2021

The Governor and Company of the Bank of Ireland
Interim Report
(for the six months ended 30 June 2021)

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 is on page 94.

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.

Underlying divisional contribution reflects the underlying financial contribution of each division towards the consolidated Group underlying profit or loss, before tax, excluding non-core items which obscure the underlying performance of the business.

The Group has decided to apply the term 'underlying divisional contribution' to divisional results to more clearly reflect the fact that certain unallocated costs are presented in Group Centre, and are not reflected in the results of the other divisions. Comparative amounts for six months ended 30 June 2020 have not been restated, as the measurement of divisional results is unchanged, with 'underlying divisional contribution measured on the same basis as the previously presented 'underlying profit or loss by division'.

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 2021 (H121) compared to the six months ended 30 June 2020 (H120). The balance sheets are presented for 30 June 2021 compared to 31 December 2020.

Principal rates of exchange used in the preparation of the Interim Financial Statements are set out on page 94.

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 95.

Summary consolidated income statement on an underlying basis

Profit before tax of €406 million was reported by the Group for H121 compared to a loss before tax of €828 million in H120.

Underlying profit before tax of €465 million is €1,140 million higher than the €675 million loss for H120 due mainly a reduction of €936 million in net impairment losses on financial instruments and an increase of €159 million in net other income.

Operating profit before net impairment losses on financial instruments is €200 million higher than H120 reflecting an increase in operating income of €182 million and a reduction in operating expenses (before levies and regulatory charges and impairment of goodwill) of €35 million.

Operating income (net of insurance claims) has increased by €182 million compared to H120 due to an increase of:
- €23 million in **net interest income**, reflecting the benefit of lower liability costs partly offset by the impact of the lower interest rate environment on liquid asset yield and the structural hedge; and

	Table	6 months ended 30 June 2021 €m	*Restated*[1] 6 months ended 30 June 2020 €m
Net interest income		1,079	1,056
Net other income		318	159
Operating income (net of insurance claims)		**1,397**	**1,215**
Operating expenses (before levies and regulatory charges)		(836)	(871)
Levies and regulatory charges		(96)	(70)
Impairment of goodwill		-	(9)
Operating profit before net impairment losses on financial instruments		**465**	**265**
Net impairment losses on financial instruments		(1)	(937)
Share of results of associates and joint ventures (after tax)		1	(3)
Underlying profit / (loss) before tax		**465**	**(675)**
Non-core items	1	(59)	(153)
Profit / (loss) before tax		**406**	**(828)**
Tax (charge) / credit		(65)	98
Profit / (loss) for the period		**341**	**(730)**
Return on assets (bps) (annualised)		46	(112)

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 35 for further information. The restatement has resulted in a reduction of €16 million in net interest income and an increase of €16 million in net other income for H121.*

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

- €159 million in **net other income**, due to positive unit-linked fund performance and positive interest rate movements in Wealth and Insurance, positive derivative related valuation adjustments, and higher fee income in Corporate and Markets[1].

Operating expenses (before levies and regulatory charges and impairment of goodwill) are €35 million or 4% lower as the Group continued to focus on efficiency and strategic cost reduction while maintaining transformational investment in regulatory compliance, technology and business growth.

Levies and regulatory charges have increased by €26 million in H121 due to changes to the timing and recognition of levies and increases in certain levies including the Single Resolution Fund (SRF).

A further €149 million (H120: €109 million) was invested in the Group's Transformation Investment programme in H121, of which €54 million is capitalised on the balance sheet (H120: €54 million), €21 million charged to operating expenses on the income statement (H120: €28 million) and €74 million recognised as non-core costs on the income statement (H120: €27 million).

Net impairment losses on financial instruments of €1 million for H121 is €936 million lower than H120 and incorporates a number of offsetting impairment dynamics reflecting:
- impairment model updates incorporating the current macroeconomic outlook (c.€9 million net loss);
- low levels of net loss emergence associated with customer specific credit events (net c.€nil million; and
- movement in Group management adjustment (c.€8 million net gain).

The Group's **non-core charge** decreased by €94 million to €59 million for H121. The decrease is attributable to a one off impairment charge recognised on internally generated software in H120 of €136 million offset by an increase of €42 million in cost of restructuring in H121.

The **taxation** charge for H121 was €65 million, an effective statutory taxation rate of 16% (H120: taxation credit of €98 million and taxation rate of 12%). On an underlying basis, the effective taxation rate for H121 was 13% (H120: 12%). The effective tax 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 2021 €m	6 months ended 30 June 2020 €m	Change %
Cost of restructuring programme	(69)	(27)	n/m
- Transformation Investment costs	*(74)*	*(27)*	*n/m*
- Other restructuring charges	*5*	*-*	*n/m*
Gross-up for policyholder tax in the Wealth and Insurance business	15	(4)	n/m
Investment return on Treasury shares held for policyholders	(6)	17	n/m
Customer redress charges	(5)	(7)	(29%)
Portfolio divestments	5	(5)	n/m
- Operating income	*11*	*19*	*(42%)*
- Operating expenses	*(6)*	*(24)*	*(75%)*
Gain on disposal / liquidation of business activities	1	9	(89%)
Impairment of internally generated computer software	-	(136)	(100%)
Total non-core items	**(59)**	**(153)**	**(61%)**

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:

Cost of restructuring programme
During H121, the Group recognised a restructuring charge of €69 million (H120: €27 million), comprising of Transformation Investment programme costs of €74 million (H120: €27 million) and a gain of €5 million in other restructuring charges relating to the release of €3 million provision and reversal of €2 million impairment on property recognised in previous periods (H120: €nil).

Transformation Investment programme costs of €74 million relate to:
- implementation of the Group's RoI property and branch strategy of €40 million (H120: €nil) of which €23 million relates to impairment of property and related assets);
- costs of €20 million (H120: €nil), relating to planning, scoping, and implementation of the strategic review of the Group’s Northern Ireland and UK operations;
- reduction in employee numbers of €10 million (H120: €10 million) in respect of additional accepted applications under the Group's voluntary redundancy scheme;
- programme management costs of €4 million (H120: €16 million); and
- other costs were €nil (H120: €1 million)

Gross-up for policyholder tax in the Wealth and Insurance business
IFRS requires that the income statement be grossed up for the total tax payable by Wealth and Insurance, comprising both policyholder and shareholder tax. The tax gross-up relating to policyholder tax is included in non-core items. In H121 €15 million income was recognised compared to a €4 million charge in H120 due to higher investment returns.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

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

Investment return on Treasury shares held for policyholders

Under International Financial Reporting Standards (IFRS), 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 H121, there was a loss of €6 million (H120: €17 million gain).

The period on period movement reflects a change in valuation during the period. At 30 June 2021, there were 3.6 million shares (31 December 2020 5.1 million shares) held for the benefit of policyholders.

Customer redress charges

The Group has set aside a further €4 million (30 June 2020: €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. In addition, a further €1 million was provided in respect of other customer redress (H120: €nil).

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 H121, the Group recognised a net gain of €5 million of which €11 million represented operating income and €6 million represented operating expense of the underlying businesses (H120: €5 million net loss of which €19 million was operating income and €24 million was operating expenses).

The income and costs associated with the following portfolios are recognised as non-core in H121:

- sale of UK Post Office ATM business to which is due to commence in 2021 and is expected to be completed by early 2022;
- residual income and costs relating to the UK credit card portfolio which was sold in 2019 and migrated to the purchaser in October 2020; and
- Irish non-branch ATM business which has been held for sale since 2020.

Gain on liquidation of business activities

The Group recognised €1 million gain in H121 relating to the recycling of cumulative unrealised foreign exchange (FX) gains and losses through the income statement following the liquidation of foreign denominated subsidiaries (H120: €6 million). These gains were previously held in the FX reserve. In H120, the Group recognised a net gain of €3 million on the release of a provision related to the sale of the UK credit card portfolio.

Impairment of internally generated computer software

There was no impairment recognised on internally generated computer software in H121 (H120: €136 million as set out on page 5 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020).

Summary consolidated balance sheet *(incorporating capital)*

Summary consolidated balance sheet	30 June 2021 €bn	31 December 2020 €bn
Assets (after impairment loss allowances)		
Loans and advances to customers[1]	77	77
Liquid assets	46	31
Wealth and Insurance assets	22	20
Other assets	5	6
Total assets	**150**	**134**
Liabilities		
Customer deposits	91	89
Wealth and Insurance liabilities	22	20
Wholesale funding	20	9
Other liabilities	5	6
Subordinated liabilities	2	1
Total liabilities	**140**	**125**
Stockholders' equity	9	8
Other equity instruments	1	1
Total liabilities and stockholders' equity	**150**	**134**
Credit-impaired loans and advances to customers	4.3	4.5
Non-performing exposures	4.4	4.5
Non-performing exposures ratio	5.5%	5.7%
Liquidity Coverage Ratio[2]	177%	153%
Net Stable Funding Ratio[3]	138%	138%
Loan to Deposit Ratio	85%	86%

In H121, the Group's **loans and advances to customers (after impairment loss allowances)** of €77.2 billion are €0.6 billion higher than 31 December 2020. On a constant currency basis and excluding planned UK deleveraging (H121: €1.0 billion) and the successful NPE transaction (H121: €0.3 billion), the loan book grew by €0.3 billion in H121.

The Group's portfolio of **liquid assets** at 30 June 2021 of €45.5 billion has increased by €14.8 billion since 31 December 2020 primarily due to increased cash and balances at central banks, arising from TLTRO III borrowings of €10.8 billion and an increase in customer deposits.

The Group's **asset quality** is broadly in line with 31 December 2020. Although COVID-19 restrictions remained in place longer than expected, there was limited evidence to date of adverse impacts on non-performing exposures (NPEs). NPEs reduced by €0.1 billion to €4.4 billion, this represented 5.5% of gross loans at 30 June 2021. In June 2021, the Group completed the securitisation of a pool of €0.3 billion non-performing residential mortgages, with an associated €11 million impairment gain. For further information see note 17.

At 30 June 2021, overall Group **customer deposit** volumes of €90.7 billion are €2.0 billion higher than at 31 December 2020 primarily due to growth in Retail Ireland of €3.4 billion driven by higher household and SME volumes, offset by a decrease in Retail UK and Corporate and Markets[4] volumes.

Wholesale funding balances of €20.5 billion are €11.1 billion higher than 31 December 2020 primarily due to TLTRO III borrowings of €10.8 billion, increased Bank of England (BoE) Term Funding Scheme with additional incentives for SMEs (TFSME) borrowings of €1.0 billion, senior debt issued €0.8 billion, partially offset by an ACS maturity of €0.8 billion. Total Monetary Authority borrowings at 30 June 2021 are €13.8 billion (31 December 2020: €1.9 billion).

The net pension position is a surplus of €0.2 billion at 30 June 2021 (31 December 2020: €0.1 billion net deficit) driven by a decrease in liabilities due to positive assumption changes in H121.

The Group's fully loaded Common equity tier 1 (CET1) ratio increased by c.70 basis points during H121 to 14.1% and the regulatory CET1 ratio (net of CRD phasing) increased by c.40 basis points over the period to 15.3%. The fully loaded ratio increase of c.70 basis points is primarily due to **organic capital generation** (c.90 basis points), disposal of a RoI Mortgage NPE portfolio (c.15 basis points) and other net movements, including in the Group's defined benefit pension schemes (c.20 basis points) offset by risk weighted assets (RWA) growth (c.-25 basis points) and investment in the Group's transformation programmes (c.-30 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 95.

[1] *Includes €0.4 billion of loans and advances to customers at 30 June 2021 (31 December 2020: €0.4 billion) that are measured at fair value through profit or loss and are 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) for 30 June 2021 is prepared on a regulatory group basis, in accordance with the EU Capital Requirement Regulations and Directive , as amended, which require the maintenance of a NSFR ratio greater than or equal to 100%, effective June 2021. Comparative NSFR, for 31 December 2020 is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document. For further information, see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.*

[4] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

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

Capital

CRD IV - 31 December 2020			CRD IV - 30 June 2021[1]	
Regulatory %	Fully loaded %		Regulatory %	Fully loaded %
		Capital ratios		
14.9%	13.4%	Common equity tier 1	15.3%	14.1%
16.9%	15.4%	Tier 1	17.3%	16.1%
19.2%	18.0%	Total capital	20.5%	19.6%
7.1%	6.4%	Leverage ratio	6.5%	6.0%

Fully loaded ratio[1]

The Group's fully loaded CET1 ratio is 14.1% at 30 June 2021 (31 December 2020: 13.4%).

Leverage ratio[1]

The leverage ratio at 30 June 2021 is 6.5% on a Capital Requirements Directive (CRD) IV regulatory basis (31 December 2020: 7.1%) and 6.0% on a proforma fully loaded basis (31 December 2020: 6.4%).

[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 2020, available on the Group's website.*

Divisional review
Income statement - operating segments

6 months ended 30 June 2021	Net interest income / (expense) €m	Net insurance premium income €m	Other income / (expense) €m	Total operating income / (expense) €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Total operating expenses €m	Operating profit / (loss) before net impairment losses on financial instruments €m	Net impairment (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Divisional underlying contribution[1]												
Retail Ireland	451	-	102	553	-	553	(333)	220	(47)	7	-	180
Wealth and Insurance	(3)	847	656	1,500	(1,377)	123	(69)	54	-	-	-	54
Retail UK	309	-	(1)	308	-	308	(140)	168	(3)	(6)	-	159
Corporate and Markets[2]	325	-	103	428	-	428	(87)	341	55	-	-	396
Group Centre	(2)	(1)	2	(1)	(2)	(3)	(305)	(308)	(6)	-	-	(314)
Other reconciling items	-	-	(11)	(11)	-	(11)	1	(10)	-	-	-	(10)
BOIG Group plc - underlying[1]	**1,080**	**846**	**851**	**2,777**	**(1,379)**	**1,398**	**(933)**	**465**	**(1)**	**1**	**-**	**465**
Less:												
Attributable to BOIG plc	(1)		-	(1)		(1)	1	-		-		-
Group underlying[1]	**1,079**	**846**	**851**	**2,776**	**(1,379)**	**1,397**	**(932)**	**465**	**(1)**	**1**	**-**	**465**
Total non-core items												
Cost of restructuring programme	-	-	-	-	-	-	(69)	(69)	-	-	-	(69)
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	15	15	-	15	-	15	-	-	-	15
Investment return on treasury shares held for policyholders	-	-	(6)	(6)	-	(6)	-	(6)	-	-	-	(6)
Customer redress charges	-	-	-	-	-	-	(5)	(5)	-	-	-	(5)
Portfolio divestments	-	-	11	11	-	11	(6)	5	-	-	-	5
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	1	1
Impairment of internally generated computer software	-	-	-	-	-	-	-	-	-	-	-	-
Group total profit before tax	**1,079**	**846**	**871**	**2,796**	**(1,379)**	**1,417**	**(1,012)**	**405**	**(1)**	**1**	**1**	**406**

[1] *Underlying performance excludes the impact of non-core items (see page 4).*
[2] *Formerly Corporate and Treasury, renamed Corporate and Markets,*

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

Restated[1] **6 months ended 30 June 2020**	**Net interest income / (expense) €m**	**Net insurance premium income €m**	**Other income / (expense) €m**	**Total operating income / (expense) €m**	**Insurance contract liabilities and claims paid €m**	**Total operating income net of insurance claims €m**	**Total operating expenses €m**	**Operating profit / (loss) before net impairment losses on financial instruments €m**	**Net impairment (losses) / gains on financial instruments €m**	**Share of results of associates and joint ventures (after tax) €m**	**Gain on disposal / liquidation of business activities and property €m**	**Profit / (loss) before taxation €m**
Divisional underlying contribution												
Retail Ireland	485	-	100	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 Markets[2]	307	-	48	355	-	355	(96)	259	(385)	-	-	(126)
Group Centre	3	(1)	(8)	(6)	(3)	(9)	(261)	(270)	(1)	-	-	(271)
Other reconciling items	(2)	-	12	10	-	10	-	10	-	-	-	10
BOIG Group plc - underlying[3]	**1,063**	**763**	**(368)**	**1,458**	**(236)**	**1,222**	**(951)**	**271**	**(937)**	**(3)**	**-**	**(669)**
Less:												
Attributable to BOIG plc	(7)	-	-	(7)	-	(7)	1	(6)	-	-	-	(6)
Group underlying[3]	**1,056**	**763**	**(368)**	**1,451**	**(236)**	**1,215**	**(950)**	**265**	**(937)**	**(3)**	**-**	**(675)**
Total non-core items												
Cost of restructuring programme	-	-	-	-	-	-	(27)	(27)	-	-	-	(27)
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	(4)	(4)	-	(4)	-	(4)	-	-	-	(4)
Investment return on treasury shares held for policyholders	-	-	17	17	-	17	-	17	-	-	-	17
Customer redress charges	(1)	-	-	(1)	-	(1)	(6)	(7)	-	-	-	(7)
Portfolio divestments	-	-	19	19	-	19	(24)	(5)	-	-	-	(5)
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	9	9
Impairment of internally generated computer software	-	-	-	-	-	-	(136)	(136)	-	-	-	(136)
Group total loss before tax	**1,055**	**763**	**(336)**	**1,482**	**(236)**	**1,246**	**(1,143)**	**103**	**(937)**	**(3)**	**9**	**(828)**

1 *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 35 for further information.*
2 *Formerly Corporate and Treasury, renamed Corporate and Markets.*
3 *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 2021 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 operating environment for European banks, including in Ireland, is clearly dynamic and changing and potential impacts on the Group's risk profile continue to be monitored.

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. macroeconomic conditions and geopolitical uncertainties, including tensions associated with global trade negotiations and taxation developments both domestically and internationally;
ii. business model appropriateness in our core markets of RoI and UK and the changing competitive landscape;
iii. the Group's multi-year transformation agenda;
iv. people risks which are impacted by transformation and also increased competition for talent in Ireland for certain capabilities, skills and experience, where the continuing impact of remuneration restrictions on the Group is a factor. In the short term, People risk is also influenced by changes to colleague wellbeing and capacity as a result of factors such as COVID-19 and the implementation of proposed acquisition opportunities;
v. evolving banking models with enhanced digital propositions and rapidly changing consumer and business behaviours;
vi. key benchmark interest rate reform;
vii. climate risks with emerging regulatory frameworks;
viii. the impact of COVID-19; and
ix. Brexit and risks arising from future changes in the 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 model and systems, which presents challenges and risks, and significant customer considerations. Failure to transform successfully, or responding to the other risks above, 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. Ongoing economic uncertainty driven by COVID-19 continues to impact customers and different sectors are likely to recover at differing scales and speeds.

Conduct risk is the risk that the Group and / or its staff conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes. It includes all Group customers and it also includes the risk the Group's wholesale market activities do not meet the necessary standards of integrity and the level of professionalism required or expected. Conduct risk arises from day-to-day execution of business processes, provision of sales and services, management of key stakeholder expectations and the various activities performed by staff, contractors and third party suppliers.

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 and from certain other financial transactions such as those entered into by the Group with financial institutions, sovereigns and state institutions.

The deterioration in economic conditions due to COVID-19 has resulted in an elevated level of credit risk. The Group has enhanced management of credit risk associated with customers affected by the economic impacts of the pandemic and has dedicated structures in place focused on the management of customers in financial difficulty, including those who require short and long term support measures due to COVID-19.

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 COVID-19 events given the extent, duration and intensity of the pandemic which could result in a sudden withdrawal of deposits or the potential changes in customer behaviour. Funding Risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities. The Group funds an element of its sterling balance sheet in part from euro (via cross currency derivatives), which creates an exposure to the cost of this hedging.

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. Whilst there has been some increase in mortality and morbidity claims in 2021, 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 risk.

Principal risks and uncertainties *(continued)*

Market risk is the risk of loss rising from movements in interest rates, FX 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. Additionally, market risk arises through the conduct of customer business, particularly in respect to fixed-rate lending and the execution of derivatives and foreign exchange business. The market risk profile of the Group may, in addition to the above risks which arise in the usual course of a business cycle, also be impacted by market volatility as experienced 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 is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises as a direct or indirect consequence of the Group's normal business activities through the day-to-day execution of business processes, the functioning of its technologies and in the various activities performed by its staff, contractors and third party suppliers. This also includes the risks associated with major change and the failure to deliver on the Group's multi-year transformation agenda. It also arises from 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.

The worldwide pandemic caused by COVID-19 is an example of external events, not caused by the actions of the Group, to which the Group must respond and manage. The risk of such external events, which includes natural disasters, civil unrest, etc., present potential significant disruption and are therefore considered material. The pandemic has caused significant changes for our customers and corresponding operational changes for the Group, including the deployment of interventions to mitigate model risk. The potential for increased operational risk arising from 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 on the Group's capital position, particularly the Group's CET1 capital ratio, which amongst other things, could impact on the Group's dividend capacity.

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. 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.

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 risk arises as a direct or indirect consequence of the Group's operations and business activities. 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 and internal 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 risk weighted assets (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 10 to 20 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

Statement of Directors' responsibilities
for the six months ended 30 June 2021

The Directors are responsible for preparing the interim financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended ('Transparency Regulations'), and the Central Bank (Investment Market Conduct) Rules.

In preparing the condensed set of financial statements included within the interim financial report, the Directors are required to:
- prepare and present the condensed set of financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Regulations and the Central Bank (Investment Market Conduct) Rules;
- ensure the condensed set of financial statements has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine are necessary to enable the preparation of the condensed set of financial statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

1. the condensed set of consolidated financial statements included within the interim financial report of The Governor and Company of the Bank of Ireland for the six months ended 30 June 2021 (the 'interim financial information') which comprises 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, have been presented and prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, the Transparency Regulations and the Central Bank (Investment Market Conduct) Rules.

2. The interim financial information presented, as required by the Transparency Regulations, includes:
   a. an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of consolidated financial statements;
   b. a description of the principal risks and uncertainties for the remaining six months of the financial year;
   c. related parties' transactions that have taken place in the first 6 months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and
   d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

Signed on behalf of the Court by
2 August 2021

Patrick Kennedy	***Richard Goulding***	***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), Richard Goulding (Deputy Governor), Giles Andrews, Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Michele Greene, Fiona Muldoon, 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 2021 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 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 financial report for the six months ended 30 June 2021 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, as amended ('Transparency Regulations') and the Central Bank (Investment Market Conduct) Rules.

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 Transparency Regulations and the Central Bank (Investment Market Conduct) Rules. 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 EU. The Directors are responsible for ensuring that the condensed set of consolidated financial statements included in this interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

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 Financial Reporting Council'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 Transparency Regulations and the Central Bank (Investment Market Conduct) Rules. 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

2 August 2021

Consolidated interim financial statements and notes *(unaudited)*

Consolidated condensed income statement
(for the six months ended 30 June 2021) (unaudited)

	Note	6 months ended 30 June 2021 €m	*Restated*[1] 6 months ended 30 June 2020 €m
Interest income calculated using the effective interest method	4	1,151	1,203
Other interest income	4	198	194
Interest income		**1,349**	**1,397**
Interest expense	5	(270)	(342)
Net interest income		**1,079**	**1,055**
Net insurance premium income	6	846	763
Fee and commission income	7	217	217
Fee and commission expense	7	(90)	(85)
Net trading income / (expense)	8	61	(20)
Life assurance investment income, gains and losses	9	614	(470)
Other leasing income	10	32	31
Other leasing expense	10	(25)	(26)
Other operating income	11	62	17
Total operating income		**2,796**	**1,482**
Insurance contract liabilities and claims paid	12	(1,379)	(236)
Total operating income, net of insurance claims		**1,417**	**1,246**
Total operating expenses		(943)	(1,116)
- Other operating expenses	*13*	*(943)*	*(971)*
- Impairment of intangible assets	*20*	*-*	*(136)*
- Impairment of goodwill	*20*	*-*	*(9)*
Cost of restructuring programme	14	(69)	(27)
Operating profit before impairment losses on financial instruments		**405**	**103**
Net impairment losses on financial instruments	15	(1)	(937)
Operating profit / (loss)		**404**	**(834)**
Share of results of associates and joint ventures (after tax)		1	(3)
Gain on liquidation of business activities		1	9
Profit / (loss) before tax		**406**	**(828)**
Taxation (charge) / credit	16	(65)	98
Profit / (loss) for the period		**341**	**(730)**
Attributable to stockholders		341	(730)
Attributable to non-controlling interests		-	-
Profit / (loss) for the period		**341**	**(730)**

[1] *Comparative figures have been restated to reflect (i) the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments (see note 35) and (ii) the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (see notes 1 and 35).*

Consolidated condensed statement of comprehensive income

(for the six months ended 30 June 2021) (unaudited)

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Profit / (loss) for the period	**341**	**(730)**
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	(29)	(41)
- Cash flow hedge reserve, net of tax	(4)	11
- Foreign exchange reserve	113	(169)
Total items that may be reclassified to profit or loss in subsequent periods	**80**	**(199)**
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	285	562
- Net change in liability credit reserve	(5)	15
Total items that will not be reclassified to profit or loss in subsequent periods	**280**	**577**
Other comprehensive income for the period, net of tax	**360**	**378**
Total comprehensive income for the period, net of tax	**701**	**(352)**
Total comprehensive income attributable to equity stockholders	701	(352)
Total comprehensive income attributable to non-controlling interests	-	-
Total comprehensive income for the period, net of tax	**701**	**(352)**

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

Consolidated condensed balance sheet
(as at 30 June 2021) (unaudited)

	Note	30 June 2021 €m	31 December 2020 €m
Assets			
Cash and balances at central banks		25,070	10,953
Items in the course of collection from other banks		169	166
Trading securities		52	-
Derivative financial instruments		1,631	2,217
Other financial assets at fair value through profit or loss		18,701	17,417
Loans and advances to banks		2,802	2,453
Debt securities at amortised cost		6,260	6,266
Financial assets at fair value through other comprehensive income		11,292	10,942
Assets classified as held for sale		4	5
Loans and advances to customers	17	77,216	76,581
Interest in associates		50	54
Interest in joint ventures		51	54
Intangible assets and goodwill	20	797	751
Investment properties		827	843
Property, plant and equipment		846	889
Current tax assets		30	42
Deferred tax assets	21	1,132	1,165
Other assets		2,634	2,826
Retirement benefit assets	28	391	162
Total assets		**149,955**	**133,786**
Equity and liabilities			
Deposits from banks	22	13,218	2,388
Customer accounts	23	90,685	88,718
Items in the course of transmission to other banks		427	216
Derivative financial instruments		2,079	2,257
Debt securities in issue	24	7,267	6,972
Liabilities to customers under investment contracts		6,325	5,892
Insurance contract liabilities		14,314	13,479
Other liabilities		3,008	2,271
Lease liabilities		474	498
Current tax liabilities		36	10
Provisions	25	224	268
Loss allowance provision on loan commitments and financial guarantees	27	83	99
Deferred tax liabilities		78	64
Retirement benefit obligations	28	182	288
Subordinated liabilities	29	1,963	1,436
Total liabilities		**140,363**	**124,856**
Equity			
Capital stock		1,625	1,625
Stock premium account		571	571
Retained earnings		5,609	5,057
Other reserves		810	700
Stockholders' equity		**8,615**	**7,953**
Other equity instruments - Additional Tier 1		975	975
Total equity excluding non-controlling interests		**9,590**	**8,928**
Non-controlling interests		2	2
Total equity		**9,592**	**8,930**
Total equity and liabilities		**149,955**	**133,786**

Consolidated condensed statement of changes in equity

(for the six months ended 30 June 2021) (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 2021	**1,625**	**571**	**5,057**	**163**	**(26)**	**(1)**	**(877)**	**1,414**	**27**	**7,953**	**975**	**2**	**8,930**
Profit for the period	-	-	341	-	-	-	-	-	-	341	-	-	341
Other comprehensive income	-	-	285	(29)	(4)	(5)	113	-	-	360	-	-	360
Total comprehensive income for the period	**-**	**-**	**626**	**(29)**	**(4)**	**(5)**	**113**	**-**	**-**	**701**	**-**	**-**	**701**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- Redemption of AT1 securities	-	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the period, net of expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
- Distribution on other equity instruments - AT1 coupon	-	-	(35)	-	-	-	-	-	-	(35)	-	-	(35)
- Dividends on preference equity instruments paid in cash	-	-	(4)	-	-	-	-	-	-	(4)	-	-	(4)
Total transactions with owners	**-**	**-**	**(39)**	**-**	**-**	**-**	**-**	**-**	**-**	**(39)**	**-**	**-**	**(39)**
Transfer from retained earnings to capital reserve	-	-	(35)	-	-	-	-	35	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2021	**1,625**	**571**	**5,609**	**134**	**(30)**	**(6)**	**(764)**	**1,449**	**27**	**8,615**	**975**	**2**	**9,592**

Consolidated condensed statement of changes in equity *(continued)*
(for the six months ended 30 June 2020) (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 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	-	-	(10)	-	-	-	-	-	-	(10)	(740)	-	(750)
- AT1 securities issued during the period, net of expenses	-	-	-	-	-	-	-	-	-	-	675	-	675
- Distribution on other equity instruments - AT1 coupon	-	-	(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)	-	-	-	-	-
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 year ended 31 December 2020) (audited)

	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
Balance at 1 January 2020	**1,625**	**571**	**5,915**	**158**	**(14)**	**(3)**	**(703)**	**1,428**	**34**	**9,011**	**740**	**2**	**9,753**
Loss for the year	-	-	(721)	-	-	-	-	-	-	(721)	-	-	(721)
Other comprehensive income for the year	-	-	(80)	5	(12)	2	(174)	-	(7)	(266)	-	-	(266)
Total comprehensive income for the year	**-**	**-**	**(801)**	**5**	**(12)**	**2**	**(174)**	**-**	**(7)**	**(987)**	**-**	**-**	**(987)**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- AT1 securities issued during the period, net of expenses	-	-	-	-	-	-	-	-	-	-	975	-	975
- Redemption of AT1 securities	-	-	(10)	-	-	-	-	-	-	(10)	(740)	-	(750)
- Distribution on other equity instruments - Additional tier 1 coupon	-	-	(54)	-	-	-	-	-	-	(54)	-	-	(54)
- Dividends on preference equity interests paid in cash	-	-	(7)	-	-	-	-	-	-	(7)	-	-	(7)
Total transactions with owners	**-**	**-**	**(71)**	**-**	**-**	**-**	**-**	**-**	**-**	**(71)**	**235**	**-**	**164**
Transfer from capital reserve to retained earnings	-	-	14	-	-	-	-	(14)	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	**1,625**	**571**	**5,057**	**163**	**(26)**	**(1)**	**(877)**	**1,414**	**27**	**7,953**	**975**	**2**	**8,930**

Consolidated condensed cash flow statement

(for the six months ended 30 June 2021) (unaudited)

	Note	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Cash flows from operating activities			
Profit / (loss) before tax		406	(828)
Share of results of associates and joint ventures		(1)	3
Gain on disposal / liquidation of business activities		(1)	(9)
Impairment of intangible assets and goodwill		-	145
Depreciation and amortisation	10,13	126	145
Net impairment losses on financial instruments, excluding cash recoveries	15	15	959
Impairment of property, plant and equipment	14	23	-
Reversal of impairment on property	14	(2)	-
Revaluation of investment property		21	40
Interest expense on subordinated liabilities		39	39
Interest expense on lease liabilities		6	7
Charge for pension and similar obligations		52	47
Net change in accruals and interest payable		(18)	(40)
Net change in prepayments and interest receivable		43	43
Charge for provisions	25	41	18
Net change in operating expenses accrued		65	37
Non-cash and other items		42	22
Cash flows from operating activities before changes in operating assets and liabilities		**857**	**628**
Net change in items in the course of collection from other banks		208	215
Net change in trading securities		(52)	(29)
Net change in derivative financial instruments		629	(649)
Net change in other financial assets at fair value through profit or loss		(1,284)	847
Net change in loans and advances to banks		(22)	(1,168)
Net change in loans and advances to customers		697	(215)
Net change in other assets		158	(75)
Net change in deposits from banks		10,729	(38)
Net change in customer accounts		1,017	4,107
Net change in debt securities in issue		275	(661)
Net change in liabilities to customers under investment contracts		433	(436)
Net change in insurance contract liabilities		835	(222)
Net change in other operating liabilities		467	(228)
Net cash flow from operating assets and liabilities		**14,090**	**1,448**
Net cash flow from operating activities before tax		**14,947**	**2,076**
Tax paid		(11)	(13)
Net cash flow from operating activities		**14,936**	**2,063**
Investing activities (section a below)		(737)	(1,683)
Financing activities (section b below)		418	(991)
Effect of exchange translation and other adjustments		(174)	198
Net change in cash and cash equivalents		**14,443**	**(413)**
Opening cash and cash equivalents		13,265	11,326
Closing cash and cash equivalents		**27,708**	**10,913**

Consolidated condensed cash flow statement *(continued)*
(for the six months ended 30 June 2021) (unaudited)

	Note	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
(a) Investing activities			
Additions to financial assets at FVOCI		(1,339)	(1,858)
Disposals / redemptions of financial assets at FVOCI		793	1,108
Additions to debt securities at amortised cost		(215)	(859)
Disposals / redemptions of debt securities at amortised cost		152	60
Additions to property, plant and equipment, intangible assets and investment property		(152)	(143)
Disposal of property, plant and equipment, intangible assets and investment property		13	9
Net change in interest in associates		11	-
Cash flows from investing activities		**(737)**	**(1,683)**
(b) Financing activities			
Net proceeds from the issue of subordinated liabilities	29	500	-
Repayment of subordinated liabilities		-	(208)
Partial remittance of dividend payable to Parent		-	(600)
Interest paid on subordinated liabilities		(14)	(36)
Interest paid on lease liability		(6)	(7)
Payment of lease liability		(23)	(33)
Distribution paid on other equity instruments - AT1 coupon		(35)	(28)
Dividend paid on other preference equity interests		(4)	(4)
Net proceeds from the issue of other equity instruments		-	675
Redemption of AT1 securities		-	(750)
Cash flows from financing activities		**418**	**(991)**

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 2021 (H121) 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 2020, 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 2020 were approved by the Court of Directors on 26 February 2021, 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 28 May 2021.

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 93.

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 H121 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 economic outlook in the Group's core markets, and the ongoing challenges and continued impact of Covid-19. 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 87 to 102 of The Governor and Company of the Bank of Ireland's Annual for the year ended 31 December 2020, except for the application of amendments to standards, as set out below as of 1 January 2021.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)

The Interest Rate Benchmark Reform - Phase 2 amendments deal with issues affecting financial reporting during the implementation of the benchmark rate (BMR) reform. The amendments provide practical expedients related to accounting for changes in the basis for determining contractual cash flows of financial instruments and lease contracts, arising as a direct consequence of the BMR reform. The amendments also provide additional temporary exceptions from applying specific hedge accounting requirements of IAS 39 and IFRS 9 to hedge accounting relationships, which will generally allow hedging accounting relationships directly affected by the BMR reform to continue.

The key amendments adopted by the Group are as follows:

Changes in the basis for determining contractual cashflows

On transition to an alternative BMR, changes in the basis of determining the contractual cash flows of a financial instrument are treated in the same way as changes to market rates for a floating rate instrument by updating the effective interest rate, without the recognition of a modification gain or loss. This practical expedient is only applied where:

- the change to the contractual cash flows is necessary as a direct consequence of the BMR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Where additional changes to the basis for determining the contractual cash flows of a financial instrument are made at the same time as changes required by the BMR reform, the Group first applies the practical expedient noted above to the changes arising as a direct consequence of the BMR reform, and then applies its existing policy to account for the additional modifications.

Hedge accounting changes

The Group may apply the following reliefs where changes are made to hedge relationships as a result of the BMR reform:

- amending the formal hedge designations and documentation to reflect one or more of specified changes required by the BMR reform, without discontinuing those hedge accounting relationships;

1 Group accounting policies

- when performing retrospective hedge effectiveness assessment for hedge accounting relationships where hedge designations are amended as a direct result of the BMR reform, electing on the amendment date to reset the cumulative fair value changes of the hedging instrument and the hedged item to zero;
- when the description of the hedged item is amended to reference the alternative BMR, the amount accumulated in the cash flow hedge reserve in equity is deemed to be based on the alternative BMR on which the hedged future cash flows are determined; and
- when designating an alternative BMR as a non-contractually specified risk component, an alternative BMR that is not separately identifiable is deemed to have met that requirement at the date of designation only if it is reasonably expected that the alternative BMR will be separately identifiable within a period of 24 months from the date the alternative BMR is designated as a risk component.

These amendments do not have a significant impact on the Group during H121. See note 34 for further information.

Voluntary change in accounting policy on the presentation of interest income and expense on derivatives designated as hedging instruments

The Group has voluntarily changed its accounting policy for the presentation of interest income and expense on derivatives designated as hedges of financial assets and liabilities.

In prior periods, interest on the hedging derivatives was presented on the same line as the interest income or expense on the hedged item. Interest on the hedging derivatives was presented as interest income where the hedged item was an asset, and as interest expense where the hedged item was a liability.

To provide reliable and more relevant information on the impact of hedge accounting on the Group's performance, the Group has adopted an amended accounting policy in 2021, such that:

- Interest income or expense on derivatives designated as hedging instruments continues to be presented in net interest income, in line with the underlying hedged asset or liability.
- For macro fair value hedges of financial liabilities and macro fair value hedges and cash flow hedges of financial assets, the Group aggregates the interest income or expense on the assets or liabilities with the interest income or expense on the related derivatives designated as hedging instruments. Where the resulting total is an expense, the amount is presented as interest expense on the assets or liabilities. Where the resulting total is income, it is presented as interest income on the assets or liabilities.
- For micro fair value hedges of financial assets or liabilities, the Group aggregates, for each hedged asset or liability separately, the interest income or expense on the asset or liability with the interest income or expense on the related derivative or derivatives designated as hedging instruments. Where the resulting total for an asset or liability is an expense, the amount is presented as interest expense on the asset or liability. Where the resulting total is income, it is presented as interest income on the asset or liability.

The Group believes this revised accounting policy provides reliable and more relevant information on the Group's interest income and expense, and in particular the impact of hedge accounting.

This change in accounting policy has been accounted for retrospectively as required under IAS 8, and the comparative period has been restated to reflect this change. The effect of this change is explained further in notes 4, 5 and 35.

Impact of new accounting standards not yet effective

Information about the impact of new accounting standards that are not effective for the current reporting period are set out on pages 101 and 102 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

The Group's IFRS 17 implementation programme has focused on interpreting the requirements of the standard and developing systems and data requirements to enable IFRS 17 readiness. Development of methodologies and accounting policies is well progressed, supported by appropriate external advisors. The work required to scope and assess changes required to the reporting data, administration and other systems is broadly complete and the build phase of the development is underway.

The Group is not yet in a position to reasonably estimate the impact of IFRS 17 on the Group's financial statements.

The effective date is for financial periods beginning on or after 1 January 2023, with early application permitted.

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 2020, as set out on pages 102 to 112 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

(a) Impairment loss allowance on financial assets

The Group's credit risk methodologies are set out on pages 201 to 207 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

Changes in estimates

Forward looking information

Forward looking information (FLI) refers to probability weighted future macroeconomic scenarios approved semi-

2 Critical accounting estimates and judgements *(continued)*

annually by the Executive Risk Committee (formerly the Group Risk Policy Committee) and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 30 June 2021, comprising of a central scenario, an upside scenario, and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for years beyond the forecast period for property forecasts. 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 206 and 207 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

The central FLI scenario for the period ending 30 June 2021 is based on internal and external information and management judgement and follows the same process as used in prior periods.

In the reporting periods pre COVID-19, the upside and downside scenarios were generated using a simulation model that used 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, statistical techniques are less reliable and the Group employed an amended approach for the selection of the upside and downside FLI scenarios since H120.

In order to incorporate available reasonable and supportable information and apply meaningful upside and downside FLI scenarios, three narrative driven alternative scenarios comprising one upside and two downside scenarios have been constructed.

The existing FLI methodology was leveraged to assign probability weightings to the narrative driven scenarios, combined with senior management expert judgement. The FLI methodology is a simulation tool that uses recent actual observed values and historical data to produce a number of possible paths for the relevant economic variables based on their historical relationships and volatilities. The FLI model is used for scenario generation for a defined probability weighting and for assessing probability weights for a given scenario.

The narrative-driven scenarios were assessed relative to the simulated distribution. The model derived probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The final weightings were also informed by other qualitative factors and expert judgment.

The table below shows the mean average forecast values for the key macroeconomic variables under each scenario for the forecast period 2021 to 2025, together with the scenario weightings for both the RoI and the UK.

	Republic of Ireland				United Kingdom			
			Downside				Downside	
	Central scenario	Upside scenario	Scenario 1	Scenario 2	Central scenario	Upside scenario	Scenario 1	Scenario 2
Scenario probability weighting	45%	20%	25%	10%	45%	20%	25%	10%
GDP Growth[1]	3.7%	4.4%	3.0%	2.0%	3.3%	3.9%	2.6%	1.6%
GNP Growth[1]	3.7%	4.4%	3.0%	2.0%	n/a	n/a	n/a	n/a
Unemployment rate[2]	6.5%	5.3%	8.2%	10.1%	5.0%	4.2%	6.3%	8.1%
Residential property price growth[3]	1.8%	2.6%	(0.6%)	(2.6%)	2.0%	3.2%	(0.6%)	(4.4%)
Commercial property price growth[3]	(0.3%)	1.1%	(1.4%)	(4.5%)	0.1%	1.4%	(1.4%)	(4.6%)

[1] *Gross Domestic Product (GDP) and Gross National Product (GNP) - annual growth rate.*
[2] *Average yearly rate - the unemployment metric for RoI has been changed for 2021. In 2020, the unemployment rate used was inclusive of individuals on the Pandemic Unemployment Payment scheme (PUP). To take account of other government labour market interventions and to align with pre COVID-19 reporting periods, the International Labour Organisation (ILO) unemployment measure for RoI has been adopted for 2021.*
[3] *Year-end figures.*

2 Critical accounting estimates and judgements *(continued)*

The tables below sets out the forecast values for 2021 and 2022 and the average forecast values for the period 2023 to 2025 for the key macroeconomic variables which underpin the above mean average values.

	Republic of Ireland			United Kingdom		
30 June 2021	**2021**	**2022**	**2023-2025**	**2021**	**2022**	**2023-2025**
Central scenario - 45% weighting						
GDP Growth[1]	4.7%	4.9%	3.0%	5.4%	5.5%	1.8%
GNP Growth[1]	6.1%	4.7%	2.6%	n/a	n/a	n/a
Unemployment rate[2]	8.0%	7.4%	5.6%	5.6%	5.6%	4.6%
Residential property price growth[3]	3.0%	2.0%	1.3%	4.0%	1.0%	1.7%
Commercial property price growth[3]	(5.5%)	(0.5%)	1.5%	(4.0%)	0.0%	1.5%
Upside scenario - 20% weighting						
GDP Growth[1]	6.3%	5.9%	3.2%	7.5%	6.2%	1.9%
GNP Growth[1]	7.7%	5.7%	2.8%	n/a	n/a	n/a
Unemployment rate[2]	7.2%	5.8%	4.4%	5.0%	4.7%	3.8%
Residential property price growth[3]	5.0%	3.0%	1.7%	6.0%	3.0%	2.3%
Commercial property price growth[3]	(2.5%)	0.5%	2.5%	(1.5%)	1.0%	2.5%
Downside scenario 1 - 25% weighting						
GDP Growth[1]	3.2%	3.0%	2.9%	4.4%	3.6%	1.6%
GNP Growth[1]	4.6%	2.8%	2.5%	n/a	n/a	n/a
Unemployment rate[2]	8.8%	9.1%	7.7%	6.2%	7.0%	6.1%
Residential property price growth[3]	0.0%	(2.0%)	(0.3%)	1.0%	(3.0%)	(0.3%)
Commercial property price growth[3]	(7.0%)	(3.0%)	1.0%	(6.5%)	(3.0%)	0.8%
Downside scenario 2 - 10% weighting						
GDP Growth[1]	1.9%	0.8%	2.5%	2.8%	1.5%	1.2%
GNP Growth[1]	2.9%	0.6%	2.1%	n/a	n/a	n/a
Unemployment rate[2]	10.0%	11.0%	9.8%	7.3%	8.8%	8.2%
Residential property price growth[3]	(3.0%)	(5.0%)	(1.7%)	(4.0%)	(8.0%)	(3.3%)
Commercial property price growth[3]	(10.0%)	(8.5%)	(1.3%)	(8.5%)	(8.0%)	(2.2%)

The central, upside and downside scenarios are described below for the both the RoI and the UK:

Central scenario

The COVID-19 pandemic took a heavy toll on the Irish and UK economies in 2020. Though the resilience of Ireland's exporting pharma-chemicals and information, communications and technology sectors saw GDP increase last year, this masked an unprecedented contraction in many domestic sectors; while the UK experienced a record decline in GDP. COVID-19 containment measures weighed on both economies in the early months of 2021, as did some difficulties with new post-Brexit trading arrangements. While the terms of the EU-UK trade agreement reached late last year are less favourable than if the UK had remained a member of the EU, a no deal Brexit has been avoided and public health restrictions started to be eased during the spring as virus cases came down and vaccinations increased.

This scenario sees firms trading on the basis of the new EU-UK relationship and assumes that ongoing vaccination programmes allow for a further lifting of restrictions over the course of the summer, along the lines set out by the Irish and UK authorities in their respective roadmaps, and an unwinding of pandemic-related government supports later this year. GDP expands in 2021-2022 as both economies re-open and consumers and businesses resume spending and reduce savings. Growth continues, albeit at a more moderate pace, over the rest of the forecast horizon and the unemployment rate declines in both Ireland and the UK.

Upside scenario

Firms trade on the basis of the new EU-UK agreement but with vaccination programmes and the lifting of public health restrictions running a little ahead of schedule, which allows for a slightly earlier unwinding of pandemic-related government supports, and vaccines proving very effective against virus mutations, the upside scenario sees the Irish and UK economies benefitting from stronger consumer and business momentum and expanding robustly in 2021 and 2022. GDP growth continues over the remainder of the forecast horizon and unemployment in the two countries settles at a low rate.

1 *Gross Domestic Product (GDP) and Gross National Product (GNP) - annual growth rate.*
2 *Average yearly rate - the unemployment metric for RoI has been changed for 2021. In 2020, the unemployment rate used was inclusive of individuals on the Pandemic Unemployment Payment scheme (PUP). To take account of other government labour market interventions and to align with pre COVID-19 reporting periods, the International Labour Organisation (ILO) unemployment measure for RoI has been adopted for 2021.*
3 *Year-end figures.*

2 Critical accounting estimates and judgements *(continued)*

Downside scenario 1
This scenario also sees firms trading on the basis of the new EU-UK agreement and vaccination programmes progressing, but vaccines prove less effective against virus mutations, leading to a re-imposition of some public health restrictions in the second half of 2021 that persist throughout 2022. These serve to dampen the recovery in GDP this year and next, and while pandemic-related government supports are extended, cautious consumer behaviour and increasing business failures keep the unemployment rate high for longer.

Downside scenario 2
Downside 2 has the Irish and UK economies in recession in H221 amid an escalation of post-Brexit trade frictions and a re-imposition of public health measures as vaccines struggle to cope with virus mutations. Restrictions remain in place throughout 2022 and even though pandemic-related government supports are extended, rising public debt levels raise concerns about their sustainability. This adds to uncertainty and triggers a tightening of financing conditions which further dampen economic activity and property market sentiment, and along with heightened consumer caution and widespread business failures mean the unemployment rate stays elevated in both countries out the forecast horizon.

Property price growth, all scenarios
In the central scenario, following a strong rebound and positive outturn in 2020, continued pent up demand against constrained supply support further growth in residential property prices in Ireland and the UK in 2021 abating in 2022 but remaining marginally positive throughout the forecast period. Commercial property prices are expected to remain negative in 2021 following significant falls in 2020 primarily as a result of continued weakness in retail and emerging risk in office but stabilising in 2022 with modest recovery over the remainder of the forecast period.

In the downside scenarios, residential prices in 2021 and 2022 are incrementally more negatively impacted relative to the central scenario and this persists until 2024 in downside 1 and remains negative for the full period in downside 2. Downside 1 produces a trough point with average residential prices expected to reduce by between 3% and 4% in Ireland and the UK respectively whilst for downside 2 this is expected to be between 13% and 22% for Ireland and the UK respectively. Similarly, commercial prices see additional negativity in 2021 and 2022. In downside 2 this negativity persists until 2024 in Ireland and 2025 in the UK. Downside 1 produces a trough point with average commercial prices expected to reduce by between 10% and 9.5% for Ireland and the UK respectively and for downside 2 this is expected to be 23.5% for both markets.

In the upside residential prices are materially more positive relative to the central scenario in 2021 in both markets and remain marginally more positive over the full forecast period.

The quantum of impairment loss allowance is impacted by the application of four probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 30 June 2021, excluding post model Group management adjustments to impairment loss allowances, was increased by virtue of applying multiple scenarios rather than only a central scenario.

30 June 2021	**Additional impairment loss allowance**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
Impact of applying multiple scenarios rather than only central scenario	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**
Residential mortgages	2	6%	16	45%	11	3%	29	6%
- Retail Ireland	*-*	*(4%)*	*11*	*43%*	*8*	*3%*	*19*	*5%*
- Retail UK	*2*	*16%*	*5*	*49%*	*3*	*6%*	*10*	*11%*
Non-property SME and corporate	-	-	29	12%	1	-	30	4%
Property and construction	-	(6%)	13	18%	6	1%	19	4%
Consumer	3	4%	1	6%	-	-	4	2%
Total	**5**	**2%**	**59**	**16%**	**18**	**1%**	**82**	**4%**

2 Critical accounting estimates and judgements *(continued)*

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 2021 **Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios[1]**	**Multiple scenarios** **Impairment loss allowance €m**	**Central scenario** **Impairment loss allowance €m**	**Central scenario** **Impact %**	**Upside scenario** **Impairment loss allowance €m**	**Upside scenario** **Impact %**	**Downside scenario 1** **Impairment loss allowance €m**	**Downside scenario 1** **Impact %**	**Downside scenario 2** **Impairment loss allowance €m**	**Downside scenario 2** **Impact %**
Residential mortgages	461	(29)	(6%)	(55)	(12%)	118	26%	257	56%
- Retail Ireland	*370*	*(19)*	*(5%)*	*(37)*	*(10%)*	*58*	*16%*	*119*	*32%*
- Retail UK	*91*	*(10)*	*(11%)*	*(18)*	*(20%)*	*60*	*66%*	*138*	*152%*
Non property SME and corporate	735	(30)	(4%)	(102)	(14%)	65	9%	251	34%
Property and construction	541	(19)	(4%)	(51)	(9%)	32	6%	125	23%
Consumer	169	(4)	(2%)	(14)	(8%)	8	5%	29	17%
Total	**1,906**	**(82)**	**(4%)**	**(222)**	**(12%)**	**223**	**12%**	**662**	**35%**

The following table indicates the approximate extent to which impairment loss allowances for the residential mortgage portfolios, excluding post model Group management adjustments, would be higher or lower than the application of a central scenario if there was an immediate change in residential property prices. Although such changes would not be observed in isolation, as economic indicators tend to be correlated in a coherent scenario, this gives insight into the sensitivity of the Group's impairment loss allowance to a once-off change in residential property values.

30 June 2021 **Impact of an immediate change in residential property prices compared to a central scenario impairment loss allowances**	**Impairment loss allowance - central scenario €m**	**Residential property price reduction of 10%** **Impact €m**	**Residential property price reduction of 10%** **Impact %**	**Residential property price reduction of 5%** **Impact €m**	**Residential property price reduction of 5%** **Impact %**	**Residential property price increase of 5%** **Impact €m**	**Residential property price increase of 5%** **Impact %**	**Residential property price increase of 10%** **Impact €m**	**Residential property price increase of 10%** **Impact %**
Residential mortgages	432	44	10%	20	5%	(18)	(4%)	(33)	(8%)
- Retail Ireland	*351*	*30*	*9%*	*14*	*4%*	*(13)*	*(4%)*	*(24)*	*(7%)*
- Retail UK	*81*	*14*	*17%*	*6*	*7%*	*(5)*	*(6%)*	*(9)*	*(11%)*

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 30 June 2021 to Stage 2 would increase the Group's impairment loss allowance by c.€19 million excluding Group management adjustments.

Management Judgement in Impairment Measurement
Management judgement has been incorporated into the Group's impairment measurement process in H121. Management judgement can be described with reference to:
- management judgement in impairment model parameters; and
- post-model Group management adjustments to impairment loss allowance and staging classification.

Management judgement in impairment model parameters
The macroeconomic situation, which reflects the impact of COVID-19 and related governmental income supports, 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 2021 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 rate estimates, and residential mortgage prepayment rates). 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 PD estimates from impairment models were considered to be unreasonable when benchmarked against recently observed default rates and / or pre COVID-19 expectations, management judgement was utilised to select

[1] *The scenarios outlined in the table are based on the FLI weightings outlined on page 25.*

2 Critical accounting estimates and judgements *(continued)*

appropriate PDs for the central scenario, with the adjusted PDs selected on a consistent basis with the approach adopted for the year ending 31 December 2020. Corresponding PDs in the upside and downside scenarios were 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 losses (ECL) calculation was followed within the existing credit methodologies (which include the control framework).

The ECL model framework was also updated in the period to reflect changes to the Loss Given Default (LGD) component of the residential mortgages impairment models (as outlined on page 56 of the Credit risk exposures note) and other model factor updates to reflect recent observed information. The changes to the LGD component of the residential mortgages impairment models, results in an increase in impairment loss allowance of c.€185 million, noting that the €50 million Group management adjustment for stage 3 residential mortgages is no longer considered to be required (as outlined below).

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. At 30 June 2021, the Group's stock of impairment loss allowance of €2.1 billion includes a c.€229 million COVID-19 post-model Group management adjustment. Further details are outlined below.

COVID-19 Group management adjustment

At 30 June 2021, 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 in 2020 and early 2021 to all customers regardless of credit status.

While the vast majority of payment breaks have expired prior to the reporting date the Group's view is that modelled impairment losses at 30 June 2021 may not fully capture expected COVID-19 related credit losses as ongoing government supports in particular may be masking increased credit risk for certain cohorts of customers.

As a result, a total post-model management adjustment of c.€229 million was applied. €61 million of the total adjustment is related to RoI and UK residential mortgages, a further €127 million relates to the RoI and UK SME portfolios, €23 million is related to the Consumer portfolio and €18 million relates to property and construction. The total post model adjustment comprises a c.€5 million reduction in Stage 1 impairment loss allowance and a c.€234 million increase in Stage 2 impairment loss allowance. €225 million of the post model management adjustment is applied to loans and advances to customers, with the remaining €4 million applied to other financial instruments (i.e. off balance sheet commitments).

Individual assessments for corporate cases and relationship managed business banking cases, which received COVID-19 concessions have been completed. In addition, sector-level COVID-19 risk assessments for the business banking portfolios were completed informed by the prevalence of payment breaks, macro-prudential sector risk classifications, and management judgement. In line with the position at 31 December 2020, certain sectors (e.g. hospitality and entertainment) were identified to be highly impacted where the risk was not considered to be adequately captured in the modelled PD estimates. Furthermore, all customers who availed of a second payment break, or who exhibit other risk indicators (e.g. poor payment performance post expiry of a single payment break) were also identified as highly impacted.

Similarly the mortgage, consumer and asset finance portfolios were reviewed to identify highly impacted customers, 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. The vulnerability assessments were informed by data on loans that availed of payment breaks during 2020 (particularly customers who availed of a second payment break) with cross reference to other credit characteristics (e.g. employment type; employment status; employment sector; IFRS 9 staging status).

The post model Group management adjustment includes the application of a staging adjustment whereby highly impacted customers, as referenced above, that impairment models classify as stage 1 are classified as Stage 2 with a lifetime impairment loss allowance applied. The impact of this staging adjustment is a c.€4.4 billion increase in Stage 2 volumes and a c.€78 million increase in impairment loss allowances (€32 million of which relates to residential mortgages; €40 million to RoI SME; €2 million to property and construction; and €4 million to UK SME).

Given the level at which the management adjustment review was performed for consumer and asset finance portfolios, the Group did not reclassify any exposures into a different stage than that initially identified by the impairment models for these portfolios. The Group's management adjustment includes a €27 million impairment loss allowance in Stage 1 for these portfolios and is broadly equivalent to the impact from a transfer of c.€0.2 billion of Stage 1 assets into Stage 2.

Group management adjustment for late breaking events

A post-model management adjustment to the Group's impairment loss allowance of €24 million was recognised as at 31 December 2020 to reflect the impact on macroeconomic scenarios of an acceleration in the incidence of COVID-19 and related announcements on increased social restrictions in the Group's key markets in late December 2020. At 30 June 2021 this adjustment is not considered to be required, noting the Group's impairment models have been updated for forward-looking information which fully reflects information available at the reporting date.

2 Critical accounting estimates and judgements *(continued)*

Stage 3 Group management adjustment for residential mortgages
The impairment loss allowance for residential mortgages at 31 December 2020 included a management adjustment of €50 million for the Retail Ireland portfolio which primarily reflected the concentration of Stage 3 assets which were longer in default, where utilisation of alternative recovery strategies to achieve realisation may have required higher impairment coverage on disposal. Following the enhancements to the LGD component of the residential mortgages impairment models referenced above, this adjustment is no longer required.

(b) TLTRO III
In March 2021, the Group secured funding of €10.8 billion from the European Central Bank (ECB) under the third series of Targeted Longer Term Refinancing Operations (TLTRO III), which provides funding to banks at interest rates which can be as low as 50 basis points below the average interest rate on the ECB's deposit facility over the period to 23 June 2022. The estimates involved in measuring interest income and amortised cost of the TLTRO III funding are set in note 4 Interest Income.

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 branches across the country, mobile and online banking applications and customer contact centres. 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 customer focused business lines namely EveryDay Banking, Home Buying (including Bank of Ireland Mortgage Bank) and Business Banking (including Bank of Ireland Finance) supported by Distribution, Marketing and Risk Management partners.

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 as well as corporate partners. It also includes Investment markets and the Group's general insurance brokerage, Bank of Ireland Insurance Services, which offers home, car and travel insurance cover through its agency with insurance providers.

Retail UK
Retail UK incorporates the financial services partnership and foreign exchange joint venture with the UK Post Office, the financial services partnership with the Automobile Association (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 banking subsidiary.

Corporate and Markets[1]
Corporate and Markets 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, People Services, Group Strategy and Development and Group Internal Audit. 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 Group 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.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

3 Operating segments *(continued)*

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

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

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

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

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

6 months ended 30 June 2021	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	BOIG Group plc €m	BOIG plc €m	Group €m
Net interest income	**451**	**(3)**	**309**	**325**	**(2)**	**-**	**1,080**	**(1)**	**1,079**
Other income, net of insurance claims	102	126	(1)	103	(1)	(11)	318	-	318
Total operating income, net of insurance claims	**553**	**123**	**308**	**428**	**(3)**	**(11)**	**1,398**	**(1)**	**1,397**
Other operating expenses	(303)	(65)	(131)	(81)	(240)	-	(820)	1	(819)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(303)*	*(64)*	*(129)*	*(81)*	*(126)*	*-*	*(703)*	*1*	*(702)*
- Transformation Investment charge	*-*	*-*	*-*	*-*	*(21)*	*-*	*(21)*	*-*	*(21)*
- Levies and regulatory charges	*-*	*(1)*	*(2)*	*-*	*(93)*	*-*	*(96)*	*-*	*(96)*
Depreciation and amortisation	(30)	(4)	(9)	(6)	(65)	1	(113)	-	(113)
Impairment of goodwill	-	-	-	-	-	-	-	-	-
Total operating expenses	**(333)**	**(69)**	**(140)**	**(87)**	**(305)**	**1**	**(933)**	**1**	**(932)**
Underlying operating profit / (loss) before impairment charges on financial assets	**220**	**54**	**168**	**341**	**(308)**	**(10)**	**465**	**-**	**465**
Net impairment losses on financial instruments	(47)	-	(3)	55	(6)	-	(1)	-	(1)
Share of results of associates and joint ventures	7	-	(6)	-	-	-	1	-	1
Underlying profit / (loss) before tax	**180**	**54**	**159**	**396**	**(314)**	**(10)**	**465**	**-**	**465**

30 June 2021 Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	465
Cost of restructuring programme	(69)
Gross-up for policyholder tax in the Wealth and Insurance business	15
Investment return on treasury shares held for policyholders	(6)
Customer redress charges	(5)
Portfolio divestments	5
Gain on disposal / liquidation of business activities	1
Impairment of internally generated computer software	-
Profit before tax	**406**

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *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)*

Restated[1] 6 months ended 30 June 2020	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[2] €m	Group Centre €m	Other reconciling items[3] €m	BOIG Group plc €m	BOIG plc €m	Group €m
Net interest income	**485**	**(4)**	**274**	**307**	**3**	**(2)**	**1,063**	**(7)**	**1,056**
Other income, net of insurance claims	100	10	1	48	(12)	12	159	-	159
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] Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 35 for additional information.
[2] Formerly Corporate and Treasury, renamed Corporate and Markets.
[3] 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 2021 Analysis by operating segment	**Retail Ireland €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Markets[1] €m**	**Group Centre €m**	**Other reconciling items[2] €m**	**Group €m**
Investment in associates and joint ventures	**50**	**-**	**51**	**-**	**-**	**-**	**101**
External assets[3]	33,065	21,986	32,828	37,639	24,418	(4)	149,932
Inter segment assets	81,637	479	985	97,735	27,002	(207,838)	-
Total assets	**114,702**	**22,465**	**33,813**	**135,374**	**51,420**	**(207,842)**	**149,932**
Other Bank assets							23
Group assets							**149,955**
External liabilities	63,943	21,362	24,536	23,213	6,594	(4)	139,644
Inter segment liabilities	45,613	257	6,862	114,474	40,655	(207,861)	-
Total liabilities	**109,556**	**21,619**	**31,398**	**137,687**	**47,249**	**(207,865)**	**139,644**
Other Bank liabilities							719
Group liabilities							**140,363**

31 December 2020 Analysis by operating segment	**Retail Ireland €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Markets[1] €m**	**Group Centre €m**	**Other reconciling items[2] €m**	**Group €m**
Investment in associates and joint ventures	**54**	**-**	**54**	**-**	**-**	**-**	**108**
External assets[3]	33,933	20,666	32,688	36,107	10,375	(15)	133,754
Inter segment assets	73,281	486	879	97,490	23,804	(195,940)	-
Total assets	**107,214**	**21,152**	**33,567**	**133,597**	**34,179**	**(195,955)**	**133,754**
Other Bank assets							40
Group assets							**133,794**
External liabilities	61,256	20,132	24,158	13,359	5,234	(6)	124,133
Inter segment liabilities	44,026	255	7,151	119,689	24,848	(195,969)	-
Total liabilities	**105,282**	**20,387**	**31,309**	**133,048**	**30,082**	**(195,975)**	**124,133**
Other Bank liabilities							723
Group liabilities							**124,856**

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.*
[3] *External asset balances are inclusive of investments in associates and joint ventures.*

3 Operating segments *(continued)*

6 months ended 30 June 2021 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**641**	**1,532**	**403**	**621**	**(4)**	**(11)**	**3,182**	**-**	**3,182**
Inter segment revenues	266	22	54	191	123	(656)	-	-	-
Revenue before claims paid	**907**	**1,554**	**457**	**812**	**119**	**(667)**	**3,182**	**-**	**3,182**
Insurance contract liabilities and claims paid	-	(1,377)	-	-	(2)	-	(1,379)	-	(1,379)
Revenue	**907**	**177**	**457**	**812**	**117**	**(667)**	**1,803**	**-**	**1,803**
Interest expense	**(17)**	**-**	**(48)**	**(126)**	**(104)**	**26**	**(269)**	**(1)**	**(270)**
Capital expenditure	**3**	**12**	**42**	**22**	**73**	**-**	**152**	**-**	**152**

Restated[3] 6 months ended 30 June 2020 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**628**	**296**	**578**	**450**	**18**	**(38)**	**1,932**	**-**	**1,932**
Inter segment revenues	264	(24)	(65)	285	95	(555)	-	-	-
Revenue before claims paid	**892**	**272**	**513**	**735**	**113**	**(593)**	**1,932**	**-**	**1,932**
Insurance contract liabilities and claims paid	-	(233)	-	-	(3)	-	(236)	-	(236)
Revenue	**892**	**39**	**513**	**735**	**110**	**(593)**	**1,696**	**-**	**1,696**
Interest expense	**(31)**	**-**	**(108)**	**(133)**	**(85)**	**22**	**(335)**	**(7)**	**(342)**
Capital expenditure	**49**	**9**	**23**	**60**	**2**	**-**	**143**	**-**	**143**

[1] Formerly Corporate and Treasury, renamed Corporate and Markets.
[2] Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.
[3] Comparative figures have been restated to reflect (i) the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments (see note 35) and (ii) the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (see notes 1 and 35).

4 Interest income

	6 months ended 30 June 2021 €m	Restated[1,2] 6 months ended 30 June 2020 €m
Financial assets measured at amortised cost		
Loans and advances to customers	1,033	1,107
Loans and advances to banks	2	8
Debt securities at amortised cost	3	5
Interest income on financial assets measured at amortised cost	**1,038**	**1,120**
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income	11	20
Interest income on financial assets at fair value through other comprehensive income	**11**	**20**
Negative interest on financial liabilities		
Customer accounts	83	62
Deposits from banks	17	1
Debt securities in issue	2	-
Negative interest on financial liabilities	**102**	**63**
Interest income calculated using the effective interest method	**1,151**	**1,203**
Other interest income		
Finance leases and hire purchase receivables	81	89
Loans and advances to customers at FVTPL	9	9
Other financial assets at FVTPL	-	1
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	108	95
Other interest income	**198**	**194**
Interest income	**1,349**	**1,397**

Interest income on loans and advances to customers in H121 is shown net of a charge of €nil (H120: €1 million) related to redress arising from the Tracker Mortgage Examination Review.

In H121, €48 million of interest was recognised on credit-impaired loans and advances to customers (H120: €52 million).

In H121, €48 million of interest income was received on credit-impaired loans and advances to customers (H120: €57 million).

In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of TLTRO III, which provides funding to banks at interest rates which can be as low as 50 basis points below the average interest rate on the ECB's deposit facility over the period to 23 June 2022, with the actual rate dependent on whether the Group equal or exceeds benchmark net lending targets. In determining the effective interest rate of this financial liability at initial recognition, and its amortised cost at 30 June 2021, the Group has not assumed that its eligible net lending during the additional special reference period (1 October 2020 to 31 December 2021) will equal or exceeds its benchmark net lending.

The Group will consider at future reporting dates, until repayment of the funding, whether to revise its estimate of the contractual cash flows. If the Group concluded at 31 December 2021 that its eligible net lending during the additional special reference period was equal to or exceeded its benchmark net lending, the amortised cost of the liability would be reduced by up to c.€50 million at that date, with a corresponding increase to interest income recognised in H221.

The Group presents interest resulting from negative effective interest rates on financial liabilities as interest income.

Interest income on customer accounts of €83 million (H120: €63 million) comprises interest income of €30 million resulting from negative effective interest rates (H120: €11 million) and interest income on customer accounts of €53 million (H120: €52 million) arising on related derivatives which are in a hedge relationship.

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 35 for additional information.*

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments. See notes 1 and 35 for additional information.*

5 Interest expense

	6 months ended 30 June 2021 €m	Restated[1,2] 6 months ended 30 June 2020 €m
Financial liabilities measured at amortised cost		
Customer accounts	43	100
Debt securities in issue	31	55
Subordinated liabilities	32	37
Lease liabilities	6	7
Deposits from banks	1	6
Interest expense on financial liabilities measured at amortised cost	**113**	**205**
Negative interest on financial assets		
Debt securities at amortised cost	10	4
Debt securities at FVOCI	18	9
Loans and advances to banks	26	3
Negative interest on financial assets	**54**	**16**
Interest expense calculated using effective interest rate method	**167**	**221**
Other interest expense		
Customer accounts at FVTPL	1	3
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	102	118
Other interest expense	**103**	**121**
Interest expense	**270**	**342**

The Group presents interest resulting from negative effective interest rates on financial assets as interest expense.

Interest expense of €10 million on debt securities at amortised cost (H120: €4 million) comprises interest income of €11 million (H120: €11 million) recognised net of interest expense on related derivatives which are in a hedge relationship of €21 million (H120: €15 million).

Interest expense of €18 million on debt securities at fair value through other comprehensive income (FVOCI) (H120: €9 million) comprises interest income of €16 million (H120: €18 million) is recognised net of interest expense on related derivatives which are in a hedge relationship of €34 million (H120: €27 million).

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 35 for additional information.*

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments. See notes 1 and 35 for additional information.*

6 Net insurance premium income

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Gross premiums written	957	833
Ceded reinsurance premiums	(109)	(67)
Net premium written	**848**	**766**
Change in provision for unearned premiums	(2)	(3)
Net insurance premium income	**846**	**763**

7 Fee and commission income and expense

6 months ended 30 June 2021 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Group €m
Retail banking customer fees	119	-	30	21	-	170
Credit related fees	3	-	1	14	-	18
Insurance commissions	-	5	1	-	-	6
Asset management fees	-	1	-	-	-	1
Brokerage fees	-	-	-	-	-	-
Other	3	3	3	13	-	22
Fee and commission income	**125**	**9**	**35**	**48**	**-**	**217**

6 months ended 30 June 2020 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €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**

Expense
Fee and commission expense of €90 million (H120: €85 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

8 Net trading income / (expense)

	6 months ended 30 June 2021 €m	Restated[1] 6 months ended 30 June 2020 €m
Financial liabilities designated at fair value	(77)	90
Related derivatives held for trading	77	(93)
	-	**(3)**
Net income / (expense) from financial instruments mandatorily measured at fair value through profit or loss[2]		
- Other financial instruments held for trading	47	(2)
- Securities and non-trading debt[3]	13	(4)
- Loans and advances	1	(7)
	61	**(16)**
Net fair value hedge ineffectiveness	-	(4)
Net trading income / (expense)	**61**	**(20)**

Net trading income / (expense) includes the gains and losses on financial instruments mandatorily measured at fair value through profit or loss (FVTPL) and those designated at FVTPL (other than unit-linked life assurance assets and investment contract liabilities). It includes the fair value movement on these instruments and the realised gains and losses arising on their purchase or sale. It also includes the interest income receivable and expense payable on financial instruments held for trading and €7 million of a net gain arising from foreign exchange (H120: net gain €7 million).

It does not include interest income on debt financial assets mandatorily measured at FVTPL, interest expense on financial liabilities designated at FVTPL and interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges).

Net fair value hedge ineffectiveness reflects a gain from hedged items of €83 million (H120: net loss of €39 million) offsetting a net loss from hedging instruments of €83 million (H120: net gain of €35 million).

The total hedging ineffectiveness on cash flow hedges reflected in the income statement for H121 amounted to €nil (H120: €nil).

9 Life assurance investment income, gains and losses

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Gains / (losses) on other financial assets held on behalf of Wealth and Insurance policyholders	608	(448)
Gains / (losses) on investment property held on behalf of Wealth and Insurance policyholders	6	(22)
Life assurance investment income, gains and (losses)	**614**	**(470)**

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 gains of €614 million in H121 is consistent with favourable investment market performance (H120: losses of €470 million). Movement in insurance contract liabilities (note 12) is consistent with the higher investment returns in the period.

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 35 for additional information.*
[2] *Net (expense) / income from financial instruments mandatorily measured at FVTPL includes dividend income from equities. It also includes realised and unrealised gains and losses.*
[3] *Securities and non-trading debt mandatorily measured at FVTPL are reported in the balance sheet under the caption 'Other financial assets at FVTPL'. The income from assurance investments which also comprises 'Other financial assets at FVTPL' is reported in note 9 'Life assurance investment income, gains and losses'.*

10 Other leasing income and expense

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Other leasing income	32	31
Other leasing expense	(25)	(26)
Net other leasing income	**7**	**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 (H120: €18 million), €12 million arising from the sale of leased assets (H120: €10 million), and €2 million relating to other income (H120: €3 million).

Other leasing expense includes depreciation of €13 million related to rental vehicles (H120: €14 million) and other disposal costs of €12 million (H120: €12 million).

11 Other operating income

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Movement in Value of in Force asset	36	(27)
Other insurance income	22	31
Dividend income	3	1
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	(2)	7
Transfer from debt instruments at FVOCI reserve on asset disposal	1	3
Other income	2	2
Other operating income	**62**	**17**

12 Insurance contract liabilities and claims paid

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Claims paid		
Policy surrenders	413	415
Death and critical illness claims	94	87
Annuity payments	56	45
Other claims	28	23
Gross claims paid	**591**	**570**
Recovered from reinsurers	(69)	(58)
Net claims paid	**522**	**512**
Change in insurance contract liabilities		
Change in gross liabilities	835	(222)
Change in reinsured liabilities	22	(54)
Net change in insurance contract liabilities	**857**	**(276)**
Insurance contract liabilities and claims paid	**1,379**	**236**

13 Other operating expenses

Administrative expenses and staff costs	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Staff costs excluding restructuring and Transformation Investment staff costs	419	430
Amortisation of intangible assets (note 20)	77	83
Levies and regulatory charges	96	70
Transformation Investment charge	21	28
Depreciation of property, plant and equipment	36	48
Other administrative expenses excluding cost of restructuring programme	294	312
Total	**943**	**971**
Staff costs are analysed as follows:		
Wages and salaries	305	327
Retirement benefit costs (defined benefit plans)	54	47
Social security costs	36	38
Retirement benefit costs (defined contribution plans)	18	17
Other staff expenses	6	1
Staff costs excluding restructuring and Transformation Investment staff costs	**419**	**430**
Additional restructuring and Transformation Investment staff costs		
Included in cost of restructuring programme (note 14)	10	10
Included in Transformation Investment charge	4	2
Total staff costs recognised in the income statement	**433**	**442**

The Group has incurred levies and regulatory charges of €96 million in H121 (H120: €70 million). due to changes to the timing and recognition of levies and increases in certain levies including the Single Resolution Fund (SRF).

Transformation Investment income statement charge of €21 million (H120: €28 million) includes €nil (H120: €12 million) for associated application and infrastructure costs.

In H121, there was €25 million depreciation of Right of Use (RoU) assets under IFRS 16 included within depreciation of property, plant and equipment (H120: €34 million).

During H121 the Group incurred a charge of €4 million (H120: €6 million) in other administrative expenses relating to the Tracker Mortgage Examination Review.

Staff numbers

At 30 June 2021, the number of staff (full time equivalents) was 9,211 (30 June 2020: 10,341) which excludes employees who exited the Group under the Voluntary Redundancy Scheme up to and including 30 June 2021. During H121, the average number of staff (full time equivalents) was 9,643 (H120: 10,383).

14 Cost of restructuring programme

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Transformation Investment costs	74	27
- Property related costs	*40*	-
- UK Strategic review costs	*20*	-
- Staff costs (note 13)	*10*	*10*
- Programme management costs	*4*	*16*
- Other related costs	-	*1*
Other restructuring gains	(5)	-
Total	**69**	**27**

14 Cost of restructuring programme *(continued)*

During H121, the Group recognised a restructuring charge of €69 million (H120: €27 million), comprising of Transformation Investment programme costs of €74 million (H120: €27 million) and a gain of €5 million in other restructuring charges relating to the release of €3 million provision and reversal of €2 million impairment on property recognised in previous periods (H120: €nil).

Transformation Investment programme costs of €74 million for H121 relate to implementation of the Group's RoI property and branch strategy of €40 million (H120: €nil), of which €23 million relates to impairment of property and related assets); costs of €20 million (H120: €nil) relating to planning, scoping, and implementation of the strategic review of the Group's Northern Ireland and UK operations; reduction in employee numbers of €10 million (H120: €10 million), in respect of additional accepted applications under the Group's voluntary redundancy scheme; programme management costs of €4 million (H120: €16 million); and other costs were €nil (H120: €1 million).

15 Net impairment losses on financial instruments

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Loans and advances to customers	(12)	(888)
- Movement in impairment loss allowances (note 17)	*(26)*	*(910)*
- Cash recoveries	*14*	*22*
Loan commitments	16	(46)
Guarantees and irrevocable letters of credit	1	(2)
Other financial assets	(6)	(1)
Net impairment losses on financial instruments	**(1)**	**(937)**

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 2021 €m	6 months ended 30 June 2020 €m
Residential mortgages	(61)	(153)
- Retail Ireland	*(47)*	*(77)*
- Retail UK	*(14)*	*(76)*
Non-property SME and corporate	-	(365)
- Republic of Ireland SME	*(18)*	*(133)*
- UK SME	*(1)*	*(18)*
- Corporate	*19*	*(214)*
Property and construction	15	(246)
- Investment	*2*	*(235)*
- Development	*13*	*(11)*
Consumer	34	(124)
Total	**(12)**	**(888)**

In June 2021, the Group completed a transaction whereby it derecognised €301 million of loans and advances to customers (after impairment loss allowance). Expected cash flows arising from the sale on default of a loan are included in the measurement of expected credit losses under IFRS 9, where certain conditions are met. As this transaction satisfied these conditions, the cash flows have been included in the impairment calculation. As a result, net impairment losses on financial instruments includes a net impairment gain of €11 million arising on this transaction. See note 17 for further information.

16 Taxation

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Current tax		
Irish Corporation Tax		
- Current period	17	2
Foreign tax		
- Current period	37	15
- Adjustments in respect of prior periods	1	3
Current tax charge	**55**	**20**
Deferred tax		
Current period profits / (losses)	22	(76)
Adjustments in respect of prior periods	(6)	(2)
Origination and reversal of temporary differences	16	(21)
Impact of UK corporation tax rate change on deferred tax (note 21)	(14)	(9)
Reassessment of value of tax losses carried forward	(8)	(10)
Deferred tax charge / (credit)	**10**	**(118)**
Total taxation charge / (credit)	**65**	**(98)**

The taxation charge for the period is €65 million with an effective statutory taxation rate of 16% (H120: taxation credit of €98 million and taxation rate of 12%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses.

Reconciliation of tax on the profits / (losses) before taxation at the standard Irish corporation tax rate to actual tax charge/ (credit)	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Profits / (losses) before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2020: 12.5%)	51	(104)
Effects of:		
Foreign earnings subject to different rates of tax	26	12
Reassessment of value of tax losses carried forward	(8)	(10)
Impact of UK corporation tax rate change on deferred tax (note 21)	(14)	(9)
Current period UK losses not valued for deferred tax	-	8
Adjustments in respect of prior year	(5)	1
Share of results of associates and joint ventures shown post tax in the income statement	1	-
Other adjustments for tax purposes	14	4
Taxation charge / (credit)	**65**	**(98)**

16 Taxation *(continued)*

	6 months ended 30 June 2021			6 months ended 30 June 2020		
	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	(32)	4	(28)	(43)	5	(38)
Transfer to income statement						
- Asset disposal	(1)	-	(1)	(3)	-	(3)
Net change in debt instruments at FVOCI reserve	**(33)**	**4**	**(29)**	**(46)**	**5**	**(41)**
Remeasurement of the net defined benefit pension asset / (liability)	**338**	**(53)**	**285**	**662**	**(100)**	**562**
Cash flow hedge reserve						
Changes in fair value	(633)	82	(551)	447	(58)	389
Transfer to income statement	625	(78)	547	(430)	52	(378)
Net change in cash flow hedge reserve	**(8)**	**4**	**(4)**	**17**	**(6)**	**11**
Net change in foreign exchange reserve	**113**	**-**	**113**	**(169)**	**-**	**(169)**
Liability credit reserve						
Changes in fair value of liabilities designated at FVTPL due to own credit risk	(6)	1	(5)	19	(4)	15
Other comprehensive income for the period	**404**	**(44)**	**360**	**483**	**(105)**	**378**

17 Loans and advances to customers

Loans and advances to customers includes cash collateral of €76 million (31 December 2020: €5 million) placed with derivative counterparties in relation to net derivative liability positions.

Of loans and advances to customers at FVTPL at 30 June 2021, €235 million (31 December 2020: €239 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 €125 million (31 December 2020: €122 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.

Included within loans and advances to customers is €410 million (31 December 2020: €328 million) of lending in relation to the UK government-backed Bounce Back Loan and Coronavirus Business Interruption schemes.

	30 June 2021 €m	31 December 2020 €m
Loans and advances to customers at amortised cost	75,392	74,870
Finance leases and hire purchase receivables	3,595	3,592
	78,987	**78,462**
Less allowance for impairment charges on loans and advances to customers	(2,131)	(2,242)
Loans and advances to customers at amortised cost	**76,856**	**76,220**
Loans and advances to customers at FVTPL[1]	360	361
Total loans and advances to customers	**77,216**	**76,581**

In June 2021, the Group completed a transaction whereby it derecognised €301 million of loans and advances to customers (after impairment loss allowance) as follows:

- the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs through an unconsolidated special purpose vehicle named Mulcair 2. The portfolio had a gross carrying value of €339 million (before ECL allowance) and a net carrying value of €301 million (after ECL allowance);
- the Group has transferred the beneficial interest in the loans to Mulcair 2 which in turn has issued notes backed by these loans. The Group have retained 5% of the risks, rewards and cash flows in Mulcair 2 by way of a Vertical Risk Retention Loan which is held in debt securities at amortised cost;
- the residential mortgage assets have been derecognised from the balance sheet; and
- the Group has recognised an impairment gain of €11 million relating to the disposal of these loans which has been reported through net impairment losses on financial instruments, see note 15.

[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 2021 **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)	37,734	11,383	2,814	4,937	56,868
Stage 2 - Lifetime ECL (not credit-impaired)	4,819	7,786	5,019	155	17,779
Stage 3 - Lifetime ECL (credit-impaired)	1,920	1,156	1,051	135	4,262
Purchased / originated credit-impaired	2	13	63	-	78
Gross carrying amount at 30 June 2021	**44,475**	**20,338**	**8,947**	**5,227**	**78,987**

30 June 2021 **Impairment loss allowance**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	27	70	4	90	191
Stage 2 - Lifetime ECL (not credit-impaired)	117	401	106	26	650
Stage 3 - Lifetime ECL (credit-impaired)	378	387	430	76	1,271
Purchased / originated credit-impaired	-	-	19	-	19
Impairment loss allowance at 30 June 2021	**522**	**858**	**559**	**192**	**2,131**

31 December 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)	40,016	10,637	2,639	4,961	58,253
Stage 2 - Lifetime ECL (not credit-impaired)	2,528	8,181	4,869	165	15,743
Stage 3 - Lifetime ECL (credit-impaired)	2,196	1,014	1,021	145	4,376
Purchased / originated credit-impaired	2	26	62	-	90
Gross carrying amount at 31 December 2020	**44,742**	**19,858**	**8,591**	**5,271**	**78,462**

31 December 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)	74	134	9	129	346
Stage 2 - Lifetime ECL (not credit-impaired)	31	368	126	27	552
Stage 3 - Lifetime ECL (credit-impaired)	374	416	442	80	1,312
Purchased / originated credit-impaired	-	13	19	-	32
Impairment loss allowance at 31 December 2020	**479**	**931**	**596**	**236**	**2,242**

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 H121 and for the year ended 31 December 2020. 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 204 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

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 2021 **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 2021	**58,253**	**15,743**	**4,376**	**90**	**78,462**
Total net transfers	(4,030)	3,475	555	-	-
- To 12-month ECL (not credit-impaired)	*3,528*	*(3,522)*	*(6)*	-	-
- To lifetime ECL (not credit-impaired)	*(7,338)*	*7,570*	*(232)*	-	-
- To lifetime ECL (credit-impaired)	*(220)*	*(573)*	*793*	-	-
Net changes in exposure	1,318	(1,696)	(572)	1	(949)
Impairment loss allowances utilised	-	-	(172)	(16)	(188)
Exchange adjustments	1,323	252	75	3	1,653
Measurement reclassification and other movements	4	5	-	-	9
Gross carrying amount at 30 June 2021	**56,868**	**17,779**	**4,262**	**78**	**78,987**

[1] *At 30 June 2021, Purchased or originated credit-impaired assets included €1 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 2021 Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**346**	**552**	**1,312**	**32**	**2,242**
Total net transfers	(17)	(15)	32	-	-
- to 12-month ECL (not credit-impaired)	*71*	*(69)*	*(2)*	-	-
- to lifetime ECL (not credit-impaired)	*(85)*	*109*	*(24)*	-	-
- to lifetime ECL (credit-impaired)	*(3)*	*(55)*	*58*	-	-
Net impairment losses / (gains) in income statement	(143)	107	60	2	26
- Remeasurement	*(75)*	*81*	*47*	*2*	*55*
- Net changes in exposure	*9*	*(56)*	*(89)*	-	*(136)*
- ECL model parameter changes	*(77)*	*82*	*102*	-	*107*
Impairment loss allowances utilised	-	-	(172)	(16)	(188)
Exchange adjustments	5	5	14	1	25
Measurement reclassification and other movements	-	1	25	-	26
Impairment loss allowance at 30 June 2021	**191**	**650**	**1,271**	**19**	**2,131**
Impairment coverage at 30 June 2021 (%)	**0.34%**	**3.66%**	**29.82%**	**24.36%**	**2.70%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during H121 includes €66 million of contractual amounts outstanding that are still subject to enforcement activity.

Total gross loans and advances to customers increased during the period by €0.5 billion from €78.5 billion as at 31 December 2020 to €79.0 billion as at 30 June 2021.

Stage 1 loans have decreased by €1.4 billion primarily reflecting the impact of net transfers to other risk stages offset by net new lending and positive foreign exchange movements. Total net transfers to other risk stages of €4.0 billion reflect the continuing impact of COVID-19 on asset quality across all portfolios. Transfers to Stage 2 also include the net c.€3.8 billion impact of a post model staging adjustment whereby customers identified as highly impacted by COVID-19, that impairment models classify as Stage 1 are classified as Stage 2. This results in a material migration of loans from Stage 1 to Stage 2.

ILAs on Stage 1 loans have decreased by €155 million resulting in a decrease in coverage on Stage 1 loans from 0.59% at 31 December 2020 to 0.34% at 30 June 2021. ECL model parameter changes, which includes the impact of FLI / impairment model parameter updates and the staging adjustment noted above, resulted in a reduction of €77 million during H121 with re-measurements contributing a decrease of €75 million. Re-measurements include the impact of a reduction in the proportion of the Group's COVID-19 post-model management adjustment applied to Stage 1 loans.

Stage 2 loans have increased by €2.0 billion with net transfers from other stages of €3.5 billion and foreign exchange movements of €0.3 billion offset by net repayments of €1.7 billion. Net transfers to Stage 2 are primarily in the Residential Mortgages portfolio (€2.5 billion) reflecting the application of the post model staging adjustment to that portfolio at 30 June 2021.

Transfers into Stage 2 in the Non-property SME and corporate (€0.5 billion) and Property and construction portfolios (€0.4 billion) reflect a combination of the evolution of FLI / impairment model parameter updates, sector level staging assessments, the post model staging adjustment and case specific credit events.

Coverage on Stage 2 loans has increased from 3.51% at 31 December 2020 to 3.66% at 30 June 2021. ECL model parameter changes resulted in an increase of €82 million, of which €70 million relates to the Residential Mortgages portfolio reflecting the ILA impact of the post model staging adjustment and changes to the LGD component of the residential mortgages impairment models. Stage 2 ILAs increased by €81 million due to re-measurement primarily reflecting an increase in the proportion of the Group's Covid-19 post-model management adjustment allocated to Stage 2 in line with the increase in Stage 2 volumes due to the post model staging adjustment. This is offset by the positive re-measurement noted in Stage 1 above, resulting in no material overall impact on the Group's impairment charge in H121.

Stage 3 loans have decreased by €0.1 billion with the key drivers being the impact of net reductions in exposures of €0.6 billion (including the €0.3 billion securitisation of RoI Mortgages NPEs) and the utilisation of impairment loss allowances of €0.2 billion, offset by a net transfer in from other stages of €0.6 billion. The net transfer in from other stages reflects the emergence of new defaults for case specific reasons primarily in the Corporate and Property and construction portfolios, partly offset by ongoing resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

Stage 3 ILAs have decreased by €41 million primarily due to the utilisation of ILAs of €172 million and the impact of net reductions in exposure of €89 million across all portfolios. These were offset by ECL model parameter changes of €102 million and re-measurement of €47 million. The increase in ILA due to ECL

1 *At 30 June 2021, Purchased or originated credit-impaired assets included €1 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 ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

17 Loans and advances to customers *(continued)*

model parameter changes is primarily driven by the Residential Mortgages portfolio and reflects the impact of changes to the LGD component of the residential mortgages impairment models. Re-measurement relates mainly to case specific loss emergence on a small number of defaulted cases in the Corporate Banking portfolio offset by the release of the €50 million Group management adjustment for stage 3 residential mortgages previously applied which is no longer considered to be required following the changes to LGD models noted above.

Cover on Stage 3 loans has remained broadly in line at 29.82% (31 December 2020: 29.98%). There was a decrease in impairment cover observed in the non-property SME and corporate and investment property portfolios reflecting case specific impairment assessments for some larger defaulted assets. This was offset by higher impairment cover for credit-impaired assets in other portfolios, particularly for residential mortgages reflecting the changes to the LGD models.

31 December 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	(13,909)	11,867	2,042	-	-
- To 12-month ECL (not credit-impaired)	*4,139*	*(4,076)*	*(63)*	-	-
- To lifetime ECL (not credit-impaired)	*(17,512)*	*18,036*	*(524)*	-	-
- To lifetime ECL (credit-impaired)	*(536)*	*(2,093)*	*2,629*	-	-
Net changes in exposure	2,149	(1,457)	(528)	(1)	163
Impairment loss allowances utilised	-	-	(173)	-	(173)
Exchange adjustments	(1,849)	(234)	(65)	(4)	(2,152)
Measurement reclassification and other movements	84	(4)	1	-	81
Gross carrying amount at 31 December 2020	**58,253**	**15,743**	**4,376**	**90**	**78,462**

31 December 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	(3)	(58)	61	-	-
- To 12-month ECL (not credit-impaired)	*110*	*(101)*	*(9)*	-	-
- To lifetime ECL (not credit-impaired)	*(101)*	*161*	*(60)*	-	-
- To lifetime ECL (credit-impaired)	*(12)*	*(118)*	*130*	-	-
Net impairment losses / (gains) in income statement	212	424	433	30	1,099
- Remeasurement	*116*	*165*	*602*	*30*	*913*
- Net changes in exposure	*(1)*	*(63)*	*(131)*	-	*(195)*
- ECL model parameter changes	*97*	*322*	*(38)*	-	*381*
Impairment loss allowances utilised	-	-	(173)	-	(173)
Exchange adjustments	(4)	(2)	(9)	-	(15)
Measurement reclassification and other movements	(1)	-	24	-	23
Impairment loss allowance at 31 December 2020	**346**	**552**	**1,312**	**32**	**2,242**
Impairment coverage at 31 December 2020 (%)	**0.59%**	**3.51%**	**29.98%**	**35.56%**	**2.86%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2020 included €78 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *At 31 December 2020, Purchased or originated credit-impaired assets included €1 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 ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.*

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 2021 **Residential mortgages - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2021	**40,016**	**2,528**	**2,196**	**2**	**44,742**
Total net transfers	(2,658)	2,501	157	-	-
- To 12-month ECL (not credit-impaired)	*1,366*	*(1,366)*	*-*	*-*	*-*
- To lifetime ECL (not credit-impaired)	*(3,884)*	*4,034*	*(150)*	*-*	*-*
- To lifetime ECL (credit-impaired)	*(140)*	*(167)*	*307*	*-*	*-*
Net changes in exposure	(606)	(240)	(434)	-	(1,280)
Impairment loss allowances utilised	-	-	(32)	-	(32)
Exchange adjustments	980	30	33	-	1,043
Measurement reclassification and other movements	2	-	-	-	2
Gross carrying amount at 30 June 2021	**37,734**	**4,819**	**1,920**	**2**	**44,475**

30 June 2021 **Residential mortgages - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1,2] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**74**	**31**	**374**	**-**	**479**
Total net transfers	2	2	(4)	-	-
- To 12-month ECL (not credit-impaired)	*15*	*(15)*	*-*	*-*	*-*
- To lifetime ECL (not credit-impaired)	*(13)*	*22*	*(9)*	*-*	*-*
- To lifetime ECL (credit-impaired)	*-*	*(5)*	*5*	*-*	*-*
Net impairment losses / (gains) in income statement	(50)	83	33	-	66
- Remeasurement	*(38)*	*14*	*(44)*	*-*	*(68)*
- Net changes in exposure	*(8)*	*(1)*	*(18)*	*-*	*(27)*
- ECL model parameter changes	*(4)*	*70*	*95*	*-*	*161*
Impairment loss allowances utilised	-	-	(32)	-	(32)
Exchange adjustments	1	1	3	-	5
Measurement reclassification and other movements	-	-	4	-	4
Impairment loss allowance at 30 June 2021	**27**	**117**	**378**	**-**	**522**
Impairment coverage at 30 June 2021 (%)	**0.07%**	**2.43%**	**19.69%**	**0.00%**	**1.17%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during H121 includes €4 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 30 June 2021, Purchased or originated credit-impaired assets included €1 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 ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

17 Loans and advances to customers *(continued)*

31 December 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	(1,788)	1,050	738	-	-
- To 12-month ECL (not credit-impaired)	*1,827*	*(1,787)*	*(40)*	-	-
- To lifetime ECL (not credit-impaired)	*(3,330)*	*3,657*	*(327)*	-	-
- To lifetime ECL (credit-impaired)	*(285)*	*(820)*	*1,105*	-	-
Net changes in exposure	78	(168)	(190)	(1)	(281)
Impairment loss allowances utilised	-	-	(20)	-	(20)
Exchange adjustments	(1,190)	(31)	(25)	-	(1,246)
Measurement reclassification and other movements	18	-	-	-	18
Gross carrying amount at 31 December 2020	**40,016**	**2,528**	**2,196**	**2**	**44,742**

31 December 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	34	(36)	2	-	-
- To 12-month ECL (not credit-impaired)	*45*	*(42)*	*(3)*	-	-
- To lifetime ECL (not credit-impaired)	*(10)*	*38*	*(28)*	-	-
- To lifetime ECL (credit-impaired)	*(1)*	*(32)*	*33*	-	-
Net impairment losses / (gains) in income statement	25	32	3	-	60
- Remeasurement	*13*	*28*	*52*	-	*93*
- Net changes in exposure	*(4)*	-	*(16)*	-	*(20)*
- ECL model parameter changes	*16*	*4*	*(33)*	-	*(13)*
Impairment loss allowances utilised	-	-	(20)	-	(20)
Exchange adjustments	(1)	(1)	(2)	-	(4)
Measurement reclassification and other movements	-	-	11	-	11
Impairment loss allowance at 31 December 2020	**74**	**31**	**374**	**-**	**479**
Impairment Coverage at 31 December 2020 (%)	**0.18%**	**1.23%**	**17.03%**	**-**	**1.07%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2020 included €16 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *At 31 December 2020, Purchased or originated credit-impaired assets included €1 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 ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.*

17 Loans and advances to customers *(continued)*

Non-property SME and corporate

30 June 2021 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 2021	**10,637**	**8,181**	**1,014**	**26**	**19,858**
Total net transfers	(792)	520	272	-	-
- To 12-month ECL (not credit-impaired)	*1,409*	*(1,404)*	*(5)*	-	-
- To lifetime ECL (not credit-impaired)	*(2,140)*	*2,198*	*(58)*	-	-
- To lifetime ECL (credit-impaired)	*(61)*	*(274)*	*335*	-	-
Net changes in exposure	1,296	(1,079)	(71)	2	148
Impairment loss allowances utilised	-	-	(73)	(16)	(89)
Exchange adjustments	166	147	12	1	326
Measurement reclassification and other movements	76	17	2	-	95
Gross carrying amount at 30 June 2021	**11,383**	**7,786**	**1,156**	**13**	**20,338**

30 June 2021 Non-property SME and corporate - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**134**	**368**	**416**	**13**	**931**
Total net transfers	(22)	5	17	-	-
- To 12-month ECL not credit-impaired	*44*	*(42)*	*(2)*	-	-
- To lifetime ECL not credit-impaired	*(64)*	*73*	*(9)*	-	-
- To lifetime ECL credit-impaired	*(2)*	*(26)*	*28*	-	-
Net impairment losses / (gains) in income statement	(42)	25	18	3	4
- Remeasurement	*(23)*	*44*	*28*	*3*	*52*
- Net changes in exposure	*14*	*(43)*	*(16)*	-	*(45)*
- ECL model parameter changes	*(33)*	*24*	*6*	-	*(3)*
Impairment loss allowances utilised	-	-	(73)	(16)	(89)
Exchange adjustments	-	2	2	-	4
Measurement reclassification and other movements	-	1	7	-	8
Impairment loss allowance at 30 June 2021	**70**	**401**	**387**	**-**	**858**
Impairment Coverage at 30 June 2021 (%)	**0.61%**	**5.15%**	**33.48%**	**0.00%**	**4.22%**

Impairment loss allowances utilised on Non-property SME and corporate during H121 includes €35 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

17 Loans and advances to customers *(continued)*

31 December 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	(7,786)	7,196	590	-	-
- To 12-month ECL (not credit-impaired)	*1,393*	*(1,377)*	*(16)*	-	-
- To lifetime ECL (not credit-impaired)	*(9,020)*	*9,132*	*(112)*	-	-
- To lifetime ECL (credit-impaired)	*(159)*	*(559)*	*718*	-	-
Net changes in exposure	1,277	(1,045)	(222)	-	10
Impairment loss allowances utilised	-	-	(89)	-	(89)
Exchange adjustments	(389)	(143)	(23)	(1)	(556)
Measurement reclassification and other movements	61	(2)	1	-	60
Gross carrying amount at 31 December 2020	**10,637**	**8,181**	**1,014**	**26**	**19,858**

31 December 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	(38)	13	25	-	-
- To 12-month ECL (not credit-impaired)	*38*	*(35)*	*(3)*	-	-
- To lifetime ECL (not credit-impaired)	*(72)*	*92*	*(20)*	-	-
- To lifetime ECL (credit-impaired)	*(4)*	*(44)*	*48*	-	-
Net impairment losses / (gains) in income statement	117	277	126	13	533
- Remeasurement	*100*	*91*	*214*	*13*	*418*
- Net changes in exposure	*(27)*	*(38)*	*(87)*	-	*(152)*
- ECL model parameter changes	*44*	*224*	*(1)*	-	*267*
Impairment loss allowances utilised	-	-	(89)	-	(89)
Exchange adjustments	-	-	(2)	-	(2)
Measurement reclassification and other movements	(1)	-	3	-	2
Impairment loss allowance at 31 December 2020	**134**	**368**	**416**	**13**	**931**
Impairment Coverage at 31 December 2020 (%)	**1.26%**	**4.50%**	**41.03%**	**50.00%**	**4.69%**

Impairment loss allowances utilised on Non-property SME and corporate during 2020 included €11 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.*

17 Loans and advances to customers *(continued)*

Property and construction

30 June 2021 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**2,639**	**4,869**	**1,021**	**62**	**8,591**
Total net transfers	(531)	431	100	-	-
- To 12-month ECL (not credit-impaired)	*692*	*(692)*	*-*	*-*	*-*
- To lifetime ECL (not credit-impaired)	*(1,221)*	*1,237*	*(16)*	*-*	*-*
- To lifetime ECL (credit-impaired)	*(2)*	*(114)*	*116*	*-*	*-*
Net changes in exposure	749	(339)	(54)	(1)	355
Impairment loss allowances utilised	-	-	(41)	-	(41)
Exchange adjustments	30	70	27	2	129
Measurement reclassification and other movements	(73)	(12)	(2)	-	(87)
Gross carrying amount at 30 June 2021	**2,814**	**5,019**	**1,051**	**63**	**8,947**

30 June 2021 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**9**	**126**	**442**	**19**	**596**
Total net transfers	1	(17)	16	-	-
- To 12-month ECL (not credit-impaired)	*6*	*(6)*	*-*	*-*	*-*
- To lifetime ECL (not credit-impaired)	*(5)*	*7*	*(2)*	*-*	*-*
- To lifetime ECL (credit-impaired)	*-*	*(18)*	*18*	*-*	*-*
Net impairment losses / (gains) in income statement	(6)	(4)	(2)	(1)	(13)
- Remeasurement	*(3)*	*12*	*46*	*(1)*	*54*
- Net changes in exposure	*4*	*(6)*	*(50)*	*-*	*(52)*
- ECL model parameter changes	*(7)*	*(10)*	*2*	*-*	*(15)*
Impairment loss allowances utilised	-	-	(41)	-	(41)
Exchange adjustments	-	1	7	1	9
Measurement reclassification and other movements	-	-	8	-	8
Impairment loss allowance at 30 June 2021	**4**	**106**	**430**	**19**	**559**
Impairment Coverage at 30 June 2021 (%)	**0.14%**	**2.11%**	**40.91%**	**30.16%**	**6.25%**

Impairment loss allowances utilised on Property and construction during H121 included €5 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

17 Loans and advances to customers *(continued)*

31 December 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 €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**5,985**	**1,513**	**549**	**65**	**8,112**
Total net transfers	(4,158)	3,541	617	-	-
- To 12-month ECL (not credit-impaired)	*769*	*(769)*	*-*	-	-
- To lifetime ECL (not credit-impaired)	*(4,895)*	*4,963*	*(68)*	-	-
- To lifetime ECL (credit-impaired)	*(32)*	*(653)*	*685*	-	-
Net changes in exposure	896	(128)	(104)	-	664
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	(90)	(55)	(15)	(3)	(163)
Measurement reclassification and other movements	6	(2)	-	-	4
Gross carrying amount at 31 December 2020	**2,639**	**4,869**	**1,021**	**62**	**8,591**

31 December 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] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2020	**6**	**42**	**180**	**2**	**230**
Total net transfers	(1)	(22)	23	-	-
- To 12-month ECL (not credit-impaired)	*10*	*(10)*	*-*	-	-
- To lifetime ECL (not credit-impaired)	*(11)*	*17*	*(6)*	-	-
- To lifetime ECL (credit-impaired)	*-*	*(29)*	*29*	-	-
Net impairment losses / (gains) in income statement	4	106	262	17	389
- Remeasurement	*-*	*16*	*282*	*17*	*315*
- Net changes in exposure	*2*	*(5)*	*(21)*	*-*	*(24)*
- ECL model parameter changes	*2*	*95*	*1*	*-*	*98*
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	-	-	(3)	-	(3)
Measurement reclassification and other movements	-	-	6	-	6
Impairment loss allowance at 31 December 2020	**9**	**126**	**442**	**19**	**596**
Impairment Coverage at 31 December 2020 (%)	**0.34%**	**2.59%**	**43.29%**	**30.65%**	**6.94%**

Impairment loss allowances utilised on Property and construction during 2020 included €20 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.*

17 Loans and advances to customers *(continued)*

Consumer

30 June 2021 Consumer - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**4.961**	**165**	**145**	**-**	**5,271**
Total net transfers	(49)	23	26	-	-
- To 12-month ECL not (credit-impaired)	*61*	*(60)*	*(1)*	-	-
- To lifetime ECL (not credit-impaired)	*(93)*	*101*	*(8)*	-	-
- To lifetime ECL (credit-impaired)	*(17)*	*(18)*	*35*	-	-
Net changes in exposure	(121)	(38)	(13)	-	(172)
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	147	5	3	-	155
Measurement reclassification and other movements	(1)	-	-	-	(1)
Gross carrying amount at 30 June 2021	**4,937**	**155**	**135**	**-**	**5,227**

30 June 2021 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**129**	**27**	**80**	**-**	**236**
Total net transfers	2	(5)	3	-	-
- To 12-month ECL (not credit-impaired)	*6*	*(6)*	-	-	-
- To lifetime ECL (not credit-impaired)	*(3)*	*7*	*(4)*	-	-
- To lifetime ECL (credit-impaired)	*(1)*	*(6)*	*7*	-	-
Net impairment losses / (gains) in income statement	(45)	3	11	-	(31)
- Remeasurement	*(11)*	*11*	*17*	-	*17*
- Net changes in exposure	*(1)*	*(6)*	*(5)*	-	*(12)*
- ECL model parameter changes	*(33)*	*(2)*	*(1)*	-	*(36)*
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	4	1	2	-	7
Measurement reclassification and other movements	-	-	6	-	6
Impairment loss allowance at 30 June 2021	**90**	**26**	**76**	**-**	**192**
Impairment Coverage at 30 June 2021 (%)	**1.82%**	**16.77%**	**56.30%**	**0.00%**	**3.67%**

Impairment loss allowances utilised on Consumer during H121 includes €22 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

17 Loans and advances to customers *(continued)*

31 December 2020 **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 2020	**5,421**	**206**	**100**	**-**	**5,727**
Total net transfers	(177)	80	97	-	-
- To 12-month ECL (not credit-impaired)	*150*	*(143)*	*(7)*	-	-
- To lifetime ECL (not credit-impaired)	*(267)*	*284*	*(17)*	-	-
- To lifetime ECL (credit-impaired)	*(60)*	*(61)*	*121*	-	-
Net changes in exposure	(102)	(116)	(12)	-	(230)
Impairment loss allowances utilised	-	-	(38)	-	(38)
Exchange adjustments	(180)	(5)	(2)	-	(187)
Measurement reclassification and other movements	(1)	-	-	-	(1)
Gross carrying amount at 31 December 2020	**4,961**	**165**	**145**	**-**	**5,271**

31 December 2020 **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 2020	**64**	**32**	**63**	**-**	**159**
Total net transfers	2	(13)	11	-	-
- To 12-month ECL (not credit-impaired)	*17*	*(14)*	*(3)*	-	-
- To lifetime ECL (not credit-impaired)	*(8)*	*14*	*(6)*	-	-
- To lifetime ECL (credit-impaired)	*(7)*	*(13)*	*20*	-	-
Net impairment losses / (gains) in income statement	66	9	42	-	117
- Remeasurement	*3*	*30*	*54*	-	*87*
- Net changes in exposure	*28*	*(20)*	*(7)*	-	*1*
- ECL model parameter changes	*35*	*(1)*	*(5)*	-	*29*
Impairment loss allowances utilised	-	-	(38)	-	(38)
Exchange adjustments	(3)	(1)	(2)	-	(6)
Measurement reclassification and other movements	-	-	4	-	4
Impairment loss allowance at 31 December 2020	**129**	**27**	**80**	**-**	**236**
Impairment Coverage at 31 December 2020 (%)	**2.60%**	**16.36%**	**55.17%**	**-**	**4.48%**

Impairment loss allowances utilised on Consumer during 2020 included €31 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €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 201 to 207 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020, with updates for 2021 outlined below.

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 in 2020, 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.

At 30 June 2021, there were c.91,000 cases (c.€10.3 billion exposure) for which the Group granted payment breaks during 2020. At 30 June 2021, 1% of these cases remained on an active payment break, 95% had returned to pre COVID-19 terms and 4% had been approved for additional supports (including forbearance).

Approach to measurement of impairment loss allowances

The Group's methodology for loan loss provisioning under IFRS 9 is set out on pages 203 to 207 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

During H121, the Group's ECL model framework was updated to reflect recent observed information.

In addition, the LGD component of the residential mortgages impairment models was reviewed in the period, including consideration of the rationale for the €50 million Group management adjustment to impairment loss allowance for stage 3 Irish residential mortgages applied at 31 December 2020, as well as other internal and external information available at the period end.

Following completion of this review a number of changes to the residential mortgage LGD models have been implemented including adjustments to LGD parameters (e.g. sales ratio; cash recoveries) for long-dated stage 3 assets in the RoI mortgage portfolio, and implementation of LGD floors in both the RoI and UK mortgage portfolios. The combined impact of these changes is a c.€185 million increase in impairment loss allowance, noting that the €50 million Group management adjustment for stage 3 residential mortgages applied at 31 December 2020 is no longer considered to be required following the changes to LGD models outlined above.

Total net impact of all model factor updates, including those outlined above, and the application of updated forward-looking information for Group loans and advances to customers is a c.€30 million increase in impairment loss allowances.

The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments, including forward-looking information are set out on pages 24 to 30.

The table below illustrates the relationship between the Group's internal credit risk rating grades 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 2021 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	56,868	17,779	4,262	78	78,987
Loans and advances to banks	2,482	1	-	-	2,483
Debt securities	6,244	19	-	-	6,263
Other financial assets	25,248	-	-	-	25,248
Total financial assets measured at amortised cost	**90,842**	**17,799**	**4,262**	**78**	**112,981**
Debt instruments at FVOCI	11,292	-	-	-	11,292
Total	**102,134**	**17,799**	**4,262**	**78**	**124,273**

30 June 2021 Impairment loss allowance on financial assets	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	191	650	1,271	19	2,131
Loans and advances to banks	1	-	-	-	1
Debt securities	1	2	-	-	3
Other financial assets	9	-	-	-	9
Total financial assets measured at amortised cost	**202**	**652**	**1,271**	**19**	**2,144**
Debt instruments at FVOCI	3	-	-	-	3
Total	**205**	**652**	**1,271**	**19**	**2,147**

Loans and advances to customers in the table above and on the following page excludes €360 million (31 December 2020: €361 million) of loans mandatorily at FVTPL at 30 June 2021 which are not subject to impairment under IFRS 9 and are therefore excluded from the following impairment related tables (note 17).

At 30 June 2021, other financial assets (before impairment loss allowance) includes: cash and balances at central banks of €25,079 million (31 December 2020: €10,957 million) and items in the course of collection from other banks of €169 million (31 December 2020: €166 million).

The tables above and on the following page exclude loan commitments, guarantees and letters of credit of €15,923 million at 30 June 2021 (31 December 2020: €15,897 million) that are subject to impairment (note 27).

[1] *At 30 June 2021, Purchased or originated credit-impaired assets included €1 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 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	58,253	15,743	4,376	90	78,462
Loans and advances to banks	2,227	-	-	-	2,227
Debt securities	6,258	11	-	-	6,269
Other financial assets	11,123	-	-	-	11,123
Total financial assets measured at amortised cost	**77,861**	**15,754**	**4,376**	**90**	**98,081**
Debt instruments at FVOCI	10,942	-	-	-	10,942
Total	**88,803**	**15,754**	**4,376**	**90**	**109,023**

31 December 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	346	552	1,312	32	2,242
Loans and advances to banks	1	-	-	-	1
Debt securities	1	2	-	-	3
Other financial assets	4	-	-	-	4
Total financial assets measured at amortised cost	**352**	**554**	**1,312**	**32**	**2,250**
Debt instruments at FVOCI	3	-	-	-	3
Total	**355**	**554**	**1,312**	**32**	**2,253**

[1] *At 31 December 2020, Purchased or originated credit-impaired assets included €1 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)*

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.

	30 June 2021				31 December 2020			
Loans and advances to customers Composition and risk profile (before impairment loss allowance)[1]	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Total %**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Total %**
Residential mortgages	42,553	1,920	44,473	56%	42,544	2,196	44,740	57%
- Retail Ireland	*21,190*	*1,159*	*22,349*	*28%*	*21,432*	*1,508*	*22,940*	*29%*
- Retail UK	*21,363*	*761*	*22,124*	*28%*	*21,112*	*688*	*21,800*	*28%*
Non-property SME and corporate	19,169	1,156	20,325	26%	18,818	1,014	19,832	25%
- Republic of Ireland SME	*6,311*	*666*	*6,977*	*9%*	*6,401*	*672*	*7,073*	*9%*
- UK SME	*1,714*	*113*	*1,827*	*2%*	*1,676*	*114*	*1,790*	*2%*
- Corporate	*11,144*	*377*	*11,521*	*15%*	*10,741*	*228*	*10,969*	*14%*
Property and construction	7,833	1,051	8,884	11%	7,508	1,021	8,529	11%
- Investment	*6,786*	*1,015*	*7,801*	*10%*	*6,584*	*987*	*7,571*	*10%*
- Development	*1,047*	*36*	*1,083*	*1%*	*924*	*34*	*958*	*1%*
Consumer	5,092	135	5,227	7%	5,126	145	5,271	7%
Total	**74,647**	**4,262**	**78,909**	**100%**	**73,996**	**4,376**	**78,372**	**100%**
Impairment loss allowance on loans and advances to customers	**841**	**1,271**	**2,112**	**3%**	**898**	**1,312**	**2,210**	**3%**

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 2021	Stage 1				Stage 2			
Not credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	**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	37,734	48%	27	0.07%	4,819	6%	117	2.43%
- Retail Ireland	*18,003*	*23%*	*11*	*0.06%*	*3,187*	*4%*	*87*	*2.73%*
- Retail UK	*19,731*	*25%*	*16*	*0.08%*	*1,632*	*2%*	*30*	*1.84%*
Non-property SME and corporate	11,383	14%	70	0.61%	7,786	10%	401	5.15%
- Republic of Ireland SME	*3,449*	*4%*	*34*	*0.99%*	*2,862*	*4%*	*216*	*7.55%*
- UK SME	*1,072*	*1%*	*6*	*0.56%*	*642*	*1%*	*38*	*5.92%*
- Corporate	*6,862*	*9%*	*30*	*0.44%*	*4,282*	*5%*	*147*	*3.43%*
Property and construction	2,814	4%	4	0.14%	5,019	7%	106	2.11%
- Investment	*2,221*	*3%*	*3*	*0.14%*	*4,565*	*6%*	*96*	*2.10%*
- Development	*593*	*1%*	*1*	*0.17%*	*454*	*1%*	*10*	*2.20%*
Consumer	4,937	6%	90	1.82%	155	-	26	16.77%
Total	**56,868**	**72%**	**191**	**0.34%**	**17,779**	**23%**	**650**	**3.66%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €78 million (31 December 2020: €90 million), €1 million (31 December 2020: €1 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 2020	Stage 1				Stage 2			
Not credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	**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	40,016	51%	74	0.18%	2,528	3%	31	1.23%
- Retail Ireland	*19,552*	*25%*	*44*	*0.23%*	*1,880*	*2%*	*20*	*1.06%*
- Retail UK	*20,464*	*26%*	*30*	*0.15%*	*648*	*1%*	*11*	*1.70%*
Non-property SME and corporate	10,637	14%	134	1.26%	8,181	11%	368	4.50%
- Republic of Ireland SME	*4,155*	*5%*	*96*	*2.31%*	*2,246*	*3%*	*144*	*6.41%*
- UK SME	*1,064*	*1%*	*9*	*0.85%*	*612*	*1%*	*37*	*6.05%*
- Corporate	*5,418*	*8%*	*29*	*0.54%*	*5,323*	*7%*	*187*	*3.51%*
Property and construction	2,639	3%	9	0.34%	4,869	6%	126	2.59%
- Investment	*2,357*	*3%*	*7*	*0.30%*	*4,227*	*5%*	*103*	*2.44%*
- Development	*282*	*-*	*2*	*0.71%*	*642*	*1%*	*23*	*3.58%*
Consumer	4,961	6%	129	2.60%	165	-	27	16.36%
Total	**58,253**	**74%**	**346**	**0.59%**	**15,743**	**20%**	**552**	**3.51%**

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 56.

30 June 2021 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	5,322	13%	2,233	12%	595	8%	7	-	8,157	11%
5-7	27,638	65%	2,282	12%	2,071	26%	441	9%	32,432	43%
8-9	3,742	9%	5,851	30%	132	2%	2,935	58%	12,660	17%
10-11	1,032	2%	1,017	5%	16	-	1,554	30%	3,619	5%
Total Stage 1	**37,734**	**89%**	**11,383**	**59%**	**2,814**	**36%**	**4,937**	**97%**	**56,868**	**76%**
Stage 2										
1-4	123	-	365	2%	85	1%	-	-	573	1%
5-7	2,886	7%	1,466	8%	3,513	45%	1	-	7,866	11%
8-9	779	2%	2,264	12%	885	11%	14	-	3,942	5%
10-11	1,031	2%	3,691	19%	536	7%	140	3%	5,398	7%
Total Stage 2	**4,819**	**11%**	**7,786**	**41%**	**5,019**	**64%**	**155**	**3%**	**17,779**	**24%**
Not credit-impaired										
1-4	5,445	13%	2,598	14%	680	9%	7	-	8,730	12%
5-7	30,524	72%	3,748	20%	5,584	71%	442	9%	40,298	54%
8-9	4,521	11%	8,115	42%	1,017	13%	2,949	58%	16,602	22%
10-11	2,063	4%	4,708	24%	552	7%	1,694	33%	9,017	12%
Total not credit-impaired	**42,553**	**100%**	**19,169**	**100%**	**7,833**	**100%**	**5,092**	**100%**	**74,647**	**100%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €78 million (31 December 2020: €90 million), €1 million (31 December 2020: €1 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 2020 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	1,819	4%	1,351	7%	-	-	1	-	3,171	4%
5-7	20,287	48%	2,290	12%	2,198	29%	325	6%	25,100	34%
8-9	13,952	33%	4,824	26%	375	5%	2,803	55%	21,954	30%
10-11	3,958	9%	2,172	12%	66	1%	1,832	36%	8,028	11%
Total Stage 1	**40,016**	**94%**	**10,637**	**57%**	**2,639**	**35%**	**4,961**	**97%**	**58,253**	**79%**
Stage 2										
1-4	-	-	48	-	-	-	-	-	48	-
5-7	266	1%	2,040	11%	1,933	26%	-	-	4,239	6%
8-9	946	2%	1,953	10%	1,994	27%	23	-	4,916	7%
10-11	1,316	3%	4,140	22%	942	12%	142	3%	6,540	8%
Total Stage 2	**2,528**	**6%**	**8,181**	**43%**	**4,869**	**65%**	**165**	**3%**	**15,743**	**21%**
Not credit-impaired										
1-4	1,819	4%	1,399	7%	-	-	1	-	3,219	4%
5-7	20,553	49%	4,330	23%	4,131	55%	325	6%	29,339	40%
8-9	14,898	35%	6,777	36%	2,369	32%	2,826	55%	26,870	37%
10-11	5,274	12%	6,312	34%	1,008	13%	1,974	39%	14,568	19%
Total not credit-impaired	**42,544**	**100%**	**18,818**	**100%**	**7,508**	**100%**	**5,126**	**100%**	**73,996**	**100%**

Asset quality - credit-impaired

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

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

Credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	30 June 2021 Credit-impaired loans €m	30 June 2021 Credit-impaired loans as % of total advances %	30 June 2021 Impairment loss allowance €m	30 June 2021 Impairment loss allowance as % of loans %	31 December 2020 Credit-impaired loans €m	31 December 2020 Credit-impaired loans as % of total advances %	31 December 2020 Impairment loss allowance €m	31 December 2020 Impairment loss allowance as % of loans %
Residential mortgages	1,920	2%	378	20%	2,196	3%	374	17%
- Retail Ireland	*1,159*	*1%*	*318*	*27%*	*1,508*	*2%*	*329*	*22%*
- Retail UK	761	1%	60	8%	688	1%	45	7%
Non-property SME and corporate	1,156	1%	387	33%	1,014	1%	416	41%
- Republic of Ireland SME	*666*	*1%*	*237*	*36%*	*672*	*1%*	*261*	*39%*
- UK SME	*113*	-	*32*	*28%*	*114*	-	*26*	*23%*
- Corporate	377	-	118	31%	228	-	129	57%
Property and construction	1,051	1%	430	41%	1,021	1%	442	43%
- Investment	*1,015*	*1%*	*413*	*41%*	*987*	*1%*	*427*	*43%*
- Development	36	-	17	47%	34	-	15	44%
Consumer	135	-	76	56%	145	-	80	55%
Total credit-impaired	**4,262**	**4%**	**1,271**	**30%**	**4,376**	**5%**	**1,312**	**30%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €78 million (31 December 2020: €90 million), €1 million (31 December 2020: €1 million) of which were no longer credit-impaired at the reporting date. These loans will remain classified as Purchased or originated credit-impaired until derecognition.*

18 Credit risk exposures *(continued)*

Non-performing exposures

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

30 June 2021 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]	1,921	1,169	1,114	135	4,339
Not credit-impaired[3]	32	9	6	1	48
Total	**1,953**	**1,178**	**1,120**	**136**	**4,387**

31 December 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]	2,197	1,040	1,083	145	4,465
Not credit-impaired[3]	7	19	12	-	38
Total	**2,204**	**1,059**	**1,095**	**145**	**4,503**

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 2020: €0.1 billion).

NPEs increased to €4.4 billion at 30 June 2021 from €4.5 billion at 31 December 2020. NPEs at 30 June 2021 comprise credit-impaired loans of €4.3 billion and other NPEs of €0.1 billion.

The movements in NPEs in the period are broadly consistent with the movements in credit-impaired loans as set out in the composition and impairment table above.

Movements in NPEs in the period also includes the securitisation of a pool of non-performing residential mortgages with a gross carrying value of €339 million.

[1] *The above tables include NPEs relating to loans and advances to customers at amortised cost of €4,356 million (31 December 2021: €4,496 million) and loans and advances to customers measured at fair value through profit or loss of €31 million (31 December 2021: €7 million).*

[2] *Includes Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*

[3] *Not credit-impaired figures include forborne loans that had yet to satisfy exit criteria in line with European Banking Authority guidance to return to performing.*

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 2021 of €79.0 billion is available in note 17 on page 45. Exposures are before impairment loss allowance.

30 June 2021 **Loans and advances to customers at amortised cost - Composition**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	37,732	4,411	942	1	43,086
- Retail Ireland	*18,002*	*2,865*	*329*	*1*	*21,197*
- Retail UK	*19,730*	*1,546*	*613*	*-*	*21,889*
Non-property SME and corporate	11,383	5,611	303	-	17,297
- Republic of Ireland SME	*3,449*	*2,432*	*228*	*-*	*6,109*
- UK SME	*1,072*	*538*	*49*	*-*	*1,659*
- Corporate	*6,862*	*2,641*	*26*	*-*	*9,529*
Property and construction	2,814	4,078	51	-	6,943
- Investment	*2,221*	*3,732*	*45*	*-*	*5,998*
- Development	*593*	*346*	*6*	*-*	*945*
Consumer	4,937	154	129	-	5,220
Total non-forborne loans and advances to customers	**56,866**	**14,254**	**1,425**	**1**	**72,546**
Forborne loans and advances to customers					
Residential mortgages	2	408	978	1	1,389
- Retail Ireland	*1*	*322*	*830*	*1*	*1,154*
- Retail UK	*1*	*86*	*148*	*-*	*235*
Non-property SME and corporate	-	2,175	853	13	3,041
- Republic of Ireland SME	*-*	*430*	*438*	*-*	*868*
- UK SME	*-*	*104*	*64*	*-*	*168*
- Corporate	*-*	*1,641*	*351*	*13*	*2,005*
Property and construction	-	941	1,000	63	2,004
- Investment	*-*	*833*	*970*	*63*	*1,866*
- Development	*-*	*108*	*30*	*-*	*138*
Consumer	-	1	6	-	7
Total forborne loans and advances to customers	**2**	**3,525**	**2,837**	**77**	**6,441**

[1] *At 30 June 2021, forborne Purchased or originated credit-impaired loans included €1 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 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	40,008	2,062	920	1	42,991
- Retail Ireland	*19,544*	*1,501*	*366*	*1*	*21,412*
- Retail UK	*20,464*	*561*	*554*	*-*	*21,579*
Non-property SME and corporate	10,637	6,565	300	-	17,502
- Republic of Ireland SME	*4,155*	*1,848*	*243*	*-*	*6,246*
- UK SME	*1,064*	*520*	*57*	*-*	*1,641*
- Corporate	*5,418*	*4,197*	*-*	*-*	*9,615*
Property and construction	2,639	4,521	44	1	7,205
- Investment	*2,357*	*3,886*	*36*	*1*	*6,280*
- Development	*282*	*635*	*8*	*-*	*925*
Consumer	4,961	164	138	-	5,263
Total non-forborne loans and advances to customers	**58,245**	**13,312**	**1,402**	**2**	**72,961**
Forborne loans and advances to customers					
Residential mortgages	8	466	1,276	1	1,751
- Retail Ireland	*8*	*379*	*1,142*	*1*	*1,530*
- Retail UK	*-*	*87*	*134*	*-*	*221*
Non-property SME and corporate	-	1,616	714	26	2,356
- Republic of Ireland SME	*-*	*398*	*429*	*-*	*827*
- UK SME	*-*	*92*	*57*	*-*	*149*
- Corporate	*-*	*1,126*	*228*	*26*	*1,380*
Property and construction	-	348	977	61	1,386
- Investment	*-*	*341*	*951*	*61*	*1,353*
- Development	*-*	*7*	*26*	*-*	*33*
Consumer	-	1	7	-	8
Total forborne loans and advances to customers	**8**	**2,431**	**2,974**	**88**	**5,501**

30 June 2021 Risk profile of loans and advances to customers at amortised cost - non-performing exposures[2]	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	911	303	50	129	1,393
Not credit-impaired	31	-	6	1	38
Total non-forborne loans and advances to customers	**942**	**303**	**56**	**130**	**1,431**
Forborne loans and advances to customers					
Credit-impaired	979	866	1,064	6	2,915
Not credit-impaired	1	9	-	-	10
Total forborne loans and advances to customers	**980**	**875**	**1,064**	**6**	**2,925**

[1] *At 31 December 2020, forborne Purchased or originated credit-impaired loans included €1 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.*
[2] *Table includes POCI loans but excludes loans at FVTPL.*

18 Credit risk exposures *(continued)*

31 December 2020 Risk profile of loans and advances to customers at amortised cost - non-performing exposures[1]	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	912	300	44	138	1,394
Not credit-impaired	7	13	6	-	26
Total non-forborne loans and advances to customers	**919**	**313**	**50**	**138**	**1,420**
Forborne loans and advances to customers					
Credit-impaired	1,278	740	1,039	7	3,064
Not credit-impaired	-	6	6	-	12
Total forborne loans and advances to customers	**1,278**	**746**	**1,045**	**7**	**3,076**

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 2021	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
Geographical[2] / industry analysis	RoI €m	UK €m	RoW[3] €m	Total €m	RoI €m	UK €m	RoW[3] €m	Total €m
Personal	**24,347**	**25,355**	**-**	**49,702**	**473**	**241**	**-**	**714**
- Residential mortgages	*22,351*	*22,124*	*-*	*44,475*	*416*	*106*	*-*	*522*
- Other consumer lending	*1,996*	*3,231*	*-*	*5,227*	*57*	*135*	*-*	*192*
Property and construction	**7,797**	**1,150**	**-**	**8,947**	**276**	**283**	**-**	**559**
- Investment	*6,761*	*1,103*	*-*	*7,864*	*259*	*272*	*-*	*531*
- Development	*1,036*	*47*	*-*	*1,083*	*17*	*11*	*-*	*28*
Non-property SME & corporate[4,5]	**16,381**	**2,947**	**1,010**	**20,338**	**717**	**98**	**43**	**858**
- Manufacturing	*3,111*	*747*	*175*	*4,033*	*77*	*20*	*5*	*102*
- Administrative and support service activities	*1,882*	*469*	*154*	*2,505*	*92*	*11*	*11*	*114*
- Wholesale and retail trade	*2,147*	*273*	*23*	*2,443*	*82*	*6*	*-*	*88*
- Accommodation and food service activities	*1,511*	*110*	*149*	*1,770*	*90*	*7*	*5*	*102*
- Agriculture, forestry and fishing	*1,465*	*208*	*20*	*1,693*	*60*	*6*	*-*	*66*
- Human health services and social work activities	*1,142*	*239*	*78*	*1,459*	*44*	*16*	*8*	*68*
- Financial and insurance activities	*827*	*152*	*-*	*979*	*10*	*4*	*-*	*14*
- Transport and storage	*885*	*65*	*23*	*973*	*71*	*1*	*5*	*77*
- Other services	*688*	*128*	*100*	*916*	*56*	*5*	*4*	*65*
- Real estate activities	*445*	*125*	*55*	*625*	*53*	*11*	*-*	*64*
- Professional, scientific and technical activities	*532*	*46*	*22*	*600*	*14*	*2*	*-*	*16*
- Arts, entertainment and recreation	*429*	*43*	*40*	*512*	*34*	*3*	*4*	*41*
- Education	*283*	*67*	*89*	*439*	*4*	*1*	*1*	*6*
- Other sectors	*1,034*	*275*	*82*	*1,391*	*30*	*5*	*-*	*35*
Total	**48,525**	**29,452**	**1,010**	**78,987**	**1,466**	**622**	**43**	**2,131**
Analysed by stage:								
Stage 1	31,563	24,744	561	56,868	90	97	4	191
Stage 2	14,327	3,140	312	17,779	513	126	11	650
Stage 3	2,620	1,505	137	4,262	863	380	28	1,271
Purchased / originated credit-impaired	15	63	-	78	-	19	-	19
Total	**48,525**	**29,452**	**1,010**	**78,987**	**1,466**	**622**	**43**	**2,131**

[1] *Table includes POCI loans but excludes loans at FVTPL.*
[2] *The geographical breakdown is primarily based on the location of the business unit where the asset is booked.*
[3] *Rest of World (RoW).*
[4] *The Non-property SME & corporate portfolio is analysed by Statistical Classification of Economic Activities in the European Community (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 totalling 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 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	**24,933**	**25,080**	**-**	**50,013**	**464**	**251**	**-**	**715**
- Residential mortgages	*22,942*	*21,800*	*-*	*44,742*	*393*	*86*	*-*	*479*
- Other consumer lending	*1,991*	*3,280*	*-*	*5,271*	*71*	*165*	*-*	*236*
Property and construction	**7,379**	**1,212**	**-**	**8,591**	**317**	**279**	**-**	**596**
- Investment	*6,477*	*1,156*	*-*	*7,633*	*287*	*269*	*-*	*556*
- Development	*902*	*56*	*-*	*958*	*30*	*10*	*-*	*40*
Non-property SME & corporate[3,4]	**16,292**	**2,383**	**1,183**	**19,858**	**798**	**99**	**34**	**931**
- Manufacturing	*3,101*	*341*	*458*	*3,900*	*98*	*16*	*16*	*130*
- Administrative and support service activities	*1,913*	*324*	*199*	*2,436*	*113*	*13*	*6*	*132*
- Wholesale and retail trade	*2,022*	*291*	*36*	*2,349*	*118*	*9*	*-*	*127*
- Accommodation and food service activities	*1,542*	*144*	*35*	*1,721*	*84*	*6*	*1*	*91*
- Agriculture, forestry and fishing	*1,460*	*211*	*-*	*1,671*	*63*	*4*	*-*	*67*
- Human health services and social work activities	*1,196*	*211*	*113*	*1,520*	*52*	*22*	*1*	*75*
- Transport and storage	*855*	*88*	*51*	*994*	*63*	*4*	*2*	*69*
- Other services	*717*	*58*	*145*	*920*	*58*	*3*	*5*	*66*
- Professional, scientific and technical activities	*600*	*37*	*69*	*706*	*19*	*1*	*1*	*21*
- Financial and insurance activities	*619*	*76*	*1*	*696*	*15*	*1*	*-*	*16*
- Real estate activities	*414*	*173*	*-*	*587*	*47*	*10*	*-*	*57*
- Arts, entertainment and recreation	*462*	*56*	*11*	*529*	*30*	*7*	*1*	*38*
- Education	*294*	*78*	*39*	*411*	*8*	*-*	*1*	*9*
- Other sectors	*1,097*	*295*	*26*	*1,418*	*30*	*3*	*-*	*33*
Total	**48,604**	**28,675**	**1,183**	**78,462**	**1,579**	**629**	**34**	**2,242**
Analysed by stage:								
Stage 1	32,404	25,095	754	58,253	200	139	7	346
Stage 2	13,320	2,015	408	15,743	438	93	21	552
Stage 3	2,851	1,504	21	4,376	928	378	6	1,312
Purchased / originated credit-impaired	29	61	-	90	13	19	-	32
Total	**48,604**	**28,675**	**1,183**	**78,462**	**1,579**	**629**	**34**	**2,242**

[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 totalling 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 2021	**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	37,734	4,819	1,920	2	44,475	27	117	378	-	522
Other consumer	4,937	155	135	-	5,227	90	26	76	-	192
- Motor lending UK	*1,750*	*47*	*30*	-	*1,827*	*8*	*3*	*13*	-	*24*
- Loans UK	*1,314*	*47*	*42*	-	*1,403*	*61*	*18*	*32*	-	*111*
- Motor lending RoI	*783*	-	*19*	-	*802*	*7*	-	*7*	-	*14*
- Loans RoI	*688*	*54*	*30*	-	*772*	*12*	*4*	*17*	-	*33*
- Credit cards - RoI	*402*	*7*	*14*	-	*423*	*2*	*1*	*7*	-	*10*
	42,671	**4,974**	**2,055**	**2**	**49,702**	**117**	**143**	**454**	**-**	**714**
Property and construction	**2,814**	**5,019**	**1,051**	**63**	**8,947**	**4**	**106**	**430**	**19**	**559**
- Investment	*2,221*	*4,565*	*1,015*	*63*	*7,864*	*3*	*96*	*413*	*19*	*531*
- Development	*593*	*454*	*36*	-	*1,083*	*1*	*10*	*17*	-	*28*
Non-property SME & corporate[2,3]	**11,383**	**7,786**	**1,156**	**13**	**20,338**	**70**	**401**	**387**	**-**	**858**
- Manufacturing	*2,529*	*1,414*	*90*	-	*4,033*	*15*	*58*	*29*	-	*102*
- Administrative and support service activities	*1,365*	*1,020*	*107*	*13*	*2,505*	*9*	*61*	*44*	-	*114*
- Wholesale and retail trade	*1,671*	*660*	*112*	-	*2,443*	*9*	*33*	*46*	-	*88*
- Accommodation and food service activities	*234*	*1,315*	*221*	-	*1,770*	*1*	*55*	*46*	-	*102*
- Agriculture, forestry and fishing	*1,214*	*352*	*127*	-	*1,693*	*13*	*19*	*34*	-	*66*
- Human health services and social work activities	*627*	*799*	*33*	-	*1,459*	*4*	*54*	*10*	-	*68*
- Financial and insurance activities	*812*	*150*	*17*	-	*979*	*3*	*5*	*6*	-	*14*
- Transport and storage	*351*	*486*	*136*	-	*973*	*2*	*20*	*55*	-	*77*
- Other services	*540*	*265*	*111*	-	*916*	*3*	*11*	*51*	-	*65*
- Real estate activities	*187*	*357*	*81*	-	*625*	*1*	*29*	*34*	-	*64*
- Professional, scientific and technical activities	*404*	*180*	*16*	-	*600*	*3*	*8*	*5*	-	*16*
- Arts, entertainment and recreation	*81*	*379*	*52*	-	*512*	-	*27*	*14*	-	*41*
- Education	*374*	*63*	*2*	-	*439*	*2*	*3*	*1*	-	*6*
- Other sectors	*994*	*346*	*51*	-	*1,391*	*5*	*18*	*12*	-	*35*
Total	**56,868**	**17,779**	**4,262**	**78**	**78,987**	**191**	**650**	**1,271**	**19**	**2,131**

[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 totalling 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 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	40,016	2,528	2,196	2	44,742	74	31	374	-	479
Other consumer	4,961	165	145	-	5,271	129	27	80	-	236
- Motor lending UK	*1,798*	*71*	*31*	*-*	*1,900*	*10*	*5*	*13*	*-*	*28*
- Loans UK	*1,295*	*43*	*42*	*-*	*1,380*	*90*	*17*	*32*	*-*	*139*
- Motor lending RoI	*751*	*-*	*22*	*-*	*773*	*8*	*-*	*8*	*-*	*16*
- Loans RoI	*678*	*42*	*33*	*-*	*753*	*18*	*4*	*17*	*-*	*39*
- Credit cards - RoI	*439*	*9*	*17*	*-*	*465*	*3*	*1*	*10*	*-*	*14*
	44,977	**2,693**	**2,341**	**2**	**50,013**	**203**	**58**	**454**	**-**	**715**
Property and construction	**2,639**	**4,869**	**1,021**	**62**	**8,591**	**9**	**126**	**442**	**19**	**596**
- Investment	*2,357*	*4,227*	*987*	*62*	*7,633*	*7*	*103*	*427*	*19*	*556*
- Development	*282*	*642*	*34*	*-*	*958*	*2*	*23*	*15*	*-*	*40*
Non-property SME & corporate[2,3]	**10,637**	**8,181**	**1,014**	**26**	**19,858**	**134**	**368**	**416**	**13**	**931**
- Manufacturing	*2,076*	*1,742*	*82*	*-*	*3,900*	*19*	*75*	*36*	*-*	*130*
- Administrative and support service activities	*1,388*	*926*	*96*	*26*	*2,436*	*25*	*39*	*55*	*13*	*132*
- Wholesale and retail trade	*1,520*	*688*	*141*	*-*	*2,349*	*19*	*31*	*77*	*-*	*127*
- Accommodation and food service activities	*236*	*1,354*	*131*	*-*	*1,721*	*5*	*46*	*40*	*-*	*91*
- Agriculture, forestry and fishing	*1,187*	*352*	*132*	*-*	*1,671*	*16*	*16*	*35*	*-*	*67*
- Human health services and social work activities	*727*	*760*	*33*	*-*	*1,520*	*10*	*55*	*10*	*-*	*75*
- Transport and storage	*436*	*489*	*69*	*-*	*994*	*4*	*23*	*42*	*-*	*69*
- Other services	*431*	*370*	*119*	*-*	*920*	*3*	*15*	*48*	*-*	*66*
- Professional, scientific and technical activities	*475*	*216*	*15*	*-*	*706*	*7*	*9*	*5*	*-*	*21*
- Financial and insurance activities	*588*	*85*	*23*	*-*	*696*	*4*	*5*	*7*	*-*	*16*
- Real estate activities	*308*	*190*	*89*	*-*	*587*	*12*	*10*	*35*	*-*	*57*
- Arts, entertainment and recreation	*78*	*389*	*62*	*-*	*529*	*1*	*20*	*17*	*-*	*38*
- Education	*311*	*99*	*1*	*-*	*411*	*2*	*6*	*1*	*-*	*9*
- Other sectors	*876*	*521*	*21*	*-*	*1,418*	*7*	*18*	*8*	*-*	*33*
Total	**58,253**	**15,743**	**4,376**	**90**	**78,462**	**346**	**552**	**1,312**	**32**	**2,242**

[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 totalling 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. The analysis does not include cases where a customer cancelled their COVID-19 payment break or where the account was derecognised prior to the reporting date. Information is presented on an aggregate basis at the date a payment break was granted for accounts remaining on the books at 30 June 2021, in addition to an analysis of accounts still subject to a payment break as at 30 June 2021.

30 June 2021 **Analysis of all COVID-19 payment breaks granted**	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts granted a payment break	38,956	15,537	1,007	35,044	90,544
Total gross carrying amount of loans granted a payment break[1] (€m)	5,868	3,265	722	462	10,317
Total impairment loss allowance on loans granted a payment break[1] (€m)	108	178	61	25	372

31 December 2020 **Analysis of all COVID-19 payment breaks granted**	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts granted a payment break	41,684	18,180	1,178	38,628	99,670
Total gross carrying amount of loans granted a payment break[1] (€m)	6,209	3,624	783	486	11,102
Total impairment loss allowance on loans granted a payment break[1] (€m)	73	180	63	28	344

30 June 2021 **Analysis of loans and advances to customers subject to a COVID-19 payment break**	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts subject to a payment break	156	24	-	323	503
Percentage of customer loan accounts[2]	-	-	-	-	-
Total gross carrying amount of loans subject to a payment break[3] (€m)	26	169	-	4	199
Total impairment loss allowance on loans subject to a payment break[3] (€m)	1	2	-	-	3

31 December 2020 **Analysis of loans and advances to customers subject to a COVID-19 payment break**	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts subject to a payment break	2,055	391	27	3,324	5,797
Percentage of customer loan accounts[2]	1%	-	1%	-	-
Total gross carrying amount of loans subject to a payment break[4] (€m)	348	829	32	38	1,247
Total impairment loss allowance on loans subject to a payment break[4] (€m)	3	20	1	3	27

[1] *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.*
[2] *The number of accounts does not equate to the number of customers.*
[3] *The gross carrying amount and impairment loss allowance on loans subject to a payment break, relate to balances as at 30 June 2021.*
[4] *The gross carrying amount and impairment loss allowance on loans subject to a payment break, relate to balances as at 31 December 2020.*

18 Credit risk exposures *(continued)*

30 June 2021 Risk profile of loans and advances to customers subject to a COVID-19 payment break	Residential mortgages[1] €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - Not Credit Impaired	1	1	-	4	6
Stage 2 - Not Credit Impaired	19	168	-	-	187
Stage 3 - Credit Impaired	6	-	-	-	6
Purchased / originated credit-impaired	-	-	-	-	-
Total	**26**	**169**	**-**	**4**	**199**

31 December 2020 Risk profile of loans and advances to customers subject to a COVID-19 payment break	Residential mortgages[1] €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - Not Credit Impaired	259	52	1	33	345
Stage 2 - Not Credit Impaired	33	772	29	3	837
Stage 3 - Credit Impaired	56	5	2	2	65
Purchased / originated credit-impaired	-	-	-	-	-
Total	**348**	**829**	**32**	**38**	**1,247**

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 Central Statistics Office (CSO) Residential Property Price Index (RPPI). The indexed LTV profile of the Retail Ireland mortgage loan book contained in the table below is based on the RPPI CSO at April 2021.

30 June 2021	Owner occupied			Buy to let			Total		
Loan to value (LTV) ratio of total Retail Ireland mortgages[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%	7,550	198	7,748	939	46	985	8,489	244	8,733
51% to 70%	6,223	155	6,378	451	53	504	6,674	208	6,882
71% to 80%	3,038	73	3,111	73	18	91	3,111	91	3,202
81% to 90%	2,604	75	2,679	75	57	132	2,679	132	2,811
91% to 100%	110	51	161	20	20	40	130	71	201
Subtotal	**19,525**	**552**	**20,077**	**1,558**	**194**	**1,752**	**21,083**	**746**	**21,829**
101% to 120%	25	82	107	24	29	53	49	111	160
121% to 150%	17	51	68	9	32	41	26	83	109
Greater than 151%	11	102	113	21	117	138	32	219	251
Subtotal	**53**	**235**	**288**	**54**	**178**	**232**	**107**	**413**	**520**
Total	**19,578**	**787**	**20,365**	**1,612**	**372**	**1,984**	**21,190**	**1,159**	**22,349**
Retail Ireland mortgages weighted average LTV[3]									
Stock of Retail Ireland mortgages at period end			57%			62%			58%
New Retail Ireland mortgages during the period			75%			55%			74%

[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] *Excluded from the above table are POCI loans of €2 million, €1 million of which were no longer credit-impaired at the reporting date. These loans will remain classified as POCI loans until derecognition.*
[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 2020	Owner occupied			Buy to let			Total		
Loan to value ratio of total Retail Ireland mortgages[1]	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%	7,165	231	7,396	916	55	971	8,081	286	8,367
51% to 70%	6,218	194	6,412	546	67	613	6,764	261	7,025
71% to 80%	2,993	96	3,089	97	32	129	3,090	128	3,218
81% to 90%	2,920	107	3,027	106	72	178	3,026	179	3,205
91% to 100%	307	78	385	24	31	55	331	109	440
Subtotal	**19,603**	**706**	**20,309**	**1,689**	**257**	**1,946**	**21,292**	**963**	**22,255**
101% to 120%	33	116	149	30	51	81	63	167	230
121% to 150%	21	78	99	15	39	54	36	117	153
Greater than 150%	18	126	144	23	135	158	41	261	302
Subtotal	**72**	**320**	**392**	**68**	**225**	**293**	**140**	**545**	**685**
Total	**19,675**	**1,026**	**20,701**	**1,757**	**482**	**2,239**	**21,432**	**1,508**	**22,940**
Retail Ireland mortgages weighted average LTV[2]									
Stock of Retail Ireland mortgages at period end			59%			66%			60%
New Retail Ireland mortgages during the period			75%			57%			75%

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 2021	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%	2,578	74	2,805	65	522	72	5,905	211	6,116
51% to 70%	3,470	93	3,363	79	440	113	7,273	285	7,558
71% to 80%	2,877	38	513	25	82	29	3,472	92	3,564
81% to 90%	1,530	21	34	5	14	11	1,578	37	1,615
91% to 100%	76	5	4	2	3	5	83	12	95
Subtotal	**10,531**	**231**	**6,719**	**176**	**1,061**	**230**	**18,311**	**637**	**18,948**
101% to 120%	11	6	2	-	2	3	15	9	24
121% to 150%	4	2	-	-	2	1	6	3	9
Greater than 150%	-	1	-	-	-	2	-	3	3
Subtotal	**15**	**9**	**2**	**-**	**4**	**6**	**21**	**15**	**36**
Total	**10,546**	**240**	**6,721**	**176**	**1,065**	**236**	**18,332**	**652**	**18,984**
Retail UK mortgages weighted average LTV[2]									
Stock of Retail UK mortgages at period end	62%	60%	52%	56%	50%	59%	58%	59%	58%
New Retail UK mortgages during the period	76%	85%	66%	57%	29%	-	74%	75%	74%

[1] *Excluded from the above tables are Purchased or originated credit-impaired loans of €2 million for the year ended 31 December 2020, €1 million of which were no longer credit-impaired for the year ended 31 December 2020. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*
[2] *Weighted average LTVs are calculated at a property level and reflect the average property values in proportion to the outstanding mortgage.*

18 Credit risk exposures *(continued)*

31 December 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%	2,342	64	2,492	52	493	54	5,327	170	5,497
51% to 70%	3,202	83	3,587	69	508	104	7,297	256	7,553
71% to 80%	2,565	32	791	33	113	32	3,469	97	3,566
81% to 90%	2,559	27	142	11	46	21	2,747	59	2,806
91% to 100%	89	11	9	4	7	5	105	20	125
Subtotal	**10,757**	**217**	**7,021**	**169**	**1,167**	**216**	**18,945**	**602**	**19,547**
101% to 120%	13	5	4	1	3	4	20	10	30
121% to 150%	10	2	1	-	3	2	14	4	18
Greater than 150%	1	2	-	-	-	1	1	3	4
Subtotal	**24**	**9**	**5**	**1**	**6**	**7**	**35**	**17**	**52**
Total	**10,781**	**226**	**7,026**	**170**	**1,173**	**223**	**18,980**	**619**	**19,599**
Weighted average LTV[1]									
Stock of Retail UK mortgages at year end	65%	63%	55%	59%	53%	62%	60%	62%	60%
New Retail UK mortgages during the year	75%	71%	58%	54%	51%	-	72%	66%	72%

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 2021						31 December 2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	10,483	93%	-	-	10,483	93%	10,265	94%	-	-	10,265	94%
5-7	809	7%	-	-	809	7%	677	6%	-	-	677	6%
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**11,292**	**100%**	**-**	**-**	**11,292**	**100%**	**10,942**	**100%**	**-**	**-**	**10,942**	**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 2021						31 December 2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	6,244	100%	19	100%	6,263	100%	6,258	100%	1	9%	6,259	100%
5-7	-	-	-	-	-	-	-	-	1	9%	1	-
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	9	82%	9	-
Total	**6,244**	**100%**	**19**	**100%**	**6,263**	**100%**	**6,258**	**100%**	**11**	**100%**	**6,269**	**100%**

[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)*

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 2021						31 December 2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,462	99%	-	-	2,462	99%	2,162	97%	-	-	2,162	97%
5-7	2	-	-	-	2	-	7	-	-	-	7	-
8-9	18	1%	1	100%	19	1%	58	3%	-	-	58	3%
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,482**	**100%**	**1**	**100%**	**2,483**	**100%**	**2,227**	**100%**	**-**	**-**	**2,227**	**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 2021		31 December 2020	
	€m	%	€m	%
AAA to AA-	5,211	53%	4,984	50%
A+ to A-	2,212	23%	2,677	26%
BBB+ to BBB-	1,805	18%	1,841	18%
BB+ to BB-	161	2%	193	2%
B+ to B-	402	4%	441	4%
Lower than B-	18	-	7	-
Total	**9,809**	**100%**	**10,143**	**100%**

19 Modified financial assets

	30 June 2021 €m	Year ended 31 December 2020 €m
Financial assets modified during the period		
Amortised cost before modification	1,008	1,157
Net modification gains / losses (net of impairment losses impact)	(1)	7
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	580	309

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 €193 million (31 December 2020: €902 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 2021					31 December 2020				
	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	**34**	**71**	**2,219**	**180**	**2,504**	**36**	**72**	**2,003**	**211**	**2,322**
Additions	-	-	120	-	120	-	-	229	-	229
Disposals / write-offs	-	-	-	-	-	-	-	-	(24)	(24)
Exchange Adjustments	1	1	12	6	20	(2)	(1)	(13)	(7)	(23)
At end of period	**35**	**72**	**2,351**	**186**	**2,644**	**34**	**71**	**2,219**	**180**	**2,504**
Amortisation and impairment										
At 1 January	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**	**-**	**(72)**	**(1,243)**	**(169)**	**(1,484)**
Disposals / write-offs	-	-	-	-	-	-	-	-	24	24
Impairment	-	-	-	-	-	(9)	-	(139)	-	(148)
Amortisation charge for the period (note 13)	-	-	(70)	(7)	(77)	-	-	(150)	(14)	(164)
Exchange adjustments	-	(1)	(10)	(6)	(17)	-	1	10	8	19
At end of period	**(9)**	**(72)**	**(1,602)**	**(164)**	**(1,847)**	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**
Net book value	**26**	**-**	**749**	**22**	**797**	**25**	**-**	**697**	**29**	**751**

Impairment review – Goodwill

At 30 June 2021, goodwill on the Group's balance sheet is €26 million and relates solely to the acquisition of MLL, 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 2020, 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.

During 2020, the impact of COVID-19 was an indicator that the goodwill related to MLL may have been impaired. At 30 June 2020, following an impairment assessment it was concluded that an impairment charge of €9 million was required. Following the annual impairment assessment at 31 December 2020, management concluded that no additional impairment was required. In H121, no indicators of impairment have been identified to warrant a further impairment assessment.

Computer software internally generated

The category 'computer software internally generated' includes the Transformation Investment asset with a carrying value of €333 million (2020: €295 million). This asset reflects investment in technical infrastructure, applications and software licences. The increase in the carrying value of this asset primarily reflects the continued investment in the Transformation programme during H121. €248 million (2020: €216 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 2021, the remaining amortisation period for these assets ranges between 1 and 10 years. The remaining €85 million (2020: €79 million) represents assets under construction on which amortisation will commence once the assets are available for use.

Impairment review - computer software internally generated

During H121, the Group reviewed its internally generated computer software for any indicators of impairment and concluded that no impairment is required (31 December 2020: €139 million).

Impairment review – other externally purchased intangible assets

Other externally purchased intangible assets have been reviewed for any indication that impairment may have occurred and concluded that no impairment is required (31 December 2020: €nil).

21 Deferred tax

The deferred tax asset (DTA) of €1,132 million (31 December 2020: €1,165 million) includes an amount of €1,152 million (31 December 2020: €1,157 million) in respect of operating losses which are available to shelter future profits from tax, of which €1,120 million relates to Irish tax losses carried forward by The Governor and Company of the Bank of Ireland (the 'Bank'), €27 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the Bank, and €5 million relates to US tax losses carried forward by the US branch of the Bank.

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

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

Positive factors which have been considered include:
- with the exception of 2020 and the years of the financial crisis, the Group has a sustained history of Irish operating profits and a large market share and it is considered likely that the Group's Irish activities will be profitable into the future;
- the absence of any expiry dates for Irish and UK tax losses; and
- external 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 DTAs compared to the Group's equity;
- the quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised;
- the challenge of projecting over a long period, taking account of the level of competition and a lower-for longer interest rate environment; and
- accelerated transformation of banking business models.

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.

Based on the Group's proven earnings history, its strong position within the Irish financial services market and its strategic priorities to deliver sustained future Irish profits, the Directors believe that the Group will be profitable over the longer term but acknowledge the external challenges facing the banking industry, in particular, the traditional, full service banks and the inherent uncertainties of long-term financial projections.

Based on the Group's projections, the DTA in respect of tax losses is estimated to be recovered in full by the end of 2039 (31 December 2020: 2039).

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 two years. If it was increased by one percentage point, the Group estimates that this would decrease the recovery period of its Irish DTA by one year.

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 2021, 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 relating to trading losses of Bank of Ireland (UK) plc has been reassessed and increased by €8 million in H121 (31 December 2020: reduction of €21 million), excluding the impact of the increase in the standard rate of UK Corporation Tax outlined below.

The UK Finance Bill, which was granted Royal Assent and enacted during H121, increases the standard rate of UK Corporation Tax from 19% to 25% on 1 April 2023. This increase was enacted by the end of the period and the effect has been to increase the DTA at 30 June 2021 by €14 million.

22 Deposits from banks

Deposits from banks include cash collateral of €0.1 billion at 30 June 2021 (31 December 2020: €0.2 billion) received from derivative counterparties in relation to net derivative asset positions.

	30 June 2021 €m	31 December 2020 €m
Monetary Authority secured funding	12,854	1,928
Other deposits from banks	364	460
Deposits from banks	**13,218**	**2,388**

	30 June 2021					31 December 2020				
Monetary Authority secured funding	TLTRO III €m	TFSME €m	TFS €m	ILTR €m	Total €m	TLTRO €m	TFSME €m	TFS €m	ILTR €m	Total €m
Deposits from banks	9,850	2,680	324	-	12,854	-	1,446	476	6	1,928
Debt Securities in issue (note 24)	900	-	-	-	900	-	-	-	-	-
Total	**10,750**	**2,680**	**324**	**-**	**13,754**	**-**	**1,446**	**476**	**6**	**1,928**

In March 2021, the Group secured funding from the ECB under TLTRO III. The earliest the Group can repay these drawings is March 2022, in line with the terms and conditions of the TLTRO III facility.

Negative interest on the TLTRO III is recognised in interest income. The rate of interest on the TLTRO III may vary depending on the achievement of certain lending targets (note 4).

Drawings under the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) from the Bank of England (BoE) which will be repaid in April 2025.

Drawings under the Term Funding Scheme (TFS) from the BoE will be repaid by February 2022.

Drawings under the Indexed Long Term Repo (ILTR) funding from the BoE were repaid in early February 2021.

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

23 Customer accounts

The carrying amount of the customer accounts designated at FVTPL at 30 June 2021 was €494 million, €4 million higher than the contractual amount due at maturity of €490 million (31 December 2020: the carrying amount was €703 million, €2 million higher than the contractual amount due at maturity of €701 million).

At 30 June 2021, the Group's largest 20 customer deposits amounted to 4% (31 December 2020: 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 €nil (31 December 2020: €118 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

	30 June 2021 €m	31 December 2020 €m
Current accounts	48,231	45,321
Demand deposits	28,346	27,169
Term deposits and other products	13,614	15,525
Customer accounts at amortised cost	**90,191**	**88,015**
Term deposits at FVTPL	494	703
Total customer accounts	**90,685**	**88,718**

Movement in own credit risk on deposits at FVTPL	30 June 2021 €m	31 December 2020 €m
Balance at 1 January	(2)	-
Recognised in OCI	5	(2)
Balance at end of the period	**3**	**(2)**

24 Debt securities in issue

The carrying amount of the debt securities in issue designated at FVTPL at 30 June 2021 was €311 million, €30 million higher than the contractual amount due at maturity of €281 million (31 December 2020: the carrying amount was €348 million, €36 million higher than the contractual amount due at maturity of €312 million).

	30 June 2021 €m	31 December 2020 €m
Bonds and medium term notes	5,394	5,949
Monetary Authorities secured funding (note 22)	900	-
Other debt securities in issue	662	675
Debt securities in issue at amortised cost	**6,956**	**6,624**
Debt securities in issue at FVTPL	311	348
Total debt securities in issue	**7,267**	**6,972**

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

	30 June 2021 €m	31 December 2020 €m
Balance at 1 January	6,972	8,815
Issued during the period	1,713	644
Redemptions	(1,370)	(2,414)
Repurchases	(11)	-
Other movements[1]	(37)	(73)
Balance at end of the period	**7,267**	**6,972**

During H121, the Bank redeemed €600 million of senior debt securities which were issued in 2020 and held by the parent, BOIG plc. The amount payable to BOIG plc as a result of the redemption is included in other liabilities.

Movement in own credit risk on debt securities in issue at FVTPL	30 June 2021 €m	31 December 2020 €m
Balance at 1 January	3	3
Recognised in OCI	1	-
Balance at end of the period	**4**	**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 2021 the restructuring provision amounted to €89 million (31 December 2020: €148 million). The decrease is mainly attributed to the net utilisation of €60 million provision in relation to the Voluntary Redundancy Programme.

At 30 June 2021, the Group held a provision of €72 million (31 December 2020: €74 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 H121, the Group has set aside a further €4 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 2020, €6 million of the provision has been utilised covering redress, compensation and related cost.

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 provisions, see notes 2 and 44 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

	30 June 2021 €m	31 December 2020 €m
Balance at 1 January	268	143
Exchange adjustment	2	(2)
Charge to income statement	41	256
Utilised during the period	(83)	(121)
Unused amounts reversed during the period	(4)	(8)
Balance at end of the period	**224**	**268**

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 €83 million (31 December 2020: €99 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 27.

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.

	30 June 2021 €m	31 December 2020 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	489	468
Acceptances and endorsements	6	4
Other contingent liabilities	228	244
	723	**716**
Loan commitments		
Documentary credits and short-term trade related transactions	36	48
Undrawn formal standby facilities, credit lines and other commitments to lend:	15,398	15,381
- revocable or irrevocable with original maturity of 1 year or less	*8,437*	*10,048*
- irrevocable with original maturity of over 1 year	*6,961*	*5,333*
	15,434	**15,429**

27 Loss allowance provision on loan commitments and financial guarantees

	30 June 2021		31 December 2020	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 26)	15,434	79	15,429	94
Guarantees and irrevocable letters of credit (note 26)	489	4	468	5
	15,923	**83**	**15,897**	**99**

The loss allowance on loan commitments is presented as a provision in the balance sheet 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 2021, the Group held an impairment loss allowance of €83 million (31 December 2020: €99 million) on loan commitments and financial guarantees, of which €29 million (31 December 2020: €36 million) are classified as Stage 1, €52 million (31 December 2020: €62 million) as Stage 2 and €2 million (31 December 2020: €1 million) as Stage 3.

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 2021, credit-impaired loan commitments are €109 million (31 December 2020: €94 million) while credit-impaired guarantees and irrevocable letters of credit are €13 million (31 December 2020: €17 million).

30 June 2021	Loan commitments						Guarantees and irrevocable letters of credit					
Loan commitments and financial guarantees - Contract amount[1]	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,938	38%	206	10%	5,144	34%	107	30%	1	1%	108	23%
5-7	5,312	40%	1,122	53%	6,434	42%	186	52%	65	54%	251	53%
8-9	2,803	21%	409	20%	3,212	21%	62	18%	34	28%	96	20%
10-11	173	1%	362	17%	535	3%	-	-	21	17%	21	4%
Total	**13,226**	**100%**	**2,099**	**100%**	**15,325**	**100%**	**355**	**100%**	**121**	**100%**	**476**	**100%**

31 December 2020	Loan commitments						Guarantees and irrevocable letters of credit					
Loan commitments and financial guarantees - Contract amount[1]	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,147	33%	48	2%	4,195	27%	97	32%	-	-	97	21%
5-7	5,378	42%	1,495	56%	6,873	45%	151	50%	53	35%	204	45%
8-9	3,005	24%	562	21%	3,567	23%	42	14%	56	38%	98	22%
10-11	147	1%	553	21%	700	5%	12	4%	40	27%	52	12%
Total	**12,677**	**100%**	**2,658**	**100%**	**15,335**	**100%**	**302**	**100%**	**149**	**100%**	**451**	**100%**

[1] *Excludes the contractual amounts of both loan commitments and financial guarantees classified as Stage 3.*

28 Retirement benefit obligations

The net IAS 19 pension surplus at 30 June 2021 was €209 million (31 December 2020: net deficit €126 million). This is shown on the balance sheet as a retirement benefit asset of €391 million (31 December 2020: €162 million) and a retirement benefit obligation of €182 million (31 December 2020: €288 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.

Financial assumptions	30 June 2021 % p.a.	31 December 2020 % p.a.
Irish schemes		
Discount rate	1.25	0.80
Inflation rate	1.45	1.15
UK schemes		
Discount rate	2.00	1.55
Consumer Price Inflation	2.60	2.30
Retail Price Inflation	3.20	2.90

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	Increase / (decrease) 30 June 2021 €m	Increase / (decrease) 31 December 2020 €m
RoI schemes		
Discount rate		
- Increase of 0.25%	(345)	(371)
- Decrease of 0.25%	370	399
Inflation rate		
- Increase of 0.10%	92	99
- Decrease of 0.10%	(90)	(97)
UK schemes		
Discount rate		
- Increase of 0.25%	(81)	(85)
- Decrease of 0.25%	89	91
RPI inflation		
- Increase of 0.10%	21	22
- Decrease of 0.10%	(21)	(22)

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	Increase / (decrease) 30 June 2021 €m	Increase / (decrease) 31 December 2020 €m
Sensitivity of plan assets to movements in global equity markets with allowance for other correlated diversified asset classes		
- Increase of 5.00%	132	121
- Decrease of 5.00%	(132)	(121)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
- Increase of 0.25%	(339)	(380)
- Decrease of 0.25%	355	402
Sensitivity of liability-matching assets to a 10bps movement in inflation rates		
- Increase of 0.10%	91	99
- Decrease of 0.10%	(89)	(97)

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

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Present value of obligation gain	332	481
Fair value of plan assets gain	6	181
Total gain	**338**	**662**

29 Subordinated liabilities

The principal terms and conditions of all subordinated liabilities, with the exception of €500 million Tier 2 capital issued in May 2021, are set out in note 48 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

	30 June 2021 €m	31 December 2020 €m
€500 million 1.675% Fixed Rate Reset Callable Subordinated Notes 2031	500	-
US$500 million 4.425% Fixed Rate Reset Callable Subordinated Notes 2027	428	418
Stg£300 million 3.425% Fixed Rate Reset Callable Subordinated Notes 2027	352	338
€300 million 2.775% Fixed Rate Reset Callable Subordinated Notes 2029	300	300
€250 million 10% Fixed Rate Subordinated Notes 2022	257	260
Undated loan capital	126	120
Total subordinated liabilities	**1,963**	**1,436**

On 11 May 2021, the Bank issued a €500 million 10.25 year (callable at any time between 11 May 2026 and 11 August 2026) 'Green' Tier 2 capital instrument. The bond carries a coupon of 1.675%.

This instrument is loss absorbing at the point of non-viability under the EU (Bank Recovery and Resolution) Regulations 2015, as amended and Noteholders acknowledge that the notes may be subject to the exercise of Irish statutory loss absorption powers by the relevant resolution authority. Redemption in whole but not in part is at the option of the Bank upon (i) regulatory reasons (capital event), or (ii) tax reasons (additional amounts payable on the notes). Any redemption before the maturity date is subject to such approval by the Competent Authority, namely ECB or Single Resolution Board (SRB) as may be required by the Capital Requirements Regulation (CRR) and / or such other laws and regulations which are applicable to the Bank.

30 Cash and cash equivalents

Cash and cash equivalents are classified as amortised cost financial assets. Impairment loss allowance on cash and cash equivalents is measured at amortised cost on a 12 month or lifetime ECL approach as appropriate.

Cash and cash equivalents comprise cash in hand and balances with central banks and banks which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

The Group is required to hold an average balance with the Central Bank over the published ECB reserve maintenance (six weeks) periods in order to meet its minimum reserve requirement, which at 30 June 2021 was €774 million (31 December 2020: €749 million).

The Group's cash and cash equivalents at 30 June 2021 increased by €14.4 billion since 31 December 2020 primarily due to the Group drawing down €10.8 billion of TLTRO III borrowing in March 2021 (note 22).

There has been no significant change in the impairment loss allowance on cash and balances at central banks during the year. The composition of cash and balances at central banks by stage is included in other financial assets set out in note 18 on page 57.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	30 June 2021 €m	31 December 2020 €m
Cash and balances at central banks	25,079	10,957
Less impairment loss allowance on cash and balances at central banks	(9)	(4)
Cash and balances at central banks net of impairment loss allowance	**25,070**	**10,953**
Loans and advances to banks (with an original maturity of less than 3 months)	2,638	2,312
Cash and cash equivalents at amortised cost	**27,708**	**13,265**

Cash and balances at central banks (net of impairment loss allowance) is made up as follows:

	30 June 2021 €m	31 December 2020 €m
Republic of Ireland (Central Bank of Ireland)	21,797	7,918
United Kingdom (Bank of England)	2,884	2,463
United States (Federal Reserve)	9	101
Other (cash holdings)	380	471
Total	**25,070**	**10,953**

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 54 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.

While there have been no material transactions involving ordinary shares held by the State during H121, a statement from the Minister for Finance in June 2021 announced the appointment of a financial advisor to effect a measured and orderly sell down of shares in the Group on behalf of the Minister.

There have been no changes with respect to guarantee schemes or the Irish bank levy during H121.

Through its participation in the Strategic Banking Corporation of Ireland's (SBCI) Support Loan Schemes (the 'Schemes') the Group benefits from an 80% Government guarantee related to amounts advanced under the Schemes. To date c.€437 million has been advanced under the Schemes (31 December 2020: c.€300 million).

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 2021 and 31 December 2020 in respect of these transactions, which are considered individually significant (either quantitatively or qualitatively), are set out in this table.

	30 June 2021 €m	31 December 2020 €m
Assets		
Unguaranteed senior bonds issued by AIB	97	151
Bonds issued by the State	7,974	7,880
Derivative financial assets	54	27
Liabilities		
Customer Accounts		
State (including agencies & entities under its control or joint control)	590	726

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 2021 and 31 December 2020, 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 €6,325 million and €14,314 million respectively (31 December 2020: €5,892 million and €13,479 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 2021 **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	112	252	-	-	-	364
Monetary Authorities secured funding	-	117	210	13,263	-	13,590
Customer accounts	81,268	5,187	2,845	1,069	172	90,541
Debt securities in issue	-	43	1,263	3,696	1,804	6,806
Subordinated liabilities	-	23	53	506	1,851	2,433
Lease liabilities	-	15	45	218	324	602
Dividend payable to parent	27	-	-	-	-	27
Contingent liabilities	410	42	69	193	9	723
Commitments	14,678	46	654	56	-	15,434
Short positions in trading securities	-	20	-	-	-	20
Total	**96,495**	**5,745**	**5,139**	**19,001**	**4,160**	**130,540**

Restated[1] **31 December 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	97	363	-	-	-	460
Monetary Authorities secured funding	-	117	280	1,550	-	1,947
Customer accounts	77,555	6,130	3,224	1,432	52	88,393
Debt securities in issue[1]	-	776	733	4,857	1,019	7,385
Subordinated liabilities	-	9	64	465	1,261	1,799
Lease liabilities	-	15	43	213	347	618
Dividend payable to parent	27	-	-	-	-	27
Contingent liabilities	454	12	62	169	19	716
Commitments	14,403	25	956	45	-	15,429
Short positions in trading securities	-	-	-	-	-	-
Total	**92,536**	**7,447**	**5,362**	**8,731**	**2,698**	**116,774**

[1] *In the table above, the contractual maturity profile of debt securities in issue has been restated as an exposure with a contractual undiscounted repayment obligation of €619 million was omitted in 2020. Debt securities: 3 – 12 months has been restated by €619 million from €114 million to €733 million and total debt securities in issue has been restated by €619 million from €6,766 million to €7,385 million.*

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 271 to 274 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020. At 30 June 2021, there have been no 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 spread grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives as at 30 June 2021 is immaterial. 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 fair value through profit or loss

A small number of assets have been valued using DCF models and discounted equity value method, which incorporate unobservable inputs (level 3). Certain private equity funds, which predominantly invest in properties, are valued with reference to the underlying property value which in itself incorporate unobservable inputs (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Loans and advances to customers held at fair value

These consist of assets mandatorily measured at FVTPL, of which €235 million are 'Life loan mortgage products'. Unlike a standard mortgage product, borrowers do not make any periodic repayments and the outstanding loan balance increases through the life of the loan as interest due is capitalised. The mortgage is typically repaid out of the proceeds of the sale of the property. These assets are valued using DCF models which incorporate unobservable inputs (level 3 inputs) such as discount on market rates and collateral charges. Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. €125 million of loans and advances to customers held at fair value relate to syndicated corporate facilities. These assets are valued by applying a discount based on a secondary market loan index and the Group's ECL models (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Interest in associates

Investments in associates, which are venture capital investments, are accounted for at FVTPL and are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of various inputs such as discounted cash flow (DCF) analysis and comparison with the earnings multiples of listed comparative companies amongst others. Although the valuation of unquoted equity instruments is subjective by nature, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time. As the inputs are unobservable, the valuation is deemed to be based on level 3 inputs. Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Customer accounts

Designated at FVTPL consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The Group incorporates the effect of changes in its own credit spreads when valuing these instruments. The Group sources own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads are not available. Where the impact of unobservable inputs is material to the valuation of a customer account, that account is categorised as level 3 on the fair value hierarchy. A small number of customer accounts are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to those unobservable inputs.

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 2021				31 December 2020			
	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	52	-	-	52	-	-	-	-
Derivative financial instruments	5	1,607	19	1,631	-	2,210	7	2,217
Other financial assets at FVTPL	18,065	328	308	18,701	16,782	483	152	17,417
Loans and advances to Banks at FVTPL	-	320	-	320	-	227	-	227
Financial assets at FVOCI	11,292	-	-	11,292	10,942	-	-	10,942
Loans and advances to Customers at FVTPL	-	-	360	360	-	-	361	361
Interest in associates	-	-	50	50	-	-	54	54
	29,414	**2,255**	**737**	**32,406**	**27,724**	**2,920**	**574**	**31,218**
Financial liabilities held at fair value								
Customer accounts	-	494	-	494	-	698	5	703
Derivative financial instruments	3	2,063	13	2,079	-	2,249	8	2,257
Debt securities in issue	-	311	-	311	-	348	-	348
Liabilities to customers under investment contracts	-	6,325	-	6,325	-	5,892	-	5,892
Insurance contracts liabilities	-	14,314	-	14,314	-	13,479	-	13,479
Short positions in trading securities	20	-	-	20	-	-	-	-
	23	**23,507**	**13**	**23,543**	**-**	**22,666**	**13**	**22,679**

Movements in level 3 financial assets **30 June 2021**	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 2021	**361**	**152**	**7**	**54**	**574**
Exchange adjustment	-	-	-	-	-
Total gains or losses in:					
Profit or loss					
- Interest income	9	-	-	-	9
- Net trading income / (expense)	1	12	4	-	17
- Life assurance investment income & gains	-	2	-	-	2
- Share of results of associates	-	-	-	7	7
Additions	182	-	-	5	187
Disposals	(180)	(5)	(1)	(16)	(202)
Redemptions	(13)	-	-	-	(13)
Transfers out of level 3					
- from level 3 to level 2	-	-	-	-	-
Transfers into level 3					
- from level 1 to level 3	-	75	-	-	75
- from level 2 to level 3	-	72	9	-	81
Closing balance 30 June 2021	**360**	**308**	**19**	**50**	**737**
Total unrealised gains / (losses) for the period included in profit or loss for level 3 financial assets at the end of the reporting period	**7**	**5**	**3**	**1**	**16**
- Net trading income / (expense)	*1*	*3*	*3*	*-*	*7*
- Life assurance investment income & gains	*-*	*2*	*-*	*-*	*2*
- Share of results of associates	*-*	*-*	*-*	*1*	*1*
- Interest Income	*6*	*-*	*-*	*-*	*6*

The transfer from level 1 and level 2 to level 3 arose as a result of certain material inputs becoming unobservable.

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 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	-	(1)	-	-	(1)
Total gains or losses in:					
Profit or loss					
- Interest income	18	-	-	-	18
- Net trading income / (expense)	(1)	(13)	9	-	(5)
- Share of results of associates	-	-	-	(3)	(3)
- Life assurance investment income & gains	-	2	-	-	2
Additions	224	7	-	5	236
Disposals	(108)	(23)	-	(4)	(135)
Redemptions	(24)	(2)	-	-	(26)
Transfers out of level 3					
- from level 3 to level 2	-	(33)	(9)	-	(42)
Transfers into level 3					
- from level 2 to level 3	-	79	4	-	83
Closing balance 31 December 2020	**361**	**152**	**7**	**54**	**574**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**10**	**(11)**	**3**	**(3)**	**(1)**
- Net trading income / (expense)	*-*	*(13)*	*3*	*-*	*(10)*
- Life assurance investment income and gains	*-*	*2*	*-*	*-*	*2*
- Share of results of associates	*-*	*-*	*-*	*(3)*	*(3)*
- Interest income	*10*	*-*	*-*	*-*	*10*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2020. The transfer from level 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and 2.

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

Movements in level 3 financial liabilities	30 June 2021				31 December 2020			
	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	**5**	**8**	**-**	**13**	**14**	**4**	**2**	**20**
Total gains or losses in:								
Profit or loss								
- Net trading (income) / expense	2	6	-	8	(2)	15	(1)	12
Additions	-	-	-	-	6	-	-	6
Disposals	-	-	-	-	-	(1)	-	(1)
Redemptions	-	-	-	-	-	-	(1)	(1)
Transfers out of level 3								
- from level 3 to level 2	(7)	(1)	-	(8)	(13)	(10)	-	(23)
Transfers into level 3								
- from level 2 to level 3	-	-	-	-	-	-	-	-
Closing balance	**-**	**13**	**-**	**13**	**5**	**8**	**-**	**13**
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 (income) / expense	-	13	-	13	(2)	8	-	6

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 2021 €m	Fair value 31 Dec 2020 €m	Range 30 Jun 2021 %	Range 31 Dec 2020 %
Loans and advances to customers	Discounted cash flow	Discount on market rate[1]	235	239	2.75% - 4.50%	2.75% - 4.50%
		Collateral charges			1.00% - 5.30%	3.00% - 5.80%
	Par value less discount	Discount	125	122	0.0% - 3.3%	0.0% - 3.3%
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate[1]	308	152	15%	15%
	Equity Value less discount	Discount			0% - 50%	0% - 50%
	Market comparable property transactions[2]	Yields			2.85% - 7.24%	2.86% - 7.01%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[3]	19	7	0.0% - 1.8%	0.0% - 1.8%
Interest in associates[4]	Market comparable companies	Price of recent investment Earnings multiple[5] Revenue multiple[5]	50	54	-	-

Level 3 financial liabilities	Valuation technique	Unobservable input	Fair value 30 Jun 2021 €m	Fair value 31 Dec 2020 €m	Range 30 Jun 2021 %	Range 31 Dec 2020 %
Customer accounts	Discounted cash flow Option pricing model	Own credit spread[3]	-	5	-	0.6% - 0.7%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[3]	13	8	0.0% - 1.8%	0.0% - 1.8%

[1] *The discount rate represents a range of discount rates that market participants would use in valuing these investments.*
[2] *These assets represent holdings in real estate property funds.*
[3] *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*
[4] *Given the wide range of diverse investments and the correspondingly large differences in prices, the Group does not disclose the ranges as it believes it would not provide meaningful information without a full list of the underlying investments, which would be impractical.*
[5] *The Group's multiples represent multiples that market participants would use in valuing these investments.*

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.

	30 June 2021		31 December 2020	
	Carrying amount €m	Fair values €m	Carrying amount €m	Fair values €m
Assets				
Loans and advances to banks	2,482	2,482	2,226	2,226
Loans and advances to customers	76,856	74,729	76,220	74,050
Debt securities at amortised cost	6,260	6,315	6,266	6,348
Liabilities				
Deposits from banks	13,218	13,218	2,388	2,388
Customer accounts	90,191	90,221	88,015	88,064
Debt securities in issue	6,956	6,968	6,624	6,560
Subordinated liabilities	1,963	2,055	1,436	1,513

34 Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates to alternative or nearly risk free rates has become a priority for global regulators. The Group's exposures to benchmark interest rates will be replaced or reformed as part of this market wide initiative.

At 30 June 2021, GBP London Interbank Offered Rate (LIBOR), USD LIBOR, and Euro Overnight Index Average (EONIA) represented the most significant interbank offered rate benchmarks subject to reform to which the Group is exposed. In line with regulatory guidance and now established market practice it is generally expected that Sterling Overnight Index Average (SONIA) will replace GBP LIBOR, Secured Overnight Financing Rate (SOFR) will replace USD LIBOR and Euro Short term rate (€STR) will replace EONIA. The majority of the GBP LIBOR exposures held with small and medium sized enterprises however, are expected to transition to alternative market acceptable replacement benchmark rates such as the Bank of England base lending rate.

On 5 March 2021, the Financial Conduct Authority (FCA) formally announced the cessation timeline for all LIBOR settings subject to the BMR reform and as a result of that announcement the International Swaps and Derivative Association (ISDA) and Bloomberg confirmed that the spread adjustment published by Bloomberg was fixed on that date for all the LIBOR settings. The cessation date for Euro, GBP, Swiss Franc (CHF) and Japanese Yen (JPY) LIBOR is 31 December 2021 while the cessation date for USD LIBOR is 30 June 2023. The FCA announcement had no material impact on the Group during H121.

As Euro Interbank Offered Rate (EURIBOR) was reformed during 2019 and currently complies with the EU Benchmarks Regulation under a new hybrid methodology, the Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future. Therefore, the Group does not consider EURIBOR to be directly affected by the BMR reform as at 30 June 2021.

A formal Group wide Benchmark Reform Programme is progressing to plan so as to manage the orderly transition to new regulatory compliant benchmarks.

Transition progress

Transition plans have been developed for all impacted customers and products. These include alternative and replacement rate options with supporting customer outreach and communication plans. Systems and processes have been developed to support the transition with a focus on GBP products so as to complete in line with the regulatory expectations and prior to the GBP LIBOR cessation at end of 2021.

Since 1 April 2021, the Group ceased originating or issuing products using GBP LIBOR consistent with guidance from the UK Working Group on Sterling Risk-Free Reference Rates. Subject to sufficient liquidity, the Group expects to cease originating or issuing new USD LIBOR products by the end of 2021.

Nature and extent of risks to which the Group is exposed as a result of the transition

The BMR reform exposes the Group to various risks, which are being managed through the Benchmark Reform Programme.

The material risks identified include:

- **Conduct and Litigation Risk:** This is the risk that unfavourable customer outcomes are brought about as a direct result of inappropriate or negligent conduct on the part of the Group, in connection with the BMR transition.
- **Operational Risk:** The Benchmark Programme encompasses a number of business products and functions. There are a number of implementation challenges arising from

34 Interest rate benchmark reform *(continued)*

transition due to the nature of the alternative BMRs, including technology, operations, client communication, giving rise to additional operational risks.

- **Financial Risk:** There is a risk to the Group and its clients that markets are disrupted due to the BMR reform. This could give rise to financial losses should the Group be unable to operate effectively in financial markets.
- **Income Statement Volatility Risk:** There is a risk that if contracts subject to reform are transitioned at different times, to different benchmarks or using differing conventions, it could cause valuation differences and increase hedge accounting ineffectiveness, resulting in volatility to the income statement.
- **Basis Market Risk:** Emergence of new basis risk exposures during the transition, lack of direct equivalent liquid instruments to hedge or fund alternative benchmark rates, different conventions across financial instruments or transition timing mismatches could increase basis risk.

The risks identified above are not expected to result in material changes to the Group's risk management strategy. The key mitigating considerations include:

- a formal Group wide Benchmark Reform Programme is progressing to plan so as to manage the orderly transition to new regulatory compliant benchmarks;
- the Group Asset and Liability Committee (ALCO) provides oversight to the programme, and updates are provided to the Regulatory bodies (the Joint Supervisory Team and the Prudential Regulation Authority);
- the Group will adhere to the ISDA 2020 Interbank offered rate fallback protocol, where applicable, to support the smooth transition of derivative products; and
- transition plans have been developed for all impacted customers and products, and these plans have been subject to review and approval through the Group's Risk Management Framework.

The table below shows the principal values of the Group's non-derivative exposures that are subject to the BMR Reform as at 30 June 2021, with contractual maturities after 30 June 2023 for USD LIBOR and 31 December 2021 for all other exposures:

	GBP LIBOR €m	USD LIBOR €m	Other[1] €m	Total €m
Non-derivative financial assets				
Other financial assets at FVTPL	47	-	-	47
Debt securities at amortised cost	9	3	-	12
Loans and advances to customers	4,790	2,807	23	7,620
Total non-derivative financial assets	**4,846**	**2,810**	**23**	**7,679**
Non-derivative financial liabilities				
Debt securities in issue	-	225	-	225
Total non-derivative financial liabilities	**-**	**225**	**-**	**225**
Off balance sheet exposures				
Undrawn loan commitments[2]	2,109	631	14	2,754
Total off-balance sheet exposures	**2,109**	**631**	**14**	**2,754**

The Group has contracts subject to the BMR reform in respect of its cash collateral balances across some of its Credit Support Annex agreements that reference EONIA. These cash collateral balances have not been included in the above table due to the short dated nature of the balances.

[1] *Other exposures are made up of JPY LIBOR and CHF LIBOR.*
[2] *A portion of the Group's loan commitments are in the form of multi-currency facilities. Where facilities are fully undrawn, the commitment is reported under the BMR relating to the currency of the facility. Where the facilities are partially drawn, the remaining loan commitment is reported under the BMR relating to the currency with the largest drawn amount.*

34 Interest rate benchmark reform *(continued)*

The table below shows the notional amounts of the derivative exposures that are subject to the BMR Reform as at 30 June 2021, with contractual maturities after 30 June 2023 for USD LIBOR and 31 December 2021 for all other exposures:

	GBP LIBOR €m	USD LIBOR €m	EONIA €m	Total €m
Derivative financial assets				
Interest rate swaps	6,248	1,195	1,860	9,303
OTC Interest rate options	341	900	-	1,241
Total derivative financial assets	**6,589**	**2,095**	**1,860**	**10,544**
Derivative financial liabilities				
Interest rate swaps	6,296	655	1,796	8,747
Cross currency interest rate swaps	5	-	-	5
OTC Interest rate options	287	151	-	438
Total derivative financial liabilities	**6,588**	**806**	**1,796**	**9,190**

35 Impact of voluntary changes in interest income and expense accounting policy

As outlined in the Group accounting policies note 1, 'Voluntary change in accounting policy' on page 88 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020, the Group voluntarily changed its accounting policy during 2020 for the presentation of interest income and interest expense on certain financial instruments.

As further outlined in the Group accounting policies note 1, 'Voluntary change in accounting policy' on page 24, the Group voluntarily changed its accounting policy during 2021 for the presentation of interest income and interest expense on derivatives designated as hedging instruments.

The changes in accounting policy have been accounted for retrospectively as required under IAS 8, and the comparative period has been restated to reflect this change. The effect of these changes on the current and prior period is explained in the table below.

	6 months ended 30 June 2021			6 months ended 30 June 2020			
Consolidated income statement (selected lines)[1]	**Before change in accounting policy in 2021 €m**	**Impact of change in accounting policy in 2021 €m**	**Total €m**	**Published €m**	**Impact of change in accounting policy in 2020 €m**	**Impact of change in accounting policy in 2021 €m**	**June 2020 restated total €m**
Interest income calculated using the effective interest method	1,070	81	1,151	1,138	-	65	1,203
Other interest income	198	-	198	89	105	-	194
Interest income	**1,268**	**81**	**1,349**	**1,227**	**105**	**65**	**1,397**
Interest expense	(189)	(81)	(270)	(156)	(121)	(65)	(342)
Net interest income	**1,079**	**-**	**1,079**	**1,071**	**(16)**	**-**	**1,055**
Net trading income / (expense)	61	-	61	(36)	16	-	(20)
Total operating income	**2,796**	**-**	**2,796**	**1,482**	**-**	**-**	**1,482**
Profit / (loss) before tax	**406**	**-**	**406**	**(828)**	**-**	**-**	**(828)**
Profit / (loss) for the period	**341**	**-**	**341**	**(730)**	**-**	**-**	**(730)**

[1] *The note only includes the selected lines which have been impacted by the change in accounting policy.*

36 Post balance sheet events

The Group announced on 22 July 2021 that it had reached an agreement to acquire J&E Davy ('Davy'), Ireland's leading provider of wealth management and capital markets services, for an enterprise value of €440 million, subject to certain customary adjustments including capital at completion (the 'Enterprise Value'). 25% of the Enterprise Value will be paid two years after completion subject to Davy shareholders meeting a number of agreed criteria. The balance will be paid as cash consideration on completion, which is expected in 2022. In addition, further payments of up to €40 million will be payable from 2025, contingent on future business model performance.

Davy also announced on 22 July 2021 that it is selling Davy Global Fund Management (DGFM) and its shareholding in Rize ETF to separate third parties. As a result, Davy is expected to have a significant excess cash position at completion over and above that which is required to run the business. The Group will also pay for such excess cash, due to be finalised at completion, which will be largely comprised of the proceeds of these disposals, currently estimated to be c.€125 million.

Completion of the acquisition is conditional on the satisfaction of customary conditions including approval by the Central Bank of Ireland and the Competition and Consumer Protection Commission.

37 Approval of interim report

The Court of Directors approved the Interim Report on 2 August 2021.

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 2020.

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 2021		30 June 2020		31 December 2020	
	Average	Closing	Average	Closing	Average	Closing
€ / Stg£	0.8680	0.8581	0.8746	0.9124	0.8897	0.8990
€ / US$	1.2053	1.1884	1.1020	1.198	1.1422	1.2271

Credit ratings

	30 June 2021	31 December 2020
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- (Negative)
Moody's	A2 (Stable)	A2 (Stable)
Fitch	BBB+ (Negative)	BBB+ (Negative)

Alternative performance measures

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

Average cost of funds represents the underlying interest expense recognised on interest bearing liabilities, net of interest on derivatives which are in a hedge relationship with the relevant liability.

Business income is net other income 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 yield represents the underlying interest income recognised on interest earning assets, net of interest on derivatives which are in a hedge relationship with the relevant asset.

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 accounts.

Net interest margin (NIM) is stated on an underlying basis. See page 4 for further details.

'Non-performing exposures' (NPEs): These are:
(i) **credit-impaired loans** which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, and / or loans where the borrower is greater than or equal to 90 days past due and the arrears amount is material; and
(ii) **other loans** meeting NPE criteria as aligned with regulatory requirements.

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

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

Return on assets is calculated as being statutory net profit / loss (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.

Underlying divisional contribution reflects the underlying financial contribution of each division towards the consolidated Group underlying profit or loss, before tax, excluding non-core items which obscure the underlying performance of the business.

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 295 and 296 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2020.