220	82	42	385
Stage 3 - Lifetime ECL (credit-impaired)	435	437	345	75	1,292
Purchased / originated credit-impaired	-	7	16	-	23
Impairment loss allowance at 30 June 2020	**581**	**818**	**455**	**268**	**2,122**

31 December 2019 **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	42,898	17,474	5,985	5,421	71,778
Stage 2 - Lifetime ECL (not credit-impaired)	1,677	2,175	1,513	206	5,571
Stage 3 - Lifetime ECL (credit-impaired)	1,693	757	549	100	3,099
Purchased / originated credit-impaired	3	27	65	-	95
Gross carrying amount at 31 December 2019	**46,271**	**20,433**	**8,112**	**5,727**	**80,543**

31 December 2019 **Impairment loss allowance**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	16	56	6	64	142
Stage 2 - Lifetime ECL (not credit-impaired)	36	78	42	32	188
Stage 3 - Lifetime ECL (credit-impaired)	380	353	180	63	976
Purchased / originated credit-impaired	-	-	2	-	2
Impairment loss allowance at 31 December 2019	**432**	**487**	**230**	**159**	**1,308**

17 Loans and advances to customers *(continued)*

The following tables show the changes in gross carrying amount and impairment loss allowances of loans and advances to customers at amortised cost for the six months ended 30 June 2020 and for the year ended 31 December 2019. The tables are prepared based on a combination of aggregation of monthly movements for material term loan portfolios (i.e. incorporating all movements a loan in these portfolios has made during the period) and full period movements for revolving-type facilities and less material (primarily Consumer) portfolios.

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a 'significant increase in credit risk' or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a significant increase in credit risk and identifying defaulted and credit-impaired assets is outlined in the Financial risk management note on page 175 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019, with updates for 2020 (including the implementation of a revised definition of default) outlined in the Credit risk exposures note on page 53.

Transfers between each stage reflect the balances and impairment loss allowances prior to transfer. The impact of remeasurement of impairment loss allowance on stage transfer is reported within 'Remeasurement' in the new stage that a loan has transferred into. For those tables based on an aggregation of the monthly transfers between stages, transfers may include loans which have subsequently transferred back to their original stage or migrated further to another stage.

'Net changes in exposure' comprise the movements in the gross carrying amount and impairment loss allowance as a result of new loans originated and repayments of outstanding balances throughout the reporting period.

'Net impairment losses / (gains) in income statement' does not include the impact of cash recoveries which are recognised directly in the income statement (note 15).

'Remeasurements' includes the impact of remeasurement on stage transfers noted above, other than those directly related to the update of FLI and / or other model and parameter updates, changes in management adjustments and remeasurement due to changes in asset quality that did not result in a transfer to another stage.

'ECL model parameter changes' represents the impact on impairment loss allowances of semi-annual updates to the FLI, and other model and parameter updates used in the measurement of impairment loss allowances, including the impact of stage migrations where the migration is directly related to the update of FLI and / or other model and parameter updates.

'Impairment loss allowances utilised' represents the reduction in the gross carrying amount and associated impairment loss allowance on loans where the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The utilisation of an allowance does not, of itself, alter a customer's obligations nor does it impact on the Group's rights to take relevant enforcement action.

30 June 2020 **Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit impaired) €m**	**Stage 2 - Lifetime ECL (not credit impaired) €m**	**Stage 3 - Lifetime ECL (credit impaired) €m**	**Purchased / originated credit impaired [1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**71,778**	**5,571**	**3,099**	**95**	**80,543**
Total net transfers	(8,007)	6,345	1,662	-	-
- to 12-month ECL (not credit-impaired)	*1,656*	*(1,628)*	*(28)*	-	-
- to lifetime ECL (not credit-impaired)	*(9,317)*	*9,532*	*(215)*	-	-
- to lifetime ECL (credit-impaired)	*(346)*	*(1,559)*	*1,905*	-	-
Net changes in exposure	868	(434)	(194)	-	240
Impairment loss allowances utilised	-	-	(87)	-	(87)
Exchange adjustments	(2,046)	(167)	(78)	(5)	(2,296)
Measurement reclassification and other movements	117	(45)	(1)	-	71
Gross carrying amount at 30 June 2020	**62,710**	**11,270**	**4,401**	**90**	**78,471**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during the six months ended 30 June 2020 includes €39 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 30 June 2020, Purchased or originated credit-impaired assets included €2 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

17 Loans and advances to customers *(continued)*

30 June 2020 Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**142**	**188**	**976**	**2**	**1,308**
Total net transfers	12	(53)	41	-	-
- to 12-month ECL (not credit-impaired)	*40*	*(34)*	*(6)*	-	-
- to lifetime ECL (not credit-impaired)	*(26)*	*51*	*(25)*	-	-
- to lifetime ECL (credit-impaired)	*(2)*	*(70)*	*72*	-	-
Net impairment losses / (gains) in income statement	276	253	360	21	910
- Remeasurement	*141*	*81*	*404*	*21*	*647*
- Net changes in exposure	*13*	*(21)*	*(60)*	-	*(68)*
- ECL model parameter changes	*122*	*193*	*16*	-	*331*
Impairment loss allowances utilised	-	-	(87)	-	(87)
Exchange adjustments	(7)	(3)	(12)	-	(22)
Measurement reclassification and other movements	(1)	-	14	-	13
Impairment loss allowance at 30 June 2020	**422**	**385**	**1,292**	**23**	**2,122**
Impairment coverage at 30 June 2020 (%)	**0.67%**	**3.42%**	**29.36%**	**25.56%**	**2.70%**

Total gross loans and advances to customers decreased during the period by €2.0 billion from €80.5 billion as at 31 December 2019 to €78.5 billion as at 30 June 2020.

Stage 1 loans have decreased by €9.1 billion primarily reflecting the impact of net transfers to other risk stages and adverse foreign exchange movements, offset by net new lending. Total net transfers to other risk stages of €8.0 billion reflect the impact of the current macroeconomic environment on asset quality across all portfolios.

Impairment loss allowances on Stage 1 loans have increased by €280 million resulting in an increase in coverage on Stage 1 loans from 0.20% at 31 December 2019 to 0.67% at 30 June 2020. The increase in coverage reflects a combination of the impact of FLI / impairment model parameter updates at 30 June 2020 of €122 million presented above as 'ECL model parameter changes'. Remeasurements of €141 million includes the impact of the €169 million post-model management adjustment applied to Stage 1 loans offset by individual loan remeasurements as transfers from Stage 2 at a higher coverage rate are remeasured to 12-month ECL in Stage 1. Excluding the impact of the post-model management adjustment coverage on Stage 1 loans at 30 June 2020 would be 0.40%

Stage 2 loans have increased by €5.7 billion with net transfers from other stages of €6.3 billion offset by net repayments of €0.4 billion. Stage 2 increases are primarily in the Non-property SME and corporate and Property and construction portfolios with a doubling of lifetime PD, due to a combination of the evolution of FLI / impairment model parameter updates and case specific credit events, the main driver of transfers to Stage 2 from Stage 1.

Coverage on Stage 2 loans has remained broadly consistent at 3.4% as the impact of transfers to Stage 3 of higher risk assets has been offset by the transfer of assets from Stage 1 requiring lower than average impairment loss coverage after remeasurement to life-time ECL in Stage 2. FLI / impairment model parameter updates (excluding the classification impact of the revised definition of default) resulted in an increase of €193 million in impairment loss allowances, a combination of increases on loans already in Stage 2 and the migration of loans from Stage 1. Remeasurements of €81 million include the impact of remeasurement on migration from other stages excluding those due to FLI / impairment model parameter updates and the management adjustment of €21 million applied to Stage 2 loans.

Stage 3 loans have increased by €1.3 billion with the key drivers being a net migration from other stages of €1.7 billion offset by the impact of net repayments of €0.2 billion and the utilisation of impairment loss allowances of €0.1 billion. The increase in Stage 3 loans is due in part to the revised definition of default that was implemented for the majority of the Group's portfolios in first six months of 2020 which on initial implementation during the period resulted in €0.9 billion of assets being re-classified as credit-impaired. The remaining increase reflects the emergence of new defaults for case specific reasons primarily in the Corporate and Property and construction portfolios. The increase in credit-impaired loans was partly offset by ongoing resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

[1] *At 30 June 2020, Purchased or originated credit-impaired assets included €2 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during the six months ended 30 June 2020 is €nil.*

17 Loans and advances to customers *(continued)*

Stage 3 impairment loss allowances have increased by €316 million primarily due to remeasurement of €404 million offset by the utilisation of impairment loss allowances of €87 million. Remeasurement relates mainly to the Non-property SME and Property and construction portfolios and reflects changes in the macroeconomic outlook, case specific loss emergence on a small number of defaulted cases in the Corporate Banking and Retail UK portfolios and the increase in impairment loss allowances due to the re-classification of assets to Stage 3 due to the revised definition of default. Cover on Stage 3 loans has decreased from 31.49% at 31 December 2019 to 29.36% at 30 June 2020. The reduction reflected the impact of the revised definition of default which involved the classification of cases as credit-impaired that have assessed impairment loss coverage that is lower than average. In addition, some large investment property cases that became credit-impaired during the period were individually assessed and require lower than average impairment loss allowances.

31 December 2019 **Gross carrying amount (before impairment loss allowance) including held for sale**	**Stage 1 - 12 month ECL (not credit impaired) €m**	**Stage 2 - Lifetime ECL (not credit impaired) €m**	**Stage 3 - Lifetime ECL (credit impaired) €m**	**Purchased / originated credit impaired [1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2019	**68,802**	**5,075**	**4,483**	**70**	**78,430**
Total net transfers	(1,566)	1,169	397	-	-
- to 12-month ECL (not credit-impaired)	*3,132*	*(3,122)*	*(10)*	-	-
- to lifetime ECL (not credit-impaired)	*(4,544)*	*5,240*	*(696)*	-	-
- to lifetime ECL (credit-impaired)	*(154)*	*(949)*	*1,103*	-	-
Net changes in exposure	3,405	(705)	(1,118)	22	1,604
Impairment loss allowances utilised	-	-	(696)	-	(696)
Exchange adjustments	1,564	90	49	3	1,706
Measurement reclassification and other movements	(427)	(58)	(16)	-	(501)
Gross carrying amount at 31 December 2019	**71,778**	**5,571**	**3,099**	**95**	**80,543**

31 December 2019 **Impairment loss allowance including held for sale**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired [1,2] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2019	**120**	**176**	**1,432**	**-**	**1,728**
Total net transfers	52	(1)	(51)	-	-
- to 12-month ECL (not credit-impaired)	*79*	*(76)*	*(3)*	-	-
- to lifetime ECL (not credit-impaired)	*(19)*	*130*	*(111)*	-	-
- to lifetime ECL (credit-impaired)	*(8)*	*(55)*	*63*	-	-
Net impairment losses / (gains) in income statement	(29)	19	265	2	257
- Remeasurement	*(44)*	*7*	*361*	*2*	*326*
- Net changes in exposure	*10*	*(17)*	*(169)*	-	*(176)*
- ECL model parameter changes	*5*	*29*	*73*	-	*107*
Impairment loss allowances utilised	-	-	(696)	-	(696)
Exchange adjustments	3	2	11	-	16
Measurement reclassification and other movements	(4)	(8)	15	-	3
Impairment loss allowance at 31 December 2019	**142**	**188**	**976**	**2**	**1,308**
Impairment coverage at 31 December 2019 (%)	**0.20%**	**3.37%**	**31.49%**	**2.11%**	**1.62%**

The impact of the disposal of the UK credit card portfolio during 2019 which was classified as held for sale at 1 January 2019 is included within 'Measurement reclassification and other movements' and resulted in reductions in gross carrying amount of €587 million and impairment loss allowance of €25 million.

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2019 includes €297 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 31 December 2019, Purchased or originated credit-impaired assets included €67 million of assets with an impairment loss allowance of €2 million which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2019 is €2 million.*

17 Loans and advances to customers *(continued)*

The movement in both the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost by portfolio asset class is set out in the following tables. These tables are prepared on the same basis as the total Group tables set out above.

Residential Mortgages

30 June 2020 **Residential mortgages - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**42,898**	**1,677**	**1,693**	**3**	**46,271**
Total net transfers	(751)	112	639	-	-
- to 12-month ECL (not credit-impaired)	*863*	*(855)*	*(8)*	-	-
- to lifetime ECL (not credit-impaired)	*(1,437)*	*1,584*	*(147)*	-	-
- to lifetime ECL (credit-impaired)	*(177)*	*(617)*	*794*	-	-
Net changes in exposure	(228)	(74)	(85)	-	(387)
Impairment loss allowances utilised	-	-	(10)	-	(10)
Exchange adjustments	(1,490)	(35)	(38)	-	(1,563)
Measurement reclassification and other movements	6	-	-	-	6
Gross carrying amount at 30 June 2020	**40,435**	**1,680**	**2,199**	**3**	**44,317**

30 June 2020 **Residential mortgages - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1,2] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2020	**16**	**36**	**380**	**-**	**432**
Total net transfers	14	(20)	6	-	-
- to 12-month ECL (not credit-impaired)	*18*	*(17)*	*(1)*	-	-
- to lifetime ECL (not credit-impaired)	*(3)*	*18*	*(15)*	-	-
- to lifetime ECL (credit-impaired)	*(1)*	*(21)*	*22*	-	-
Net impairment losses / (gains) in income statement	77	25	55	-	157
- Remeasurement	*49*	*15*	*40*	-	*104*
- Net changes in exposure	*(4)*	-	*(7)*	-	*(11)*
- ECL model parameter changes	*32*	*10*	*22*	-	*64*
Impairment loss allowances utilised	-	-	(10)	-	(10)
Exchange adjustments	(2)	-	(3)	-	(5)
Measurement reclassification and other movements	-	-	7	-	7
Impairment loss allowance at 30 June 2020	**105**	**41**	**435**	**-**	**581**
Impairment Coverage at 30 June 2020 (%)	**0.26%**	**2.44%**	**19.78%**	**-**	**1.31%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during the six months ended 30 June 2020 includes €9 million of contractual amounts outstanding that are still subject to enforcement activity.

On initial implementation of the Group's revised definition of default, €0.6 billion of assets within the Residential mortgages portfolio were reclassified as credit-impaired (Stage 3). This resulted in a €32 million increase in impairment loss allowances as at 30 June 2020, which has been recognised within the impairment charge for the period.

[1] *At 30 June 2020, Purchased or originated credit-impaired assets included €2 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during the six months ended 30 June 2020 is €nil.*

17 Loans and advances to customers *(continued)*

31 December 2019 Residential mortgages - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total gross carrying amount €m
Opening balance 1 January 2019	**41,096**	**1,873**	**2,465**	**3**	**45,437**
Total net transfers	(33)	(17)	50	-	-
- to 12-month ECL (not credit-impaired	*1,699*	*(1,699)*	*-*	-	-
- to lifetime ECL (not credit-impaired	*(1,685)*	*2,133*	*(448)*	-	-
- to lifetime ECL (credit-impaired	*(47)*	*(451)*	*498*	-	-
Net changes in exposure	734	(205)	(670)	-	(141)
Impairment loss allowances utilised	-	-	(176)	-	(176)
Exchange adjustments	1,080	27	23	-	1,130
Measurement reclassification and other movements	21	(1)	1	-	21
Gross carrying amount at 31 December 2019	**42,898**	**1,677**	**1,693**	**3**	**46,271**

31 December 2019 Residential mortgages - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2019	**14**	**31**	**492**	**-**	**537**
Total net transfers	25	1	(26)	-	-
- to 12-month ECL (not credit-impaired)	*29*	*(29)*	*-*	-	-
- to lifetime ECL (not credit-impaired)	*(4)*	*45*	*(41)*	-	-
- to lifetime ECL (credit-impaired)	*-*	*(15)*	*15*	-	-
Net impairment losses / (gains) in income statement	(24)	4	78	-	58
- Remeasurement	*(12)*	*(7)*	*64*	-	*45*
- Net changes in exposure	*(16)*	*(3)*	*(50)*	-	*(69)*
- ECL model parameter changes	*4*	*14*	*64*	-	*82*
Impairment loss allowances utilised	-	-	(176)	-	(176)
Exchange adjustments	1	-	3	-	4
Measurement reclassification and other movements	-	-	9	-	9
Impairment loss allowance at 31 December 2019	**16**	**36**	**380**	**-**	**432**
Impairment Coverage at 31 December 2019 (%)	**0.04%**	**2.15%**	**22.45%**	**-**	**0.93%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2019 includes €27 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] At 31 December 2019, Purchased or originated credit-impaired assets included €2 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.

[2] The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2019 is €nil.

17 Loans and advances to customers *(continued)*

Non-property SME and corporate

30 June 2020 **Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**17,474**	**2,175**	**757**	**27**	**20,433**
Total net transfers	(4,461)	4,066	395	-	-
- to 12-month ECL (not credit-impaired)	*557*	*(542)*	*(15)*	-	-
- to lifetime ECL (not credit-impaired)	*(4,906)*	*4,933*	*(27)*	-	-
- to lifetime ECL (credit-impaired)	*(112)*	*(325)*	*437*	-	-
Net changes in exposure	810	(249)	(51)	1	511
Impairment loss allowances utilised	-	-	(42)	-	(42)
Exchange adjustments	(243)	(69)	(12)	(1)	(325)
Measurement reclassification and other movements	106	(24)	-	-	82
Gross carrying amount at 30 June 2020	**13,686**	**5,899**	**1,047**	**27**	**20,659**

30 June 2020 **Non-property SME and corporate - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2020	**56**	**78**	**353**	**-**	**487**
Total net transfers	(5)	(7)	12	-	-
- to 12-month ECL not credit-impaired	*13*	*(10)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(17)*	*22*	*(5)*	-	-
- to lifetime ECL credit-impaired	*(1)*	*(19)*	*20*	-	-
Net impairment losses / (gains) in income statement	104	150	113	7	374
- Remeasurement	*58*	*42*	*157*	*7*	*264*
- Net changes in exposure	*5*	*(16)*	*(41)*	-	*(52)*
- ECL model parameter changes	*41*	*124*	*(3)*	-	*162*
Impairment loss allowances utilised	-	-	(42)	-	(42)
Exchange adjustments	-	(1)	(2)	-	(3)
Measurement reclassification and other movements	(1)	-	3	-	2
Impairment loss allowance at 30 June 2020	**154**	**220**	**437**	**7**	**818**
Impairment Coverage at 30 June 2020 (%)	**1.13%**	**3.73%**	**41.74%**	**25.93%**	**3.96%**

Impairment loss allowances utilised on non-property SME and corporate during the six months ended 30 June 2020 includes €6 million of contractual amounts outstanding that are still subject to enforcement activity.

On initial implementation of the Group's revised definition of default, €0.2 billion of assets within the Non-property SME and corporate portfolio were reclassified as credit-impaired (Stage 3). This resulted in a €16 million increase in impairment loss allowances as at 30 June 2020, which has been recognised within the impairment charge for the period.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during the six months ended 30 June 2020 is €nil.*

17 Loans and advances to customers *(continued)*

31 December 2019 Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2019	**16,547**	**1,850**	**1,067**	**1**	**19,465**
Total net transfers	(771)	640	131	-	-
- to 12-month ECL (not credit-impaired)	*872*	*(870)*	*(2)*	-	-
- to lifetime ECL (not credit-impaired)	*(1,602)*	*1,780*	*(178)*	-	-
- to lifetime ECL (credit-impaired)	*(41)*	*(270)*	*311*	-	-
Net changes in exposure	1,354	(339)	(189)	26	852
Impairment loss allowances utilised	-	-	(260)	-	(260)
Exchange adjustments	256	24	9	-	289
Measurement reclassification and other movements	88	-	(1)	-	87
Gross carrying amount at 31 December 2019	**17,474**	**2,175**	**757**	**27**	**20,433**

31 December 2019 Non-property SME and corporate - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2019	**50**	**74**	**501**	**-**	**625**
Total net transfers	18	11	(29)	-	-
- to 12-month ECL (not credit-impaired)	*26*	*(25)*	*(1)*	-	-
- to lifetime ECL (not credit-impaired)	*(8)*	*61*	*(53)*	-	-
- to lifetime ECL (credit-impaired)	-	*(25)*	*25*	-	-
Net impairment losses / (gains) in income statement	(12)	(7)	122	-	103
- Remeasurement	*(7)*	*(5)*	*174*	-	*162*
- Net changes in exposure	*(6)*	*(8)*	*(62)*	-	*(76)*
- ECL model parameter changes	*1*	*6*	*10*	-	*17*
Impairment loss allowances utilised	-	-	(260)	-	(260)
Exchange adjustments	-	-	2	-	2
Measurement reclassification and other movements	-	-	17	-	17
Impairment loss allowance at 31 December 2019	**56**	**78**	**353**	**-**	**487**
Impairment Coverage at 31 December 2019 (%)	**0.32%**	**3.59%**	**46.63%**	**-**	**2.38%**

Impairment loss allowances utilised on non-property SME and corporate during 2019 includes €182 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2019 is €2 million.*

17 Loans and advances to customers *(continued)*

Property and construction

30 June 2020 **Property and construction - Gross carrying amount (before impairment loss allowance)**	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total gross carrying amount €m
Opening balance 1 January 2020	**5,985**	**1,513**	**549**	**65**	**8,112**
Total net transfers	(2,646)	2,072	574	-	-
- to 12-month ECL (not credit-impaired)	*184*	*(184)*	*-*	-	-
- to lifetime ECL (not credit-impaired)	*(2,799)*	*2,834*	*(35)*	-	-
- to lifetime ECL (credit-impaired)	*(31)*	*(578)*	*609*	-	-
Net changes in exposure	407	(83)	(53)	(1)	270
Impairment loss allowances utilised	-	-	(18)	-	(18)
Exchange adjustments	(84)	(55)	(24)	(4)	(167)
Measurement reclassification and other movements	22	(21)	(1)	-	-
Gross carrying amount at 30 June 2020	**3,684**	**3,426**	**1,027**	**60**	**8,197**

30 June 2020 **Property and construction - Impairment loss allowance**	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**6**	**42**	**180**	**2**	**230**
Total net transfers	(1)	(18)	19	-	-
- to 12-month ECL (not credit-impaired)	*3*	*(3)*	*-*	-	-
- to lifetime ECL (not credit-impaired)	*(4)*	*6*	*(2)*	-	-
- to lifetime ECL (credit-impaired)	-	*(21)*	*21*	-	-
Net impairment losses / (gains) in income statement	7	59	167	14	247
- Remeasurement	*7*	*10*	*176*	*14*	*207*
- Net changes in exposure	-	*(1)*	*(10)*	-	*(11)*
- ECL model parameter changes	-	*50*	*1*	-	*51*
Impairment loss allowances utilised	-	-	(18)	-	(18)
Exchange adjustments	-	(1)	(5)	-	(6)
Measurement reclassification and other movements	-	-	2	-	2
Impairment loss allowance at 30 June 2020	**12**	**82**	**345**	**16**	**455**
Impairment Coverage at 30 June 2020 (%)	**0.33%**	**2.39%**	**33.59%**	**26.67%**	**5.55%**

Impairment loss allowances utilised on Property and construction during the six months ended 30 June 2020 includes €13 million of contractual amounts outstanding that are still subject to enforcement activity.

On initial implementation of the Group's revised definition of default, €0.1 billion of assets within the Property and construction portfolio were reclassified as credit-impaired (Stage 3). This resulted in a €7 million increase in impairment loss allowances as at 30 June 2020, which has been recognised within the impairment charge for the period.

[1] *At 30 June 2020, Purchased or originated credit-impaired assets included €nil of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during the six months ended 30 June 2020 is €nil.*

17 Loans and advances to customers *(continued)*

31 December 2019 **Property and construction - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2019	**6,343**	**1,102**	**843**	**66**	**8,354**
Total net transfers	(651)	504	147	-	-
- to 12-month ECL (not credit-impaired)	*409*	*(408)*	*(1)*	-	-
- to lifetime ECL (not credit-impaired)	*(1,041)*	*1,108*	*(67)*	-	-
- to lifetime ECL (credit-impaired)	*(19)*	*(196)*	*215*	-	-
Net changes in exposure	222	(124)	(236)	(4)	(142)
Impairment loss allowances utilised	-	-	(219)	-	(219)
Exchange adjustments	71	33	14	3	121
Measurement reclassification and other movements	-	(2)	-	-	(2)
Gross carrying amount at 31 December 2019	**5,985**	**1,513**	**549**	**65**	**8,112**

31 December 2019 **Property and construction - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1,2] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2019	**4**	**38**	**369**	**-**	**411**
Total net transfers	5	1	(6)	-	-
- to 12-month ECL (not credit-impaired)	*8*	*(8)*	-	-	-
- to lifetime ECL (not credit-impaired)	*(3)*	*18*	*(15)*	-	-
- to lifetime ECL (credit-impaired)	-	*(9)*	*9*	-	-
Net impairment losses / (gains) in income statement	(3)	1	28	2	28
- Remeasurement	*(5)*	*(6)*	*69*	*2*	*60*
- Net changes in exposure	*1*	*(4)*	*(41)*	-	*(44)*
- ECL model parameter changes	*1*	*11*	-	-	*12*
Impairment loss allowances utilised	-	-	(219)	-	(219)
Exchange adjustments	-	1	4	-	5
Measurement reclassification and other movements	-	1	4	-	5
Impairment loss allowance at 31 December 2019	**6**	**42**	**180**	**2**	**230**
Impairment Coverage at 31 December 2019 (%)	**0.10%**	**2.78%**	**32.79%**	**3.08%**	**2.84%**

Impairment loss allowances utilised on Property and construction during 2019 includes €64 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] At 31 December 2019, Purchased or originated credit-impaired assets included €65 million of assets with an impairment loss allowance of €2 million which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.
[2] The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2019 is €nil.

17 Loans and advances to customers *(continued)*

Consumer

30 June 2020 Consumer - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2020	**5,421**	**206**	**100**	**-**	**5,727**
Total net transfers	(149)	95	54	-	-
- to 12-month ECL not (credit-impaired)	*52*	*(47)*	*(5)*	-	-
- to lifetime ECL (not credit-impaired)	*(175)*	*181*	*(6)*	-	-
- to lifetime ECL (credit-impaired)	*(26)*	*(39)*	*65*	-	-
Net changes in exposure	(121)	(28)	(5)	-	(154)
Impairment loss allowances utilised	-	-	(17)	-	(17)
Exchange adjustments	(229)	(8)	(4)	-	(241)
Measurement reclassification and other movements	(17)	-	-	-	(17)
Gross carrying amount at 30 June 2020	**4,905**	**265**	**128**	**-**	**5,298**

30 June 2020 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**64**	**32**	**63**	**-**	**159**
Total net transfers	4	(8)	4	-	-
- to 12-month ECL (not credit-impaired)	*6*	*(4)*	*(2)*	-	-
- to lifetime ECL (not credit-impaired)	*(2)*	*5*	*(3)*	-	-
- to lifetime ECL (credit-impaired)	-	*(9)*	*9*	-	-
Net impairment losses / (gains) in income statement	88	19	25	-	132
- Remeasurement	*27*	*14*	*31*	-	*72*
- Net changes in exposure	*12*	*(4)*	*(2)*	-	*6*
- ECL model parameter changes	*49*	*9*	*(4)*	-	*54*
Impairment loss allowances utilised	-	-	(17)	-	(17)
Exchange adjustments	(5)	(1)	(2)	-	(8)
Measurement reclassification and other movements	-	-	2	-	2
Impairment loss allowance at 30 June 2020	**151**	**42**	**75**	**-**	**268**
Impairment Coverage at 30 June 2020 (%)	**3.08%**	**15.85%**	**58.59%**	**-**	**5.06%**

Impairment loss allowances utilised on consumer during the six months ended 30 June 2020 includes €11 million of contractual amounts outstanding that are still subject to enforcement activity.

On initial implementation of the Group's revised definition of default, €10 million of assets within the Consumer portfolio were reclassified as credit-impaired (Stage 3). This resulted in a €3 million increase in impairment loss allowances as at 30 June 2020, which has been recognised within the impairment charge for the period.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during the six months ended 30 June 2020 is €nil.*

17 Loans and advances to customers *(continued)*

31 December 2019 **Consumer - Gross carrying amount (before impairment loss allowance) including held for sale**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total gross carrying amount €m**
Opening balance 1 January 2019	**4,816**	**250**	**108**	**-**	**5,174**
Total net transfers	(111)	42	69	-	-
- to 12-month ECL (not credit-impaired)	*152*	*(145)*	*(7)*	-	-
- to lifetime ECL (not credit-impaired)	*(216)*	*219*	*(3)*	-	-
- to lifetime ECL (credit-impaired)	*(47)*	*(32)*	*79*	-	-
Net changes in exposure	1,095	(37)	(23)	-	1,035
Impairment loss allowances utilised	-	-	(41)	-	(41)
Exchange adjustments	157	6	3	-	166
Measurement reclassification and other movements	(536)	(55)	(16)	-	(607)
Gross carrying amount at 31 December 2019	**5,421**	**206**	**100**	**-**	**5,727**

31 December 2019 **Consumer - Impairment loss allowance including held for sale**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2019	**52**	**33**	**70**	**-**	**155**
Total net transfers	4	(14)	10	-	-
- to 12-month ECL (not credit-impaired)	*16*	*(14)*	*(2)*	-	-
- to lifetime ECL (not credit-impaired)	*(4)*	*6*	*(2)*	-	-
- to lifetime ECL (credit-impaired)	*(8)*	*(6)*	*14*	-	-
Net impairment losses / (gains) in income statement	10	21	37	-	68
- Remeasurement	*(20)*	*25*	*54*	-	*59*
- Net changes in exposure	*31*	*(2)*	*(16)*	-	*13*
- ECL model parameter changes	*(1)*	*(2)*	*(1)*	-	*(4)*
Impairment loss allowances utilised	-	-	(41)	-	(41)
Exchange adjustments	2	1	2	-	5
Measurement reclassification and other movements	(4)	(9)	(15)	-	(28)
Impairment loss allowance at 31 December 2019	**64**	**32**	**63**	**-**	**159**
Impairment Coverage at 31 December 2019 (%)	**1.18%**	**15.53%**	**63.00%**	**-**	**2.78%**

Impairment loss allowances utilised on consumer during 2019 includes €24 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2019 is €nil.*

18 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the Group's credit risk methodologies are set out on pages 172 to 177 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019, with updates for 2020 outlined below.

Identifying defaulted assets and credit-impaired assets

During the first six months of 2020, the Group commenced implementation of a new policy on the definition of default for the purposes of credit risk management. The policy was formulated with regard to regulatory guidelines including European Banking Authority (EBA) Guidelines on the application of the definition of default under Article 178 of the Capital Requirements Regulation. The Group's Impairment Policy has been revised accordingly and the manner in which the Group identifies financial assets as credit-impaired continues to result in the Group's population of credit-impaired financial assets being consistent with its population of defaulted financial assets and materially aligned with the Group's definition of NPEs. Where default criteria are no longer met, the credit facility (obligor for non-retail exposures) exits credit-impaired (Stage 3), subject to meeting defined probation criteria, in line with regulatory requirements.

The revised definition of default was implemented for the majority of the Group's portfolios in the first six months of 2020 (representing approximately 92% of the Group's loans and advances to customers) and, on initial implementation during the reporting period resulted in €0.9 billion of assets being reclassified as defaulted (Stage 3), with a corresponding increase in NPEs of €0.5 billion. The change resulted in a c.€58 million increase in impairment loss allowance as at 30 June 2020 which has been recognised within the impairment charge for period. The re-classification of assets as defaulted reflects the wider scope of default triggers under the revised policy, including: non-performing forborne loans; probation periods; the impact of contagion; and revised 'unlikeliness to pay' assessment triggers. Where necessary, the remaining lifetime at initial recognition has been recalibrated to take into account the revised definition of default.

The Group considers certain events as resulting in mandatory default and credit-impaired classification without further assessment. These include:

- greater than or equal to 90 days past due and the past due amount is material;
- more than 3 full monthly payments past due (retail credit facilities only);
- a forbearance arrangement is put in place and that arrangement involves debt forgiveness or reduction in interest rate / margin;
- legal action is underway by the Group to enforce repayment or realise security;
- the Group or a receiver takes security into possession;
- the Group has formally sought an insolvency arrangement in respect of the borrower;
- the exposure is classified as non-performing forborne for supervisory reporting purposes; and
- residential mortgages where default has occurred on another credit facility secured on the same property collateral or more than 20% of overall balance sheet exposure to the customer in the mortgage portfolio is in default.

Certain other events necessitate a lender assessment and, if the outcome of the lender assessment is that the contractual amount of principal, interest and fees will not be fully repaid in what is assessed to be the most likely cash flow scenario or will be repaid only via recourse by the Group to actions such as realising security, default and credit-impaired classification is mandatory. For larger value commercial lending cases (typically greater than €1 million or £850,000), the lender assessment involves production of an individual discounted cash flow analysis. The events differ by portfolio and include those set out below.

All portfolios:

- a forbearance measure has been requested by a borrower and formally assessed;
- the non-payment of interest (e.g. via interest roll-up, arrears capitalisation etc.) as a result of the terms of modification of loans, including refinancing and renegotiation of facilities where during the renegotiation process, the lender becomes aware that the borrower is under actual or apparent financial distress;
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows;
- a borrower's sources of recurring income are no longer available to meet regular loan payments;
- evidence of fraudulent activity by the borrower or another party connected with the loan;
- the contractual maturity date has passed without repayment in full;
- repayment of a credit obligation is suspended because of a law allowing this option or other legal restrictions; or
- it becomes known that an insolvency arrangement is in force in respect of the borrower or that the borrower has formally sought an insolvency arrangement.

Residential mortgage portfolios:

- offer of voluntary surrender of security or sale of security at a possible shortfall; or
- it becomes known that the borrower has become unemployed with no comparable new employment secured.

Larger Small and Medium Enterprise / corporate and property loans:

- the borrower has breached the covenants of a credit contract with the Group;
- there is a crisis of the sector in which the counterparty operates combined with a weak position of the counterparty in this sector;
- external credit rating has been downgraded below a certain level;
- financial statements or financial assessment indicates inability of the borrower to meet debt service obligations and/ or a negative net assets position;
- the borrower has ceased trading;
- a fall in the assessed current value of security such that the loan to value (LTV) ratio is greater than or equal to 120% (Property and construction only);
- a fall in net rent such that it is inadequate to cover interest with little / no other income to support debt service capacity (investment property exposures only); or
- a fall in the assessed gross development value such that sale proceeds are no longer expected to fully repay debt (development exposures only).

18 Credit risk exposures *(continued)*

COVID-19

In response to the COVID-19 pandemic and the imposition of social restrictions, the Group established a range of supports for personal and business customers, including credit-related supports such as payment breaks for impacted customers; working capital funding (including access to government supported schemes); and other concessions such as covenant waivers / amendments.

The Group's processes in relation to payment breaks are in line with the common industry wide approaches agreed through industry bodies and regulatory authorities in Ireland and the UK. During the period the Group granted payment breaks to over 100,000 personal and business customers. Detailed information on the profile of accounts with payment breaks as at 30 June 2020 can be found on page 67.

The Group has considered regulatory / supervisory statements issued since the onset of the pandemic, which provided guidance on the treatment of COVID-19 payment breaks, including EBA guidelines on the criteria applicable in determining whether such payment breaks should be considered forbearance. The approach adopted by the Group in response to COVID-19 is consistent with regulatory guidance and key elements of the Group's approach are outlined below:

- Due weight to longer-term economic outlook versus the short-term impacts of COVID-19, has been considered in the formulation of forward-looking information (FLI) at the reporting date. FLI scenarios for the period from 2020 to 2024 assume reversion to long-run trends, with consideration given to impact of governmental supports for customers and payment moratoria.
- COVID-19 payment breaks do not automatically result in migration of cases into Stage 2 (or forbearance classification) or Stage 3. However a number of customers that have availed of payment breaks will likely require longer term supports (e.g. forbearance).
- Individual assessments for larger corporate cases, which have received COVID-19 concessions have been completed which identify cases where there has been a significant increase in credit risk.
- Collective assessments for a significant increase in credit risk have been considered for cases where such individual assessments have not been completed, with outputs utilised to inform Group management adjustments to the impairment loss allowance, where impairment models were unable to capture effects of COVID-19 for the period ending 30 June 2020.
- A greater degree of management judgement (based on available reasonable and supportable internal and external information) has been incorporated into impairment model parameters for this reporting period. In particular judgement has been applied where the relationship between modelled probabilities of default and macroeconomic factors in COVID-19 FLI scenarios were outside observed historical experience and would have generated inappropriate predictions of default.

Further details on the selected FLI scenarios for the reporting period, Group management adjustments and management judgement incorporated into impairment model parameters are provided in the Critical Accounting Estimates and Judgements on pages 23 to 28.

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the credit risk methodologies are set out on pages 172 to 177 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

The table below illustrates the relationship between the Group's internal credit risk rating grades and and twelve-month PD percentages, and further illustrates the indicative relationship with credit risk ratings used by external rating agencies.

Internal credit risk ratings		
PD Grade	**PD %**	**Indicative S&P type external ratings**
1-4	PD < 0.26%	AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB
5-7	0.26% ≤ PD < 1.45%	BBB-, BB+, BB, BB-
8-9	1.45% ≤ PD < 3.60%	B+
10-11	3.60% ≤ PD < 100%	B, Below B
12 (credit-impaired)	100%	n/a

18 Credit risk exposures *(continued)*

Financial assets

Composition and risk profile

The tables below summarise the composition and risk profile of the Group's financial assets subject to impairment and the impairment loss allowances on these financial assets.

30 June 2020 Financial assets exposure by stage (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	62,710	11,270	4,401	90	78,471
Loans and advances to banks	2,665	-	-	-	2,665
Debt securities	5,298	-	-	-	5,298
Other financial assets	9,557	-	-	-	9,557
Total financial assets measured at amortised cost	**80,230**	**11,270**	**4,401**	**90**	**95,991**
Debt instruments at FVOCI	11,537	-	-	-	11,537
Total	**91,767**	**11,270**	**4,401**	**90**	**107,528**

30 June 2020 Impairment loss allowance on financial assets	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	422	385	1,292	23	2,122
Loans and advances to banks	1	-	-	-	1
Debt securities	1	-	-	-	1
Other financial assets	3	-	-	-	3
Total financial assets measured at amortised cost	**427**	**385**	**1,292**	**23**	**2,127**
Debt instruments at FVOCI	3	-	-	-	3
Total	**430**	**385**	**1,292**	**23**	**2,130**

Loans and advances to customers excludes €399 million (31 December 2019: €252 million) of loans mandatorily at FVTPL at 30 June 2020 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment-related tables (note 17).

At 30 June 2020, other financial assets (before impairment loss allowance) includes: cash and balances at central banks of €9,388 million (31 December 2019: €8,327 million) and items in the course of collection from other banks of €169 million (31 December 2019: €223 million).

The tables above and on the following page exclude loan commitments, guarantees and letters of credit of €13,551 million at 30 June 2020 (31 December 2019: €14,671 million) that are subject to impairment (note 27).

[1] *At 30 June 2020, Purchased or originated credit-impaired assets included €2 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

18 Credit risk exposures *(continued)*

31 December 2019 Financial assets exposure by stage (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	71,778	5,571	3,099	95	80,543
Loans and advances to banks	3,017	6	-	-	3,023
Debt securities	4,512	-	-	-	4,512
Other financial assets	8,550	-	-	-	8,550
Total financial assets measured at amortised cost	**87,857**	**5,577**	**3,099**	**95**	**96,628**
Debt instruments at FVOCI	10,797	-	-	-	10,797
Total	**98,654**	**5,577**	**3,099**	**95**	**107,425**

31 December 2019 Impairment loss allowance on financial assets	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	142	188	976	2	1,308
Loans and advances to banks	1	-	-	-	1
Debt securities	1	-	-	-	1
Other financial assets	2	-	-	-	2
Total financial assets measured at amortised cost	**146**	**188**	**976**	**2**	**1,312**
Debt instruments at FVOCI	3	-	-	-	3
Total	**149**	**188**	**976**	**2**	**1,315**

[1] *At 31 December 2019, Purchased or originated credit-impaired assets included €67 million of assets with an impairment loss allowance of €2 million, which while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

18 Credit risk exposures *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

The table below summarises the composition and risk profile of the Group's loans and advances to customers at amortised cost.

Loans and advances to customers Composition and risk profile (before impairment loss allowance)[1]	30 June 2020 Not credit-impaired €m	30 June 2020 Credit-impaired €m	30 June 2020 Total €m	30 June 2020 Total %	31 December 2019 Not credit-impaired €m	31 December 2019 Credit-impaired €m	31 December 2019 Total €m	31 December 2019 Total %
Residential mortgages	42,115	2,199	44,314	57%	44,575	1,693	46,268	58%
- Retail Ireland	*21,315*	*1,565*	*22,880*	*29%*	*21,743*	*1,289*	*23,032*	*29%*
- Retail UK	*20,800*	*634*	*21,434*	*28%*	*22,832*	*404*	*23,236*	*29%*
Non-property SME and corporate	19,585	1,047	20,632	26%	19,649	757	20,406	25%
- Republic of Ireland SME	*6,472*	*636*	*7,108*	*9%*	*6,810*	*495*	*7,305*	*9%*
- UK SME	*1,571*	*106*	*1,677*	*2%*	*1,607*	*78*	*1,685*	*2%*
- Corporate	*11,542*	*305*	*11,847*	*15%*	*11,232*	*184*	*11,416*	*14%*
Property and construction	7,110	1,027	8,137	10%	7,498	549	8,047	10%
- Investment	*6,304*	*993*	*7,297*	*9%*	*6,669*	*519*	*7,188*	*9%*
- Development	*806*	*34*	*840*	*1%*	*829*	*30*	*859*	*1%*
Consumer	5,170	128	5,298	7%	5,627	100	5,727	7%
Total	**73,980**	**4,401**	**78,381**	**100%**	**77,349**	**3,099**	**80,448**	**100%**
Impairment loss allowance on loans and advances to customers	**807**	**1,292**	**2,099**	**3%**	**330**	**976**	**1,306**	**2%**

Asset quality - not credit-impaired

The tables below summarise the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are not credit-impaired.

30 June 2020 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1 Loans €m	Stage 1 Loans as % of total advances %	Stage 1 Impairment loss allowance €m	Stage 1 Impairment loss allowance as % of loans %	Stage 2 Loans €m	Stage 2 Loans as % of total advances %	Stage 2 Impairment loss allowance €m	Stage 2 Impairment loss allowance as % of loans %
Residential mortgages	40,435	52%	105	0.26%	1,680	2%	41	2.44%
- Retail Ireland	*20,106*	*26%*	*50*	*0.25%*	*1,209*	*1%*	*22*	*1.82%*
- Retail UK	*20,329*	*26%*	*55*	*0.27%*	*471*	*1%*	*19*	*4.03%*
Non-property SME and corporate	13,686	17%	154	1.13%	5,899	8%	220	3.73%
- Republic of Ireland SME	*5,344*	*7%*	*108*	*2.02%*	*1,128*	*2%*	*68*	*6.03%*
- UK SME	*1,074*	*1%*	*6*	*0.56%*	*497*	*1%*	*22*	*4.43%*
- Corporate	*7,268*	*9%*	*40*	*0.55%*	*4,274*	*5%*	*130*	*3.04%*
Property and construction	3,684	5%	12	0.33%	3,426	4%	82	2.39%
- Investment	*3,470*	*5%*	*11*	*0.32%*	*2,834*	*3%*	*58*	*2.05%*
- Development	*214*	*-*	*1*	*0.47%*	*592*	*1%*	*24*	*4.05%*
Consumer	4,905	6%	151	3.08%	265	-	42	15.85%
Total	**62,710**	**80%**	**422**	**0.67%**	**11,270**	**14%**	**385**	**3.42%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €90 million (31 December 2019: €95 million), €2 million (31 December 2019: €67 million) of which were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

18 Credit risk exposures *(continued)*

31 December 2019	Stage 1				Stage 2			
Not credit-impaired loans and advances to customers Composition and impairment loss allowance	**Loans €m**	**Loans as % of total advances %**	**Impairment loss allowance €m**	**Impairment loss allowance as % of loans %**	**Loans €m**	**Loans as % of total advances %**	**Impairment loss allowance €m**	**Impairment loss allowance as % of loans %**
Residential mortgages	42,898	53%	16	0.04%	1,677	2%	36	2.15%
- Retail Ireland	*20,610*	*26%*	*7*	*0.03%*	*1,133*	*1%*	*22*	*1.94%*
- Retail UK	*22,288*	*27%*	*9*	*0.04%*	*544*	*1%*	*14*	*2.57%*
Non-property SME and corporate	17,474	22%	56	0.32%	2,175	3%	78	3.59%
- Republic of Ireland SME	*5,799*	*7%*	*33*	*0.57%*	*1,011*	*2%*	*39*	*3.86%*
- UK SME	*1,382*	*2%*	*3*	*0.22%*	*225*	*-*	*8*	*3.56%*
- Corporate	10,293	13%	20	0.19%	939	1%	31	3.30%
Property and construction	5,985	7%	6	0.10%	1,513	2%	42	2.78%
- Investment	*5,418*	*6%*	*5*	*0.09%*	*1,251*	*2%*	*40*	*3.20%*
- Development	*567*	*1%*	*1*	*0.18%*	*262*	*-*	*2*	*0.76%*
Consumer	5,421	7%	64	1.18%	206	-	32	15.53%
Total	**71,778**	**89%**	**142**	**0.20%**	**5,571**	**7%**	**188**	**3.37%**

The tables below provide analysis of the asset quality of loans and advances to customers at amortised cost that are not credit-impaired based on mapping the IFRS 9 twelve-month PD of each loan to a PD grade based on the table provided on page 54.

30 June 2020 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Total	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
Stage 1										
1-4	324	1%	2,833	15%	1,991	28%	36	1%	5,184	7%
5-7	28,817	68%	2,798	14%	1,355	19%	110	2%	33,080	45%
8-9	7,873	19%	5,449	28%	335	5%	2,692	52%	16,349	22%
10-11	3,421	8%	2,606	13%	3	-	2,067	40%	8,097	11%
Total Stage 1	**40,435**	**96%**	**13,686**	**70%**	**3,684**	**52%**	**4,905**	**95%**	**62,710**	**85%**
Stage 2										
1-4	-	-	954	5%	818	12%	-	-	1,772	2%
5-7	245	1%	1,541	8%	1,441	20%	1	-	3,228	4%
8-9	176	-	844	4%	866	12%	6	-	1,892	3%
10-11	1,259	3%	2,560	13%	301	4%	258	5%	4,378	6%
Total Stage 2	**1,680**	**4%**	**5,899**	**30%**	**3,426**	**48%**	**265**	**5%**	**11,270**	**15%**
Not credit-impaired										
1-4	324	1%	3,787	20%	2,809	40%	36	1%	6,956	9%
5-7	29,062	69%	4,339	22%	2,796	39%	111	2%	36,308	49%
8-9	8,049	19%	6,293	32%	1,201	17%	2,698	52%	18,241	25%
10-11	4,680	11%	5,166	26%	304	4%	2,325	45%	12,475	17%
Total not credit-impaired	**42,115**	**100%**	**19,585**	**100%**	**7,110**	**100%**	**5,170**	**100%**	**73,980**	**100%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €90 million (31 December 2019: €95 million), €2 million (31 December 2019: €67 million) of which were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

18 Credit risk exposures *(continued)*

31 December 2019 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages €m	Residential mortgages %	Non-property SME and corporate €m	Non-property SME and corporate %	Property and construction €m	Property and construction %	Consumer €m	Consumer %	Total €m	Total %
Stage 1										
1-4	24,895	56%	5,804	30%	3,888	52%	19	-	34,606	45%
5-7	15,699	35%	6,670	34%	2,028	27%	472	8%	24,869	32%
8-9	1,592	3%	4,413	22%	42	1%	3,520	63%	9,567	12%
10-11	712	2%	587	3%	27	-	1,410	25%	2,736	4%
Total Stage 1	**42,898**	**96%**	**17,474**	**89%**	**5,985**	**80%**	**5,421**	**96%**	**71,778**	**93%**
Stage 2										
1-4	90	-	170	1%	151	2%	-	-	411	1%
5-7	218	1%	565	3%	894	12%	2	-	1,679	2%
8-9	304	1%	679	3%	65	1%	41	1%	1,089	1%
10-11	1,065	2%	761	4%	403	5%	163	3%	2,392	3%
Total Stage 2	**1,677**	**4%**	**2,175**	**11%**	**1,513**	**20%**	**206**	**4%**	**5,571**	**7%**
Not credit-impaired										
1-4	24,985	56%	5,974	31%	4,039	54%	19	-	35,017	46%
5-7	15,917	36%	7,235	37%	2,922	39%	474	8%	26,548	34%
8-9	1,896	4%	5,092	25%	107	2%	3,561	64%	10,656	13%
10-11	1,777	4%	1,348	7%	430	5%	1,573	28%	5,128	7%
Total not credit-impaired	**44,575**	**100%**	**19,649**	**100%**	**7,498**	**100%**	**5,627**	**100%**	**77,349**	**100%**

Increase in not credit-impaired PD grading reflects the combination of impairment model updates, including the change in the macroeconomic outlook due to the COVID-19 pandemic, and risk assessments completed in the period.

Asset quality - credit-impaired

Credit-impaired loans include loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, and loans where the borrower is greater than 90 days past due and the arrears amount is material. All credit-impaired loans and advances to customers are risk-rated PD grade 12.

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are credit-impaired (i.e. Stage 3).

Credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	30 June 2020 Credit-impaired loans €m	30 June 2020 Credit-impaired loans as % of total advances %	30 June 2020 Impairment loss allowance €m	30 June 2020 Impairment loss allowance as % of loans %	31 December 2019 Credit-impaired loans €m	31 December 2019 Credit-impaired loans as % of total advances %	31 December 2019 Impairment loss allowance €m	31 December 2019 Impairment loss allowance as % of loans %
Residential mortgages	2,199	3%	435	19.78%	1,693	2%	380	22.28%
- Retail Ireland	*1,565*	*2%*	*376*	*24.03%*	*1,289*	*2%*	*340*	*26.38%*
- Retail UK	*634*	*1%*	*59*	*9.31%*	*404*	*-*	*40*	*9.90%*
Non-property SME and corporate	1,047	2%	437	41.74%	757	1%	353	46.63%
- Republic of Ireland SME	*636*	*1%*	*251*	*39.47%*	*495*	*1%*	*225*	*45.45%*
- UK SME	*106*	*-*	*37*	*34.91%*	*78*	*-*	*38*	*48.72%*
- Corporate	305	1%	149	48.85%	*184*	*-*	*90*	*48.91%*
Property and construction	1,027	1%	345	33.59%	549	1%	180	32.79%
- Investment	*993*	*1%*	*330*	*33.23%*	*519*	*1%*	*162*	*31.21%*
- Development	*34*	*-*	*15*	*44.12%*	*30*	*-*	*18*	*60.00%*
Consumer	128	-	75	58.59%	100	-	63	63.00%
Total credit-impaired	**4,401**	**6%**	**1,292**	**29.36%**	**3,099**	**4%**	**976**	**31.49%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €90 million (31 December 2019: €95 million), €2 million (31 December 2019: €67 million) of which were no longer credit-impaired at the reporting date. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*

18 Credit risk exposures *(continued)*

All loans and advances to customers that are greater than 90 days past due are classified as being credit-impaired. All credit-impaired loans and advances to customers are risk rated PD grade 12.

NPEs

The tables below provide an analysis of loans and advances to customers that are non-performing by asset classification.

30 June 2020 **Risk profile of loans and advances to customers - NPEs[1]**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Credit-impaired[2]	2,200	1,074	1,087	128	4,489
Not credit-impaired[3]	12	50	5	1	68
Total	**2,212**	**1,124**	**1,092**	**129**	**4.557**

31 December 2019 **Risk profile of loans and advances to customers - NPEs[1]**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Credit-impaired[2]	1,694	784	549	100	3,127
Not credit-impaired[3]	245	104	43	-	392
Total	**1,939**	**888**	**592**	**100**	**3,519**

In addition to the NPEs on loans and advances to customers shown above, the Group has total non-performing off-balance sheet exposures amounting to €0.1 billion (31 December 2019: €0.1 billion).

NPEs increased to €4.6 billion at 30 June 2020 from €3.5 billion at 31 December 2019. NPEs at 30 June 2020 comprise credit-impaired loans of €4.5 billion and other NPEs of €0.1 billion. Implementation of the revised definition of default in the reporting period results in almost full alignment between the assets classified as credit-impaired and NPEs.

[1] The above tables include NPEs relating to loans and advances to customers at amortised cost and loans and advances to customers measured at FVTPL.
[2] Includes Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.
[3] Other / probationary loans, including forborne loans that have yet to satisfy exit criteria in line with European Banking Authority (EBA) guidance to return to performing.

18 Credit risk exposures *(continued)*

Risk profile of forborne loans and advances to customers

The Group's total risk profile of loans and advances to customers at amortised cost at 30 June 2020 of €78.5 billion is available in note 17 on page 41. Exposures are before impairment loss allowance.

30 June 2020 Loans and advances to customers at amortised cost - Composition	Stage 1 (not credit-impaired) €m	Stage 2 (not credit-impaired) €m	Stage 3 (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Non-forborne loans and advances to customers					
Residential mortgages	40,431	1,129	898	2	42,460
- Retail Ireland	*20,103*	*741*	*391*	*2*	*21,237*
- Retail UK	*20,328*	*388*	*507*	*-*	*21,223*
Non-property SME and corporate	13,686	4,834	356	-	18,876
- Republic of Ireland SME	*5,344*	*829*	*235*	*-*	*6,408*
- UK SME	*1,074*	*428*	*34*	*-*	*1,536*
- Corporate	*7,268*	*3,577*	*87*	*-*	*10,932*
Property and construction	3,684	3,140	51	-	6,875
- Investment	*3,470*	*2,556*	*46*	*-*	*6,072*
- Development	*214*	*584*	*5*	*-*	*803*
Consumer	4,905	263	118	-	5,286
Total non-forborne loans and advances to customers	**62,706**	**9,366**	**1,423**	**2**	**73,497**
Forborne loans and advances to customers					
Residential mortgages	4	551	1,301	1	1,857
- Retail Ireland	*3*	*468*	*1,174*	*1*	*1,646*
- Retail UK	*1*	*83*	*127*	*-*	*211*
Non-property SME and corporate	-	1,065	691	27	1,783
- Republic of Ireland SME	*-*	*299*	*401*	*-*	*700*
- UK SME	*-*	*69*	*72*	*1*	*142*
- Corporate	*-*	*697*	*218*	*26*	*941*
Property and construction	-	286	976	60	1,322
- Investment	*-*	*278*	*947*	*60*	*1,285*
- Development	*-*	*8*	*29*	*-*	*37*
Consumer	-	2	10	-	12
Total forborne loans and advances to customers	**4**	**1,904**	**2,978**	**88**	**4,974**

[1] *At 30 June 2020, forborne Purchased or originated credit-impaired loans included €2 million of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*

18 Credit risk exposures *(continued)*

31 December 2019 Loans and advances to customers at amortised cost - Composition	Stage 1 (not credit-impaired) €m	Stage 2 (not credit-impaired) €m	Stage 3 (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Non-forborne loans and advances to customers					
Residential mortgages	42,884	822	560	2	44,268
- Retail Ireland	*20,598*	*413*	*251*	*2*	*21,264*
- Retail UK	*22,286*	*409*	*309*	*-*	*23,004*
Non-property SME and corporate	17,473	1,121	172	-	18,766
- Republic of Ireland SME	*5,798*	*597*	*164*	*-*	*6,559*
- UK SME	*1,382*	*133*	*8*	*-*	*1,523*
- Corporate	*10,293*	*391*	*-*	*-*	*10,684*
Property and construction	5,985	818	10	-	6,813
- Investment	*5,418*	*572*	*9*	*-*	*5,999*
- Development	*567*	*246*	*1*	*-*	*814*
Consumer	5,421	202	88	-	5,711
Total non-forborne loans and advances to customers	**71,763**	**2,963**	**830**	**2**	**75,558**
Forborne loans and advances to customers					
Residential mortgages	14	855	1,133	1	2,003
- Retail Ireland	*12*	*720*	*1,038*	*1*	*1,771*
- Retail UK	*2*	*135*	*95*	*-*	*232*
Non-property SME and corporate	1	1,054	585	27	1,667
- Republic of Ireland SME	*1*	*414*	*331*	*-*	*746*
- UK SME	*-*	*92*	*70*	*2*	*164*
- Corporate	*-*	*548*	*184*	*25*	*757*
Property and construction	-	695	539	65	1,299
- Investment	*-*	*679*	*510*	*65*	*1,254*
- Development	*-*	*16*	*29*	*-*	*45*
Consumer	-	4	12	-	16
Total forborne loans and advances to customers	**15**	**2,608**	**2,269**	**93**	**4,985**

30 June 2020 Risk profile of loans and advances to customers at amortised cost - non-performing exposures	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Credit-impaired	898	356	51	118	1,423
Not credit-impaired	8	13	3	1	25
Total non-forborne loans and advances to customers	**906**	**369**	**54**	**119**	**1,448**
Forborne loans and advances to customers					
Credit-impaired	1,302	718	1,036	10	3,066
Not credit-impaired	-	37	2	-	39
Total forborne loans and advances to customers	**1,302**	**755**	**1,038**	**10**	**3,105**

[1] *At 31 December 2019, forborne Purchased or originated credit-impaired loans included €65 million of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*

18 Credit risk exposures *(continued)*

31 December 2019 Risk profile of loans and advances to customers at amortised cost - non-performing exposures	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Credit-impaired	560	172	10	88	830
Not credit-impaired	47	28	4	-	79
Total non-forborne loans and advances to customers	**607**	**200**	**14**	**88**	**909**
Forborne loans and advances to customers					
Credit-impaired	1,134	612	539	12	2,297
Not credit-impaired	198	76	39	-	313
Total forborne loans and advances to customers	**1,332**	**688**	**578**	**12**	**2,610**

Loans and advances to customers - other credit risk information

Geographical and industry analysis of loans and advances to customers

The following tables provide a geographical and industry breakdown of loans and advances to customers at amortised cost, and the associated impairment loss allowances.

30 June 2020	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
Geographical[1] / industry analysis	RoI €m	UK €m	RoW[2] €m	Total €m	RoI €m	UK €m	RoW[2] €m	Total €m
Personal	**24,828**	**24,787**	**-**	**49,615**	**533**	**316**	**-**	**849**
- Residential mortgages	*22,883*	*21,434*	*-*	*44,317*	*449*	*132*	*-*	*581*
- Other consumer lending	*1,945*	*3,353*	*-*	*5,298*	*84*	*184*	*-*	*268*
Property and construction	**6,953**	**1,244**	**-**	**8,197**	**265**	**190**	**-**	**455**
- Investment	*6,174*	*1,183*	*-*	*7,357*	*234*	*181*	*-*	*415*
- Development	*779*	*61*	*-*	*840*	*31*	*9*	*-*	*40*
Non-property SME & corporate[3,4]	**17,019**	**2,330**	**1,310**	**20,659**	**693**	**91**	**34**	**818**
- Manufacturing	*3,530*	*323*	*582*	*4,435*	*89*	*12*	*14*	*115*
- Wholesale and retail trade	*2,092*	*283*	*65*	*2,440*	*113*	*9*	*1*	*123*
- Administrative and support service activities	*1,928*	*297*	*163*	*2,388*	*84*	*11*	*5*	*100*
- Accommodation and food service activities	*1,603*	*141*	*33*	*1,777*	*55*	*4*	*-*	*59*
- Agriculture, forestry and fishing	*1,453*	*215*	*-*	*1,668*	*51*	*4*	*-*	*55*
- Human health services and social work activities	*1,137*	*222*	*95*	*1,454*	*53*	*32*	*2*	*87*
- Transport and storage	*972*	*83*	*58*	*1,113*	*59*	*2*	*2*	*63*
- Other services	*756*	*58*	*167*	*981*	*59*	*3*	*7*	*69*
- Professional, scientific and technical activities	*560*	*34*	*58*	*652*	*17*	*1*	*1*	*19*
- Arts, entertainment and recreation	*573*	*59*	*13*	*645*	*26*	*4*	*1*	*31*
- Financial and Insurance activities	*537*	*72*	*1*	*610*	*13*	*1*	*-*	*14*
- Real estate activities	*417*	*171*	*-*	*588*	*37*	*5*	*-*	*42*
- Education	*322*	*80*	*44*	*446*	*6*	*-*	*1*	*7*
- Other sectors	*1,139*	*292*	*31*	*1,462*	*31*	*3*	*-*	*34*
Total	**48,800**	**28,361**	**1,310**	**78,471**	**1,491**	**597**	**34**	**2,122**
Analysed by stage:								
Stage 1	36,485	25,318	907	62,710	229	182	11	422
Stage 2	9,293	1,599	378	11,270	281	88	16	385
Stage 3	2,993	1,383	25	4,401	974	311	7	1,292
Purchased / originated credit-impaired	29	61	-	90	7	16	-	23
Total	**48,800**	**28,361**	**1,310**	**78,471**	**1,491**	**597**	**34**	**2,122**

[1] *The geographical breakdown is primarily based on the location of the business unit where the asset is booked.*
[2] *Rest of World (RoW).*
[3] *The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities.*
[4] *Exposures to NACE codes totaling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.*

18 Credit risk exposures *(continued)*

31 December 2019 Geographical[1] / industry analysis	Gross carrying amount (before impairment loss allowance) RoI €m	 UK €m	 RoW[2] €m	 Total €m	Impairment loss allowance RoI €m	 UK €m	 RoW[2] €m	 Total €m
Personal	**25,240**	**26,758**	**-**	**51,998**	**430**	**161**	**-**	**591**
- Residential mortgages	*23,035*	*23,236*	*-*	*46,271*	*369*	*63*	*-*	*432*
- Other consumer lending	*2,205*	*3,522*	*-*	*5,727*	*61*	*98*	*-*	*159*
Property and construction[3]	**6,719**	**1,393**	**-**	**8,112**	**156**	**74**	**-**	**230**
- Investment[3]	*5,923*	*1,330*	*-*	*7,253*	*142*	*67*	*-*	*209*
- Development	*796*	*63*	*-*	*859*	*14*	*7*	*-*	*21*
Non-property SME & corporate[4,5]	**16,868**	**2,381**	**1,184**	**20,433**	**408**	**72**	**7**	**487**
- Manufacturing	*3,453*	*433*	*532*	*4,418*	*34*	*25*	*3*	*62*
- Wholesale and retail trade	*2,177*	*257*	*54*	*2,488*	*77*	*4*	*-*	*81*
- Administrative and support service activities	*1,816*	*270*	*135*	*2,221*	*44*	*6*	*1*	*51*
- Agriculture, forestry and fishing	*1,497*	*248*	*-*	*1,745*	*39*	*2*	*-*	*41*
- Accommodation and food service activities	*1,534*	*150*	*34*	*1,718*	*26*	*2*	*-*	*28*
- Human health services and social work activities	*1,159*	*230*	*73*	*1,462*	*22*	*18*	*1*	*41*
- Transport and storage	*945*	*86*	*54*	*1,085*	*41*	*1*	*-*	*42*
- Other services	*771*	*71*	*157*	*999*	*55*	*3*	*2*	*60*
- Financial and Insurance activities	*629*	*66*	*-*	*695*	*7*	*-*	*-*	*7*
- Professional, scientific and technical activities	*572*	*40*	*61*	*673*	*9*	*1*	*-*	*10*
- Real estate activities	*407*	*178*	*-*	*585*	*28*	*7*	*-*	*35*
- Arts, entertainment and recreation	*389*	*46*	*9*	*444*	*10*	*1*	*-*	*11*
- Education	*311*	*84*	*40*	*435*	*2*	*-*	*-*	*2*
- Electricity, gas, steam and air conditioning supply	*346*	*58*	*-*	*404*	*4*	*-*	*-*	*4*
- Other sectors	*862*	*164*	*35*	*1,061*	*10*	*2*	*-*	*12*
Total	**48,827**	**30,532**	**1,184**	**80,543**	**994**	**307**	**7**	**1,308**
Analysed by stage:								
Stage 1	42,455	28,176	1,147	71,778	75	62	5	142
Stage 2	4,033	1,507	31	5,571	129	57	2	188
Stage 3	2,289	804	6	3,099	790	186	-	976
Purchased / originated credit-impaired	50	45	-	95	-	2	-	2
Total	**48,827**	**30,532**	**1,184**	**80,543**	**994**	**307**	**7**	**1,308**

[1] *The geographical breakdown is primarily based on the location of the business unit where the asset is booked.*
[2] *Rest of World (RoW).*
[3] *In the table above, comparative figures for Property and construction – Investment have been restated, as €346 million of gross carrying amount was misclassified as RoI when it should have been classified as UK. The gross carrying amount for RoI Property and construction – Investment loans has reduced by €346 million to €5,923 million and the gross carrying amount for UK Property and construction – Investment loans has increased by €346 million to €1,330 million.*
[4] *The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities.*
[5] *Exposures to NACE codes totaling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.*

18 Credit risk exposures *(continued)*

The following tables provide an analysis of loans and advances to customers at amortised cost, and the associated impairment loss allowances, by portfolio, sub-sector and stage.

30 June 2020	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
Sectoral analysis by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI[1] €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI[1] €m	Total €m
Personal										
Residential mortgages	40,435	1,680	2,199	3	44,317	105	41	435	-	581
Other consumer	4,905	265	128	-	5,298	151	42	75	-	268
- Motor lending UK	*1,954*	*83*	*22*	*-*	*2,059*	*13*	*8*	*10*	*-*	*31*
- Loans UK	*1,216*	*41*	*36*	*-*	*1,293*	*106*	*17*	*30*	*-*	*153*
- Motor lending RoI	*767*	*-*	*21*	*-*	*788*	*6*	*-*	*8*	*-*	*14*
- Loans RoI	*600*	*107*	*33*	*-*	*740*	*19*	*10*	*18*	*-*	*47*
- Credit cards - RoI	*368*	*34*	*16*	*-*	*418*	*7*	*7*	*9*	*-*	*23*
	45,340	**1,945**	**2,327**	**3**	**49,615**	**256**	**83**	**510**	**-**	**849**
Property and construction	**3,684**	**3,426**	**1,027**	**60**	**8,197**	**12**	**82**	**345**	**16**	**455**
- Investment	*3,470*	*2,834*	*993*	*60*	*7,357*	*11*	*58*	*330*	*16*	*415*
- Development	*214*	*592*	*34*	*-*	*840*	*1*	*24*	*15*	*-*	*40*
Non-property SME & corporate[2,3]	**13,686**	**5,899**	**1,047**	**27**	**20,659**	**154**	**220**	**437**	**7**	**818**
- Manufacturing	*3,013*	*1,305*	*117*	*-*	*4,435*	*24*	*46*	*45*	*-*	*115*
- Wholesale and retail trade	*1,723*	*569*	*147*	*1*	*2,440*	*23*	*21*	*79*	*-*	*123*
- Administrative and support service activities	*1,705*	*562*	*95*	*26*	*2,388*	*23*	*17*	*53*	*7*	*100*
- Accommodation and food service activities	*783*	*889*	*105*	*-*	*1,777*	*12*	*14*	*33*	*-*	*59*
- Agriculture, forestry and fishing	*1,347*	*202*	*119*	*-*	*1,668*	*17*	*9*	*29*	*-*	*55*
- Human health services and social work activities	*766*	*620*	*68*	*-*	*1,454*	*11*	*42*	*34*	*-*	*87*
- Transport and storage	*675*	*367*	*71*	*-*	*1,113*	*6*	*12*	*45*	*-*	*63*
- Other services	*615*	*221*	*145*	*-*	*981*	*5*	*9*	*55*	*-*	*69*
- Professional, scientific and technical activities	*462*	*176*	*14*	*-*	*652*	*6*	*7*	*6*	*-*	*19*
- Arts, entertainment and recreation	*308*	*306*	*31*	*-*	*645*	*2*	*18*	*11*	*-*	*31*
- Financial and Insurance activities	*535*	*51*	*24*	*-*	*610*	*4*	*2*	*8*	*-*	*14*
- Real estate activities	*397*	*118*	*73*	*-*	*588*	*10*	*4*	*28*	*-*	*42*
- Education	*374*	*71*	*1*	*-*	*446*	*3*	*4*	*-*	*-*	*7*
- Other sectors	*983*	*442*	*37*	*-*	*1,462*	*8*	*15*	*11*	*-*	*34*
Total	**62,710**	**11,270**	**4,401**	**90**	**78,471**	**422**	**385**	**1,292**	**23**	**2,122**

[1] Purchased or originated credit-impaired (POCI).
[2] The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities.
[3] Exposures to NACE codes totaling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.

18 Credit risk exposures *(continued)*

31 December 2019	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
Sectoral analysis by stage	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI[1] €m**	**Total €m**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI[1] €m**	**Total €m**
Personal										
Residential mortgages	42,898	1,677	1,693	3	46,271	16	36	380	-	432
Other consumer	5,421	206	100	-	5,727	64	32	63	-	159
- Motor lending UK	*2,147*	*58*	*21*	*-*	*2,226*	*6*	*3*	*10*	*-*	*19*
- Loans UK	*1,232*	*40*	*24*	*-*	*1,296*	*42*	*17*	*21*	*-*	*80*
- Motor lending RoI	*821*	*-*	*14*	*-*	*835*	*3*	*-*	*6*	*-*	*9*
- Loans RoI	*681*	*74*	*30*	*-*	*785*	*9*	*6*	*19*	*-*	*34*
- Credit cards - RoI	*540*	*34*	*11*	*-*	*585*	*4*	*6*	*7*	*-*	*17*
	48,319	**1,883**	**1,793**	**3**	**51,998**	**80**	**68**	**443**	**-**	**591**
Property and construction	**5,985**	**1,513**	**549**	**65**	**8,112**	**6**	**42**	**180**	**2**	**230**
- Investment	*5,418*	*1,251*	*519*	*65*	*7,253*	*5*	*40*	*162*	*2*	*209*
- Development	*567*	*262*	*30*	*-*	*859*	*1*	*2*	*18*	*-*	*21*
Non-property SME & corporate[2,3]	**17,474**	**2,175**	**757**	**27**	**20,433**	**56**	**78**	**353**	**-**	**487**
- Manufacturing	*3,963*	*356*	*99*	*-*	*4,418*	*10*	*11*	*41*	*-*	*62*
- Wholesale and retail trade	*2,031*	*327*	*129*	*1*	*2,488*	*8*	*10*	*63*	*-*	*81*
- Administrative and support service activities	*1,987*	*142*	*67*	*25*	*2,221*	*7*	*5*	*39*	*-*	*51*
- Agriculture, forestry and fishing	*1,523*	*127*	*94*	*1*	*1,745*	*7*	*5*	*29*	*-*	*41*
- Accommodation and food service activities	*1,476*	*193*	*49*	*-*	*1,718*	*3*	*6*	*19*	*-*	*28*
- Human health services and social work activities	*1,018*	*414*	*30*	*-*	*1,462*	*4*	*15*	*22*	*-*	*41*
- Transport and storage	*902*	*137*	*46*	*-*	*1,085*	*3*	*5*	*34*	*-*	*42*
- Other services	*778*	*98*	*123*	*-*	*999*	*2*	*7*	*51*	*-*	*60*
- Financial and Insurance activities	*662*	*14*	*19*	*-*	*695*	*1*	*-*	*6*	*-*	*7*
- Professional, scientific and technical activities	*597*	*67*	*9*	*-*	*673*	*2*	*3*	*5*	*-*	*10*
- Real estate activities	*435*	*90*	*60*	*-*	*585*	*3*	*5*	*27*	*-*	*35*
- Arts, entertainment and recreation	*364*	*62*	*18*	*-*	*444*	*1*	*3*	*7*	*-*	*11*
- Education	*426*	*8*	*1*	*-*	*435*	*1*	*-*	*1*	*-*	*2*
- Electricity, gas, steam and air conditioning supply	*363*	*38*	*3*	*-*	*404*	*1*	*1*	*2*	*-*	*4*
- Other sectors	*949*	*102*	*10*	*-*	*1,061*	*3*	*2*	*7*	*-*	*12*
Total	**71,778**	**5,571**	**3,099**	**95**	**80,543**	**142**	**188**	**976**	**2**	**1,308**

[1] Purchased or originated credit-impaired (POCI).
[2] The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities.
[3] Exposures to NACE codes totaling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.

18 Credit risk exposures *(continued)*

Composition of COVID-19 payment breaks

The following tables analyse the number and value of customer accounts where a payment break was availed of, as a result of COVID-19. Information is presented on an aggregate basis at the date a payment break was granted, in addition to an analysis of accounts still subject to a payment break as at 30 June 2020.

Analysis of all COVID-19 payment breaks[1] granted	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts granted a payment break	42,374	20,158	1,226	38,370	102,128
Total gross carrying amount of loans granted a payment break[2]- €'m	6,279	3,750	1,790	478	12,297
Total impairment loss allowance on loans granted a payment break[2]- €'m	96	128	221	24	469

30 June 2020 Analysis of loans and advances to customers subject to a COVID-19 payment break[1]	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts subject to a payment break	40,406	17,279	1,103	34,507	94,295
Percentage of customer loan accounts[3]	12%	10%	23%	5%	8%
Total gross carrying amount of loans subject to a payment break[4] - €'m	5,998	3,439	1,615	446	11,498
Total impairment loss allowance on loans subject to a payment break[4] - €'m	90	116	223	17	446

30 June 2020 Risk profile of loans and advances to customers subject to a COVID-19 payment break[1]	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Stage 1 - Not Credit Impaired	4,929	2,072	325	420	7,746
Stage 2 - Not Credit Impaired	559	1,245	668	23	2,495
Stage 3 - Credit Impaired	509	122	622	3	1,256
Purchased / originated credit-impaired	1	-	-	-	1
Total	**5,998**	**3,439**	**1,615**	**446**	**11,498**

[1] The tables above do not include COVID-19 payments breaks granted by MLL on their operating leases to customers (c.4,000 accounts).
[2] The gross carrying amount and impairment loss allowance on loans granted a payment break relate to balances as at the date the payment break was granted.
[3] The number of accounts does not equate to the number of customers.
[4] The gross carrying amount and impairment loss allowance on loans subject to a payment break, relate to balances as at 30 June 2020.

18 Credit risk exposures *(continued)*

Loan to value profiles

The tables below set out the weighted average indexed loan to value (LTV) for the total Retail Ireland mortgage loan book.

Property values are determined by reference to the property valuations held, indexed to the RPPI CSO. The indexed LTV profile of the Retail Ireland mortgage loan book contained in the table below is based on the RPPI CSO at April 2020.

30 June 2020	Owner occupied			Buy to let			Total		
Loan to value (LTV) ratio of total Retail Ireland mortgages[1,2]	Not credit-impaired €m	Credit-impaired €m	Total €m	Not credit-impaired €m	Credit-impaired €m	Total €m	Not credit-impaired €m	Credit-impaired €m	Total €m
Less than 50%	7,042	237	7,279	925	59	984	7,967	296	8,263
51% to 70%	6,250	203	6,453	604	58	662	6,854	261	7,115
71% to 80%	2,918	99	3,017	130	34	164	3,048	133	3,181
81% to 90%	2,504	101	2,605	122	72	194	2,626	173	2,799
91% to 100%	628	89	717	29	37	66	657	126	783
Subtotal	**19,342**	**729**	**20,071**	**1,810**	**260**	**2,070**	**21,152**	**989**	**22,141**
101% to 120%	45	124	169	34	55	89	79	179	258
121% to 150%	19	85	104	19	45	64	38	130	168
Greater than 151%	20	136	156	26	131	157	46	267	313
Subtotal	**84**	**345**	**429**	**79**	**231**	**310**	**163**	**576**	**739**
Total	**19,426**	**1,074**	**20,500**	**1,889**	**491**	**2,380**	**21,315**	**1,565**	**22,880**
Of which subject to COVID-19 payment break									
Less than 50%	754	54	808	124	17	141	878	71	949
51% to 70%	725	47	772	112	11	123	837	58	895
71% to 80%	390	23	413	34	9	43	424	32	456
81% to 90%	317	23	340	36	21	57	353	44	397
91% to 100%	117	17	134	5	8	13	122	25	147
Subtotal	**2,303**	**164**	**2,467**	**311**	**66**	**377**	**2,614**	**230**	**2,844**
101% to 120%	13	21	34	5	9	14	18	30	48
121% to 150%	7	21	28	7	4	11	14	25	39
Greater than 151%	2	17	19	8	13	21	10	30	40
Subtotal	**22**	**59**	**81**	**20**	**26**	**46**	**42**	**85**	**127**
Total	**2,325**	**223**	**2,548**	**331**	**92**	**423**	**2,656**	**315**	**2,971**
Retail Ireland mortgages weighted average LTV[3]									
Stock of Retail Ireland mortgages at period end			59%			67%			60%
New Retail Ireland mortgages during the period			76%			59%			76%

[1] *Excluded from the above table are Purchased or originated credit-impaired loans of €3 million, €2 million of which were no longer credit-impaired at the reporting date. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*

[2] *Excluded from the above tables are €0.2 billion (31 December 2019: €0.3 billion) of loans mandatorily held at FVTPL at 30 June 2020 which are not subject to impairment under IFRS 9 and are thereby excluded from impairment-related tables (note 17).*

[3] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

18 Credit risk exposures *(continued)*

31 December 2019	Owner occupied			Buy to let			Total		
Loan to value ratio of total Retail Ireland mortgages[1,2]	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	7,362	148	7,510	997	30	1,027	8,359	178	8,537
51% to 70%	6,486	149	6,635	682	42	724	7,168	191	7,359
71% to 80%	2,913	80	2,993	148	29	177	3,061	109	3,170
81% to 90%	2,367	83	2,450	146	71	217	2,513	154	2,667
91% to 100%	406	80	486	36	32	68	442	112	554
Subtotal	**19,534**	**540**	**20,074**	**2,009**	**204**	**2,213**	**21,543**	**744**	**22,287**
101% to 120%	60	113	173	49	39	88	109	152	261
121% to 150%	18	87	105	20	45	65	38	132	170
Greater than 151%	23	134	157	30	127	157	53	261	314
Subtotal	**101**	**334**	**435**	**99**	**211**	**310**	**200**	**545**	**745**
Total	**19,635**	**874**	**20,509**	**2,108**	**415**	**2,523**	**21,743**	**1,289**	**23,032**
Weighted average LTV[3]									
Stock of Retail Ireland mortgages at year end			58%			66%			59%
New Retail Ireland mortgages during the year			74%			54%			74%

[1] *Excluded from the above tables are Purchased or originated credit-impaired loans of €3 million for the year ended 31 December 2019, €2 million of which were no longer credit-impaired for the year ended 31 December 2019. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*

[2] *Excluded from the table above are €0.3 billion of loans mandatorily held at FVTPL for the year ended 31 December 2019 which are not subject to impairment under IFRS 9 and are thereby excluded from impairment-related tables (note 17).*

[3] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

18 Credit risk exposures *(continued)*

The tables below set out the weighted average indexed LTV for the total Retail UK mortgage loan book.

Property values are determined by reference to the original or latest property valuations held, indexed to the published 'Nationwide UK House Price Index'.

30 June 2020	Standard		Buy to let		Self certified		Total		
Loan to value (LTV) ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,203	54	2,236	41	469	50	4,908	145	5,053
51% to 70%	3,049	69	3,478	60	528	91	7,055	220	7,275
71% to 80%	2,185	31	1,167	33	162	38	3,514	102	3,616
81% to 90%	2,572	24	261	20	81	22	2,914	66	2,980
91% to 100%	509	15	19	5	9	8	537	28	565
Subtotal	**10,518**	**193**	**7,161**	**159**	**1,249**	**209**	**18,928**	**561**	**19,489**
101% to 120%	20	5	7	1	5	3	32	9	41
121% to 150%	12	4	1	-	4	2	17	6	23
Greater than 150%	2	1	-	-	-	1	2	2	4
Subtotal	**34**	**10**	**8**	**1**	**9**	**6**	**51**	**17**	**68**
Total	**10,552**	**203**	**7,169**	**160**	**1,258**	**215**	**18,979**	**578**	**19,557**
OOf which subject to COVID-19 payment break									
Less than 50%	232	13	180	9	121	18	533	40	573
51% to 70%	432	22	370	15	167	33	969	70	1,039
71% to 80%	319	10	148	6	51	15	518	31	549
81% to 90%	379	8	47	7	27	9	453	24	477
91% to 100%	88	5	4	2	4	3	96	10	106
Subtotal	**1,450**	**58**	**749**	**39**	**370**	**78**	**2,569**	**175**	**2,744**
101% to 120%	5	-	2	-	2	1	9	1	10
121% to 150%	3	1	-	-	2	1	5	2	7
Greater than 151%	1	-	-	-	-	-	1	-	1
Subtotal	**9**	**1**	**2**	**-**	**4**	**2**	**15**	**3**	**18**
Total	**1,459**	**59**	**751**	**39**	**374**	**80**	**2,584**	**178**	**2,762**
Retail UK mortgages weighted average LTV[1]									
Stock of Retail UK mortgages at period end	66%	65%	57%	62%	55%	64%	62%	64%	62%
New Retail UK mortgages during the period	75%	97%	58%	47%	n/a	n/a	71%	72%	71%

[1] *Weighted average LTVs are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage. Property values are determined by reference to the original or latest property valuations held, indexed to the published 'Nationwide UK House Price Index'.*

18 Credit risk exposures *(continued)*

31 December 2019	Standard		Buy to let		Self certified		Total		
Loan to value (LTV) ratio of total Retail UK mortgages	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Total £m
Less than 50%	2,132	28	2,090	20	484	26	4,706	74	4,780
51% to 70%	3,033	40	3,521	33	608	50	7,162	123	7,285
71% to 80%	2,080	19	1,270	19	192	23	3,542	61	3,603
81% to 90%	2,598	14	383	14	110	18	3,091	46	3,137
91% to 100%	815	11	27	5	15	6	857	22	879
Subtotal	**10,658**	**112**	**7,291**	**91**	**1,409**	**123**	**19,358**	**326**	**19,684**
101% to 120%	27	4	8	2	7	2	42	8	50
121% to 150%	16	3	2	-	5	3	23	6	29
Greater than 150%	3	2	-	-	-	1	3	3	6
Subtotal	**46**	**9**	**10**	**2**	**12**	**6**	**68**	**17**	**85**
Total	**10,704**	**121**	**7,301**	**93**	**1,421**	**129**	**19,426**	**343**	**19,769**
Weighted average LTV[1]									
Stock of Retail UK mortgages at year end	67%	67%	58%	65%	57%	67%	63%	67%	63%
New Retail UK mortgages during the year	76%	87%	61%	53%	n/a	n/a	73%	68%	73%

Asset quality - other financial assets

The table below summarises the asset quality of debt instruments at FVOCI by IFRS 9 twelve-month PD grade.

Debt instruments at FVOCI Asset quality	30 June 2020						31 December 2019					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	11,017	95%	-	-	11,017	95%	9,987	92%	-	-	9,987	92%
5-7	520	5%	-	-	520	5%	810	8%	-	-	810	8%
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**11,537**	**100%**	**-**	**-**	**11,537**	**100%**	**10,797**	**100%**	**-**	**-**	**10,797**	**100%**

The table below summarises the asset quality of debt securities at amortised cost by IFRS 9 twelve-month PD grade.

Debt securities at amortised cost (before impairment loss allowance) Asset quality	30 June 2020						31 December 2019					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,288	100%	-	-	5,288	100%	4,499	100%	-	-	4,499	100%
5-7	1	-	-	-	1	-	2	-	-	-	2	-
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	9	-	-	-	9	-	11	-	-	-	11	-
Total	**5,298**	**100%**	**-**	**-**	**5,298**	**100%**	**4,512**	**100%**	**-**	**-**	**4,512**	**100%**

[1] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

18 Credit risk exposures *(continued)*

The table below summarises the asset quality of loans and advances to banks at amortised cost by IFRS 9 twelve-month PD grade.

Loans and advances to banks at amortised cost (before impairment loss allowance) Asset quality	30 June 2020						31 December 2019					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,582	97%	-	-	2,582	97%	2,948	98%	-	-	2,948	98%
5-7	20	1%	-	-	20	1%	3	-	5	83%	8	-
8-9	63	2%	-	-	63	2%	66	2%	1	17%	67	2%
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,665**	**100%**	**-**	**-**	**2,665**	**100%**	**3,017**	**100%**	**6**	**100%**	**3,023**	**100%**

Asset quality: Other financial instruments

Other financial instruments as set out in the table below include instruments that are not within the scope of IFRS 9 or are not subject to impairment under IFRS 9. These include trading securities, derivative financial instruments, loans and advances to banks at fair value, loans and advances to customers at fair value, other financial instruments at FVTPL (excluding equity instruments) and reinsurance assets. The table summarises the asset quality of these financial instruments by equivalent external risk ratings.

Other financial instruments with ratings equivalent to:	30 June 2020		31 December 2019	
	€m	%	€m	%
AAA to AA-	4,970	48%	4,619	50%
A+ to A-	3,485	34%	2,943	32%
BBB+ to BBB-	1,293	13%	1,070	11%
BB+ to BB-	215	2%	259	3%
B+ to B-	354	3%	323	4%
Lower than B-	6	-	5	-
Total	**10,323**	**100%**	**9,219**	**100%**

19 Modified financial assets

	6 months ended 30 June 2020 €m	Year ended 31 December 2019 €m
Financial assets modified during the period		
Amortised cost before modification	352	387
Net modification gains / losses (net of impairment losses impact)	-	-
Financial assets modified since initial recognition		
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month expected credit losses during the period	221	608

The table above provides analysis of financial assets for which the contractual cash flows have been modified while they had an impairment loss allowance measured at an amount equal to lifetime ECL, and where the modification did not result in derecognition.

This table excludes loans subject to COVID-19 payment breaks. COVID-19 payment breaks are disclosed separately in the Credit risk exposures note, and include €3,752 million of assets which were granted a COVID-19 payment break, while they had an impairment loss allowance measured at an amount equal to lifetime ECL.

20 Intangible assets and goodwill

	30 June 2020					31 December 2019				
	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost										
At 1 January	**36**	**72**	**2,003**	**211**	**2,322**	**34**	**71**	**1,768**	**204**	**2,077**
Additions	-	-	117	-	117	-	-	223	-	223
Disposals / write-offs	-	-	-	(24)	(24)	-	-	-	-	-
Exchange adjustments	(2)	(1)	(17)	(9)	(29)	2	1	12	7	22
At end of period	**34**	**71**	**2,103**	**178**	**2,386**	**36**	**72**	**2,003**	**211**	**2,322**
Accumulated amortisation										
At 1 January	**-**	**(72)**	**(1,243)**	**(169)**	**(1,484)**	**-**	**(71)**	**(1,060)**	**(144)**	**(1,275)**
Disposals / write-offs	-	-	-	24	24	-	-	-	-	-
Impairment	(9)	-	(136)	-	(145)	-	-	-	-	-
Amortisation charge for the period (note 13)	-	-	(76)	(7)	(83)	-	-	(173)	(20)	(193)
Exchange adjustments	-	1	13	8	22	-	(1)	(10)	(5)	(16)
At end of period	**(9)**	**(71)**	**(1,442)**	**(144)**	**(1,666)**	**-**	**(72)**	**(1,243)**	**(169)**	**(1,484)**
Net book value	**25**	**-**	**661**	**34**	**720**	**36**	**-**	**760**	**42**	**838**

The category 'computer software internally generated' includes the Transformation Investment asset with a carrying value of €245 million (2019: €331 million). This asset reflects investment in technical infrastructure, applications and software licences. The reduction in carrying value of this asset is predominantly due to impairment in the period ended 30 June 2020. See 'impairment review – computer software internally generated' section below for further information. €205 million (2019: €173 million) of the Transformation Investment asset is an amortising asset, with amortisation periods normally ranging from five to ten years and with the majority being amortised over a period of ten years. At 30 June 2020, the remaining amortisation period for these assets ranges between 1 and 10 years. The remaining €40 million (2019: €158 million) represents assets under construction on which amortisation will commence once the assets are available for use.

Impairment review – Goodwill

At 30 June 2020, goodwill on the Group's balance sheet is €25 million and relates solely to the acquisition of MLL (the 'cash generating unit' or 'CGU'); a car commercial leasing and fleet management company in the UK.

As set out in note 32 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019, goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount is the higher of its fair value less costs to sell and its value in use, where the value in use is the present value of the future cash flows expected to be derived from the asset. Current MLL trading performance and future outlook has been adversely impacted by the lower levels of economic activity associated with COVID-19. An impairment review was carried out at 30 June 2020 which resulted in a write down the carrying value of goodwill to its recoverable amount, which is based on value in use. Note 32 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019 sets out the basis of calculation for value in use. Cash flow forecasts are based on internal management information with a nil growth rate being used from year four onwards for a period of 30 years. The discount factor rate applied to MLL is the pre-tax weighted average cost of capital for the Group. A discount rate of approximately 12% has been used in the review. As a result of the impairment review, goodwill was determined to be impaired by €9 million, which has been charged to the income statement.

Impairment review - computer software internally generated

During the six months ended 30 June 2020, the Group reviewed its software intangible assets for indicators of impairment. The Group concluded that certain aspects of the Transformation Investment asset product set capability had not matured sufficiently, and that technology and approaches to systems transformation have evolved.

As a consequence of the existence of such indicators of impairment, the Group concluded that certain software assets were impaired, as they were no longer expected to provide future economic benefits. Accordingly, an impairment charge of €136 million has been recognised in the period (six months ended 30 June 2019: €nil), of which €127 million relates to the Transformation Investment Asset and €9 million relates to other internally generated computer software. This charge is presented separately on the Group consolidated income statement in line with the relevant IAS requirements.

Impairment review – other externally purchased intangible assets

Other externally purchased intangible assets have been reviewed for any indication that impairment may have occurred. There was €nil impairment identified in the period ended 30 June 2020 (2019: €nil).

21 Deferred tax

The DTA of € 1,078 million (31 December 2019: €1,088 million) includes an amount of €1,174 million (31 December 2019: €1,089 million) in respect of operating losses which are available to shelter future profits from tax, of which €1,104 million relates to Irish tax losses carried forward by the Bank, €63 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the Bank, and €7 million relates to US tax losses carried forward by the US branch of the Bank.

The recognition of a DTA in respect of tax losses carried forward requires the Directors to be satisfied that it is probable that the Group will have sufficient future taxable profits against which the losses can be utilised.

In considering the available evidence to support recognition of the deferred tax asset, the Group takes into consideration the impact of both positive and negative evidence including historical financial performance, projections of future taxable income and the impact of tax legislation.

With the exception of the current year and the years of the financial crisis, the Group has a sustained history of Irish operating profits and a large market share and it is considered likely that the Group's Irish activities will be profitable into the future.

The Group estimates the period over which it will utilise its tax losses carried forward based on the Group's detailed financial projections, which cover a five year planning period with an annual 2% growth rate thereafter and incorporate the impacts of COVID-19. These profitability projections are based on the Group's agreed strategic priorities where the focus is to increase overall returns, improve cost efficiencies and grow sustainable profits, and include estimates and assumptions of economic factors such as employment levels and interest rates as well as other measures such as loan volumes, margins, costs and impairment losses.

Based on the Group's projections, the DTA in respect of Irish tax losses, is estimated to be recovered in full by the end of 2045 (31 December 2019: 2037). The increase in the recovery period is due to more challenging economic headwinds, including COVID-19 and a lower-for-longer interest rate environment.

The use of alternative assumptions representing reasonably possible alternative outcomes would not impact the recognition of the Group's DTAs although they could increase or decrease the estimated recovery period. If the projected rate of growth of taxable profits from the fifth year of the strategic planning period was decreased by two percentage points, the Group estimates that this would increase the recovery period of its Irish DTA by five years. If it was increased by one percentage point, the Group estimates that this would decrease the recovery period of its Irish DTA by two years.

The Group has considered various downside cases, with a slower return to profitability, resulting in a longer recovery period but no change in the recognition of the asset.

Under Irish Revenue and accounting rules, there is no time limit on how long the Group can carry forward and use its tax losses.

Based on the Group's proven earnings history, its strong position within the Irish financial services market and its strategic priorities to deliver sustained future Irish profits, the Group continues to recognise the Irish DTA in full.

The longer term impact of COVID-19 and related items remains uncertain. The assessment of deferred tax assets in this context will be subject to ongoing review.

The Group believes that Bank of Ireland (UK) plc and the UK branch of the Bank will be profitable over the longer term but acknowledges the external challenges facing the banking industry including COVID-19, the continued low interest rate environment and the uncertainty around the impact of Brexit on the UK economy.

Therefore, notwithstanding the absence of any expiry date for trading losses in the UK, but acknowledging that profits forecasts become increasingly uncertain as the forecast period extends into the future, the Group has determined that, at 30 June 2020, the recognition of DTAs in respect of tax losses of Bank of Ireland (UK) plc and the UK branch of the Bank will continue to be limited by reference to the amount of losses that are expected to be utilised within a 10 year period of projected profits. This 10 year timescale is supported by forecast taxable profits and takes into account the Group's long-term financial and strategic plans and reflects the period over which the Group believes it can conclude that it is probable that future UK taxable profits will be available.

The DTA's relating to trading losses of Bank of Ireland (UK) plc and the UK branch of the Bank have been reassessed and increased by €7 million and €3 million respectively at 30 June 2020 (31 December 2019: reductions of €45 million and €2 million respectively).

Deferred tax liabilities at 30 June 2020 were €58 million (31 December 2019: €71 million).

22 Deposits from banks

Deposits from banks include cash collateral of €303 million at 30 June 2020 (31 December 2019: €199 million) received from derivative counterparties in relation to net derivative asset positions.

	30 June 2020 €m	31 December 2019 €m
Monetary Authority secured funding	1,400	1,736
Other deposits from banks	623	443
Deposits from banks	**2,023**	**2,179**

	30 June 2020			31 December 2019		
Monetary Authority secured funding	**TFS €m**	**ILTR €m**	**Total €m**	**TFS €m**	**ILTR €m**	**Total €m**
Deposits from banks	1,400	-	1,400	1,501	235	1,736

Drawings under the Term Funding Scheme (TFS) from the BoE will be repaid between October 2020 and February 2022. The Group's Index Long Term Repo (ILTR) funding from the Bank of England (BoE) matured on 7 May 2020.

The Group's Monetary Authority funding is secured by loans and advances to customers.

23 Customer accounts

There were no amounts (31 December 2019: €nil) presented in other comprehensive income relating to liabilities that the Group designated at FVTPL which were derecognised during the period.

The carrying amount of the customer accounts designated at FVTPL at 30 June 2020 was €13 million lower than the contractual amount due at maturity (31 December 2019: equivalent to the contractual amount due at maturity).

At 30 June 2020, the Group's largest 20 customer deposits amounted to 4% (31 December 2019: 4%) of customer accounts on a connected counterparty basis. Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products.

Term deposits and other products include €62 million (31 December 2019: €35 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

	30 June 2020 €m	31 December 2019 €m
Current accounts	41,575	37,426
Demand deposits	27,032	27,736
Term deposits and other products	17,283	17,951
Customer accounts at amortised cost	**85,890**	**83,113**
Term deposits at fair value through profit or loss	689	930
Total customer accounts	**86,579**	**84,043**

Movement in own credit risk on deposits at FVTPL	**30 June 2020 €m**	**31 December 2019 €m**
Balance at 1 January	-	(18)
Recognised in other comprehensive income	(18)	18
Balance at end of the period	**(18)**	**-**

24 Debt securities in issue

	30 June 2020 €m	31 December 2019 €m
Bonds and medium term notes	6,517	6,892
Other debt securities in issue	1,235	1,559
Debt securities in issue at amortised cost	**7,752**	**8,451**
Debt securities in issue at FVTPL	349	364
Total debt securities in issue	**8,101**	**8,815**

The movement on debt securities in issue is analysed as follows:

	30 June 2020 €m	31 December 2019 €m
Balance at 1 January	8,815	8,907
Issued during the period	686	1,935
Redemptions	(1,402)	(1,938)
Repurchases	-	(194)
Other movements[1]	2	105
Balance at end of the period	**8,101**	**8,815**

There were no amounts presented in other comprehensive income relating to liabilities that the Group designated at FVTPL which were derecognised during the period.

During 2019, the Group repurchased and derecognised debt securities in issue held at fair value through profit and loss in the amount of €122 million. This resulted in €9 million being transferred from the liability credit reserve to retained earnings, being the cumulative gain recognised through OCI relating to these liabilities.

The carrying amount of the debt securities in issue designated at fair value through profit and loss at 30 June 2020 was €35 million higher than the contractual amount due at maturity (31 December 2019: €35 million higher).

Movement in own credit risk on debt securities in issue at FVTPL	30 June 2020 €m	31 December 2019 €m
Balance at 1 January	3	(10)
Transferred to retained earnings	-	9
Recognised in OCI	(1)	4
Balance at end of the period	**2**	**3**

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

25 Provisions

The Group has recognised provisions in relation to restructuring costs, onerous contracts, legal and other. Such provisions are sensitive to a variety of factors, which vary depending on their nature. The estimation of the amounts of such provisions is judgemental because the relevant payments are due in the future and the quantity and probability of such payments is uncertain.

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date.

At 30 June 2020, the Group held a provision of €74 million (31 December 2019: €75 million) in respect of the ongoing industry wide Tracker Mortgage Examination. The provision represents the Group's best estimate of the redress and compensation to be paid to impacted customers and the costs to be incurred by the Group in connection with the examination.

For the six months ended 30 June 2020, the Group has set aside a further €7 million provision to cover the additional redress and compensation costs for a small number of additional customers, operational costs associated with the length and nature of the review and estimated costs of closing out the Tracker Mortgage Examination review. Since 31 December 2019, €8 million of the provision has been utilised covering redress, compensation and related cost.

	30 June 2020 €m	31 December 2019 €m
Balance at 1 January	143	78
Exchange adjustment	(3)	3
Charge to income statement	18	150
Utilised during the period	(27)	(79)
Unused amounts reversed during the period	(3)	(9)
Balance at end of the period	**128**	**143**

While the redress and compensation element of the provision is largely known, there are still a number of uncertainties as to the eventual total cost of the examination and the administrative sanctions proceedings.

For additional information and details on the key judgement items within the provision, see notes 2 and 43 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

26 Contingent liabilities and commitments

The table gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

Loss allowance provisions of €77 million (31 December 2019: €30 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 27. Provisions on all other commitments are included in note 25.

Other contingent liabilities primarily include performance bonds and are generally short-term commitments to third parties which are not directly dependent on the customers' creditworthiness. The Group is also party to legal, regulatory, taxation and other actions arising out of its normal business operations.

In February 2019, the Group received a letter before claim from investors in Eclipse film finance schemes asserting various claims in connection with the design, promotion and operation of such schemes. The Group's involvement in these schemes was limited to the provision of commercial finance. The Group was not the designer, promoter or operator in respect of any of the schemes.

The Group served a robust response to the letter before claim in June 2019 but has received no response to date. It is not possible at this stage to state whether the claims continue to be asserted and if so, until properly particularised, whether such claims have any merit.

	30 June 2020 €m	31 December 2019 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	414	428
Acceptances and endorsements	3	5
Other contingent liabilities	273	267
	690	**700**
Loan commitments		
Documentary credits and short-term trade related transactions	46	46
Undrawn formal standby facilities, credit lines and other commitments to lend:	13,091	14,197
- revocable or irrevocable with original maturity of 1 year or less	*8,901*	*9,315*
- irrevocable with original maturity of over 1 year	*4,190*	*4,882*
	13,137	**14,243**

27 Loss allowance provision on loan commitments and financial guarantees

	30 June 2020 Amount €m	30 June 2020 Loss allowance €m	31 December 2019 Amount €m	31 December 2019 Loss allowance €m
Loan commitments (note 26)	13,137	75	14,243	29
Guarantees and irrevocable letters of credit (note 26)	414	2	428	1
	13,551	**77**	**14,671**	**30**

The loss allowance on loan commitments is presented as a provision in the balance sheet (i.e. as a liability under IFRS 9) and separate from the impairment loss allowance on financial assets. To the extent a facility includes both a loan and an undrawn commitment, it is only the impairment attributable to the undrawn commitment that is presented in the above table. The impairment loss allowance attributable to the loan is shown as part of the financial asset to which the loan commitment relates.

At 30 June 2020, the Group held an impairment loss allowance of €77 million (31 December 2019: €30 million) on loan commitments and financial guarantees, of which €29 million (31 December 2019: €18 million) are classified as Stage 1, €47 million (31 December 2019: €10 million) as Stage 2 and €1 million (31 December 2019: €2 million) as Stage 3.

The increase in impairment loss allowance on loan commitments and financial guarantees reflects impairment model updates, including the change in the macroeconomic outlook due to the COVID-19 pandemic.

The following tables summarise the asset quality of loan commitments and financial guarantees by IFRS 9 twelve-month PD grade which are not credit-impaired. At 30 June 2020, credit-impaired loan commitments are €81 million (31 December 2019: €50 million) while credit-impaired guarantees and irrevocable letters of credit are €17 million (31 December 2019: €8 million). The increase in Stage 2 loan commitments and financial guarantees reflects impairment model updates, including the change in the macroeconomic outlook due to the COVID-19 pandemic.

30 June 2020	Loan commitments						Guarantees and irrevocable letters of credit					
Loan commitments and financial guarantees - Contract amount	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	3,046	29%	622	26%	3,668	28%	70	20%	14	25%	84	21%
5-7	3,982	37%	1,108	46%	5,090	39%	241	71%	19	34%	260	65%
8-9	2,879	27%	379	16%	3,258	25%	20	6%	11	20%	31	8%
10-11	759	7%	281	12%	1,040	8%	10	3%	12	21%	22	6%
Total	**10,666**	**100%**	**2,390**	**100%**	**13,056**	**100%**	**341**	**100%**	**56**	**100%**	**397**	**100%**

31 December 2019	Loan commitments						Guarantees and irrevocable letters of credit					
Loan commitments and financial guarantees - Contract amount	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	6,097	45%	212	34%	6,309	44%	108	27%	2	8%	110	26%
5-7	5,192	38%	208	34%	5,400	38%	268	68%	1	4%	269	64%
8-9	2,116	16%	114	18%	2,230	16%	16	4%	6	23%	22	5%
10-11	168	1%	86	14%	254	2%	2	1%	17	65%	19	5%
Total	**13,573**	**100%**	**620**	**100%**	**14,193**	**100%**	**394**	**100%**	**26**	**100%**	**420**	**100%**

28 Retirement benefit obligations

The net IAS 19 pension surplus at 30 June 2020 was €533 million (31 December 2019: net deficit €139 million). This is shown on the balance sheet as a retirement benefit asset of €714 million (31 December 2019: €129 million) and a retirement benefit obligation of €181 million (31 December 2019: €268 million).
The significant financial assumptions used in measuring the Group's net defined benefit pension surplus under IAS 19 are set out in the table below.

Discount rates are determined in consultation with the Group's independent actuary, with reference to market yields at the balance sheet date on high quality corporate bonds (AA rated or equivalent) with a term corresponding to the term of the benefit payments. With effect from 30 June 2020, the Group's actuary, Willis Towers Watson (WTW), refined its methodology used in selecting bonds in its Global RATE:Link models. This model is available to all WTW clients and consistent with prior periods, is used by the Group in the determination of the discount rate used to value sterling denominated liabilities under IAS 19. The UK discount rate determined using this approach was 1.80% . For information, the discount rate under the previous approach would have been 1.50%, which if used, would have decreased the net pension surplus by approximately c.€100 million at 30 June 2020.

Financial assumptions	30 June 2020 % p.a.	31 December 2019 % p.a.
Irish schemes		
Discount rate	1.45%	1.30%
Inflation Rate	0.95%	1.25%
UK schemes		
Discount Rate	1.80%	2.10%
Consumer Price Inflation	1.95%	1.95%
Retail Price Inflation	2.85%	2.95%

Sensitivity of defined benefit obligation to key assumptions

The table below sets out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible.

Impact on defined benefit obligation	Impact on defined benefit obligation Increase / (decrease) 30 June 2020 €m	Impact on defined benefit obligation Increase / (decrease) 31 December 2019 €m
RoI schemes		
Discount rate		
- Increase of 0.25%	(305)	(337)
- Decrease of 0.25%	327	363
Inflation rate		
- Increase of 0.10%	83	96
- Decrease of 0.10%	(82)	(94)
UK schemes		
Discount rate		
- Increase of 0.25%	(82)	(83)
- Decrease of 0.25%	87	90
RPI inflation		
- Increase of 0.10%	23	24
- Decrease of 0.10%	(20)	(21)

28 Retirement benefit obligations *(continued)*

This table sets out the estimated sensitivity of plan assets to changes in equity markets and interest rates.

Impact on plan assets - all schemes	**Impact on plan assets increase / (decrease) 30 June 2020 €m**	**Impact on plan assets increase / (decrease) 31 December 2019 €m**
Sensitivity of plan assets to movements in global equity markets with allowance for other correlated diversified asset classes		
- Increase of 5.00%	118	102
- Decrease of 5.00%	(118)	(102)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
- Increase of 0.25%	(360)	(325)
- Decrease of 0.25%	381	344
Sensitivity of liability-matching assets to a 10bps movement in inflation rates		
- Increase of 0.10%	87	82
- Decrease of 0.10%	(86)	(80)

The remeasurement of the net defined benefit pension liability is recognised in other comprehensive income as set out in the following table.

	6 months ended 30 June 2020 €m	**6 months ended 30 June 2019 €m**
Present value of obligation gain / (loss)	481	(786)
Fair value of plan assets gain	181	714
Total gain / (loss)	**662**	**(72)**

29 Subordinated liabilities

The principal terms and conditions of all subordinated liabilities are set out in note 47 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

	30 June 2020 €m	**31 December 2019 €m**
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	461	446
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	333	352
€300 million 2.775% Fixed Rate Reset Callable Subordinated Notes 2029	299	296
€250 million 10% Fixed Rate Subordinated Notes 2022	262	263
Undated loan capital	119	127
€1,002 million 10% Fixed Rate Subordinated Notes 2020	-	207
Stg£197 million 10% Fixed Rate Subordinated Notes 2020	-	2
Total subordinated liabilities	**1,474**	**1,693**

€1,002 million 10% fixed rate subordinated notes and £197 million 10% fixed rate subordinated notes matured and were repaid during the period ended 30 June 2020.

30 Other equity instruments - Additional Tier 1

In June 2015, the Bank issued Additional tier 1 (AT1) securities with a par value of €750 million. On 18 June 2020, the Bank redeemed these securities at par on their first call date, having previously received regulatory consent to do so.

The carrying value of these securities was €740 million, presented as NCI. On redemption at par value of €750 million, NCI was reduced by €740 million, to €nil, and the excess of €10 million was deducted from retained earnings.

In May 2020, the Bank issued AT1 securities with a par value of €675 million at an issue price of 100%. 100% of the securities are held by Bank of Ireland Group plc.

The principal terms of the AT1 securities issued by the Bank are as follows:

- the securities constitute direct, unsecured, unguaranteed and subordinated obligations of the Bank, rank behind Tier 2 instruments and preference shareholders and in priority to ordinary shareholders;
- the securities have no fixed redemption date, and the security holders will have no right to require the Bank to redeem or purchase the securities at any time;
- the Bank may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities at any time from and including the first call date (19 May 2025) to and including the first reset date (19 November 2025), or semi-annually on any interest payment date thereafter;

	30 June 2020 €m	31 December 2019 €m
Balance at 1 January	740	740
Repayment of AT1 securities	(740)	-
AT1 securities issued during the period	675	-
Balance at the end of the period	**675**	**740**

- the securities bear a fixed rate of interest of 7.75% until the first reset date (19 November 2025). After the initial reset date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;
- the Bank may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date;
- the securities will be written down together with any accrued but unpaid interest if the Bank's CET 1 ratio falls below 7%; and
- subsequent to any write-down event the Bank may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

31 Summary of relations with the State

The Group considers that the State is a related party under IAS 24 as it is in a position to exercise significant influence over the Group.

Further details of the Group's relations with the State are set out in note 53 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

There have been no material changes, significant events or transactions with the State with respect to ordinary shares, guarantee schemes or the Irish bank levy during the six months ended 30 June 2020.

Through its participation in the Strategic Banking Corporation of Ireland's (SBCI) COVID-19 Working Capital Loan Scheme (the 'Scheme') the Group benefits from an 80% Government guarantee related to amounts advanced under the Scheme. To date c.€30 million has been advanced under the Scheme.

In addition to the items noted above, the Group enters into other transactions in the normal course of business with the State, its agencies and entities under its control or joint control. These transactions include the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks.

The amounts outstanding at 30 June 2020 and 31 December 2019 in respect of these transactions, which are considered individually significant, are set out in this table.

	30 June 2020 €m	31 December 2019 €m
Assets		
Unguaranteed senior bonds issued by AIB	190	196
Unguaranteed subordinated bonds issued by AIB	10	11
NAMA subordinated bonds	-	73
Bonds issued by the State	7,009	5,790
Other financial assets at fair value through profit or loss		
Bonds issued by the State	262	263
Loans and advances to banks		
AIB	45	3
Liabilities		
Customer Accounts		
State (including agencies & entities under its control or joint control)	1,497	932
Debt securities in issue		
State (including agencies & entities under its control or joint control)	24	25

The National Asset Management Agency (NAMA) redeemed subordinated in full with a nominal value of €70 million at par during the period ended 30 June 2020 (year ended 31 December 2019: €nil).

32 Liquidity risk and profile

The following tables summarise the maturity profile of the Group's non-derivative financial liabilities (excluding those arising from insurance and investment contracts in the Wealth and Insurance division) at 30 June 2020 and 31 December 2019, based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,454 million and €12,472 million respectively (31 December 2019: €5,890 million and €12,694 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

Customer accounts include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the following tables.

The balances do not agree directly to the consolidated balance sheet as the tables incorporate all cash flows, on an undiscounted basis, related to both principal and interest payments.

30 June 2020 Group's Non Derivative financial liabilities Contractual maturity	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Deposits from banks	171	452	-	-	-	623
Monetary Authorities secured funding	-	1	1,098	305	-	1,404
Customer accounts	74,471	5,856	4,103	1,871	60	86,361
Debt securities in issue	-	530	1,589	4,063	1,804	7,986
Subordinated liabilities	-	21	53	496	1,327	1,897
Lease liabilities	-	19	61	199	363	642
Dividend payable to parent	27	-	-	-	-	27
Contingent liabilities	469	28	84	96	13	690
Commitments	12,315	27	734	61	-	13,137
Total	**87,453**	**6,934**	**7,722**	**7,091**	**3,567**	**112,767**

31 December 2019 Group's Non Derivative financial liabilities Contractual maturity	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Deposits from banks	94	349	-	-	-	443
Monetary Authorities secured funding	-	4	1,131	623	-	1,758
Customer accounts	70,018	6,791	4,710	2,307	87	83,913
Debt securities in issue	-	1,036	992	4,363	3,222	9,613
Subordinated liabilities	-	239	66	502	1,374	2,181
Lease liabilities	-	20	57	213	390	680
Dividend payable to parent	627	-	-	-	-	627
Contingent liabilities	444	17	109	115	15	700
Commitments	13,008	47	1,118	70	-	14,243
Total	**84,191**	**8,503**	**8,183**	**8,193**	**5,088**	**114,158**

33 Fair values of assets and liabilities

A definition of fair value and the fair value hierarchy, along with a description of the methods, assumptions and processes used to calculate fair values of assets and liabilities is set out on pages 235 to 238 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019. During the period to 30 June 2020, the Group has developed its fair value methodology for syndicated loans held at FVTPL in its Corporate Banking business. There have been no other significant changes to those methods, assumptions, processes or the Group's policy for assessing transfers between the different levels of the fair value hierarchy.

Sensitivity of level 3 valuations

Derivative financial instruments

Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives would not be significant. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

In addition a small number of derivative financial instruments are valued using significant unobservable inputs other than counterparty credit (level 3 inputs). However, changing one or more assumptions used in the valuation of these derivatives would not have a significant impact as they are entered into to hedge the exposure arising on certain customer accounts, leaving the Group with no net valuation risk due to the unobservable inputs.

Other financial assets at FVTPL

A small number of assets have been valued using Discounted Cash Flow (DCF) models, which incorporate unobservable inputs (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Loan and advances to customers held at fair value

€244 million of loans and advances to customers held at fair value relate to Life Loans. These assets are valued using DCF models which incorporate unobservable inputs (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

€155 million of loans and advances to customers held at fair value relate to syndicated corporate facilities. These assets are valued by applying a discount based on previous syndicated transactions and the Group's ECL models (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Interest in associates

Investments in associates which are venture capital investments, are measured at FVTPL and are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of various inputs such as discounted cash flow analysis and comparison with the earnings multiples of listed comparative companies amongst others. Using reasonably possible alternative assumptions would not have a material impact on the value of the assets. As the inputs are unobservable, the valuation is deemed to be based on level 3 inputs.

Investment properties

Investment properties are carried at fair value as determined by external qualified property surveyors appropriate to the properties held. Fair values have been calculated using current trends in the market of property sales and rental yields in the retail, office and industrial property markets (level 2 inputs). Other inputs taken into consideration include occupancy rate forecasts, sales price expectations and letting prospects (level 3 inputs). All properties are valued based on highest and best use.

Following the outbreak of Covid-19, property market activity has been impacted. As at 30 June 2020 surveyors have attached less weight to previous market evidence for comparison purposes such that valuations are prepared on a 'material valuation uncertainty' basis in line with the RICS (Royal Institute of Chartered Surveyors) guidance. This is to ensure transparency that, in the current circumstances, less certainty can be attached to the accuracy of the valuations.

Fair value on offsetting positions

Where the Group manages certain financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the Group applies the exception allowed under paragraph 48 of IFRS 13. That exception permits the Group to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, the Group measures the fair value of the group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

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

The following table sets out the level of the fair value hierarchy for assets and liabilities held at fair value.

	30 June 2020				31 December 2019			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value								
Trading securities	61	-	-	61	32	-	-	32
Derivative financial instruments	2	2,637	3	2,642	-	1,996	3	1,999
Other financial assets at FVTPL	14,996	524	117	15,637	15,755	593	136	16,484
Loans and advances to banks	-	358	-	358	-	306	-	306
Financial assets at FVOCI	11,537	-	-	11,537	10,797	-	-	10,797
Loans and advances to customers	-	-	399	399	-	-	252	252
Interest in associates	-	-	52	52	-	-	56	56
	26,596	**3,519**	**571**	**30,686**	**26,584**	**2,895**	**447**	**29,926**
Financial liabilities held at fair value								
Customer accounts	-	689	-	689	-	916	14	930
Derivative financial instruments	3	2,555	1	2,559	-	2,474	4	2,478
Debt securities in issue	-	349	-	349	-	362	2	364
Liabilities to customers under investment contracts	-	5,454	-	5,454	-	5,890	-	5,890
Insurance contract liabilities	-	12,472	-	12,472	-	12,694	-	12,694
Short positions in trading securities	7	-	-	7	-	-	-	-
	10	**21,519**	**1**	**21,530**	**-**	**22,336**	**20**	**22,356**

Movements in level 3 financial assets **30 June 2020**	Loans and advances to customers €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Total €m
Opening balance 1 January 2020	**252**	**136**	**3**	**56**	**447**
Exchange adjustment	-	-	-	-	-
Total gains or losses in:					
Profit or loss					
- Net trading (expense) / income	(1)	(1)	6	-	4
- Life assurance investment income & gains	-	2	-	-	2
- Share of results of associates	-	-	-	(4)	(4)
Additions	161	1	-	2	164
Disposals	(6)	(19)	-	(2)	(27)
Redemptions	(7)	(2)	-	-	(9)
Transfers out of level 3					
- from level 3 to level 2	-	-	(6)	-	(6)
Transfers into level 3					
- from level 2 to level 3	-	-	-	-	-
Closing balance 30 June 2020	**399**	**117**	**3**	**52**	**571**
Total unrealised gains / (losses) for the period included in profit or loss for level 3 financial assets at the end of the reporting period	-	1	-	(4)	(3)
- Net trading expense	*-*	*(1)*	*-*	*-*	*(1)*
- Life assurance investment income & gains	*-*	*2*	*-*	*-*	*2*
- Share of results of associates	*-*	*-*	*-*	*(4)*	*(4)*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 30 June 2020 which were unavailable at 31 December 2019.

There were no transfers between levels 1 and 2.

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

Movements in level 3 financial assets 31 December 2019	Loans and advances to customers €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Total €m
Opening balance 1 January 2019	**261**	**123**	**18**	**53**	**455**
Exchange adjustment	-	-	1	-	1
Total gains or losses in:					
Profit or loss					
- Net trading (expense) / income	11	42	7	-	60
- Share of results of associates	-	-	-	5	5
Additions	6	11	-	8	25
Disposals	-	(10)	(7)	(10)	(27)
Redemptions	(26)	(9)	-	-	(35)
Transfers out of level 3					
- from level 3 to level 2	-	(21)	(16)	-	(37)
Transfers into level 3					
- from level 2 to level 3	-	-	-	-	-
Closing balance 31 December 2019	**252**	**136**	**3**	**56**	**447**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**10**	**33**	**-**	**5**	**48**
- Net trading income	*10*	*33*	-	-	*43*
- Share of results of associates	-	-	-	*5*	*5*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2018.

There were no transfers between level 1 and 2.

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

Movements in level 3 financial liabilities	30 June 2020				31 December 2019			
	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Total €m	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Total €m
Opening balance 1 January	**14**	**4**	**2**	**20**	**27**	**7**	**2**	**36**
Total gains or losses in:								
Profit or loss								
- Net trading (expense) / income	(3)	11	-	8	5	-	-	5
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	23	-	-	23
Disposals	-	(1)	-	(1)	-	(3)	-	(3)
Transfers out of level 3								
- from level 3 to level 2	(11)	(13)	(2)	(26)	(41)	-	-	(41)
Transfers into level 3								
- from level 2 to level 3	-	-	-	-	-	-	-	-
Closing balance	**-**	**1**	**-**	**1**	**14**	**4**	**2**	**20**
Total unrealised gains / (losses) for the period included in profit or loss for level 3 financial liabilities at the end of the reporting period								
Net trading (expense) / income	-	-	-	-	1	(1)	-	-

The transfers from level 3 to level 2 arose due to unobservable inputs becoming less significant to the fair value measurement of these liabilities.

There were no transfers between levels 1 and 2.

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

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Level 3 financial assets	Valuation technique	Unobservable input	Fair value 30 Jun 2020 €m	Fair value 31 Dec 2019 €m	Range 30 Jun 2020 %	Range 31 Dec 2019 %
Loans and advances to customers	Discounted cash flow	Discount on market rate[1]	244	252	2.75%-4.5%	2.75%-4.5%
		Collateral charges			(5.03%)-5.8%	0.50%-5.8%
	Par value less discount	Discount	155	-	1.07% -5.60%	-
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate[1]	117	136	Third party pricing	Third party pricing
	Equity Value less discount	Discount			0%-50%	0%-50%
Derivative financial instruments	Discounted cash flow	Counterparty credit spread[2]	3	3	0.0%-1.3%	0.0%-0.3%
	Option pricing model				Third party pricing	Third party pricing
Interest in associates	Market comparable companies	Price of recent investment	52	56	Third party pricing	Third party pricing
		Earnings multiple[3]				
		Revenue multiple[3]				

Level 3 financial liabilities	Valuation technique	Unobservable input	Fair value 30 Jun 2020 €m	Fair value 31 Dec 2019 €m	Range 30 Jun 2020 %	Range 31 Dec 2019 %
Customer accounts	Discounted cash flow	Own credit spread[2]	-	14	n/a	0.6%-0.9%
	Option pricing model					Third party pricing
Derivative financial instruments	Discounted cash flow	Counterparty credit spread[2]	1	4	0.0% - 1.3%	0.0%-0.3%
	Option pricing model				Third party pricing	Third party pricing
Debt securities in issue	Discounted cash flow	Own credit spread[2]	-	2	n/a	0.0%-0.2%

[1] *The discount rate represents a range of discount rates that market participants would use in valuing these investments.*
[2] *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*
[3] *The Group's multiples represent multiples that market participants would use in valuing these investments.*

Note: 100 basis points = 1%

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

The carrying amount and the fair value of the Group's financial assets and liabilities which are carried at amortised cost are set out in the table below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

	30 June 2020		31 December 2019	
	Carrying amount €m	Fair values €m	Carrying amount €m	Fair values €m
Assets				
Loans and advances to customers	76,349	73,548	79,235	76,487
Debt securities at amortised cost	5,297	5,306	4,511	4,536
Liabilities				
Customer accounts	85,890	85,955	83,113	83,138
Debt securities in issue	7,752	7,606	8,451	8,406
Subordinated liabilities	1,474	1,484	1,693	1,808

34 Post balance sheet events

There are no post balance sheet events that require disclosure in the Financial Statements.

35 Approval of interim report

The Court of Directors approved the Interim Report on 4 August 2020.

Other Information

Forward-looking statement

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

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

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators, plans and objectives for future operations, and the impact of the COVID-19 pandemic particularly on certain of the above issues and generally on the global and domestic economies. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 10 and also the discussion of risk in The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.

Nothing in this document should be considered to be a forecast of future profitability or financial position of the Group and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward-looking statement speaks only as at the date it is made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

Rates of exchange

Principal rates of exchange used in the preparation of the Interim Financial Statements are as follows:

	30 June 2020		30 June 2019		31 December 2019	
	Average	**Closing**	**Average**	**Closing**	**Average**	**Closing**
€ / Stg£	0.8746	0.9124	0.8736	0.8966	0.8778	0.8508
€ / US$	1.1020	1.198	1.1298	1.1380	1.1195	1.1234

Credit ratings

	30 June 2020	31 December 2019
Ireland - Senior debt		
Standard & Poor's	AA- (Stable)	AA- (Stable)
Moody's	A2 (Stable)	A2 (Stable)
Fitch	A+ (Stable)	A+ (Stable)
The Governor and Company of the Bank of Ireland - Senior debt		
Standard & Poor's	A- (Negative)	A- (Stable)
Moody's	A2 (Stable)	A2 (Stable)
Fitch	BBB+ (Negative)	BBB (Positive)

Alternative performance measures

Further information related to certain measures referred to in the Business Review

Business income is net other income after IFRS income classifications before other gains and other valuation items.

Constant currency: To enable a better understanding of performance, certain variances are calculated on a constant currency basis by adjusting for the impact of movements in exchange rates during the period as follows:
- for balance sheet items, by reference to the closing rate at the end of the current and prior period ends; and
- for items relating to the income statement, by reference to the current and prior period average rates.

Gross new lending volumes represent loans and advances to customers drawn down during the period and portfolio acquisitions.

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

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

Net interest margin (NIM) is stated on an underlying basis after adjusting for IFRS income classifications.

'Non-performing exposures' (NPEs): These are:

(i) credit-impaired loans (includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security and loans where the borrower is greater than 90 days past due and the arrears amount is material); and

(ii) other / probationary loans (other loans meeting NPE criteria as aligned with regulatory requirements).

NPE ratio is calculated as non-performing exposures on loans and advances to customers as a percentage of the gross carrying value of loans and advances to customers.

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

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

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 4 for further information.

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

For any abbreviations used in this document please refer to the abbreviations listing on pages 261 and 262 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2019.