Backing our Customers

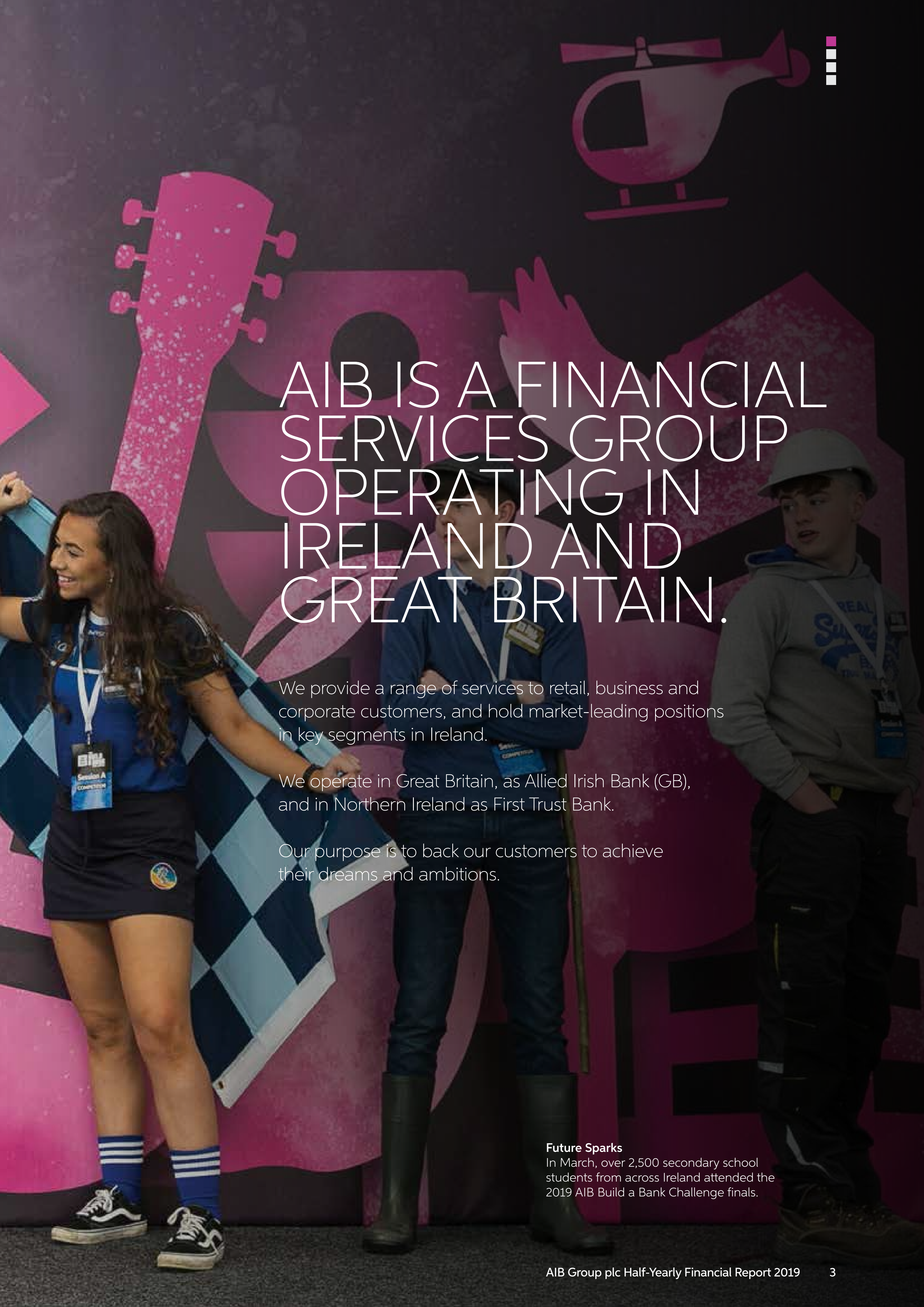
Half-Yearly Financial Report
For the six months ended
30 June 2019

AIB Group plc

Featured on our cover is Aisling, a first time home buyer from Co. Donegal

Half-Yearly Financial Report
For the six months ended 30 June 2019

This Half-Yearly Financial Report contains forward looking statements with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. See page 133.



AIB IS A FINANCIAL SERVICES GROUP OPERATING IN IRELAND AND GREAT BRITAIN.

We provide a range of services to retail, business and corporate customers, and hold market-leading positions in key segments in Ireland.

We operate in Great Britain, as Allied Irish Bank (GB), and in Northern Ireland as First Trust Bank.

Our purpose is to back our customers to achieve their dreams and ambitions.

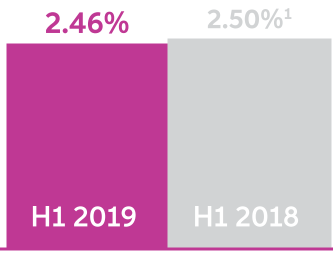
Future Sparks
In March, over 2,500 secondary school students from across Ireland attended the 2019 AIB Build a Bank Challenge finals.

FINANCIAL HIGHLIGHTS

A stable financial performance in the first half of 2019

Net interest margin

2.46%

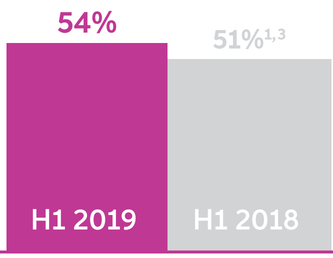


Stable asset yield

Higher loan volumes at stable yields and lower cost of deposits, offset by impact of MREL issuances driving net interest margin (NIM) of 2.46%.

Cost income ratio[2]

54%

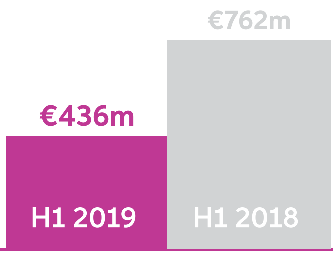


Renewed focus on cost management

Stable income, with higher costs driving increase in cost income ratio (CIR). Renewed focus on cost management.

Profit before tax

€436m



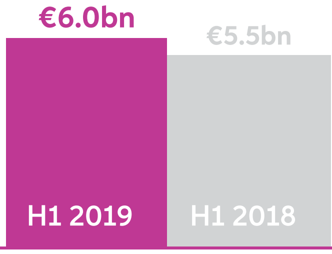
Lower writebacks and gains on portfolio disposals

Profit before tax is €436m. H1 2018 included impairment writebacks and higher gains on loan portfolio disposals.

1. Net interest income adjusted by €12m, see note 1 'Basis of preparation, accounting policies and estimates' for further details of the re-presentation. **2.** Before bank levies, regulatory fees and exceptional items, cost income ratio (CIR) including these items was 69% in H1 2019 (H1 2018: 59%). For exceptional items see pages 22 and 31. **3.** Other regulatory levies and charges are now presented as bank levies and regulatory fees (€9m in H1 2018 previously included in operating expenses has been represented as bank levies and regulatory fees).

New lending

€6.0bn

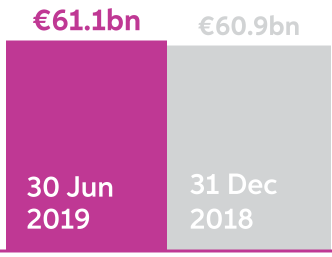


New lending increased by 8%

New lending increased by 8% with growth of 8% in ROI mortgages.

Net loans

€61.1bn

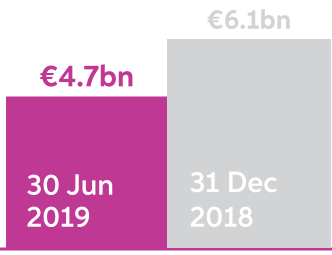


Growth in net loan book

Growth in net loan book of €0.9bn, excluding disposal of loan portfolios, as a result of strong new lending. Gross performing loans increased €1.2bn.

Non-performing exposures[4]

€4.7bn

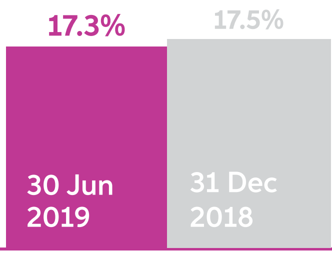


On track to achieve c.5% by end of 2019

Significant progress in reducing non-performing exposures (NPEs) with a 22% reduction from €6.1bn to €4.7bn (7.5% of gross loans). On track to achieve normalised levels of c.5% by end of 2019.

CET1 fully loaded[5]

17.3%



Continued strong capital generation

Robust capital position with CET1 of 17.3%. Strong capital generation offset by an increase in risk weighted assets.

4. Non-performing exposures (NPEs) refers to non-performing loans (NPLs) and excludes €176m of off-balance sheet commitments. For further information see pages 24 and 44.
5. The CET1 fully loaded ratio includes the H1 2019 profit for the Group. An application for the inclusion of the H1 2019 profit in regulatory capital is being made under Article 26(2) of the Capital Requirements Regulation to the European Central Bank.

"AS I LOOK BACK OVER THE LAST NUMBER OF MONTHS SINCE I BECAME CHIEF EXECUTIVE OFFICER, THERE HAVE BEEN SEVERAL HIGHLIGHTS AND ACHIEVEMENTS ACROSS THE GROUP"

Colin Hunt, AIB Chief Executive Officer

Delivering on our commitments

Our purpose is to back our customers to achieve their dreams and ambitions. We are building a sustainable bank where all stakeholders can have enduring confidence in our operations, our culture and our strategy.

Customer First

Choice and certainty

I am delighted to be introducing AIB's Half-Yearly Financial Report 2019, my first as Chief Executive Officer. In the first six months of 2019, we continued to deliver on our strategic plan and we are working towards meeting the commitments made at, and since, the IPO in 2017. We made significant progress across each of our four strategic pillars — Customer First, Simple & Efficient, Risk & Capital and Talent & Culture — which continue to be the cornerstone on which our strategic decisions are made and from which our areas of focus are identified.

As I look back over the last number of months since I was appointed to the Board and became Chief Executive Officer, there have been several highlights and achievements across the Group. I have spent some time meeting many people in various locations and branches across the country and in the UK and US. To do my job well, I need to listen to the people who know the business best: the people who work in AIB. I have taken on board feedback and suggestions as to how we can improve our processes and begin to remove some of the complexity in the organisation that often gets in our way.

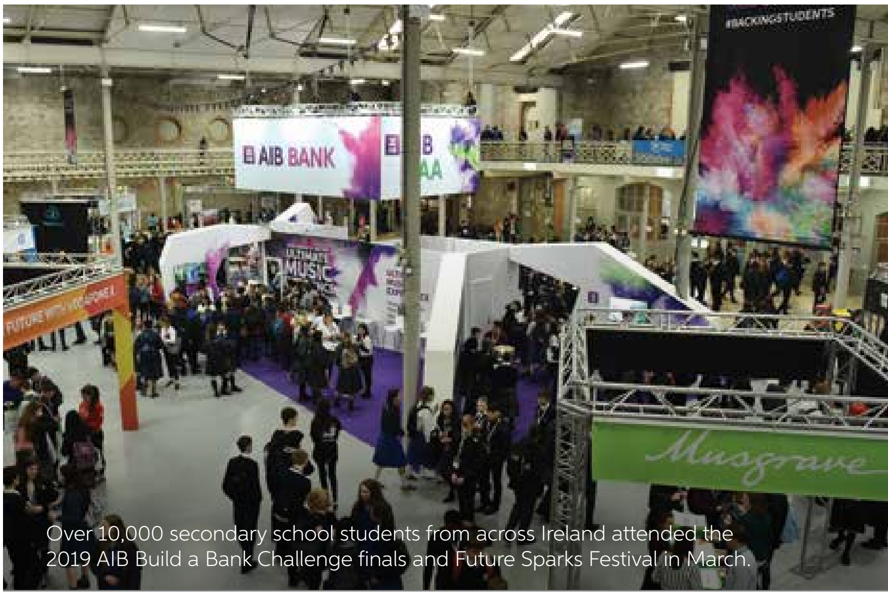
As the mortgage market leader, we introduced new competitive fixed rates to complement our existing market-leading variable rates for mortgages. At a time when some customers have told us they require increased certainty, we have evolved our mortgage pricing proposition to provide them with medium and long-term fixed propositions that give them security. Our intermediary channel, Haven, also introduced fixed rate reductions and our EBS customers can avail of an enhanced 'Back in Cash' offer when they draw down their mortgage.

We remain focused on our Customer First strategy and we look forward to enhancing our customer propositions in our digital agenda, through our proposed acquisition of Payzone. This proposed acquisition is consistent with our strategy as the transaction will allow us to acquire significant fintech capability given Payzone's substantial payments footprint in Ireland. This will allow AIB to continue to evolve and enhance our customer offering, enable us to pioneer digital ecosystem products and services and represents growth potential.

In April we issued our first MREL trade of 2019, a $1bn transaction. The trade garnered excellent demand from the market, leading to a well oversubscribed book at the time of pricing. Following that, we had a successful €750m transaction, which now brings the total amount of MREL-eligible debt issued to €3.3bn. This puts us in a very strong position to meet our MREL issuance requirements.

Earlier in the year we also announced that First Trust Bank in Northern Ireland will rebrand as AIB. This will mean that all First Trust Bank operations, products and services will rebrand as AIB on a phased basis to create a shared and unified brand for our customers across all our business operations from 2020. Operating one AIB brand allows us to enhance our offering to

Goath Dobhair in action against Corofin during the AIB GAA Football All-Ireland Senior Championship Semi-Final.



Over 10,000 secondary school students from across Ireland attended the 2019 AIB Build a Bank Challenge finals and Future Sparks Festival in March.

€436m
Profit before tax

customers across the jurisdictions in which we operate, and unifies us all behind our purpose to back our customers to achieve their dreams and ambitions.

The first half of 2019 also saw the relocation of our Head Office, with the opening of Molesworth Street and Heuston South Quarter. Molesworth Street is central to our Board and Executive Committee as well as being a dedicated centre for teams to support our Private, Corporate and Commercial Banking and Treasury customers. We are working to achieve our goal of having the right people in the right places, while promoting collaboration and flexibility.

We saw several changes to our Executive Committee and Board in recent months. I was delighted to announce the appointment of Helen Dooley, Group General Counsel and Cathy Bryce, Managing Director of Corporate, Institutional & Business Banking, to the Executive Committee. In terms of our Board, Simon Ball, a long-serving Non-Executive Director, had previously noted his intention not to stand for re-election at this year's AGM. I, along with the Chairman and members of the Board, would like to thank Simon sincerely for the meaningful contribution he has made to the Group during his tenure. Tomás O'Midheach, our Deputy CEO and Chief Operating Officer, was appointed to the Board as Executive Director. Sandy Kinney Pritchard was appointed to the role of Non-Executive Director in March, and succeeds Catherine Woods as Board Audit Committee Chair. Under the terms of the Relationship Framework, the Minister for Finance also nominated two Non-Executive Directors, Ann O'Brien, and Raj Singh to the Board and they joined the Board in April. We are delighted to welcome Tomás, Sandy, Ann and Raj to the Board.

Financial performance

We delivered another stable financial performance in the first half of this year. We achieved a profit before tax of €436m. This comprises €567m operating profit excluding exceptional items. We continue to maintain a stable net interest margin (NIM) at 2.46%. The recent MREL-eligible debt issuances have further strengthened the bank's long-term funding base with all liquidity ratios comfortably above requirements. Combined with the strengthening and simplification of our capital we are well positioned, with a fully loaded CET1 ratio of 17.3% at 30 June 2019.

In the first six months of the year gross performing loans increased by €1.2bn and circa 98% of our new lending was of strong or satisfactory credit quality. This has contributed to 86% of AIB's loan book being of strong or satisfactory quality by the end of June 2019 (up from 83% at December 2018).

New lending of €6.0bn in the first six months of the year was up from €5.5bn in the first six months of 2018. Across our core segments, new mortgage lending in Ireland grew by 8% to €1.3bn and personal lending in Ireland increased 17% to €0.5bn.

New lending for property in Ireland was 13% lower than the same period last year which included a number of large transactions. Lending to the corporate sector in Ireland has been strong while our activity in syndicated and international lending has been more muted. Sentiment in the SME sector remains cautious as Brexit uncertainty prevails; new lending to the sector increased by 4%. In the UK, new lending of £1.2bn was focused on our chosen sectors of healthcare, renewable finance and infrastructure.

Addressing non-performing exposures (NPEs) in a sustainable way is a key priority for AIB. Our core preference is to restructure customers in difficulty on a case by case basis and for customers to engage with us in order to provide sustainable solutions. The pace of reduction of these non-performing exposures has begun to moderate as we deal with more challenging cases. In April, a loan portfolio with an NPE value of circa €1bn, characterised by deep arrears, was sold. Our NPEs fell by €1.4bn since year-end December 2018 to €4.7bn. We are committed to reducing NPEs to a more normalised level and are on track to reach circa 5% of gross loans by the end of 2019.

Total operating expenses for the half-year, excluding exceptionals, were €744m. Our cost income ratio was 54%. A renewed focus on cost discipline is a key management priority. We continue to work towards a sub-50% cost income ratio and making AIB as efficient as possible. Exceptional items of €131m include restitution costs and provision for regulatory fines.

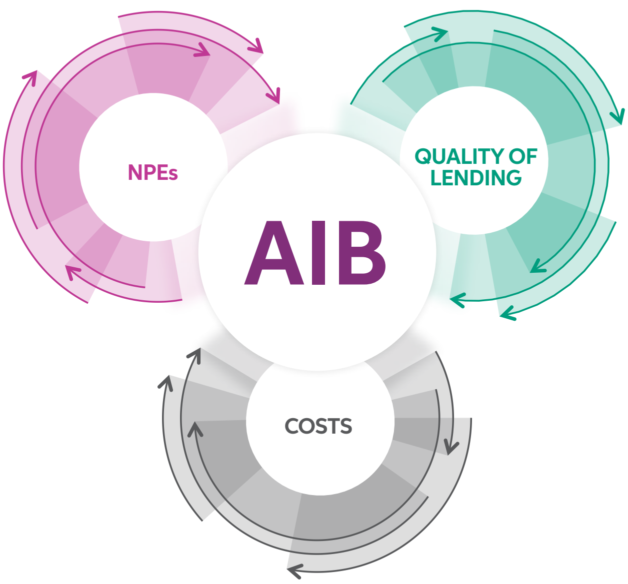
Our stable financial performance in the first half of the year demonstrates that our business continues to achieve robust underlying profitability, is well capitalised, has increased new lending and reduced non-performing exposures. We will continue to face headwinds and challenges: however, we believe the stable financial performance of the business equips us to deal with these, as and when they arise.

In terms of legacy issues, while the Tracker Mortgage Examination is materially complete and we are now working closely with the Central Bank of Ireland in relation to enforcement on that matter, plenty of other challenges still exist, some new and some old. We know that issues can and do continue to emerge from the past and when they do we are committed to dealing with them in a comprehensive, transparent and fair way for our customers.

Culture and our people

A strong culture is built on a unified and highly-developed awareness of proper governance and an appreciation of the imperative to deliver fair outcomes for all our customers. Enhancing accountability

Focused on controlling the controllables



A first for Irish festival goers of all ages: AIB Tappy wristbands are an innovative cashless solution.


AIB was named as a winner of the Gallup 'Great Workplace Award' for 2019.

€5bn of funding

To support climate action

at every level across AIB is one of the cornerstones of my ambitions as Chief Executive Officer. In April, the Irish Banking Culture Board (IBCB) published the results of the IBCB employee survey conducted in October 2018. Using insights from the Central Bank of Ireland reviews of Behaviour & Culture and Diversity & Inclusion completed in 2018, and the IBCB employee survey results, the Board and Executive Committee have developed a multi-year cultural evolution programme for the Group. This programme is being led by our Managing Director of Consumer Banking, Robert Mulhall – who also represents AIB on the IBCB – and will be shaped through inputs from key stakeholders, including our employees. We will continue to drive the kind of organisational culture that, over time, demonstrates to the public that we have successfully made the transition to a consumer-focused ethos.

In terms of our employee engagement programme, I was delighted that AIB was named winner of the Gallup 'Great Workplace Award' for 2019. Gallup describes the recipients of this award as being organisations that are 'the best of the best' as regards places to work. When you think about where we have come from since we started our engagement journey in 2013, it is an acknowledgement that we are now in a very different place. The people who work in AIB have brought about this transformation and all of our staff should be proud of this validation.

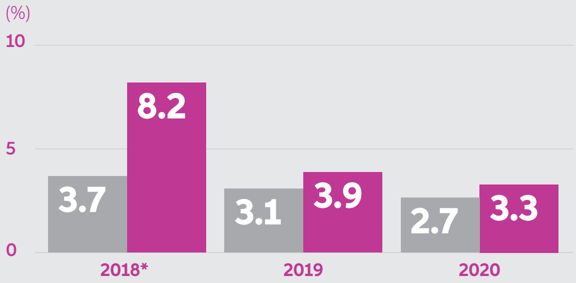
A sustainable bank

One of my key areas of focus is sustainability. We published our third Sustainability Report earlier this year, which outlines progress the bank is making in response to the key social, environmental and economic issues that have been identified by stakeholders as areas AIB should help address. In a further effort to support Ireland's programme to address climate change we were delighted to announce our sponsorship of Climate Finance Week Ireland 2019. This is in addition to the work AIB is already doing through investment in clean energy and in ensuring all of our office buildings have a more sustainable footprint. AIB is leading the Irish banking industry in its commitment to environmental sustainability as a corporate citizen and we have committed to make €5bn of funding available over the next five years to support Ireland's transition to a lower-carbon economy. This funding will be made available to customers through a number of climate-related products and incentives.

Outlook and priorities

The Irish macro indicators published for the first half of 2019 point to an economy that is continuing to grow at a relatively strong pace. In particular, employment growth was very strong in the opening quarter, while the unemployment rate has continued to decline, falling to 4.5% by mid-year, the lowest level since 2005. The Irish economy looks set to continue growing at a healthy pace in the second half of 2019, notwithstanding ongoing

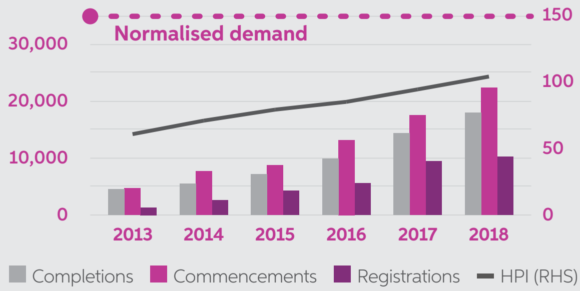
Irish economic growth* improving; Brexit risk remains



Source: CSO, Department of Finance

Irish housing activity

of completions, commencement & registrations ('000s)



Source: CSO, Department of Housing, AIB ERU, National House price index Jan 05=100

* GDP forecasts used, however note that GDP can be distorted due to the impact of multi-national sector in Ireland. Modified final domestic demand in 2018 was 4.8%

32 Brexit advisors

Supporting customers through this period of change

Brexit uncertainty and slower global growth. The general consensus is that the Irish economy will grow by around 4% this year, which would represent a moderation on the underlying growth rate of 4.5%-5.0% seen in recent years.

Housing completions rose by 23% in the first quarter of the year. They are forecast to rise to circa 22,000 units in 2019, up from 18,000 in 2018. Forward looking indicators of activity point to further increases in supply, although some of these metrics indicate that the pace of improvement may be slowing. As of May, housing starts in the year-to-date, measured by commencement notices, are just 2.5% higher when compared against the same period of 2018. Growth in housing registrations appears to have stalled. Meanwhile, house price inflation has decelerated to more moderate levels. Mortgage lending was up by circa 12% year-on-year in the second quarter of the year, while mortgage approvals have picked up again in recent months. Factors which continue to constrain the mortgage market include the ongoing supply shortage, impact of Central Bank of Ireland macro-prudential rules and affordability, especially in Dublin.

Brexit remains a major source of uncertainty. AIB has put in place a comprehensive contingency plan for various Brexit outcomes. Our 32 Brexit advisors understand the challenges and opportunities presented by Brexit and are focused on supporting customers to manage their business through this period of change.

As CEO, another key priority is to see the full recovery of the investment made by the State as the bank returns, over time, to full private ownership. We will ensure AIB remains positioned to allow the government recoup its investment when markets are more buoyant and at a time of its choosing.

We must continue to evolve the organisation to ensure that we understand and deliver against the expectations of our key stakeholders. In terms of the strategy of AIB, we are planning now for the start of a new three-year cycle in 2020. We are agreeing and setting out realistic, but stretching targets for our businesses.

It has been a positive first half and we are working towards achieving our objectives and medium-term targets. I would like to thank our Chairman, my fellow Board and Executive Committee members, and all my colleagues across the Group for the support I have received since I took up the role of CEO in March. I very much look forward to working with them throughout the rest of 2019 and beyond to deliver our strategic plans and financial targets for AIB.

Colin Hunt
Chief Executive Officer
25 July 2019

OUR STRATEGIC PILLARS

How we measure our progress against our four pillars

Customer First

We aim to provide a digitally-enabled, omni-channel banking experience.

	Outcomes H1 2019	Financial and non-financial targets[1]
Relationship Net Promoter Score (NPS) A measure of our customers' overall AIB relationship experience	+33 Personal +20 SME	50+
Transaction Net Promoter Score (NPS) Measured after customer transactions for key touch points	+53 Homes	50+

Simple & Efficient

Our products and services are simple, accessible and supported by agile technology.

	Outcomes H1 2019	Financial and non-financial targets[1]
Channel trends % of our active customers transacting via digital and direct channels	58.5%	62%+
Cost income ratio (CIR)[2] Financial benchmark of efficiency	54%	<50%

1. All targets are long-term, with the exception of medium-term financial targets communicated to the market on 9 March 2017.
2. Medium-term financial targets communicated to the market on 9 March 2017; CIR <50% by end 2019.

Risk & Capital

We maintain a strong risk management framework.

	Outcomes H1 2019	Financial and non-financial targets[1]
Return on tangible equity (ROTE)[2] A measure of how well the bank deploys capital to generate earnings growth	7.9%	10%+
CET1 ratio (fully loaded)[2] A measure of our ability to withstand financial stress and remain solvent	17.3%	13%
Non-performing exposures Measures the credit quality of our loan stock	7.5%	c.5%
Net interest margin (NIM)[2] A measure of the difference between the interest income generated and the amount of interest paid out relative to (interest-earning) assets	2.46%	2.40%+

Talent & Culture

We promote a culture of diversity and inclusion, where people can be at their best.

	Outcomes H1 2019	Financial and non-financial targets[1]
Diversity Women as % of management	39%	40%
Engagement Employee engagement relative to worldwide Gallup client population	72nd percentile	Top quartile

2019 so far

€5bn to Fund Sustainability

AIB will make €1bn of funding available each year to support customers' transition to energy efficiency for the next five years.

Oweninny Windfarm, AIB Corporate customer

FTB to AIB

We announced that First Trust Bank (FTB), our bank in Northern Ireland, will rebrand to AIB on a phased basis by the end of 2020.

Real Choice for our Customers

In April, AIB introduced new competitive fixed rates, including a 10-year offering, to complement our existing market-leading variable rates for mortgages.

Igniting Imaginations

7,500 secondary school students attended the Future Sparks Festival in March for a series of inspirational talks on the future of sport, music, social innovation, entrepreneurship, technology and business.

Acquiring Fintech Capability

In April, AIB announced that we, together with First Data Corporation, intend to acquire Payzone, Ireland's largest consumer payments network, pending the relevant approvals.

HSQ and a New HQ

We opened two new offices in the first half of 2019: our Corporate HQ in 10 Molesworth Street and Heuston South Quarter (HSQ). Our new buildings have LEED (Leadership in Energy and Environment Design) and WELL (the leading tool for advancing health and well-being in buildings globally) certification.

A Leader in Digital Banking

The AIB app is the No. 1 Irish mobile banking app, and in June we hit the one millionth active customer milestone.

Sustainability Report 2018:

Read our Sustainability Report 2018 here: aib.ie/sustainability

AIB Market Talk Podcast

Listen to the new AIB Market Talk Podcast here: soundcloud.com/aibmarkettalk

‘10 | The Book that Grew’

In June, to celebrate AIB’s support of Teagasc’s Grass 10 programme, we created a unique book made entirely of grass promoting the 10 steps to sustainable farm practices.

Business review

Basis of presentation

The operating and financial review is prepared using IFRS and non-IFRS measures to analyse the Group's performance, providing comparability period on period. These performance measures are consistent with those presented to the Board and Executive Committee. Non-IFRS measures include management and regulatory performance measures which are considered Alternative Performance Measures ("APMs"). APMs arise where the basis of calculation is derived from non-IFRS measures. A description of the Group's APMs and their calculation is set out on page 31. These measures should be considered in conjunction with IFRS measures as set out in the condensed consolidated interim financial statements from page 75. A reconciliation between the IFRS and management performance summary income statements is set out on page 32.

On 1 January 2019, the Group implemented the requirements of IFRS 16 *Leases* for the first time. For further information see note 1 'Basis of preparation, accounting policies and estimates' and note 2 'Transition to IFRS 16' in the condensed consolidated interim financial statements.

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

Basis of calculation

Percentages are calculated on exact numbers and therefore may differ from the percentages based on rounded numbers.

Management performance - summary income statement	Half-year June 2019 € m	Half-year June 2018 € m	% change
Net interest income	1,050	1,049[1]	-
Business income	244	256	-5
Other items	75	66	14
Other income	319	322	-1
Total operating income	1,369	1,371	-
Personnel expenses	(393)	(364)	8
General and administrative expenses[2]	(243)	(269)	-10
Depreciation, impairment and amortisation	(108)	(69)	57
Total operating expenses	(744)	(702)	6
Bank levies and regulatory fees[2]	(58)	(40)	45
Operating profit before impairment losses and exceptional items	567	629	-10
Net credit impairment (charge)/ writeback	(9)	142[1]	-
Operating profit before exceptional items	558	771	-28
Associated undertakings	9	4	125
Profit on disposal of property	-	1	-
Profit from continuing operations before exceptional items	567	776	-27
Gain on disposal of loan portfolios	34	140	-
Restitution costs	(102)	(75)	-
Provision for regulatory fines	(43)	-	-
Restructuring costs	(10)	(4)	-
Termination benefits	(7)	(9)	-
Property strategy costs	(3)	(44)	-
IFRS 9 costs	-	(22)	-
Total exceptional items	(131)	(14)	-
Profit before taxation from continuing operations	436	762	-43
Income tax charge from continuing operations	(75)	(112)	-33
Profit for the period	361	650	-44

[1]Adjusted by € 12 million, see note 1 'Basis of preparation, accounting policies and estimates' for further details of the re-presentation.
[2]Other regulatory levies and charges are now presented as bank levies and regulatory fees (€ 9 million in the half-year to June 2018 previously included in operating expenses has been re-presented as bank levies and regulatory fees).

Net interest income

Net interest income	Net interest margin
€1,050m	**2.46%**

Net interest income	Half-year June 2019 € m	Half-year June 2018 € m	% change
Interest income[(1)]	1,180	1,160	2
Interest expense[(1)]	(130)	(111)	17
Net interest income	1,050	1,049	-
Average interest earning assets	85,886	84,610	2
	%	%	*change*
Net interest margin (NIM)	2.46	2.50	*-0.04*

Net interest income
€1,050m

Net interest income of € 1,050 million was in line with the half-year to June 2018.

Interest income

Interest income of € 1,180 million in the half-year to June 2019 increased by € 20 million compared to the half-year to June 2018 mainly driven by higher volumes of loans and advances to customers at increased yields reflecting the positive impact of new lending.

Interest expense

Interest expense of € 130 million in half-year to June 2019 increased by € 19 million compared to the half-year to June 2018, driven by the cost of MREL issuances and the interest on lease liabilities, partly offset by lower cost of customer accounts. Interest on deposits by banks in the half-year to June 2018 included € 15 million income received on TLTRO funding.

Net interest margin
2.46%

NIM decreased 4 bps to 2.46% in the half-year to 30 June 2019 compared to 2.50% in the half-year to June 2018. Higher loan volumes at increased yields, and lower cost of customer accounts were offset by the impact of MREL issuances, lower yields on investment securities, higher cost of deposits by banks and interest expense on lease liabilities.

Average balance sheet	Half-year 30 June 2019			Half-year 30 June 2018		
Assets	Average balance € m	Interest[(1)] € m	Average rate %	Average balance € m	Interest[(1)] € m	Average rate %
Loans and advances to customers	61,577	1,058	3.47	60,728	1,038	3.45
Investment securities	16,666	106	1.28	15,238	113	1.50
Loans and advances to banks	7,643	16	0.41	8,644	9	0.19
Average interest earning assets	85,886	1,180	2.77	84,610	1,160	2.76
Non-interest earning assets	7,932			7,181		
Total average assets	93,818	1,180		91,791	1,160	
Liabilities & equity						
Deposits by banks	885	6	1.43	3,987	(4)	(0.20)
Customer accounts	38,670	60	0.31	35,966	81	0.45
Lease liability	448	7	3.10	-	-	-
Subordinated liabilities	796	16	4.00	794	16	3.99
Other debt issued	6,090	41	1.37	4,863	18	0.75
Trading portfolio financial liabilities less assets	-	-	-	5	-	-
Average interest earning liabilities	46,889	130	0.56	45,615	111	0.49
Non-interest earning liabilities	32,933			32,739		
Equity	13,996			13,437		
Total average liabilities & equity	93,818	130		91,791	111	
Net interest income		1,050	2.46		1,049	2.50

[(1)]Negative interest income on assets amounting to € 4 million in the half-year to June 2019 (half-year to June 2018: € 5 million) is offset against interest income. Negative interest expense on liabilities amounting to € 9 million in the half-year to June 2019 (half-year to June 2018: € 18 million) is offset against interest expense.

Other income

Other income[1]

€319m

Other income[1]	Half-year June 2019 Business income € m	Half-year June 2019 Other items € m	Half-year June 2019 Total € m	Half-year June 2018 Business income € m	Half-year June 2018 Other items € m	Half-year June 2018 Total € m	% change Total
Net fee and commission income	230	-	230	217	-	217	6
Dividend income	25	-	25	24	-	24	4
Net trading (loss)/ income[2]	(12)	(36)	(48)	15	(15)	-	-
Net gain on equity investments (FVTPL)	-	44	44	-	31	31	42
Net gain on loans on advances to customers (FVTPL)[2]	-	28	28	-	40	40	-30
Other operating income[2]	1	39	40	-	10	10	300
Other income	244	75	319	256	66	322	-1

Other income[1]

€319m

Other income of € 319 million was broadly stable compared to the half-year to June 2018 with decreased business income of € 12 million partly offset by increased other items of € 9 million.

Business income

€244m

Business income was € 244 million in the half-year to June 2019 compared to € 256 million in the same period in 2018.

Net fee and commission income	Half-year June 2019 € m	Half-year June 2018 € m	% change
Customer accounts	107	103	4
Card income	37	36	3
Lending related fees	26	20	30
Customer related foreign exchange	36	35	3
Other fees and commissions	24	23	4
Net fee and commission income	230	217	6

Net fee and commission income of € 230 million in the half-year to June 2019 increased by € 13 million compared to the half-year to June 2018, driven by increased customer accounts income and lending related fees.

Dividend income was € 25 million in the half-year to June 2019 including € 23 million received on NAMA subordinated bonds.

Net trading (loss)/ income decreased by € 27 million compared to the half-year to June 2018 mainly due to a reduction in income on foreign exchange contracts and a reduction in the fair value of long term customer derivative positions.

Other items

€75m

Other items were € 75 million in the half-year to June 2019 compared to € 66 million in the same period in 2018.

Income from equity investments of € 8 million decreased by € 8 million compared to the half-year to June 2018. This is comprised of a net gain on equity investments (FVTPL) of € 44 million in the half-year to June 2019 (€ 31 million in the half-year to June 2018) offset by a net loss of € 36 million on a partial hedge of the equity investments (€ 15 million in the half-year to June 2018).

Net gain on loans and advances to customers (FVTPL) of € 28 million in the half-year to June 2019 (€ 40 million in the half-year to June 2018) represents income recognised on previously restructured loans carried at fair value through profit and loss.

Other operating income of € 39 million in the half-year to June 2019 reflects income on disposal of investment securities. Other operating income of € 10 million in the half-year to June 2018 included € 16 million income on disposal of investment securities offset by settlements and other losses of € 6 million.

IFRS basis

On an IFRS basis, other income including exceptional items[2] of € 34 million, was € 353 million in the half-year to June 2019 compared to € 462 million in the half-year to June 2018.

[1]Other income before exceptional items.
[2]Exceptional items in the half-year to June 2019 comprise; Net trading (loss)/ income of Nil (half-year to June 2018: € 1 million), Net gain on loans and advances to customers (FVTPL) € 20 million (half-year to June 2018: € 21 million) and Other operating income (gain on disposal of loans) € 14 million (half-year to June 2018: € 118 million).

Total operating expenses[(1)]

€744m

Cost income ratio[(1)]

54%

Operating expenses[(1)(2)]	**Half-year June 2019 € m**	Half-year June 2018 € m	*% change*
Personnel expenses	**393**	364	*8*
General and administrative expenses[(3)]	**243**	269	*-10*
Depreciation, impairment and amortisation	**108**	69	*57*
Total operating expenses	**744**	702	*6*
Staff numbers at period end[(4)]	**9,831**	9,759	*1*
Average staff numbers[(4)]	**9,888**	9,697	*2*

Total operating expenses[(1)]

€744m

Total operating expenses of € 744 million increased by € 42 million compared to the half-year to June 2018, driven by increased depreciation, impairment and amortisation of € 39 million and higher personnel expenses of € 29 million partly offset by lower general and administrative expenses of € 26 million.

Personnel expenses

Personnel expenses increased by € 29 million compared to the half-year to June 2018. This increase was primarily due to the impact of salary inflation and higher average staff numbers.

General and administrative expenses

General and administrative expenses decreased by € 26 million compared to the half-year to June 2018 as operating lease rental costs are no longer recognised in general and administrative expenses.

Depreciation, impairment and amortisation

Depreciation, impairment and amortisation increased by € 39 million compared to the half-year to June 2018 due to the depreciation of right-of-use assets and an increase in depreciation as assets created under investment programmes were commissioned to operational use.

Cost income ratio

54%

Costs of € 744 million and income of € 1,369 million resulted in a cost income ratio of 54% in the half-year to June 2019 compared to 51% in the half-year to June 2018.

Bank levies and regulatory fees

€58m

Bank levies and regulatory fees	**Half-year June 2019 € m**	Half-year June 2018 € m
Irish bank levy	**-**	-
Deposit Guarantee Scheme	**32**	12
Single Resolution Fund/ BRRD[(5)]	**16**	18
Other regulatory levies and charges[(3)]	**10**	10
Bank levies and regulatory fees	**58**	40

Bank levies and regulatory fees were comparable to the same period in 2018 excluding the impact of writebacks of € 14 million in respect of the Deposit Guarantee Scheme in the half-year to June 2018. The Irish bank levy for financial institutions is payable in October each year.

IFRS basis

On an IFRS basis, total costs including bank levies and regulatory fees of € 58 million and exceptional items[(2)] of € 165 million, were € 967 million in the half-year to June 2019 compared to € 896 million in the half-year to June 2018. This results in a cost income ratio of 69% in the half-year to June 2019, compared to 59% in the half-year to June 2018.

[(1)]Before bank levies and regulatory fees and exceptional items.
[(2)]Exceptional items in the half-year to June 2019 comprise; Personnel expenses € 11 million (half-year to June 2018: € 14 million), General and administrative expenses € 145 million (half-year to June 2018: € 140 million) and Depreciation, impairment and amortisation € 9 million (half-year to June 2018: Nil).
[(3)]Other regulatory levies and charges are now presented as bank levies and regulatory fees (€ 9 million in the half-year to June 2018 previously included in operating expenses has been represented as bank levies and regulatory fees).
[(4)]Staff numbers are on a full time equivalent ("FTE") basis.
[(5)]Bank Recovery and Resolution Directive ("BRRD").

Net credit impairment (charge)/ writeback

(€9m)

There was a net credit impairment charge of € 9 million in the half-year to 30 June 2019 comprising of a € 19 million charge on loans and advances to customers (net remeasurement of ECL allowance charge of € 66 million, offset by recoveries of amounts previously written-off of € 47 million) and a € 10 million writeback on off-balance sheet exposures. There was a net credit impairment writeback of € 142 million in the half-year to June 2018.

See page 40 of the Risk management section for more information.

Income tax charge

€75m

The effective tax rate was 17.2% in the half-year to June 2019 compared with 14.7% in the half-year to June 2018. The effective tax rate is influenced by the geographic mix of profit streams which may be taxed at different rates. In addition, the rate in the half-year to June 2019 reflects tax provided on unrealised gains on certain equity investments.

Return on tangible equity

7.9%

ROTE decreased to 7.9% in the half-year to June 2019 compared to 15.2% in the half-year to June 2018 mainly driven by lower profits in the period.

Total exceptional items

€131m

Total exceptional items	Half-year June 2019 € m	Half-year June 2018 € m
Gain on disposal of loan portfolios	34	140
Restitution costs	(102)	(75)
Provision for regulatory fines	(43)	-
Restructuring costs	(10)	(4)
Termination benefits	(7)	(9)
Property strategy costs	(3)	(44)
IFRS 9 costs	-	(22)
Total exceptional items	(131)	(14)

These gains/ costs were viewed as exceptional by management.

Gain on disposal of loan portfolios. The disposal of loan portfolios in the half-year to June 2019 resulted in a net gain of € 34 million (includes € 20 million net gain on loans and advances to customers measured at FVTPL).

Restitution costs include provision for customer redress and compensation in relation to the tracker mortgage examination of € 9 million, and other personal/ SME lending customer redress of € 61 million, along with associated costs.

Provision for regulatory fines includes a provision for the impact of monetary penalties arising from the Central Bank of Ireland investigation in respect of tracker mortgages.

Restructuring costs include impairment of assets in the period.

Termination benefits relate to the cost of the voluntary severance programme.

Property strategy costs relate to the implementation of the Group property strategy including the exit from Bankcentre, and the acquisition and development of various office locations across Dublin.

IFRS 9 costs in the half-year to June 2018 represent IFRS 9 implementation costs.

Assets

Net loans to customers	New lending
€61.1bn	**€6.0bn**

Assets	30 Jun 2019 € bn	31 Dec 2018 € bn	% change
Gross loans to customers	**62.7**	62.9	-
ECL allowance	**(1.6)**	(2.0)	*-21*
Net loans to customers	**61.1**	60.9	-
Investment securities	**17.1**	16.9	*1*
Loans and advances to banks	**10.6**	8.0	*33*
Other assets	**6.8**	5.7	*18*
Total assets	**95.6**	91.5	*4*

Net loans to customers

€61.1bn

Net loans of € 61.1 billion increased by € 0.2 billion compared to € 60.9 billion at 31 December 2018. New lending of € 6.0 billion exceeded redemptions of € 5.3 billion (including € 0.5 billion redemptions on non-performing loans).

New lending

€6.0bn

New lending of € 6.0 billion in the half-year to June 2019 was € 0.5 billion higher (8%) than the half-year to June 2018. Mortgage lending was up 8% in the period driven by growth in the Irish mortgage market, with non-property business lending up 9% driven primarily by strong corporate lending in the period.
New lending comprises € 5.1 billion term lending in the half-year to June 2019 (€ 5.0 billion in the half-year to June 2018) and € 0.9 billion transaction lending (€ 0.5 billion in the half-year to June 2018).

Non-performing loans

€4.7bn

Non-performing loans decreased by € 1.4 billion from 31 December 2018, primarily reflecting the disposal of a portfolio of distressed loans of € 1.0 billion and redemptions of € 0.5 billion.

ECL allowance	Non-performing loan cover
€1.6bn	**26%**

The ECL allowance of € 1.6 billion at 30 June 2019 decreased from € 2.0 billion at 31 December 2018 primarily reflecting the disposal of a portfolio of distressed loans.

Non-performing loan cover

The ECL allowance cover rate on non-performing loans of 26% at 30 June 2019 decreased from 27% at 31 December 2018.

Summary of movement in loans to customers

The table below sets out the movement in loans to customers from 1 January 2019 to 30 June 2019.

Loans to customers	Performing loans € bn	Non-performing loans € bn	Loans to customers € bn
Gross loans (opening balance 1 January 2019)	**56.8**	**6.1**	**62.9**
New lending	**6.0**	**-**	**6.0**
Redemptions of existing loans	**(4.8)**	**(0.5)**	**(5.3)**
Disposals	**-**	**(1.0)**	**(1.0)**
Net movement to non-performing	**(0.2)**	**0.2**	**-**
Other movements	**0.2**	**(0.1)**	**0.1**
Gross loans (closing balance 30 June 2019)	**58.0**	**4.7**	**62.7**
ECL allowance	**(0.4)**	**(1.2)**	**(1.6)**
Net loans (closing balance 30 June 2019)	**57.6**	**3.5**	**61.1**

Assets *(continued)*

The tables below summarise the credit profile of the loan portfolio by asset class and include a range of credit metrics that the Group uses in managing the portfolio. Further information on the risk profile of the Group and non-performing loans is available in the Risk management section on pages 35 to 73.

Loan portfolio profile 30 June 2019	Residential mortgages € bn	Other personal € bn	Property and construction € bn	Non-property business € bn	Total € bn
Gross loans to customers	**31.7**	**3.0**	**7.8**	**20.2**	**62.7**
Of which: Stage 3	**2.6**	**0.3**	**0.8**	**0.6**	**4.3**
Total ECL allowance	**0.6**	**0.2**	**0.4**	**0.4**	**1.6**
Non-performing loans	**2.8**	**0.3**	**0.9**	**0.7**	**4.7**
Total ECL allowance non-performing loans	**0.6**	**0.1**	**0.3**	**0.2**	**1.2**
ECL allowance cover non-performing loans (%)	**21%**	**52%**	**31%**	**31%**	**26%**
31 December 2018	€ bn	€ bn	€ bn	€ bn	€ bn
Gross loans to customers	32.3	3.1	7.9	19.6	62.9
Of which: Stage 3	3.0	0.3	1.2	1.0	5.5
Total ECL allowance	0.7	0.2	0.5	0.6	2.0
Non-performing loans	3.3	0.4	1.4	1.0	6.1
Total ECL allowance non-performing loans	0.6	0.2	0.4	0.4	1.6
ECL allowance cover non-performing loans (%)	20%	50%	29%	36%	27%

Non-performing loans 30 June 2019	Residential mortgages € bn	Other personal € bn	Property and construction € bn	Non-property business € bn	Total € bn
Collateral disposals	**0.2**	**0.1**	**0.3**	**0.1**	**0.7**
Unlikely to pay (including > 90 days past due)	**2.3**	**0.2**	**0.5**	**0.5**	**3.5**
Non-performing loans probation	**0.3**	**0.0**	**0.1**	**0.1**	**0.5**
Total non-performing loans	**2.8**	**0.3**	**0.9**	**0.7**	**4.7**
Total non-performing loans/ Total loans (%)	**8.9%**	**8.7%**	**12.4%**	**3.3%**	**7.5%**
31 December 2018	€ bn	€ bn	€ bn	€ bn	€ bn
Collateral disposals	0.2	0.1	0.4	0.1	0.8
Unlikely to pay (including > 90 days past due)	2.7	0.3	0.9	0.7	4.6
Non-performing loans probation	0.4	0.0	0.1	0.2	0.7
Total non-performing loans	3.3	0.4	1.4	1.0	6.1
Total non-performing loans/ Total loans (%)	10.1%	11.2%	17.9%	5.2%	9.6%

Investment securities

Investment securities of € 17.1 billion primarily held for liquidity purposes have increased by € 0.2 billion from 31 December 2018.

Loans and advances to banks

Loans and advances to banks of € 10.6 billion, including € 9.3 billion of cash and balances at central banks, were € 2.6 billion higher than 31 December 2018. Excess liquidity, driven by increased current accounts and net proceeds from debt issued and loan portfolio disposals, was partly offset by loan book growth and increased investment securities.

Other assets

Other assets of € 6.8 billion comprised:

- Deferred tax assets of € 2.6 billion, broadly in line with 31 December 2018.
- Derivative financial instruments of € 1.4 billion, € 0.5 billion increase from 31 December 2018.
- Remaining assets of € 2.8 billion, € 0.6 billion increase from 31 December 2018 mainly due to recognition of right-of-use assets under IFRS 16.

Liabilities & equity

Customer accounts	Equity
€69.5bn	**€14.0bn**

Liabilities & equity	30 Jun 2019 € bn	31 Dec 2018 € bn	% change
Customer accounts	**69.5**	67.7	*3*
Deposits by banks	**1.0**	0.8	*21*
Debt securities in issue	**6.9**	5.7	*20*
Other liabilities	**4.2**	3.4	*25*
Total liabilities	**81.6**	77.6	*5*
Equity	**14.0**	13.9	*1*
Total liabilities & equity	**95.6**	91.5	*4*
	%	%	*change*
Loan to deposit ratio	**88**	90	*-2*

Debt securities in issue

Debt securities of € 6.9 billion increased by € 1.2 billion from 31 December 2018 following MREL issuances in the period of US $ 1 billion and € 0.75 billion, bringing the total eligible liabilities issued to date to € 3.3 billion. This was partly offset by the maturity of Euro Medium Term Notes ("EMTN") of € 0.5 billion.

Other liabilities

Other liabilities of € 4.2 billion comprised:

- Subordinated liabilities of € 0.8 billion, in line with 31 December 2018.
- Derivative financial instruments of € 1.1 billion, € 0.2 billion increase from 31 December 2018.
- Remaining liabilities of € 2.3 billion, € 0.6 billion increase from 31 December 2018 mainly driven by recognition of lease liabilities under IFRS 16.

Customer accounts

€69.5bn

Customer accounts increased by € 1.8 billion compared to 31 December 2018. Current accounts increased by € 1.6 billion reflecting continued strong economic activity.

The loan to deposit ratio decreased to 88% at 30 June 2019 compared to 90% at 31 December 2018 driven by increased levels of customer accounts.

Deposits by banks

Deposits by banks of € 1.0 billion increased by € 0.2 billion compared to 31 December 2018.

Equity

€14.0bn

Equity of € 14.0 billion increased by € 0.1 billion compared to € 13.9 billion at 31 December 2018.

The table below sets out the movements to 30 June 2019.

Equity	€ bn
Opening balance (1 January 2019)	**13.9**
Profit for the period	**0.4**
Other comprehensive income:	
Cash flow hedging reserves/ other[1]	**0.2**
Dividends/ distributions paid	**(0.5)**
Closing balance (30 June 2019)	**14.0**

[1]Of which € 265 million relates to movements in the cash flow hedging reserves in the period due to reductions in market interest rates.

Segment reporting

Segment overview

A new operating model was introduced in January 2019 as outlined in the Annual Financial Report 2018, with the creation of three 'vertical' business units that are responsible for the development of end-to-end customer strategy and propositions for our homes, business and consumer customers. The UK continues to operate, at a customer level, on a stand-alone basis.

As a result of these changes, performance is now reported across Retail, Corporate Institutional & Business Banking (CIB), AIB UK and Group segments. The attribution of costs by segment has also been amended to reflect the revised operating model. In addition the Group has revised the methodology used to allocate funding and liquidity income/ charges by segment. Figures for the prior period have been restated on a comparative basis.

Retail

Retail comprises of Homes, Consumer and Financial Solutions Group (FSG):

- Homes is responsible for meeting the homes needs of customers in the Republic of Ireland across the AIB, EBS and Haven brands. It delivers sustainable growth in our core mortgages business with a culture of agility and innovation and will transform over time into a full homes customer centric ecosystem.
- Consumer is focused on defining and delivering innovative and differentiated products, propositions and services to meet our customers' everyday banking needs through an extensive range of physical and digital channels. Our core purpose is to achieve a seamless, transparent and simple customer experience in all of our propositions across current accounts, personal & SME lending, payments & credit cards, deposits, insurance and wealth to maintain and grow our market leading position.
- FSG is a standalone dedicated work out unit to which the Group has migrated the management of the vast majority of its non-performing exposures (NPEs), predominantly consisting of homes and consumer products, with the objective of delivering the Group's NPE strategy to reduce NPEs in line with European norms.

Corporate Institutional & Business Banking (CIB)

CIB provides institutional, corporate and business banking services to the Group's larger customers and customers requiring specific sector or product expertise. CIB's relationship driven model serves customers through sector specialist teams including; Corporate Banking, Real Estate Finance, Business Banking, Energy, Climate Action & Infrastructure and Private Banking. In addition to traditional credit products, CIB offers customers foreign exchange and interest rate risk management products, cash management products, trade finance, mezzanine finance, structured and specialist finance, equity investments and also provides corporate finance advisory services. CIB also has a syndicated lending team based in Dublin and an office in New York.

AIB UK

AIB UK offers retail and business banking services in two distinct markets, a sector-led corporate and commercial bank supporting businesses in Great Britain (AIB GB) trading as Allied Irish Bank (GB), and a retail and business bank in Northern Ireland, trading as First Trust Bank (FTB). First Trust Bank will rebrand to AIB on a phased basis by the end of 2020.

Group

The Group segment comprises wholesale treasury activities and Group control and support functions. Treasury manages the Group's liquidity and funding positions and provides customer treasury services and economic research. The Group control and support functions include business and customer services, risk, audit, finance, legal and human resources.

Segment allocations

The segments' performance statements include all income and directly related costs, excluding overheads which are managed centrally and the costs of which are included in the Group segment. Funding and liquidity charges are based on each segment's funding requirements and the Group's funding cost profile, which is informed by wholesale and retail funding costs. Income attributable to capital is allocated to segments based on each segment's capital requirement.

Retail

Retail contribution statement	Half-year June 2019 € m	Half-year June 2018 € m	% change
Net interest income	628	682	-8
Other income	190	196	-3
Total operating income	818	878	-7
Total operating expenses[1]	(471)	(439)	7
Bank levies and regulatory fees[1]	(1)	(1)	-
Operating contribution before impairments and exceptional items	346	438	-21
Net credit impairment writeback	22	169	-87
Operating contribution before exceptional items	368	607	-39
Associated undertakings	8	3	167
Contribution before exceptional items	376	610	-38

Retail balance sheet metrics	30 Jun 2019 € bn	30 Jun 2018 € bn	% change
Mortgages	1.2	1.2	
Personal	0.5	0.4	
Property	0.1	0.0	
Non-property business	0.5	0.4	
New lending	2.3	2.0	11
	30 Jun 2019 € bn	**31 Dec 2018 € bn**	
Mortgages	29.8	30.4	
Personal	2.7	2.8	
Property	1.4	1.8	
Non-property business	3.8	4.1	
Gross loans	37.7	39.1	-4
ECL allowance	(1.4)	(1.8)	-24
Net loans[2]	36.3	37.3	-3
Current accounts	24.3	22.9	6
Deposits	22.8	22.4	2
Customer accounts	47.1	45.3	4

Net interest income

€628m Net interest income has decreased by € 54 million in the half-year to June 2019 reflecting the impact on income of the continued deleveraging of non-performing loans and increased cost of funding due to MREL issuances. This is partially offset by new lending growth.

Other income

€190m Other income decreased by € 6 million, with increased fee and commission income offset by lower income recognised on previously restructured loans.

Total operating expenses

€471m Total operating expenses increased by € 32 million driven by an increase in depreciation as assets created under investment programmes were commissioned to operational use, higher costs due to the impact of salary inflation and costs of the loan work out unit in managing legacy non-performing loans.

Net credit impairment writeback

€22m There was a net credit impairment writeback of € 22 million in the half-year to 30 June 2019 comprising of a € 13 million writeback on loans and advances to customers and a € 9 million writeback on off-balance sheet exposures. The € 13 million writeback comprises recoveries of amounts previously written-off of € 45 million, offset by net remeasurement of ECL allowance charge of € 32 million including a charge relating to a reduction in the near term forecast for Irish house price growth. There was a net credit impairment writeback of € 169 million in the half-year to June 2018.

New lending

€2.3bn New lending of € 2.3 billion was up 11% with increases across all business lines.

Net loans

€36.3bn Net loans decreased by € 1.0 billion mainly driven by the disposal of a portfolio of distressed loans of € 0.6 billion, and redemptions in the non-performing loan book of € 0.4 billion.

ECL allowance

€1.4bn The ECL allowance of € 1.4 billion at the half-year to June 2019 decreased by € 0.4 billion from € 1.8 billion at 31 December 2018 primarily reflecting the portfolio disposal of distressed loans.

Customer accounts

€47.1bn Customer accounts increased by € 1.8 billion compared to 31 December 2018 with increased current accounts of € 1.4 billion.

[1]Other regulatory levies and charges are now presented as bank levies and regulatory fees (€ 1 million in the half-year to June 2018 previously included in operating expenses has been represented as bank levies and regulatory fees).
[2]Includes larger legacy distressed loans that have been subject to restructuring arrangements and are managed through the loan work out unit in Retail.

Corporate Institutional & Business Banking ("CIB")

CIB contribution statement	Half-year June 2019 € m	Half-year June 2018 € m	% change
Net interest income	**225**	181	*24*
Other income	**46**	43	*7*
Total operating income	**271**	224	*21*
Total operating expenses	**(67)**	(61)	*10*
Operating contribution before impairments and exceptional items	**204**	163	*25*
Net credit impairment charge	**(10)**	(12)	*-17*
Operating contribution before exceptional items	**194**	151	*28*
Associated undertakings	**(1)**	-	-
Contribution before exceptional items	**193**	151	*28*

CIB balance sheet metrics	30 Jun 2019 € bn	30 Jun 2018 € bn	% change
Mortgages	**0.0**	0.0	
Personal	**0.0**	0.0	
Property	**0.6**	0.7	
Non-property business	**1.8**	1.8	
New lending	**2.4**	2.5	*-5*
	30 Jun 2019 € bn	**31 Dec 2018 € bn**	
Mortgages	**0.6**	0.6	
Personal	**0.1**	0.1	
Property	**4.2**	4.0	
Non-property business	**11.1**	10.5	
Gross loans	**16.0**	15.2	*5*
ECL allowance	**(0.1)**	(0.0)	-
Net loans	**15.9**	15.2	*5*
Current accounts	**7.3**	7.0	*4*
Deposits	**3.9**	3.8	*2*
Customer accounts	**11.2**	10.8	*4*

Net interest income

€225m Net interest income increased by € 44 million compared to the half-year to June 2018 primarily reflecting strong loan growth.

Other income

€46m Other income increased by € 3 million compared to the half-year to June 2018 reflecting higher transactional income partly offset by lower net gains on equity investments.

Total operating expenses

€67m Total operating expenses increased by € 6 million compared to the half-year to June 2018. The increase was primarily driven by increased personnel costs to support business growth.

Net credit impairment charge

(€10m) There was a net credit impairment charge of € 10 million in the half-year to June 2019 comprising of a € 12 million charge on loans and advances to customers and a € 2 million writeback on off-balance sheet exposures. The € 12 million charge was primarily driven by a net remeasurement charge on a small number of cases. There was a net credit impairment charge of € 12 million in the half-year to June 2018.

New lending

€2.4bn New lending decreased by € 0.1 billion compared to the half-year to June 2018, with decreased property lending. Non-property lending in the period was in line with the half-year to 30 June 2018 with increased corporate lending offset by decreased syndicated lending.

Net loans

€15.9bn Net loans of € 15.9 billion at 30 June 2019 increased by € 0.7 billion compared to € 15.2 billion at 31 December 2018, primarily driven by non-property business loans.

Customer accounts

€11.2bn Current accounts of € 7.3 billion were € 0.3 billion higher than 31 December 2018. Deposits of € 3.9 billion were € 0.1 billion higher than 31 December 2018.

AIB UK

AIB UK contribution statement	Half-year June 2019 £ m	Half-year June 2018 £ m	% change
Net interest income	118	110	7
Other income	33	19	74
Total operating income	151	129	17
Total operating expenses	(74)	(69)	7
Operating contribution before impairments and exceptional items	77	60	28
Net credit impairment charge	(18)	(14)	29
Operating contribution before exceptional items	59	46	28
Associated undertakings	1	1	-
Profit on disposal of property	-	1	-
Contribution before exceptional items	60	48	25
Contribution before exceptional items €m	68	55	22

AIB UK balance sheet metrics	30 Jun 2019 £ bn	30 Jun 2018 £ bn	% change
AIB GB	1.1	0.6	71
FTB	0.1	0.2	-40
New lending	1.2	0.8	40
	30 Jun 2019 £ bn	31 Dec 2018 £ bn	
AIB GB	5.8	5.4	7
FTB	2.1	2.2	-5
Gross loans	7.9	7.6	5
ECL allowance	(0.2)	(0.2)	-
Net loans	7.7	7.4	4
Current accounts	5.7	5.8	-
Deposits	3.0	3.1	-2
Customer accounts	8.7	8.9	-1

Net interest income

£118m Net interest income increased by £ 8 million compared to the half-year to June 2018 driven by lending growth and increased interest rates in August 2018.

Other income

£33m Other income increased by £ 14 million compared to the half-year to June 2018. Net fee and commission income increased by £ 6 million primarily driven by lending related fees. Loss on disposal of loans was Nil in the half-year to June 2019 compared to £ 4 million in the half-year to June 2018.

Total operating expenses

£74m Total operating expenses increased by £ 5 million compared to the half-year to June 2018 driven by an increase in depreciation.

Net credit impairment charge

(£18m) There was a net credit impairment charge of £ 18 million in the half-year to June 2019 primarily driven by a net remeasurement charge on a small number of cases. There was a net credit impairment charge of £ 14 million in the half-year to June 2018.

New lending

£1.2bn New lending of £ 1.2 billion in the half-year to June 2019 increased by £ 0.4 billion compared to the half-year to June 2018, mainly driven by corporate lending in AIB GB.

Net loans

£7.7bn Net loans of £ 7.7 billion increased by £ 0.3 billion compared to 31 December 2018.

Customer accounts

£8.7bn Customer accounts of £ 8.7 billion at 30 June 2019 decreased by £ 0.2 billion from 31 December 2018.

Group

Group contribution statement	Half-year June 2019 € m	Half-year June 2018 € m	% change
Net interest income	62	61	2
Other income	46	61	-25
Total operating income	108	122	-11
Total operating expenses[(1)]	(121)	(124)	-2
Bank levies and regulatory fees[(1)]	(57)	(39)	46
Operating contribution before impairments and exceptional items	(70)	(41)	71
Net credit impairment writeback	-	1	-
Contribution before exceptional items	(70)	(40)	75

Group balance sheet metrics	30 Jun 2019 € bn	31 Dec 2018 € bn	% change
Gross loans	0.2	0.1	-
Investment securities	16.6	16.5	-
Customer accounts	1.6	1.7	-7

Net interest income

€62m Net interest income was broadly stable compared to the half-year to June 2018.

Other income

€46m Other income decreased by € 15 million compared to the half-year to June 2018 due to a reduction in fair value of long-term customer derivative positions and lower income on non-customer foreign exchange contracts, partly offset by higher gain on disposal of investment securities.

Total operating expenses

€121m Total operating expenses of € 121 million were broadly in line with the half-year to June 2018.

Bank levies and regulatory fees

€57m Bank levies and regulatory fees of € 57 million in the half-year to June 2019 are comparable to the same period in 2018 excluding the impact of writebacks of € 14 million in respect of the Deposit Guarantee Scheme in the half-year to June 2018. Bank levies and regulatory fees include the Deposit Guarantee Scheme € 32 million, the Single Resolution Fund € 16 million and other regulatory levies and charges of € 9 million in the half-year to June 2019.

Investment securities

€16.6bn Investment securities of € 16.6 billion primarily held for liquidity purposes were broadly stable compared to 31 December 2018.

Customer accounts

€1.6bn Customer accounts were broadly in line with 31 December 2018.

[(1)]Other regulatory levies and charges are now presented as bank levies and regulatory fees (€ 8 million in the half-year to June 2018 previously included in operating expenses has been represented as bank levies and regulatory fees).

Alternative performance measures

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

Average rate	Interest income/ expense for balance sheet categories divided by corresponding average balance.
Average balance	Average balances for interest-earning assets are based on daily balances for all categories with the exception of loans and advances to banks, which are based on a combination of daily/ monthly balances. Average balances for interest-earning liabilities are based on a combination of daily/ monthly balances, with the exception of customer accounts which are based on daily balances.
CET1 Fully loaded	Total common equity tier 1 capital on a fully loaded basis divided by total risk weighted assets on a fully loaded basis.
CET1 Transitional	Total common equity tier 1 capital on a transitional basis divided by total risk weighted assets on a transitional basis.
Cost income ratio	Total operating expenses excluding exceptional items, bank levies and regulatory fees divided by total operating income excluding exceptional items.
Non-performing loan cover	ECL allowance on non-performing loans as a percentage of non-performing loans.
Exceptional items	These are items that management view as distorting comparability of performance from period to period; - *Gain on disposal of loan portfolios* includes net gain on disposals and gain on loans and advances to customers measured at FVTPL. - *Restitution costs* include provision for customer redress and compensation in relation to the tracker mortgage examination and other personal/ SME lending customer redress, along with associated costs. - *Provision for regulatory fines* includes a provision for the impact of monetary penalties arising from the Central Bank of Ireland investigation in respect of tracker mortgages. - *Restructuring costs* include impairment of assets in the period. - *Termination benefits* reflect costs associated with the reduction in employees arising from the voluntary severance programme. - *Property strategy costs* associated with the implementation of the Group property strategy including the exit from Bankcentre, and the acquisition and development of various office locations across Dublin. - *IFRS 9 costs* in the half-year to June 2018 represent IFRS 9 implementation costs.
Loan to deposit ratio	Net loans and advances to customers divided by customer accounts.
Net interest margin	Net interest income divided by average interest-earning assets.
Non-performing exposures	Non-performing exposures as defined by the European Banking Authority, include loans and advances to customers and off-balance sheet commitments such as loan commitments and financial guarantee contracts.
Return on tangible equity (ROTE)	Profit after tax from continuing operations plus reduction in carrying value of deferred tax assets in respect of prior losses, less coupons on other equity instruments, divided by targeted (13 per cent.) CET1 capital on a fully loaded basis plus deferred tax assets recognised for unutilised tax losses in equity. In assessing capital efficiency, ROTE reflects performance given capital requirements and the nature and quantum of deferred tax assets recognised for unutilised tax losses in equity.
Management performance - summary income statement	A reconciliation between the IFRS and management performance summary income statements is set out on page 32. Given the impact of the adjustments, the following line items in the management performance summary income statement are considered APMs: • Other income • Total operating income • Total operating expenses • Bank levies and regulatory fees • Operating profit before impairment losses and exceptional items • Operating profit before exceptional items • Profit from continuing operations before exceptional items • Total exceptional items

Reconciliation between IFRS and management performance summary income statements

A reconciliation of management performance measures to the directly related IFRS measures, providing their impact in respect of specific line items, and the overall summary income statement is set out below. Given the impact of the adjustments, the line items as listed in 'Management performance - summary income statement' in the APMs on page 31 are considered APMs.

IFRS - summary income statement	Half-year June 2019 € m	Half-year June 2018 € m
Net interest income	1,050	1,049
Other income	353	462
Total operating income	1,403	1,511
Total operating expenses	(967)	(896)
Operating profit before impairment losses	436	615
Net credit impairment (charge)/ writeback	(9)	142
Operating profit	427	757
Associated undertakings	9	4
Profit on disposal of property	-	1
Profit before taxation from continuing operations	436	762
Income tax charge from continuing operations	(75)	(112)
Profit for the period	361	650

Adjustments - between IFRS and management performance

		June 2019	June 2019	June 2018	June 2018
Other income	**of which: exceptional items**				
	Gain on disposal of loan portfolios		(34)		(140)
Total operating expenses	**of which: bank levies and regulatory fees**		58		40
	of which: exceptional items				
	Restitution costs	102		75	
	Provision for regulatory fines	43		-	
	Restructuring costs	10		4	
	Termination benefits	7		9	
	Property strategy costs	3		44	
	IFRS 9 costs	-	165	22	154

Management performance - summary income statement	Half-year June 2019 € m	Half-year June 2018 € m
Net interest income	1,050	1,049
Other income	319	322
Total operating income	1,369	1,371
Total operating expenses	(744)	(702)
Bank levies and regulatory fees	(58)	(40)
Operating profit before impairment losses and exceptional items	567	629
Net credit impairment (charge)/ writeback	(9)	142
Operating profit before exceptional items	558	771
Associated undertakings	9	4
Profit on disposal of property	-	1
Profit from continuing operations before exceptional items	567	776
Total exceptional items	(131)	(14)
Profit before taxation from continuing operations	436	762
Income tax charge from continuing operations	(75)	(112)
Profit for the period	361	650

Business review - 2. Capital

The objectives of the Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the current and future risk inherent in its business and to support its future development. Detail on the management of capital and capital adequacy risk can be found in 'Risk Management 3.5' on page 154 of the Group's Annual Financial Report 2018.

Regulatory capital and capital ratios[1]

	CRD IV transitional basis		CRD IV fully loaded basis	
	30 June 2019 € m	31 December 2018 € m	**30 June 2019 € m**	31 December 2018 € m
Equity	**13,975**	13,858	**13,975**	13,858
Less: Additional Tier 1 Securities	**(494)**	(494)	**(494)**	(494)
Foreseeable charges[2]/proposed ordinary dividend[3]	**(153)**	(461)	**(153)**	(461)
Regulatory adjustments:				
Intangible assets	**(705)**	(682)	**(705)**	(682)
Cash flow hedging reserves	**(550)**	(285)	**(550)**	(285)
IFRS 9 CET 1 transitional add-back	**251**	298	**–**	–
Pension	**(196)**	(183)	**(196)**	(183)
Deferred tax	**(1,338)**	(1,079)	**(2,676)**	(2,697)
Expected loss deduction	**(20)**	(21)	**(20)**	(21)
Other	**(48)**	(42)	**(48)**	(42)
	(2,606)	(1,994)	**(4,195)**	(3,910)
Total common equity tier 1 capital	**10,722**	10,909	**9,133**	8,993
Additional tier 1 capital				
Instruments issued by subsidiaries that are given recognition in additional tier 1 capital	**263**	235	**324**	316
Total additional tier 1 capital	**263**	235	**324**	316
Total tier 1 capital	**10,985**	11,144	**9,457**	9,309
Tier 2 capital				
Instruments issued by subsidiaries that are given recognition in tier 2 capital	**459**	415	**546**	531
Total tier 2 capital	**459**	415	**546**	531
Total capital	**11,444**	11,559	**10,003**	9,840
Risk weighted assets				
Credit risk	**47,005**	46,209	**46,871**	46,052
Market risk	**437**	371	**437**	371
Operational risk	**4,700**	4,624	**4,700**	4,624
Credit valuation adjustment	**661**	392	**661**	392
Total risk weighted assets	**52,803**	51,596	**52,669**	51,439
	%	%	**%**	%
Common equity tier 1 ratio	**20.3**	21.1	**17.3**	17.5
Tier 1 ratio	**20.8**	21.6	**18.0**	18.1
Total capital ratio	**21.7**	22.4	**19.0**	19.1

[1]The capital ratios reflect the 30 June 2019 interim profit for the Group. An application for the inclusion of the 2019 interim profit in regulatory capital is being made under Article 26(2) of the Capital Requirements Regulation to the competent authority, namely, the European Central Bank.
[2]Consistent with Article 2 Regulation (EU) No 241/2014 a foreseeable charge has been deducted which represents the dividend payout ratio for 2018 applied to the interim profit for 2019.
[3]The proposed ordinary dividend was € 461 million in respect of 2018. Equity at 30 June 2019 was reduced by this dividend payment in May 2019.

Business review - 2. Capital

Capital requirements

The Group's minimum CET1 requirement is now 11.55%, comprised of a Pillar 1 requirement of 4.5%, Pillar 2 requirement ("P2R") of 3.15%, a Capital Conservation Buffer ("CCB") of 2.50%, a Countercyclical Capital Buffer ("CCyB") of 0.9% (in respect of a 1.0% buffer applied to both Irish and UK exposures) and an Other Systemically Important Institution ("O-SII") buffer of 0.5% (rising to 1.0% on 1 July 2020 and 1.5% on 1 July 2021).

The minimum requirement for the total capital ratio is 15.05%. This requirement excludes Pillar 2 guidance ("P2G") which is not publicly disclosed.

Capital ratios at 30 June 2019

Fully loaded ratio

The fully loaded CET1 ratio decreased to 17.3% at 30 June 2019 from 17.5% at 31 December 2018.

The decrease of 0.2% is due to profits of 0.8% offset by a foreseeable dividend of 0.3%, the implementation of IFRS 16 resulting in an increase of Risk Weighted Assets ("RWA") of 0.2%, an increase in other RWA of 0.2% and other adjustments amounting to 0.3%.

The fully loaded total capital ratio decreased to 19.0% at 30 June 2019 from 19.1% at 31 December 2018. The decrease in the ratio was driven by the CET1 movements outlined above.

Transitional ratio

The transitional CET1 ratio decreased to 20.3% at 30 June 2019 from 21.1% at 31 December 2018 and is significantly in excess of minimum capital requirement. This decrease is mainly driven by a further years phasing of the deferred tax asset deduction.

The transitional total capital ratio decreased to 21.7% at 30 June 2019 from 22.4% at 31 December 2018.

Leverage ratio

Based on the full implementation of CRD IV, the leverage ratio, under the Delegated Act implemented in January 2015, was 9.8% at 30 June 2019 (10.1% at 31 December 2018).

Targeted Review of Internal Models (TRIM)

The ECB's TRIM process with respect to AIB's Irish mortgages is nearing completion. The current estimated capital impact is a reduction of c. 90 basis points on the CET1 ratio, with a c. € 2 billion increase in RWAs. The impact will be included in the Group's capital position following the finalisation of the process.

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

The Group continues to work towards its MREL target to ensure that there is sufficient loss absorption and recapitalisation capability. In the first half of 2019, the Group successfully issued US $ 1 billion and € 0.75 billion, bringing the total eligible liabilities issued to date to € 3.3 billion.

The Single Resolution Board ("SRB") has set the Group's MREL target at 16.76% of Total Liabilities and Own Funds ("TLOF") (representing 28.22% of RWAs at 31 December 2017) to be met by 1 January 2021. At 30 June 2019, the Group had MREL of 16% of TLOF and 28% of RWAs.

The Group continues to monitor changes in prudential regulation and capital requirements together with developments in the SRB's MREL Policy which has the potential to impact on the Group's MREL target.

The implementation of the CCyB for Ireland will increase the MREL target for future years. In addition, an estimated increase in RWAs of c. € 2 billion due to TRIM is also likely to increase the quantum of MREL issuance required.

Ratings

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

AIB Group plc

	30 June 2019			31 December 2018		
Long-term ratings	**Moody's**	**S&P**	**Fitch**	Moody's	S&P	Fitch
Long-term	**Baa3**	**BBB-**	**BBB-**	Baa3	BBB-	BBB-
Outlook	**Positive**	**Stable**	**Positive**	Positive	Stable	Positive
Investment grade	✓	✓	✓	✓	✓	✓

Allied Irish Banks, p.l.c.

	30 June 2019			31 December 2018		
Long-term ratings	**Moody's**	**S&P**	**Fitch**	Moody's	S&P	Fitch
Long-term	**A3**	**BBB+**	**BBB-**	A3	BBB+	BBB-
Outlook	**Positive**	**Stable**	**Positive**	Positive	Stable	Positive
Investment grade	✓	✓	✓	✓	✓	✓

Risk management

Risk management

Update on risk management and governance

Risk is defined as any event that could damage the core earnings capacity of the Group, increase cash flow volatility, reduce capital, threaten the Group's business reputation or viability, and/or breach its regulatory or legal obligations.

The Group has adopted an Enterprise Risk Management approach to (a) the identification and assessment; (b) the management and mitigation; and (c) the monitoring and reporting of its risks. Processes and controls supporting this approach are set out in the Risk Management section of the Annual Financial Report 2018 (credit risk – pages 73 to 92, credit profile – pages 93 to 144 and other risk types – pages 145 to 166).

The Group identifies those risks which are likely to impact it most through the Material Risk Assessment process. The Group has implemented comprehensive risk management strategies in seeking to manage these risks as described in the Group's risk governance and organisation framework set out on pages 69 to 72 of the Annual Financial Report 2018. In January 2019, the Group transitioned to a new operating model and internal governance structure as described on page 72 of the Annual Financial Report 2018.

The principal risks and uncertainties likely to impact the Group are set out on pages 62 to 68 of the Annual Financial Report 2018. The Group monitors changes to its principal risks and uncertainties, including emerging risks. There have been no significant changes to these principal risks in the period nor are any expected for the remaining six months of the financial year. However, the risk which specifically addresses the United Kingdom's withdrawal from the EU as outlined on page 62 of the Annual Financial Report 2018 remains significant. The extension of the date to 31 October 2019 for the withdrawal of the United Kingdom from the EU creates additional uncertainty which has potential negative consequences for the markets within which the Group operates and which may become more pronounced in the remaining six months of the financial year.

These principal risks 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. Although the Group invests substantial time and effort in its risk management strategies and techniques, there is a risk that these may fail to adequately mitigate the risks in some circumstances, particularly if confronted with risks that were not identified or anticipated.

Details of the Group's exposure to specific risks are outlined on pages 73 to 166 of the Annual Financial Report 2018.

Updates have been provided in this Report on the current status of the following specific risks:
- Capital – pages 33 to 34;
- Credit risks including asset quality and impairment – pages 37 to 69; and
- Funding and liquidity risk – pages 70 to 73.

Credit risk – Overview

Details on the various aspects of the Group's credit risk management are outlined on pages 73 to 92 of the Annual Financial Report 2018 with the Group's accounting policies for financial assets included in note 1 to the consolidated financial statements on pages 245 to 246.

There have been no changes to the Group's accounting policies for financial assets since 31 December 2018. In determining ECL allowances, the Group keeps under constant review its bases of measurement, methodologies and judgements as outlined on pages 85 to 92 of the Annual Financial Report 2018. There have been no changes to these bases of measurement, methodologies and judgements apart from the following:

Macroeconomic scenarios and weightings*

The macroeconomic scenarios used by the Group for IFRS 9 purposes are subject to the Group's existing governance process covering the development and approval of macroeconomic scenarios for planning and stress testing i.e. through Stress Test Working Group and Asset and Liability Committee (ALCo). The parameters used within the Group's ECL models include macroeconomic factors which have been established as drivers of the default risk and loss estimates. Therefore, a different ECL estimate is produced for each combination of macroeconomic factors within a particular scenario. These ECL outcomes for each given scenario are then weighted by the assessed likelihood attaching to each of the different scenarios. There has been no change to the process by which the scenarios nor the associated probability weights are determined from that set out on pages 89 to 91 in the Annual Financial Report 2018.

As part of the review of the economic scenarios at 30 June 2019, the near term forecast for Irish house price growth has been reduced in each scenario to reflect the revised impact compared to previous estimates of (a) CBI macro-prudential measures and affordability on demand and (b) increasing supply. No other material changes were made to the economic assumptions in the Republic of Ireland or in the United Kingdom.

The table below sets out the average five year forecast for each of the key macroeconomic variables forecast under (i) base; (ii) moderate downside; and (iii) moderate upside scenarios at 30 June 2019 and at 31 December 2018:

	30 June 2019			31 December 2018		
Macroeconomic factor (%)	**Base**	**Downside**	**Upside**	**Base**	**Downside**	**Upside**
Republic of Ireland						
GDP growth	3.3	2.2	4.4	3.3	2.2	4.4
Residential property price growth	2.8	0.6	5.3	4.9	2.7	7.4
Unemployment rate	4.9	7.1	4.5	4.9	7.1	4.5
Commercial property price growth	4.0	0.6	6.1	4.0	0.6	6.1
United Kingdom						
GDP growth	1.5	0.4	2.4	1.6	0.4	2.4
Residential property price growth	4.0	(1.6)	6.0	4.0	(1.6)	6.0
Unemployment rate	4.0	6.6	3.5	4.0	6.6	3.5
Commercial property price growth	3.4	(1.0)	6.7	3.4	(1.0)	6.7

Macroeconomic scenario weightings

Three scenarios are used to reflect a representative sample of possible outcomes (i.e. base, downside and upside scenarios). The ECL allowance reflects a weighted average of the ECLs under the three scenarios.

The weights for the scenarios are derived based on the expert judgement informed by a quantitative analysis. The quantitative analysis incorporates two approaches to assessing the likelihood of the 3 scenarios:

– a statistical distribution analysis of Irish and UK GDP and unemployment and US GDP informed by historic patterns in the economic data; and
– a more forward-looking approach to assessing the distribution of Irish and UK GDP forecasts using a panel of external forecasts as inputs.

These weightings were reviewed regularly during 2019. The weightings have remained constant during the reporting period. This reflects the fact that uncertainty, evident at 31 December 2018, in relation to both Brexit and global economic conditions, continues to remain elevated. These probabilities will continue to be reassessed reflecting developments during the second half-year of 2019. The scenario weightings are approved on a quarterly basis at Group ALCo.

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

Credit risk – Overview

Macroeconomic scenarios and weightings *(continued)*

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

Scenario	Weighting	
	30 June 2019	31 December 2018
Base	50%	50%
Downside	35%	35%
Upside	15%	15%

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

Sensitivities*

The Group's estimates of expected credit losses are responsive to varying economic conditions and forward looking information. These estimates are driven by the relationship between historic experienced loss and the combination of macroeconomic variables. Given the co-relationship of each of the macroeconomic variables to one another and the fact that loss estimates do not follow a linear path, a sensitivity to any single economic variable is not meaningful. As such, the following sensitivities are provided which indicate the approximate impact on the current ECL allowance before the application of probability weights to the forward looking macroeconomic scenarios. The sensitivities provide an estimate of ECL movements driven by both changes in model parameters and quantitative 'significant increase in credit risk' ("SICR") staging assignments.

Relative to the Base scenario, in the 100% downside scenario, the ECL allowance increases by 9.4% and in the 100% upside scenario, the ECL allowance declines by 7.5%, showing that the ECL impact of the downside is greater than that of the upside. For 30 June 2019, a 100% downside scenario sees a higher ECL allowance sensitivity of € 153 million compared to Base (€ 118 million compared to reported), which is lower than at 31 December 2018 due to improvements in the overall asset quality profile of the Group's loan book. Given that the AIB UK loan portfolio accounts for 14% of Group loans, the impact on the sensitivity analysis from AIB UK perspective is relatively low.

	ECL allowance at 30 June 2019			
Loans and advances to customers	Reported (50% Base, 35% downside, 15% upside) Total € m	100% Base, 0% downside, 0% upside Total € m	0% Base, 100% downside, 0% upside Total € m	0% Base, 0% downside, 100% upside Total € m
Residential mortgages	645	627	721	530
Other personal	210	208	215	206
Property and construction	364	357	380	343
Non-property business	402	394	422	384
Total	1,621	1,586	1,738	1,463
Off-balance sheet loan commitments	25	24	25	24
Financial guarantee contracts	19	20	20	20
	1,665	1,630	1,783	1,507

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

Credit risk – Overview

Management judgement*

Stage 3 PDH mortgage ECL

The Group estimates the ECL allowance based on its historic experience of resolution of defaulted loans, whether through working out arrangements with customers, including split mortgages, low fixed interest rate, voluntary sale for loss, negative equity trade down and positive equity solutions or through loan recovery following realisation of collateral.

The Group's strategy is to deliver sustainable long-term solutions and to work with customers through their financial difficulties, with loan recovery through realisation of collateral considered as a last resort where customers have failed to engage with the Group. The mortgage LGD model is based on empirical internal data for such resolved and unresolved cases, and represents the Group's expected loss based on those current and expected work-out strategies at the time. However, for a cohort of loans that are deep in arrears and/or in a legal process, it is recognised that alternative recovery strategies other than those envisaged at the time of model development, such as, a portfolio sale, need to be considered. To reflect the likelihood of alternative recovery strategies (including disposals) for this cohort, a management adjustment has been applied to increase the ECL outcome for this cohort to align it to the loss that is expected to result from these strategies.

This management adjustment has been subject to periodic governance reviews. As a result, the ECL allowance of € 628 million for residential mortgages in the Republic of Ireland at 30 June 2019 includes € 215 million arising from this management adjustment (31 December 2018: ECL allowance of € 686 million, of which € 239 million relates to this management adjustment). The reduction is principally due to the fact that a number of loans subject to the overlay were part of a portfolio sale of distressed loans in the period.

There has been no changes to inputs, assumptions or estimation techniques used in the calculation of the overlay in the period.

Further information is not provided as the Group believes that such information could compromise the resolution outcome given the underlying nature of this portfolio.

ECL governance

There were no changes to the Group's ECL governance framework in the six months to 30 June 2019.

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

Credit risk – Overview

Credit risk exposure derives from standard on-balance sheet products such as mortgages, loans, overdrafts and credit cards. In addition, credit risk arises from other products and activities including, but not limited to: “off-balance sheet” guarantees and commitments; the trading portfolio (e.g. bonds and derivatives); investment securities; asset backed securities; and the failure/partial failure of a trade in a settlement or payments system.

The following table summarises financial instruments in the statement of financial position:*

	30 June 2019 Statement of financial position			Half-year 30 June 2019 Income statement	31 December 2018 Statement of financial position			Half-year 30 June 2018 Income statement
	Exposure € m	ECL allowance € m	Carrying amount € m	Net credit impairment (charge)/ writeback € m	Exposure € m	ECL allowance € m	Carrying amount € m	Net credit impairment (charge)/ writeback € m
Cash and balances at central banks	9,278	–	9,278	–	6,516	–	6,516	–
Items in course of collection	124	–	124	–	73	–	73	–
Loans and advances to banks	1,286	–	1,286	–	1,443	–	1,443	1
Loans and advances to customers:								
at amortised cost	62,575	(1,621)	60,954	(19)	62,760	(2,039)	60,721	151
at FVTPL	127	n/a	127	n/a	147	n/a	147	n/a
	62,702	(1,621)	61,081	(19)	62,907	(2,039)	60,868	151
Investment debt securities[(1)]	16,344	–	16,344	–	16,133	–	16,133	–
Loan commitments	11,552	(25)	(25)	–	11,107	(25)	(25)	(9)
Financial guarantee contracts	689	(19)	(19)	10	780	(33)	(33)	(1)
Total				(9)				142

[(1)]ECL allowance amounting to € 4 million (31 December 2018: € 4 million) included in carrying value.

There was a € 9 million net credit impairment charge in the six months to 30 June 2019. This comprised of a € 19 million charge on loans and advances to customers (net remeasurement of ECL allowance charge of € 66 million offset by recoveries of amounts previously written off of € 47 million) and a € 10 million writeback for off-balance sheet exposures.

There were a number of drivers which contributed to the € 66 million net remeasurement charge. These included stage movements, in particular, the net movement into Stage 3 and the ECL allowance requirement on new loans originated. Furthermore, a charge was taken (€ 23 million) following the Group’s reduction in the near term forecast for Irish house price growth and there was credit of € 12 million due to enhancements made to the Retail Asset Finance LGD model.

Finally, following strong cash inflows in the period, there were € 47 million recoveries of amounts previously written-off (of which € 18 million relates to interest received which is not recognised as interest income in the income statement under IFRS 9 on Stage 3 loans).

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

Credit risk – Credit profile of the loan portfolio

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

Amortised Cost

					30 June 2019*					31 December 2018*
	Retail	**CIB**	**AIB UK**	**Group**	**Total**	Retail	CIB	AIB UK	Group	Total
Gross carrying amount	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	€ m	€ m	€ m	€ m	€ m
Residential mortgages	**29,813**	**619**	**1,261**	**–**	**31,693**	30,361	619	1,335	–	32,315
Other personal	**2,694**	**111**	**134**	**16**	**2,955**	2,821	87	147	20	3,075
Property and construction	**1,378**	**4,043**	**2,252**	**–**	**7,673**	1,750	3,872	2,182	–	7,804
Non-property business	**3,755**	**11,101**	**5,170**	**228**	**20,254**	4,093	10,546	4,847	80	19,566
Total	**37,640**	**15,874**	**8,817**	**244**	**62,575**	39,025	15,124	8,511	100	62,760
Analysed by internal credit ratings[(1)]										
Strong	**24,028**	**11,090**	**6,218**	**189**	**41,525**	23,747	10,178	6,072	77	40,074
Satisfactory	**6,171**	**4,373**	**1,908**	**55**	**12,507**	6,158	4,346	1,658	23	12,185
Total strong/satisfactory	**30,199**	**15,463**	**8,126**	**244**	**54,032**	29,905	14,524	7,730	100	52,259
Criticised watch	**2,050**	**190**	**310**	**–**	**2,550**	2,225	235	363	–	2,823
Criticised recovery	**1,133**	**169**	**45**	**–**	**1,347**	1,425	232	41	–	1,698
Total criticised	**3,183**	**359**	**355**	**–**	**3,897**	3,650	467	404	–	4,521
Non-performing	**4,258**	**52**	**336**	**–**	**4,646**	5,470	133	377	–	5,980
Gross carrying amount	**37,640**	**15,874**	**8,817**	**244**	**62,575**	39,025	15,124	8,511	100	62,760
Analysed by ECL staging										
Stage 1	**29,474**	**15,360**	**7,944**	**244**	**53,022**	29,367	14,664	7,563	99	51,693
Stage 2	**4,009**	**462**	**538**	**–**	**5,009**	4,343	376	571	–	5,290
Stage 3	**3,931**	**51**	**335**	**–**	**4,317**	5,080	83	377	1	5,541
POCI	**226**	**1**	**–**	**–**	**227**	235	1	–	–	236
Total	**37,640**	**15,874**	**8,817**	**244**	**62,575**	39,025	15,124	8,511	100	62,760
ECL allowance – statement of financial position										
Stage 1	**78**	**30**	**34**	**–**	**142**	109	35	27	–	171
Stage 2	**191**	**33**	**32**	**–**	**256**	208	25	38	–	271
Stage 3	**1,060**	**10**	**120**	**–**	**1,190**	1,419	4	143	–	1,566
POCI	**33**	**–**	**–**	**–**	**33**	31	–	–	–	31
Total	**1,362**	**73**	**186**	**–**	**1,621**	1,767	64	208	–	2,039
ECL allowance cover percentage	**%**	**%**	**%**	**%**	**%**	%	%	%	%	%
Stage 1	**0.3**	**0.2**	**0.4**	**–**	**0.3**	0.4	0.2	0.4	–	0.3
Stage 2	**4.8**	**7.1**	**5.9**	**–**	**5.1**	4.8	6.6	6.7	–	5.1
Stage 3	**27.0**	**19.6**	**35.8**	**–**	**27.6**	27.9	4.8	37.9	–	28.3
POCI	**14.6**	**–**	**–**	**–**	**14.5**	13.2	–	–	–	13.1

					Half-year to 30 June 2019*					Half-year to 30 June 2018*
Income statement	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	**32**	**12**	**22**	**–**	**66**	(134)	12	12	–	(110)
Recoveries of amounts previously written-off	**(45)**	**–**	**(2)**	**–**	**(47)**	(38)	–	(3)	–	(41)
Net credit impairment charge/(writeback)	**(13)**	**12**	**20**	**–**	**19**	(172)	12	9	–	(151)
	%	**%**	**%**	**%**	**%**	%	%	%	%	%
Net credit impairment charge/(writeback) on average loans	**(0.08)**	**0.22**	**0.23**	**–**	**0.06**	(0.79)	0.22	0.21	–	(0.48)

[(1)]Further analysis of internal credit grade profile by ECL staging is set out on page 43.

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

Credit risk – Credit profile of the loan portfolio

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

FVTPL

	30 June 2019*					31 December 2018*				
Carrying amount	Retail € m	CIB € m	AIB UK € m	Group € m	Total € m	Retail € m	CIB € m	AIB UK € m	Group € m	Total € m
Residential mortgages	–	–	–	–	–	–	–	–	–	–
Other personal	–	–	–	–	–	–	–	–	–	–
Property and construction	50	77	–	–	127	50	97	–	–	147
Non-property business	–	–	–	–	–	–	–	–	–	–
Total	50	77	–	–	127	50	97	–	–	147
Analysed by internal credit ratings										
Strong	–	77	–	–	77	–	73	–	–	73
Satisfactory	–	–	–	–	–	–	–	–	–	–
Total strong/satisfactory	–	77	–	–	77	–	73	–	–	73
Criticised watch	–	–	–	–	–	–	–	–	–	–
Criticised recovery	–	–	–	–	–	–	–	–	–	–
Total criticised	–	–	–	–	–	–	–	–	–	–
Non-performing	50	–	–	–	50	50	24	–	–	74
Total	50	77	–	–	127	50	97	–	–	147

The credit ratings of contingent liabilities and commitments are set out in the following table:

	30 June 2019* € m	31 December 2018* € m
Strong	8,748	8,713
Satisfactory	3,043	2,721
Criticised watch	262	255
Criticised recovery	13	15
Default	175	183
Total	12,241	11,887

Details of the Group's internal credit ratings are set out in the 'Risk management' section of the Annual Financial Report 2018 on pages 76 and 77. This sets out the basis on which the Group manages its credit portfolio.

Gross loans and advances to customers reduced by € 0.2 billion in the six months to 30 June 2019. Of the total portfolio of € 62.7 billion, € 62.6 billion is measured at amortised cost with the remaining € 0.1 billion being measured at fair value through profit or loss. While there was an increase in the level of new lending to € 6.0 billion in the six months to 30 June 2019, this was offset by loan redemptions/ other movements of € 5.2 billion and disposals of € 1.0 billion. The decrease was evident across all asset classes with the exception of the non-property business sector which increased by € 0.7 billion, primarily due to strong new lending volumes in the CIB segment. Overall, from a segment perspective, Retail decreased by € 1.4 billion which was offset by increases in CIB, UK and Group of € 0.8 billion, € 0.3 billion and € 0.1 billion respectively.

Stage 3 loans decreased by € 1.2 billion to € 4.3 billion which includes a portfolio sale of distressed loans. The reduction was primarily as a result of the portfolio sale which impacted all asset classes but predominately non-property business (€ 0.4 billion), property (€ 0.3 billion) and mortgage portfolios (€ 0.3 billion).

Of the total loans to customers of € 62.7 billion, € 54.1 billion or 86% are rated as either 'strong' or 'satisfactory' which is an increase of € 1.8 billion (€ 52.3 billion or 83% at 31 December 2018), and was evidenced across all segments. The 'criticised' classification includes 'criticised watch' of € 2.6 billion and 'criticised recovery' of € 1.3 billion, the total of which has decreased by € 0.6 billion in the six months to 30 June 2019. Overall, the total performing book has increased by € 1.2 billion to € 58.0 billion or 93% of gross loans and advances to customers (31 December 2018: € 56.8 billion and 90%).

Non-performing loans are aligned to the Group's definition of default and Stage 3 credit impaired with the exception of those originating in Stage 1 (€ 0.1 billion) and POCI (€ 0.2 billion). Non-performing loans have reduced by € 1.4 billion to € 4.7 billion or 7.5% of gross loans and advances to customers (31 December 2018: € 6.1 billion and 9.6%).

ECL allowance

The ECL allowance on loans and advances to customers reduced by € 0.4 billion to € 1.6 billion in the six months to 30 June 2019. The reduction was predominately in Stage 3 relating to the portfolio sale of distressed loans. The ECL cover rate decreased from 3.2% at 31 December 2018 to 2.6% at 30 June 2019. This was primarily driven by the reduction in higher cover Stage 3 loans and the increase in lower cover Stage 1 loans.

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

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

Amortised cost

	30 June 2019*					31 December 2018*				
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m
Total										
Strong	40,563	950	–	12	41,525	39,148	923	–	3	40,074
Satisfactory	11,173	1,332	–	2	12,507	10,923	1,262	–	–	12,185
Total strong/satisfactory	51,736	2,282	–	14	54,032	50,071	2,185	–	3	52,259
Criticised watch	1,059	1,491	–	–	2,550	1,226	1,596	–	1	2,823
Criticised recovery	105	1,236	–	6	1,347	184	1,509	–	5	1,698
Total criticised	1,164	2,727	–	6	3,897	1,410	3,105	–	6	4,521
Non-performing	122	–	4,317	207	4,646	212	–	5,541	227	5,980
Gross carrying amount	53,022	5,009	4,317	227	62,575	51,693	5,290	5,541	236	62,760
Analysis by asset class										
Residential mortgages										
Strong	22,733	850	–	12	23,595	22,478	828	–	3	23,309
Satisfactory	2,571	625	–	2	3,198	2,638	659	–	–	3,297
Total strong/satisfactory	25,304	1,475	–	14	26,793	25,116	1,487	–	3	26,606
Criticised watch	431	798	–	–	1,229	479	882	–	1	1,362
Criticised recovery	1	858	–	6	865	1	1,072	–	5	1,078
Total criticised	432	1,656	–	6	2,094	480	1,954	–	6	2,440
Non-performing	14	–	2,585	207	2,806	21	–	3,023	225	3,269
Gross carrying amount	25,750	3,131	2,585	227	31,693	25,617	3,441	3,023	234	32,315
Other personal										
Strong	1,147	43	–	–	1,190	1,201	43	–	–	1,244
Satisfactory	1,090	160	–	–	1,250	1,062	159	–	–	1,221
Total strong/satisfactory	2,237	203	–	–	2,440	2,263	202	–	–	2,465
Criticised watch	70	129	–	–	199	68	128	–	–	196
Criticised recovery	1	57	–	–	58	1	68	–	–	69
Total criticised	71	186	–	–	257	69	196	–	–	265
Non-performing	1	–	257	–	258	2	–	343	–	345
Gross carrying amount	2,309	389	257	–	2,955	2,334	398	343	–	3,075
Property and construction										
Strong	4,560	26	–	–	4,586	4,286	23	–	–	4,309
Satisfactory	1,567	152	–	–	1,719	1,458	82	–	–	1,540
Total strong/satisfactory	6,127	178	–	–	6,305	5,744	105	–	–	5,849
Criticised watch	114	169	–	–	283	141	201	–	–	342
Criticised recovery	85	83	–	–	168	158	109	–	–	267
Total criticised	199	252	–	–	451	299	310	–	–	609
Non-performing	76	–	841	–	917	157	–	1,187	2	1,346
Gross carrying amount	6,402	430	841	–	7,673	6,200	415	1,187	2	7,804
Non-property business										
Strong	12,123	31	–	–	12,154	11,183	29	–	–	11,212
Satisfactory	5,945	395	–	–	6,340	5,765	362	–	–	6,127
Total strong/satisfactory	18,068	426	–	–	18,494	16,948	391	–	–	17,339
Criticised watch	444	395	–	–	839	538	385	–	–	923
Criticised recovery	18	238	–	–	256	24	260	–	–	284
Total criticised	462	633	–	–	1,095	562	645	–	–	1,207
Non-performing	31	–	634	–	665	32	–	988	–	1,020
Gross carrying amount	18,561	1,059	634	–	20,254	17,542	1,036	988	–	19,566

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

Credit risk – Credit profile of the loan portfolio

Non-performing exposures (“NPE”) to customers

The table below analyses non-performing loans and advances to customers by asset class:

					30 June 2019
Non-performing loans	Residential mortgages € m	Other personal € m	Property and construction € m	Non-property business € m	Total € m
At amortised cost					
Collateral disposals	205	42	316	79	642
Unlikely to pay (including > 90 days past due)	2,306	192	505	467	3,470
Non-performing loans probation	295	24	96	119	534
Total gross carrying amount at amortised cost	2,806	258	917	665	4,646
At FVTPL					
Collateral disposals	–	–	8	–	8
Unlikely to pay (including > 90 days past due)	–	–	35	–	35
Non-performing loans probation	–	–	7	–	7
Total carrying amount at FVTPL	–	–	50	–	50
Total non-performing loans and advances to customers	2,806	258	967	665	4,696
Total ECL allowance on non-performing loans and advances to customers	588	134	300	209	1,231
Non-performing loans as % of total loans and advances to customers	8.9%	8.7%	12.4%	3.3%	7.5%

					31 December 2018
Non-performing loans	Residential mortgages € m	Other personal € m	Property and construction € m	Non-property business € m	Total € m
At amortised cost					
Collateral disposals	188	49	398	112	747
Unlikely to pay (including > 90 days past due)	2,689	261	808	758	4,516
Non-performing loans probation	392	35	140	150	717
Total gross carrying amount at amortised cost	3,269	345	1,346	1,020	5,980
At FVTPL					
Collateral disposals	–	–	14	–	14
Unlikely to pay (including > 90 days past due)	–	–	53	–	53
Non-performing loans probation	–	–	7	–	7
Total carrying amount at FVTPL	–	–	74	–	74
Total non-performing loans and advances to customers	3,269	345	1,420	1,020	6,054
Total ECL allowance on non-performing loans and advances to customers	653	173	412	370	1,608
Non-performing loans as % of total loans and advances to customers	10.1%	11.2%	17.9%	5.2%	9.6%

Non-performing loans reduced by € 1.4 billion or 22% to € 4.7 billion in the six months to 30 June 2019. This reduction continues to be reflective of proactive deleveraging activities primarily due to loan portfolio sales and redemptions. Of the total € 1.4 billion reduction, € 1.0 billion is directly attributable to a portfolio sale of distressed loans, 75% of which were in arrears for at least one year. Excluding the impact of the portfolio sale, non-performing loans in probation reduced by 24% in the six months to 30 June 2019.

Non-performing off-balance sheet commitments

Total non-performing off-balance sheet commitments amounted to € 176 million (31 December 2018: € 183 million).

Credit risk – Credit profile of the loan portfolio

Summary of movements on ECL allowances

The following table summarises the movements on the ECL allowance on loans and advances to customers:

					30 June 2019*
	Residential mortgages € m	Other personal € m	Property and construction € m	Non-property business € m	Total € m
At 1 January 2019	713	253	480	593	2,039
Net remeasurement of ECL allowance – customers	38	23	8	(3)	66
Changes in ECL allowance due to write-offs	(52)	(21)	(32)	(30)	(135)
Changes in ECL allowance due to disposals	(54)	(41)	(98)	(155)	(348)
Exchange translation adjustments/other	–	(4)	6	(3)	(1)
At 30 June 2019	645	210	364	402	1,621

For detailed analysis of ECL allowance movements, see pages 60 to 62.

					31 December 2018*
	Residential mortgages € m	Other personal € m	Property and construction € m	Non-property business € m	Total € m
At 31 December 2017 (IAS 39)	1,418	246	1,064	617	3,345
Impact of adopting IFRS 9 at 1 January 2018	(27)	83	42	173	271
At 1 January 2018 (IFRS 9)	1,391	329	1,106	790	3,616
Transfer in	–	–	–	14	14
Net remeasurement of ECL allowance – customers	(59)	13	(90)	47	(89)
Changes in ECL allowance due to write-offs	(564)	(62)	(178)	(225)	(1,029)
Changes in ECL allowance due to disposals	(55)	(27)	(358)	(32)	(472)
Exchange translation adjustments	–	–	–	(1)	(1)
At 31 December 2018	713	253	480	593	2,039

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

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

Loans and advances to customers – Residential mortgages

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

	30 June 2019*					31 December 2018*				
	Retail	CIB	AIB UK	Group	Total	Retail	CIB	AIB UK	Group	Total
Gross carrying amount	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Owner occupier	27,277	454	1,157	–	28,888	27,394	448	1,227	–	29,069
Buy-to-let	2,536	165	104	–	2,805	2,967	171	108	–	3,246
Total	29,813	619	1,261	–	31,693	30,361	619	1,335	–	32,315
Analysed by internal credit ratings										
Strong	22,148	559	888	–	23,595	21,832	544	933	–	23,309
Satisfactory	3,047	29	122	–	3,198	3,143	34	120	–	3,297
Total strong/satisfactory	25,195	588	1,010	–	26,793	24,975	578	1,053	–	26,606
Criticised watch	1,082	15	132	–	1,229	1,206	17	139	–	1,362
Criticised recovery	852	9	4	–	865	1,058	13	7	–	1,078
Total criticised	1,934	24	136	–	2,094	2,264	30	146	–	2,440
Non-performing	2,684	7	115	–	2,806	3,122	11	136	–	3,269
Gross carrying amount	29,813	619	1,261	–	31,693	30,361	619	1,335	–	32,315
Analysed by ECL staging										
Stage 1	24,169	558	1,023	–	25,750	24,003	543	1,071	–	25,617
Stage 2	2,953	54	124	–	3,131	3,248	65	128	–	3,441
Stage 3	2,465	6	114	–	2,585	2,877	10	136	–	3,023
POCI	226	1	–	–	227	233	1	–	–	234
Total	29,813	619	1,261	–	31,693	30,361	619	1,335	–	32,315
ECL allowance – statement of financial position										
Stage 1	7	–	1	–	8	7	–	1	–	8
Stage 2	47	1	2	–	50	48	1	2	–	51
Stage 3	540	–	14	–	554	598	1	24	–	623
POCI	33	–	–	–	33	31	–	–	–	31
Total	627	1	17	–	645	684	2	27	–	713
ECL allowance cover percentage	%	%	%	%	%	%	%	%	%	%
Stage 1	–	–	0.1	–	–	–	–	0.1	–	–
Stage 2	1.6	1.9	1.6	–	1.6	1.5	1.5	1.6	–	1.5
Stage 3	21.9	–	12.3	–	21.4	20.8	10.0	17.6	–	20.6
POCI	14.6	–	–	–	14.5	13.3	–	–	–	13.2

	Half-year to 30 June 2019*					Half-year to 30 June 2018*				
Income statement	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	38	(1)	1	–	38	(23)	–	(2)	–	(25)
Recoveries of amounts previously written-off	(15)	–	–	–	(15)	(8)	–	(1)	–	(9)
Net credit impairment charge/(writeback)	23	(1)	1	–	23	(31)	–	(3)	–	(34)
	%	%	%	%	%	%	%	%	%	%
Net credit impairment charge/(writeback) on average loans	0.21	(0.46)	0.02	–	0.14	(0.19)	–	(0.40)	–	(0.20)

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

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

Loans and advances to customers – Republic of Ireland residential mortgages

The following table analyses the Republic of Ireland residential mortgage portfolio at amortised cost by ECL staging:

	30 June 2019*			31 December 2018*		
	Owner-occupier € m	Buy-to-let € m	Total € m	Owner-occupier € m	Buy-to-let € m	Total € m
Gross carrying amount	27,731	2,701	30,432	27,841	3,139	30,980
Analysed by ECL staging						
Stage 1	22,872	1,855	24,727	22,615	1,931	24,546
Stage 2	2,636	371	3,007	2,867	446	3,313
Stage 3	2,004	467	2,471	2,137	750	2,887
POCI	219	8	227	222	12	234
Total	27,731	2,701	30,432	27,841	3,139	30,980
ECL allowance – statement of financial position						
Stage 1	6	1	7	5	2	7
Stage 2	35	13	48	36	13	49
Stage 3	443	97	540	451	148	599
POCI	26	7	33	23	8	31
Total	510	118	628	515	171	686
Republic of Ireland residential mortgages at amortised cost	27,221	2,583	29,804	27,326	2,968	30,294
ECL allowance cover percentage	%	%	%	%	%	%
Stage 1	–	0.1	–	–	0.1	–
Stage 2	1.3	3.5	1.6	1.3	3.0	1.5
Stage 3	22.1	20.8	21.9	21.1	19.7	20.7
POCI	11.9	87.5	14.5	10.4	62.5	13.2

	Half-year to 30 June 2019*			Half-year to 30 June 2018*		
Income statement	€ m	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	41	(4)	37	(14)	(9)	(23)
Recoveries of amounts previously written-off	(9)	(6)	(15)	(6)	(2)	(8)
Net credit impairment charge/(writeback)	32	(10)	22	(20)	(11)	(31)
	%	%	%	%	%	%
Net credit impairment charge/(writeback) on average loans	0.32	(0.91)	0.20	(0.14)	(0.63)	(0.20)

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

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

Loans and advances to customers – Republic of Ireland residential mortgages *(continued)*

Residential mortgages in the Republic of Ireland amounted to € 30.4 billion at 30 June 2019 compared to € 31.0 billion at 31 December 2018. The decrease in the portfolio was primarily due to loan repayments and disposals, offset by new lending. Total drawdowns in the six months to 30 June 2019 were € 1.3 billion, of which 97% were by owner occupiers, whilst the weighted average indexed loan-to-value for new residential mortgages was 68%. New lending in the six months to 30 June 2019 increased by 8% driven by the favourable macroeconomic conditions.

The split of the residential mortgage portfolio is 91% owner-occupier and 9% buy-to-let and comprises 29% tracker rate, 54% variable rate and 17% fixed rate mortgages.

Non-performing loans decreased from € 3.1 billion at 31 December 2018 to € 2.7 billion at 30 June 2019, impacted by the portfolio sale of distressed loans (of which € 0.3 billion were mortgages) and also partly due to restructuring, write-offs, repayments and redemptions.

Income statement

The net credit impairment charge of € 22 million in the first half of 2019 compared to a net credit impairment writeback of € 31 million in the same period in 2018. The ECL allowance provision cover level at 30 June 2019 for the Republic of Ireland mortgage portfolio is 2% (31 December 2018: 2%). For the Stage 3 element of the mortgage portfolio, € 0.5 billion of ECLs are held providing Stage 3 cover of 22% (31 December 2018: € 0.6 billion and 21% respectively).

Residential mortgage arrears

Total loans in arrears (including non-performing loans) by value decreased by 12% during the six months to 30 June 2019, a decrease of 4% in the owner-occupier portfolio and a decrease of 41% in the buy-to-let portfolio. The decrease in the buy-to-let arrears was driven by the portfolio sale of distressed loans.

The number of loans in arrears (based on number of accounts) greater than 90 days was 5% at 30 June 2019 and remains below the industry average of 7%[(1)]. For the owner-occupier portfolio, the number of loans in arrears greater than 90 days at 4% were below the industry average of 6%[(1)]. For the buy-to-let portfolio, loans in arrears greater than 90 days at 11% were below the industry average of 15%[(1)].

[(1)]Source: Central Bank of Ireland ("CBI") Residential Mortgage Arrears and Repossessions Statistics as at 31 March 2019, based on numbers of accounts.

Forbearance

Residential mortgages subject to forbearance measures decreased by € 0.5 billion to € 3.1 billion from 31 December 2018, compared to a decrease of € 1.1 billion in the 12 months to 31 December 2018. A key feature of the forbearance portfolio is the level of advanced forbearance solutions driven by the Group's strategy to deliver sustainable long-term solutions to customers and support customers in remaining in their family home.

Details of forbearance measures are set out on pages 65 to 69.

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

Loans and advances to customers – Republic of Ireland residential mortgages by age profile

The following table provides an age profile of the Republic of Ireland residential mortgage portfolio at amortised cost by ECL staging:

					30 June 2019*					31 December 2018*
Total	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m
Not past due	24,641	2,699	807	177	28,324	24,477	3,016	916	178	28,587
1 - 30 days	86	239	118	12	455	69	237	133	17	456
31 - 60 days	–	56	78	6	140	–	42	78	5	125
61 - 90 days	–	13	61	3	77	–	18	84	2	104
91 - 180 days	–	–	142	5	147	–	–	142	5	147
181 - 365 days	–	–	152	5	157	–	–	180	6	186
Over 365 days	–	–	1,113	19	1,132	–	–	1,354	21	1,375
Total gross carrying amount	24,727	3,007	2,471	227	30,432	24,546	3,313	2,887	234	30,980
ECL allowance	(7)	(48)	(540)	(33)	(628)	(7)	(49)	(599)	(31)	(686)
Carrying value	24,720	2,959	1,931	194	29,804	24,539	3,264	2,288	203	30,294
Of which:										
Owner occupier										
Not past due	22,792	2,354	625	172	25,943	22,553	2,596	664	172	25,985
1 - 30 days	80	218	102	12	412	62	217	110	17	406
31 - 60 days	–	52	65	6	123	–	38	65	5	108
61 - 90 days	–	12	51	3	66	–	16	71	2	89
91 - 180 days	–	–	125	5	130	–	–	115	5	120
181 - 365 days	–	–	126	5	131	–	–	137	6	143
Over 365 days	–	–	910	16	926	–	–	975	15	990
Gross carrying amount	22,872	2,636	2,004	219	27,731	22,615	2,867	2,137	222	27,841

Republic of Ireland residential mortgages – properties in possession[(1)]

The Group seeks to avoid repossession through working with customers, but where agreement cannot be reached, it proceeds to repossession of the property or the appointment of a receiver, using external agents to realise the maximum value as soon as is practicable. Where the Group believes that the proceeds of sale of a property will comprise only part of the recoverable amount of the loan against which it was being held as security, the customer remains liable for the outstanding balance and the remaining loan continues to be recognised on the statement of financial position.

The number (stock) of properties in possession is set out below:

		30 June 2019		31 December 2018
	Stock	Balance outstanding € m	Stock	Balance outstanding € m
Owner-occupier	614	145	547	131
Buy-to-let	26	5	46	10
Total	640	150	593	141

[(1)]The number of residential properties in possession relates to those held as security for residential mortgages only.

The stock of residential properties in possession increased by 47 properties in the six months to 30 June 2019. This increase relates to the disposal of 48 properties (31 December 2018: 53 properties) which were offset by the addition of 122 properties (31 December 2018: 43 properties), the majority of which were voluntary surrenders or abandonments. In addition, a further 27 properties were removed from the stock in the period to 30 June 2019, mainly due to the portfolio sale of distressed loans.

The disposal of 48 residential properties in the Republic of Ireland resulted in a total loss on disposal of € 5.4 million at 30 June 2019 (before ECL allowance) and compares to 31 December 2018 when 53 residential properties were disposed of resulting in a total loss of € 6.8 million. Losses on the sale of such properties are recognised in the income statement as part of the net credit impairment charge.

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

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

Loans and advances to customers – Other personal

The following table analyses other personal lending at amortised cost by segment, internal credit ratings and ECL staging:

	30 June 2019*					31 December 2018*				
	Retail	CIB	AIB UK	Group	Total	Retail	CIB	AIB UK	Group	Total
Gross carrying amount	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Credit cards	639	6	29	–	674	718	6	31	–	755
Loans/overdrafts	2,055	105	105	16	2,281	2,103	81	116	20	2,320
Total	2,694	111	134	16	2,955	2,821	87	147	20	3,075
Analysed by internal credit ratings										
Strong	1,075	50	65	–	1,190	1,125	46	73	–	1,244
Satisfactory	1,131	50	53	16	1,250	1,117	26	58	20	1,221
Total strong/satisfactory	2,206	100	118	16	2,440	2,242	72	131	20	2,465
Criticised watch	185	6	8	–	199	181	8	7	–	196
Criticised recovery	54	3	1	–	58	65	3	1	–	69
Total criticised	239	9	9	–	257	246	11	8	–	265
Non-performing	249	2	7	–	258	333	4	8	–	345
Gross carrying amount	2,694	111	134	16	2,955	2,821	87	147	20	3,075
Analysed by ECL staging										
Stage 1	2,093	100	100	16	2,309	2,131	73	110	20	2,334
Stage 2	353	9	27	–	389	359	10	29	–	398
Stage 3	248	2	7	–	257	331	4	8	–	343
POCI	–	–	–	–	–	–	–	–	–	–
Total	2,694	111	134	16	2,955	2,821	87	147	20	3,075
ECL allowance – statement of financial position										
Stage 1	25	–	–	–	25	28	–	1	–	29
Stage 2	49	1	1	–	51	49	2	1	–	52
Stage 3	130	1	3	–	134	167	–	5	–	172
POCI	–	–	–	–	–	–	–	–	–	–
Total	204	2	4	–	210	244	2	7	–	253
ECL allowance cover percentage	%	%	%	%	%	%	%	%	%	%
Stage 1	1.2	–	–	–	1.1	1.3	–	0.9	–	1.2
Stage 2	13.9	11.1	3.7	–	13.1	13.6	20.0	3.4	–	13.1
Stage 3	52.4	50.0	42.9	–	52.1	50.5	–	62.5	–	50.1
POCI	–	–	–	–	–	–	–	–	–	–

	Half-year to 30 June 2019*					Half-year to 30 June 2018*				
Income statement	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	25	(1)	(1)	–	23	(10)	1	1	–	(8)
Recoveries of amounts previously written-off	(15)	–	–	–	(15)	(6)	–	–	–	(6)
Net credit impairment charge/(writeback)	10	(1)	(1)	–	8	(16)	1	1	–	(14)
	%	%	%	%	%	%	%	%	%	%
Net credit impairment charge(writeback)/ on average loans	1.01	(2.96)	(0.23)	–	0.54	(1.12)	5.59	1.22	–	(0.91)

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

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

Loans and advances to customers – Other personal

At 30 June 2019, the other personal lending portfolio of € 3.0 billion comprises € 2.3 billion in loans and overdrafts and € 0.7 billion in credit card facilities (31 December 2018: total € 3.1 billion and € 2.3 billion and € 0.8 billion respectively). The credit quality of the portfolio remains strong. 17% is categorised as less than satisfactory, of which defaulted loans amounted to € 0.3 billion (31 December 2018: 20% and € 0.4 billion).

The demand for personal loans continues to be strong which is due to the favourable economic environment and AIB's service offering. New lending at € 0.5 billion in the six months to 30 June 2019 remains consistent with the level of lending experienced in the six months to 30 June 2018 (€ 0.5 billion).

At 30 June 2019, the ECL allowance cover was 7% with Stage 3 cover at 52% (31 December 2018: 8% and 50% respectively).

The net credit impairment charge in the income statement amounted to € 8 million in the six months to 30 June 2019 compared to a writeback of € 14 million in the same period in 2018.

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

Loans and advances to customers – Property and construction

The following table analyses property and construction lending at amortised cost by segment, internal credit ratings and ECL staging:

	30 June 2019*					31 December 2018*				
	Retail	CIB	AIB UK	Group	Total	Retail	CIB	AIB UK	Group	Total
Gross carrying amount	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Investment:										
Commercial investment	818	2,962	777	–	4,557	1,010	3,111	823	–	4,944
Residential investment	219	349	706	–	1,274	308	213	627	–	1,148
	1,037	3,311	1,483	–	5,831	1,318	3,324	1,450	–	6,092
Land and development:										
Commercial development	120	190	29	–	339	134	124	46	–	304
Residential development	115	493	205	–	813	189	362	227	–	778
	235	683	234	–	1,152	323	486	273	–	1,082
Contractors	106	49	162	–	317	109	62	151	–	322
Housing associations	–	–	373	–	373	–	–	308	–	308
Total	1,378	4,043	2,252	–	7,673	1,750	3,872	2,182	–	7,804
Analysed by internal credit ratings										
Strong	166	3,135	1,285	–	4,586	157	2,872	1,280	–	4,309
Satisfactory	180	763	776	–	1,719	190	682	668	–	1,540
Total strong/satisfactory	346	3,898	2,061	–	6,305	347	3,554	1,948	–	5,849
Criticised watch	218	18	47	–	283	232	40	70	–	342
Criticised recovery	49	107	12	–	168	84	174	9	–	267
Total criticised	267	125	59	–	451	316	214	79	–	609
Non-performing	765	20	132	–	917	1,087	104	155	–	1,346
Gross carrying amount	1,378	4,043	2,252	–	7,673	1,750	3,872	2,182	–	7,804
Analysed by ECL staging										
Stage 1	488	3,921	1,993	–	6,402	541	3,748	1,911	–	6,200
Stage 2	201	102	127	–	430	229	70	116	–	415
Stage 3	689	20	132	–	841	978	54	155	–	1,187
POCI	–	–	–	–	–	2	–	–	–	2
Total	1,378	4,043	2,252	–	7,673	1,750	3,872	2,182	–	7,804
ECL allowance – statement of financial position										
Stage 1	11	16	9	–	36	17	17	7	–	41
Stage 2	21	7	6	–	34	26	5	5	–	36
Stage 3	212	5	77	–	294	314	2	87	–	403
POCI	–	–	–	–	–	–	–	–	–	–
Total	244	28	92	–	364	357	24	99	–	480
ECL allowance cover percentage	%	%	%	%	%	%	%	%	%	%
Stage 1	2.3	0.4	0.5	–	0.6	3.1	0.5	0.4	–	0.7
Stage 2	10.4	6.9	4.7	–	7.9	11.4	7.1	4.3	–	8.7
Stage 3	30.8	25.0	58.3	–	35.0	32.1	3.7	56.1	–	34.0
POCI	–	–	–	–	–	–	–	–	–	–

	Half-year to 30 June 2019*					Half-year to 30 June 2018*				
Income statement	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	(6)	6	8	–	8	(70)	4	(12)	–	(78)
Recoveries of amounts previously written-off	(12)	–	–	–	(12)	(12)	–	(1)	–	(13)
Net credit impairment charge/(writeback)	(18)	6	8	–	(4)	(82)	4	(13)	–	(91)
	%	%	%	%	%	%	%	%	%	%
Net credit impairment charge/(writeback) on average loans	(1.58)	0.45	0.78	–	(0.10)	(5.46)	0.25	(1.13)	–	(2.14)

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

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

Loans and advances to customers – Property and construction

The property and construction portfolio consists of € 7.7 billion in loans and advances to customers measured at amortised cost together with € 0.1 billion of loans measured at FVTPL (total € 7.8 billion).

The portfolio measured at amortised cost amounted to 12% of total loans and advances. The portfolio comprised of 76% investment loans (€ 5.8 billion), 15% land and development loans (€ 1.2 billion) and 9% other property and construction loans (€ 0.7 billion). The CIB segment accounts for 53% of the portfolio, followed by AIB UK at 29%.

The portfolio reduced by € 0.1 billion or 2% during the six months to 30 June 2019. This reduction was due principally to the portfolio sale of distressed loans, in addition to the continuing impact of restructuring, write-offs, amortisations and repayments, resulting from asset disposals by customers. These reductions were offset by new lending of € 1.1 billion, of which € 0.4 billion was in the CIB segment and is primarily to provide senior secured funding within acceptable risk parameters. At 30 June 2019, 82% of the portfolio was in a strong/satisfactory grade, which increased from 75% at 31 December 2018, while the level of non-performing loans reduced from 17% to 12% in the period.

Property and construction loans measured at FVTPL reduced by € 20 million to € 127 million in the six months to 30 June 2019, the reduction being in non-performing loans.

There was a net credit impairment writeback of € 4 million to the income statement in the six months to 30 June 2019. This was due to the recovery of € 12 million on loans previously written-off reflecting continued cash recoveries, of which € 6 million related to the commercial real estate portfolio. This was offset by a net remeasurement charge of € 8 million as a result of transfers into Stage 3.

The portfolio held € 0.4 billion of ECL allowances which provide ECL allowance cover of 5%. For the Stage 3 portfolio, the ECL allowance cover is 35% (31 December 2018: € 0.5 billion, 6% and 34% respectively).

Investment

Investment property loans amounted to € 5.8 billion at 30 June 2019 (31 December 2018: € 6.1 billion) of which € 4.6 billion related to commercial investment. € 4.3 billion of the investment property portfolio related to loans for the purchase of property in the Republic of Ireland and € 1.5 billion in the United Kingdom.

At 30 June 2019, there was a net credit impairment writeback of € 12 million to the income statement on the investment property element of the property and construction portfolio (30 June 2018: € 70 million).

Land and development

At 30 June 2019, land and development loans amounted to € 1.2 billion (31 December 2018: € 1.1 billion) of which € 0.3 billion related to loans in the Retail segment, € 0.7 billion in the CIB segment and € 0.2 billion in the AIB UK segment.

The income statement net credit impairment charge for the six months to 30 June 2019 was € 8 million (30 June 2018: € 21 million writeback).

Risk management

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

Loans and advances to customers – Non-property business

The following table analyses non-property business lending at amortised cost by segment, internal credit ratings and ECL staging:

	30 June 2019*					31 December 2018*				
	Retail	CIB	AIB UK	Group	Total	Retail	CIB	AIB UK	Group	Total
Gross carrying amount	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Agriculture	1,323	385	102	–	1,810	1,344	396	96	–	1,836
Distribution:										
Hotels	220	1,193	741	–	2,154	259	1,136	644	–	2,039
Licensed premises	244	217	121	–	582	305	215	141	–	661
Retail/wholesale	622	1,189	343	–	2,154	718	1,244	336	–	2,298
Other distribution	87	237	204	–	528	93	247	180	–	520
	1,173	2,836	1,409	–	5,418	1,375	2,842	1,301	–	5,518
Other services	768	3,236	2,062	6	6,072	871	3,090	1,960	–	5,921
Other	491	4,644	1,597	222	6,954	503	4,218	1,490	80	6,291
Total	3,755	11,101	5,170	228	20,254	4,093	10,546	4,847	80	19,566
Analysed by internal credit ratings										
Strong	639	7,346	3,980	189	12,154	633	6,716	3,786	77	11,212
Satisfactory	1,813	3,531	957	39	6,340	1,708	3,604	812	3	6,127
Total strong/satisfactory	2,452	10,877	4,937	228	18,494	2,341	10,320	4,598	80	17,339
Criticised watch	565	151	123	–	839	606	170	147	–	923
Criticised recovery	178	50	28	–	256	218	42	24	–	284
Total criticised	743	201	151	–	1,095	824	212	171	–	1,207
Non-performing	560	23	82	–	665	928	14	78	–	1,020
Gross carrying amount	3,755	11,101	5,170	228	20,254	4,093	10,546	4,847	80	19,566
Analysed by ECL staging										
Stage 1	2,724	10,781	4,828	228	18,561	2,692	10,300	4,471	79	17,542
Stage 2	502	297	260	–	1,059	507	231	298	–	1,036
Stage 3	529	23	82	–	634	894	15	78	1	988
POCI	–	–	–	–	–	–	–	–	–	–
Total	3,755	11,101	5,170	228	20,254	4,093	10,546	4,847	80	19,566
ECL allowance – statement of financial position										
Stage 1	35	14	24	–	73	57	18	18	–	93
Stage 2	74	24	23	–	121	85	17	30	–	132
Stage 3	178	4	26	–	208	340	1	27	–	368
POCI	–	–	–	–	–	–	–	–	–	–
Total	287	42	73	–	402	482	36	75	–	593
ECL allowance cover percentage	%	%	%	%	%	%	%	%	%	%
Stage 1	1.3	0.1	0.5	–	0.4	2.1	0.2	0.4	–	0.5
Stage 2	14.7	8.1	8.8	–	11.4	16.8	7.4	10.1	–	12.7
Stage 3	33.6	17.4	31.7	–	32.8	38.0	6.7	34.6	–	37.2
POCI	–	–	–	–	–	–	–	–	–	–

	Half-year to 30 June 2019*					Half-year to 30 June 2018*				
Income statement	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Net remeasurement of ECL allowance	(25)	8	14	–	(3)	(31)	7	25	–	1
Recoveries of amounts previously written-off	(3)	–	(2)	–	(5)	(12)	–	(1)	–	(13)
Net credit impairment charge/(writeback)	(28)	8	12	–	(8)	(43)	7	24	–	(12)
	%	%	%	%	%	%	%	%	%	%
Net credit impairment charge/(writeback) on average loans	(0.93)	0.21	0.51	–	(0.08)	(1.46)	0.19	1.05	–	(0.13)

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

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

Loans and advances to customers – Non-property business

The non-property business portfolio comprises of small and medium enterprises ("SMEs") which are reliant on the domestic economies in which they operate and larger corporate and institutional borrowers which are impacted by global economic conditions. The portfolio increased by 4% (€ 0.7 billion) to € 20.2 billion in the six months to 30 June 2019 due to continued demand for credit across all segments resulting in new lending of € 3.1 billion (31 December 2018: € 6.5 billion). However, this was offset by amortisation, and a portfolio sale of distressed loans. The non-property business portfolio amounted to 32% of total loans and advances at 30 June 2019 (31 December 2018: 31%). The majority of the portfolio exposure is to Irish borrowers with the UK and USA being the other main geographic concentrations.

Loans graded as strong/satisfactory increased in the six months to 30 June 2019, continuing the positive trend experienced in the 12 months to 31 December 2018, with new drawdowns exceeding amortisation and repayment coupled with upward grade migration through improved performance. The level of less than satisfactory grades (including defaulted loans) reduced from € 2.2 billion at 31 December 2018 to € 1.8 billion at 30 June 2019, mainly due to a reduction of € 0.4 billion in defaulted loans following the sale of a portfolio of distressed loans.

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

– The hotels sub-sector comprises 11% of the portfolio. This sector continued to perform well in the six months to 30 June 2019, helped by sustained strength in the local Irish economy. Revenue per available room is expected to grow over the medium term, with a more significant increase in supply expected during the second half of 2019 in Dublin, Cork and Galway in order to meet the current levels of demand;
– The retail/wholesale sub-sector (11% of the portfolio) was broadly stable in the Republic of Ireland during the six months to 30 June 2019. Challenges include Brexit uncertainty and the growing adoption of online shopping. In the UK, a number of high profile retailers have been impacted by a drop in consumer confidence and disposable income. These headwinds, and similar trends in the US, must be considered when reviewing the sector within the Republic of Ireland, albeit current economic performance is strong and consumer confidence is high;
– The agriculture sub-sector represents 9% of the portfolio. Improved weather conditions in 2019 have provided a welcome boost for the sector, helping significantly in reducing costs particularly when compared to Spring 2018. However, pressure on costs and output prices will continue to be a concern for overall farm incomes over the course of the year. The Group is proactively encouraging farmers to take action to quantify the impact and determine cash flow requirements;
– The licensed premises sub-sector comprises 3% of the portfolio. This sector continues to perform strongly in areas of high footfall, however, the challenge remains for licensed premises in more rural locations and in small towns where there is a lot of competition;
– The other services sub-sector comprises 30% of the portfolio which includes businesses such as solicitors, accounting, audit, tax, computer services, research and development, consultancy, hospitals, nursing homes and plant and machinery. This sub-sector has continued to perform comparatively well in the six months to 30 June 2019; and
– The category titled 'Other' totalling € 7.0 billion (34% of the portfolio) includes a broad range of sub-sectors such as energy, manufacturing, transport and financial.

The CIB segment includes € 4.9 billion (31 December 2018: € 4.6 billion) in syndicated and international lending exposures, an element of which is included in the 'Other' category referenced above. The Group has specialised lending teams which are involved in participating in the provision of finance to US and European corporations for mergers, acquisitions, buy-outs and general corporate purposes. At 30 June 2019, 100% of the syndicated and international lending portfolio is in a strong/satisfactory grade. 67% of the customers in this portfolio are domiciled in the USA, 4% in the UK, and 29% in the Rest of the World (31 December 2018: 63% in the USA, 5% in the UK and 32% in the Rest of the World (primarily Europe) respectively). The largest industry sub-sectors within the portfolio include healthcare and pharmaceuticals, business services, food and beverage, telecoms and hotel and leisure.

Strong economic growth in the Republic of Ireland has continued during the first half of 2019. Notwithstanding this, there are still challenges. In particular, there is heightened economic uncertainty around Brexit and the medium-term outlook for the UK economy continues to be uncertain.

There was a net credit impairment writeback of € 8 million to the income statement in the six months to 30 June 2019. This was driven by a net remeasurement writeback of € 3 million and by recoveries of previously written-off loans of € 5 million. The net remeasurement charge of € 14 million in the UK segment and € 8 million in the CIB segment was primarily due to a small number of borrowers.

The portfolio held € 0.4 billion in ECL allowances which provides ECL allowance cover of 2%. For the Stage 3 portfolio, the ECL allowance cover is 33% (31 December 2018: € 0.6 billion, 3% and 37% respectively).

Credit risk – Credit profile of the loan portfolio

The following table sets out the concentration of credit by industry sector and geography for loans and advances to customers together with loan commitments and financial guarantee contracts issued analysed by the ECL profile:

Exposures to customers

									30 June 2019*
	At amortised cost								At FVTPL
	Gross carrying amount			Analysed by ECL profile					
Concentration by industry sector	Loans and advances to customers € m	Loan commitments and financial guarantees issued € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Total € m
Agriculture	1,810	553	2,363	2,053	186	124	–	2,363	–
Energy	1,185	651	1,836	1,810	16	10	–	1,836	–
Manufacturing	3,155	1,276	4,431	4,229	160	42	–	4,431	–
Property and construction	7,673	1,612	9,285	7,901	475	909	–	9,285	127
Distribution	5,418	1,262	6,680	5,880	520	280	–	6,680	–
Transport	1,822	520	2,342	2,263	46	33	–	2,342	–
Financial	792	468	1,260	1,199	34	27	–	1,260	–
Other services	6,072	1,977	8,049	7,564	287	198	–	8,049	–
Personal: Residential mortgages	31,693	1,153	32,846	26,877	3,140	2,602	227	32,846	–
Other	2,955	2,769	5,724	4,954	504	266	–	5,724	–
Total	62,575	12,241	74,816	64,730	5,368	4,491	227	74,816	127
Concentration by location[1]									
Republic of Ireland	47,875	9,571	57,446	48,558	4,598	4,064	226	57,446	127
United Kingdom	9,115	2,293	11,408	10,396	665	347	–	11,408	–
North America	3,356	101	3,457	3,411	37	9	–	3,457	–
Rest of the World	2,229	276	2,505	2,365	68	71	1	2,505	–
	62,575	12,241	74,816	64,730	5,368	4,491	227	74,816	127

The following table sets out the ECL allowance by industry sector and geography on loans and advances to customers together with loan commitments and financial guarantee contracts issued analysed by the ECL profile:

								30 June 2019*
	ECL allowance			Analysed by ECL profile				
Concentration by industry sector	Loans and advances to customers € m	Loan commitments and financial guarantees issued € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m
Agriculture	58	2	60	11	17	32	–	60
Energy	10	–	10	4	1	5	–	10
Manufacturing	31	3	34	7	13	14	–	34
Property and construction	364	20	384	37	36	311	–	384
Distribution	177	6	183	33	63	87	–	183
Transport	16	1	17	4	4	9	–	17
Financial	7	1	8	2	3	3	–	8
Other services	103	7	110	22	27	61	–	110
Personal: Residential mortgages	645	–	645	8	50	554	33	645
Other	210	4	214	27	53	134	–	214
Total	1,621	44	1,665	155	267	1,210	33	1,665
Concentration by location[1]								
Republic of Ireland	1,403	34	1,437	114	228	1,062	33	1,437
United Kingdom	183	10	193	36	37	120	–	193
North America	5	–	5	2	1	2	–	5
Rest of the World	30	–	30	3	1	26	–	30
	1,621	44	1,665	155	267	1,210	33	1,665

[1]Based on country of risk.

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

Credit risk – Credit profile of the loan portfolio

The following table sets out the concentration of credit by industry sector and geography for loans and advances to customers together with loan commitments and financial guarantee contracts issued analysed by the ECL profile:

Exposures to customers

	31 December 2018*								
	At amortised cost								At FVTPL
	Gross carrying amount			Analysed by ECL profile					
Concentration by industry sector	Loans and advances to customers € m	Loan commitments and financial guarantees issued € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Total € m
Agriculture	1,836	556	2,392	2,018	196	178	–	2,392	–
Energy	983	609	1,592	1,547	31	14	–	1,592	–
Manufacturing	2,934	1,227	4,161	3,947	152	62	–	4,161	–
Property and construction	7,804	1,528	9,332	7,602	460	1,268	2	9,332	147
Distribution	5,518	1,298	6,816	5,879	450	487	–	6,816	–
Transport	1,779	414	2,193	2,099	73	21	–	2,193	–
Financial	595	303	898	836	28	34	–	898	–
Other services	5,921	2,450	8,371	7,856	261	254	–	8,371	–
Personal: Residential mortgages	32,315	356	32,671	25,940	3,450	3,047	234	32,671	–
Other	3,075	3,146	6,221	5,347	516	358	–	6,221	–
Total	62,760	11,887	74,647	63,071	5,617	5,723	236	74,647	147
Concentration by location[(1)]									
Republic of Ireland	48,530	8,496	57,026	46,635	4,899	5,258	234	57,026	147
United Kingdom	8,864	2,441	11,305	10,269	659	376	1	11,305	–
North America	3,036	94	3,130	3,125	2	3	–	3,130	–
Rest of the World	2,330	856	3,186	3,042	57	86	1	3,186	–
	62,760	11,887	74,647	63,071	5,617	5,723	236	74,647	147

The following table sets out the ECL allowance by industry sector and geography on loans and advances to customers together with loan commitments and financial guarantee contracts issued analysed by the ECL profile:

	31 December 2018*							
	ECL allowance			Analysed by ECL profile				
Concentration by industry sector	Loans and advances to customers € m	Loan commitments and financial guarantees issued € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m
Agriculture	77	2	79	14	20	45	–	79
Energy	14	1	15	4	5	6	–	15
Manufacturing	49	4	53	8	16	29	–	53
Property and construction	480	30	510	43	39	428	–	510
Distribution	283	8	291	48	64	179	–	291
Transport	17	–	17	5	4	8	–	17
Financial	12	–	12	2	2	8	–	12
Other services	141	7	148	21	31	96	–	148
Personal: Residential mortgages	713	–	713	8	51	623	31	713
Other	253	6	259	32	54	173	–	259
Total	2,039	58	2,097	185	286	1,595	31	2,097
Concentration by location[(1)]								
Republic of Ireland	1,787	47	1,834	150	240	1,413	31	1,834
United Kingdom	208	10	218	29	44	145	–	218
North America	2	–	2	2	–	–	–	2
Rest of the World	42	1	43	4	2	37	–	43
	2,039	58	2,097	185	286	1,595	31	2,097

[(1)]Based on country of risk.

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

Credit risk – Credit profile of the loan portfolio

Aged analysis of contractually past due loans and advances to customers

The following table shows aged analysis of contractually past due loans and advances to customers by industry sector analysed by ECL staging and segment:

At amortised cost

							30 June 2019*
Industry sector	**1–30 days € m**	**31–60 days € m**	**61–90 days € m**	**91–180 days € m**	**181–365 days € m**	**> 365 days € m**	**Total € m**
Agriculture	22	7	2	10	12	26	79
Energy	1	–	–	–	–	7	8
Manufacturing	13	6	–	–	2	8	29
Property and construction	70	16	18	26	40	281	451
Distribution	61	7	2	17	13	54	154
Transport	5	1	1	1	1	4	13
Financial	2	1	–	–	–	2	5
Other services	26	6	9	10	9	66	126
Personal:							
Residential mortgages	467	145	80	158	164	1,164	2,178
Credit cards	16	5	3	6	15	–	45
Other	52	19	34	21	32	83	241
Total gross carrying amount	735	213	149	249	288	1,695	3,329
ECL staging							
Stage 1	210	–	–	–	–	–	210
Stage 2	329	95	31	–	–	–	455
Stage 3	184	112	115	244	283	1,676	2,614
POCI	12	6	3	5	5	19	50
	735	213	149	249	288	1,695	3,329
Segment							
Retail	647	192	139	230	274	1,547	3,029
CIB	37	4	–	4	–	2	47
AIB UK	51	17	10	15	14	146	253
Group	–	–	–	–	–	–	–
	735	213	149	249	288	1,695	3,329
As a percentage of total gross loans at amortised cost	%	%	%	%	%	%	%
	1.17	0.34	0.24	0.40	0.46	2.71	5.32

At FVTPL

Industry sector	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
Property and construction	–	–	–	–	–	1	1
Total at FVTPL	–	–	–	–	–	1	1
Segment	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
Retail	–	–	–	–	–	1	1
	–	–	–	–	–	1	1
As a percentage of total loans at FVTPL	%	%	%	%	%	%	%
	–	–	–	–	–	–	–

The figures reported are inclusive of overdrafts, bridging loans and cases with expired limits.

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

Credit risk – Credit profile of the loan portfolio

Aged analysis of contractually past due loans and advances to customers

The following table shows aged analysis of contractually past due loans and advances to customers by industry sector analysed by ECL staging and segment:

At amortised cost

							31 December 2018*
Industry sector	1–30 days € m	31–60 days € m	61–90 days € m	91–180 days € m	181–365 days € m	> 365 days € m	Total € m
Agriculture	36	5	4	10	11	81	147
Energy	–	2	–	–	3	8	13
Manufacturing	11	1	1	3	3	21	40
Property and construction	75	20	21	32	51	532	731
Distribution	66	8	6	9	25	193	307
Transport	4	1	1	1	3	8	18
Financial	2	–	–	–	–	3	5
Other services	23	4	3	8	16	105	159
Personal:							
Residential mortgages	463	136	112	154	195	1,426	2,486
Credit cards	21	4	3	6	17	–	51
Other	52	13	15	19	31	156	286
Total gross carrying amount	753	194	166	242	355	2,533	4,243
ECL staging							
Stage 1	221	–	–	–	–	–	221
Stage 2	323	79	37	–	–	–	439
Stage 3	191	110	127	237	349	2,510	3,524
POCI	18	5	2	5	6	23	59
	753	194	166	242	355	2,533	4,243
Segment							
Retail	651	168	152	230	331	2,352	3,884
CIB	64	1	–	–	–	2	67
AIB UK	38	25	14	12	24	179	292
Group	–	–	–	–	–	–	–
	753	194	166	242	355	2,533	4,243
As a percentage of total gross loans at amortised cost	%	%	%	%	%	%	%
	1.20	0.31	0.26	0.39	0.57	4.04	6.76

At FVTPL

Industry sector	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Property and construction	–	–	–	–	–	2	2
Total at FVTPL	–	–	–	–	–	2	2
Segment	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Retail	–	–	–	–	–	2	2
	–	–	–	–	–	2	2
As a percentage of total loans at FVTPL	%	%	%	%	%	%	%
	–	0.13	–	–	–	1.31	1.44

At 30 June 2019, total loans past due reduced by € 0.9 billion to € 3.3 billion or 5.3% of total loans and advances to customers (31 December 2018: € 4.2 billion or 6.8%). The reduction was predominately in the greater than 365 days past due category which decreased by € 0.8 billion following a portfolio sale of distressed loans.

Residential mortgage loans which were past due at 30 June 2019 amounted to € 2.2 billion. This represents 65% of total loans which were past due (31 December 2018: € 2.5 billion or 59%). The level of residential mortgage loans in early arrears (less than 30 days past due) remains in line with year end which is due to the active management of early arrears cases and the favourable economic environment.

Property and construction loans which were past due represent 14% or € 0.4 billion of total loans which were past due (31 December 2018: 17% or € 0.7 billion), with non-property business at 12% or € 0.4 billion (31 December 2018: 16% or € 0.7 billion) and other personal at 9% or € 0.3 billion (31 December 2018: 8% or € 0.3 billion).

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

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

Credit risk – Credit profile of the loan portfolio

Gross loans movements[1]

The following tables explain the changes in the gross carrying amount and ECL allowances for loans and advances to customers by ECL staging between 1 January 2019 and 30 June 2019.

Accounts that triggered movements between Stage 1 and Stage 2 as a result of failing/curing a quantitative measure only (as disclosed on page 86 of Annual Financial Report 2018) and that subsequently reverted within the period to their original stage, are excluded from 'Transferred from Stage 1 to Stage 2 and 'Transferred from Stage 2 to Stage 1'. The Group believes this presentation aids the understanding of the underlying credit migration. All other movements between Stages 1 and 2 are reported gross.

Gross carrying amount movements – total

					30 June 2019* Total
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m
At 1 January 2019	51,693	5,290	5,541	236	62,760
Transferred from Stage 1 to Stage 2	(2,100)	2,100	–	–	–
Transferred from Stage 2 to Stage 1	1,753	(1,753)	–	–	–
Transferred to Stage 3	(129)	(318)	447	–	–
Transferred from Stage 3	50	235	(285)	–	–
New loans originated/top-ups	5,660	–	–	2	5,662
Redemptions/repayments	(4,729)	(569)	(383)	(9)	(5,690)
Interest credited	856	89	51	6	1,002
Write-offs	–	–	(133)	(2)	(135)
Derecognised due to disposals	(89)	(15)	(977)	(5)	(1,086)
Exchange translation adjustments	3	(1)	(2)	–	–
Other movements	54	(49)	58	(1)	62
At 30 June 2019	53,022	5,009	4,317	227	62,575

[1]Movements on the gross loans table have been prepared on a 'sum of the months' basis.

ECL allowance movements – total

	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m
At 1 January 2019	171	271	1,566	31	2,039
Transferred from Stage 1 to Stage 2	(14)	107	–	–	93
Transferred from Stage 2 to Stage 1	13	(78)	–	–	(65)
Transferred to Stage 3	(5)	(41)	112	–	66
Transferred from Stage 3	3	11	(42)	–	(28)
Net remeasurement	(34)	(10)	19	3	(22)
New loans originated/top-ups	18	–	–	–	18
Redemptions/repayments	(3)	(4)	–	–	(7)
Impact of model changes	(6)	(4)	(2)	–	(12)
Impact of credit or economic risk parameters	1	5	15	2	23
Income statement net credit impairment charge/(writeback)	(27)	(14)	102	5	66
Write-offs	–	–	(133)	(2)	(135)
Derecognised due to disposals	–	–	(347)	(1)	(348)
Exchange translation adjustments	(1)	–	–	–	(1)
Other movements	(1)	(1)	2	–	–
At 30 June 2019	142	256	1,190	33	1,621

Total exposures to which an ECL applies decreased during the period by € 0.2 billion from € 62.8 billion as at 1 January 2019 to € 62.6 billion as at 30 June 2019.

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

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

Credit risk – Credit profile of the loan portfolio

Gross loans movements *(continued)*

Transfers from Stage 1 to Stage 2 of € 2.1 billion represent the underlying credit activity where a significant increase in credit risk occurred at some point during the period through either the quantitative or qualitative criteria for stage movement. The main driver of the movements to Stage 2 was the doubling of PDs, subject to 50bps. 20% of the movements relied on a “Qualitative” or “Backstop” indicator of significant increase in credit risk (e.g. Forbearance or movement to a watch grade) of which 2% relied solely on the backstop of 30 days past due to identify that a significant increase in credit risk had occurred. Of the € 2.1 billion which transferred from Stage 1 to Stage 2 in the period approximately € 1.7 billion is reported as Stage 2 at 30 June 2019.

Similarly, transfers from Stage 2 to Stage 1 of € 1.8 billion represent those loans where the triggers for significant increase in credit risk no longer apply or loans that have fulfilled a probation period. These transfers include loans which have been upgraded through normal credit management process.

Transfers from Stage 2 to Stage 3 of € 0.3 billion represent those loans that defaulted during the period. These arose in cases where it was determined that the customers were unlikely to pay their credit obligations in full without the realisation of collateral regardless of the existence of any past due amount or the number of days past due. In addition, transfers also include all credit obligors that are 90 days or more past due on a material obligation. Of the transfers from Stage 2 to Stage 3 € 0.1 billion had transferred from Stage 1 to Stage 2 earlier in the period

Transfers from Stage 3 to Stage 2 of € 0.2 billion were driven by resolution activity with the customer, through either restructuring or forbearance previously granted and which subsequently adhered to default probation requirements. As part of the credit management practices, active monitoring of loans and their adherence to default probation requirements is in place. Transfers from Stage 3 to Stage 1 of € 0.1 billion primarily reflect curing events from default where no forbearance measure was required.

Disposals of € 1.0 billion reflect portfolio sales of distressed loans in the period and this was a key driver of the Stage 3 reductions across all sectors.

Reduction due to write-offs continues to reflect utilisation of ECL stock as a result of restructure of customer debt in line with Group strategy.

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

Stage 1 loans increased by € 1.3 billion to date in 2019 with an ECL of € 0.1 billion and resulting cover of 0.3%. This was primarily on foot on net new lending and loans curing to Stage 1.

Stage 2 loans decreased by € 0.3 billion to date in 2019 with an ECL of € 0.3 billion and resulting cover of 5.1%. This was driven by loans for which a significant increase in credit risk no longer applied and/or which had completed a probation period.

Stage 3 exposures decreased by € 1.2 billion to date in 2019 with the ECL cover reducing from 28.3% to 27.6%. Key drivers were portfolio sales of loans with higher ECL cover and loans completing default probation periods.

Further details on stage movements by asset class are set out in the following tables.

Risk management

Credit risk – Credit profile of the loan portfolio

Gross loans movements[(1)]

The following tables explain the changes in the gross carrying amount and ECL allowances for loans and advances to customers by asset class and ECL staging between 1 January 2019 and 30 June 2019:

Gross carrying amount movements – Asset class

30 June 2019

	Residential mortgages					Other personal				Property and construction					Non-property business			
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	Total € m
At 1 January 2019	25,617	3,441	3,023	234	32,315	2,334	398	343	3,075	6,200	415	1,187	2	7,804	17,542	1,036	988	19,566
Transferred from Stage 1 to Stage 2	(886)	886	–	–	–	(279)	279	–	–	(233)	233	–	–	–	(702)	702	–	–
Transferred from Stage 2 to Stage 1	1,044	(1,044)	–	–	–	183	(183)	–	–	119	(119)	–	–	–	407	(407)	–	–
Transferred to Stage 3	(10)	(128)	138	–	–	(5)	(41)	46	–	(69)	(52)	121	–	–	(45)	(97)	142	–
Transferred from Stage 3	7	159	(166)	–	–	2	11	(13)	–	19	20	(39)	–	–	22	45	(67)	–
New loans originated/top-ups	1,346	–	–	2	1,348	533	–	–	533	988	–	–	–	988	2,793	–	–	2,793
Redemptions/repayments	(1,703)	(207)	(145)	(9)	(2,064)	(576)	(76)	(30)	(682)	(751)	(57)	(133)	–	(941)	(1,699)	(229)	(75)	(2,003)
Interest credited	335	44	18	6	403	96	15	6	117	98	7	12	–	117	327	23	15	365
Write-offs	–	–	(50)	(2)	(52)	–	–	(21)	(21)	–	–	(32)	–	(32)	–	–	(30)	(30)
Derecognised due to disposals	(9)	(9)	(250)	(4)	(272)	(10)	(2)	(83)	(95)	(3)	(1)	(284)	(1)	(289)	(67)	(3)	(360)	(430)
Exchange translation adjustments	(1)	–	–	–	(1)	1	–	–	1	1	(2)	–	–	(1)	2	1	(2)	1
Other movements	10	(11)	17	–	16	30	(12)	9	27	33	(14)	9	(1)	27	(19)	(12)	23	(8)
At 30 June 2019	25,750	3,131	2,585	227	31,693	2,309	389	257	2,955	6,402	430	841	–	7,673	18,561	1,059	634	20,254

[(1)]Movements on the gross loans table have been prepared on a 'sum of the months' basis.

ECL allowance movements – Asset class

	Residential mortgages					Other personal				Property and construction					Non-property business			
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	Total € m
At 1 January 2019	8	51	623	31	713	29	52	172	253	41	36	403	–	480	93	132	368	593
Transferred from Stage 1 to Stage 2	(1)	14	–	–	13	(5)	37	–	32	(1)	9	–	–	8	(7)	47	–	40
Transferred from Stage 2 to Stage 1	1	(12)	–	–	(11)	4	(22)	–	(18)	1	(9)	–	–	(8)	7	(35)	–	(28)
Transferred to Stage 3	–	(4)	13	–	9	–	(15)	22	7	(3)	(6)	31	–	22	(2)	(16)	46	28
Transferred from Stage 3	–	3	(15)	–	(12)	–	2	(6)	(4)	1	2	(9)	–	(6)	2	4	(12)	(6)
Net remeasurement	(1)	(7)	21	3	16	(10)	(1)	9	(2)	(4)	–	(3)	–	(7)	(19)	(2)	(8)	(29)
New loans originated/top-ups	–	–	–	–	–	8	–	–	8	3	–	–	–	3	7	–	–	7
Redemptions/repayments	–	–	–	–	–	–	–	–	–	(2)	–	–	–	(2)	(1)	(4)	–	(5)
Impact of model changes	–	–	–	–	–	–	–	–	–	(1)	(1)	–	–	(2)	(5)	(3)	(2)	(10)
Impact of credit or economic risk parameters	1	5	15	2	23	–	–	–	–	–	–	–	–	–	–	–	–	–
Income statement net credit impairment charge/(writeback)	–	(1)	34	5	38	(3)	1	25	23	(6)	(5)	19	–	8	(18)	(9)	24	(3)
Write-offs	–	–	(50)	(2)	(52)	–	–	(21)	(21)	–	–	(32)	–	(32)	–	–	(30)	(30)
Derecognised due to disposals	–	–	(53)	(1)	(54)	–	–	(41)	(41)	–	–	(98)	–	(98)	–	–	(155)	(155)
Exchange translation adjustments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1)	–	–	(1)
Other movements	–	–	–	–	–	(1)	(2)	(1)	(4)	1	3	2	–	6	(1)	(2)	1	(2)
At 30 June 2019	8	50	554	33	645	25	51	134	210	36	34	294	–	364	73	121	208	402

Credit risk

Investment securities

The following table analyses the carrying value of investment securities by major classifications:

	30 June 2019* Carrying value € m	31 December 2018* Carrying value € m
Debt securities at FVOCI		
Irish Government securities	6,234	6,282
Euro government securities	1,554	1,921
Non Euro government securities	159	158
Supranational banks and government agencies	924	1,132
Collateralised mortgage obligations	251	264
Other asset backed securities	98	103
Euro bank securities	5,208	5,007
Non Euro bank securities	1,137	815
Euro corporate securities	321	216
Non Euro corporate securities	85	48
Total debt securities at FVOCI	15,971	15,946
Debt securities at amortised cost		
Asset backed securities	373	187
Total debt securities at amortised cost	373	187
Equity securities		
Equity investments at FVOCI – NAMA subordinated bonds	451	468
Equity investments at FVTPL	295	260
Total investment securities	17,090	16,861

The following table analyses the debt securities portfolio by geography:

	30 June 2019*			31 December 2018*		
Government securities	Irish Government € m	Euro government € m	Non Euro government € m	Irish Government € m	Euro government € m	Non Euro government € m
Republic of Ireland	6,234	–	–	6,282	–	–
Italy	–	511	–	–	497	–
France	–	115	–	–	117	–
Spain	–	732	–	–	1,048	–
Netherlands	–	137	–	–	138	–
Germany	–	–	–	–	53	–
Belgium	–	24	–	–	23	–
Austria	–	27	–	–	28	–
Portugal	–	–	–	–	17	–
Slovakia	–	8	–	–	–	–
United Kingdom	–	–	58	–	–	60
Czech Republic	–	–	11	–	–	11
Poland	–	–	44	–	–	43
Saudi Arabia	–	–	46	–	–	44
	6,234	1,554	159	6,282	1,921	158

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

Credit risk
Credit ratings
External credit ratings

The following table sets out the credit quality of certain financial assets based on external credit ratings. These include loans and advances to banks, investment debt securities and trading portfolio financial assets.

									30 June 2019*
	At amortised cost			At FVOCI					Total
	Bank € m	Other € m	Total € m	Bank € m	Corporate € m	Sovereign € m	Other € m	Total € m	€ m
AAA/AA	**894**	**245**	**1,139**	**4,973**	**30**	**1,285**	**349**	**6,637**	**7,776**
A/A-	**370**	**118**	**488**	**982**	**170**	**6,370**	**–**	**7,522**	**8,010**
BBB+/BBB/BBB-	**22**	**10**	**32**	**390**	**193**	**1,216**	**–**	**1,799**	**1,831**
Sub investment	**–**	**–**	**–**	**–**	**13**	**–**	**–**	**13**	**13**
Unrated	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**1,286**	**373**	**1,659**	**6,345**	**406**	**8,871**[(1)]	**349**	**15,971**	**17,630**
Of which: Stage 1	**1,286**	**373**	**1,659**	**6,345**	**406**	**8,871**	**349**	**15,971**	**17,630**
Stage 2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Stage 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

									31 December 2018*
	At amortised cost			At FVOCI					Total
	Bank € m	Other € m	Total € m	Bank € m	Corporate € m	Sovereign € m	Other € m	Total € m	€ m
AAA/AA	987	98	1,085	4,695	–	1,551	367	6,613	7,698
A/A-	423	79	502	807	79	6,381	–	7,267	7,769
BBB+/BBB/BBB-	32	10	42	320	156	1,561	–	2,037	2,079
Sub investment	–	–	–	–	29	–	–	29	29
Unrated	1	–	1	–	–	–	–	–	1
Total	1,443	187	1,630	5,822	264	9,493[(1)]	367	15,946	17,576
Of which: Stage 1	1,443	187	1,630	5,822	264	9,493	367	15,946	17,576
Stage 2	–	–	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–	–	–

[(1)]Includes supranational banks and government agencies.

Large exposures

The Group's Large Exposure Policy sets out maximum exposure limits to, or on behalf of, a customer or a group of connected customers.

At 30 June 2019, the Group's top 50 drawn exposures amounted to € 4.6 billion, and accounted for 7.3% (31 December 2018: € 4.4 billion and 7.1%) of the Group's on-balance sheet total gross loans and advances to customers. In addition, these customers have undrawn facilities amounting to € 661 million (31 December 2018: € 606 million). No single customer exposure exceeded regulatory limits.

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

Additional credit risk information – Forbearance

The Group's forbearance initiatives are detailed on pages 79 to 80 in the 'Risk management' section of the Annual Financial Report 2018. The following table sets out the internal credit ratings and ECL staging of forborne loans and advances to customers:

					30 June 2019	
	At amortised cost					At FVTPL
	Residential mortgages	Other personal	Property and construction	Non-property business	Total	Total
Analysed by internal credit ratings	€ m	€ m	€ m	€ m	€ m	€ m
Strong	–	–	–	–	–	–
Satisfactory	3	–	1	–	4	–
Total strong/satisfactory	3	–	1	–	4	–
Criticised watch	–	–	–	–	–	–
Criticised recovery	865	58	168	256	1,347	–
Total criticised	865	58	168	256	1,347	–
Non-performing	2,255	141	537	331	3,264	49
Gross carrying amount	3,123[1]	199	706	587	4,615	49
Analysed by ECL staging						
Stage 1	15	3	161	49	228	–
Stage 2	861	57	84	238	1,240	–
Stage 3	2,037	139	461	300	2,937	–
POCI	210	–	–	–	210	–
Total	3,123[1]	199	706	587	4,615	–
Total gross carrying amount of loans and advances to customers	31,693	2,955	7,673	20,254	62,575	127

					31 December 2018	
	At amortised cost					At FVTPL
	Residential mortgages	Other personal	Property and construction	Non-property business	Total	Total
Analysed by internal credit ratings	€ m	€ m	€ m	€ m	€ m	€ m
Strong	–	–	–	–	–	–
Satisfactory	3	–	–	–	3	–
Total strong/satisfactory	3	–	–	–	3	–
Criticised watch	–	–	1	1	2	–
Criticised recovery	1,078	69	268	283	1,698	–
Total criticised	1,078	69	269	284	1,700	–
Non-performing	2,586	190	772	516	4,064	49
Gross carrying amount	3,667[1]	259	1,041	800	5,767	49
Analysed by ECL staging						
Stage 1	23	4	317	57	401	–
Stage 2	1,074	68	109	260	1,511	–
Stage 3	2,354	187	613	483	3,637	–
POCI	216	–	2	–	218	–
Total	3,667[1]	259	1,041	800	5,767	–
Total gross carrying amount of loans and advances to customers	32,315	3,075	7,804	19,566	62,760	147

[1]Republic of Ireland € 3,077 million (31 December 2018: € 3,615 million) and United Kingdom € 46 million (31 December 2018: € 52 million).

Additional credit risk information – Forbearance

Republic of Ireland residential mortgages

The Group has a Mortgage Arrears Resolution Strategy ("MARS") for dealing with mortgage customers in difficulty or likely to be in difficulty, which builds on and formalises the Group's Mortgage Arrears Resolution Process. The core objectives of MARS are to ensure that arrears solutions are sustainable in the long term and that they comply with the spirit and the letter of all regulatory requirements. MARS includes long-term forbearance solutions which have been devised to assist existing Republic of Ireland primary residential mortgage customers in difficulty.

Under the definition of forbearance, which complies with that prescribed by the EBA, loans subject to forbearance measures remain in forbearance stock for a period of two years from the date forbearance is granted regardless of the forbearance type. Therefore, cases that receive a short-term forbearance measure, such as interest only and return to a full principal and interest repayment schedule at the end of the interest only period, will remain in the stock of forbearance for at least two years.

Residential mortgages subject to forbearance measures by type of forbearance

The stock of loans subject to forbearance measures decreased by € 0.5 billion from 31 December 2018 to € 3.1 billion at 30 June 2019. This decrease was driven by the portfolio sale of distressed loans, customers exiting the forbearance probation period and by lower numbers of customers seeking new forbearance solutions which is reflective of improving customer ability to meet their mortgage terms.

The following table analyses, by type of forbearance, residential mortgages that were subject to forbearance measures in the Republic of Ireland:

							30 June 2019
		Gross at amortised cost					
		Total	Stage 1	Stage 2	Stage 3	POCI	ECL allowance
Total	Number	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m
Interest only	6,437	865	–	179	682	4	188
Reduced payment	1,453	234	–	46	188	–	50
Payment moratorium	1,035	121	–	37	84	–	23
Fundamental restructure	304	36	12	–	24	–	7
Restructure	683	32	–	4	28	–	13
Arrears capitalisation	8,691	1,124	–	466	618	40	131
Term extension	1,041	112	–	48	62	2	13
Split mortgages	882	127	–	67	60	–	17
Voluntary sale for loss	667	15	–	–	2	13	15
Low fixed interest rate	1,178	174	–	1	37	136	16
Positive equity solutions	1,466	151	–	3	147	1	11
Other	516	86	3	5	64	14	15
Total forbearance	24,353	3,077	15	856	1,996	210	499
Of which: Performing	6,507	863	1	856	–	6	22
Non-performing	17,846	2,214	14	–	1,996	204	477
Of which: Owner-occupier							
Interest only	5,146	677	–	141	532	4	157
Reduced payment	1,112	170	–	26	144	–	40
Payment moratorium	832	94	–	34	60	–	14
Fundamental restructure	8	–	–	–	–	–	–
Restructure	203	13	–	1	12	–	6
Arrears capitalisation	7,707	975	–	407	528	40	116
Term extension	823	81	–	33	46	2	9
Split mortgages	856	123	–	66	57	–	16
Voluntary sale for loss	385	9	–	–	2	7	9
Low fixed interest rate	1,169	171	–	1	36	134	16
Positive equity solutions	1,444	149	–	3	145	1	10
Other	397	61	3	5	39	14	11
Total	20,082	2,523	3	717	1,601	202	404

Additional credit risk information – Forbearance

Republic of Ireland residential mortgages *(continued)*

Residential mortgages subject to forbearance measures by type of forbearance *(continued)*

							31 December 2018
		Gross at amortised cost					
		Total	Stage 1	Stage 2	Stage 3	POCI	ECL allowance
Total	Number	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m
Interest only	7,671	1,054	–	221	830	3	211
Reduced payment	1,682	281	–	63	218	–	55
Payment moratorium	1,180	142	–	46	96	–	25
Fundamental restructure	448	56	17	–	39	–	9
Restructure	901	41	–	5	36	–	19
Arrears capitalisation	9,915	1,317	–	571	707	39	138
Term extension	1,187	132	–	62	66	4	15
Split mortgages	1,119	165	–	93	72	–	18
Voluntary sale for loss	721	21	–	–	3	18	17
Low fixed interest rate	1,204	177	–	–	38	139	14
Positive equity solutions	1,495	153	–	–	152	1	9
Other	459	76	5	7	52	12	10
Total forbearance	27,982	3,615	22	1,068	2,309	216	540
Of which: Performing	7,821	1,074	1	1,068	–	5	25
Non-performing	20,161	2,541	21	–	2,309	211	515
Of which: Owner-occupier							
Interest only	5,590	748	–	165	580	3	164
Reduced payment	1,178	191	–	35	156	–	41
Payment moratorium	906	105	–	41	64	–	14
Fundamental restructure	2	–	–	–	–	–	–
Restructure	218	12	–	2	10	–	5
Arrears capitalisation	8,384	1,088	–	492	557	39	111
Term extension	905	89	–	43	44	2	9
Split mortgages	1,060	156	–	89	67	–	16
Voluntary sale for loss	413	12	–	–	3	9	10
Low fixed interest rate	1,195	176	–	–	38	138	14
Positive equity solutions	1,472	151	–	–	150	1	9
Other	259	43	5	7	19	12	5
Total	21,582	2,771	5	874	1,688	204	398

A key feature of the forbearance portfolio is the level of advanced forbearance solutions (split mortgages, low fixed interest rate, voluntary sale for loss, negative equity trade down and positive equity solutions) driven by the Group's strategy to deliver sustainable long-term solutions to customers. Advanced forbearance solutions at € 0.5 billion accounted for 18% of the total forbearance portfolio at 30 June 2019 (31 December 2018: € 0.5 billion and 14%). Following restructure, loans are reported as defaulted for a probationary period of at least 12 months.

Other permanent standard forbearance solutions are term extensions and arrears capitalisation (which often includes a term extension). Permanent forbearance solutions are reported within the stock of forbearance for five years, and therefore, represent in some cases forbearance solutions which were agreed up to five years ago. They include loans where a subsequent interest only or other temporary arrangement had expired at 30 June 2019, but where an arrears capitalisation or term extension was awarded previously.

Arrears capitalisation continues to be the largest category of forbearance solutions at 30 June 2019, accounting for 37% by value of the total forbearance portfolio (31 December 2018: 36%). The arrears capitalisation portfolio continues to decrease year on year, however, a high proportion of the arrears capitalisation portfolio (55% by value) is in Stage 3 at 30 June 2019. This reflects the historic nature of the forbearance event for part of the portfolio and the requirement that loans complete a probationary period of at least 12 months before being upgraded from default, as described above.

Additional credit risk information – Forbearance

Non-mortgage subject to forbearance measures by type of forbearance

The Group has developed treatment strategies for customers in the non-mortgage portfolio who are experiencing financial difficulties. The approach is based on assessing customer affordability and applying treatment strategies that deliver a sustainable solution for the customer and the Group. Further information on non-mortgage forbearance is included on page 80 of the Annual Financial Report 2018.

Non-retail customers in difficulty may have exposures across a number of asset classes including SME debt, associated property exposures and residential mortgages. The following table sets out an analysis of non-mortgage forbearance solutions:

Amortised cost

	30 June 2019					31 December 2018				
	At amortised cost					At amortised cost				
	Total	Stage 1	Stage 2	Stage 3/ POCI[1]	ECL allowance	Total	Stage 1	Stage 2	Stage 3/ POCI[1]	ECL allowance
	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m	Balance € m
Other personal										
Interest only	31	–	4	27	6	40	–	5	35	17
Reduced payment	8	–	2	6	3	13	–	2	11	6
Payment moratorium	18	–	7	11	8	18	–	9	9	7
Arrears capitalisation	8	–	2	6	2	12	–	3	9	3
Term extension	29	–	13	16	10	34	–	15	19	10
Fundamental restructure	28	3	1	24	12	35	4	2	29	16
Restructure	67	–	27	40	24	87	–	32	55	30
Asset disposals	8	–	–	8	2	20	–	–	20	4
Other	2	–	1	1	–	–	–	–	–	–
Total	199	3	57	139	67	259	4	68	187	93
Property and construction										
Interest only	69	–	10	59	18	102	1	11	90	30
Reduced payment	29	–	5	24	5	41	–	5	36	7
Payment moratorium	4	–	–	4	1	7	–	1	6	2
Arrears capitalisation	11	–	3	8	4	23	2	6	15	9
Term extension	126	–	29	97	32	144	2	31	111	36
Fundamental restructure	186	75	1	110	40	298	143	–	155	61
Restructure	235	85	34	116	35	355	162	53	140	46
Asset disposals	32	–	–	32	6	52	–	1	51	10
Other	14	1	2	11	5	19	7	1	11	3
Total	706	161	84	461	146	1,041	317	109	615	204
Non-property business										
Interest only	67	–	33	34	15	110	–	34	76	33
Reduced payment	25	–	11	14	8	38	–	7	31	13
Payment moratorium	7	–	2	5	2	8	–	1	7	2
Arrears capitalisation	2	–	–	2	1	13	–	2	11	6
Term extension	82	–	46	36	13	94	–	47	47	16
Fundamental restructure	155	48	34	73	32	201	51	50	100	49
Restructure	202	–	98	104	49	287	–	117	170	82
Asset disposals	28	1	1	26	5	41	4	–	37	9
Other	19	–	12	7	4	8	2	2	4	1
Total	587	49	237	301	129	800	57	260	483	211
Total non-mortgage forbearance at amortised cost	1,492	213	378	901	342	2,100	378	437	1,285	508
Of which: Performing	483	105	378	–	65	623	186	437	–	77
Non-performing	1,009	108	–	901	277	1,477	192	–	1,285	431

[1]POCI assets amounting to € 0.3 million are included in 'Property and construction' (31 December 2018: € 2 million 'Property and construction – other').

In addition, loans measured at FVTPL which were subject to forbearance (asset disposals) amounted to € 49 million (31 December 2018: € 49 million). These loans were in the property and construction asset class and were non-performing.

Additional credit risk information – Forbearance

Non-mortgage subject to forbearance measures by type of forbearance *(continued)*

At 30 June 2019, non-mortgage loans subject to forbearance amounted to € 1.5 billion, of which € 1.0 billion are non-performing with ECL cover of 27% (31 December 2018: € 2.1 billion of which € 1.5 billion are non-performing with ECL cover of 29%). Of the total € 0.6 billion reduction in period, € 0.4 billion is directly attributable to a portfolio sale of distressed loans. The majority of non-mortgage forborne loans relate to property and construction € 0.7 billion (31 December 2018: € 1.0 billion) and non-property business € 0.6 billion (31 December 2018: € 0.8 billion). 'Fundamental restructure' € 0.4 billion (31 December 2018: € 0.5 billion) includes long-term restructures where customers have been through a full review and have proven sustainable cash flows/repayment capacity (through business cash flow and/or asset sales). Loans to borrowers that are fundamentally restructured typically result in the original loans together with any related impairment allowance being derecognised and new facilities being classified as loans and advances and recognised on day 1 at fair value but will remain classified as non-performing.

At the time the fundamental restructure is agreed, the size of the main facility reflects the estimated sustainable cash flows from the customer, such that the main facility will be repaid in full. Since no further cash flows are expected on the secondary facilities, the fair value of secondary facilities at inception is considered immaterial.

While the new facilities are subject to legal agreements, the repayment conditions attaching to each facility are different and usually customer specific. Depending on the co-operation of the customer and the repayment of the main facilities, additional cash flows over the initial cash flow estimation may subsequently arise. This could occur where the disposal of collateral is at higher values than originally expected, stronger trading performance or new sources of income. There are incentives from a customer perspective to meet the repayment terms of the main facility as in doing so would result in some cases where the secondary facilities would be contractually written-off.

As part of its ongoing monitoring of fundamental restructure loans, the Group keeps under review the likelihood of any additional cash flows arising on the secondary facilities. There remains significant uncertainty over the crystallisation of such additional cash flows through asset sales in excess of those initially estimated that would be applied to secondary facilities over an extended period. In the case of other restructured lending, additional cash flows materialising either through trading conditions or other sources of income are equally uncertain.

Additional cash flows generated a net gain on other financial assets measured at FVTPL of € 28 million in the six months to 30 June 2019 (30 June 2018: € 40 million), primarily due to continued strong levels of asset sales.

At 30 June 2019, the carrying value of the main facilities in fundamental restructures, including buy-to-let mortgages, amounted to € 0.4 billion (31 December 2018: € 0.6 billion).

Main facilities that rely principally on collateral realisation (property assets held as security) are as follows:

- Buy-to-let of € 36 million, which has associated contractual secondary facilities of € 146 million (31 December 2018: € 56 million and € 174 million respectively).
- Property and construction of € 186 million, which has associated contractual secondary facilities of € 1,419 million (31 December 2018: € 298 million and € 1,787 million respectively), which are further analysed as:
  - Commercial real estate primary facilities of € 140 million, which have associated contractual secondary facilities of € 690 million (31 December 2018: € 240 million and € 915 million respectively).
  - Land and development primary facilities of € 46 million, which have associated contractual secondary facilities of € 729 million (31 December 2018: € 58 million and € 872 million respectively).

Non-property business lending and other personal lending where fundamental restructures have been granted amount to € 183 million which have associated secondary facilities of € 693 million (31 December 2018: € 236 million and € 825 million respectively).

The 'Restructure' category (€ 0.5 billion) includes a range of longer-term/permanent solutions and cases restructured prior to the development of current treatment strategies.

The remaining forbearance categories include borrowers who have received a term extension, and borrowers afforded temporary forbearance measures, some of which may transition to permanent forbearance solutions in due course.

Funding and liquidity risk

Liquidity

Liquidity risk is the risk that the Group will not be able to fund its assets and meet its payment obligations as they come due, without incurring unacceptable costs or losses. Funding is the means by which liquidity is generated, e.g. secured or unsecured, wholesale, corporate or retail. In this respect, funding risk is the risk that a specific form of liquidity cannot be obtained at an acceptable cost.

At 30 June 2019, the Group held € 32,331 million (31 December 2018: € 29,896 million) in qualifying liquid assets ("QLA")[(1)]/contingent funding of which € 4,871 million (31 December 2018: € 5,391 million) was not available due to repurchase, secured loans and other restrictions. The available Group liquidity pool comprises the remainder and is held to cover contractual and stress outflows. At 30 June 2019, the Group liquidity pool was € 27,460 million (31 December 2018: € 24,505 million). During the six months to 30 June 2019, the liquidity pool ranged from € 23,420 million to € 27,699 million and the average balance was € 25,074 million.

[(1)]QLA is an asset that can be readily converted into cash, either with the market or with the monetary authorities, and where there is no legal, operational or prudential impediments to their use as liquid assets.

Composition of the Group liquidity pool

The following table shows the composition of the Group's liquidity pool:

	30 June 2019				31 December 2018			
	Liquidity pool	Liquidity pool available (ECB eligible)	High Quality Liquid Assets(HQLA)[(1)] in the liquidity pool Level 1	High Quality Liquid Assets(HQLA)[(1)] in the liquidity pool Level 2	Liquidity pool	Liquidity pool available (ECB eligible)	High Quality Liquid Assets(HQLA)[(1)] in the liquidity pool Level 1	High Quality Liquid Assets(HQLA)[(1)] in the liquidity pool Level 2
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Cash and deposits with central banks	5,060[(2)]	–	7,220[(2)]	–	1,937[(2)]	–	4,063[(2)]	–
Total government bonds	8,200	7,649	8,008	192	8,626	8,112	8,428	198
Other:								
Covered bonds	4,280	4,280	3,064	1,216	4,153	4,153	3,103	1,050
Other	9,920	9,196	279	308	9,789	9,011	323	296
Total other	14,200	13,476	3,343	1,524	13,942	13,164	3,426	1,346
Total	27,460	21,125	18,571	1,716	24,505	21,276	15,917	1,544
Of which:								
EUR	25,210				22,143			
GBP	1,199				935			
USD	1,051				1,427			
Other	–				–			

[(1)]Level 1 – High Quality Liquid Assets ("HQLAs") include amongst others, domestic currency (euro) denominated bonds issued or guaranteed by European Economic Area ("EEA") sovereigns, very highly rated covered bonds, other very highly rated sovereign bonds and unencumbered cash at central banks. Level 2 – HQLAs include highly rated sovereign bonds, highly rated covered bonds and certain other strongly rated securities.

[(2)]For Liquidity Coverage Ratio ("LCR") purposes, assets outside the Liquidity function's control can qualify as HQLAs in so far as they match outflows in the same jurisdiction. For the Group, this means that UK HQLAs (cash held with the Bank of England) can qualify up to the amount of 30 days UK outflows under LCR but are not included in the Group's calculation of available QLA stocks.

Management of the Group liquidity pool*

The Group manages the liquidity pool on a centralised basis. The composition of the liquidity pool is subject to limits set by the Board and the independent Risk function. These pool assets primarily comprise government guaranteed bonds, internal covered bonds and central bank reserves. The Group's liquidity buffer increased at 30 June 2019 by € 2,955 million which was predominantly due to an increase in the Republic of Ireland customer deposits, proceeds from the portfolio sale of distressed loans and senior unsecured note issuances during the period offset by the 2018 dividend payout, maturity of senior debt and a retained covered bond redemption.

Other contingent liquidity*

The Group has access to other unencumbered assets providing a source of contingent liquidity which are not in the Group's liquidity pool. However, these assets may be monetised in a stress scenario to generate liquidity through use as collateral for secured funding or outright sale.

For further details of liquidity risk and its management, see pages 146 to 153 of the Annual Financial Report 2018.

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

Funding and liquidity risk

Liquidity regulation

The Group is required to comply with the liquidity requirements of the Single Supervisory Mechanism/Central Bank of Ireland and also with the requirements of local regulators in jurisdictions in which it operates. In addition, the Group is required to carry out liquidity stress testing capturing firm specific, systemic risk events and a combination of both. The Group adheres to these requirements.

The following table outlines the LCR, Net Stable Funding Ratio ("NSFR") and Loan to Deposit Ratio ("LDR"):

Liquidity metrics	30 June 2019 %	31 December 2018 %
Liquidity Coverage Ratio	**141**	128
Net Stable Funding Ratio	**127**	125
Loan to Deposit Ratio	**88**	90

The Group monitors and reports its current and forecast position against CRD IV and other related liquidity metrics and has fully complied with the minimum LCR requirement of 100% in the six months to 30 June 2019.

The calculated NSFR is based on the Group's interpretation of the current Basel standard. The second Capital Requirements Regulation (CRR2) effective 27 June 2019 introduces a binding NSFR requirement and comes into force in June 2021.

Funding and liquidity risk

Funding structure*

The Group's funding strategy is to deliver a sustainable, diversified and robust customer deposit base at economic pricing and to further enhance and strengthen the wholesale funding franchise with appropriate access to term markets to support core lending activities. The strategy aims to deliver a solid funding structure that complies with internal and regulatory policy requirements and reduces the probability of a liquidity stress, i.e. an inability to meet funding obligations as they fall due.

Sources of funds	30 June 2019 € m	30 June 2019 %	31 December 2018 € m	31 December 2018 %
Customer accounts	**69,524**	**75**	67,699	76
Of which:				
Euro	**56,793**		54,885	
Sterling	**10,670**		11,001	
US dollar	**1,953**		1,698	
Other currencies	**108**		115	
Deposits by central banks and banks – secured	**417**	**–**	424	1
– unsecured	**602**	**1**	420	1
Asset covered securities ("ACS")	**3,090**	**3**	3,090	3
Senior debt	**3,787**	**5**	2,655	3
Capital	**14,771**	**16**	14,653	16
Total source of funds	**92,191**	**100**	88,941	100
Other	**3,443**		2,595	
	95,634		91,536	

Customer deposits represent the largest source of funding for the Group with the core retail franchises and accompanying deposit base in both the Republic of Ireland and the UK providing a stable and reasonably predictable source of funds. Customer accounts increased by € 1,825 million in the six months to 30 June 2019. This was mainly due to a € 1,908 million increase in Euro deposits, primarily in current and demand deposit accounts reflecting strong economic activity.

The management of stable retail funds is paramount to the Group's overall funding and liquidity strategy and will be a key factor in the Group's capacity for future asset growth.

The Group maintains access to a variety of sources of wholesale funds, including those available from money markets, repo markets and term investors.

In the six months to 30 June 2019 senior debt increased € 1,132 million reflecting € 1,640 million in new issuances offset by a € 500 million maturity and € 8 million in foreign exchange movements. Outstanding asset covered securities ("ACS") remained flat at € 3,090 million in the six months to 30 June 2019.

For further details on debt securities, see note 32 'Debt securities in issue' in the condensed consolidated interim financial statements.

Following the implementation of IFRS 16 on 1 January 2019, lease liabilities of € 453 million were recognised on the balance sheet and were the primary driver of the increase in the 'Other' source of funds category in the table above. For further details see note 2 'Transition to IFRS 16' and note 31 'Lease liabilities' in the condensed consolidated interim financial statements.

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

Funding and liquidity risk

Composition of wholesale funding*

At 30 June 2019, total wholesale funding outstanding was € 8,692 million (31 December 2018: € 7,384). € 1,305 million of wholesale funding matures in less than one year (31 December 2018: € 1,130 million). € 7,387 million of wholesale funding has a residual maturity of over one year (31 December 2018: € 6,254 million).

Outstanding wholesale funding comprised € 3,507 million of secured funding (31 December 2018: € 3,514 million) and € 5,185 million of unsecured funding (31 December 2018: € 3,870 million).

									30 June 2019
	< 1 month € m	1–3 months € m	3–6 months € m	6–12 months € m	Total < 1 year € m	1–3 years € m	3–5 years € m	> 5 years € m	Total € m
Deposits by central banks and banks	427	313	–	–	740	279	–	–	1,019
Senior debt	–	–	–	500	500	–	1,909	1,378	3,787
ACS/ABS	–	65	–	–	65	2,000	1,000	25	3,090
Subordinated liabilities and other capital instruments	–	–	–	–	–	–	–	796	796
Total 30 June 2019	427	378	–	500	1,305	2,279	2,909	2,199	8,692
Of which:									
Secured	–	203	–	–	203	2,279	1,000	25	3,507
Unsecured	427	175	–	500	1,102	–	1,909	2,174	5,185
	427	378	–	500	1,305	2,279	2,909	2,199	8,692

									31 December 2018
	< 1 month € m	1–3 months € m	3–6 months € m	6–12 months € m	Total < 1 year € m	1–3 years € m	3–5 years € m	> 5 years € m	Total € m
Deposits by central banks and banks	325	240	–	–	565	–	279	–	844
Senior debt	–	–	500	–	500	500	1,155	500	2,655
ACS/ABS	–	–	–	65	65	1,250	1,750	25	3,090
Subordinated liabilities and other capital instruments	–	–	–	–	–	–	–	795	795
Total 31 December 2018	325	240	500	65	1,130	1,750	3,184	1,320	7,384
Of which:									
Secured	81	64	–	65	210	1,250	2,029	25	3,514
Unsecured	244	176	500	–	920	500	1,155	1,295	3,870
	325	240	500	65	1,130	1,750	3,184	1,320	7,384

Encumbrance

An asset is defined as encumbered if it has been pledged as collateral, and as a result is no longer available to the Group to secure funding, satisfy collateral needs or to be sold. The Group manages encumbrance levels to ensure that the Group has sufficient contingent collateral to maximise balance sheet flexibility.

The Group had an encumbrance ratio of 11% at 30 June 2019 (31 December 2018: 12%) with € 10,887 million of the Group's assets encumbered (31 December 2018: € 11,103 million). This represents a 1% decrease over the six months to 30 June 2019 due mainly to an increase in total assets. The encumbrance level is based on the amount of assets that are required in order to meet regulatory and contractual commitments.

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

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Condensed consolidated interim financial statements *(unaudited)*

Condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

Condensed consolidated income statement *(unaudited)*

for the half-year ended 30 June 2019

	Notes	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Continuing operations			
Interest income calculated using the effective interest method	4	**1,155**	1,145
Other interest income and similar income	4	**38**	38
Interest and similar income	4	**1,193**	1,183
Interest and similar expense	5	**(143)**	(134)
Net interest income		**1,050**	1,049
Dividend income	6	**25**	24
Fee and commission income	7	**256**	243
Fee and commission expense	7	**(26)**	(26)
Net trading (loss)/income	8	**(48)**	1
Net gain on other financial assets measured at FVTPL	9	**92**	92
Net gain on derecognition of financial assets measured at amortised cost	10	**14**	112
Other operating income	11	**40**	16
Other income		**353**	462
Total operating income		**1,403**	1,511
Operating expenses	12	**(850)**	(827)
Impairment and amortisation of intangible assets		**(70)**	(50)
Impairment and depreciation of property, plant and equipment		**(47)**	(19)
Total operating expenses		**(967)**	(896)
Operating profit before impairment losses		**436**	615
Net credit impairment (charge)/writeback	13	**(9)**	142
Operating profit		**427**	757
Associated undertakings	24	**9**	4
Profit on disposal of property		**–**	1
Profit before taxation from continuing operations		**436**	762
Income tax charge from continuing operations	14	**(75)**	(112)
Profit for the period after taxation from continuing operations attributable to owners of the parent		**361**	650
Basic earnings per share			
Continuing operations	15(a)	**12.6c**	23.3c
Diluted earnings per share			
Continuing operations	15(b)	**12.6c**	23.3c

Condensed consolidated statement of comprehensive income *(unaudited)*

for the half-year ended 30 June 2019

	Notes	**Half-year 30 June 2019 € m**	Half-year 30 June 2018 € m
Profit for the period		**361**	650
Other comprehensive income – continuing operations			
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial (losses)/gains in retirement benefit schemes, net of tax	14	**(5)**	50
Net change in fair value of equity investments at FVOCI, net of tax	14	**(15)**	(4)
Total items that will not be reclassified subsequently to profit or loss		**(20)**	46
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Net change in foreign currency translation reserves	14	**(6)**	1
Net change in cash flow hedges, net of tax	14	**265**	5
Net change in fair value of investment debt securities at FVOCI, net of tax	14	**(4)**	(147)
Total items that will be reclassified subsequently to profit or loss when specific conditions are met		**255**	(141)
Other comprehensive income for the period, net of tax from continuing operations		**235**	(95)
Total comprehensive income for the period from continuing operations attributable to owners of the parent		**596**	555

Condensed consolidated statement of financial position *(unaudited)*

as at 30 June 2019

	Notes	30 June 2019 € m	31 December 2018 € m
Assets			
Cash and balances at central banks		**9,278**	6,516
Items in course of collection		**124**	73
Disposal groups and non-current assets held for sale	17	**13**	10
Trading portfolio financial assets	18	**1**	–
Derivative financial instruments	19	**1,408**	900
Loans and advances to banks	20	**1,286**	1,443
Loans and advances to customers	21	**61,081**	60,868
Investment securities	23	**17,090**	16,861
Interests in associated undertakings	24	**89**	90
Intangible assets		**705**	682
Property, plant and equipment	25	**809**	330
Other assets	26	**487**	356
Current taxation		**12**	10
Deferred tax assets	27	**2,638**	2,702
Prepayments and accrued income		**354**	454
Retirement benefit assets	28	**259**	241
Total assets		**95,634**	91,536
Liabilities			
Deposits by central banks and banks	29	**1,019**	844
Customer accounts	30	**69,524**	67,699
Lease liabilities	31	**453**	–
Derivative financial instruments	19	**1,135**	934
Debt securities in issue	32	**6,877**	5,745
Current taxation		**85**	74
Deferred tax liabilities	27	**122**	107
Retirement benefit liabilities	28	**60**	49
Other liabilities	33	**979**	887
Accruals and deferred income		**310**	325
Provisions for liabilities and commitments	34	**299**	219
Subordinated liabilities and other capital instruments	35	**796**	795
Total liabilities		**81,659**	77,678
Equity			
Share capital	36	**1,696**	1,696
Reserves		**11,785**	11,668
Total shareholders' equity		**13,481**	13,364
Other equity interests	37	**494**	494
Total equity		**13,975**	13,858
Total liabilities and equity		**95,634**	91,536

Condensed consolidated statement of cash flows *(unaudited)*

for the half-year ended 30 June 2019

	Notes	**Half-year 30 June 2019 € m**	Half-year 30 June 2018 € m
Cash flows from operating activities			
Profit before taxation for the period from continuing operations		**436**	762
Adjustments for:			
Non-cash and other items	42	**188**	(47)
Change in operating assets	42	**(218)**	(431)
Change in operating liabilities	42	**3,076**	1,936
Taxation paid		**(20)**	(13)
Net cash inflow from operating activities		**3,462**	2,207
Cash flows from investing activities			
Purchase of investment securities		**(2,885)**	(1,202)
Proceeds from sales and maturity of investment securities		**2,757**	1,557
Additions to property, plant and equipment		**(25)**	(16)
Disposal of property, plant and equipment		**–**	2
Additions to intangible assets		**(94)**	(86)
Disposal of associated undertaking		**–**	2
Dividends received from associated undertakings	24	**10**	10
Net cash (outflow)/inflow from investing activities		**(237)**	267
Cash flows from financing activities			
Dividends paid on ordinary shares	16	**(461)**	(326)
Repayment of lease liabilities	25	**(33)**	–
Distribution paid on other equity interests	16	**(18)**	(18)
Net cash outflow from financing activities		**(512)**	(344)
Change in cash and cash equivalents		**2,713**	2,130
Opening cash and cash equivalents		**7,246**	7,058
Effect of exchange translation adjustments		**(7)**	15
Closing cash and cash equivalents	42	**9,952**	9,203

Condensed consolidated statement of changes in equity *(unaudited)*

for the half-year ended 30 June 2019

	Attributable to equity holders of parent										
	Share capital	Other equity interests	Capital reserves	Merger reserves	Capital redemption reserves	Revaluation reserves	Investment securities reserves	Cash flow hedging reserves	Revenue reserves	Foreign currency translation reserves	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January 2019	1,696	494	1,133	(3,622)	14	14	676	285	13,763	(595)	13,858
Total comprehensive income for the period											
Profit for the period	–	–	–	–	–	–	–	–	361	–	361
Other comprehensive income *(note 14)*	–	–	–	–	–	–	(19)	265	(5)	(6)	235
Total comprehensive income for the period	–	–	–	–	–	–	(19)	265	356	(6)	596
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners of the Group											
Dividends paid on ordinary shares *(note 16)*	–	–	–	–	–	–	–	–	(461)	–	(461)
Distributions on other equity interests *(note 16)*	–	–	–	–	–	–	–	–	(18)	–	(18)
Total contributions by and distributions to owners of the Group	–	–	–	–	–	–	–	–	(479)	–	(479)
At 30 June 2019	1,696	494	1,133	(3,622)	14	14	657	550	13,640	(601)	13,975

Condensed consolidated statement of changes in equity *(unaudited)*

for the half-year ended 30 June 2018

	Attributable to equity holders of parent											
	Share capital € m	Other equity interests € m	Capital reserves € m	Merger reserves € m	Capital redemp– tion reserves € m	Reval– uation reserves € m	Available for sale securities reserves € m	Invest– ment securities reserves € m	Cash flow hedging reserves € m	Revenue reserves € m	Foreign currency translation reserves € m	Total € m
At 31 December 2017	1,697	494	1,133	(3,622)	14	14	981	–	257	13,249	(605)	13,612
Impact of adopting IFRS 9 at 1 January 2018	–	–	–	–	–	–	(981)	965	–	(251)	–	(267)
Impact of adopting IFRS 15 at 1 January 2018	–	–	–	–	–	–	–	–	–	10	–	10
Restated balance at 1 January 2018	1,697	494	1,133	(3,622)	14	14	–	965	257	13,008	(605)	13,355
Total comprehensive income for the period												
Profit for the period	–	–	–	–	–	–	–	–	–	650	–	650
Other comprehensive income *(note 14)*	–	–	–	–	–	–	–	(151)	5	50	1	(95)
Total comprehensive income for the period	–	–	–	–	–	–	–	(151)	5	700	1	555
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners of the Group												
Dividends paid on ordinary shares *(note 16)*	–	–	–	–	–	–	–	–	–	(326)	–	(326)
Distributions on other equity interests *(note 16)*	–	–	–	–	–	–	–	–	–	(18)	–	(18)
Total contributions by and distributions to owners of the Group	–	–	–	–	–	–	–	–	–	(344)	–	(344)
At 30 June 2018	1,697	494	1,133	(3,622)	14	14	–	814	262	13,364	(604)	13,566

Condensed consolidated statement of changes in equity *(unaudited)*

for the financial year ended 31 December 2018

	Attributable to equity holders of parent											
	Share capital	Other equity interests	Capital reserves	Merger reserves	Capital redemp–tion reserves	Reval–uation reserves	Available for sale securities reserves	Invest–ment securities reserves	Cash flow hedging reserves	Revenue reserves	Foreign currency translation reserves	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 31 December 2017	1,697	494	1,133	(3,622)	14	14	981	–	257	13,249	(605)	13,612
Impact of adopting IFRS 9 at 1 January 2018	–	–	–	–	–	–	(981)	965	–	(251)	–	(267)
Impact of adopting IFRS 15 at 1 January 2018	–	–	–	–	–	–	–	–	–	10	–	10
Restated balance at 1 January 2018	1,697	494	1,133	(3,622)	14	14	–	965	257	13,008	(605)	13,355
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	–	–	1,092	–	1,092
Other comprehensive income	–	–	–	–	–	–	–	(289)	28	26	10	(225)
Total comprehensive income for the year	–	–	–	–	–	–	–	(289)	28	1,118	10	867
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners of the Group												
Dividends paid on ordinary shares	–	–	–	–	–	–	–	–	–	(326)	–	(326)
Distributions on other equity interests	–	–	–	–	–	–	–	–	–	(37)	–	(37)
Other movements	(1)	–	–	–	–	–	–	–	–	–	–	(1)
Total contributions by and distributions to owners of the Group	(1)	–	–	–	–	–	–	–	–	(363)	–	(364)
At 31 December 2018	1,696	494	1,133	(3,622)	14	14	–	676	285	13,763	(595)	13,858

1 Basis of preparation, accounting policies and estimates

Reporting entity

AIB Group plc ('the parent company' or 'the Company') is a company domiciled in Ireland. The address of the Company's registered office is Bankcentre, Ballsbridge, Dublin 4, Ireland. AIB Group plc is registered under the Companies Act 2014 as a public limited company under the company number 594283 and is the holding company of the Group.

The condensed consolidated interim financial statements for the six months ended 30 June 2019 comprise the parent company and its subsidiary undertakings, collectively referred to as 'AIB Group', and the Group's interests in associated undertakings.

Comparative information for the income statement, other than interest income and net credit impairment writeback, was previously reported in the Half-Yearly Financial Report 2018. € 12 million of income, relating to previously unrecognised interest income when a financial asset is no longer credit impaired or has been repaid in full (i.e. cured without financial loss), was originally reported in interest income but is now disclosed as 'recoveries of amounts previously written-off' within 'net credit impairment (charge)/writeback'.
This revised classification of such income was adopted for the full year financial statements in 2018 as set out on page 241 of the Annual Financial Report 2018 and hence a representation in June 2018 income statement was appropriate.

The consolidated financial statements of the Group for the year ended 31 December 2018 ('the Annual Financial Report 2018') are available upon request from the Company Secretary or at www.aibgroup.com.

Going concern

The financial statements for the six months ended 30 June 2019 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Group, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is 12 months from the date of approval of these half-yearly financial statements.

Accounting policies

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These statements should be read in conjunction with the Annual Financial Report 2018, which was prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively "IFRS") as adopted by the European Union ("EU"). The condensed consolidated interim financial statements comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, and the condensed consolidated statement of changes in equity together with the related notes. These notes include certain risk related disclosures which are contained in the Risk management section of the Half-Yearly Financial Report. The relevant information in the Risk management section is identified as forming an integral part of the condensed consolidated interim financial statements.

First time adoption of new accounting standards

The accounting policies described on pages 234 to 259 in the Annual Financial Report 2018 have remained unchanged apart from accounting policy (o) 'Leases' which now reflects the requirements of IFRS 16.

The new accounting policy arising from the adoption of IFRS 16 that the Group applied in the preparation of the interim financial statements and which it expects to apply for the year ended 31 December 2019 is set out below.

The effective date for IFRS 16 was 1 January 2019 and was adopted by the Group on that date. The Group is applying this standard using the modified retrospective approach. Therefore, the comparative financial information for 2018 is not being restated as allowed in IFRS 16 paragraph C7 and continues to be reported under IAS 17. Accordingly, accounting policy (o) 'Leases' as set out in the Annual Financial Report 2018 applies for comparative information.

The total impact of IFRS 16 over the life of a lease will be neutral on the income statement, however, its implementation will result in a higher charge in the earlier years following implementation with a lower charge in later years. This impact is not material in the six months to 30 June 2019.

Further details on the impact of adopting IFRS 16 are set out in note 2 to these financial statements.

1 Basis of preparation, accounting policies and estimates *(continued)*

Accounting policy – Leases

Lessee

Leases are recognised, measured and presented in line with IFRS 16 *Leases*.

Identifying a lease

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

This policy is applied to all of its contracts that meet the definition of a lease.

The Group has elected to apply the practical expedient to account for each lease component and any non-lease component as a single lease component.

Lease term

The lease term comprises the non-cancellable period of the lease contract for which the Group has the right to use an underlying asset together with:

– periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
– periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

Recognition

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases except for short-term leases of 12 months or less or leases where the underlying asset is of low value i.e. the value of the underlying asset, when new, is less than € 5,000/£ 5,000. The commencement date is the date on which a lessor makes an underlying asset available for use by the Group.

Initial measurement of right-of-use asset

Right-of-use assets are initially measured at cost, which comprises:

– the amount of the initial measurement of the lease liability;
– any lease payments made at or before the commencement date, less any lease incentives;
– any initial direct costs incurred by the Group; and
– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets or restoring the site on which the assets are located.

The Group provides for dilapidations/restoration costs where it has been identified or planned that it intends on exiting the premises, and/or where it has completed extensive modifications. The Group recognises asset restoration obligations mainly in relation to leased head office locations and branches and any other space which would need to be restored to their previous condition when the lease ends. Asset restoration obligations are capitalised as part of the cost of right-of-use assets and depreciated over the asset's estimated useful life on a straight-line basis.

Subsequent measurement of right-of-use asset

After the commencement date, a right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. The Group applies IAS 36 *Impairment of Assets* as set out in the Group's accounting policy (y) 'Impairment of property, plant and equipment, goodwill and intangible assets' to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term on a straight-line basis. When determining the relevant time period to calculate depreciation, the Group uses the lease term as determined in the initial recognition calculation.

1 Basis of preparation, accounting policies and estimates *(continued)*

Initial measurement of lease liability

The lease liability is initially measured at the present value of the lease payments that are payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable by the Group under a residual value guarantee;
– the exercise price of a purchase option if the Group is reasonably certain to exercise;
– lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
– payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Lease payments exclude variable elements which are dependent on external factors, e.g. payments that are based on transaction volume/usage. Variable lease payments that are not included in the initial measurement of the lease liability are recognised directly in the income statement.

VAT payments are not included in the calculation of the lease liability. These are expensed to the income statement when incurred and are included within 'General and administrative expenses'.

Where a lease agreement contains a clause to restore the asset to a specified condition i.e. restoration/dilapidation costs, the Group recognises a provision for a restoration costs under IAS 37 in its statement of financial position under 'Provisions for liabilities and commitments'.

Subsequent measurement of lease liability

After the commencement date, the Group measures the lease liability by:
– increasing the carrying amount to reflect interest on the lease liability;
– reducing the carrying amount to reflect lease payments made; and
– re-measuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to Nil.

Lease modifications

Lease modifications arise from changes to the underlying contract between the Group and the lessor. The accounting for the modification is dependent on whether the modification is considered a separate lease or not.

A lease modification is accounted for as a separate lease if both the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope. If both criteria are met, the Group adopts the accounting policy on the initial recognition and measurement of lease liabilities and right-of-use assets.

If a lease modification fails the test above or the modification is of any other type (e.g. a decrease in scope from the original contract), the Group must modify the initially recognised components of the lease contract.

1 Basis of preparation, accounting policies and estimates *(continued)*

The accounting treatment required for lease modifications that are not accounted for as separate leases is as follows:

Decrease in scope:

(a) Remeasure lease liability using revised discount rate*;
(b) Decrease right-of-use asset by its relative scope compared to the original lease; and
(c) Difference between (a) and (b) recognised as gain or loss in the income statement in 'Profit on disposal of leases'.

All other lease modifications:

(a) Remeasure lease liability using the revised discount rate*; and
(b) Remeasure right-of-use asset by same amount.

* The interest rate implicit in the lease for the remainder of the lease term is used. If this cannot be readily determined, the incremental borrowing rate at the effective date of the modification is used.

Sublease accounting

Where the Group sub-leases an asset (intermediate lessor) which it has leased from another lessor (the 'head lessor' who ultimately owns the asset from a legal perspective), the Group, assesses whether the sub-lease is a finance or operating lease in the context of the right-of-use asset being leased, not the actual underlying asset.

Statement of financial position

The Group presents right-of-use assets in 'Property, plant and equipment' and lease liabilities as a separate line item in the statement of financial position.

Practical expedients

The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases i.e. leases that have a lease term of 12 months or less and for leases of low-value assets (i.e. leases where the value of the underlying asset when new is less than € 5,000/£ 5,000). The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term. The election to adopt the recognition exemption for short-term leases is made by class of underlying asset to which the right of use relates.

The Group has elected to apply the practical expedient, as allowed by IFRS 16, to apply the Standard to a portfolio of leases with similar characteristics when it expects that the effects on the financial statements of applying the Standard to the portfolio would not differ materially from applying this Standard to the individual leases within the portfolio. The Group has applied the portfolio approach to its leases of motor vehicles and the spaces in which its offsite ATMs are located. On this basis, the Group has made estimates and assumptions that reflect the size and composition of the portfolio.

1 Basis of preparation, accounting policies and estimates *(continued)*

Critical accounting judgements and estimates

The preparation of the interim financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since Management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. The estimates that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in the areas of expected credit losses on financial instruments; the recoverability of deferred tax; determination of the fair value of certain financial assets and financial liabilities; retirement benefit obligations; and provisions for liabilities and commitments.

Critical accounting judgements and estimates adopted by AIB Group are set out on pages 262 to 266 of the Annual Financial Report 2018 and remain appropriate as at 30 June 2019.

Prospective accounting changes

Information on prospective accounting changes is set out on pages 259 to 261 of the Annual Financial Report 2018. In relation to these changes, IFRS 16 *Leases* is effective for accounting periods beginning 1 January 2019 as noted above.

There are no standards that are not yet effective that would be expected to have a material impact on the Group in future reporting periods.

Statement of compliance

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

The interim figures for the six months ended 30 June 2019 are unaudited but have been reviewed by the independent auditor, Deloitte Ireland LLP, whose report is set out on page 132. The financial information presented herein does not amount to statutory financial statements. The Half-Yearly Financial Report is a requirement of the Transparency (Directive 2004/109/EC) Regulations 2007.

The summary financial statements for the financial year ended 31 December 2018 as presented in the condensed consolidated interim financial statements, represent an abbreviated version of the Group's full accounts for that year, on which the independent auditor, Deloitte Ireland LLP, issued an unqualified audit report and which are not annexed to these interim financial statements. The financial statements for the financial year ended 31 December 2018 have been filed in the Companies Registration Office.

2 Transition to IFRS 16

(a) Summary

On 1 January 2019, the Group implemented the requirements of IFRS 16 *Leases*, a new accounting standard which replaced IAS 17 *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained.

Details of the Group's accounting policy for lessee accounting are set out on page 84 in note 1 to these financial statements.

The information set out in this note provides details relevant to understanding the impact of IFRS 16 on the Group's financial position at 1 January 2019.

(b) Principal impacts of IFRS 16

The Group transitioned to IFRS 16 in accordance with the modified retrospective approach, and accordingly, the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

As a lessee

On initial application of IFRS 16 for operating leases, right-of-use assets were generally measured at the amount of the lease liability, using the Group's incremental borrowing rate at the time of initial application. The weighted average rate applied was c. 3.0%. For the measurement of the right-of-use assets at the date of initial application, initial direct costs were not taken into account in accordance with IFRS 16 C10 (d).

The Group elected to apply the practical expedient that allows a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics and a similar remaining lease term. The Group applied single discount rates to its leases of motor vehicles and its leases of ATM locations.

The Group also elected to apply the practical expedient where the lease term ends within 12 months of the date of initial application to account for such leases as short-term leases with the associated lease payments being recognised as an expense for short-term leases.

In addition, the Group elected to apply the practical expedient that allows an entity to rely on its assessment of whether leases were onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review. This resulted in right-of-use assets being reduced by € 3 million on initial application (note 34).

Contracts that qualified as leases as defined by IFRS 16 related primarily to property, motor vehicles and ATM locations. On initial application of IFRS 16, the Group recognised assets and liabilities for its leases previously classified as operating leases under IAS 17, resulting in an increase in total assets under property, plant and equipment and total liabilities at 1 January 2019. On transition to IFRS 16, the principal impacts were the recognition of right-of-use assets of € 479 million (includes € 12 million for future dilapidation provisions (note 34)) and lease liabilities of € 465 million.

Comparative data in these financial statements has been prepared under IAS 17 *Leases* as allowed in IFRS 16.

As a lessor

The Group was not required to make any adjustment on transition to IFRS 16 for leases where it is a lessor, except for subleases.

At the date of initial application, the Group reassessed subleases that were classified as operating leases under IAS 17 to determine whether these should be reclassified under IFRS 16. The Group concluded that the subleases in existence require classification as finance leases under IFRS 16 and as a result € 4 million was recognised as finance leases in 'Other assets'.

2 Transition to IFRS 16 *(continued)*

(c) Financial statement impacts at 1 January 2019

Opening statement of financial position

The following table reconciles the statement of financial position under IAS 17 at 31 December 2018 to that under IFRS 16 at 1 January 2019.

	31 December 2018 (IAS 17) € m	IFRS 16 impact € m	1 January 2019 (IFRS 16) € m
Assets			
Cash and balances at central banks	6,516	–	6,516
Items in course of collection	73	–	73
Disposal groups and non-current assets held for sale	10	–	10
Trading portfolio financial assets	–	–	–
Derivative financial instruments	900	–	900
Loans and advances to banks	1,443	–	1,443
Loans and advances to customers	60,868	–	60,868
Investment securities	16,861	–	16,861
Interests in associated undertakings	90	–	90
Intangible assets	682	–	682
Property, plant and equipment[(1)]	330	479	809
Other assets	356	4	360
Current taxation	10	–	10
Deferred tax assets	2,702	–	2,702
Prepayments and accrued income	454	(9)	445
Retirement benefit assets	241	–	241
Total assets	91,536	474	92,010
Liabilities			
Deposits by central banks and banks	844	–	844
Customer accounts	67,699	–	67,699
Lease liabilities	–	465	465
Derivative financial instruments	934	–	934
Debt securities in issue	5,745	–	5,745
Current taxation	74	–	74
Deferred tax liabilities	107	–	107
Retirement benefit liabilities	49	–	49
Other liabilities	887	–	887
Accruals and deferred income	325	–	325
Provisions for liabilities and commitments[(2)]	219	9	228
Subordinated liabilities and other capital instruments	795	–	795
Total liabilities	77,678	474	78,152
Total equity	13,858	–	13,858
Total liabilities and equity	91,536	474	92,010

[(1)]Right-of-use assets include provisions for future dilapidations amounting to € 12 million and are net of impairment provisions of € 3 million (previously reported as onerous contracts).

[(2)]Provisions for future dilapidations of € 12 million offset by a transfer of onerous lease provisions of € 3 million to right-of-use assets.

(d) Reconciliation of operating lease obligations

The following table reconciles the Group's operating lease obligations at 31 December 2018, as previously disclosed in the consolidated financial statements, to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019:

	2019 € m
Operating lease commitments at 31 December 2018	405
Extension options reasonably certain to be exercised – gross	157
	562
Discounting effect – using the incremental borrowing rate at 1 January 2019	(95)
Recognition exemption for short-term/other	(2)
Lease obligations recognised at 1 January 2019	465

3 Segmental information

Segment overview

A new operating model was introduced in January 2019, with the creation of three 'vertical' business units that are responsible for the development of end-to-end customer strategy and propositions for our homes, business and consumer customers. The UK continues to operate on a stand-alone basis at a customer level.

As a result of these changes, performance is now reported across Retail, Corporate Institutional & Business Banking (CIB), AIB (UK) and Group segments. The attribution of costs by segment has also been amended to reflect the revised operating model. In addition, the Group has revised the methodology used to allocate funding and liquidity income/charges by segment. Figures for the prior period have been restated on a comparative basis.

Retail

Retail comprises of Homes, Consumer and Financial Solutions Group (FSG):

- Homes is responsible for meeting the homes needs of customers in the Republic of Ireland across the AIB, EBS and Haven brands. It delivers sustainable growth in our core mortgages business with a culture of agility and innovation and will transform over time into a full homes customer centric ecosystem;
- Consumer is focused on defining and delivering innovative and differentiated products, propositions and services to meet our customers' everyday banking needs through an extensive range of physical and digital channels. Its core purpose is to achieve a seamless, transparent and simple customer experience in all of its propositions across current accounts, personal and SME lending, payments and credit cards, deposits, insurance and wealth to maintain and grow our market leading position; and
- FSG is a standalone dedicated work out unit to which the Group has migrated the management of the vast majority of its non-performing exposures (NPEs), predominantly consisting of homes and consumer products, with the objective of delivering the Group's NPE strategy to reduce NPEs in line with European norms.

Corporate Institutional & Business Banking (CIB)

CIB provides institutional, corporate and business banking services to the Group's larger customers and customers requiring specific sector or product expertise. CIB's relationship driven model serves customers through sector specialist teams including; Corporate Banking, Real Estate Finance, Business Banking, Energy, Climate Action & Infrastructure and Private Banking. In addition to traditional credit products, CIB offers customers foreign exchange and interest rate risk management products, cash management products, trade finance, mezzanine finance, structured and specialist finance, equity investments and also provides corporate finance advisory services. CIB also has a syndicated lending team based in Dublin and an office in New York.

AIB UK

AIB UK offers retail and business banking services in two distinct markets, a sector-led corporate and commercial bank supporting businesses in Great Britain ('AIB GB'), trading as Allied Irish Bank (GB), and a retail and business bank in Northern Ireland ('FTB'), trading as First Trust Bank. First Trust Bank will rebrand to AIB on a phased basis by the end of 2020.

Group

The Group segment comprises wholesale treasury activities, Group control and support functions. Treasury manages the Group's liquidity and funding positions and provides customer treasury services and economic research. The Group control and support functions include business and customer services, risk, audit, finance, legal and human resources.

Segment allocations

The segments performance statements include all income and directly related costs, excluding overheads which are managed centrally, the costs of which are included in the Group segment. Funding and liquidity charges are based on each segment's funding requirements and the Group's funding cost profile, which is informed by wholesale and retail funding costs. Income attributable to capital is allocated to segments based on each segment's capital requirement.

3 Segmental information *(continued)*

	Retail	CIB	AIB UK	Group	Total	Exceptional items[1]	Total
							Half-year 30 June 2019
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Operations by business segment							
Net interest income	628	225	135	62	1,050	–	1,050
Net fee and commission income*	161	37	31	1	230	–	230
Other	29	9	6	45	89	34	123
Other income	190	46	37	46	319	34[2]	353
Total operating income	818	271	172	108	1,369	34	1,403
Other operating expenses	(471)	(67)	(85)	(121)	(744)	(165)	(909)
Of which: Personnel expenses	*(223)*	*(49)*	*(50)*	*(71)*	*(393)*	*(11)*[3]-[5]	*(404)*
General and administrative expenses	*(173)*	*(14)*	*(28)*	*(28)*	*(243)*	*(145)*[4]-[7]	*(388)*
Depreciation, impairment and amortisation	*(75)*	*(4)*	*(7)*	*(22)*	*(108)*	*(9)*[6]	*(117)*
Bank levies and regulatory fees	(1)	–	–	(57)	(58)	–	(58)
Total operating expenses	(472)	(67)	(85)	(178)	(802)	(165)	(967)
Operating profit/(loss) before impairments losses	346	204	87	(70)	567	(131)	436
Net credit impairment (charge)/writeback	22	(10)	(21)	–	(9)	–	(9)
Operating profit/(loss)	368	194	66	(70)	558	(131)	427
Associated undertakings	8	(1)	2	–	9	–	9
Profit/(loss) before taxation from continuing operations	376	193	68	(70)	567	(131)	436

[1]Exceptional and one-off items are shown separately above. These are items that Management view as distorting comparability of performance from period to period. Exceptional items include:

[2]Gain on disposal of loan portfolios;
[3]Termination benefits;
[4]Restitution costs;
[5]Property strategy costs;
[6]Restructuring costs; and
[7]Provision for regulatory fines.

***Analysis of net fee and commission income**	Retail € m	CIB € m	AIB UK € m	Group € m	Total € m
					Half-year 30 June 2019
Retail banking customer fees	126	14	17	9	166
Foreign exchange fees	19	10	6	1	36
Credit related fees	6	9	11	–	26
Other fees and commissions	30	5	–	(7)	28
Fee and commission income	181	38	34	3	256
Fee and commission expense	(20)	(1)	(3)	(2)	(26)
	161	37	31	1	230

Further information on 'Net fee and commission income' is set out in note 7.

3 Segmental information *(continued)*

	Retail € m	CIB € m	AIB UK € m	Group € m	Total € m	Exceptional items[1] € m	Total € m
							Half-year 30 June 2018
Operations by business segment							
Net interest income	682	181	125	61	1,049	–	1,049
Net fee and commission income*	159	28	26	4	217	–	217
Other	37	15	(4)	57	105	140	245
Other income	196	43	22	61	322	140[2]	462
Total operating income	878	224	147	122	1,371	140	1,511
Other operating expenses	(439)	(61)	(78)	(124)	(702)	(154)	(856)
Of which: Personnel expenses	*(213)*	*(43)*	*(46)*	*(62)*	*(364)*	*(14)*[3][4]	*(378)*
General and administrative expenses	*(174)*	*(17)*	*(29)*	*(49)*	*(269)*	*(140)*[4]-[7]	*(409)*
Depreciation, impairment and amortisation	*(52)*	*(1)*	*(3)*	*(13)*	*(69)*	–	*(69)*
Bank levies and regulatory fees	(1)	–	–	(39)	(40)	–	(40)
Total operating expenses	(440)	(61)	(78)	(163)	(742)	(154)	(896)
Operating profit/(loss) before impairments losses	438	163	69	(41)	629	(14)	615
Net credit impairment writeback/(charge)	169	(12)	(16)	1	142	–	142
Operating profit/(loss)	607	151	53	(40)	771	(14)	757
Associated undertakings	3	–	1	–	4	–	4
Profit on disposal of property	–	–	1	–	1	–	1
Profit/(loss) before taxation from continuing operations	610	151	55	(40)	776	(14)	762

[1]Exceptional and one-off items are shown separately above. These are items that Management view as distorting comparability of performance from period to period. Exceptional items include:

[2]Gain on disposal of loan portfolios;
[3]Termination benefits;
[4]Restitution costs;
[5]Property strategy costs;
[6]Restructuring costs; and
[7]IFRS 9 and associated regulatory costs.

***Analysis of net fee and commission income**	Retail € m	CIB € m	AIB UK € m	Group € m	Total € m
					Half-year 30 June 2018
Retail banking customer fees	121	8	19	10	158
Foreign exchange fees	18	10	5	2	35
Credit related fees	7	7	5	–	19
Other fees and commissions	33	4	–	(6)	31
Fee and commission income	179	29	29	6	243
Fee and commission expense	(20)	(1)	(3)	(2)	(26)
	159	28	26	4	217

Further information on 'Net fee and commission income' is set out in note 7.

3 Segmental information *(continued)*

Other amounts – statement of financial position

	Retail € m	CIB € m	AIB UK € m	Group € m	Total € m
					30 June 2019
Loans and advances to customers:					
– measured at amortised cost	**36,278**	**15,801**	**8,631**	**244**	**60,954**
– measured at FVTPL	**50**	**77**	**–**	**–**	**127**
Total loans and advances to customers	**36,328**	**15,878**	**8,631**	**244**	**61,081**
Customer accounts	**47,053**	**11,162**	**9,732**	**1,577**	**69,524**

	Retail € m	CIB € m	AIB UK € m	Group € m	Total € m
					31 December 2018
Loans and advances to customers:					
– measured at amortised cost	37,258	15,060	8,303	100	60,721
– measured at FVTPL	50	97	–	–	147
Total loans and advances to customers	37,308	15,157	8,303	100	60,868
Customer accounts	45,262	10,798	9,911	1,728	67,699

Geographic information – continuing operations[1][2]	**Republic of Ireland € m**	**United Kingdom € m**	**Rest of the World € m**	**Total € m**
				Half-year 30 June 2019
Gross external revenue	**1,121**	**261**	**21**	**1,403**
Inter-geographical segment revenue	**98**	**(77)**	**(21)**	**–**
Total revenue	**1,219**	**184**	**–**	**1,403**

Geographic information – continuing operations[1][2]	Republic of Ireland € m	United Kingdom € m	Rest of the World € m	Total € m
				Half-year 30 June 2018
Gross external revenue	1,359	149	3	1,511
Inter-geographical segment revenue	(7)	3	4	–
Total revenue	1,352	152	7	1,511

[1]The geographical distribution of total revenue is based primarily on the location of the office recording the transaction.
[2]For details of significant geographic concentrations, see the Risk management section.

Revenue from external customers comprises interest and similar income (note 4) and interest and similar expense (note 5), and all other items of income (notes 6 to 11).

Geographic information	**Republic of Ireland € m**	**United Kingdom € m**	**Rest of the World € m**	**Total € m**
				30 June 2019
Non-current assets[1]	**1,418**	**90**	**6**	**1,514**

Geographic information	Republic of Ireland € m	United Kingdom € m	Rest of the World € m	Total € m
				31 December 2018
Non-current assets[1]	951	60	1	1,012

[1]Non-current assets comprise intangible assets and property, plant and equipment.

4 Interest and similar income	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Interest on loans and advances to customers at amortised cost	1,020	1,000
Interest on loans and advances to banks at amortised cost	20	14
Interest on investment securities	106	113
	1,146	1,127
Negative interest on financial liabilities at amortised cost	9	18
Interest income calculated using the effective interest method	1,155	1,145
Interest income on finance leases and hire purchase contracts	37	34
Interest income on financial assets at FVTPL	1	4
Other interest income and similar income	38	38
Total interest and similar income	1,193	1,183

Interest income includes a credit of € 59 million (30 June 2018: a credit of € 84 million) transferred from other comprehensive income in respect of cash flow hedges and is included in 'Interest on loans and advances to customers'.

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

5 Interest and similar expense	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Interest on deposits by central banks and banks	7	14
Interest on customer accounts	68	81
Interest on lease liabilities	7	–
Interest on debt securities in issue	41	18
Interest on subordinated liabilities and other capital instruments	16	16
	139	129
Negative interest on financial assets at amortised cost	4	5
Interest expense calculated using the effective interest method	143	134

Interest expense includes a charge of € 18 million (30 June 2018: a charge of € 30 million) transferred from other comprehensive income in respect of cash flow hedges and is included within 'Interest on customer accounts'.

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

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

6 Dividend income	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
NAMA subordinated bonds at FVOCI	23	23
Equity investments at FVTPL	2	1
Total	25	24

7 Net fee and commission income

	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Retail banking customer fees	166	158
Foreign exchange fees	36	35
Credit related fees	26	19
Other fees and commissions[1]	28	31
Fee and commission income	**256**	243
Fee and commission expense[2]	**(26)**	(26)
	230	217

[1]Includes insurance commissions € 10 million, wealth commissions € 12 million and other commissions € 6 million at 30 June 2019 (30 June 2018: € 12 million, € 12 million and € 7 million respectively). Following a reclassification of income within 'Net fee and commission income', income in the half-year 2018 of € 19 million in 'Retail banking customer fees' is represented as 'Other fees and commissions'.

[2]Fee and commission expense includes credit card commissions of € 20 million (30 June 2018: € 17 million) and ATM expenses of € 2 million (30 June 2018: € 3 million), both of which relate to 'Retail banking customer fees'. This also includes € 4 million (30 June 2018: € 6 million) relating to 'Other fees and commissions'.

Fees and commissions which are an integral part of the effective interest rate are recognised as part of interest and similar income (note 4) or interest and similar expense (note 5).

8 Net trading (loss)/income

	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Foreign exchange contracts	(15)	(7)
Interest rate contracts and debt securities[1]	8	20
Credit derivative contracts	(8)	1
Equity investments, index contracts and warrants[2]	(33)	(13)
	(48)	1

[1]Includes a gain of € 5 million (30 June 2018: a gain of € 6 million) in relation to XVA adjustments. (For further information on XVA, see page 341 of the Annual Financial Report 2018).

[2]Includes loss amounting to € 33 million on a total return swap, which is hedging equities measured at FVTPL (30 June 2018: loss of € 14 million).

The total hedging ineffectiveness on cash flow hedges reflected in the condensed consolidated income statement amounted to Nil (30 June 2018: Nil).

9 Net gain on other financial assets measured at FVTPL

	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Loans and advances to customers[1]	48	61
Investment securities – equity[2]	44	31
Total	**92**	92

[1]Excludes interest income *(note 4)*.

[2]Includes unrealised gain of € 35 million on equities hedged by a trading total return swap (30 June 2018: € 19 million).

10 Net gain on derecognition of financial assets measured at amortised cost

	Half-year 30 June 2019			
	Carrying value at derecognition € m	Gain on derecognition € m	Loss on derecognition € m	Net gain on derecognition € m
Loans and advances to customers	**738**	**187**[1]	**(173)**[1]	**14**

	Half-year 30 June 2018			
	Carrying value at derecognition € m	Gain on derecognition € m	Loss on derecognition € m	Net gain on derecognition € m
Loans and advances to customers	613	197[1]	(85)[1]	112

[1]Gain and loss on derecognition have been computed at a customer connection level.

The net gain on derecognition arose from the disposal of loans and advances to customers

11 Other operating income

	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Gain on disposal of investment securities at FVOCI – debt	**73**	24
Loss on termination of hedging swaps[1]	**(34)**	(8)
Miscellaneous operating income	**1**	–
	40	16

[1]The majority of the loss on termination of hedging swaps relates to the disposal of investment securities at FVOCI – debt.

12 Operating expenses

	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Personnel expenses:		
Wages and salaries	**310**	289
Termination benefits[1]	**7**	9
Retirement benefits[2]	**55**	49
Social security costs	**35**	32
Other personnel expenses[3]	**9**	10
Total personnel expenses	**416**	389
Staff costs capitalised[4]	**(12)**	(11)
Personnel expenses	**404**	378
General and administrative expenses	**388**	409
Bank levies and regulatory fees[5]	**58**	40
Operating expenses	**850**	827

[1]For the half-year to 30 June 2019, a charge of € 7 million (30 June 2018: a charge of € 9 million) was made to the income statement in respect of termination benefits arising from the voluntary severance programme in operation in the Group.

[2]Comprises a charge of € 11 million in relation to defined benefit expense (30 June 2018: a charge of € 7 million), a defined contribution charge of € 40 million (30 June 2018: a charge of € 38 million) and a long-term disability payments charge of € 4 million (30 June 2018: a charge of € 4 million). For details of retirement benefits, see note 28.

[3]Other personnel expenses include staff training, recruitment and various other staff costs.

[4]Staff costs capitalised relate to intangible assets.

[5]Includes € 10 million relating to supervisory fees. These fees were previously included in 'General and administrative expenses'. June 2018 has been represented to report € 9 million in supervisory fees within 'Bank levies and regulatory fees'.

13 Net credit impairment (charge)/writeback

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

Credit impairment (charge)/writeback on financial instruments	Half-year 30 June 2019 Measured at amortised cost € m	Half-year 30 June 2019 Measured at FVOCI € m	Half-year 30 June 2019 Total € m	Half-year 30 June 2018 Measured at amortised cost € m	Half-year 30 June 2018 Measured at FVOCI € m	Half-year 30 June 2018 Total € m
Net remeasurement of ECL allowance						
Loans and advances to banks	–	–	–	1	–	1
Loans and advances to customers	(66)	–	(66)	110	–	110
Loan commitments	–	–	–	(9)	–	(9)
Financial guarantee contracts	10	–	10	(1)	–	(1)
Investment securities – debt	–	–	–	–	–	–
Credit impairment (charge)/writeback	**(56)**	**–**	**(56)**	101	–	101
Recoveries of amounts previously written-off	47	–	47	41	–	41
Net credit impairment (charge)/writeback	**(9)**	**–**	**(9)**	142	–	142

14 Taxation

	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
AIB Group plc and subsidiaries		
Corporation tax in Republic of Ireland		
Current tax on income for the period	(15)	(5)
Adjustments in respect of prior periods	–	–
	(15)	(5)
Foreign tax		
Current tax on income for the period	(15)	(9)
Adjustments in respect of prior periods	–	–
	(15)	(9)
	(30)	(14)
Deferred taxation		
Origination and reversal of temporary differences	(17)	(12)
Adjustments in respect of prior periods	–	(2)
Reduction in carrying value of deferred tax assets in respect of carried forward losses	(28)	(84)
	(45)	(98)
Total tax charge for the period	**(75)**	(112)
Effective tax rate	**17.2%**	14.7%

14 Taxation *(continued)*

Analysis of selected other comprehensive income

	Half-year 30 June 2019			Half-year 30 June 2018		
Continuing operations	**Gross €m**	**Tax €m**	**Net €m**	Gross €m	Tax €m	Net €m
Retirement benefit schemes						
Actuarial (losses)/gains in retirement benefit schemes	**(5)**	**–**	**(5)**	65	(15)	50
Total	**(5)**	**–**	**(5)**	65	(15)	50
Foreign currency translation reserves						
Change in foreign currency translation reserves	**(6)**	**–**	**(6)**	1	–	1
Total	**(6)**	**–**	**(6)**	1	–	1
Cash flow hedging reserves						
Amounts reclassified from cash flow hedging reserves to the income statement as a reclassification adjustment:						
– *amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur*	**–**	**–**	**–**	–	–	–
– *amounts that have been transferred because the hedged item has affected the income statement*	**(41)**	**5**	**(36)**	(54)	7	(47)
Hedging gains recognised in other comprehensive income	**344**	**(43)**	**301**	60	(8)	52
Total	**303**	**(38)**	**265**	6	(1)	5
Investment debt securities at FVOCI reserves						
Fair value (gains) transferred to income statement	**(73)**	**9**	**(64)**	(24)	3	(21)
Fair value gains/(losses) recognised in other comprehensive income	**68**	**(8)**	**60**	(144)	18	(126)
Total	**(5)**	**1**	**(4)**	(168)	21	(147)
Investment equity securities measured at FVOCI reserves						
Fair value (losses) recognised in other comprehensive income	**(17)**	**2**	**(15)**	(4)	–	(4)
Total	**(17)**	**2**	**(15)**	(4)	–	(4)

15 Earnings per share

The calculation of basic earnings per unit of ordinary shares is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue, excluding own shares held.

The diluted earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue, excluding own shares held, adjusted for the effect of dilutive potential ordinary shares.

(a) Basic	**Half-year 30 June 2019 € m**	Half-year 30 June 2018 € m
Profit attributable to equity holders of the parent from continuing operations	**361**	650
Distributions on other equity interests *(note 16)*	**(18)**	(18)
Profit attributable to ordinary shareholders of the parent from continuing operations	**343**	632
	Number of shares (millions)	
Weighted average number of ordinary shares in issue during the period	**2,714.4**	2,714.4
Earnings per share from continuing operations – basic	**EUR 12.6c**	EUR 23.3c

(b) Diluted	**Half-year 30 June 2019 € m**	Half-year 30 June 2018 € m
Profit attributable to ordinary shareholders of the parent from continuing operations (note 15 (a))	**343**	632
	Number of shares (millions)	
Weighted average number of ordinary shares in issue during the period	**2,714.4**	2,714.4
Potential weighted average number of shares	**2,714.4**	2,714.4
Earnings per share from continuing operations – diluted	**EUR 12.6c**	EUR 23.3c

The ordinary shares are included in the weighted average number of shares on a time apportioned basis.

Warrants

The Group issued warrants in 2017 to the Minister for Finance to subscribe for 271,166,685 ordinary shares of AIB Group plc.

The warrants are exercisable during the period commencing 27 June 2018 and ending 27 June 2027. These warrants were not included in calculating the diluted earnings per share as they were antidilutive (see note 42 to the consolidated financial statements in the Annual Financial Report 2018 for further details).

16 Distributions on equity shares and other equity interests	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Ordinary shares – dividends paid	**461**	326
Other equity interests – distributions	**18**	18

Final dividends are not accounted for until they have been approved at the Annual General Meeting of shareholders or in the case of the interim dividend, when they become irrevocable having already been approved for payment by the Board of Directors. The interim dividend may be cancelled at any time prior to the actual payment.

On 24 April 2019, a final dividend of € 0.17 per ordinary share, amounting in total to € 461 million (2018: € 326 million), was approved at the Annual General Meeting of AIB Group plc and subsequently paid on 3 May 2019.

Distributions amounting to € 18 million were paid on the Additional Tier 1 Securities (30 June 2018: € 18 million).

17 Disposal groups and non-current assets held for sale	30 June 2019 € m	31 December 2018 € m
Property and non-financial assets held for sale[1]	**13**	10
Total disposal groups and non-current assets held for sale	**13**	10

[1]Includes property surplus to requirements and repossessed assets.

18 Trading portfolio financial assets	30 June 2019 € m	31 December 2018 € m
Investment debt securities	**1**	–
	1	–

19 Derivative financial instruments

The following table presents the notional principal amount of interest rate, exchange rate, equity and credit derivative contracts together with the positive and negative fair values attaching to those contracts:

	30 June 2019 € m	31 December 2018 € m
Interest rate contracts[1]		
Notional principal amount	47,031	44,488
Positive fair value	1,320	848
Negative fair value	(1,084)	(901)
Exchange rate contracts[1]		
Notional principal amount	5,139	4,369
Positive fair value	81	38
Negative fair value	(26)	(24)
Equity contracts[1]		
Notional principal amount	378	479
Positive fair value	6	14
Negative fair value	(14)	(5)
Credit derivatives[1]		
Notional principal amount	380	355
Positive fair value	1	–
Negative fair value	(11)	(4)
Total notional principal amount	52,928	49,691
Total positive fair value[2]	1,408	900
Total negative fair value	(1,135)	(934)

[1]Interest rate, exchange rate, equity and credit derivative contracts are entered into for both hedging and trading purposes.
[2]At 30 June 2019, 32% of fair value relates to exposures to banks (31 December 2018: 39%).

The Group uses the same credit control and risk management policies in undertaking all off-balance sheet commitments as it does for on-balance sheet lending including counterparty credit approval, limit setting and monitoring procedures. In addition, derivative instruments are subject to the market risk policy and control framework as described in the Risk management section of the Annual Financial Report 2018. There have been no significant changes to the Group's derivative activity as set out in note 24 to the consolidated financial statements in the Annual Financial Report 2018.

20 Loans and advances to banks

	30 June 2019 € m	31 December 2018 € m
At amortised cost		
Funds placed with central banks	449	589
Funds placed with other banks	837	854
ECL allowance	–	–
	837	854
Total loans and advances to banks	1,286	1,443

Loans and advances to banks include cash collateral of € 573 million (31 December 2018: € 570 million) placed with derivative counterparties in relation to net derivative positions.

21 Loans and advances to customers	30 June 2019 € m	31 December 2018 € m
Amortised cost		
Loans and advances to customers	60,784	61,309
Reverse repurchase agreements	184	–
Amounts receivable under finance leases and hire purchase contracts	1,607	1,451
	62,575	62,760
ECL allowance	(1,621)	(2,039)
	60,954	60,721
Mandatorily at fair value through profit and loss		
Loans and advances to customers	127	147
Total loans and advances to customers	61,081	60,868
Of which repayable on demand or at short notice	3,762	4,647
Amounts include:		
Due from associated undertakings	20[1]	–

[1]Undrawn commitments amount to € 108 million and are less than one year.

Under reverse repurchase agreements, the Group has accepted collateral with a fair value of € 181 million that it is permitted to sell or repledge in the absence of default by the owner of the collateral. In addition, loans and advances to customers include cash collateral amounting to € 38 million (31 December 2018: € 79 million) placed with derivative counterparties.

For details of credit quality of loans and advances to customers, including forbearance, refer to the 'Risk management' section of this report.

22 ECL allowance on financial assets

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

	30 June 2019 € m	31 December 2018 € m
At 1 January	2,039	3,617
Exchange translation adjustments	(1)	(1)
Transfer in	–	14
Net remeasurement of ECL allowance – banks	–	(1)
Net remeasurement of ECL allowance – customers	66	(89)
Changes in ECL allowance due to write-offs	(135)	(1,029)
Changes in ECL allowance due to disposals	(348)	(472)
At end of period	1,621	2,039
Amounts include ECL allowance on:		
Loans and advances to banks measured at amortised cost	–	–
Loans and advances to customers measured at amortised cost	1,621	2,039
	1,621	2,039

23 Investment securities

The following table sets out the carrying value of investment securities by type and by measurement category:

	30 June 2019 € m	31 December 2018 € m
Debt securities at FVOCI		
Irish Government securities	6,234	6,282
Euro government securities	1,554	1,921
Non Euro government securities	159	158
Supranational banks and government agencies	924	1,132
Collateralised mortgage obligations	251	264
Other asset backed securities	98	103
Euro bank securities	5,208	5,007
Non Euro bank securities	1,137	815
Euro corporate securities	321	216
Non Euro corporate securities	85	48
Total debt securities at FVOCI	15,971	15,946
Debt securities at amortised cost		
Asset backed securities	373	187
Total debt securities at amortised cost	373	187
Equity securities		
Equity investments at FVOCI[1]	451	468
Equity investments at FVTPL	295	260
Total equity securities	746	728
Total investment securities	17,090	16,861

[1]Comprises NAMA subordinated bonds.

Credit impairment losses recognised in the income statement at 30 June 2019 amounted to Nil (31 December 2018: Nil).

24 Interests in associated undertakings

Included in the income statement is the contribution net of tax from investments in associated undertakings as follows:

Income statement	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Share of results of associated undertakings	9	4
	9[(1)]	4[(1)]

Share of net assets including goodwill	30 June 2019 € m	31 December 2018 € m
At 1 January	90	80
Income for the period	9	12
Dividends received from associated undertakings[(2)]	(10)	(10)
Investments in associated undertakings	–	10[(3)]
Disposals	–	(2)[(4)]
At end of period[(5)]	89	90
Disclosed in the statement of financial position within Interests in associated undertakings	89	90
Of which listed on a recognised stock exchange	–	–

[(1)]Includes AIB Merchant Services € 9 million (30 June 2018: € 4 million).

[(2)]Includes dividends received from AIB Merchant Services € 10 million (31 December 2018: € 10 million).

[(3)]During 2018, the Group invested € 10 million in Fulfil Holdings Limited (25% equity interest).

[(4)]In 2018, the Group realised its investment amounting to € 2 million in Aviva Undershaft Five Limited which was liquidated.

[(5)]This comprises the Group's investment in AIB Merchant Services and Fulfil Holdings Limited.

25 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	30 June 2019 € m	31 December 2018 € m
Property, plant and equipment – owned	334	330
Right-of-use assets – leased	475	–
Total	**809**	330

Right-of-use assets

At 1 January 2019, the Group implemented IFRS 16 resulting in a transitional adjustment to the right-of-use assets as set out below.

			30 June 2019
	Property € m	Other € m	Total € m
Cost			
At 31 December 2018	–	–	–
Transition to IFRS 16 at 1 January 2019[1]	473	6	479
Additions	25	–	25
At 30 June 2019	**498**	**6**	**504**
Depreciation			
At 31 December 2018	–	–	–
Transition to IFRS 16 at 1 January 2019	–	–	–
Depreciation charge for the period	28	1	29
At 30 June 2019	**28**	**1**	**29**
Net carrying value at 30 June 2019	**470**	**5**	**475**

[1]For details of the impact of adopting IFRS 16, see note 2.

Property leases

The Group leases property for its offices and retail branch outlets. The property lease portfolio consists of 204 leases, made up of 11 head office locations and 193 branch outlets, spread across the Group. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Both the head office property and retail branch lease terms are typically for a period of 10 to 20 years. Most of these leases carry statutory renewal rights, or include an option to renew the lease for an additional period after the end of the contract term. Where the Group is likely to exercise these options, this has been taken into account in determining the lease liability and likewise, the right-of-use asset.

Other leases

Motor vehicles leases

AIB Group leases motor vehicles mainly for its sales staff throughout the branch network. The average contract duration for motor vehicles is 4 years.

ATM offsite locations

The ATM leases are for locations for ATMs held offsite (outside of the branch network), in both the Republic of Ireland and Northern Ireland.

25 Property, plant and equipment *(continued)*

Lease liabilities

A maturity analysis of lease liabilities is shown in note 31.

Amounts recognised in income statement	30 June 2019 € m
Interest on lease liabilities (note 5)	7
Depreciation expense on right-of-use assets (note 25)	29
Expense relating to short term leases[1]	2

[1]Included in 'General and administrative expenses' in note 12.

Amounts recognised in statement of cash flows	30 June 2019 € m
Total cash outflow for leases during the period[1]	40

[1]Includes interest expense on lease liabilities of € 7 million and principal repayments on lease liabilities of € 33 million.

26 Other assets	30 June 2019 € m	31 December 2018 € m
Sale of debt securities awaiting settlement	183	–
Proceeds due on disposal of loan portfolio	46	13
Other[1]	258	343
Total	487	356

[1]Includes items in transit € 118 million and sundry debtors € 56 million (31 December 2018: Items in transit € 124 million and sundry debtors € 80 million).

27 Deferred taxation

Analysis of movements in deferred taxation	30 June 2019 € m	31 December 2018 € m
At 1 January	**2,595**	2,678
Exchange translation and other adjustments	**1**	–
Deferred tax through other comprehensive income	**(35)**	28
Income statement – Continuing operations *(note 14)*	**(45)**	(111)
At end of period	**2,516**	2,595
Analysed as to:		
Deferred tax assets	**2,866**	2,896
Deferred tax liabilities	**(350)**	(301)
	2,516	2,595
Represented on the statement of financial position:		
Deferred tax assets	**2,638**	2,702
Deferred tax liabilities	**(122)**	(107)
	2,516	2,595

At 30 June 2019, recognised deferred tax assets on tax losses and other temporary differences, net of deferred tax liabilities, totalled € 2,516 million (31 December 2018: € 2,595 million). The most significant tax losses arise in the Irish tax jurisdiction and their utilisation is dependent on future taxable profits.

Temporary differences recognised in other comprehensive income consist of deferred tax on financial assets at FVOCI, cash flow hedges and actuarial gains/losses on retirement benefit schemes. Temporary differences recognised in the income statement consist of provisions for expected credit losses on financial instruments, amortised income, assets leased to customers, and assets used in the course of the business.

Net deferred tax assets at 30 June 2019 of € 2,423 million (31 December 2018: € 2,489 million) are expected to be recovered after more than 12 months.

For the Group's principal UK subsidiary, the Group has concluded that the recognition of deferred tax assets be limited to the amount projected to be realised within a time period of 15 years. This is the timescale within which the Group believes that it can assess the likelihood of its profits arising as being more likely than not.

For certain other subsidiaries and branches, the Group has concluded that it is more likely than not that there will be insufficient profits to support full recognition of deferred tax assets.

The Group has not recognised deferred tax assets in respect of: Irish tax on unused tax losses at 30 June 2019 of € 122 million (31 December 2018: € 122 million); overseas tax (UK and USA) on unused tax losses of € 2,992 million (31 December 2018: € 3,015 million); and foreign tax credits for Irish tax purposes of € 13 million (31 December 2018: € 13 million). Of these tax losses totalling € 3,114 million for which no deferred tax is recognised: € 6 million expires in 2032; € 39 million in 2033; € 25 million in 2034; and € 5 million in 2035.

The aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates for which deferred tax liabilities have not been recognised amounted to Nil (31 December 2018: Nil).

Deferred tax recognised directly in equity amounted to Nil (31 December 2018: Nil).

Additional information on the basis of recognition of deferred tax assets on unused tax losses is included in note 2 'Critical accounting judgements and estimates' on pages 264 to 265 of the Annual Financial Report 2018.

28 Retirement benefits

The Group's accounting policy for retirement benefit obligations is set out on pages 242 and 243 in the Annual Financial Report 2018. All defined benefit schemes operated by the Group were closed to future accrual no later than 31 December 2013 and employees who were members of a defined benefit scheme (including hybrid arrangements) transferred to a defined contribution ("DC") scheme.

Defined contribution schemes

The total cost in respect of defined contribution schemes for the half-year ended 30 June 2019 was € 40 million (30 June 2018: € 38 million).

Defined benefit schemes

The Group's net pension surplus as at 30 June 2019 was € 199 million (31 December 2018: € 192 million), comprising retirement benefit assets of € 259 million (31 December 2018: € 241 million) and retirement benefit liabilities of € 60 million (31 December 2018: € 49 million).

Financial assumptions

The following table summarises the financial assumptions adopted in the preparation of these financial statements in respect of the main schemes for the half-year ended 30 June 2019 and the year ended 31 December 2018. The assumptions have been set based upon the advice of the Group's actuary.

Financial assumptions	30 June 2019 %	31 December 2018 %
Irish scheme		
Rate of increase of pensions in payment[(1)]	**0.00**	0.00
Discount rate	**1.45**	2.14
Inflation assumptions[(2)]	**0.95**	1.25
UK scheme		
Rate of increase of pensions in payment	**3.10**	3.20
Discount rate	**2.30**	2.90
Inflation assumptions (RPI)	**3.10**	3.20

[(1)]Having taken actuarial and external legal advice, the Board determined that the funding of discretionary increases in pensions in payment is a decision to be made by the Board annually. Accordingly, the long term rate of increases of pensions in payment is Nil.
[(2)]The inflation assumption applies to the revaluation of deferred members' benefits up to their retirement date.

The demographic assumptions for retirement benefit obligations are set out in note 34 to the consolidated financial statements in the Annual Financial Report 2018.

Increase in pensions in payment 2019

As disclosed in the Annual Financial Report 2018, the Group agreed in 2019 to provide a level of funding for increases in pensions in payment for 2019. The Trustees of certain Irish schemes awarded an increase in the range of 0.50% to 0.60% in respect of pensions eligible for discretionary pension increases. This resulted in a past service cost of € 12 million in the period.

Contributions

Contributions for the six months to 30 June 2019 amounted to € 23 million (30 June 2018: € 61 million) of which € 12 million related to the Irish scheme and € 11 million related to the UK scheme. The € 12 million contribution to the Irish scheme related to the funding of the increase in pensions in payment described above (30 June 2018: € 9 million). At 30 June 2019, contributions to the UK scheme from the asset backed funding arrangement in place amounted to € 11 million (30 June 2018: € 11 million). Further information on this asset backed funding arrangement is set out on page 336 of the Annual Financial Report 2018.

Valuations

Independent actuarial valuations for the AIB Group Irish Pension Scheme ('Irish scheme') and the AIB Group UK Pension Scheme ('UK scheme') are carried out on a triennial basis by the Schemes' actuary, Mercer. The most recent valuation of the Irish scheme was carried out at 30 June 2018 and reported the scheme to be in surplus and required no deficit funding at this time. The most recent valuation of the UK scheme was carried out at 31 December 2017. The Group and the Trustee have agreed payments under the asset backed funding arrangement referred to above.

28 Retirement benefits *(continued)*

Movement in defined benefit obligation and scheme assets

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

				30 June 2019				31 December 2018
	Defined benefit obligation € m	Fair value of scheme assets € m	Asset ceiling/ minimum funding[1] assets € m	Net defined benefit (liability) € m	Defined benefit obligation € m	Fair value of scheme assets € m	Asset ceiling/ minimum funding[1] assets € m	Net defined benefit (liability) € m
At 1 January	(5,323)	6,136	(621)	192	(5,694)	6,328	(538)	96
Included in profit or loss								
Past service cost	(12)	–		(12)	(12)[2]	–		(12)[2]
Settlement	3	(5)		(2)	–	–		–
Interest (cost) income	(60)	70	(7)	3	(120)	136	(11)	5
Administration costs	–	–		–	–	(1)		(1)
	(69)	65	(7)	(11)	(132)	135	(11)	(8)
Included in other comprehensive income								
Remeasurements gain/(loss):								
– Actuarial gain/(loss) arising from:								
– Experience adjustments	–	–		–	105	–		105
– Changes in demographic assumptions	–	–		–	6	–		6
– Changes in financial assumptions	(587)	–		(587)	145	–		145
– Return on scheme assets excluding interest income	–	463		463	–	(149)		(149)
– Asset ceiling/minimum funding adjustments			119	119			(72)	(72)
				(5)[3]				35[3]
Translation adjustment on non-euro schemes	4	(4)		–	6	(9)		(3)
	(583)	459	119	(5)	262	(158)	(72)	32
Other								
Contributions by employer	–	23		23	–	72		72
Benefits paid	111	(111)		–	241	(241)		–
	111	(88)		23	241	(169)		72
At end of period	(5,864)	6,572	(509)	199	(5,323)	6,136	(621)	192

	30 June 2019 € m	31 December 2018 € m
Recognised on the statement of financial position as:		
Retirement benefit assets		
UK scheme	252	232
Other schemes	7	9
Total retirement benefit assets	259	241
Retirement benefit liabilities		
Irish scheme	–	–
EBS schemes	(40)	(29)
Other schemes	(20)	(20)
Total retirement benefit liabilities	(60)	(49)
Net pension surplus	199	192

[1]In recognising the net surplus or deficit on a pension scheme, the funded status of each scheme is adjusted to reflect any minimum funding requirement and any ceiling on the amount that the sponsor has a right to recover from a scheme.

[2]In 2018, includes a charge of € 2 million relating to the equalisation of guaranteed minimum funding benefits in the UK Scheme.

[3]After tax € 5 million (31 December 2018: € 26 million) see page 98.

29 Deposits by central banks and banks

	30 June 2019 € m	31 December 2018 € m
Central banks		
Other borrowings – secured	279	279
– unsecured	175	175
	454	454
Banks		
Securities sold under agreements to repurchase	138	145
Other borrowings – unsecured	427	245
	565	390
	1,019	844
Amounts include:		
Due to associated undertakings	–	–

Securities sold under agreements to repurchase mature within six months and are secured by Irish Government bonds, other marketable securities and eligible assets. These agreements are completed under market standard Global Master Repurchase Agreements.

Deposits by central banks and banks include cash collateral at 30 June 2019 of € 378 million (31 December 2018: € 177 million) received from derivative counterparties in relation to net derivative positions and also from repurchase agreement counterparties.

Financial assets pledged

Financial assets pledged under existing agreements to repurchase, for secured borrowings, and providing access to future funding facilities with central banks and banks are detailed in the following table:

	30 June 2019			31 December 2018		
	Central banks € m	Banks € m	Total € m	Central banks € m	Banks € m	Total € m
Total carrying value of financial assets pledged	1,618	146	1,764	1,689	200	1,889
Of which:						
Government securities	–	60	60	–	107	107
Other securities[1]	1,618	86	1,704	1,689	93	1,782

[1]The Group has securitised certain of its mortgage and loan portfolios held in AIB Mortgage Bank and EBS and has also issued covered bonds. These securities, other than those issued to external investors, have been pledged as collateral in addition to other securities held by the Group.

30 Customer accounts

	30 June 2019 € m	31 December 2018 € m
Current accounts	**38,469**	36,853
Demand deposits	**16,936**	15,728
Time deposits	**14,119**	15,117
Securities sold under agreements to repurchase[1]	**–**	1
	69,524	67,699
Of which:		
Non-interest bearing current accounts	**31,353**	29,635
Interest bearing deposits, current accounts and short-term borrowings	**38,171**	38,064
	69,524	67,699
Amounts include:		
Due to associated undertakings	**231**	253

[1] At 31 December 2018, the Group had pledged government investment securities with a fair value of € 1 million (see note 47 to the consolidated financial statements in the Annual Financial Report 2018 for further information).

Customer accounts include cash collateral of € 109 million (31 December 2018: € 113 million) received from derivative counterparties in relation to net derivative positions (see note 47 to the consolidated financial statements in the Annual Financial Report 2018 for further information).

At 30 June 2019, the Group's five largest customer deposits amounted to 2% (31 December 2018: 1%) of total customer accounts.

31 Lease liabilities

	30 June 2019 € m	31 December 2018 € m
At end of period	**453**	–
Maturity analysis – contractual undiscounted cash flows:		
Not later than one year	**63**	–
Later than one year and not later than five years	**197**	–
Later than five years	**285**	–
Total undiscounted lease liabilities at end of period	**545**	–

32 Debt securities in issue

	30 June 2019 € m	31 December 2018 € m
AIB Group plc		
Euro Medium Term Note Programme	1,750	1,000
Global Medium Term Note Programme	1,537	655
	3,287	1,655
Other issuances		
Bonds and medium-term notes:		
Euro Medium Term Note programme	500	1,000
Bonds and other medium term notes	3,090	3,090
	3,590	4,090
	6,877	5,745

Analysis of movements in debt securities in issue	30 June 2019 € m	31 December 2018 € m
At 1 January	5,745	4,590
Issued during the period	1,640	1,651
Matured	(500)	(500)
Amortisation of discounts net of premiums	–	–
Exchange translation adjustments	(8)	4
At end of period	6,877	5,745

In April 2019, AIB Group plc issued US $ 1 billion Fixed-to-Floating Rate Notes maturing on 10 April 2025. The notes bear interest on the outstanding nominal amount as follows:

– Fixed rate period from (and including) the issue date 10 April 2019 to (but excluding) the optional redemption date 10 April 2024, at an interest rate of 4.263% per annum payable semi-annually on 10 April and 10 October each year;
– Floating rate period from (and including) the optional redemption date to (but excluding) the maturity date, at an interest rate of three month U.S. dollar LIBOR plus 187.4 bps per annum payable 10 July 2024, 10 October 2024, 10 January 2025 and the maturity date.

In May 2019, AIB Group plc issued € 750 million Senior Unsecured 1.250% Notes maturing on 28 May 2024. The notes bear interest on the outstanding nominal amount, payable annually in arrears on 28 May each year.

33 Other liabilities

	30 June 2019 € m	31 December 2018 € m
Notes in circulation	248	313
Items in transit	181	65
Creditors	12	17
Fair value of hedged liability positions	151	64
Other[1]	387	428
	979	887

[1]Includes bank drafts € 153 million (31 December 2018: € 154 million), items in course of collection € 9 million (31 December 2018: € 79 million) and the purchase of debt securities awaiting settlement € 44 million (31 December 2018: € 13 million).

34 Provisions for liabilities and commitments

	30 June 2019						
	Onerous contracts	**Legal claims**	**ROU[1] commit-ments**	**Other provisions**	**ECLs on loan commit-ments**	**ECLs on financial guarantee contracts**	**Total**
	€ m	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
At 31 December 2018	**65**	**39**	**–**	**57**	**25**	**33**	**219**
Impact of adopting IFRS 16 at 1 January 2019[2]	**(3)**	**–**	**12**	**–**	**–**	**–**	**9**
Restated balance at 1 January 2019	**62**	**39**	**12**	**57**	**25**	**33**	**228**
Transfers in	**–**	**(1)**	**–**	**1**	**–**	**–**	**–**
Charged to income statement	**–**[3]	**4**[3]	**–**	**119**[3]	**15**[4]	**4**[4]	**142**
Released to income statement	**–**[3]	**(2)**[3]	**–**	**(1)**[3]	**(15)**[4]	**(18)**[4]	**(36)**
Dilapidation provisions	**–**	**–**	**2**	**–**	**–**	**–**	**2**
Provisions utilised	**(15)**	**(3)**	**–**	**(19)**	**–**	**–**	**(37)**
Unwind of discount	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2019	**47**	**37**	**14**	**157**	**25**	**19**	**299**[5]

	31 December 2018						
	Liabilities and charges	Onerous contracts	Legal claims	Other provisions	ECLs on loan commit-ments	ECLs on financial guarantee contracts	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 31 December 2017	31	59	37	104	–	–	231
Impact of adopting IFRS 9 at 1 January 2018:							
Reclassification	(31)	–	–	(1)	–	32	–
Remeasurement	–	–	–	–	16	20	36
Restated balance at 1 January 2018	–	59	37	103	16	52	267
Transfers out	–	–	–	–	–	(14)	(14)
Charged to income statement	–	89[3]	8[3]	85[3]	19[4]	6[4]	207
Released to income statement	–	(54)[3]	(4)[3]	(7)[3]	(10)[4]	(11)[4]	(86)
Provisions utilised	–	(29)	(2)	(124)	–	–	(155)
At 31 December 2018	–	65	39	57	25	33	219[5]

[1]Provisions for dilapidations included in measurement of right-of-use assets ("ROU").
[2]For details of the impact of adopting IFRS 16 at 1 January 2019, see note 2.
[3]Included in 'General and administrative expenses' in note 12 'Operating expenses'.
[4]Included in 'Net credit impairment (charge)/writeback' (note 13) other than € 4 million included in 'Net gain on derecognition of financial assets measured at amortised cost' (note 10).
[5]Excluding the ECLs on loan commitments and financial guarantee contracts, the total provisions for liabilities and commitments expected to be settled within one year amount to € 157 million (2018: € 71 million).

(a) Other provisions

Includes the provisions for customer redress and related matters, other restitution provisions, and miscellaneous provisions.

Tracker Mortgage Examination

The provision at 30 June 2019 for 'Customer redress and compensation', including payments arising on appeals, amounted to € 8 million (31 December 2018: € 10 million). This provision reflects the practical conclusion of the identification of impacted accounts and the ongoing appeals process. Provisions amounting to € 178 million were created in the period 2015 to 30 June 2019 (€ 8 million in the six months to 30 June 2019). Over € 170 million of these provisions have now been utilised (€ 10 million in the six months to 30 June 2019).

The provision at 30 June 2019 for 'Other costs' amounted to € 5 million (31 December 2018: € 5 million). Provisions amounting to € 94 million were created in the period 2015 to 30 June 2019 (€ 1 million in the six months to 30 June 2019). Over € 89 million of these provisions have now been utilised (€ 1 million in the six months to 30 June 2019).

34 Provisions for liabilities and commitments *(continued)*

In March 2018, AIB and EBS were advised by the CBI of the commencement of investigations as part of an administrative sanctions procedure in connection with the Tracker Mortgage Examination. The investigations relate to alleged breaches of the relevant consumer protection legislation, principally, regarding inadequate controls or instances where AIB or EBS acted with a lack of transparency, unfairly or without due skill and care. The investigations are ongoing and AIB and EBS are co-operating with the CBI.

In this regard, the Group created a provision of € 35 million for the impact of monetary penalties that is expected to be imposed on the Group by the CBI being its best estimate based on external developments in the industry at 30 June 2019. However, this matter is still considered to be at a relatively early stage, and the amount provided for is subject to uncertainty with a range of outcomes possible with the final outcome being higher or lower depending on finalisation of all matters associated with the investigation.

Further disclosures in relation to the wider impact of Tracker Mortgage Examination are contained in note 39: Memorandum items: contingent liabilities and commitments, contingent assets in the section 'Legal Proceedings'.

Loan documentation restitution

At 30 June 2019, the Group provided € 61 million for the expected cost that the Group will incur following the identification of an issue with regard to the loan documentation for certain personal/SME customers. This is expected to conclude in the coming months.

(b) Onerous contracts

Provisions for onerous contracts at 30 June 2019 amount to € 47 million and includes the unavoidable cost of leases that the Group will exit in the short term.

At 31 December 2018, provisions for onerous lease contracts amounted to € 65 million. On initial application of IFRS 16 on 1 January 2019, € 3 million of this provision was transferred as an impairment provision against the right-of-use assets for leases where the term was greater than 12 months (note 2).

35 Subordinated liabilities and other capital instruments

	30 June 2019 € m	31 December 2018 € m
Dated loan capital – European Medium Term Note Programme:		
€ 750 million Subordinated Tier 2 Notes due 2025, Callable 2020	**750**	750
€ 500m Callable Step-up Floating Rate Notes due October 2017		
– nominal value € 25.5 million (maturity extended to 2035 as a result of the SLO)	**10**	10
£ 368m 12.5% Subordinated Notes due June 2019		
– nominal value £ 79 million (maturity extended to 2035 as a result of the SLO)	**35**	34
£ 500m Callable Fixed/Floating Rate Notes due March 2025		
– nominal value £ 1 million (maturity extended to 2035 as a result of the SLO)	**1**	1
	796	795

Maturity of dated loan capital	**30 June 2019 € m**	31 December 2018 € m
Dated loan capital outstanding is repayable as follows:		
5 years or more	**796**	795

For further details of subordinated liabilities and other capital instruments, see note 41 to the consolidated financial statements in the Annual Financial Report 2018.

36 Share capital

	30 June 2019		31 December 2018	
	Number of shares m	**€ m**	Number of shares m	€ m
Authorised				
Ordinary share capital				
Ordinary shares of € 0.625 each	**4,000.0**	**2,500**	4,000.0	2,500
Issued				
Ordinary share capital				
Ordinary shares of € 0.625 each	**2,714.4**	**1,696**	2,714.4	1,696

For further information, refer to note 42 to the consolidated financial statements in the Annual Financial Report 2018.

Movements in share capital

There were no movements in issued share capital for the half-year to 30 June 2019. For details of movements in share capital for the year to 31 December 2018, refer to note 42 to the consolidated financial statements in the Annual Financial Report 2018.

Structure of the Company's share capital

The following table shows the structure of the Company's share capital:

	30 June 2019		31 December 2018	
	Authorised share capital %	**Issued share capital %**	Authorised share capital %	Issued share capital %
Class of share				
Ordinary share capital	**100**	**100**	100	100

Capital resources

The following table shows the Group's capital resources:

	30 June 2019 € m	31 December 2018 € m
Equity	**13,975**	13,858
Dated capital notes *(note 35)*	**796**	795
Total capital resources	**14,771**	14,653

37 Other equity interests	30 June 2019 € m	31 December 2018 € m
At beginning and end of period	**494**	494

Additional Tier 1 Perpetual Contingent Temporary Write-down Securities

On 3 December 2015, as part of its capital reorganisation, Allied Irish Banks, p.l.c. issued € 500 million nominal value of Additional Tier 1 Perpetual Contingent Temporary Write-down Securities ('AT1s'). The securities, which are accounted for as equity in the statement of financial position, are included in the Group's capital base as fully CRD IV compliant additional tier 1 capital on a fully loaded basis.

For details of these securities, see note 44 to the consolidated financial statements in the Annual Financial Report 2018.

38 Capital reserves, merger reserve and capital redemption reserves

	30 June 2019			31 December 2018		
Capital reserves	**Capital contribution reserves € m**	**Other capital reserves € m**	**Total € m**	Capital contribution reserves € m	Other capital reserves € m	Total € m
At beginning and end of period	**955**[(1)]	**178**	**1,133**	955[(1)]	178	1,133

[(1)]Relates to the acquisition of EBS d.a.c.

Merger reserve	30 June 2019 € m	31 December 2018 € m
At beginning and end of period	**(3,622)**	(3,622)

Capital redemption reserves	30 June 2019 € m	31 December 2018 € m
At beginning and end of period	**14**	14

During 2018, the Group cancelled and redeemed at par outstanding Subscriber Shares (for further details, see note 42 to the consolidated financial statements in the Annual Financial Report 2018). An amount equal to the nominal value of shares redeemed was credited to capital redemption reserves from revenue reserves.

39 Memorandum items: contingent liabilities and commitments, and contingent assets

The following tables give the nominal or contract amounts of contingent liabilities and commitments:

	Contract amount	
	30 June 2019 € m	31 December 2018 € m
Contingent liabilities[1] – credit related		
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	**555**	627
Other contingent liabilities	**134**	153
	689	780
Commitments[2]		
Documentary credits and short-term trade-related transactions	**85**	91
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year[3]	**8,181**	7,932
1 year and over[4]	**3,286**	3,084
	11,552	11,107
	12,241	11,887

[1]Contingent liabilities are off-balance sheet products and include guarantees, standby letters of credit and other contingent liability products such as performance bonds.

[2]A commitment is an off-balance sheet product where there is an agreement to provide an undrawn credit facility. The contract may or may not be cancelled unconditionally at any time without notice depending on the terms of the contract.

[3]An original maturity of up to and including 1 year or which may be cancelled at any time without notice.

[4]An original maturity of more than 1 year.

For details of the internal credit ratings and geographic concentration of contingent liabilities and commitments, see pages 42 and 56 in the 'Risk management' section of this report.

Provisions for ECLs on loan commitments and financial guarantee contracts are set out in note 34.

39 Memorandum items: contingent liabilities and commitments, and contingent assets *(continued)*

Legal proceedings

The Group, in the course of its business, is frequently involved in litigation cases. However, it is not, nor has been involved in, nor are there, so far as the Group is aware, (other than as set out in the following paragraphs), pending or threatened by or against the Group any legal or arbitration proceedings, including governmental proceedings, which may have, or have had during the previous 12 months, a material effect on the financial position, profitability or cash flows of the Group.

Specifically, litigation has been served on the Group by customers that are pursuing claims in relation to tracker mortgages. Further such claims may also be served in the future in relation to tracker mortgages. Based on the facts currently known and the current stages that the litigation is at, it is not practicable at this time to predict the final outcome of this litigation, nor the timing and possible impact on the Group.

Contingent liability/contingent asset – NAMA

The Group has provided NAMA with a series of indemnities relating to transferred assets. Any indemnity payment would result in an outflow of economic benefit for the Group. Further details of these indemnities are set out in page 337 to the consolidated financial statements in the Annual Financial Report 2018.

40 Off-balance sheet arrangements and transferred financial assets

Under IFRS, transactions and events are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. As a result, the substance of transactions with a special purpose entity ("SPE") forms the basis for their treatment in the Group's financial statements. An SPE is consolidated in the financial statements when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the entity and meets the criteria set out in IFRS 10 *Consolidated Financial Statements.* The primary form of SPE utilised by the Group are securitisations and employee compensation trusts. Further details of SPEs are set out in note 50 to the consolidated financial statements in the Annual Financial Report 2018.

In addition, the Group enters into repurchase agreements and securities lending transactions in the normal course of business that do not result in the derecognition of the financial assets concerned. Details of these transactions are set out in note 50 to the consolidated financial statements in the Annual Financial Report 2018.

There was no new securitisation activity in the six months to 30 June 2019.

41 Fair value of financial instruments

	Carrying amount	Fair value			
		Fair value hierarchy			
30 June 2019	€m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Trading portfolio financial assets:					
Debt securities	1	1	–	–	1
Derivative financial instruments:					
Interest rate derivatives	1,320	–	888	432	1,320
Exchange rate derivatives	81	–	81	–	81
Equity derivatives	6	–	6	–	6
Credit derivatives	1	–	1	–	1
Loans and advances to customers at FVTPL	127	–	–	127	127
Investment debt securities at FVOCI:					
Government securities	7,947	7,947	–	–	7,947
Supranational banks and government agencies	924	924	–	–	924
Asset backed securities	349	268	81	–	349
Bank securities	6,345	6,345	–	–	6,345
Corporate securities	406	406	–	–	406
Equity investments at FVOCI	451	–	–	451	451
Equity investments at FVTPL	295	24	1	270	295
	18,253	15,915	1,058	1,280	18,253
Financial assets not measured at fair value					
Cash and balances at central banks	9,278	554[1]	8,724	–	9,278
Items in the course of collection	124	–	–	124	124
Loans and advances to banks	1,286	–	449	837	1,286
Loans and advances to customers:					
Mortgages[2]	31,206	–	–	31,132	31,132
Non-mortgages	29,748	–	–	29,857	29,857
Total loans and advances to customers	60,954	–	–	60,989	60,989
Investment debt securities at amortised cost	373	–	–	373	373
Other financial assets	720	–	–	720	720
	72,735	554	9,173	63,043	72,770
Financial liabilities measured at fair value					
Derivative financial instruments:					
Interest rate derivatives	1,084	–	963	121	1,084
Exchange rate derivatives	26	–	26	–	26
Equity derivatives	14	–	14	–	14
Credit derivatives	11	–	11	–	11
	1,135	–	1,014	121	1,135
Financial liabilities not measured at fair value					
Deposits by central banks and banks:					
Other borrowings	602	–	175	427	602
Secured borrowings	417	–	278	138	416
Customer accounts:					
Current accounts	38,469	–	–	38,469	38,469
Demand deposits	16,936	–	–	16,936	16,936
Time deposits	14,119	–	–	14,151	14,151
Debt securities in issue	6,877	6,997	103	–	7,100
Subordinated liabilities and other capital instruments	796	785	83	–	868
Other financial liabilities	1,068	–	–	1,068	1,068
	79,284	7,782	639	71,189	79,610

[1]Comprises cash on hand.
[2]Includes residential and commercial mortgages.

41 Fair value of financial instruments *(continued)*

					31 December 2018
	Carrying amount	Fair value			
		Fair value hierarchy			
	€m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Derivative financial instruments:					
Interest rate derivatives	848	–	489	359	848
Exchange rate derivatives	38	–	38	–	38
Equity derivatives	14	–	14	–	14
Loans and advances to customers at FVTPL	147	–	–	147	147
Investment debt securities at FVOCI:					
Government securities	8,361	8,361	–	–	8,361
Supranational banks and government agencies	1,132	1,132	–	–	1,132
Asset backed securities	367	284	83	–	367
Bank securities	5,822	5,755	67	–	5,822
Corporate securities	264	224	31	9	264
Equity investments at FVOCI	468	–	–	468	468
Equity investments at FVTPL	260	23	1	236	260
	17,721	15,779	723	1,219	17,721
Financial assets not measured at fair value					
Cash and balances at central banks	6,516	608[1]	5,908	–	6,516
Items in the course of collection	73	–	–	73	73
Loans and advances to banks	1,443	–	589	854	1,443
Loans and advances to customers:					
Mortgages[2]	31,715	–	–	30,656	30,656
Non-mortgages	29,006	–	–	29,095	29,095
Total loans and advances to customers	60,721	–	–	59,751	59,751
Investment debt securities at amortised cost	187	–	–	184	184
Other financial assets	640	–	–	640	640
	69,580	608	6,497	61,502	68,607
Financial liabilities measured at fair value					
Derivative financial instruments:					
Interest rate derivatives	901	–	779	122	901
Exchange rate derivatives	24	–	24	–	24
Equity derivatives	5	–	5	–	5
Credit derivatives	4	–	4	–	4
	934	–	812	122	934
Financial liabilities not measured at fair value					
Deposits by central banks and banks:					
Other borrowings	420	–	175	245	420
Secured borrowings	424	–	274	145	419
Customer accounts:					
Current accounts	36,853	–	–	36,853	36,853
Demand deposits	15,728	–	–	15,728	15,728
Time deposits	15,117	–	–	15,146	15,146
Securities sold under agreements to repurchase	1	–	–	1	1
Debt securities in issue	5,745	5,717	101	–	5,818
Subordinated liabilities and other capital instruments	795	762	76	–	838
Other financial liabilities	1,075	–	–	1,075	1,075
	76,158	6,479	626	69,193	76,298

[1]Comprises cash on hand.

[2]Includes residential and commercial mortgages.

41 Fair value of financial instruments *(continued)*

Details of the methodologies used for calculating fair value and the definition of terms are set out in note 52 to the consolidated financial statements in the Annual Financial Report 2018.

Significant transfers between Level 1 and Level 2 of the fair value hierarchy

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

Reconciliation of balances in Level 3 of the fair value hierarchy

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

								30 June 2019
	Financial assets						Financial liabilities	
	Derivatives	Investment securities		Loans and advances at FVTPL	Equities at FVTPL	Total	Derivatives	Total
		Debt	Equities at FVOCI					
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January 2019	359	9	468	147	236	1,219	122	122
Transfers into/out of level 3[(1)]	–	(9)	–	–	–	(9)	–	–
Total gains or (losses) in:								
Profit or loss:								
Net trading income	73	–	–	–	–	73	(1)	(1)
Net change in FVTPL	–	–	–	48	43	91	–	–
	73	–	–	48	43	164	(1)	(1)
Other comprehensive income:								
Net change in fair value of investment securities	–	–	(17)	–	–	(17)	–	–
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	–
	–	–	(17)	–	–	(17)	–	–
Purchases/additions	–	–	–	5	13	18	–	–
Sales/disposals	–	–	–	(20)	(22)	(42)	–	–
Settlements	–	–	–	–	–	–	–	–
Cash received:								
Principal	–	–	–	(53)	–	(53)	–	–
At 30 June 2019	**432**	**–**	**451**	**127**	**270**	**1,280**	**121**	**121**

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

41 Fair value of financial instruments *(continued)*

Reconciliation of balances in Level 3 of the fair value hierarchy

	31 December 2018							
	Financial assets						Financial liabilities	
	Derivatives	Investment securities		Loans and advances at FVTPL	Equities at FVTPL	Total	Derivatives	Total
		Debt	Equities at FVOCI					
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 31 December 2017	427	–	662	–	–	1,089	119	119
IFRS 9 transition adjustments at 1 January 2018	–	–	(196)	156	196	156	–	–
Transfers into/out of level 3[(1)]	–	–	–	–	–	–	–	–
Total gains or (losses) in:								
Profit or loss:								
Net trading income	(68)	–	–	–	–	(68)	3	3
Net change in FVTPL	–	–	–	105	41	146	–	–
	(68)	–	–	105	41	78	3	3
Other comprehensive income:								
Net change in fair value of investment securities	–	–	2	–	–	2	–	–
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	–
	–	–	2	–	–	2	–	–
Purchases/additions	–	9	–	32	21	62	–	–
Sales/disposals	–	–	–	(53)	(22)	(75)	–	–
Settlements	–	–	–	–	–	–	–	–
Cash received:								
Principal	–	–	–	(93)	–	(93)	–	–
At 31 December 2018	359	9	468	147	236	1,219	122	122

(1)Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred. There were no transfers into/out of Level 3 during 2018.

Net transfers out of Level 3 are a function of the observability of inputs into instrument valuations

The table below sets out the total gains or losses included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at 30 June 2019 and 31 December 2018:

	30 June 2019 € m	31 December 2018 € m
Net trading income – gains	**91**	40
Gains on equity investments at FVTPL	**40**	41
Gains on loans and advances at FVTPL	**1**	22
	132	103

41 Fair value of financial instruments *(continued)*

Significant unobservable inputs

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

		Fair Value				Range of estimates	
Financial instrument		**30 June 2019 € m**	31 December 2018 € m	**Valuation technique**	**Significant unobservable input**	**30 June 2019**	31 December 2018
Uncollateralised customer derivatives	Asset	**432**	359	CVA	LGD	**44% – 67% (Base 55%)**	43% – 67% (Base 54%)
	Liability	**121**	122		PD	**0.3% – 0.8% (Base 0.4%, 1 year PD)**	0.4% – 1.1% (Base 0.7%, 1 year PD)
				FVA	Funding spreads	**(0.2%) to 0.4%**	(0.3%) to 0.6%
NAMA subordinated bonds	Asset	**451**	468	Discounted cash flows	Discount rate	**1% – 5% (Base 2.59%)**	1% – 5% (Base 2.49%)
Visa Inc. Series B Preferred Stock	Asset	**145**	109	Quoted market price (to which a discount has been applied)	Final conversion rate	**0% – 80%**	0% –80%
Loans and advances to customers measured at FVTPL	Asset	**127**	147	Discounted cash flows*	Discount on market value	**0% – 6%**	0% – 6%
				Collateral values	Collateral changes	**(4%) – 17%**	(3%) – 12%

*Expected cash flows discounted at market rates, taking into consideration the fair value of collateral where relevant.

Uncollateralised customer derivatives

The fair value measurement sensitivity to unobservable inputs at 30 June 2019 ranges from (i) negative € 38 million to positive € 15 million for CVA (31 December 2018: negative € 35 million to positive € 19 million) and (ii) negative € 9 million to positive € 3 million for FVA (31 December 2018: negative € 10 million to positive € 5 million).

A number of other derivatives are subject to valuation methodologies which use unobservable inputs. As the variability of the valuation is not greater than € 1 million in any individual case or collectively, the detail is not disclosed here.

NAMA subordinated bonds

The fair value measurement sensitivity to unobservable discount rates ranges from negative € 8 million to positive € 5 million at 30 June 2019 (31 December 2018: negative € 14 million to positive € 9 million).

Visa Inc. Series B Preferred Stock

In June 2016, the Group received Series B Preferred Stock in Visa Inc. with a fair value of € 65 million as part consideration for its holding of shares in Visa Europe. The preferred stock will be convertible into Class A Common Stock of Visa Inc. at some point in the future. The conversion is subject to certain Visa Europe litigation risks that may affect the ultimate conversion rate. In addition, the stock, being denominated in US dollars, is subject to foreign exchange risk.

– **Valuation technique**: Quoted market price of Visa Inc. Class A Common Stock to which a discount has been applied for the illiquidity and the conversion rate variability of the preferred stock of Visa Inc. 45% haircut (31 December 2018: 45%). This was converted at the period end exchange rate.
– **Unobservable input**: Final conversion rate of Visa Inc. Series B Preferred Stock into Visa Inc. Class A Common Stock.
– **Range of estimates**: Estimates range from (a) no discount for conversion rate variability with a discount for illiquidity only; to (b) 80% discount for conversion rate variability.

Loans and advances to customers measured at FVTPL

The fair value measurement sensitivity to unobservable collateral values and interest rates ranges from negative € 2 million to positive € 13 million at 30 June 2019 (31 December 2018: negative € 2 million to positive € 13 million).

Fair value is applied in respect of secondary facilities arising on restructured loans subject to forbearance measures, on the likelihood that additional cash flows, in excess of their primary facilitates, will be received from customers. Given the significant uncertainty with regard to such cash flows, the Group does not attribute a fair value unless it is reasonably certain that this value will be realised.

41 Fair value of financial instruments *(continued)*

Sensitivity of Level 3 measurements

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

	30 June 2019			
	Level 3			
	Effect on income statement		Effect on other comprehensive income	
	Favourable € m	Unfavourable € m	Favourable € m	Unfavourable € m
Classes of financial assets				
Derivative financial instruments	17	(44)	–	–
Investment securities – equity	53[(1)]	(79)[(1)]	5	(8)
Loans and advances to customers measured at FVTPL	13	(2)	–	–
Total	83	(125)	5	(8)
Classes of financial liabilities				
Derivative financial instruments	1	(3)	–	–
Total	1	(3)	–	–

[(1)]Relates to the largest equity investment, the carrying value of which was € 145 million at 30 June 2019. Sensitivity information has not been provided for other equities as the portfolio comprises several investments, none of which is individually material.

	31 December 2018			
	Level 3			
	Effect on income statement		Effect on other comprehensive income	
	Favourable € m	Unfavourable € m	Favourable € m	Unfavourable € m
Classes of financial assets				
Derivative financial instruments	22	(43)	–	–
Investment securities – equity	40[(1)]	(60)[(1)]	9	(14)
Loans and advances to customers measured at FVTPL	13	(2)	–	–
Total	75	(105)	9	(14)
Classes of financial liabilities				
Derivative financial instruments	1	(2)	–	–
Total	1	(2)	–	–

[(1)]Relates to the largest equity investment, the carrying value of which was € 109 million at 31 December 2018. Sensitivity information has not been provided for other equities as the portfolio comprises several investments, none of which is individually material.

Day 1 gain or loss:

No difference existed between the fair value at initial recognition of financial instruments and the amount that was determined at that date using a valuation technique incorporating significant unobservable data.

42 Statement of cash flows

Non-cash and other items included in profit before taxation

Non-cash items	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Profit on disposal of property	–	(1)
Net gain arising from the derecognition of financial assets measured at amortised cost	(14)	(112)
Dividends received from equity investments	(25)	(24)
Dividends received from associated undertakings	(10)	(10)
Associated undertakings	(9)	(4)
Credit impairment (charge)/writeback	56	(101)
Change in other provisions	120	88
Retirement benefits – defined benefit expense	11	7
Depreciation, amortisation and impairment	117	69
Interest on subordinated liabilities and other capital instruments	16	16
Gain on disposal of investment securities	(73)	(24)
Loss on termination of hedging swaps	34	8
Amortisation of premiums and discounts	29	36
Net gain on equity investments measured at FVTPL	(40)	(31)
Net gain on loans and advances to customers at FVTPL	(1)	–
Change in prepayments and accrued income	100	97
Change in accruals and deferred income	(32)	(87)
Effect of exchange translation and other adjustments[1]	(93)	63
Total non-cash items	**186**	(10)
Contributions to defined benefit pension schemes	(23)	(61)
Dividends received from equity investments	25	24
Total other items	**2**	(37)
Non-cash and other items for the period	**188**	(47)

[1]The impact of foreign exchange translation for each line of the statement of financial position is removed in order to show the underlying cash impact.

42 Statement of cash flows *(continued)*

Change in operating assets[1]	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Change in items in course of collection	(52)	(70)
Change in trading portfolio financial assets	–	21
Change in derivative financial instruments	(51)	84
Change in loans and advances to banks	99	(70)
Change in loans and advances to customers	(312)	(494)
Change in other assets	98	98
	(218)	(431)

Change in operating liabilities[1]	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Change in deposits by central banks and banks	173	(987)
Change in customer accounts	1,838	2,514
Change in trading portfolio financial liabilities	–	(18)
Change in debt securities in issue	1,140	500
Change in notes in circulation	(65)	(16)
Change in other liabilities	(10)	(57)
	3,076	1,936

[1]The impact of foreign exchange translation for each line of the statement of financial position is removed in order to show the underlying cash impact.

Analysis of cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	Half-year 30 June 2019 € m	Half-year 30 June 2018 € m
Cash and balances at central banks	9,278	8,354
Loans and advances to banks[1]	674	849
	9,952	9,203

[1]Included in 'Loans and advances to banks' total of € 1,286 million as set out in note 20 (30 June 2018: € 1,539 million).

The Group is required by law to maintain reserve balances with the Bank of England. At 30 June 2019, these amounted to € 449 million (30 June 2018: € 562 million).

There are certain regulatory restrictions on the ability of subsidiaries to transfer funds to the parent company in the form of cash dividends, loans or advances. The impact of such restrictions is not expected to have a material effect on the Group's ability to meet its cash obligations.

43 Related party transactions

Other than as outlined below, there have been no related party transactions or changes therein since 31 December 2018 that have materially affected the Group's financial position or performance in the six months ended 30 June 2019.

Transactions with Key Management Personnel

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

As at 30 June 2019, the aggregate amounts outstanding, in respect of all loans, quasi loans and credit transactions between the Group and KMP, as defined above, together with members of their close families and entities controlled by them, amounted to € 3.3 million (31 December 2018: € 4.6 million).

Loans to KMP and their close family members are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar standing not connected with the Group, and do not involve more than the normal risk of collectability or present other unfavourable features.

During the period, no provision for doubtful debts has been recognised in respect of any loans or facilities above.

Relationship with the Irish Government

AIB's relationship with the Irish Government is set out in note 54(e) to the consolidated financial statements in the Annual Financial Report 2018. As detailed, this relationship encompasses a number of dimensions, namely:

– Capital investments;
– Guarantee schemes;
– NAMA;
– Funding support;
– Relationship framework; and
– AIB Restructuring Plan

There were no significant changes to the various aspects of the relationship in the six months to 30 June 2019.

43 Related party transactions *(continued)*

Relationship with the Irish Government *(continued)*

Balances held with the Irish Government and related entities

The following table outlines the balances held with Irish Government entities[1] together with the highest balances held at any point during the period.

		30 June 2019		31 December 2018	
		Balance € m	Highest[2] balance held € m	Balance € m	Highest[2] balance held € m
Assets					
Cash and balances at central banks	a	4,747	5,309	1,303	5,360
Trading portfolio financial assets		–	43	–	68
Derivative financial instruments		–	3	2	2
Loans and advances to customers		6	6	6	7
Investment securities	b	6,685	7,327	6,750	7,506
Total assets		11,438		8,061	

		30 June 2019		31 December 2018	
		Balance € m	Highest[2] balance held € m	Balance € m	Highest[2] balance held € m
Liabilities					
Deposits by central banks and banks		–	–	–	1,900
Customer accounts	c	436	999	454	1,057
Trading portfolio financial liabilities		–	34	–	66
Derivative financial instruments		–	4	–	11
Total liabilities		436		454	

[1]Includes all departments of the Irish Government located in the State and embassies, consulates and other institutions of the Irish Government located outside the State. The Post Office Savings Bank ("POSB") and the National Treasury Management Agency ("NTMA") are included.
[2]The highest balance during the period, together with the outstanding balance at end of each period/year end, is considered the most meaningful way of representing the amount of transactions that have occurred between AIB and the Irish Government.

a Cash and balances at the central banks represent the minimum reserve requirements which AIB is required to hold with the Central Bank. Balances on this account can fluctuate significantly due to the reserve requirement being determined on the basis of the institution's average daily reserve holdings over a one month maintenance period. The Group is required to maintain a monthly average Primary Liquidity balance which at 30 June 2019 was € 610 million (31 December 2018: € 596 million).

b Investment securities at FVOCI at 30 June 2019 comprise € 6,234 million in Irish Government securities (31 December 2018: € 6,282 million) held in the normal course of business and NAMA subordinated bonds of € 451 million (31 December 2018: € 468 million).

c Includes € 255 million (31 December 2018: € 295 million) borrowed from the Strategic Banking Corporation of Ireland ("SBCI"), the ordinary share capital of which is owned by the Minister for Finance. In addition, the Group has lent € 220 million to customers of which € 45 million is guaranteed up to 80% by the SBCI.

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

43 Related party transactions *(continued)*

Relationship with the Irish Government

Local government[1]

During 2019 and 2018, AIB entered into banking transactions in the normal course of business with local government bodies. These transactions include the granting of loans and the acceptance of deposits, and clearing transactions.

Commercial semi-state bodies[2]

During 2019 and 2018, AIB entered into banking transactions in the normal course of business with semi-state bodies. These transactions principally include the granting of loans and the acceptance of deposits as well as derivative transactions and clearing transactions.

[1]This category includes local authorities, borough corporations, county borough councils, county councils, boards of town commissioners, urban district councils, non-commercial public sector entities, public voluntary hospitals and schools.

[2]Semi-state bodies is the name given to organisations within the public sector operating with some autonomy. They include commercial organisations or companies in which the State is the sole or main shareholder.

Financial institutions under Irish Government control/significant influence

Certain financial institutions are related parties to AIB by virtue of the Government either controlling or having a significant influence over these institutions. The following institution is controlled by the Irish Government:

– Permanent tsb plc

The Government controlled entity, Irish Bank Resolution Corporation Limited (in Special Liquidation) which went into special liquidation during 2013, remains a related party for the purpose of this disclosure.

In addition, the Irish Government is deemed to have significant influence over Bank of Ireland.

Transactions with these institutions are normal banking transactions entered into in the ordinary course of cash management business under normal business terms. The transactions constitute the short-term placing and acceptance of deposits, derivative transactions, investment debt securities and repurchase agreements.

The following balances were outstanding in total to these financial institutions:

	30 June 2019 € m	31 December 2018 € m
Assets		
Derivative financial instruments	**–**	6
Loans and advances to banks[1]	**2**	2
Investment securities	**265**	339

[1]The highest balance in loans and advances to banks amounted to € 42 million in respect of funds placed during the period (31 December 2018: € 2 million).

In connection with the acquisition by AIB Group of certain assets and liabilities of the former Anglo Irish Bank Corporation Limited (now Irish Bank Resolution Corporation Limited (in Special Liquidation) ("IBRC")), IBRC had indemnified AIB Group for certain liabilities pursuant to a Transfer Support Agreement dated 23 February 2011. AIB Group had made a number of claims on IBRC pursuant to the indemnity prior to IBRC's Special Liquidation on 7 February 2013.

AIB Group has since served notice of claim and set-off on the Joint Special Liquidators of IBRC in relation to the amounts claimed pursuant to the indemnity and certain other amounts that were owing to AIB by IBRC as at the date of the Special Liquidation (c. € 81.3 million in aggregate). AIB Group is currently engaging with the Joint Special Liquidators in relation to the claim. Given AIB's aggregate liability to IBRC at the date of Special Liquidation exceeded these claims, no financial loss is expected to occur.

44 Financial and other information

	Half-year 30 June 2019 %	Half-year 30 June 2018 %
Operating ratios		
Operating expenses/operating income	**68.9**	59.3
Other income/operating income	**25.2**	30.6

Rates of exchange	Half-year 30 June 2019	Half-year 30 June 2018	Year 31 December 2018
€ /$*			
Closing	**1.1380**	1.1658	1.1450
Average	**1.1297**	1.2100	1.1808
€ /£*			
Closing	**0.8966**	0.8861	0.8945
Average	**0.8735**	0.8795	0.8847

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

45 Dividends

On 3 May 2019, following approval by the shareholders at the Annual General Meeting held on 24 April 2019, AIB Group plc paid a final dividend of € 0.17 per ordinary share amounting in total to € 461 million. The financial statements for the half-year ended 30 June 2019 reflect this in shareholders' equity as an appropriation of distributable reserves.

On 4 May 2018, AIB Group plc paid a final dividend to its shareholders of € 0.12 per ordinary share amounting in total to € 326 million.

46 Non-adjusting events after the reporting period

No significant non-adjusting events have taken place since 30 June 2019.

47 Approval of Half-Yearly Financial Report

The Half-Yearly Financial Report was approved by the Board of Directors on 25 July 2019.

Directors' Responsibility Statement

for the half-year ended 30 June 2019

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

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

Each of the Directors listed below confirm to the best of their knowledge and belief that the condensed set of financial statements have been prepared in accordance with IAS 34 and that they give a true and fair view of the state of the Group's affairs as at 30 June 2019 and of its profit for the period then ended.

The Half-Yearly Financial Report as required by the Transparency (Directive 2004/109/EC) Regulations 2007 includes:

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

For and on behalf of the Board

Richard Pym
Chairman

Colin Hunt
Chief Executive Officer

Non-Executive Directors

Richard Pym (Chairman)
Catherine Woods (Senior Independent Non-Executive Director and Deputy Chairman)
Tom Foley
Peter Hagan
Sandy Kinney Pritchard *(Appointed 22 March 2019)*
Carolan Lennon
Helen Normoyle
Ann O'Brien *(Appointed 25 April 2019)*
Jim O'Hara
Brendan McDonagh
Raj Singh *(Appointed 25 April 2019)*

Executive Directors

Colin Hunt (Chief Executive Officer) *(Appointed 8 March 2019)*
Tomás O'Midheach (Chief Operating Officer and Deputy Chief Executive Officer) *(Appointed 13 March 2019)*

Independent review report to AIB Group plc

We have been engaged by AIB Group plc (“the Group”) to review interim financial information included in the Half-Yearly Financial Report for the six months ended 30 June 2019 which comprises the condensed consolidated statement of financial position as at 30 June 2019, and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related notes 1 to 47 for the six month period then ended. We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to the Group in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board (“ISRE 2410”). Our work has been undertaken so that we might state to the Group those matters we are required to state to them in an independent review 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 Group, for our review work, for this review report, or for the conclusions we have formed.

Directors’ responsibilities

The Half-Yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with International Accounting Standard 34, ‘‘Interim Financial Reporting’’, as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, and the Transparency Rules of the Central Bank of Ireland.

As disclosed in note 1 ‘Statement of compliance’, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The interim financial information included in this Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34, ‘‘Interim Financial Reporting’’, as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, and the Transparency Rules of the Central Bank of Ireland.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the Half-Yearly Financial Report based on our review.

Scope of review

We conducted our review in accordance with ISRE 2410. A review of interim financial information consists of making inquiries, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘‘Interim Financial Reporting’’, as adopted by the European Union, the Transparency (Directive 2004/109/EC) Regulations 2007, and the Transparency Rules of the Central Bank of Ireland.

John McCarroll
For and on behalf of Deloitte Ireland LLP
Chartered Accountants
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

25 July 2019

Forward looking statements

This document contains certain forward looking statements with respect to the financial condition, results of operations and business of AIB Group and certain of the plans and objectives of the Group. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements sometimes use words such as ‘aim’, ‘anticipate’, ‘target’, ‘expect’, ‘estimate’, ‘intend’, ‘plan’, ‘goal’, ‘believe’, ‘may’, ‘could’, ‘will’, ‘seek’, ‘continue’, ‘should’, ‘assume’, or other words of similar meaning. Examples of forward looking statements include, among others, statements regarding the Group’s future financial position, capital structure, Government shareholding in the Group, income growth, loan losses, business strategy, projected costs, capital ratios, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward looking information. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements. These are set out in the Principal risks and uncertainties on pages 62 to 68 in the Annual Financial Report 2018. In addition to matters relating to the Group’s business, future performance will be impacted by Irish, UK and wider European and global economic and financial market considerations. Any forward looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the list of important factors on pages 62 to 68 of the Annual Financial Report 2018 is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward looking statement.

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