2022

The Governor and Company of the Bank of Ireland
Interim Report
(for the six months ended 30 June 2022)

Bank of Ireland

Inside this report

Business Review	3
Operating and financial review	3
Principal risks and uncertainties	9
Statement of Directors' responsibilities	11
Independent review report	12
Consolidated interim financial statements and notes *(unaudited)*	13
Other information	95
Forward-looking statement	96
Rates of exchange	96
Credit ratings	96
Alternative performance measures	97

View this report online

This Interim Report and other information relating to Bank of Ireland is available at:
www.bankofireland.com

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

Business review

Operating and Financial Review

Basis of presentation

This operating and financial review (OFR) is presented on an underlying basis. Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. Further information on measures referred to in the OFR is found in Alternative performance measures on page 97.

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

The income statements are presented for the six months ended 30 June 2022 (H122) compared to the six months ended 30 June 2021 (H121). The balance sheets are presented for 30 June 2022 compared to 31 December 2021.

Principal rates of exchange used in the preparation of the Interim Financial Statements are set out on page 96.

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

Summary consolidated income statement on an underlying basis

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Net interest income	1,063	1,079
Net other income	316	318
Operating income (net of insurance claims)	**1,379**	**1,397**
Operating expenses (before levies and regulatory charges)	(849)	(836)
Levies and regulatory charges	(95)	(96)
Operating profit before net impairment losses on financial instruments	**435**	**465**
Net impairment losses on financial instruments	(47)	(1)
Share of results of associates and joint ventures (after tax)	21	1
Underlying profit before tax	**409**	**465**
Non-core items	(84)	(59)
Profit before tax	**325**	**406**
Tax charge	(54)	(65)
Profit for the period	**271**	**341**
Return on assets (bps) (annualised)	35	46

Profit before tax of €325 million was reported by the Group for H122 (H121:€406 million).

Underlying profit before tax of €409 million is €56 million lower than the €465 million profit for H121 which is primarily attributable to the following:

- a decrease of €18 million or 1% in **operating income (net of insurance claims)** due to
  - reflecting a €16 million decrease in net interest income primarily due to Targeted Longer Term Refinancing Operations (TLTRO) effects offset by other dynamics including foreign exchange (FX) impacts; and
  - a €2 million decrease in net other income driven by a €38 million increase in business income reflecting business momentum and one month's contribution from Davy; and additional gains of €81 million; offset by negative impacts from valuation items of €121 million.
- an increase of 2% or €13 million in **operating expenses (before levies and regulatory charges)** largely due to one-off costs of €8 million associated with opening accounts of former Ulster Bank and KBC Bank Ireland (KBCI) customers as they exit from the Irish market and one month's Davy operating expenses of €12 million following its acquisition on 1 June 2022 (see note 34 for further details on Davy acquisition). Excluding these costs, the Group cost base has reduced by €7 million or 1%, after the absorption of foreign exchange movements of €5 million, as the Group continued to focus on efficiency and strategic cost reduction while maintaining investment in regulatory compliance, technology and growth in the existing business;
- an increase of €46 million in **net impairment losses on financial instruments** compared to a €1 million loss in H121. The loss incorporates a number of impairment dynamics reflecting:
  - Net impairment losses associated with portfolio activities including credit risk assessments and recoveries; including case specific loss emergence (c.€106 million net loss); partly offset by
  - Impairment model updates incorporating the current macroeconomic outlook (c.€19 million net gain); and
  - Net reduction in the quantum of post model Group management adjustments at H122 (c.€40 million net gain) which reflect a number of potential risks not included in modelled impairment loss allowances.
- an increase in of €20 million in **Share of results of associates and joint ventures (after tax)** due to the improved performance of First Rate Exchange Services (FRES) during the period. FRES experienced higher foreign currency sales as a result of the recovery in the travel market after COVID-19 restrictions were lifted.

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

Non-core charges increased by €25 million which is primarily due to acquisition costs of €25 million, gross-up for policyholder tax in Wealth and Insurance business of €23 million and increased customer redress charges of €21 million offset by a reduction in transformation programme costs of €46 million in H122.

The **tax** charge for H122 of €54 million (H121: €65 million) reflects an effective statutory taxation rate of 17% (H121: 16%) for the Group. On an underlying basis, the effective taxation rate for H122 was 16% (H121: 13%). The effective tax rate is influenced by changes in the jurisdictional mix of profit and losses and the impact of a re-assessment of the tax value of certain losses carried forward.

Non-core items

Non-core items	6 months ended 30 June 2022 €m	*Restated*[1] 6 months ended 30 June 2021 €m	Change %
Customer redress charges	(26)	(5)	*n/m*
Acquisition costs	(25)	—	*n/m*
Transformation programme costs[2]	(23)	(69)	(67%)
Other transformation costs	*(20)*	—	*n/m*
Cost of restructuring programme	*(3)*	*(69)*	*(96%)*
Gross-up for policyholder tax in the Wealth and Insurance business	(8)	15	*n/m*
Investment return on treasury shares held for policyholders	(4)	(6)	(33%)
Portfolio divestments	2	5	(60%)
Operating income	*2*	*11*	*(82%)*
Operating expenses	—	*(6)*	*n/m*
Gain on disposal / liquidation of business activities	—	1	*n/m*
Total non-core items	**(84)**	**(59)**	**42%**

Customer redress charges
The Group has set aside a further €33 million (H121: €4 million) provision to cover the operational costs associated with the length and nature of the Tracker Mortgage Examination review and the further estimated costs of closing out the review, including any sanction that may be incurred under the Central Bank of Ireland's (CBI) administrative sanctions procedure.

During H122, there was a €5 million provision release relating to the interest rate implementation review within our Irish Business Banking and Private Banking businesses. The Group's expectation is that all impacted customers will be remediated during 2022.

During H122, there was also a provision release of €2 million in respect of other customer redress items (H121: €1 million charge).

Acquisition costs
The Group acquired Davy, Ireland's leading provider of wealth management and capital markets services, on 1 June 2022. The Davy transaction is being treated as a business combination in line with the requirements of International Financial Reporting Standard (IFRS) 3 (Note 34) and hence the costs specifically associated with the transaction are expensed to the Income Statement. Costs associated with this transaction in H122 amounted to €19 million. In addition, the acquisition costs include €6 million relating to deferred remuneration payments payable to certain Davy employees contingent on future performance, agreed as part of the Davy transaction.

Transformation programme costs
During H122, the Group recognised transformation programme costs of €23 million (H121: €69 million) of which €20 million (H121: €nil) related to other transformation programme costs and €3 million (H121: €69 million) related to the Group's cost of restructuring programme.

Other transformation programme costs represent transformation costs related to the ongoing activities of the business. Costs of €20 million (H121: €nil) related to the design and development of a number of the key business initiatives which were identified as part of the strategic review of the Retail UK operations. These costs are associated with the implementation of the Group's UK future state operating and business model.

Cost of restructuring programme costs are required to meet the definition of 'restructuring' under International Accounting Standard (IAS) 37. In H122, the Group had €3 million (H121: €69 million) of restructuring charges which relate to the implementation of the Group's RoI property and branch strategy, the Group's voluntary redundancy scheme, external programme management costs and gains / losses relating to the release of provision on the Group's Northern Ireland Branch closure.

[1] Comparative figures for cost of restructuring programme have been restated from €74 million to €69 million, to include €5 million other restructuring gains previously shown separately to total transformation programme costs on the table above.
[2] Formerly transformation investment costs

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

Non-core items *(continued)*

Gross-up policy for policyholder tax in the Wealth and Insurance business
IFRS requires that the income statement be grossed up for the total tax payable by Wealth and Insurance, comprising both policyholder and shareholder tax. The tax gross-up relating to policyholder tax is included in non-core items. In H122, this equated to a charge of €8 million (H121: €15 million credit). The movement is mainly due to lower investment returns in H122.

Investment return on treasury shares held for policyholders
The Group income statement excludes the impact of the change in value of Bank of Ireland Group plc ('BOIG plc') shares held by Wealth and Insurance for policyholders. In H122, there was a loss of €4 million (H121: €6 million loss). The movement reflects a change in valuation during the period. At 30 June 2022, there were 2.3 million shares (H121: 3.6 million shares) held for the benefit of policyholders.

Portfolio divestments
Where the Group has made a strategic decision to exit an area of a business, the related income and expenses are treated as non-core. In H122, the Group recognised a net gain of €2 million which represented operating income only (H121: €5 million net gain of which €11 million was operating income and €6 million was operating expenses). The net gain in H122 is primarily associated with residual income and costs relating to the sale of the UK Post Office ATM business which was completed at 31 March 2022.

Summary consolidated balance sheet

Summary consolidated balance sheet	30 June 2022 €bn	31 December 2021 €bn
Assets *(after impairment loss allowance)*		
Loans and advances to customers	75	76
Liquid assets	52	50
Wealth and Insurance assets	21	23
Other assets	8	6
Total assets	**156**	**155**
Liabilities		
Customer deposits	93	93
Wholesale funding	21	21
Wealth and Insurance liabilities	21	23
Other liabilities	8	5
Subordinated liabilities	2	2
Total liabilities	**145**	**144**
Stockholders' equity	10	10
Other equity instruments	1	1
Total liabilities and shareholders' equity	**156**	**155**
Credit-impaired loans and advances to customers	4.1	4.3
Non-performing exposures	4.2	4.3
Non-performing exposures ratio	5.4%	5.5%
Liquidity Coverage Ratio	218%	181%
Net Stable Funding Ratio	149%	144%
Loan to Deposit Ratio	81%	82%

Summary consolidated balance sheet *(continued)*

The Group's **loans and advances to customers (after impairment loss allowances)** of €74.6 billion are €1.7 billion lower than 31 December 2021. On a constant currency basis and excluding planned Retail UK deleveraging of €2.0 billion and the Non-performing exposures (NPEs) transaction of €0.1 billion, the loan book grew by €1 billion in H122.

The Group's portfolio of **liquid assets** at 30 June 2022 of €51.6 billion increased by €1.9 billion since 31 December 2021 predominantly due to lower lending volumes of €1.5 billion (constant currency basis) driven by planned deleveraging in our Retail UK business and higher gross deposit volumes of €1.3 billion on a constant currency basis, partially offset by the acquisition of Davy c.€0.4 billion, lower wholesale funding volumes of €0.1 billion and other flows of €0.4 billion. Government bonds decreased as a result of bond sales and maturities of c.€3.6 billion and c.€1.1 billion respectively, with the proceeds placed with central banks.

The Group's **asset quality** remains strong and NPEs reduced by €0.1 billion to €4.2 billion, this represented 5.4% of gross loans at 30 June 2022 (31 December 2021: 5.5%). Reductions in NPEs reflected the execution of resolution strategies, partly offset by the emergence of new defaults for case specific reasons primarily in the Corporate portfolios. For further information see note 20.

At 30 June 2022, overall Group **customer deposit** volumes are €92.6 billion (31 December 2021: €92.8 billion) including a fair value hedge adjustment of €1.5 billion (31 December 2021: €0.02 billion). Customer deposits (excluding fair value hedge adjustment) of €94.1 billion are €1.3 billion higher than 31 December 2021 due to growth in Retail Ireland of €3.6 billion predominantly driven by higher household and SME volumes and an increase in Corporate and Markets volumes of €0.3 billion, partially offset by lower Retail UK deposits of €2.6 billion arising from planned deleveraging.

Wholesale funding balances of €21.3 billion at 30 June 2022 are €0.1 billion lower than 31 December 2021 primarily due to an Asset Covered Securities (ACS) bond maturity of €1.0 billion and a negative FX impact of €0.1 billion partially offset by senior medium requirement for own funds and eligible liabilities (MREL) eligible bond issuance of €1.0 billion.

The **net pension** position is a surplus of €1.4 billion at 30 June 2022 (31 December 2021: €0.6 billion surplus) primarily due to increases in RoI and UK discount rates resulting in decreased pension liabilities.

The Group's fully loaded common equity tier 1 (CET1) ratio decreased by c.-50 basis points during H122 to 15.5%. The decrease is primarily due to the completion of Davy acquisition (c.-80 basis points), Risk weighted assets (RWA) growth (c.-30 basis points), foreseeable distribution deduction (c.-10 basis points) and an increase in impairment (c.-10 basis points) offset by **organic capital generation** (c.+60 basis points), and other net movements, including in the Group's defined benefit pension scheme (c.+20 basis points).

The Group's regulatory CET1 ratio (net of Capital Requirements Directive (CRD) phasing) decreased by c.100 basis points over the period to 16.0%.

Further information on measures referred to in the OFR, including gross new lending, NPE's, wholesale funding and organic capital is found in Alternative performance measures on page 97.

Capital

CRD IV - 31 December 2021			CRD IV - 30 June 2022[1]	
Regulatory	**Fully Loaded**		**Regulatory**	**Fully Loaded**
		Capital ratios		
17.0%	16.0%	Common equity tier 1	16.0%	15.5%
19.1%	18.1%	Tier 1	18.0%	17.5%
22.3%	21.4%	Total capital	21.2%	20.7%
6.6%	6.2%	Leverage ratio	6.3%	6.1%

[1] *The capital and leverage ratios are calculated under the prudential scope of consolidation of the BOIG plc Group. Further details on the capital position of BOIG plc Group and The Governor and Company of the Bank of Ireland can be found in BOIG plc's Pillar 3 disclosures for the year ended 31 December 2021, available on the Group's website.*

Income statement - Operating segments

In the table below, "underlying" excludes the impact of non-core items (page 4).

6 months ended 30 June 2022	Net interest income / (expense) €m	Net insurance premium income €m	Other income / (expense) €m	Total operating income / (expense) €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating profit / (loss) before net impairment losses on financial instruments €m	Net impairment (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Divisional underlying contribution												
Retail Ireland	418	—	131	549	—	549	(347)	202	36	8	—	246
Wealth and Insurance	(4)	1,032	(1,488)	(460)	481	21	(82)	(61)	—	—	—	(61)
Retail UK	346	—	(2)	344	—	344	(148)	196	(11)	13	—	198
Corporate and Markets	312	—	99	411	—	411	(92)	319	(69)	—	—	250
Group Centre	(1)	(1)	75	73	(1)	72	(273)	(201)	(3)	—	—	(204)
Other reconciling items	1	—	(9)	(8)	—	(8)	(2)	(10)	—	—	—	(10)
BOIG Group plc - underlying	**1,072**	**1,031**	**(1,194)**	**909**	**480**	**1,389**	**(944)**	**445**	**(47)**	**21**	**—**	**419**
Less:												
Attributable to BOIG plc	(9)	—	(1)	(10)	—	(10)	—	(10)	—	—	—	(10)
Group underlying	**1,063**	**1,031**	**(1,195)**	**899**	**480**	**1,379**	**(944)**	**435**	**(47)**	**21**	**—**	**409**
Total non-core items												
Customer redress charges	5	—	—	5	—	5	(31)	(26)	—	—	—	(26)
Acquisition costs	—	—	—	—	—	—	(25)	(25)	—	—	—	(25)
Transformation programme costs[2]	—	—	—	—	—	—	(23)	(23)	—	—	—	(23)
Gross-up for policyholder tax in the Wealth and Insurance business	—	—	(8)	(8)	—	(8)	—	(8)	—	—	—	(8)
Investment return on treasury stock held for policyholders	—	—	(4)	(4)	—	(4)	—	(4)	—	—	—	(4)
Portfolio divestments	—	—	2	2	—	2	—	2	—	—	—	2
Gain on liquidation of business activities	—	—	—	—	—	—	—	—	—	—	—	—
Group total	**1,068**	**1,031**	**(1,205)**	**894**	**480**	**1,374**	**(1,023)**	**351**	**(47)**	**21**	**—**	**325**

[2] Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.

Income statement - Operating segments *(continued)*

In the table below, "underlying" excludes the impact of non-core items (page 4).

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

[3] *Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.*

Principal Risks and Uncertainties

Principal risks and uncertainties facing the Group for the remaining six months of 2022 are listed below. This summary should not be regarded as a complete and comprehensive statement of all potential risks / uncertainties. The Group continues to face a diverse set of challenges including macroeconomic uncertainty associated with Russia's invasion of Ukraine and ongoing COVID-19 impacts, combined with a significant transformation agenda. Other factors not yet identified, or not currently material, may adversely affect the Group.

Business and strategic risk is the risk of not achieving agreed strategic and business goals, arising due to inadequate planning or implementation, and / or changes in the external environment or economic factors. This also includes adverse impacts on the franchise value, e.g., by implementing an unsuitable strategy or maintaining an obsolete business model. Business and strategic risk also covers environmental, social or governance (ESG) matters. Drivers include:

- macroeconomic conditions and geopolitical uncertainties:
  - the fallout from Russia's invasion of Ukraine leading to greater uncertainty, high global energy and non-energy commodity prices.
  - potential changes in interest rates, impacting repayment capacity and demand for lending.
  - continuing uncertainty regarding Brexit and the Northern Ireland protocol and the implications for trade and relations between the EU and UK.

  The potential impacts of these macroeconomic and geopolitical dynamics represent a risk to the Group in its markets and could be seen in pricing, customer confidence and credit demand, collateral values and customers' ability to meet their financial obligations;
- environmental or climate risks with emerging regulatory frameworks which extend beyond climate to include ESG risks;
- the risk attached to acquisitions (completed and proposed) not successfully delivering on anticipated strategic outcomes;
- changing bank model including changes in the competitive landscape, the impact of changing consumer and business behaviours, delivery on the Group's digital strategy and the ongoing enterprise change agenda; and
- the Group has a strategy to transform which presents challenges and risks, as well as customer considerations. Failure to transform successfully, or respond to the other risks above, could prevent the Group from realising its strategic priorities.

Capital adequacy risk is the risk that the Group has insufficient capital to support its normal business activities, meet its regulatory capital requirements or absorb losses should unexpected events occur. The Group's business and financial condition would be negatively affected if the Group was, or was considered to be, insufficiently capitalised. While all material risks impact on the Group's capital adequacy to some extent, capital adequacy is primarily impacted by significant increases in credit risk or RWAs, materially worse than expected financial performance and changes to minimum regulatory requirements.

Conduct risk is the risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the Group's products and services. The Group is exposed to conduct risk as a direct and indirect consequence of its normal business activities. These risks may materialise from failures to comply with regulatory requirements or expectations, in the day-to-day conduct of its business, as an outcome of risk events in other principal risk categories, from changes in external market expectations or conditions, provision of products and services and the various activities performed by the Group, its staff, contractors and by third party suppliers.

Credit risk is the risk of loss resulting from a customer or counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes debt underwriting risk, loan origination risk, credit concentration risk, cross border transfer risk, credit quality deterioration risk, default risk and collateral valuation risk. Credit risk arises from loans and advances to customers and from certain other financial transactions such as those entered into by the Group with financial institutions, sovereigns and state institutions.

The level of credit risk associated with the impact of COVID-19 has reduced in the period. Some residual latent risk is recognised as certain customers may face challenges following the cessation of government supports. The positive impact of the re-opening of economies in the Group's core markets has been offset somewhat by increased credit risk associated with the combination of geopolitical developments and supply chain difficulties, along with elevated inflation rates and potential interest rate increases.

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by, amongst other things, the maturity structure of loans and investments held by the Group, while cash outflows are driven by items such as the term maturity of debt issued by the Group and outflows from customer deposit accounts. The liquidity risk of the Group may also be impacted by external events which could result in a sudden withdrawal of deposits or the potential changes in customer behaviour. Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding (including securitisations) maturities. The Group funds an element of its sterling balance sheet in part from euro (via cross currency derivatives), which creates an exposure to the cost of this hedging which is managed within prudent risk appetite limits.

Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits. This variation, arising from changing customer mortality, life expectancy, health or behavioural characteristics, may be short or long term in nature. Experience in 2022 has been stable and broadly positive relative to assumptions.

Market risk is the risk of loss arising from movements in interest rates, FX rates or other market prices (including equity and credit spreads). Market risk arises from the structure of the balance sheet, the Group's business mix and includes discretionary risk-taking. Additionally, market risk arises through the conduct of customer business, particularly in respect to fixed-rate lending and the execution of derivatives and foreign exchange business. The market risk profile of the Group may, in addition to the above risks which arise in the usual course of a business cycle, be impacted by shifts in market volatility as a result of external factors. Earnings for NIAC are also indirectly exposed to changes in equity and property markets through fee income generated on unit-linked customer investments.

Operational risk is the risk of loss resulting from suboptimal or failed internal processes, systems, human factors or from external events. Operational risk arises as a direct or indirect

Principal Risks and Uncertainties *(continued)*

consequence of the Group's normal business activities through the day-to-day execution of business processes, the functioning of its technologies and in the various activities performed by its staff, contractors and third party suppliers. This also includes the risks associated with major change and the failure to deliver on the Group's multi-year transformation agenda. It includes people risks such as loss of talent due to increased competition in the recruitment market for certain skills and experience and the remuneration cap at the senior levels, along with colleague wellbeing and health and safety. People risk continues to be at an elevated level.

Operational risk also arises from the risk of cybersecurity attacks which remains material as their frequency, sophistication and severity continue to develop. Information technology risk (including Cloud) continues to be a focus area in an increasingly digital world requiring heightened service continuity and operational resilience. Operational risk also includes model risk which is the risk of adverse consequences from decisions based on incorrect or misused model outputs and reports, whilst data risk is the risk of negative outcomes in the event of the unavailability of data, poor data quality, or inadequate data retention and destruction management.

In addition, preparing for management of internal and external business disruption events through business continuity planning and management and monitoring of third party suppliers continues as part of operational risk management. The recent invasion of Ukraine and the worldwide COVID-19 pandemic are examples of external events, not caused by the actions of the Group, to which the Group must respond and manage. The risk of such external events, which includes natural disasters, civil unrest, etc., present potential significant disruption and are therefore considered material. The pandemic has caused significant changes for our customers and corresponding operational changes for the Group, including the deployment of interventions to mitigate model risk. The potential for increased operational risk arising from external events, and the legacy of changes to ways of working for our customers and colleagues, is being kept under continuous review by the Group.

Regulatory risk is the risk that the Group does not identify legal or regulatory change or appropriately manage its relationships with its regulators. The Group is exposed to regulatory risk as a direct and indirect consequence of its normal business activities. Regulatory risk may materialise from failure to identify new or existing regulatory and / or legislative requirements or deadlines, ensure appropriate governance is in place to embed regulatory requirements into processes, or the failure to appropriately manage the Group's regulatory relationships.

The Group also faces other significant and emerging risks and further detail on risks facing the Group, including key mitigating considerations, may be found in the principal risks and uncertainties section on pages 10 to 21 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

Statement of Directors' responsibilities

for the six months ended 30 June 2022

The Directors are responsible for preparing the interim financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ('Transparency Directive'), and the Central Bank (Investment Market Conduct) Rules 2019 ('Transparency Rules of the Central Bank of Ireland').

In preparing the condensed set of financial statements included within the interim financial report, the Directors are required to

- prepare and present the condensed set of financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Directive and the Transparency Rules of the Central Bank of Ireland;
- ensure the condensed set of financial statements has adequate disclosures;
- select and apply appropriate accounting policies;
- make accounting estimates that are reasonable in the circumstances; and
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

We confirm that to the best of our knowledge:

The condensed set of consolidated financial statements included within the interim financial report of The Governor and Company of the Bank of Ireland for the six months ended 30 June 2022 (the 'interim financial information') which comprises the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the related explanatory notes, have been presented and prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, the Transparency Directive and Transparency Rules of the Central Bank of Ireland.

The interim financial information presented, as required by the Transparency Directive, includes:

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

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

Signed on behalf of the Court by

2 August 2022

Patrick Kennedy
Governor

Richard Goulding
Deputy Governor

Francesca McDonagh
Group Chief Executive

Executive Directors: Francesca McDonagh (Group Chief Executive Officer), Mark Spain (Group Chief Financial Officer).
Non-executive Directors: Patrick Kennedy (Governor), Richard Goulding (Deputy Governor), Giles Andrews, Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Michele Greene, Fiona Muldoon, Steve Pateman.

Independent review report

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

Conclusion

We have been engaged by The Governor and Company of the Bank of Ireland (the 'Bank') to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2022 which comprises consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement, a summary of significant accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2022 is not prepared, in all material respects in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34') as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ('Transparency Directive'), and the Central Bank (Investment Market Conduct) Rules 2019 ('Transparency Rules of the Central Bank of Ireland').

Basis for conclusion

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

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

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

Conclusions relating to going concern

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

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However, future events or conditions may cause the Bank to cease to continue as a going concern, and the above conclusions are not a guarantee that the Bank will continue in operation.

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 the Transparency Directive and the Transparency Rules of the Central Bank of Ireland.

The Directors are responsible for preparing the condensed set of consolidated financial statements included in the interim financial report in accordance with IAS 34 as adopted by the EU.

As disclosed in note 1, the interim financial statements of the Bank for the period ended 30 June 2022 are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

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

Our responsibility

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

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

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

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

2 August 2022

Consolidated interim financial statements and notes

(unaudited)

Consolidated condensed income statement

(for the six months ended 30 June 2022) (unaudited)

	Note	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Interest income calculated using the effective interest method	4	1,211	1,151
Other interest income	4	178	198
Interest income		**1,389**	**1,349**
Interest expense	5	(321)	(270)
Net interest income		**1,068**	**1,079**
Net insurance premium income	6	1,031	846
Fee and commission income	7	249	217
Fee and commission expense	7	(119)	(90)
Net trading income	8	12	61
Life assurance investment income, gains and losses	9	(1,475)	614
Other leasing income	10	33	32
Other leasing expense	10	(19)	(25)
Other operating income	11	114	62
Total operating income		**894**	**2,796**
Insurance contract liabilities and claims paid	12	480	(1,379)
Total operating income, net of insurance claims		**1,374**	**1,417**
Operating expenses	13	(1,020)	(943)
Cost of restructuring programme	14	(3)	(69)
Operating profit before impairment losses on financial instruments		**351**	**405**
Net impairment losses on financial instruments	15	(47)	(1)
Operating profit		**304**	**404**
Share of results of associates and joint ventures (after tax)	16	21	1
Gain on disposal / liquidation of business activities		—	1
Profit before tax		**325**	**406**
Taxation charge	17	(54)	(65)
Profit for the period		**271**	**341**
Attributable to stockholders		271	341
Attributable to non-controlling interests		—	—
Profit for the period		**271**	**341**

Consolidated condensed statement of comprehensive income

(for the six months ended 30 June 2022) (unaudited)

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Profit for the period	**271**	**341**
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss in subsequent periods:		
Debt instruments at fair value through other comprehensive income, net of tax:	(128)	(29)
Cash flow hedge reserve, net of tax	11	(4)
Foreign exchange reserve	6	113
Total items that may be reclassified to profit or loss in subsequent periods	**(111)**	**80**
Items that will not be reclassified to profit or loss in subsequent periods		
Remeasurement of the net defined benefit pension asset, net of tax	675	285
Net change in liability credit reserve	13	(5)
Total items that will not be reclassified to profit or loss in subsequent periods	**688**	**280**
Other comprehensive income for the period, net of tax	**577**	**360**
Total comprehensive income for the period, net of tax	**848**	**701**
Total comprehensive income attributable to equity stockholders	848	701
Total comprehensive income attributable to non-controlling interests	—	—
Total comprehensive income for the period, net of tax	**848**	**701**

The effect of tax on these items is shown in note 17.

Consolidated condensed balance sheet

(as at 30 June 2022) (unaudited)

	Note	30 June 2022 €m	31 December 2021 €m
Assets			
Cash and balances at central banks	33	38,548	31,360
Items in the course of collection from other banks		183	159
Trading securities		18	20
Derivative financial instruments	18	3,351	1,571
Other financial assets at fair value through profit or loss		18,106	20,099
Loans and advances to banks		3,043	2,750
Debt securities at amortised cost		4,972	6,008
Financial assets at fair value through other comprehensive income	19	5,012	9,457
Assets classified as held for sale		9	5
Loans and advances to customers	20	74,616	76,346
Interest in associates		67	59
Interest in joint ventures		69	57
Intangible assets and goodwill	23	1,192	852
Investment properties		938	992
Property, plant and equipment		816	820
Current tax assets		31	38
Deferred tax assets	24	936	1,044
Other assets		2,889	2,919
Retirement benefit assets	31	1,382	740
Total assets		**156,178**	**155,296**
Equity and liabilities			
Deposits from banks	25	11,879	12,946
Customer accounts	26	93,162	93,445
Items in the course of transmission to other banks		726	207
Derivative financial instruments	18	4,340	2,185
Debt securities in issue	27	9,390	8,491
Liabilities to customers under investment contracts		5,743	6,671
Insurance contract liabilities		14,173	15,399
Other liabilities		2,587	2,399
Leasing liabilities		446	452
Current tax liabilities		20	16
Provisions	28	195	190
Loss allowance provision on loan commitments and financial guarantees	30	40	48
Deferred tax liabilities		71	89
Retirement benefit obligations	31	6	142
Subordinated liabilities	32	1,959	1,984
Total liabilities		**144,737**	**144,664**
Equity			
Capital stock		1,625	1,625
Stock premium account		571	571
Retained earnings		7,521	6,552
Other reserves		747	907
Stockholders' equity		**10,464**	**9,655**
Other equity instruments - Additional Tier 1		975	975
Total equity excluding non-controlling interests		**11,439**	**10,630**
Non-controlling interests		2	2
Total equity		**11,441**	**10,632**
Total equity and liabilities		**156,178**	**155,296**

Consolidated condensed statement of changes in equity

(for the six months ended 30 June 2022) (unaudited)

				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2022	**1,625**	**571**	**6,552**	**129**	**(36)**	**(6)**	**(693)**	**1,486**	**27**	**9,655**	**975**	**2**	**10,632**
Profit for the period	—	—	271	—	—	—	—	—	—	271	—	—	271
Other comprehensive income	—	—	675	(128)	11	13	6	—	—	577	—	—	577
Total comprehensive income for the period	**—**	**—**	**946**	**(128)**	**11**	**13**	**6**	**—**	**—**	**848**	**—**	**—**	**848**
Transactions with owners										**—**			**—**
Contributions by and distributions to owners of the Group										**—**			**—**
AT1 securities issued during the period, net of expenses	—	—	(35)	—	—	—	—	—	—	(35)	—	—	(35)
Dividends on preference equity interests paid in cash	—	—	(4)	—	—	—	—	—	—	(4)	—	—	(4)
Distribution on other equity instruments - Additional tier 1 coupon	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption of AT1 securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	**—**	**—**	**(39)**	**—**	**—**	**—**	**—**	**—**	**—**	**(39)**	**—**	**—**	**(39)**
Transfer from capital reserve to retained earnings	—	—	62	—	—	—	—	(62)	—	—	—	—	—
Balance at 30 June 2022	**1,625**	**571**	**7,521**	**1**	**(25)**	**7**	**(687)**	**1,424**	**27**	**10,464**	**975**	**2**	**11,441**

Consolidated condensed statement of changes in equity *(continued)*

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

				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2021	**1,625**	**571**	**5,057**	**163**	**(26)**	**(1)**	**(877)**	**1,414**	**27**	**7,953**	**975**	**2**	**8,930**
Profit for the period	—	—	341	—	—	—	—	—	—	341	—	—	341
Other comprehensive income	—	—	285	(29)	(4)	(5)	113	—	—	360	—	—	360
Total comprehensive income for the period	**—**	**—**	**626**	**(29)**	**(4)**	**(5)**	**113**	**—**	**—**	**701**	**—**	**—**	**701**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution on other equity instruments - Additional tier 1 coupon	—	—	(35)	—	—	—	—	—	—	(35)	—	—	(35)
Dividends on preference equity interests paid in cash	—	—	(4)	—	—	—	—	—	—	(4)	—	—	(4)
Redemption of AT1 securities	—	—	—	—	—	—	—	—	—	—	—	—	—
AT1 securities issued during the period, net of expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	**—**	**—**	**(39)**	**—**	**—**	**—**	**—**	**—**	**—**	**(39)**	**—**	**—**	**(39)**
Transfer from capital reserve to retained earnings	—	—	(35)	—	—	—	—	35	—	—	—	—	—
Balance at 30 June 2021	**1,625**	**571**	**5,609**	**134**	**(30)**	**(6)**	**(764)**	**1,449**	**27**	**8,615**	**975**	**2**	**9,592**

Consolidated condensed statement of changes in equity *(continued)*

(for the year ended 31 December 2021)

	Capital stock €m	Stock premium account €m	Retained earnings €m	Other reserves: Debt instruments at FVOCI reserve €m	Other reserves: Cash flow hedge reserve €m	Other reserves: Liability credit reserve €m	Other reserves: Foreign exchange reserve €m	Other reserves: Capital reserve €m	Other reserves: Revaluation reserve €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2021	**1,625**	**571**	**5,057**	**163**	**(26)**	**(1)**	**(877)**	**1,414**	**27**	**7,953**	**975**	**2**	**8,930**
Profit for the period	—	—	1,048	—	—	—	—	—	—	1,048	—	—	1,048
Other comprehensive income	—	—	597	(34)	(10)	(5)	184	—	—	732	—	—	732
Total comprehensive income for the period	**—**	**—**	**1,645**	**(34)**	**(10)**	**(5)**	**184**	**—**	**—**	**1,780**	**—**	**—**	**1,780**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution on other equity instruments - Additional tier 1 coupon	—	—	(71)	—	—	—	—	—	—	(71)	—	—	(71)
Dividends on preference equity interests paid in cash	—	—	(7)	—	—	—	—	—	—	—	—	—	—
AT1 securities issued during the period, net of expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption of AT1 securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	**—**	**—**	**(78)**	**—**	**—**	**—**	**—**	**—**	**—**	**(71)**	**—**	**—**	**(71)**
Transfer from capital reserve to retained earnings	—	—	(72)	—	—	—	—	72	—	—	—	—	—
Balance at 31 December 2021	**1,625**	**571**	**6,552**	**129**	**(36)**	**(6)**	**(693)**	**1,486**	**27**	**9,662**	**975**	**2**	**10,639**

Consolidated cash flow statement

(for the six months ended 30 June 2022) (unaudited)

	Note	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Cash flows from operating activities			
Profit before tax		325	406
Share of results of associates and joint ventures	16	(21)	(1)
Gain on disposal / liquidation of business activities		—	(1)
Depreciation and amortisation	10,13	120	126
Net impairment losses on financial instruments, excluding cash recoveries	15	54	15
Impairment of property, plant and equipment		—	23
Reversal of impairment on property		—	(2)
Revaluation of investment property		(9)	21
Interest expense on subordinated liabilities		43	39
Interest expense on lease liabilities	5	6	6
Charge for pension and similar obligations		41	52
Net change in accruals and interest payable		50	(18)
Net change in prepayments and interest receivable		(15)	43
Charge for provisions	28	36	41
Net change in operating expenses accrued		73	65
Non-cash and other items		(52)	42
Cash flows from operating activities before changes in operating assets and liabilities		**651**	**857**
Net change in items in the course of collection from other banks		495	208
Net change in trading securities		2	(52)
Net change in derivative financial instruments		1,203	629
Net change in other financial assets at fair value through profit or loss		2,007	(1,284)
Net change in loans and advances to banks		(8)	(22)
Net change in loans and advances to customers		1,262	697
Net change in other assets		328	158
Net change in deposits from banks		(1,010)	10,729
Net change in customer accounts		82	1,017
Net change in debt securities in issue		930	275
Net change in liabilities to customers under investment contracts		(928)	433
Net change in insurance contract liabilities		(1,226)	835
Net change in other operating liabilities		(393)	467
Net cash flow from operating assets and liabilities		**2,744**	**14,090**
Net cash flow from operating activities before tax		**3,395**	**14,947**
Tax paid		(38)	(11)
Net cash flow from operating activities		**3,357**	**14,936**
Investing activities (section a below)		4,127	(737)
Financing activities (section b below)		(87)	418
Effect of exchange translation and other adjustments		76	(174)
Net change in cash and cash equivalents		**7,473**	**14,443**
Opening cash and cash equivalents		33,931	13,265
Closing cash and cash equivalents	33	**41,404**	**27,708**

Consolidated cash flow statement *(continued)*

(for the six months ended 30 June 2022) (unaudited)

	Note	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
(a) Investing activities			
Disposal / redemption of financial assets at FVOCI	19	4,036	793
Disposal / redemption of debt securities at amortised cost		540	152
Acquisition of a subsidiary, net of cash and cash equivalents acquired	34	(285)	—
Additions to property, plant and equipment, intangible assets and investment property		(150)	(152)
Additions to financial assets at FVOCI		(87)	(1,339)
Disposal of property, plant and equipment, intangible assets and investment property		85	13
Additions to debt securities at amortised cost		(12)	(215)
Net change in interest in associates		—	11
Cash flows from investing activities		**4,127**	**(737)**
(b) Financing activities			
Distribution on other equity instruments - AT1 coupon		(35)	(35)
Payment of lease liabilities		(27)	(14)
Interest paid on subordinated liabilities		(15)	(23)
Interest paid on lease liabilities		(6)	(6)
Dividends paid on other preference equity interests		(4)	(4)
Net proceeds from the issue of subordinated liabilities		—	500
Cash flows from financing activities		**(87)**	**418**

Net cash flows from operating activities in H122 includes interest received of €1,437 million (H121: €1,427 million) and interest paid of €204 million (H121: €198 million).

Notes to the consolidated financial statements

1	Group accounting policies	22
2	Critical accounting estimates and judgements	25
3	Operating segments	32
4	Interest income	36
5	Interest expense	37
6	Net insurance premium income	37
7	Fee and commission income and expense	38
8	Net trading income / (expense)	38
9	Life assurance investment income, gains and losses	39
10	Other leasing income and expense	39
11	Other operating income	39
12	Insurance contract liabilities and claims paid	40
13	Other operating expenses	40
14	Cost of restructuring programme	41
15	Net impairment gains / (losses) on financial instruments	41
16	Share of results of associates and joint ventures (after tax)	42
17	Taxation	42
18	Derivative financial instruments	43
19	Financial assets at fair value through other comprehensive income	44
20	Loans and advances to customers	44
21	Credit risk exposures	57
22	Modified financial assets	73
23	Intangible assets and goodwill	74
24	Deferred tax	75
25	Deposits from banks	76
26	Customer accounts	76
27	Debt securities in issue	77
28	Provisions	77
29	Contingent liabilities and commitments	78
30	Loss allowance provision on loan commitments and financial guarantees	79
31	Retirement benefit obligations	80
32	Subordinated liabilities	81
33	Cash and cash equivalents	82
34	Davy acquisition	82
35	Client property	84
36	Summary of relations with the State	84
37	Liquidity risk and profile	85
38	Fair value of assets and liabilities	86
39	Interest rate benchmark reform	92
40	Post balance sheet events	94
41	Approval of the interim report	94

1 Group accounting policies

Basis of preparation

The interim financial statements of The Governor and Company of the Bank of Ireland (the 'Bank") and its subsidiaries (collectively the 'Group') for the six months ended 30 June 2022 (H122) have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union. These interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2021, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the European Union (Credit Institutions: Financial Statements) Regulations 2015.

Statutory financial statements

These interim financial statements do not comprise statutory financial statements within the meaning of the Companies Act 2014. The statutory financial statements for the year ended 31 December 2021 were approved by the Court of Directors on 25 February 2022, contained an unqualified audit report and did not include a reference to any matters to which the statutory auditor drew attention by way of emphasis. The statutory financial statements were filed with the Companies Registration Office on 23 June 2022.

Interim financial statements

The interim financial statements comprise the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the notes to the consolidated interim financial statements on pages 13 to 94.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the interim financial statements for H122 is a period of twelve months from the date of approval of these financial statements (the 'period of assessment').

In making this assessment, the Directors considered the Group's business, profitability projections, funding and capital plans, together with a range of other factors such as the outlook for the Irish economy, and the current global macroeconomic and geopolitical environment.

The matters of primary consideration by the Directors are set out below:

Capital

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

Funding and liquidity

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

Conclusion

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

Comparatives

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

Accounting Policies

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 86 to 103 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021, except for the following which have been added as a result of the Group's acquisition of J&E Davy ('Davy') on 1 June 2022. The accounting policy for business combinations is set out on page 95 of the Group's Annual Report for the year ended 31 December 2021.

Fee and commission income

Stockbroking commission income arising from the Davy Stockbroking business is recognised as earned in the period in which the related deals are executed on behalf of clients and the performance obligation is satisfied.

New accounting pronouncements

There have been no new standards or amendments to standards, adopted by the Group during the six months ended 30 June 2022 which have had a material impact on the Group.

Impact of new accounting standards

Information about the impact of new accounting standards that are not effective for the current reporting period are set out on pages 102 and 103 of the Group's Annual Report for the year ended 31 December 2021.

IFRS 17 'Insurance Contracts'

Nature of change

IFRS 17 replaces IFRS 4 'Insurance Contracts', which was introduced as an interim standard in 2004. IFRS 17 addresses the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosures of insurance and reinsurance contracts, ensuring an entity provides relevant information that faithfully represents those contracts. There are specific scope exemptions detailed within IFRS 17. The Group does not intent to apply any scope exemptions from the application of the standard.

The Standard was endorsed by the EU on 19 November 2021, with an optional exemption from applying annual cohort requirements that relates to the timing of the recognition of the profit in the contract, the contractual service margin (CSM), in profit or loss. The Group does not intend to use this exemption.

Effective date

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

Impact

The Group issues insurance contracts through its subsidiary New Ireland Assurance Company (NIAC), which forms part of the Wealth and Insurance operating segment. The Group

1 Group accounting policies *(continued)*

expects that IFRS 17 is likely to have a material impact on the recognition, measurement, presentation and disclosure of the insurance business in the Group's financial statements. There are also no changes to the underlying fundamentals and operations of the operating segment or the operations of the Wealth and Insurance segment.

IFRS 17 prescribes the transition approaches that must be applied. On transition to IFRS 17, entities must apply the fully retrospective approach (FRA), unless impracticable. The Group will apply the FRA to contracts issued on or after 1 January 2019. The fair value approach (FVA) will be applied to contracts which were issued before 1 January 2019, as it was considered impracticable to apply the FRA prior to this date due to material changes to cash flow models.

Contracts within the scope of IFRS 17 must now apply the prescribed measurement models. IFRS 17 permits three possible measurement models namely the General Measurement Model (GMM), the Premium Allocation Approach (PAA) and the Variable Fee Approach (VFA). The GMM is the default measurement model in IFRS 17 and the PAA is a simplified model, which may be applied where certain criteria are met. The VFA must be applied to contracts with direct participation features. On transition to IFRS 17 the Group expects that insurance contracts issued and reinsurance contracts held will be measured using the GMM, except where the VFA applies. The Group expects the VFA to be applied to insurance contracts in the unit linked life and pension portfolio. Further detail is provided below as to how a "portfolio" is defined.

As permitted by IFRS 17, the Group also plans to elect the following accounting policies.

- Changes in the risk adjustment for non-financial risk between the insurance services result and the insurance finance income or expenses (IFIE) will be disaggregated;
- The IFIE will not be disaggregated between amounts included in profit or loss and amounts included in other comprehensive income; and
- The financial performance of groups of reinsurance contracts held will be presented on a net basis in net income (expense) from reinsurance contracts held.

Other accounting policy elections which may be available as a result of the transition to IFRS 17 are under consideration.

IFRS 17 introduces new measurement models, presentation and disclosure requirements. As part of the on-going transition effort the Group have identified the following key accounting policies which will be impacted by transitioning to IFRS 17:

Investment components

IFRS 17 requires the identification and separation of distinct investment components from contracts within the scope of IFRS 17 unless it is an investment contract with discretionary participation features. For contracts that includes both insurance coverage and investment-related service the Group will separate distinct investment components that are not closely related to the insurance component. The distinct investment components will be measured in accordance with IFRS 9.

Contract boundary

The measurement of a group of insurance contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. The Group has determined that expected future single premium injections and regular premium increases for unit-linked life and pensions contracts, even though at the discretion of policyholders, are within the contract boundaries as the Group may not adjust the terms and conditions for such increases.

Level of aggregation (LoA)

IFRS 17 requires an entity to determine the LoA for applying its requirements. The LoA for the Group will be determined firstly by dividing the business written into portfolios. Portfolios in accordance with IFRS 17 comprise groups of contracts with similar risks which are managed together. Portfolios will be further divided based on expected profitability at inception into three categories namely, onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. Contracts issued more than one year apart will not be allocated to the same group, except for contracts measured using the FVA at transition to IFRS 17. This also applies 'with the necessary changes for reinsurance contracts held.

Measurement

IFRS 17 requires the increased use of current observable market values in the measurement of insurance assets and liabilities.

GMM

Changes in liability for incurred claims (LIC) and liability for remaining coverage (LfRC) will be reflected in insurance revenue, insurance service expense, IFIE, or adjust the contractual service margin (CSM). The amount of CSM recognised in profit or loss for services in the period will be determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. Services provided will be estimated using coverage units, which reflect the quantity of benefits and the coverage duration.

VFA

For insurance contracts under the VFA there will be adjustments that relate to future service thus changing the CSM. These are expected to include changes in the group's share of the fair value of underlying items and changes in the fulfilment cashflows (FCF) that would not vary based on the returns of underlying items and relate to future service. Other changes in cashflows are reflected in profit or loss. The Group determines coverage units applying equal weights to the expected benefits resulting from insurance coverage, investment-return service and investment-related service. Coverage units for future years are discounted at rates determined at the inception of a group of contracts (locked-in rates), except for the unit-linked life and pension's portfolio, where current discount rates are used.

Reinsurance

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows will include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including allowing for the effects of collateral and losses from disputes.

1 Group accounting policies *(continued)*

- The Group will determine the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- The Group will recognise both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and this will be released to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition. The amount of the CSM recognised in profit or loss for services in the period will be determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units, representing the proportion of insurance coverage and investment-return service of underlying contracts that will be reinsured. Equal weights are expected to be applied to insurance coverage and investment-return service.
- Changes in the fulfilment cash flows will be recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- The VFA does not apply to reinsurance contracts.

Risk adjustment for non-financial risks

The risk adjustment reflects the compensation that the Group requires to compensate for the risk in the level and timing of future cash flows arising from non-financial risks. The Group plans to determine the risk adjustment for non-financial risks as follows:

- a value at risk approach (also referred to as a confidence interval approach) will be applied at a confidence interval of 90% over one year, which reflects the Group's risk appetite for insurance business;
- the effect of assumed adverse experience will be determined as a one-off sensitivity at the reporting date that persists for the duration of contracts;
- the Group will allow for diversification of non-financial risks with financial risks and with investment contracts, based on the Solvency II standard formula diversification factors;
- the risk adjustment for contracts issued will allow for the effect of sensitivities net of reinsurance plus the expected cost of reinsurance; and
- the risk adjustment for reinsurance contracts held will be based on the reinsured proportions of risks included in the risk adjustment for contracts issued.

Value of in Force (VIF)

In accordance with IFRS 17 there will be no VIF asset recognised and as a result the estimated future profits will now be included in the measurement of the insurance contract liability as the CSM, representing unearned profit, which will be gradually recognised over the duration of the contract. The removal of the VIF asset and the recognition of the CSM, which is a liability, will reduce equity.

Discount rates

Discount rates will be based on market information where available and will be determined using the top-down approach for the annuity portfolios and the bottom-up approach for other contracts. For long durations where there are no observable market information interest rates will be estimated based on a small excess return of between 0.5% and 1% above expected long-term inflation rates. An illiquidity premium, depending on the nature of contracts, will be included in discount rates, except for contracts in the unit-linked life and pensions portfolio, as these contracts are considered to be liquid. The reference portfolios for the top-down approach are based on suitable assets backing the liabilities. The implied investment returns on these assets are adjusted to allow for credit risk based on Solvency II fundamental spreads.

Directly Attributable Expenses (DAE)

DAE in accordance with IFRS 17 will be incorporated in the CSM and recognised in the result of insurance services as a reduction in reported insurance revenue, as CSM is recognised over the duration of insurance contracts. Costs that are not directly attributable will remain in operating expenses. This will result in a reduction in reported operating expenses compared to the current accounting treatment.

Presentation and disclosure

IFRS 17 requires amendments to the Financial Statement Line Items (FSLI) that will be presented in the primary statements. In the Group consolidated primary statements currently in accordance with IFRS 4 net insurance premium income, insurance contract liabilities, claims paid and total operating income net of insurance claims are presented as FSLI. These IFRS 4 FSLI's will be replaced with an insurance service result (which comprises insurance revenue, insurance service expense and net income/expense from reinsurance contracts held). The Insurance finance income or expense (IFIE) will be recognised within net insurance investment and finance result. The presentation of the IFIE and the financial performance of the groups of reinsurance contracts held will be in line with the Group's planned accounting policy election as set out in the impact of IFRS 17 section above.

IFRS 17 also requires increased disclosures with more granular information in relation to the amounts recognised from insurance contracts; significant judgements and their changes; and the nature and extent of risks that arise from insurance contracts.

Implementation progress and anticipated impact

NIAC is a separate legal entity which is consolidated into the Group. NIAC will not transition to IFRS 17 for its legal entity standalone statutory financial statements. Solvency II remains as its capital and regulatory framework and is unchanged as a result of the Group's transition to IFRS 17. NIAC's ability to pay dividends to its parent company within the Group will therefore not be affected.

The Group's IFRS 17 implementation programme has focused on interpreting the requirements of the standard and developing systems and data requirements to enable IFRS 17 readiness. The development of methodologies and accounting policies, including auditor review has been largely completed. The data sourcing work has been completed on all administration systems and the build phase of the development is largely completed subject to testing and implementation of a number of controls. Continued work is being performed to validate the IFRS17 end to end solution and migrate to the new IFRS 17 valuation process. End to end 'dry run' testing is expected to complete in the second half of 2022.

The Group will adopt IFRS 17 from 1 January 2023 and must provide 2022 comparatives along with an opening balance sheet. Currently it is anticipated that the following will create an impact on either profit or equity:

1 Group accounting policies *(continued)*

- IFRS 17 will have a significant impact on the accounting for insurance contracts. The Group expects that profits pertaining to insurance contracts, within the Wealth and Insurance operating segment of the Group, will be gradually recognised over the life of the contract, rather than being accelerated at the inception. This is expected to result in a reduction in earnings in 2023.
- In accordance with IFRS 17 there will be no VIF asset recognised. The future profit instead will be included in the measurement of CSM and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an insurance contract will be unchanged, the emergence of this profit will be later under IFRS 17. The removal of the VIF asset and the recognition of CSM, which is a liability, will reduce equity on transition.
- DAE in accordance with IFRS 17 will be incorporated in the CSM and recognised in the result of insurance services as a reduction in reported revenue, as profit is recognised over the duration of insurance contracts. Costs that are not directly attributable will remain in operating expenses. This will result in a reduction in reported operating expenses compared to the current accounting treatment.

Given the ongoing implementation activity, the Group is not yet in a position to reasonably estimate the financial impact or to disclose a reasonable range of the financial impact on the Group's financial statements and alternative performance measures. It is anticipated that a quantitative impact will be disclosed in the 2022 annual report.

2 Critical accounting estimates and judgements

The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets, liabilities, income and expense. Other than as set out below, there have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgments compared to those applied at 31 December 2021, as set out on pages 104 to 114 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

(1) Impairment loss allowance on financial assets

The Group's credit risk methodologies are set out on pages 206 to 212 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

Changes in estimates

Forward Looking Information (FLI)

FLI refers to probability weighted future macroeconomic scenarios approved semi-annually by the Executive Risk Committee and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 30 June 2022, comprising a central scenario, an upside scenario, and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for property for years beyond the forecast period. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The central FLI scenario for the period ending 30 June 2022 is based on internal and external information and management judgement and follows the same process as used in prior periods.

However, due to the unprecedented nature of the COVID-19 economic shock and Russia's invasion of Ukraine, the Group employed an amended approach for the selection of the upside and downside FLI scenarios for HY 2022 to avoid counter-intuitive trends in the respective scenarios.

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

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

The narrative-driven scenarios were assessed relative to the simulated distribution.

The probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The final set of probability weightings used in Expected credit losses (ECL) estimates reflected the application of management judgement to the initial probability weightings, with increased weight assigned to downside scenarios. External forward looking information (e.g. equity market indicators) informed the application of this management judgement, and reflected heightened economic uncertainty at 28 June 2022 associated with a combination of factors including: Russia's invasion of Ukraine; rising inflation; supply chain disruption; and interest rate expectations in the Group's key economies.The estimated ECL impact of this judgement was c.€24 million. In addition to judgement applied to probability weightings, a further post-model Group management adjustment to the Group's impairment loss allowance of €32 million has been recognised as at the 30 June 2022 to reflect increased economic uncertainty, which emerged in the Group's key markets in late June 2022 (refer to page 31 for further details).

2 Critical accounting estimates and judgements *(continued)*

The table below shows the mean average forecast values for the key macroeconomic variables under each scenario for the forecast period 2022 to 2026, together with the scenario weightings for both the RoI and the UK.

	Republic of Ireland				United Kingdom			
			Downside				Downside	
	Central scenario	Upside scenario	Scenario 1	Scenario 2	Central scenario	Upside scenario	Scenario 1	Scenario 2
Scenario probability weighting	**45%**	**10%**	**35%**	**10%**	**45%**	**10%**	**35%**	**10%**
Gross Domestic Product (GDP) - annual growth rate	4.2%	4.6%	3.6%	2.5%	1.9%	2.3%	1.3%	0.3%
Gross National Product (GNP) - annual growth rate	3.9%	4.3%	3.1%	2.0%	n/a	n/a	n/a	n/a
Unemployment - average yearly rate	5.2%	4.8%	6.4%	8.2%	4.2%	3.7%	5.7%	7.5%
Residential property price growth - year end figures	2.2%	3.2%	(1.4%)	(4.2%)	1.6%	2.8%	(2.0%)	(4.4%)
Commercial property price growth - year end figures	1.6%	2.7%	(0.9%)	(4.0%)	1.6%	2.9%	(0.8%)	(4.0%)

The tables below set out the forecast values for 2022 and 2023 and the average forecast values for the period 2024 to 2026 for the key macroeconomic variables which underpin the above mean average values.

`	Republic of Ireland			United Kingdom		
	2022	2023	2024-2026	2022	2023	2024-2026
Central scenario - 45% weighting						
Gross Domestic Product - (GDP) - annual growth rate	5.6%	4.6%	3.6%	3.7%	1.2%	1.6%
Gross National Product - (GNP) - annual growth rate	5.6%	4.1%	3.2%	n/a	n/a	n/a
Unemployment - average yearly rate	5.8%	5.2%	5.0%	4.0%	4.3%	4.3%
Residential property price growth - year end figures	5.0%	2.0%	1.3%	6.0%	(1.0%)	1.0%
Commercial property price growth - year end figures	0.5%	1.5%	2.0%	0.5%	1.0%	2.2%
Upside scenario - 10% weighting						
Gross Domestic Product - (GDP) - annual growth rate	6.2%	5.2%	3.9%	4.3%	1.7%	1.8%
Gross National Product - (GNP) - annual growth rate	6.2%	4.6%	3.5%	n/a	n/a	n/a
Unemployment - average yearly rate	5.6%	4.8%	4.5%	3.8%	3.7%	3.6%
Residential property price growth - year end figures	7.0%	3.0%	2.0%	7.0%	2.0%	1.7%
Commercial property price growth - year end figures	2.0%	2.5%	3.0%	2.5%	3.0%	3.0%
Downside scenario 1 - 35% weighting						
Gross Domestic Product - (GDP) - annual growth rate	4.4%	3.2%	3.4%	2.5%	(0.4%)	1.4%
Gross National Product - (GNP) - annual growth rate	3.8%	2.6%	3.0%	n/a	n/a	n/a
Unemployment - average yearly rate	6.6%	6.6%	6.3%	4.7%	5.7%	6.0%
Residential property price growth - year end figures	3.0%	(6.0%)	(1.3%)	2.0%	(6.0%)	(2.0%)
Commercial property price growth - year end figures	(3.0%)	(2.5%)	0.3%	(3.0%)	(2.5%)	0.5%
Downside scenario 2 - 10% weighting						
Gross Domestic Product - (GDP) - annual growth rate	2.9%	0.7%	2.9%	1.2%	(2.7%)	1.1%
Gross National Product - (GNP) - annual growth rate	2.3%	(0.1%)	2.6%	n/a	n/a	n/a
Unemployment - average yearly rate	7.4%	8.4%	8.5%	5.3%	7.4%	8.3%
Residential property price growth - year end figures	0.0%	(10.0%)	(3.7%)	(1.0%)	(10.0%)	(3.7%)
Commercial property price growth - year end figures	(8.0%)	(6.5%)	(1.8%)	(8.0%)	(7.0%)	(1.7%)

2 Critical accounting estimates and judgements *(continued)*

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

Central scenario

While the Irish and UK economies are benefiting from the removal of pandemic-related restrictions, the fallout from Russia's invasion of Ukraine – greater uncertainty, high global energy and non-energy commodity prices, and the spill-over effects of sanctions on Russia - will temper activity and increase prices and costs for consumers and businesses. The central scenario has GDP in both countries expanding in 2022 and 2023 though, helped by an unwinding of excess household savings, government measures to address the cost of living squeeze and the global recovery. Growth is in prospect over the rest of the forecast horizon as well, along with further job gains. Inflation remains elevated in the short term leading the ECB and Bank of England to raise interest rates, but eases over the medium term as energy effects and supply bottlenecks abate.

Upside scenario

Stronger consumer and business confidence effects are at play in the upside scenario. GDP in Ireland and the UK expand at a solid pace in 2022-2023 amid post-restrictions tailwinds and reduced uncertainty which contribute to a resurgence in economic momentum, while negotiations aimed at ending Russian's invasion of Ukraine help lower energy prices and inflation. Growth continues further out the forecast horizon, while unemployment runs at low rates in the two countries.

Downside scenario 1

The downside scenario 1 sees a broadening of sanctions on Russia, including additional embargoes on oil and gas exports. This leads to higher global energy and other commodity prices and more supply chain disruption, which add to inflationary pressures in Ireland and the UK in 2022 and 2023. Tighter financial conditions and monetary policy further depress consumer and business confidence and spending, with both economies tipping into mild recession for a time. Unemployment increases in response and stays relatively high throughout the forecast horizon.

Downside scenario 2

The downside scenario 2 also assumes a broadening of sanctions on Russian energy exports. In addition, the emergence of new vaccine-resistant variants of the COVID-19 virus sees the re-imposition of some public health restrictions this winter and next, while the spill-over of post-Brexit tensions results in the termination of the UK-EU trade agreement. Amid high inflation, heightened uncertainty, collapsing confidence and tightening financial conditions, economic activity in Ireland and the UK slows sharply. Both countries experience a recession in 2022 and again in 2023, while unemployment rises and remains elevated over the entire forecast period.

Property price growth, all scenarios

In the central scenario, following significant growth throughout 2021, residential price growth slows to 5% and 6% in RoI and the UK in 2022 respectively. Growth slows further in RoI in 2023 and turns negative in the UK. From 2024 onwards both markets record marginal positive growth of 1–1.5% per-annum. Commercial property prices stabilise in 2022 with RoI returning to positive growth and UK slowing, with forecast growth of 0.5% for both. The pickup in growth is forecast to continue in 2023 with both markets recording positive growth from 2024 onwards of 2% - 2.2%.

In the upside scenario 2022 residential prices forecast strong growth across both markets at 7% before slowing in subsequent years, with slightly weaker growth expected in the UK. Commercial property is expected to show low single digit growth out to the end of the forecast period.

In the downside scenarios (1 & 2), residential prices in 2022 for RoI and UK slow relative to the central scenario before turning negative for the rest of the forecast period with a trough point of -21% (downside scenario 2) for RoI and -22% (downside scenario 2) for UK. Downside scenario (2) effectively sees a full reversal of the gains made in residential prices since recovery from COVID-19 uncertainty began in 2020. Commercial property turns negative earlier in the forecast period starting in 2022 across both markets at -3% (1) and -8% (2). In downside scenario (1) nominal growth returns late in the forecast with 0.3% in RoI and 0.5% in the UK per annum across 2024 - 2026. In downside scenario (2) negative growth remains out to the end of the forecast period with a trough point of -20%.

The quantum of impairment loss allowance is impacted by the application of four probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 30 June 2022, excluding post-model Group management adjustments to impairment loss allowances, was increased by virtue of applying multiple scenarios rather than only a central scenario. This analysis excludes post-model Group management adjustments, as such adjustments to impairment loss allowance are applied using management judgement outside of the macro-economic conditioned ECL model framework (refer to the Management Judgement in Impairment Measurement section below). The scenarios outlined in the following tables are based on the FLI weightings outlined on previous page.

Comparative figures as at 31 December 2021 are also outlined below (and in subsequent tables in this section). Changes in the figures as at 30 June 2022 compared to the previous reporting date reflect a number of inter related dynamics including changes in forward-looking scenarios and associated probability weights; impairment model methodology updates in the year; and the composition of the underlying portfolios at the respective reporting dates.

2 Critical accounting estimates and judgements *(continued)*

30 June 2022 Impact of applying multiple scenarios rather than only central scenario	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	3	46%	5	131%	11	4%	19	7%
Retail Ireland	*1*	*33%*	*4*	*143%*	*7*	*3%*	*12*	*5%*
Retail UK	*2*	*53%*	*1*	*104%*	*4*	*13%*	*7*	*22%*
Non-property SME and corporate	4	10%	24	22%	9	2%	37	6%
Property and construction	—	3%	13	37%	5	1%	18	4%
Consumer	3	8%	3	11%	—	—	6	5%
Total	**10**	**11%**	**45**	**25%**	**25**	**2%**	**80**	**6%**

31 December 2021 Impact of applying multiple scenarios rather than only central scenario	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	2	37%	3	74%	6	2%	11	4%
Retail Ireland	*1*	*24%*	*2*	*82%*	*4*	*2%*	*7*	*3%*
Retail UK	*1*	*49%*	*1*	*62%*	*2*	*7%*	*4*	*14%*
Non-property SME and corporate	7	14%	24	20%	—	—	31	5%
Property and construction	1	6%	10	19%	4	1%	15	3%
Consumer	4	10%	3	12%	—	—	7	5%
Total	**14**	**13%**	**40**	**19%**	**10**	**1%**	**64**	**4%**

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

30 June 2022 Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios	Multiple scenarios	Central scenario		Upside scenario		Downside scenario 1		Downside scenario 2	
	Impairment loss allowance €m	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Residential mortgages	281	(19)	(7%)	(21)	(7%)	25	9%	104	37%
Retail Ireland	*239*	*(12)*	*(5%)*	*(13)*	*(5%)*	*10*	*4%*	*51*	*21%*
Retail UK	*42*	*(7)*	*(22%)*	*(8)*	*(19%)*	*15*	*36%*	*53*	*126%*
Non-property SME and corporate	664	(37)	(6%)	(66)	(10%)	37	6%	163	25%
Property and construction	429	(18)	(4%)	(22)	(5%)	13	3%	95	22%
Consumer	153	(6)	(5%)	(11)	(7%)	6	4%	23	15%
Total	**1,527**	**(80)**	**(6%)**	**(120)**	**(8%)**	**81**	**5%**	**385**	**25%**

2 Critical accounting estimates and judgements *(continued)*

31 December 2021 Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios	Multiple scenarios	Central scenario		Upside scenario		Downside scenario 1		Downside scenario 2	
	Impairment loss allowance €m	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Residential mortgages	287	(11)	(4%)	(12)	(4%)	19	7%	93	32%
Retail Ireland	*251*	*(7)*	*(3%)*	*(7)*	*(3%)*	*7*	*3%*	*42*	*17%*
Retail UK	*36*	*(4)*	*(14%)*	*(5)*	*(14%)*	*12*	*33%*	*51*	*142%*
Non-property SME and corporate	619	(31)	(5%)	(59)	(10%)	48	8%	205	33%
Property and construction	510	(15)	(3%)	(26)	(5%)	18	4%	89	17%
Consumer	153	(7)	(5%)	(13)	(8%)	10	7%	34	22%
Total	**1,569**	**(64)**	**(4%)**	**(110)**	**(7%)**	**95**	**6%**	**421**	**27%**

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

30 June 2022 Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances	Impairment loss allowance-central scenario €m	Residential property price reduction of 10%		Residential property price reduction of 5%		Residential property price increase of 5%		Residential property price increase of 10%	
		Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	262	47	18%	22	8%	(19)	(7%)	(35)	(13%)
Retail Ireland	*227*	*30*	*13%*	*14*	*6%*	*(13)*	*(6%)*	*(25)*	*(11%)*
Retail UK	*35*	*17*	*49%*	*8*	*23%*	*(6)*	*(17%)*	*(10)*	*(29%)*

31 December 2021 Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances	Impairment loss allowance-central scenario €m	Residential property price reduction of 10%		Residential property price reduction of 5%		Residential property price increase of 5%		Residential property price increase of 10%	
		Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	276	50	18%	24	9%	(20)	(7%)	(38)	(14%)
Retail Ireland	*244*	*34*	*14%*	*17*	*7%*	*(14)*	*(6%)*	*(28)*	*(11%)*
Retail UK	*32*	*16*	*50%*	*7*	*22%*	*(6)*	*(19%)*	*(10)*	*(31%)*

2 Critical accounting estimates and judgements *(continued)*

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 30 June 2022 to Stage 2 would increase the Group's impairment loss allowance by c.€17 million excluding Group management adjustments.

Management judgement in impairment measurement

A management judgement has been incorporated into the Group's impairment measurement process for H122. Management judgement can be described with reference to:
- management judgement in impairment model parameters; and
- post-model Group management adjustments to impairment loss allowance and staging classification.

Management judgement in impairment model parameters

The ECL model framework was updated in the period to reflect an enhanced approach to applying forward-looking information within the Loss Given Default (LGD) component of the impairment models for Corporate Banking and Business Banking portfolios. In addition, other model factors were updated to reflect observed information.

The changes to the LGD component of the Corporate Banking and Business Banking impairment models, results in a decrease in impairment loss allowance of c.€25 million, noting that the Group management adjustment for LGD in Corporate portfolios recognised at 31 December 2021 is no longer considered to be required (as outlined below).

Post-model Group management adjustment

To ensure that the measurement of impairment reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, the need for a post-model Group management adjustment to the outputs of the Group's staging and impairment measurement methodologies is considered at each reporting date in arriving at the final impairment loss allowance. Such a need may arise, for example, due to a model limitation or a late breaking event. At 30 June 2022 ,the Group's stock of impairment loss allowance of €1.9 billion includes a c.€352 million total post-model Group management adjustment (31 December 2021: €392 million). Details of the components of the post-model Group management adjustment are outlined below.

Group management adjustment for COVID-19

At 30 June 2022, the Group considered the data and measurement limitations arising from the unprecedented impact of COVID-19, including the availability of government supports and the general availability of payment breaks in 2020 and early 2021 to all customers regardless of credit status.

While all payment breaks have expired prior to the reporting date the Group's view is that modelled impairment losses at 30 June 2022 may not fully capture expected COVID-19 related credit losses as RoI government supports that pertained until Q2 2022 may be masking increased credit risk for certain cohorts of customers.

As a result, a total post-model management adjustment of €62 million was applied (31 December 2021: €132 million). €4 million of the total adjustment is related to RoI residential mortgages, a further €53 million relates to the RoI SME portfolio, and €5 million relates to property and construction. The total post-model adjustment comprises a €5 million increase in Stage 1 impairment loss allowance and a €57 million increase in Stage 2 impairment loss allowance. €61 million of the post-model management adjustment is applied to loans and advances to customers, with the remaining €1 million applied to other financial instruments (i.e. off balance sheet commitments).

Sector-level COVID-19 risk assessments for the business banking portfolios were completed informed by management judgement with reference to observed credit performance in the period, and internal and external sectoral analysis. It was determined that, following the removal of government supports to RoI businesses in the second quarter of 2022, the potential for latent risk remains within certain cohorts of the RoI business banking portfolios. Certain sectors within these cohorts (e.g. hospitality and entertainment) were identified to be highly impacted where the COVID-19 risk was not considered to be adequately captured in the modelled Probability of Default (PD) estimates.

Similarly the RoI mortgage portfolio was reviewed to identify highly impacted customers, with reference to the outputs of the IFRS 9 impairment models, combined with other available data sources including a customer vulnerability assessment and management judgement.

As the majority of UK government supports for COVID-19 were ceased in 2021, management consider that potential latent COVID-19 risk in the Group's UK loan portfolios had diminished and post-model adjustments were no longer required.

The post-model Group management adjustment includes the application of a staging adjustment whereby highly impacted customers, as referenced above, that impairment models classify as Stage 1 are classified as Stage 2 with a lifetime impairment loss allowance applied. The impact of this staging adjustment is a c.€1 billion increase in Stage 2 volumes as well as a c.€17 million increase in impairment loss allowances, which is almost entirely within the RoI SME portfolio.

Given the level at which the management adjustment review was performed for the relationship managed business banking and asset finance portfolios, the Group did not reclassify any exposures into a different stage than that initially identified by the impairment models for these portfolios. The Group's management adjustment includes a c.€9 million impairment loss allowance in Stage 1 for these portfolios and is estimated to be broadly equivalent to the impact from a transfer of c.€0.3 billion of Stage 1 assets into Stage 2.

The requirement to apply this post-model adjustment for latent risk associated with COVID-19 will continue to be assessed until it is evident that underlying customer specific risk can be identified in risk management models and credit metrics.

Group management adjustment for residential mortgages

The Group considered it appropriate to recognise a post-model management adjustment to account for risk associated with diminished internal data on distressed asset sales in recent years, which limits the Group's ability to appropriately calibrate LGD estimates for variances between indexed valuations and individual property values for distressed sales. The quantification of this post-model adjustment has been estimated with reference to application of LGD floors for residential mortgage impairment loss allowance calculation.

2 Critical accounting estimates and judgements *(continued)*

Accordingly a €104 million post-model management adjustment is included in the residential mortgages impairment loss allowance at 30 June 2022 (31 December 2021: €117 million). The adjustment is allocated to the RoI mortgage portfolio (€71 million) and the UK mortgage portfolio (€33 million). The requirement for this post-model adjustment will be assessed with reference to further review of the residential mortgage LGD methodology in the second half of 2022.

Group management adjustment for NPE

The impairment loss allowance for stage 3 assets at 30 June 2022 includes a €130 million post-model management adjustment to reflect the potential for the Group to utilise portfolio sales and / or securitisations to a greater extent in its resolution strategies for NPEs in the RoI and UK residential mortgages and RoI business banking portfolio (31 December 2021: €80 million applied to the RoI mortgage portfolio). The requirement for post-model adjustments reflects the fact that modelled LGD parameters are calibrated based on historical resolution strategies, which were more heavily reliant on case-by-case resolution (e.g. forbearance arrangements, voluntary sales or legal recovery processes). Individually assessed impairment loss allowances are determined on a case-specific assessment and do not take account of discounts that may apply for a portfolio sale / securitisation.

The Group has identified cohorts of loans with certain current characteristics in the residential mortgages and RoI business banking portfolios (e.g. defaulted cases in deep arrears) that will likely form part of future portfolio sales and/ or securitisations. The quantum of the post-model adjustment was calculated with reference to independent external benchmarking, internal impairment cover for these cohorts (i.e. incorporating the impact of other post-model adjustments in the mortgage portfolios), and an assessment of the likelihood of the completion of future asset sales / securitisations.

€89 million of this post-model adjustment is recognised in the RoI residential mortgages portfolio, €25 million is related to the UK residential mortgages portfolio, and the remaining €16 million is related to the RoI business banking portfolio.

Group management adjustment for RoI SME model

A review of the modelled impairment loss allowances for the relationship managed segment of the RoI SME portfolio indicated that the lagged utilisation of the elevated RoI GDP growth rate in 2021 resulted in PD estimates for H122 that were not considered to be reasonable with reference to internal and external information. This dynamic within the model is expected to moderate in 2022 as the impact of COVID-19 on GDP metrics diminishes and growth rates revert to lower levels.

A post-model adjustment of €24 million (31 December 2021: €31 million) to the RoI SME impairment loss allowance has been applied, which was calculated with reference to an upward adjustment in the PD estimate within the associated impairment model.

Group management adjustment for late breaking events

A post-model management adjustment to the Group's impairment loss allowance of €32 million has been recognised as at the 30 June 2022 to reflect increased economic uncertainty, primarily related to geopolitical events as well as inflation and interest rate expectations, which emerged in the Group's key markets in late June 2022.

This adjustment reflects the estimated impact on impairment loss allowances if the probability weightings applied to the Group's multiple economic scenarios utilised in its impairment models were further adjusted so that the central scenario weighting was reduced to 40% (from 45%), the downside 1 scenario weighting was reduced to 30% (from 35%) and the downside scenario 2 weighting was increased to 20% (from 10%).

The adjustment is allocated across portfolios to reflect the estimated impacts of the adjusted scenario weightings on impairment loss allowance, with €2 million allocated to Stage 1, €22 million to Stage 2, and €8 million to Stage 3. The stage classification of assets was not changed through the application of this management adjustment.

Stage 3 Group management adjustment for Loss Given Default in Corporate Portfolios

As outlined above, the LGD component of the Corporate Banking and Business Banking impairment models has been reviewed. Given the enhancements to the LGD component of the impairment models in the period, the €32 million Group management adjustment applied to the impairment models within Corporate Banking at 31 December 2021 is no longer considered to be required.

(2) Davy acquisition

The Group acquired Davy, Ireland's leading provider of wealth management and capital markets services, on 1 June 2022. The Davy transaction is being treated as a business combination in line with the requirements of IFRS 3. Further detail on the accounting considerations and related key management judgements are outlined in note 34, Davy acquisition.

3 Operating segments

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

Retail Ireland
Retail Ireland is one of the largest providers of financial services in Ireland with a network of branches across the country, mobile and online banking applications and customer contact centre. Retail Ireland offers a broad range of financial products and services including current accounts, savings, mortgages, credit cards, motor finance and loans to personal and business banking customers and is managed through a number of customer focused business units, namely EveryDay Banking, Home Buying (including Bank of Ireland Mortgage Bank Unlimited Company) and Business Banking (including Bank of Ireland Finance), supported by Distribution, Marketing and Risk Management partners.

Wealth and Insurance
On 1 June 2022, the Group acquired Davy, Ireland's leading provider of wealth management and capital markets services (note 34). Wealth and Insurance now includes Davy, and the Group's life assurance subsidiary, NIAC, which distributes protection, investment and pension products to the Irish market, across three core channels made up of the Group's distribution channels, independent financial brokers and its own financial advisor network as well as corporate partners. It also includes investment markets, and the Group's general insurance brokerage, Bank of Ireland Insurance Services, which offers home, car and travel insurance cover through its agency with insurance providers.

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

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

Group Centre
Group Centre comprises Group Technology and Customer Solutions, Group Finance, Group Risk, People Services, Strategy & Transformation, Group Internal Audit and other central support and control functions. These Group central functions establish governance and oversee policies, provide management services to the Group and provide and manage processes and delivery platforms for the trading divisions.

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

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

The measures of segmental assets and liabilities provided to the chief operating decision maker are not adjusted for transfer pricing adjustments or revenue sharing agreements as the impact on the measures of segmental assets and liabilities is not significant. They also do not include adjustments for the impact of the assets and liabilities of BOIG plc, the Bank's holding company.

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

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

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

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

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

- customer redress charges;
- acquisitions costs;
- transformation programme costs[1];
- gross-up for policyholder tax in the Wealth and Insurance business;
- investment return on treasury shares held for policyholders;
- portfolio divestments; and
- gain on disposal / liquidation of business activities.

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

[1] *Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.*

3 Operating segments *(continued)*

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

6 months ended 30 June 2022	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
Net interest income	**418**	**(4)**	**346**	**312**	**(1)**	**1**	**1,072**	**(9)**	**1,063**
Other income, net of insurance claims	131	25	(2)	99	73	(9)	317	(1)	316
Total operating income, net of insurance claims	**549**	**21**	**344**	**411**	**72**	**(8)**	**1,389**	**(10)**	**1,379**
Other operating expenses	(322)	(75)	(134)	(88)	(213)	(2)	(834)	—	(834)
Other operating expenses (before levies and regulatory charges)	*(322)*	*(74)*	*(131)*	*(88)*	*(122)*	*(2)*	*(739)*	—	*(739)*
Levies and regulatory charges	—	*(1)*	*(3)*	—	*(91)*	—	*(95)*	—	*(95)*
Depreciation and amortisation	(25)	(7)	(14)	(4)	(60)	—	(110)	—	(110)
Total operating expenses	**(347)**	**(82)**	**(148)**	**(92)**	**(273)**	**(2)**	**(944)**	**—**	**(944)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**202**	**(61)**	**196**	**319**	**(201)**	**(10)**	**445**	**(10)**	**435**
Net impairment gains / (losses) on financial instruments	36	—	(11)	(69)	(3)	—	(47)	—	(47)
Share of results of associates and joint ventures	8	—	13	—	—	—	21	—	21
Underlying profit / (loss) before tax	**246**	**(61)**	**198**	**250**	**(204)**	**(10)**	**419**	**(10)**	**409**

30 June 2022 **Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax	409
Customer redress charges	(26)
Acquisitions costs	(25)
Transformation programme costs	(23)
Gross-up for policyholder tax in the Wealth and Insurance business	(8)
Investment return on treasury shares held for policyholders	(4)
Portfolio divestments	2
Gain on disposal / liquidation of business activities	—
Profit before tax	**325**

3 Operating segments *(continued)*

6 months ended 30 June 2021	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre[2] €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
Net interest income	**451**	**(3)**	**309**	**325**	**(2)**	**—**	**1,080**	**(1)**	**1,079**
Other income, net of insurance claims	102	126	(1)	103	(1)	(11)	318	—	318
Total operating income, net of insurance claims	**553**	**123**	**308**	**428**	**(3)**	**(11)**	**1,398**	**(1)**	**1,397**
Other operating expenses	(303)	(65)	(131)	(81)	(240)	—	(820)	1	(819)
Other operating expenses (before levies and regulatory charges)[2]	*(303)*	*(64)*	*(129)*	*(81)*	*(147)*	—	*(724)*	*1*	*(723)*
Levies and regulatory charges	—	*(1)*	*(2)*	—	*(93)*	—	*(96)*	—	*(96)*
Depreciation and amortisation	(30)	(4)	(9)	(6)	(65)	1	(113)	—	(113)
Total operating expenses	**(333)**	**(69)**	**(140)**	**(87)**	**(305)**	**1**	**(933)**	**1**	**(932)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**220**	**54**	**168**	**341**	**(308)**	**(10)**	**465**	**—**	**465**
Net impairment (losses) / gains on financial instruments	(47)	—	(3)	55	(6)	—	(1)	—	(1)
Share of results of associates and joint ventures	7	—	(6)	—	—	—	1	—	1
Underlying profit / (loss) before tax	**180**	**54**	**159**	**396**	**(314)**	**(10)**	**465**	**—**	**465**

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

In the tables below, external asset balances are inclusive of investments in associates and joint ventures.

30 June 2022 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**67**	**1**	**67**	**—**	**1**	**—**	**136**
External assets	33,262	21,769	29,899	33,346	37,880	(3)	156,153
Inter segment assets	88,121	689	1,496	120,374	31,978	(242,658)	—
Total assets	**121,383**	**22,458**	**31,395**	**153,720**	**69,858**	**(242,661)**	**156,153**
Other Bank assets							25
Group assets							**156,178**
External liabilities	69,647	20,808	20,468	24,493	8,682	(1)	144,097
Inter segment liabilities	47,034	308	8,495	131,061	55,740	(242,638)	—
Total liabilities	**116,681**	**21,116**	**28,963**	**155,554**	**64,422**	**(242,639)**	**144,097**
Other Bank liabilities							640
Group liabilities							**144,737**

[2] The Group is no longer incurring transformation investment charges. Accordingly, prior period comparatives have been restated to ensure consistency with H122, with the H121 transformation investment charge of €21 million reallocated. 'Other operating expenses (before levies and regulatory charges)' increased by €21 million to €147 million in Group Centre and €723 million for total Group.

3 Operating segments *(continued)*

31 December 2021 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**59**	**—**	**56**	**—**	**1**	**—**	**116**
External assets	33,010	23,537	33,407	36,197	29,120	(3)	155,268
Inter segment assets	83,620	483	1,313	108,501	28,289	(222,206)	—
Total assets	**116,630**	**24,020**	**34,720**	**144,698**	**57,409**	**(222,209)**	**155,268**
Other Bank assets							28
Group assets							**155,296**
External liabilities	66,061	22,841	23,274	23,653	8,105	(4)	143,930
Inter segment liabilities	45,609	247	9,085	122,447	44,835	(222,223)	—
Total liabilities	**111,670**	**23,088**	**32,359**	**146,100**	**52,940**	**(222,227)**	**143,930**
Other Bank liabilities							734
Group liabilities							**144,664**

6 months ended 30 June 2022 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**529**	**(383)**	**420**	**771**	**—**	**38**	**1,375**	**(1)**	**1,374**
Inter segment revenues	399	(39)	93	74	258	(785)	—	—	—
Revenue before claims paid	**928**	**(422)**	**513**	**845**	**258**	**(747)**	**1,375**	**(1)**	**1,374**
Insurance contract liabilities and claims paid	—	481	—	—	(1)	—	480	—	480
Revenue	**928**	**59**	**513**	**845**	**257**	**(747)**	**1,855**	**(1)**	**1,854**
Interest expense	**(15)**	**—**	**(35)**	**(98)**	**(169)**	**5**	**(312)**	**(9)**	**(321)**
Capital expenditure	**7**	**211**	**43**	**27**	**176**	**—**	**464**	**—**	**464**

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

4 Interest income

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Financial assets measured at amortised cost		
Loans and advances to customers	1,062	1,033
Loans and advances to banks	17	2
Debt securities at amortised cost	4	3
Interest income on financial assets measured at amortised cost	**1,083**	**1,038**
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income	9	11
Interest income on financial assets at fair value through other comprehensive income	**9**	**11**
Negative interest on financial liabilities		
Customer accounts	108	83
Deposits from banks	10	17
Debt securities in issue	1	2
Negative interest on financial liabilities	**119**	**102**
Interest income calculated using the effective interest method	**1,211**	**1,151**
Other interest income		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	88	108
Finance leases and hire purchase receivables	82	81
Loans and advances to customers at fair value through profit or loss	8	9
Other interest income	**178**	**198**
Interest income	**1,389**	**1,349**

Interest income on loans and advances to customers
In H122, interest income of €50 million was recognised (H121: €48 million) and €53 million was received (H121: €48 million) on credit-impaired loans and advances to customers.

Interest income on TLTRO III
In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of TLTRO (TLTRO III).

In measuring the amortised cost of the liability at 30 June 2022, the Group reflected the fact that it did not expect to repay the funding until March 2024, resulting in an increase in the amortised cost of the liability and corresponding reduction in interest income of €24 million in H122, with increased income to be recognised in H222 and through to March 2024.

In H122, €11 million of interest income was recognised on the TLTRO III liability.

Interest income recognised on customer accounts
Interest income on customer accounts of €108 million (H121: €83 million) comprises interest income of €48 million resulting from negative effective interest rates (H121: €30 million) and interest income on customer accounts of €60 million (H121: €53 million) arising on related derivatives which are in a hedge relationship.

5 Interest expense

	6 months ended 30 June 2022 €m	*Restated*[1] 6 months ended 30 June 2021 €m
Financial liabilities measured at amortised cost		
Debt securities in issue	58	31
Subordinated liabilities	37	32
Customer accounts	20	43
Deposits from banks	11	1
Lease liabilities	6	6
Other interest expense at amortised cost	3	—
Interest expense on financial liabilities measured at amortised cost	**135**	**113**
Negative interest on financial assets		
Cash and balances at central banks	63	26
Debt securities at fair value through other comprehensive income	12	18
Debt securities at amortised cost	8	10
Loans and advances to banks	2	—
Negative interest on financial assets	**85**	**54**
Interest expense calculated using the effective interest rate method	**220**	**167**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	100	102
Customer accounts at fair value through profit or loss	1	1
Other interest expense	**101**	**103**
Interest expense	**321**	**270**

Interest expense recognised on debt securities at amortised cost

Interest expense of €8 million on debt securities at amortised cost (H121: €10 million) comprises interest income of €11 million (H121: €11 million) recognised net of interest expense on related derivatives which are in a hedge relationship of €19 million (H121: €21 million).

Interest expense recognised on debt securities at fair value through other comprehensive income

Interest expense of €12 million on debt securities at fair value through other comprehensive income (FVOCI) (H121: €18 million) comprises interest income of €6 million (H121: €16 million) recognised net of interest expense on related derivatives which are in a hedge relationship of €18 million (H121: €34 million).

6 Net insurance premium income

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Gross premiums written	1,120	957
Ceded reinsurance premiums	(87)	(109)
Net premium written	**1,033**	**848**
Change in provision for unearned premiums	(2)	(2)
Net insurance premium income	**1,031**	**846**

[1] Comparative figures for 'negative interest on financial assets' have been restated to reclassify €26 million from 'negative interest on loans and advances to banks' to 'negative interest on cash and balances at central banks', as interest on balances held with central banks was incorrectly classified in H121.

7 Fee and commission income and expense

6 months ended 30 June 2022 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Group €m
Retail banking customer fees	146	—	19	25	—	190
Asset management fees	—	13	—	6	—	13
Credit related fees	3	—	—	—	—	9
Insurance commissions	—	5	1	—	—	6
Other	13	3	2	13	—	31
Fee and commission income	**162**	**21**	**22**	**44**	**—**	**249**

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

Expense

Fee and commission expense of €119 million (H121: €90 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

8 Net trading income / (expense)

Net trading income / (expense) includes the gains and losses on financial instruments mandatorily measured at fair value through profit or loss (FVTPL) and those designated at FVTPL (other than unit linked life assurance assets and investment contract liabilities). It includes the fair value movement on these instruments and the realised gains and losses arising on the purchase and sale. It also includes the interest income receivable and expense payable on financial instruments held for trading and €6 million of a net gain arising from FX (H121: net gain €7 million).

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

Net income from financial instruments mandatorily measured at FVTPL includes dividend income from equities, realised and unrealised gains and losses.

Net fair value hedge ineffectiveness reflects a net gain from hedged items of €616 million (H121: €83 million) offsetting a net loss from hedging instruments of €610 million (H121: €83 million) .

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Financial liabilities designated at fair value	69	(77)
Related derivatives held for trading	(67)	77
	2	**—**
Net income from financial instruments mandatorily measured at FVTPL		
Securities and non-trading debt	3	13
Other financial instruments held for trading	1	47
Loans and advances	—	1
	6	**61**
Net fair value hedge ineffectiveness	6	—
Net trading income	**12**	**61**

9 Life assurance investment income, gains and losses

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

Life assurance investment income losses of €1,475 million in H122 is consistent with adverse investment market performance, due in large part to external economic environmental factors (H121: gains of €614 million). The fall in value of insurance contract liabilities (see note 12) is consistent with the fall in value of investments reflected in the life assurance investment income losses.

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
(Losses) / gains on other financial assets held on behalf of Wealth and Insurance policyholders	(1,492)	608
Gains on investment property held on behalf of Wealth and Insurance policyholders	17	6
Life assurance investment income and (losses) / gains	**(1,475)**	**614**

10 Other leasing income and expense

Other leasing income and expense relates to the business activities of Marshall Leasing Limited (MLL). MLL is a car and commercial leasing and fleet management company based in the UK.

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Other leasing income	**33**	**32**
Operating lease payments	*21*	*18*
Sale of leased assets	*9*	*12*
Other income	*3*	*2*
Other leasing expense	**(19)**	**(25)**
Depreciation of rental vehicles	*(10)*	*(13)*
Other selling and disposal costs	*(9)*	*(12)*
Net other leasing income	**14**	**7**

11 Other operating income

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Transfer from debt instruments at FVOCI reserve on asset disposal	83	1
Other insurance income	36	22
Movement in Value of in Force asset	(3)	36
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	(1)	(2)
Other income	(1)	2
Dividend income	—	3
Other operating income	**114**	**62**

Transfer from debt instruments at FVOCI reserve on asset disposal has increased by €82 million driven by gains realised on bond sales in H122.

12 Insurance contract liabilities and claims paid

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Claims paid		
Policy surrenders	(402)	(413)
Death and critical illness claims	(99)	(94)
Annuity payments	(53)	(56)
Other claims	(48)	(28)
Gross claims paid	**(602)**	**(591)**
Recovered from reinsurers	71	69
Net claims paid	**(531)**	**(522)**
Change in insurance contract liabilities		
Change in gross liabilities	1,226	(835)
Change in reinsured liabilities	(215)	(22)
Net change in insurance contract liabilities	**1,011**	**(857)**
Insurance contract liabilities and claims paid	**480**	**(1,379)**

The fall in value of investments reflected in the life assurance investment income losses (see note 9) is consistent with the fall in value of insurance contract liabilities and is also a result of the adverse investment market performance, due in large part to external economic environmental factors.

13 Other operating expenses

Administrative expenses and staff costs	6 months ended 30 June 2022 €m	*Restated*[1] 6 months ended 30 June 2021 €m
Staff costs excluding transformation programme staff costs	422	423
Levies and regulatory charges	95	96
Amortisation of intangible assets (note 23)	77	77
Depreciation of property, plant and equipment	33	36
Other administrative expenses	393	311
Total	**1,020**	**943**
Total staff costs are analysed as follows:		
Wages and salaries	332	323
Retirement benefit costs (defined benefit plans)	43	54
Social security costs	37	36
Retirement benefit costs (defined contribution plans)	19	18
Other staff expenses	3	10
	434	441
Staff costs capitalised	(12)	(18)
Staff costs excluding transformation programme staff costs	**422**	**423**
Additional transformation programme staff costs		
Included in transformation programme costs (note 14)	2	10
Total staff costs recognised in the income statement	**424**	**433**

[1] *The Group is no longer incurring transformation investment charges. Accordingly prior period comparatives have been restated to ensure consistency with H122, with the H121 transformation investment charge of €21 million reallocated, 'staff costs' increased by €4 million to €423 million and 'other administrative expenses' increased by €17 million to €311 million.*

13 Other operating expenses *(continued)*

Staff numbers
At 30 June 2022, the number of staff (full time equivalents) for the Group was 9,863 (30 June 2021: 9,211). This figure includes 810 Davy staff post acquisition on 1 June 2022.

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Full time equivalents	9,863	9,211
Average (full time equivalents)	9,073	9,643

Other administrative expenses include a charge of €33 million (H121: €4 million) relating to the Tracker Mortgage Examination Review. (see note 28 for further details).

14 Cost of restructuring programme

In H122, the Group recognised a restructuring charge of €3 million (H121: €69 million). Further details can be found on page 4.

	6 months ended 30 June 2022 €m	*Restated*[1] 6 months ended 30 June 2021 €m
Transformation programme costs	3	69
Staff costs	*2*	*10*
Programme management costs	*1*	*4*
UK Strategic Review costs	*(1)*	*20*
Property-related costs	*1*	*40*
Other restructuring credit	—	(5)
Total	**3**	**69**

15 Net impairment gains / (losses) on financial instruments

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Loans and advances to customers at amortised cost	(53)	(12)
Movement in impairment loss allowance (note 20)	*(60)*	*(26)*
Cash recoveries	*7*	*14*
Loan commitments	8	16
Guarantees and irrevocable letters of credit	—	1
Other financial assets	(2)	(6)
Net impairment losses on financial instruments	**(47)**	**(1)**

[1] Comparative figures for transformation programme costs (formerly transformation investment costs) have been restated from €74 million to €69 million, to include €5 million other restructuring credit previously shown separately to total transformation programme costs on the table above.

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

Net impairment gains / (losses) on loans and advances to customers at amortised cost

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Residential mortgages	(25)	(61)
Retail Ireland	*2*	*(47)*
Retail UK	*(27)*	*(14)*
Non-property SME & corporate	(29)	—
Republic of Ireland SME	*22*	*(18)*
UK SME	*7*	*(1)*
Corporate	*(58)*	*19*
Property and Construction	3	15
Investment	*6*	*2*
Development	*(3)*	*13*
Consumer	(2)	34
Total	**(53)**	**(12)**

16 Share of results of associates and joint ventures (after tax)

The positive movement in Share of results of associates and joint ventures is due to the improved performance of First Rate Exchange Services (FRES) during the period. FRES experienced higher foreign currency sales as a result of the recovery in the travel market after COVID-19 restrictions were lifted.

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
First Rate Exchange Services	13	(6)
Associates	8	7
Share of results of associates and joint ventures (after tax)	**21**	**1**

17 Taxation

The taxation charge for the period is €54 million with an effective statutory taxation rate of 17% (31 December 2021: taxation charge of €65 million and taxation rate of 16%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses and the reassessment of the tax value of the tax losses carried forward.

Recognised in income statement	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Current tax		
Irish Corporation Tax		
Current period	10	17
Foreign tax		
Current period	42	37
Adjustments in respect of prior periods	4	1
Current tax charge	**56**	**55**
Deferred tax		
Current period profits	47	22
Origination and reversal of temporary differences	(28)	16
Reassessment of the value of tax losses carried forward	(21)	(8)
Impact of corporation tax rate changes	—	(14)
Adjustments in respect of prior period	—	(6)
Deferred tax charge	**(2)**	**10**
Taxation charge	**54**	**65**

17 Taxation *(continued)*

Reconciliation of tax on the profit before taxation at the standard Irish corporation tax rate to actual tax charge	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2021: 12.5%)	41	51
Effects of:		
Foreign earnings subject to different rates of tax	32	26
Reassessment of value of tax losses carried forward	(21)	(8)
Adjustments in respect of prior period	4	(5)
Share of results of associates and joint ventures shown post tax in the income statement	(2)	1
Other adjustment for tax purposes	—	14
Impact of UK corporation tax rate change on deferred tax	—	(14)
Taxation charge	**54**	**65**

`	6 months ended 30 June 2022 €m			6 months ended 30 June 2021 €m		
	Pre-tax €m	Tax €m	Net of Tax €m	Pre-tax €m	Tax €m	Net of Tax €m
Debt instruments at FVOCI reserve						
Changes in fair value	(63)	8	(55)	(32)	4	(28)
Transfer to income statement - Asset disposal	(83)	10	(73)	(1)	—	(1)
Net change in debt instruments at FVOCI reserve	**(146)**	**18**	**(128)**	**(33)**	**4**	**(29)**
Remeasurement of the net defined benefit pension liability	**776**	**(101)**	**675**	**338**	**(53)**	**285**
Cash flow hedge reserve						
Changes in fair value	190	(21)	169	(633)	82	(551)
Transfer to income statement	(180)	22	(158)	625	(78)	547
Net change in cash flow hedge reserve	**10**	**1**	**11**	**(8)**	**4**	**(4)**
Net change in foreign exchange reserve	**6**	**—**	**6**	**113**	**—**	**113**
Liability credit reserve						
Changes in fair value of liabilities designated at FVTPL due to own credit risk	17	(4)	13	(6)	1	5
Other comprehensive income / (expense) for the period	**663**	**(86)**	**577**	**404**	**(44)**	**360**

18 Derivative financial instruments

At 30 June 2022, the fair value of the Group's derivative portfolio was a net liability of €1.0 billion comprising assets of €3.4 billion and liabilities of €4.3 billion (31 December 2021: net liability of €0.6 billion, comprising assets of €1.6 billion and liabilities of €2.2 billion). The movement of c.€0.4 billion is primarily due to the impact of the rising interest rate environment on the revaluation of interest rate derivatives (€0.6 billion credit) partially offset by the move in cross-currency swaps (€0.2 billion charge) as a result of EURO strengthening against GBP.

Included within the Group's derivative financial liabilities of €4.3 billion at 30 June 2022 is €147 million relating to a derivative contract recognised as part of the commitment to purchase the performing retail book of KBCI, entered into on 22 October 2021. The Group has entered into a binding agreement with KBCI and KBC Group for the acquisition of c.€8.8 billion of performing mortgages, c.€0.1 billion of performing commercial and consumer loans and c.€4.4 billion of deposits.

The Group will acquire the performing mortgages for 103.6% of par value. This agreement is considered to represent a derivative financial instrument, with a fair value of €147 million recognised at 30 June 2022. The interest rate swaps which were traded to economically hedge the acquisition of the KBCI mortgages materially offset this derivative financial instrument within net trading income / (expense).

	30 June 2022 €m	31 December 2021 €m
Derivative financial assets	3,351	1,571
Derivative financial liabilities	(4,340)	(2,185)
Net derivative liability	**(989)**	**(614)**

19 Financial assets at fair value through other comprehensive income

In H122, the Group disposed of debt instruments at FVOCI of €3,677 million (31 December 2021: €1,924 million) which resulted in a transfer of €83 million (31 December 2021: €16 million) from the debt instruments at FVOCI reserve to the income statement. The Group placed the proceeds of the disposal in cash and balances at central banks (note 33).

Group	30 June 2022 €m	31 December 2021 €m
Debt instruments at FVOCI		
Government bonds	1,226	5,082
Other debt securities - listed	3,786	4,375
Total debt instruments at FVOCI	**5,012**	**9,457**
Impairment loss allowance on debt instruments at FVOCI	**(2)**	**(3)**

Group Fair value	30 June 2022 €m	31 December 2021 €m
Opening balance	**9,457**	**10,942**
Additions	87	1,446
Redemptions and disposals	(4,036)	(2,620)
Revaluation, exchange and other adjustments	(496)	(311)
Closing balance	**5,012**	**9,457**

20 Loans and advances to customers

Loans and advances to customers includes cash collateral of €67 million (31 December 2021: €118 million) placed with derivative counterparties in relation to net derivative liability positions.

Loans and advances to customers at FVTPL

Loans and advances to customers at fair value through profit or loss are not subject to impairment under IFRS 9. At 30 June 2022, loans and advances to customers at FVTPL included €220 million (31 December 2021: €225 million) relating to the Life Loan mortgage product, which was offered by the Group until November 2010. The cash flows of the Life Loans are not considered to consist solely of payments of principal and interest, and as such are classified as FVTPL.

The remaining €120 million (31 December 2021: €201 million) of loans and advances to customers at FVTPL related to syndicated corporate facilities. As the Group's objective is to realise cash flows through the sale of these assets, they are classified as loans and advances to customers at FVTPL.

Included within loans and advances to customers is €303 million (31 December 2021: € €360 million) of lending in relation to the UK government-backed Bounce Back Loan and Coronavirus Business Interruption schemes.

	30 June 2022 €m	31 December 2021 €m
Loans and advances to customers at amortised cost	72,803	74,400
Finance leases and hire purchase receivables	3,751	3,554
Fair value hedge adjustment	(400)	(76)
	76,154	**77,878**
Less allowance for impairment charges on loans and advances to customers	(1,878)	(1,958)
Loans and advances to customers at amortised cost	**74,276**	**75,920**
Loans and advances to customers at fair value through profit or loss	340	426
Total loans and advances to customers	**74,616**	**76,346**

20 Loans and advances to customers *(continued)*

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost. The Purchased or Originated Credit-impaired (POCI) assets of €82 million at 30 June 2022 (31 December 2021: €81 million) included €1 million (31 December 2021: €1 million) of assets with an impairment loss allowance of € nil (31 December 2021: € nil) which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition. 'Other' relates to a fair value hedge adjustment on loans and advances to customers.

30 June 2022 **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Other €m**	**Total €m**
Stage 1 - 12 month ECL (not credit impaired)	37,278	15,612	4,166	5,129	(400)	61,785
Stage 2 - Lifetime ECL (not credit impaired)	1,832	4,475	3,710	233	—	10,250
Stage 3 - Lifetime ECL (credit impaired)	1,606	1,530	768	133	—	4,037
Purchased / originated credit-impaired	4	16	62	—	—	82
Gross carrying amount at 30 June 2022	**40,720**	**21,633**	**8,706**	**5,495**	**(400)**	**76,154**

30 June 2022 **Impairment loss allowance**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit impaired)	23	60	9	45	137
Stage 2 - Lifetime ECL not credit impaired	54	205	58	37	354
Stage 3 - Lifetime ECL credit impaired	433	500	352	73	1,358
Purchased / originated credit-impaired	1	3	25	—	29
Impairment loss allowance at 30 June 2022	**511**	**768**	**444**	**155**	**1,878**

31 December 2021 **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Other €m**	**Total €m**
Stage 1 - 12 month ECL (not credit impaired)	38,708	14,430	3,280	4,863	(76)	61,205
Stage 2 - Lifetime ECL (not credit impaired)	2,779	5,100	4,299	229	—	12,407
Stage 3 - Lifetime ECL (credit impaired)	1,773	1,305	970	137	—	4,185
Purchased / originated credit-impaired	2	15	64	—	—	81
Gross carrying amount at 31 December 2021	**43,262**	**20,850**	**8,613**	**5,229**	**(76)**	**77,878**

31 December 2021 **Impairment loss allowance**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit impaired)	28	67	10	65	170
Stage 2 - Lifetime ECL not credit impaired	60	247	78	31	416
Stage 3 - Lifetime ECL credit impaired	416	439	416	76	1,347
Purchased / originated credit-impaired	—	2	23	—	25
Impairment loss allowance at 31 December 2021	**504**	**755**	**527**	**172**	**1,958**

20 Loans and advances to customers *(continued)*

The following tables show the changes in gross carrying amount and impairment loss allowances of loans and advances to customers at amortised cost for H122 and for the year ended 31 December 2021. The tables are prepared based on a combination of aggregation of monthly movements for material term loan portfolios (i.e. incorporating all movements a loan in these portfolios has made during the period) and full year movements for revolving-type facilities and less material (primarily Consumer) portfolios.

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a 'significant increase in credit risk' or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in the Financial risk management note on page 209 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021 with updates for 2022 outlined in Note 21.

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

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

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

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

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

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

'Measurement reclassification and other movements' includes a fair value hedge adjustment on loans and advances to customers.

30 June 2022 **Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit impaired) €m**	**Stage 2 - Lifetime ECL (not credit impaired) €m**	**Stage 3 - Lifetime ECL (credit impaired) €m**	**Purchased / originated credit impaired €m**	**Total gross carrying amount €m**
Opening balance 1 January 2022	**61,205**	**12,407**	**4,185**	**81**	**77,878**
Total net transfers	392	(919)	527	—	—
To 12 month ECL (not credit impaired)	*3,810*	*(3,803)*	*(7)*	—	—
To lifetime ECL (not credit impaired)	*(3,297)*	*3,627*	*(330)*	—	—
To lifetime ECL (credit impaired)	*(121)*	*(743)*	*864*	—	—
Net changes in exposure	814	(1,268)	(495)	2	(947)
Impairment loss allowances utilised	—	—	(158)	—	(158)
Exchange adjustments	(266)	23	(21)	(1)	(265)
Measurement reclassification and other movements	(360)	7	(1)	—	(354)
Gross carrying amount at 30 June 2022	**61,785**	**10,250**	**4,037**	**82**	**76,154**

20 Loans and advances to customers *(continued)*

Impairment loss allowances utilised on loans and advances to customers at amortised cost during H122 includes €51 million of contractual amounts outstanding that are still subject to enforcement activity.

30 June 2022 Impairment loss allowance	Stage 1 - 12 month ECL (not credit impaired) €m	Stage 2 - Lifetime ECL (not credit impaired) €m	Stage 3 - Lifetime ECL (credit impaired) €m	Purchased / originated credit impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**170**	**416**	**1,347**	**25**	**1,958**
Total net transfers	75	(82)	7	—	—
To 12 month ECL (not credit impaired)	*93*	*(91)*	*(2)*	—	—
To lifetime ECL (not credit impaired)	*(17)*	*59*	*(42)*	—	—
To lifetime ECL (credit impaired)	*(1)*	*(50)*	*51*	—	—
Net impairment losses / (gains) in income statement	(107)	22	141	4	60
Re-measurement	*(104)*	*71*	*268*	*4*	*239*
Net changes in exposures	*13*	*(40)*	*(125)*	—	*(152)*
ECL model parameter and / or methodology changes	*(16)*	*(9)*	*(2)*	—	*(27)*
Impairment loss allowances utilised	—	—	(158)	—	(158)
Exchange adjustments	(1)	(2)	(2)	—	(5)
Measurement reclassification and other movements	—	—	23	—	23
Impairment loss allowance at 30 June 2022	**137**	**354**	**1,358**	**29**	**1,878**
Impairment coverage at 30 June 2022 (%)	**0.22%**	**3.45%**	**33.64%**	**35.37%**	**2.47%**

Total gross loans and advances to customers decreased during the period by €1.7 billion from €77.9 billion as at 31 December 2021 to €76.2 billion as at 30 June 2022.

Stage 1 loans have increased by €0.6 billion primarily reflecting the impact of net new lending (€0.8 billion) and net transfers from other risk stages (€0.4 billion) partly offset by adverse FX movements (€0.3 billion) and other reclassification (€0.4 billion). Total net transfers from other risk stages reflects the net impact of a reduction in the post-model staging adjustment whereby customers identified as highly impacted by COVID-19, that impairment models classify as Stage 1, are classified as Stage 2.

Impairment loss allowances on Stage 1 loans have decreased by €33 million resulting in a decrease in coverage on Stage 1 loans from 0.28% at 31 December 2021 to 0.22% at 30 June 2022. ECL model parameter changes, which includes the impact of impairment model parameter updates and changes in the macroeconomic outlook, resulted in a reduction of €16 million in H122. Remeasurements contributed a decrease of €104 million reflecting the net impact of reduction in the Group's COVID-19 post-model staging adjustment, combined with the impact of re-measuring net transfers from other stages from lifetime ECL to 12 month ECL.

Stage 2 loans have decreased by €2.2 billion with net repayments of €1.3 billion and transfers to other stages of €0.9 billion. Net transfers to other stages of €0.9 billion includes the reduction of the post-model staging adjustment of €1.0 billion at 30 June 2022 (31 December 2021: €3.2 billion), and impairment model updates incorporating changes in the macroeconomic outlook.

Coverage on Stage 2 loans has increased from 3.35% at 31 December 2021 to 3.45% at 30 June 2022. The impact of the net repayment of Stage 2 exposures noted above was a reduction in impairment loss allowances with net transfers to other stages resulting in a reduction of €82 million. This is partially offset by €22 million charge comprising of remeasurement, repayments and ECL model parameter or methodology changes.

Stage 3 loans have decreased by €0.1 billion with the key drivers being a net migration from other stages of €0.5 billion more than offset by the impact of net repayments of €0.5 billion and the utilisation of impairment loss allowances of €0.2 billion. The net transfer in from other stages reflects the emergence of new defaults for case specific reasons primarily in the Corporate and Property and construction portfolios partly offset by ongoing resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

Stage 3 impairment loss allowances have increased by €11 million with re-measurement of €268 million and ECL model parameter changes of €2 million offset by the utilisation of impairment loss allowances of €158 million and the impact of net reductions in exposure of €125 million across all portfolios. The increase in impairment loss allowance due to remeasurement primarily reflects the impact of a net increase of €46 million in post-model management adjustments on Stage 3 assets applied to Residential Mortgages and Non-property SME corporate portfolios, combined with case specific loss emergence on a small number of defaulted cases in the Corporate Banking portfolio.

Cover on Stage 3 loans has increased from 32% at 31 December 2021 to 34% at 30 June 2022. The increase is primarily driven by an increase in Stage 3 cover in the Residential Mortgages portfolio from 23% at 31 December 2021 to 27% at 30 June 2022 due to the impact of increases in post model management adjustments. This was partly offset by a marginal decrease in impairment cover observed in the Non-property SME and corporate from 34% to 33% reflecting case specific impairment assessments for some larger defaulted assets.

20 Loans and advances to customers *(continued)*

31 December 2021 Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit impaired) €m	Stage 2 - Lifetime ECL (not credit impaired) €m	Stage 3 - Lifetime ECL (credit impaired) €m	Purchased / originated credit impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**58,253**	**15,743**	**4,376**	**90**	**78,462**
Total net transfers	(1,049)	173	876	—	—
To 12 month ECL (not credit impaired)	*9,095*	*(9,086)*	*(9)*	—	—
To lifetime ECL (not credit impaired)	*(9,828)*	*10,356*	*(528)*	—	—
To lifetime ECL (credit impaired)	*(316)*	*(1,097)*	*1,413*	—	—
Net changes in exposure	2,034	(3,910)	(937)	2	(2,811)
Impairment loss allowances utilised	—	—	(244)	(16)	(260)
Exchange adjustments	2,050	387	113	5	2,555
Measurement reclassification and other movements	(83)	14	1	—	(68)
Gross carrying amount at 31 December 2021	**61,205**	**12,407**	**4,185**	**81**	**77,878**

'Measurement reclassification and other movements' includes a fair value hedge adjustment on loans and advances to customers.

31 December 2021 Impairment loss allowance	Stage 1 - 12 month ECL (not credit impaired) €m	Stage 2 - Lifetime ECL (not credit impaired) €m	Stage 3 - Lifetime ECL (credit impaired) €m	Purchased / originated credit impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**346**	**552**	**1,312**	**32**	**2,242**
Total net transfers	128	(166)	38	—	—
To 12 month ECL (not credit impaired)	*235*	*(232)*	*(3)*	—	—
To lifetime ECL (not credit impaired)	*(102)*	*165*	*(63)*	—	—
To lifetime ECL (credit impaired)	*(5)*	*(99)*	*104*	—	—
Net impairment losses / (gains) in income statement	(315)	22	174	7	(112)
Re-measurement	*(186)*	*249*	*313*	*7*	*383*
Net changes in exposures	*9*	*(130)*	*(165)*	—	*(286)*
ECL model parameter and / or methodology changes	*(138)*	*(97)*	*26*	—	*(209)*
Impairment loss allowances utilised	—	—	(244)	(16)	(260)
Exchange adjustments	10	6	16	2	34
Measurement reclassification and other movements	1	2	51	—	54
Impairment loss allowance at 31 December 2021	**170**	**416**	**1,347**	**25**	**1,958**
Impairment coverage at 31 December 2021 (%)	**0.28%**	**3.35%**	**32.19%**	**30.86%**	**2.51%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2021 includes €97 million of contractual amounts outstanding that are still subject to enforcement activity.

20 Loans and advances to customers *(continued)*

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

Residential Mortgages

30 June 2022 **Residential mortgages - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL(credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total gross carrying amount €m**
Opening balance 1 January 2022	**38,708**	**2,779**	**1,773**	**2**	**43,262**
Total net transfers	614	(686)	72	—	—
To 12 month ECL (not credit impaired)	*1,903*	*(1,903)*	—	—	—
To lifetime ECL (not credit impaired)	*(1,201)*	*1,362*	*(161)*	—	—
To lifetime ECL (credit impaired)	*(88)*	*(145)*	*233*	—	—
Net changes in exposure	(1,653)	(237)	(200)	2	(2,088)
Impairment loss allowances utilised	—	—	(24)	—	(24)
Exchange adjustments	(397)	(22)	(14)	—	(433)
Measurement reclassification and other movements	6	(2)	(1)	—	3
Gross carrying amount at 30 June 2022	**37,278**	**1,832**	**1,606**	**4**	**40,720**

30 June 2022 **Residential mortgages - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL(credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2022	**28**	**60**	**416**	**—**	**504**
Total net transfers	36	(18)	(18)	—	—
To 12 month ECL (not credit impaired)	*39*	*(39)*	—	—	—
To lifetime ECL (not credit impaired)	*(3)*	*25*	*(22)*	—	—
To lifetime ECL (credit impaired)	—	*(4)*	*4*	—	—
Net impairment losses / (gains) in income statement	(41)	13	54	1	27
Re-measurement	*(32)*	*13*	*77*	*1*	*59*
Net changes in exposures	*(8)*	*(4)*	*(17)*	—	*(29)*
ECL model parameter and / or methodology changes	*(1)*	*4*	*(6)*	—	*(3)*
Impairment loss allowances utilised	—	—	(24)	—	(24)
Exchange adjustments	—	(1)	—	—	(1)
Measurement reclassification and other movements	—	—	5	—	5
Impairment loss allowance at 30 June 2022	**23**	**54**	**433**	**1**	**511**
Impairment coverage at 30 June 2022 (%)	**0.06%**	**2.95%**	**26.96%**	**25.00%**	**1.25%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during H122 includes €8 million of contractual amounts outstanding that are still subject to enforcement activity.

20 Loans and advances to customers *(continued)*

31 December 2021 Residential mortgages - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**40,016**	**2,528**	**2,196**	**2**	**44,742**
Total net transfers	(890)	743	147	—	—
To 12 month ECL (not credit impaired)	*3,820*	*(3,820)*	—	—	—
To lifetime ECL (not credit impaired)	*(4,519)*	*4,859*	*(340)*	—	—
To lifetime ECL (credit impaired)	*(191)*	*(296)*	*487*	—	—
Net changes in exposure	(1,857)	(540)	(581)	—	(2,978)
Impairment loss allowances utilised	—	—	(37)	—	(37)
Exchange adjustments	1,435	46	48	—	1,529
Measurement reclassification and other movements	4	2	—	—	6
Gross carrying amount at 31 December 2021	**38,708**	**2,779**	**1,773**	**2**	**43,262**

31 December 2021 Residential mortgages - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**74**	**31**	**374**	**—**	**479**
Total net transfers	59	(44)	(15)	—	—
To 12 month ECL (not credit impaired)	*75*	*(75)*	—	—	—
To lifetime ECL (not credit impaired)	*(15)*	*42*	*(27)*	—	—
To lifetime ECL (credit impaired)	*(1)*	*(11)*	*12*	—	—
Net impairment losses / (gains) in income statement	(109)	72	83	1	47
Re-measurement	*(68)*	*81*	*101*	*1*	*115*
Net changes in exposures	*(18)*	*(8)*	*(34)*	—	*(60)*
ECL model parameter and / or methodology changes	*(23)*	*(1)*	*16*	—	*(8)*
Impairment loss allowances utilised	—	—	(37)	—	(37)
Exchange adjustments	4	1	3	(1)	7
Measurement reclassification and other movements	—	—	8	—	8
Impairment loss allowance at 31 December 2021	**28**	**60**	**416**	**—**	**504**
Impairment coverage at 31 December 2021 (%)	**0.07%**	**2.16%**	**23.46%**	**—**	**1.16%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2021 included €6 million of contractual amounts outstanding that are still subject to enforcement activity.

20 Loans and advances to customers *(continued)*

Non-property SME and corporate

30 June 2022 Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2022	**14,430**	**5,100**	**1,305**	**15**	**20,850**
Total net transfers	(269)	(150)	419	—	—
To 12 month ECL (not credit impaired)	*1,018*	*(1,015)*	*(3)*	—	—
To lifetime ECL (not credit impaired)	*(1,269)*	*1,374*	*(105)*	—	—
To lifetime ECL (credit impaired)	*(18)*	*(509)*	*527*	—	—
Net changes in exposure	1,307	(530)	(168)	1	610
Impairment loss allowances utilised	—	—	(30)	—	(30)
Exchange adjustments	186	50	4	—	240
Measurement reclassification and other movements	(42)	5	—	—	(37)
Gross carrying amount at 30 June 2022	**15,612**	**4,475**	**1,530**	**16**	**21,633**

30 June 2022 Non-property SME and corporate - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**67**	**247**	**439**	**2**	**755**
Total net transfers	29	(50)	21	—	—
To 12 month ECL (not credit impaired)	*39*	*(38)*	*(1)*	—	—
To lifetime ECL (not credit impaired)	*(10)*	*24*	*(14)*	—	—
To lifetime ECL (credit impaired)	—	*(36)*	*36*	—	—
Net impairment losses / (gains) in income statement	(36)	7	60	1	32
Re-measurement	*(42)*	*41*	*98*	*1*	*98*
Net changes in exposures	*12*	*(23)*	*(42)*	—	*(53)*
ECL model parameter and / or methodology changes	*(6)*	*(11)*	*4*	—	*(13)*
Impairment loss allowances utilised	—	—	(30)	—	(30)
Exchange adjustments	—	—	(1)	—	(1)
Measurement reclassification and other movements	—	1	11	—	12
Impairment loss allowance at 30 June 2022	**60**	**205**	**500**	**3**	**768**
Impairment coverage at 30 June 2022 (%)	**0.38%**	**4.58%**	**32.68%**	**18.75%**	**3.55%**

Impairment loss allowances utilised on non-property SME and corporate during H122 includes €18 million of contractual amounts outstanding that are still subject to enforcement activity.

20 Loans and advances to customers *(continued)*

31 December 2021 Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**10,637**	**8,181**	**1,014**	**26**	**19,858**
Total net transfers	681	(1,175)	494	—	—
To 12 month ECL (not credit impaired)	*3,896*	*(3,890)*	*(6)*	—	—
To lifetime ECL (not credit impaired)	*(3,137)*	*3,260*	*(123)*	—	—
To lifetime ECL (credit impaired)	*(78)*	*(545)*	*623*	—	—
Net changes in exposure	2,683	(2,150)	(132)	3	404
Impairment loss allowances utilised	—	—	(95)	(16)	(111)
Exchange adjustments	341	228	21	1	591
Measurement reclassification and other movements	88	16	3	1	108
Gross carrying amount at 31 December 2021	**14,430**	**5,100**	**1,305**	**15**	**20,850**

31 December 2021 Non-property SME and corporate - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**134**	**368**	**416**	**13**	**931**
Total net transfers	60	(91)	31	—	—
To 12 month ECL (not credit impaired)	*138*	*(136)*	*(2)*	—	—
To lifetime ECL (not credit impaired)	*(76)*	*100*	*(24)*	—	—
To lifetime ECL (credit impaired)	*(2)*	*(55)*	*57*	—	—
Net impairment losses / (gains) in income statement	(128)	(34)	70	4	(88)
Re-measurement	*(91)*	*143*	*106*	*4*	*162*
Net changes in exposures	*22*	*(88)*	*(46)*	—	*(112)*
ECL model parameter and / or methodology changes	*(59)*	*(89)*	*10*	—	*(138)*
Impairment loss allowances utilised	—	—	(95)	(16)	(111)
Exchange adjustments	—	2	2	1	5
Measurement reclassification and other movements	1	2	15	—	18
Impairment loss allowance at 31 December 2021	**67**	**247**	**439**	**2**	**755**
Impairment coverage at 31 December 2021 (%)	**0.46%**	**4.84%**	**33.64%**	**13.33%**	**3.62%**

Impairment loss allowances utilised on non-property SME and corporate during 2021 included €40 million of contractual amounts outstanding that are still subject to enforcement activity.

20 Loans and advances to customers *(continued)*

Property and construction

30 June 2022 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2022	**3,280**	**4,299**	**970**	**64**	**8,613**
Total net transfers	139	(143)	4	—	—
To 12 month ECL (not credit impaired)	*792*	*(792)*	—	—	—
To lifetime ECL (not credit impaired)	*(653)*	*714*	*(61)*	—	—
To lifetime ECL (credit impaired)	—	*(65)*	*65*	—	—
Net changes in exposure	740	(447)	(114)	(1)	178
Impairment loss allowances utilised	—	—	(82)	—	(82)
Exchange adjustments	8	(3)	(10)	(1)	(6)
Measurement reclassification and other movements	(1)	4	—	—	3
Gross carrying amount at 30 June 2022	**4,166**	**3,710**	**768**	**62**	**8,706**

30 June 2022 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**10**	**78**	**416**	**23**	**527**
Total net transfers	7	(5)	(2)	—	—
To 12 month ECL (not credit impaired)	*9*	*(9)*	—	—	—
To lifetime ECL (not credit impaired)	*(2)*	*7*	*(5)*	—	—
To lifetime ECL (credit impaired)	—	*(3)*	*3*	—	—
Net impairment losses / (gains) in income statement	(8)	(14)	16	2	(4)
Re-measurement	*(8)*	*(3)*	*78*	*2*	*69*
Net changes in exposures	*2*	*(5)*	*(62)*	—	*(65)*
ECL model parameter and / or methodology changes	*(2)*	*(6)*	—	—	*(8)*
Impairment loss allowances utilised	—	—	(82)	—	(82)
Exchange adjustments	—	—	—	—	—
Measurement reclassification and other movements	—	(1)	4	—	3
Impairment loss allowance at 30 June 2022	**9**	**58**	**352**	**25**	**444**
Impairment coverage at 30 June 2022 (%)	**0.22%**	**1.56%**	**45.83%**	**40.32%**	**5.10%**

Impairment loss allowances utilised on Property and construction during H122 includes €3 million of contractual amounts outstanding that are still subject to enforcement activity.

20 Loans and advances to customers *(continued)*

31 December 2021 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**2,639**	**4,869**	**1,021**	**62**	**8,591**
Total net transfers	(649)	469	180	—	—
To 12 month ECL (not credit impaired)	*1,268*	*(1,268)*	—	—	—
To lifetime ECL (not credit impaired)	*(1,915)*	*1,968*	*(53)*	—	—
To lifetime ECL (credit impaired)	*(2)*	*(231)*	*233*	—	—
Net changes in exposure	1,333	(1,141)	(205)	(1)	(14)
Impairment loss allowances utilised	—	—	(64)	—	(64)
Exchange adjustments	58	106	40	4	208
Measurement reclassification and other movements	(101)	(4)	(2)	(1)	(108)
Gross carrying amount at 31 December 2021	**3,280**	**4,299**	**970**	**64**	**8,613**

31 December 2021 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL(credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**9**	**126**	**442**	**19**	**596**
Total net transfers	6	(25)	19	—	—
To 12 month ECL (not credit impaired)	*12*	*(12)*	—	—	—
To lifetime ECL (not credit impaired)	*(6)*	*12*	*(6)*	—	—
To lifetime ECL (credit impaired)	—	*(25)*	*25*	—	—
Net impairment losses / (gains) in income statement	(5)	(24)	(9)	2	(36)
Re-measurement	*(8)*	*3*	*72*	*2*	*69*
Net changes in exposures	*6*	*(22)*	*(82)*	—	*(98)*
ECL model parameter and / or methodology changes	*(3)*	*(5)*	*1*	—	*(7)*
Impairment loss allowances utilised	—	—	(64)	—	(64)
Exchange adjustments	—	1	9	2	12
Measurement reclassification and other movements	—	—	19	—	19
Impairment loss allowance at 31 December 2021	**10**	**78**	**416**	**23**	**527**
Impairment coverage at 31 December 2021 (%)	**0.30%**	**1.81%**	**42.89%**	**35.94%**	**6.12%**

Impairment loss allowances utilised on Property and construction during 2021 includes €7 million of contractual amounts outstanding that are still subject to enforcement activity.

20 Loans and advances to customers *(continued)*

Consumer

30 June 2022 Consumer -Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2022	**4,863**	**229**	**137**	**—**	**5,229**
Total net transfers	(92)	60	32	—	—
To 12 month ECL (not credit impaired)	*97*	*(93)*	*(4)*	—	—
To lifetime ECL (not credit impaired)	*(174)*	*177*	*(3)*	—	—
To lifetime ECL (credit impaired)	*(15)*	*(24)*	*39*	—	—
Net changes in exposure	420	(54)	(13)	—	353
Impairment loss allowances utilised	—	—	(22)	—	(22)
Exchange adjustments	(63)	(2)	(1)	—	(66)
Measurement reclassification and other movements	1	—	—	—	1
Gross carrying amount at 30 June 2022	**5,129**	**233**	**133**	**—**	**5,495**

30 June 2022 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**65**	**31**	**76**	**—**	**172**
Total net transfers	3	(9)	6	—	—
To 12 month ECL (not credit impaired)	*6*	*(5)*	*(1)*	—	—
To lifetime ECL (not credit impaired)	*(2)*	*3*	*(1)*	—	—
To lifetime ECL (credit impaired)	*(1)*	*(7)*	*8*	—	—
Net impairment losses / (gains) in income statement	(22)	16	11	—	5
Re-measurement	*(22)*	*20*	*15*	—	*13*
Net changes in exposures	*7*	*(8)*	*(4)*	—	*(5)*
ECL model parameter and / or methodology changes	*(7)*	*4*	—	—	*(3)*
Impairment loss allowances utilised	—	—	(22)	—	(22)
Exchange adjustments	(1)	(1)	(1)	—	(3)
Measurement reclassification and other movements	—	—	3	—	3
Impairment loss allowance at 30 June 2022	**45**	**37**	**73**	**—**	**155**
Impairment coverage at 30 June 2022 (%)	**0.88%**	**15.88%**	**54.89%**	**—**	**2.82%**

Impairment loss allowances utilised on consumer during H122 includes €22 million of contractual amounts outstanding that are still subject to enforcement activity.

20 Loans and advances to customers *(continued)*

31 December 2021 Consumer - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**4,961**	**165**	**145**	**—**	**5,271**
Total net transfers	(191)	136	55	—	—
To 12 month ECL (not credit impaired)	*111*	*(108)*	*(3)*	—	—
To lifetime ECL (not credit impaired)	*(257)*	*269*	*(12)*	—	—
To lifetime ECL (credit impaired)	*(45)*	*(25)*	*70*	—	—
Net changes in exposure	(125)	(79)	(19)	—	(223)
Impairment loss allowances utilised	—	—	(48)	—	(48)
Exchange adjustments	216	7	4	—	227
Measurement reclassification and other movements	2	—	—	—	2
Gross carrying amount at 31 December 2021	**4,863**	**229**	**137**	**—**	**5,229**

31 December 2021 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**129**	**27**	**80**	**—**	**236**
Total net transfers	3	(6)	3	—	—
To 12 month ECL (not credit impaired)	*10*	*(9)*	*(1)*	—	—
To lifetime ECL (not credit impaired)	*(5)*	*11*	*(6)*	—	—
To lifetime ECL (credit impaired)	*(2)*	*(8)*	*10*	—	—
Net impairment losses / (gains) in income statement	(73)	8	30	—	(35)
Re-measurement	*(19)*	*22*	*34*	—	*37*
Net changes in exposures	*(1)*	*(12)*	*(3)*	—	*(16)*
ECL model parameter and / or methodology changes	*(53)*	*(2)*	*(1)*	—	*(56)*
Impairment loss allowances utilised	—	—	(48)	—	(48)
Exchange adjustments	6	2	2	—	10
Measurement reclassification and other movements	—	—	9	—	9
Impairment loss allowance at 31 December 2021	**65**	**31**	**76**	**—**	**172**
Impairment coverage at 31 December 2021 (%)	**1.34%**	**13.54%**	**55.47%**	**—**	**3.29%**

Impairment loss allowances utilised on consumer during 2021 included €44 million of contractual amounts outstanding that are still subject to enforcement activity.

21 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the Group's credit risk methodologies are set out on pages 206 to 212 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021, with updates for 2022 outlined below.

Approach to measurement of impairment loss allowances

The Group's methodology for loan loss provisioning under IFRS 9 is set out on pages 208 to 212 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

During H122, the Group enhanced its methodology for estimating the loss given default for relationship managed commercial portfolios. The enhanced methodology facilitates a greater utilisation of FLI for model factors such as cure rates and unsecured recovery rates. This enhancement resulted in a c.€25 million reduction in impairment loss allowance on implementation of the finalised methodology.

Other model updates were applied for the reporting period including the application of updated FLI scenarios and probability weightings, as well as updates to model factors to take account of more recent observable data. The probability weightings for FLI scenarios at H122 includes consideration of economic uncertainty, primarily driven by the conflict in Ukraine, inflationary pressure and interest rate expectations.

Total net impact of all model factor updates, including those outlined above, and the application of updated FLI for Group loans and advances to customers is a c.€19 million decrease in impairment loss allowances.

The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments , including forward looking information are set out in note 2.

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

Internal credit risk ratings		
PD Grade	PD %	Indicative S&P type external ratings
1-4	0% ≤ PD < 0.26%	AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB
5-7	0.26% ≤ PD < 1.45%	BBB-, BB+, BB, BB-
8-9	1.45% ≤ PD < 3.60%	B+
10-11	3.60% ≤ PD < 100%	B, Below B
12 (credit-impaired)	100%	n/a

Financial assets

Composition and risk profile

The tables below and on the following page summarise the composition and risk profile of the Group's financial assets subject to impairment and the impairment loss allowances on these financial assets. The tables exclude loan commitments, guarantees and letters of credit of €17,090 million at 30 June 2022 (31 December 2021: €16,023 million) that are subject to impairment (note 30).

At 30 June 2022, POCI assets included €1 million of assets (31 December 2021: €1 million) with an impairment loss allowance of € nil (31 December 2021: € nil) which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.

30 June 2022 **Financial assets exposure by stage (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	61,785	10,250	4,037	82	76,154
Loans and advances to banks	2,722	—	—	—	2,722
Debt securities	4,971	1	—	—	4,972
Other financial assets	38,746	—	—	—	38,746
Total financial assets measured at amortised cost	**108,224**	**10,251**	**4,037**	**82**	**122,594**
Debt instruments at FVOCI	5,012	—	—	—	5,012
Total	**113,236**	**10,251**	**4,037**	**82**	**127,606**

21 Credit risk exposures *(continued)*

30 June 2022 Impairment loss allowance on financial assets	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	137	354	1,358	29	1,878
Loans and advances to banks	1	—	—	—	1
Debt securities	1	—	—	—	1
Other financial assets	15	—	—	—	15
Total financial assets measured at amortised cost	**154**	**354**	**1,358**	**29**	**1,895**
Debt instruments at FVOCI	1	—	—	—	1
Total	**155**	**354**	**1,358**	**29**	**1,896**

Loans and advances to customers excludes €340 million (31 December 2021: €426 million) of loans mandatorily measured at FVTPL at 30 June 2022 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (note 20).

At 30 June 2022, other financial assets (before impairment loss allowance) includes: cash and balances at central banks of €38,563 million (31 December 2021: €31,371 million) and items in the course of collection from other banks of €183 million (31 December 2021: €159 million).

31 December 2021 Financial assets exposure by stage (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	61,205	12,407	4,185	81	77,878
Loans and advances to banks	2,470	1	—	—	2,471
Debt securities	6,006	3	—	—	6,009
Other financial assets	31,530	—	—	—	31,530
Total financial assets measured at amortised cost	**101,211**	**12,411**	**4,185**	**81**	**117,888**
Debt instruments at FVOCI	9,457	—	—	—	9,457
Total	**110,668**	**12,411**	**4,185**	**81**	**127,345**

31 December 2021 Impairment loss allowance on financial assets	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	170	416	1,347	25	1,958
Loans and advances to banks	1	—	—	—	1
Debt securities	1	—	—	—	1
Other financial assets	11	—	—	—	11
Total financial assets measured at amortised cost	**183**	**416**	**1,347**	**25**	**1,971**
Debt instruments at FVOCI	3	—	—	—	3
Total	**186**	**416**	**1,347**	**25**	**1,974**

21 Credit risk exposures *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

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

Excluded from the table below are POCI assets of €82 million (31 December 2021: €81 million), €1 million (31 December 2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as POCI until derecognition. The table below excludes also impairment loss allowance of €29 million (31 December 2021: €25 million) on POCI assets.

Loans and advances to customers Composition and risk profile (before impairment loss allowance)	30 June 2022 Not credit-impaired €m	30 June 2022 Credit-impaired €m	30 June 2022 Total €m	30 June 2022 Total %	31 December 2021 Not credit-impaired €m	31 December 2021 Credit-impaired €m	31 December 2021 Total €m	31 December 2021 Total %
Residential mortgages	39,110	1,606	40,716	54%	41,487	1,773	43,260	56%
Retail Ireland	*21,445*	*884*	*22,329*	*30%*	*21,349*	*1,047*	*22,396*	*29%*
Retail UK	*17,665*	*722*	*18,387*	*24%*	*20,138*	*726*	*20,864*	*27%*
Non-property SME and corporate	20,087	1,530	21,617	29%	19,530	1,305	20,835	26%
Republic of Ireland SME	*6,540*	*684*	*7,224*	*10%*	*6,334*	*680*	*7,014*	*9%*
UK SME	*1,591*	*128*	*1,719*	*2%*	*1,611*	*137*	*1,748*	*2%*
Corporate	*11,956*	*718*	*12,674*	*17%*	*11,585*	*488*	*12,073*	*15%*
Property and construction	7,876	768	8,644	11%	7,579	970	8,549	11%
Investment	*6,810*	*740*	*7,550*	*10%*	*6,549*	*939*	*7,488*	*10%*
Development	*1,066*	*28*	*1,094*	*1%*	*1,030*	*31*	*1,061*	*1%*
Consumer	5,362	133	5,495	7%	5,092	137	5,229	7%
Fair value hedge adjustment	(400)	—	(400)	(1%)	(76)	—	(76)	—
Total	**72,035**	**4,037**	**76,072**	**100%**	**73,612**	**4,185**	**77,797**	**100%**
Impairment loss allowance on loans and advances to customers	**491**	**1,358**	**1,849**	**2%**	**586**	**1,347**	**1,933**	**2%**

Asset quality - not credit-impaired

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

Excluded from the tables below are POCI assets of €82 million (31 December 2021: €81 million), €1 million (31 December 2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as POCI until derecognition.

30 June 2022 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1 Loans €m	Stage 1 Loans as % of total advances %	Stage 1 Impairment loss allowance €m	Stage 1 Impairment loss allowance as % of loans %	Stage 2 Loans €m	Stage 2 Loans as % of total advances %	Stage 2 Impairment loss allowance €m	Stage 2 Impairment loss allowance as % of loans %
Residential mortgages	37,278	49%	23	0.06%	1,832	3%	54	2.95%
Retail Ireland	*20,141*	*26%*	*13*	*0.06%*	*1,304*	*2%*	*43*	*3.30%*
Retail UK	*17,137*	*23%*	*10*	*0.06%*	*528*	*1%*	*11*	*2.08%*
Non-property SME and corporate	15,612	21%	60	0.38%	4,475	5%	205	4.58%
Republic of Ireland SME	*4,721*	*6%*	*38*	*0.80%*	*1,819*	*2%*	*102*	*5.61%*
UK SME	*1,298*	*2%*	*4*	*0.31%*	*293*	*—*	*13*	*4.44%*
Corporate	*9,593*	*13%*	*18*	*0.19%*	*2,363*	*3%*	*90*	*3.81%*
Property and construction	4,166	6%	9	0.22%	3,710	5%	58	1.56%
Investment	*3,525*	*5%*	*6*	*0.17%*	*3,285*	*4%*	*47*	*1.43%*
Development	*641*	*1%*	*3*	*0.47%*	*425*	*1%*	*11*	*2.59%*
Consumer	5,129	7%	45	0.88%	233	—	37	15.88%
Fair value hedge adjustment	(400)	(1%)	—	—	—	—	—	—
Total	**61,785**	**82%**	**137**	**0.22%**	**10,250**	**13%**	**354**	**3.45%**

21 Credit risk exposures *(continued)*

31 December 2021 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1				Stage 2			
	Loans €m	Loans as % of total advances %	Impairment loss allowance €m	Impairment loss allowance as % of loans %	Loans €m	Loans as % of total advances %	Impairment loss allowance €m	Impairment loss allowance as % of loans %
Residential mortgages	38,708	50%	28	0.07%	2,779	4%	60	2.16%
Retail Ireland	*19,573*	*25%*	*17*	*0.09%*	*1,776*	*2%*	*47*	*2.65%*
Retail UK	*19,135*	*25%*	*11*	*0.06%*	*1,003*	*2%*	*13*	*1.30%*
Non-property SME and corporate	14,430	18%	67	0.46%	5,100	7%	247	4.84%
Republic of Ireland SME	*4,258*	*5%*	*39*	*0.92%*	*2,076*	*3%*	*136*	*6.55%*
UK SME	*1,161*	*1%*	*4*	*0.34%*	*450*	*1%*	*16*	*3.56%*
Corporate	*9,011*	*12%*	*24*	*0.27%*	*2,574*	*3%*	*95*	*3.69%*
Property and construction	3,280	4%	10	0.30%	4,299	5%	78	1.81%
Investment	*2,596*	*3%*	*6*	*0.23%*	*3,953*	*5%*	*71*	*1.80%*
Development	*684*	*1%*	*4*	*0.58%*	*346*	*—*	*7*	*2.02%*
Consumer	4,863	6%	65	1.34%	229	—	31	13.54%
Fair value hedge adjustment	(76)	—	—	—	—	—	—	—
Total	**61,205**	**78%**	**170**	**0.28%**	**12,407**	**16%**	**416**	**3.35%**

The table below provides analysis of the asset quality of loans and advances to customers at amortised cost that are not credit-impaired based on mapping the IFRS 9 twelve month PD of each loan to a PD grade based on the table provided on page 57.

Excluded from the tables below are POCI assets of €82 million (31 December 2021: €81 million), €1 million (31 December 2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as POCI until derecognition. 'Other' relates to a fair value hedge adjustment on loans and advances to customers.

30 June 2022 Not credit-impaired loans and advances to customers Asset quality - PD grade	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Other		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
Stage 1												
1-4	7,555	19%	5,041	25%	55	1%	5	—	(129)	(32%)	12,527	17%
5-7	27,320	70%	7,615	38%	3,374	43%	2,380	45%	(195)	(49%)	40,494	57%
8-9	1,668	4%	2,055	10%	630	8%	1,284	24%	(53)	(13%)	5,584	8%
10-11	735	2%	901	4%	107	1%	1,460	27%	(23)	(6%)	3,180	4%
Total Stage 1	**37,278**	**95%**	**15,612**	**77%**	**4,166**	**53%**	**5,129**	**96%**	**(400)**	**(100%)**	**61,785**	**86%**
Stage 2												
1-4	23	—	446	2%	3	—	—	—	—	—	472	1%
5-7	557	1%	1,372	7%	1,698	21%	4	—	—	—	3,631	5%
8-9	263	1%	1,159	6%	1,571	20%	85	2%	—	—	3,078	4%
10-11	989	3%	1,498	8%	438	6%	144	2%	—	—	3,069	4%
Total Stage 2	**1,832**	**5%**	**4,475**	**23%**	**3,710**	**47%**	**233**	**4%**	**—**	**—**	**10,250**	**14%**
Not credit-impaired												
1-4	7,578	19%	5,487	27%	58	1%	5	—	(129)	(32%)	12,999	18%
5-7	27,877	71%	8,987	45%	5,072	64%	2,384	45%	(195)	(49%)	44,125	62%
8-9	1,931	5%	3,214	16%	2,201	28%	1,369	26%	(53)	(13%)	8,662	12%
10-11	1,724	5%	2,399	12%	545	7%	1,604	29%	(23)	(6%)	6,249	8%
Total not credit-impaired	**39,110**	**100%**	**20,087**	**100%**	**7,876**	**100%**	**5,362**	**100%**	**(400)**	**(100%)**	**72,035**	**100%**

21 Credit risk exposures *(continued)*

31 December 2021 Not credit-impaired loans and advances to customers	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Other		Total	
Asset quality - PD grade	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
Stage 1												
1-4	3,523	8%	4,661	24%	226	3%	11	—	(25)	(33%)	8,396	11%
5-7	31,746	77%	6,568	34%	2,507	33%	612	12%	(34)	(45%)	41,399	56%
8-9	2,465	6%	2,339	12%	399	5%	2,785	55%	(12)	(16%)	7,976	11%
10-11	974	2%	862	4%	148	2%	1,455	29%	(5)	(6%)	3,434	5%
Total Stage 1	**38,708**	**93%**	**14,430**	**74%**	**3,280**	**43%**	**4,863**	**96%**	**(76)**	**(100%)**	**61,205**	**83%**
Stage 2												
1-4	32	—	211	1%	—	—	—	—	—	—	243	—
5-7	1,515	4%	1,567	7%	2,352	32%	2	—	—	—	5,436	7%
8-9	435	1%	1,658	9%	1,153	15%	67	1%	—	—	3,313	5%
10-11	797	2%	1,664	9%	794	10%	160	3%	—	—	3,415	5%
Total Stage 2	**2,779**	**7%**	**5,100**	**26%**	**4,299**	**57%**	**229**	**4%**	**—**	**—**	**12,407**	**17%**
Not credit-impaired												
1-4	3,555	8%	4,872	25%	226	3%	11	—	(25)	(33%)	8,639	11%
5-7	33,261	81%	8,135	41%	4,859	65%	614	12%	(34)	(45%)	46,835	63%
8-9	2,900	7%	3,997	21%	1,552	20%	2,852	56%	(12)	(16%)	11,289	16%
10-11	1,771	4%	2,526	13%	942	12%	1,615	32%	(5)	(6%)	6,849	10%
Total not credit-impaired	**41,487**	**100%**	**19,530**	**100%**	**7,579**	**100%**	**5,092**	**100%**	**(76)**	**(100%)**	**73,612**	**100%**

Asset quality - credit-impaired

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

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are credit-impaired (i.e. Stage 3). Excluded from the table below are POCI assets of €82 million (31 December 2021: €81 million), €1 million (31 December 2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI until derecognition.

	30 June 2022				31 December 2021			
Credit-impaired loans and advances to customers Composition and impairment loss allowance	**Credit-impaired loans €m**	**CI loans as % of total advances %**	**Impairment loss allowance €m**	**ILA as % of loans %**	**Credit-impaired loans €m**	**CI loans as% of total advances %**	**Impairment loss allowance €m**	**ILA as % of loans %**
Residential mortgages	1,606	2%	433	27%	1,773	2%	416	23%
Retail Ireland	*884*	*1%*	*351*	*40%*	*1,047*	*1%*	*362*	*35%*
Retail UK	*722*	*1%*	*82*	*11%*	*726*	*1%*	*54*	*7%*
Non-property SME and corporate	1,530	2%	500	33%	1,305	2%	439	34%
Republic of Ireland SME	*684*	*1%*	*269*	*39%*	*680*	*1%*	*258*	*38%*
UK SME	*128*	*—*	*26*	*20%*	*137*	*—*	*30*	*22%*
Corporate	*718*	*1%*	*205*	*29%*	*488*	*1%*	*151*	*31%*
Property and construction	768	1%	352	46%	970	1%	416	43%
Investment	*740*	*1%*	*345*	*47%*	*939*	*1%*	*408*	*43%*
Development	*28*	*—*	*7*	*25%*	*31*	*—*	*8*	*26%*
Consumer	133	—	73	55%	137	—	76	55%
Total credit-impaired	**4,037**	**5%**	**1,358**	**34%**	**4,185**	**5%**	**1,347**	**32%**

21 Credit risk exposures *(continued)*

Non-performing exposures

The tables below provide an analysis of loans and advances to customers that are non-performing by asset classification. The following tables include NPEs relating to loans and advances to customers at amortised cost of €4,134 million (31 December 2021: €4,280 million) and loans and advances to customers measured at fair value through profit or loss of €31 million (31 December 2021: €31 million). Credit-impaired includes Stage 3 and POCI assets which remain credit-impaired at the reporting period. Not credit-impaired NPEs (€47 million) include forborne loans that had yet to satisfy internal exit criteria for NPE reporting purposes.

30 June 2022 **Risk profile of loans and advances to customers - NPEs**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Credit-impaired	1,609	1,546	830	133	4,118
Not credit-impaired	31	9	6	1	47
Total	**1,640**	**1,555**	**836**	**134**	**4,165**

31 December 2021 **Risk profile of loans and advances to customers - NPEs**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Credit-impaired	1,774	1,320	1,034	137	4,265
Not credit-impaired	31	8	6	1	46
Total	**1,805**	**1,328**	**1,040**	**138**	**4,311**

In addition to the NPEs on loans and advances to customers shown above, the Group has total non-performing off-balance sheet exposures amounting to €0.1 billion (31 December 2021: €0.1 billion). NPEs decreased to €4.2 billion at 30 June 2022 from €4.3 billion at 31 December 2021. The movements in NPEs in the period are broadly consistent with the movements in credit-impaired loans as set out in the composition and impairment section above.

21 Credit risk exposures *(continued)*

Risk profile of forborne loans and advances to customers

The Group's total risk profile of loans and advances to customers at amortised cost at 30 June 2022 of €76.2 billion is available in note 20 on page 46. Exposures are before impairment loss allowance. 'Other' relates to a fair value hedge adjustment on loans and advances to customers.

30 June 2022 Loans and advances to customers at amortised cost - Composition	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	37,274	1,523	848	1	39,646
Retail Ireland	*20,138*	*1,067*	*263*	*1*	*21,469*
Retail UK	*17,136*	*456*	*585*	*—*	*18,177*
Non-property SME and corporate	15,612	2,700	371	—	18,683
Republic of Ireland SME	*4,721*	*1,504*	*251*	*—*	*6,476*
UK SME	*1,298*	*206*	*74*	*—*	*1,578*
Corporate	*9,593*	*990*	*46*	*—*	*10,629*
Property and construction	4,166	2,980	50	—	7,196
Investment	*3,525*	*2,621*	*41*	*—*	*6,187*
Development	*641*	*359*	*9*	*—*	*1,009*
Consumer	5,129	232	129	—	5,490
Other	(400)	—	—	—	(400)
Total non-forborne loans and advances to customers	**61,781**	**7,435**	**1,398**	**1**	**70,615**
Forborne loans and advances to customers					
Residential mortgages	4	309	758	3	1,074
Retail Ireland	*3*	*237*	*621*	*3*	*864*
Retail UK	*1*	*72*	*137*	*—*	*210*
Non-property SME and corporate	—	1,775	1,159	16	2,950
Republic of Ireland SME	*—*	*315*	*433*	*—*	*748*
UK SME	*—*	*87*	*54*	*—*	*141*
Corporate	*—*	*1,373*	*672*	*16*	*2,061*
Property and construction	—	730	718	62	1,510
Investment	*—*	*664*	*699*	*62*	*1,425*
Development	*—*	*66*	*19*	*—*	*85*
Consumer	—	1	4	—	5
Total forborne loans and advances to customers	**4**	**2,815**	**2,639**	**81**	**5,539**

At 30 June 2022, the forborne POCI loans included €1 million of loans (31 December 2021: €1 million) which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvement in credit risk. These loans will remain classified as POCI loans until derecognition.

21 Credit risk exposures *(continued)*

31 December 2021 Loans and advances to customers at amortised cost - composition	Stage 1 (not credit-impaired) €m	Stage 2 (not credit-impaired) €m	Stage 3 (credit-impaired) €m	Purchased / originated credit-impaired €m	Total €m
Non-forborne loans and advances to customers					
Residential mortgages	38,707	2,407	876	1	41,991
Retail Ireland	*19,572*	*1,486*	*293*	*1*	*21,352*
Retail UK	*19,135*	*921*	*583*	*—*	*20,639*
Non-property SME and corporate	14,430	2,899	352	—	17,681
Republic of Ireland SME	*4,258*	*1,702*	*240*	*—*	*6,200*
UK SME	*1,161*	*356*	*77*	*—*	*1,594*
Corporate	*9,011*	*841*	*35*	*—*	*9,887*
Property and construction	3,280	3,583	55	—	6,918
Investment	*2,596*	*3,304*	*44*	*—*	*5,944*
Development	*684*	*279*	*11*	*—*	*974*
Consumer	4,863	228	133	—	5,224
Other	(76)	—	—	—	(76)
Total non-forborne loans and advances to customers	**61,204**	**9,117**	**1,416**	**1**	**71,738**
Forborne loans and advances to customers					
Residential mortgages	1	372	897	1	1,271
Retail Ireland	*1*	*290*	*754*	*1*	*1,046*
Retail UK	*—*	*82*	*143*	*—*	*225*
Non-property SME and corporate	—	2,201	953	15	3,169
Republic of Ireland SME	*—*	*374*	*440*	*—*	*814*
UK SME	*—*	*94*	*60*	*—*	*154*
Corporate	*—*	*1,733*	*453*	*15*	*2,201*
Property and construction	—	716	915	64	1,695
Investment	*—*	*649*	*895*	*64*	*1,608*
Development	*—*	*67*	*20*	*—*	*87*
Consumer	—	1	4	—	5
Total forborne loans and advances to customers	**1**	**3,290**	**2,769**	**80**	**6,140**

21 Credit risk exposures *(continued)*

The tables below exclude NPEs relating to loans and advances to customers measured at FVTPL of €31 million (31 December 2021: €31 million) and include POCI assets which remain credit-impaired at the reporting date.

30 June 2022 **Risk profile of loans and advances to customers at amortised cost - non-performing exposures**	**Residential mortgages €m**	**Non- property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Credit-impaired	817	371	50	129	1,367
Not credit-impaired	31	9	6	1	47
Total non-forborne loans and advances to customers	**848**	**380**	**56**	**130**	**1,414**
Forborne loans and advances to customers					
Credit-impaired	761	1,175	780	4	2,720
Not credit-impaired	—	—	—	—	—
Total forborne loans and advances to customers	**761**	**1,175**	**780**	**4**	**2,720**

31 December 2021 **Risk profile of loans and advances to customers at amortised cost - non-performing exposure**	**Residential mortgages €m**	**Non- property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Credit-impaired	846	352	55	133	1,386
Not credit-impaired	31	7	6	1	45
Total non-forborne loans and advances to customers	**877**	**359**	**61**	**134**	**1,431**
Forborne loans and advances to customers					
Credit-impaired	897	968	979	4	2,848
Not credit-impaired	—	1	—	—	1
Total forborne loans and advances to customers	**897**	**969**	**979**	**4**	**2,849**

21 Credit risk exposures *(continued)*

Loans and advances to customers - other credit risk information

Geographical and industry analysis of loans and advances to customers

The following tables provide a geographical and industry breakdown of loans and advances to customers at amortised cost, and the associated impairment loss allowances. The geographical breakdown is primarily based on the location of the business unit where the asset is booked. The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities. Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period. 'Other' relates to a fair value hedge adjustment on loans and advances to customers.

	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
30 June 2022 Geographical / industry analysis	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**
Personal	**24,455**	**21,760**	**—**	**46,215**	**469**	**197**	**—**	**666**
Residential mortgages	*22,333*	*18,387*	*—*	*40,720*	*408*	*103*	*—*	*511*
Other consumer lending	*2,122*	*3,373*	*—*	*5,495*	*61*	*94*	*—*	*155*
Property and construction	**7,848**	**858**	**—**	**8,706**	**231**	**213**	**—**	**444**
Investment	*6,786*	*826*	*—*	*7,612*	*212*	*211*	*—*	*423*
Development	*1,062*	*32*	*—*	*1,094*	*19*	*2*	*—*	*21*
Non-property SME & corporate	**18,305**	**2,089**	**1,239**	**21,633**	**667**	**59**	**42**	**768**
Manufacturing	*4,023*	*284*	*549*	*4,856*	*106*	*8*	*29*	*143*
Administrative and support service activities	*2,628*	*371*	*219*	*3,218*	*116*	*13*	*1*	*130*
Wholesale and retail trade	*1,912*	*161*	*49*	*2,122*	*55*	*3*	*—*	*58*
Accommodation and food service activities	*1,532*	*90*	*42*	*1,664*	*68*	*3*	*4*	*75*
Agriculture, forestry and fishing	*1,479*	*86*	*—*	*1,565*	*49*	*2*	*—*	*51*
Human health services and social work activities	*1,207*	*160*	*80*	*1,447*	*42*	*3*	*1*	*46*
Financial and Insurance activities	*988*	*57*	*—*	*1,045*	*12*	*1*	*—*	*13*
Transport and storage	*760*	*37*	*82*	*879*	*56*	*6*	*3*	*65*
Professional, scientific and technical activities	*672*	*26*	*63*	*761*	*21*	*—*	*—*	*21*
Real estate activities	*626*	*71*	*—*	*697*	*60*	*6*	*—*	*66*
Other services	*475*	*31*	*129*	*635*	*34*	*2*	*3*	*39*
Education	*420*	*42*	*8*	*470*	*4*	*—*	*—*	*4*
Arts, entertainment and recreation	*406*	*31*	*13*	*450*	*26*	*5*	*1*	*32*
Other sectors	*1,177*	*642*	*5*	*1,824*	*18*	*7*	*—*	*25*
Other	(195)	(205)	—	(400)	—	—	—	—
Total	**50,413**	**24,502**	**1,239**	**76,154**	**1,367**	**469**	**42**	**1,878**
Analysed by stage:								
Stage 1	38,903	21,950	932	61,785	90	44	3	137
Stage 2	8,860	1,181	209	10,250	286	58	10	354
Stage 3	2,630	1,309	98	4,037	987	342	29	1,358
Purchased / originated credit-impaired	20	62	—	82	4	25	—	29
Total	**50,413**	**24,502**	**1,239**	**76,154**	**1,367**	**469**	**42**	**1,878**

21 Credit risk exposures *(continued)*

31 December 2021 Geographical / industry analysis	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
	RoI €m	UK €m	RoW €m	Total €m	RoI €m	UK €m	RoW €m	Total €m
Personal	**24,436**	**24,055**	**—**	**48,491**	**487**	**189**	**—**	**676**
Residential mortgages	*22,398*	*20,864*	*—*	*43,262*	*426*	*78*	*—*	*504*
Other consumer lending	*2,038*	*3,191*	*—*	*5,229*	*61*	*111*	*—*	*172*
Property and construction	**7,585**	**1,028**	**—**	**8,613**	**243**	**284**	**—**	**527**
Investment	*6,557*	*995*	*—*	*7,552*	*226*	*282*	*—*	*508*
Development	*1,028*	*33*	*—*	*1,061*	*17*	*2*	*—*	*19*
Non-property SME & corporate	**17,380**	**2,292**	**1,178**	**20,850**	**652**	**75**	**28**	**755**
Manufacturing	*3,432*	*311*	*499*	*4,242*	*62*	*6*	*15*	*83*
Administrative and support service activities	*2,147*	*380*	*175*	*2,702*	*91*	*9*	*1*	*101*
Wholesale and retail trade	*1,963*	*299*	*45*	*2,307*	*70*	*5*	*—*	*75*
Agriculture, forestry and fishing	*1,482*	*228*	*—*	*1,710*	*49*	*5*	*—*	*54*
Accommodation and food service activities	*1,561*	*101*	*39*	*1,701*	*89*	*5*	*4*	*98*
Human health services and social work activities	*1,352*	*207*	*104*	*1,663*	*37*	*17*	*2*	*56*
Financial and Insurance activities	*1,005*	*49*	*—*	*1,054*	*11*	*2*	*—*	*13*
Transport and storage	*744*	*87*	*76*	*907*	*59*	*7*	*1*	*67*
Other services	*707*	*52*	*127*	*886*	*55*	*3*	*3*	*61*
Real estate activities	*596*	*176*	*—*	*772*	*58*	*8*	*—*	*66*
Professional, scientific and technical activities	*618*	*28*	*57*	*703*	*16*	*—*	*—*	*16*
Arts, entertainment and recreation	*429*	*56*	*7*	*492*	*30*	*6*	*1*	*37*
Education	*297*	*78*	*29*	*404*	*3*	*—*	*—*	*3*
Other sectors	*1,047*	*240*	*20*	*1,307*	*22*	*2*	*1*	*25*
Other	(17)	(59)	—	(76)	—	—	—	—
Total	**49,384**	**27,316**	**1,178**	**77,878**	**1,382**	**548**	**28**	**1,958**
Analysed by stage:								
Stage 1	36,561	23,783	861	61,205	104	62	4	170
Stage 2	10,219	1,939	249	12,407	336	68	12	416
Stage 3	2,587	1,530	68	4,185	940	395	12	1,347
Purchased / originated credit-impaired	17	64	—	81	2	23	—	25
Total	**49,384**	**27,316**	**1,178**	**77,878**	**1,382**	**548**	**28**	**1,958**

21 Credit risk exposures *(continued)*

The following tables provide an analysis of loans and advances to customers at amortised cost, and the associated impairment loss allowances, by portfolio, sub-sector and stage. The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities. Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table below can therefore differ period on period. 'Other' relates to a fair value hedge adjustment on loans and advances to customers.

30 June 2022 Sectoral analysis by stage	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
	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
Personal										
Residential mortgages	37,278	1,832	1,606	4	40,720	23	54	433	1	511
Other consumer	5,129	233	133	—	5,495	45	37	73	—	155
Motor lending UK	*1,844*	*48*	*25*	*—*	*1,917*	*7*	*4*	*11*	*—*	*22*
Loans UK	*1,370*	*46*	*40*	*—*	*1,456*	*22*	*21*	*30*	*—*	*73*
Motor lending RoI	*771*	*—*	*24*	*—*	*795*	*6*	*—*	*8*	*—*	*14*
Loans RoI	*684*	*123*	*31*	*—*	*838*	*8*	*10*	*15*	*—*	*33*
Credit cards - RoI	*460*	*16*	*13*	*—*	*489*	*2*	*2*	*9*	*—*	*13*
	42,407	**2,065**	**1,739**	**4**	**46,215**	**68**	**91**	**506**	**1**	**666**
Property and construction	**4,166**	**3,710**	**768**	**62**	**8,706**	**9**	**58**	**352**	**25**	**444**
Investment	*3,525*	*3,285*	*740*	*62*	*7,612*	*6*	*47*	*345*	*25*	*423*
Development	*641*	*425*	*28*	*—*	*1,094*	*3*	*11*	*7*	*—*	*21*
Non-property SME & corporate	**15,612**	**4,475**	**1,530**	**16**	**21,633**	**60**	**205**	**500**	**3**	**768**
Manufacturing	*3,631*	*981*	*244*	*—*	*4,856*	*12*	*51*	*80*	*—*	*143*
Administrative and support service activities	*2,337*	*663*	*202*	*16*	*3,218*	*7*	*37*	*83*	*3*	*130*
Wholesale and retail trade	*1,689*	*351*	*82*	*—*	*2,122*	*9*	*12*	*37*	*—*	*58*
Accommodation and food service activities	*553*	*879*	*232*	*—*	*1,664*	*2*	*20*	*53*	*—*	*75*
Agriculture, forestry and fishing	*1,304*	*144*	*117*	*—*	*1,565*	*9*	*5*	*37*	*—*	*51*
Human health services and social work activities	*865*	*389*	*193*	*—*	*1,447*	*3*	*18*	*25*	*—*	*46*
Financial and Insurance activities	*981*	*48*	*16*	*—*	*1,045*	*1*	*5*	*7*	*—*	*13*
Transport and storage	*501*	*231*	*147*	*—*	*879*	*2*	*8*	*55*	*—*	*65*
Professional, scientific and technical activities	*640*	*87*	*34*	*—*	*761*	*2*	*3*	*16*	*—*	*21*
Real estate activities	*331*	*255*	*111*	*—*	*697*	*4*	*15*	*47*	*—*	*66*
Other services	*452*	*111*	*72*	*—*	*635*	*2*	*5*	*32*	*—*	*39*
Education	*439*	*30*	*1*	*—*	*470*	*2*	*1*	*1*	*—*	*4*
Arts, entertainment and recreation	*224*	*187*	*39*	*—*	*450*	*—*	*18*	*14*	*—*	*32*
Other sectors	*1,665*	*119*	*40*	*—*	*1,824*	*5*	*7*	*13*	*—*	*25*
Other	(400)	—	—	—	(400)	—	—	—	—	—
Total	**61,785**	**10,250**	**4,037**	**82**	**76,154**	**137**	**354**	**1,358**	**29**	**1,878**

21 Credit risk exposures *(continued)*

31 December 2021 Sectoral analysis by stage	Gross carrying amount (before impairment loss allowance) Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m	Impairment loss allowance Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m
Personal										
Residential mortgages	38,708	2,779	1,773	2	43,262	28	60	416	—	504
Other consumer	4,863	229	137	—	5,229	65	31	76	—	172
Motor lending UK	*1,731*	*46*	*26*	*—*	*1,803*	*7*	*3*	*11*	*—*	*21*
Loans UK	*1,297*	*48*	*43*	*—*	*1,388*	*39*	*19*	*33*	*—*	*91*
Motor lending RoI	*720*	*—*	*27*	*—*	*747*	*8*	*—*	*9*	*—*	*17*
Loans RoI	*653*	*122*	*30*	*—*	*805*	*9*	*7*	*16*	*—*	*32*
Credit cards - RoI	*462*	*13*	*11*	*—*	*486*	*2*	*2*	*7*	*—*	*11*
	43,571	**3,008**	**1,910**	**2**	**48,491**	**93**	**91**	**492**	**—**	**676**
Property and construction	**3,280**	**4,299**	**970**	**64**	**8,613**	**10**	**78**	**416**	**23**	**527**
Investment	*2,596*	*3,953*	*939*	*64*	*7,552*	*6*	*71*	*408*	*23*	*508*
Development	*684*	*346*	*31*	*—*	*1,061*	*4*	*7*	*8*	*—*	*19*
Non-property SME & corporate	**14,430**	**5,100**	**1,305**	**15**	**20,850**	**67**	**247**	**439**	**2**	**755**
Manufacturing	*3,239*	*876*	*127*	*—*	*4,242*	*12*	*39*	*32*	*—*	*83*
Administrative and support service activities	*1,803*	*762*	*122*	*15*	*2,702*	*7*	*41*	*51*	*2*	*101*
Wholesale and retail trade	*1,895*	*301*	*111*	*—*	*2,307*	*10*	*16*	*49*	*—*	*75*
Agriculture, forestry and fishing	*1,427*	*159*	*124*	*—*	*1,710*	*11*	*7*	*36*	*—*	*54*
Accommodation and food service activities	*243*	*1,231*	*227*	*—*	*1,701*	*1*	*44*	*53*	*—*	*98*
Human health services and social work activities	*994*	*604*	*65*	*—*	*1,663*	*5*	*30*	*21*	*—*	*56*
Financial and Insurance activities	*988*	*50*	*16*	*—*	*1,054*	*2*	*4*	*7*	*—*	*13*
Transport and storage	*568*	*189*	*150*	*—*	*907*	*3*	*8*	*56*	*—*	*67*
Other services	*619*	*170*	*97*	*—*	*886*	*2*	*11*	*48*	*—*	*61*
Real estate activities	*418*	*242*	*112*	*—*	*772*	*5*	*15*	*46*	*—*	*66*
Professional, scientific and technical activities	*578*	*99*	*26*	*—*	*703*	*4*	*3*	*9*	*—*	*16*
Arts, entertainment and recreation	*199*	*233*	*60*	*—*	*492*	*—*	*21*	*16*	*—*	*37*
Education	*375*	*28*	*1*	*—*	*404*	*2*	*1*	*—*	*—*	*3*
Other sectors	*1,084*	*156*	*67*	*—*	*1,307*	*3*	*7*	*15*	*—*	*25*
Other	(76)	—	—	—	(76)	—	—	—	—	—
Total	**61,205**	**12,407**	**4,185**	**81**	**77,878**	**170**	**416**	**1,347**	**25**	**1,958**

21 Credit risk exposures *(continued)*

Loan to value profiles

The tables below set out the weighted average indexed loan to value (LTV) for the total Retail Ireland mortgage loan book. The tables exclude POCI loans of €4 million (31 December 2021: €2 million), €1 million (31 December 2021: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI until derecognition.

Property values are determined by reference to the property valuations held, indexed to the Central Statistics Office (CSO) Residential Property Price Index (RPPI). The indexed LTV profile of the Retail Ireland mortgage loan book contained in the table below is based on the CSO RPPI at April 2022.

The Retail Ireland mortgages weighted average LTV ratios are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.

	Owner occupied			Buy to let			Total		
30 June 2022 Loan to value ratio of total Retail Ireland mortgages	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	9,213	184	9,397	1,018	42	1,060	10,231	226	10,457
51% to 70%	6,731	130	6,861	230	39	269	6,961	169	7,130
71% to 80%	2,943	51	2,994	42	10	52	2,985	61	3,046
81% to 90%	990	44	1,034	56	39	95	1,046	83	1,129
91% to 100%	145	33	178	17	18	35	162	51	213
Subtotal	**20,022**	**442**	**20,464**	**1,363**	**148**	**1,511**	**21,385**	**590**	**21,975**
101% to 120%	14	52	66	14	22	36	28	74	102
121% to 150%	7	40	47	5	24	29	12	64	76
Greater than 151%	6	71	77	14	85	99	20	156	176
Subtotal	**27**	**163**	**190**	**33**	**131**	**164**	**60**	**294**	**354**
Total	**20,049**	**605**	**20,654**	**1,396**	**279**	**1,675**	**21,445**	**884**	**22,329**
Weighted average LTV:									
Stock of Retail Ireland mortgages at period end			52%			55%			53%
New Retail Ireland mortgages during the period			74%			55%			74%

	Owner occupied			Buy to let			Total		
31 December 2021 Loan to value ratio of total Retail Ireland mortgages	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	8,759	212	8,971	1,036	46	1,082	9,795	258	10,053
51% to 70%	6,662	152	6,814	304	41	345	6,966	193	7,159
71% to 80%	3,316	73	3,389	47	15	62	3,363	88	3,451
81% to 90%	966	53	1,019	61	43	104	1,027	96	1,123
91% to 100%	95	48	143	18	24	42	113	72	185
Subtotal	**19,798**	**538**	**20,336**	**1,466**	**169**	**1,635**	**21,264**	**707**	**21,971**
101% to 120%	22	58	80	18	25	43	40	83	123
121% to 150%	12	51	63	9	29	38	21	80	101
Greater than 151%	8	82	90	16	95	111	24	177	201
Subtotal	**42**	**191**	**233**	**43**	**149**	**192**	**85**	**340**	**425**
Total	**19,840**	**729**	**20,569**	**1,509**	**318**	**1,827**	**21,349**	**1,047**	**22,396**
Weighted average LTV:									
Stock of Retail Ireland mortgages at period end			54%			58%			54%
New Retail Ireland mortgages during the period			71%			53%			71%

21 Credit risk exposures *(continued)*

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

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

Weighted average LTV ratios are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.

	Standard		Buy to let		Self Certified		Total		
30 June 2022 Loan to value ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,610	97	3,108	80	565	90	6,283	267	6,550
51% to 70%	3,733	95	2,377	76	300	101	6,410	272	6,682
71% to 80%	1,803	24	122	10	20	18	1,945	52	1,997
81% to 90%	488	8	5	—	3	4	496	12	508
91% to 100%	11	3	2	1	1	2	14	6	20
Subtotal	**8,645**	**227**	**5,614**	**167**	**889**	**215**	**15,148**	**609**	**15,757**
101% to 120%	7	3	—	—	2	4	9	7	16
121% to 150%	1	1	—	—	—	1	1	2	3
Greater than 150%	—	—	—	—	—	1	—	1	1
Subtotal	**8**	**4**	**—**	**—**	**2**	**6**	**10**	**10**	**20**
Total	**8,653**	**231**	**5,614**	**167**	**891**	**221**	**15,158**	**619**	**15,777**
Weighted average LTV:									
Stock of Retail UK mortgages at period end	57%	53%	48%	51%	44%	54%	53%	53%	53%
New Retail UK mortgages during the period	73%	—	64%	—	31%	—	72%	—	72%

	Standard		Buy to let		Self Certified		Total		
31 December 2021 Loan to value ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,526	81	2,908	64	529	74	5,963	219	6,182
51% to 70%	3,411	87	3,067	79	388	106	6,866	272	7,138
71% to 80%	2,588	32	330	16	50	22	2,968	70	3,038
81% to 90%	977	12	18	3	9	10	1,004	25	1,029
91% to 100%	101	4	3	1	—	4	104	9	113
Subtotal	**9,603**	**216**	**6,326**	**163**	**976**	**216**	**16,905**	**595**	**17,500**
101% to 120%	9	5	2	1	2	4	13	10	23
121% to 150%	3	2	—	—	1	1	4	3	7
Greater than 150%	—	1	—	—	—	1	—	2	2
Subtotal	**12**	**8**	**2**	**1**	**3**	**6**	**17**	**15**	**32**
Total	**9,615**	**224**	**6,328**	**164**	**979**	**222**	**16,922**	**610**	**17,532**
Weighted average LTV:									
Stock of Retail UK mortgages at year end	61%	57%	51%	54%	48%	58%	56%	57%	56%
New Retail UK mortgages during year	76%	71%	65%	55%	29%	—	74%	65%	74%

21 Credit risk exposures *(continued)*

Asset quality: other financial assets

The tables below summarise the asset quality of debt instruments at FVOCI, debt securities at amortised cost and loans and advances to banks at amortised cost by IFRS 9 twelve month PD Grade .

Debt instruments at FVOCI Asset quality	30 June 2022						31 December 2021					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,932	98%	—	—	4,932	98%	8,882	94%	—	—	8,882	94%
5-7	80	2%	—	—	80	2%	575	6%	—	—	575	6%
8-9	—	—	—	—	—	—	—	—	—	—	—	—
10-11	—	—	—	—	—	—	—	—	—	—	—	—
Total	**5,012**	**100%**	**—**	**—**	**5,012**	**100%**	**9,457**	**100%**	**—**	**—**	**9,457**	**100%**

Debt securities at amortised cost (before impairment loss allowance) Asset quality	30 June 2022						31 December 2021					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,971	100%	1	100%	4,972	100%	6,006	100%	3	100%	6,009	100%
5-7	—	—	—	—	—	—	—	—	—	—	—	—
8-9	—	—	—	—	—	—	—	—	—	—	—	—
10-11	—	—	—	—	—	—	—	—	—	—	—	—
Total	**4,971**	**100%**	**1**	**100%**	**4,972**	**100%**	**6,006**	**100%**	**3**	**100%**	**6,009**	**100%**

Loans and advances to banks at amortised cost (before impairment loss allowance) Asset quality	30 June 2022						31 December 2021					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,676	99%	—	—	2,676	99%	2,400	97%	—	—	2,400	97%
5-7	7	—	—	—	7	—	7	—	—	—	7	—
8-9	39	1%	—	—	39	1%	63	3%	1	100%	64	3%
10-11	—	—	—	—	—	—	—	—	—	—	—	—
Total	**2,722**	**100%**	**—**	**—**	**2,722**	**100%**	**2,470**	**100%**	**1**	**100%**	**2,471**	**100%**

21 Credit risk exposures *(continued)*

Asset quality: other financial instruments

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

	30 June 2022		31 December 2021	
Other financial instruments with ratings equivalent to:	**€m**	**%**	**€m**	**%**
AAA to AA-	4,817	44%	4,952	50%
A+ to A-	4,200	38%	2,525	26%
BBB+ to BBB-	1,511	14%	1,780	18%
BB+ to BB-	217	2%	354	4%
B+ to B-	210	2%	242	2%
Lower than B-	40	—	42	—
Total	**10,995**	**100%**	**9,895**	**100%**

22 Modified financial assets

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

The increase in balances moving back to Stage 1 from Stage 2 & 3 for impairment reporting is concentrated to the RoI Mortgage book, whereby in H122, the post COVID-19 forbearance supports have now expired and the customers are returning to previous terms and conditions and the ECL realigning back to the previous classification.

	30 June 2022 €m	31 December 2021 €m
Financial assets modified during the period		
Amortised cost before modification	225	1,294
Net modification losses (i.e. net of impairment gains impact)	(4)	(2)
Financial assets modified since initial recognition		
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month expected credit losses during the period	2,120	1,400

23 Intangible assets and goodwill

	30 June 2022					31 December 2021				
	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost at 1 January	**36**	**72**	**2,475**	**197**	**2,780**	**34**	**71**	**2,219**	**180**	**2,504**
Additions	—	—	113	—	113	—	—	238	9	247
Acquisitions	251	5	—	50	306	—	—	—	—	—
Disposals / write-offs	—	—	—	—	—	—	—	—	(1)	(1)
Exchange adjustments	(1)	—	(6)	(3)	(10)	2	1	18	9	30
At end of period	**286**	**77**	**2,582**	**244**	**3,189**	**36**	**72**	**2,475**	**197**	**2,780**
Amortisation and impairment at 1 January	**(9)**	**(72)**	**(1,677)**	**(170)**	**(1,928)**	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**
Disposals / write-offs	—	—	—	—	—	—	—	—	1	1
Impairment	—	—	—	—	—	—	—	(1)	(1)	(2)
Amortisation charge (note 13)	—	—	(73)	(4)	(77)	—	—	(140)	(10)	(150)
Exchange adjustments	—	—	5	3	8	—	(1)	(14)	(9)	(24)
At end of period	**(9)**	**(72)**	**(1,745)**	**(171)**	**(1,997)**	**(9)**	**(72)**	**(1,677)**	**(170)**	**(1,928)**
Net book value	**277**	**5**	**837**	**73**	**1,192**	**27**	**—**	**798**	**27**	**852**

Impairment review - goodwill

At 30 June 2022, goodwill on the Group's balance sheet is €277 million and relates to the acquisitions of J&E Davy ('Davy') €251 million, Ireland's leading provider of wealth management and capital markets services (Note 34), and MLL €26 million, a car commercial leasing and fleet management company in UK.

As set out in note 32 of the Group's Annual Report for the year ended 31 December 2021, goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

Impairment reviews of MLL were carried out during 2021 and H122, and no impairment was required.

Computer software internally generated

The category 'computer software internally generated' includes the Transformation Investment asset with a carrying value of €361 million (31 December 2021: €351 million). This asset reflects investment in technical infrastructure, applications and software licences. €266 million (31 December 2021: €274 million) of the Transformation Investment asset is an amortising asset, with amortisation periods normally ranging from five to ten years and with the majority being amortised over a period of ten years. At 30 June 2022, the remaining amortisation period for these assets ranges between 1 and 10 years. The remaining €95 million (31 December 2021: €77 million) represents assets under construction on which amortisation will commence once the assets are available for use. The residual assets in this category, with a carrying value of €476 million (31 December 2021: €447 million), primarily comprises of Payments and Regulatory assets.

Other externally purchased intangible assets

The Group acquired the Davy business on 1 June 2022. As part of the acquisition, the Group recognised incremental intangible assets valued at €50 million relating to customer relationships and brand value at date of acquisition.

Impairment review - computer software internally generated

During H122, the Group reviewed its internally generated computer software for any indicators of impairment and concluded that no impairment is required (31 December 2021: €1 million).

Impairment review - other externally purchased intangible assets

During H122, the Group reviewed other externally purchased intangible assets for any indicators of impairment and concluded that no impairment is required (31 December 2021: €1 million).

24 Deferred tax

The deferred tax asset (DTA) of €936 million (31 December 2021: €1,044 million) includes an amount of €1,093 million (31 December 2021: €1,118 million) in respect of operating losses which are available to shelter future profits from tax, of which €1,003 million relates to Irish tax losses carried forward by the Bank, €84 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the bank, and €6 million relates to US tax losses carried forward by the US branch of the Bank.

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

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

Positive factors which have been considered include:

- as evidenced by the return to profitability in the previous year, and with the exception of the financial crisis, the Group has a sustained history of the Irish operating profits and a large market share and it is considered likely that the Group's Irish activities will be profitable into the future;
- the absence of any expiry dates for Irish and UK tax losses; and
- external economic forecasts for Ireland and the UK which indicate continued economic growth and improved employment levels in 2022.

The Group also considered negative evidence and the inherent uncertainties in any long term financial assumptions and projections, including:

- the absolute level of DTAs compared to the Group's equity;
- the quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised;
- the challenge of projecting over a long period, taking account of the level of competition, low interest rate environment and accelerated transformation of banking business models.

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

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

Based on the Group's projections, the DTA in respect of tax losses is estimated to be recovered in full by the end of 2030 (31 December 2021: 2032).

The use of alternative assumptions representing reasonably possible alternative outcomes would not impact the recognition of the Group's DTAs although they could increase or decrease the estimated recovery period. If the projected rate of growth of taxable profits from the fifth year of the strategic planning period was either decreased by two percentage points or increased by one percentage point, the Group estimates that this would have no impact on the recovery period of its Irish DTA.

Notwithstanding the absence of any expiry date for trading losses in the UK, but acknowledging that profits forecasts become increasingly uncertain as the forecast period extends into the future, the Group has determined that, at 30 June 2022, the recognition of DTAs in respect of tax losses of the UK branch of the Bank will continue to be limited by reference to the amount of losses that are expected to be utilised within a 10 year period of projected profits. This 10 year timescale is supported by forecast taxable profits and takes into account the Group's long-term financial and strategic plans and reflects the period over which the Group believes it can conclude that it is probable that future UK taxable profits will be available in the UK branch of the Bank.

The recovery period of the DTA relating to trading losses of Bank of Ireland (UK) plc is now projected to be less than 10 years and the DTA has therefore been reassessed and increased by €21 million in H122 (31 December 2021: increase of €50 million).

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

The Group's Annual Report for the year ended 31 December 2021, noted that the Organisation for Economic Co-operation and Development (OECD) had released the 15% minimum effective tax rate Model Rules in December 2021 with the new rules expected to be effective from 1 January 2023. The draft EU Directive, which seeks to adopt these rules within the EU, has yet to be fully endorsed by all EU Member States with the date for implementation into national law extended until 31 December 2023.

25 Deposits from banks

Deposits from banks include cash collateral of €0.3 billion (31 December 2021: €0.1 billion) received from derivative counterparties in relation to net derivative asset positions.

	30 June 2022 €m	31 December 2021 €m
Monetary Authority secured funding	11,250	12,619
Deposits from banks	629	327
Deposits from banks	**11,879**	**12,946**

Monetary Authority secured funding	30 June 2022 TLTRO €m	30 June 2022 TFSME €m	30 June 2022 Total €m	31 December 2021 TLTRO €m	31 December 2021 TFSME €m	31 December 2021 Total €m
Deposits from banks	8,569	2,681	11,250	9,882	2,737	12,619
Debt securities in issue (note 27)	2,205	—	2,205	848	—	848
Total	**10,774**	**2,681**	**13,455**	**10,730**	**2,737**	**13,467**

During 2021, the Group secured funding from the ECB under TLTRO III. The earliest the Group could repay these drawings was March 2022, with optional repayment dates quarterly thereafter until the final repayment date of March 2024, in line with the terms and conditions of the TLTRO III facility. The Group expects to repay in March 2024. During H122 €1.4 billion of TLTRO III was reclassified from deposits from banks to debt securities in issue due to changes in the underlying collateral.

Negative interest on the TLTRO III is recognised in interest income. The interest rate applicable to the TLTRO III from June 2022 until repayment is the average deposit facility rate over the life of the instrument.

Drawings under the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) from the Bank of England (BoE) will be repaid in October 2026.

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

26 Customer accounts

The carrying amount of the customer accounts designated at FVTPL as at 30 June 2022 is €364 million, €42 million lower than the contractual amount due at maturity of €406 million (31 December 2021: the carrying amount was €417 million, €3 million higher than the contractual amount due at maturity of €414 million).

At 30 June 2022, the Group's largest 20 customer deposits amounted to 4% (31 December 2021: 4%) of customer accounts on a connected counterparty basis. Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products.

At 30 June 2022, total customer accounts are reported net of a fair value hedge adjustment related to hedging of structural interest rate risk of €1.5 billion (31 December 2021: €0.02 billion). This adjustment is offset by the move in fair value of the related derivatives in a hedge relationship with the customer accounts. See note 18 Derivative financial instruments for further information.

	30 June 2022 €m	31 December 2021 €m
Current accounts	55,064	52,781
Demand deposits	28,623	28,556
Term deposits and other products	10,625	11,711
Customer accounts at amortised cost	**94,312**	**93,048**
Term deposits at FVTPL	364	417
Fair value hedge adjustment	(1,514)	*(20)*
Total customer accounts	**93,162**	**93,445**

Movement in own credit risk on deposits at FVTPL	30 June 2022 €m	31 December 2021 €m
Balance at 1 January	4	(2)
Exchange adjustment	(20)	6
Balance at end of the period	**(16)**	**4**

27 Debt securities in issue

The Monetary Authority secured funding classified as debt securities in issue of €2.2 billion (31 December 2021: €0.8 billion) has increased primarily due to changes in the underlying collateral of TLTRO III resulting in €1.4 billion being reclassified from deposits from banks (note 25) to debt securities in issue.

The carrying amount of the debt securities in issue designated at FVTPL at 30 June 2022 was €269 million, €17 million lower than the contractual amount due at maturity of €286 million (31 December 2021: the carrying amount was €307 million, €23 million higher than the contractual carrying amount due at maturity of €284 million).

	30 June 2022 €m	31 December 2021 €m
Bonds and medium term notes	6,102	6,236
Monetary Authorities secured funding	2,205	848
Other debt securities in issue	814	1,100
Debt securities in issue at amortised cost	**9,121**	**8,184**
Debt securities in issue at fair value through profit or loss	269	307
Total debt securities in issue	**9,390**	**8,491**

Movement in debt securities in issue	30 June 2022 €m	31 December 2021 €m
Balance at 1 January	8,491	6,972
Issued during the period	7,623	2,438
Redemptions	(6,404)	(817)
Repurchases	—	(11)
Other movements [1]	(320)	(91)
Balance at end of the period	**9,390**	**8,491**

Movement in own credit risk on debt securities in issue at FVTPL	30 June 2022 €m	31 December 2021 €m
Balance at 1 January	3	3
Recognised in OCI	3	—
Balance at end of the period	**6**	**3**

28 Provisions

	30 June 2022 €m	31 December 2021 €m
Balance at 1 January	190	268
Charge to income statement	36	102
Utilised during the period	(38)	(166)
Acquisitions	16	—
Unused amounts reversed during the period	(9)	(21)
Exchange adjustment	—	3
Other	—	3
Transfers	—	1
Balance at end of the period	**195**	**190**

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

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

At 30 June 2022 the restructuring provision amounted to €39 million (31 December 2021: €55 million). The decrease is mainly attributed to the net utilisation of €14 million provision in relation to the Voluntary Redundancy Programme.

At 30 June 2022, the Group held a provision of €120 million (31 December 2021: €94 million) in respect of ongoing industry wide Tracker Mortgage Examination. This provision covers the estimated costs of remediation of any remaining impacted customers, addressing customer appeals and closing out all

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

28 Provisions *(continued)*

other outstanding costs of the exercise and in particular any sanction that may be incurred under the CBI's administrative sanctions procedure.

In H122, the Group has set aside a further €33 million provision to cover the operational costs associated with the length and nature of the review and for the estimated costs of closing out the Tracker Mortgage examination review including any sanction that may be incurred under the CBI's administrative sanctions procedure. Since 31 December 2021, €7 million of the provision has been utilised covering redress, compensation and related cost.

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

Acquisitions of €16 million at 30 June 2022 relate to provisions identified from the acquisition of Davy, see note 34, Davy acquisition.

For additional information and details on the key judgment items within the provisions, see notes 2 and 44 of the Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

29 Contingent liabilities and commitments

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

Loss allowance provisions of €40 million (31 December 2021: €48 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 30.

Other contingent liabilities

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

The Group continues to review its application of certain charges that have been applied in its Retail Ireland business. It is not currently practicable to estimate the amount or timing of any impact from this review.

Loan commitments

On 24 May 2022, the Competition and Consumer Protection Commission ("CCPC") confirmed clearance of the Group's acquisitions of certain assets and liabilities of KBCI. As part of the agreement, the Group committed to support the growth of non-bank lenders in the Irish mortgage market, making €1 billion in total funding available to certain non-bank lenders through the purchase of securities issued by them, to increase their funding capacity and reduce their cost of funding.

Capital commitments

In the normal course of business, the Group sources investment opportunities for private clients principally in respect of private equity investments from leading international private equity groups who require the Group to enter into commitments in relation to meeting any future capital calls as investments are made.

The total of such commitments at 30 June 2022 was €269 million (31 December 2021: €nil). In turn Davy obtain legally binding commitments from private clients to meet their share of potential future cash calls up to indicative levels as outlined in the individual investment memoranda. The total of such cash calls for H122 was €30 million (H121: €nil). At 30 June 2022, there were no unpaid cash calls in respect of third-party investment providers (31 December 2021:€nil). The amounts and timing of any future cash calls are uncertain and are dependent on the investment activities and funding requirements of the relevant third- party private equity providers. The Directors believe that, based on conditions in existence at the balance sheet date, there is no potential liability that would result in a loss for Davy arising from future potential cash calls which may be made. When cash calls are made the normal risk management procedures in relation to counterparty & settlement risk are applied.

	30 June 2022 €m	31 December 2021 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	538	507
Acceptances and endorsements	6	6
Other contingent liabilities	106	145
	650	**658**
Loan commitments		
Documentary credits and short-term trade related transactions	28	33
Undrawn formal standby facilities, credit lines and other commitments to lend	16,524	15,483
revocable or irrevocable with original maturity of 1 year or less	*8,320*	*7,949*
irrevocable with original maturity of over 1 year	*8,204*	*7,534*
	16,552	**15,516**
Capital commitments	**269**	**—**

30 Loss allowance provision on loan commitments and financial guarantees

	30 June 2022		31 December 2021	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 29)	16,552	35	15,516	44
Guarantees and irrevocable letters of credit (note 29)	538	5	507	4
	17,090	**40**	**16,023**	**48**

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

At 30 June 2022, the Group held a loss allowance provision of €40 million (31 December 2021: €48 million) on loan commitments and financial guarantees, of which €18 million (31 December 2021: €21 million) are classified as Stage 1, €16 million (31 December 2021: €23 million) as Stage 2 and €6 million (31 December 2021: €4 million) as Stage 3.

The following tables summarise the asset quality of loan commitments and financial guarantees by IFRS 9 twelve month PD grade which are not credit-impaired.

30 June 2022 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	6,015	39%	177	17%	6,192	38%	182	41%	1	1%	183	35%
5-7	7,276	48%	567	54%	7,843	48%	229	52%	52	63%	281	53%
8-9	1,882	12%	193	18%	2,075	12%	32	7%	15	18%	47	9%
10-11	146	1%	115	11%	261	2%	—	—	14	18%	14	3%
Total	**15,319**	**100%**	**1,052**	**100%**	**16,371**	**100%**	**443**	**100%**	**82**	**100%**	**525**	**100%**

At 30 June 2022, credit-impaired loan commitments are €181 million (31 December 2021: €125 million) while credit-impaired guarantees and irrevocable letters of credit are €13 million (31 December 2021: €15 million).

31 December 2021 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,044	36%	117	9%	5,161	34%	173	43%	—	—%	173	35%
5-7	6,703	48%	720	53%	7,423	48%	184	46%	53	59%	237	48%
8-9	2,189	15%	399	29%	2,588	17%	46	11%	21	24%	67	14%
10-11	94	1%	125	9%	219	1%	—	—	15	17%	15	3%
Total	**14,030**	**100%**	**1,361**	**100%**	**15,391**	**100%**	**403**	**100%**	**89**	**100%**	**492**	**100%**

31 Retirement benefit obligations

The net IAS 19 pension surplus at 30 June 2022 was €1,376 million (31 December 2021: net surplus €598 million). This is shown on the balance sheet as a retirement benefit asset of €1,382 million (31 December 2021: €740 million) and a retirement benefit obligation of €6 million (31 December 2021: €142 million). The significant financial assumptions used in measuring the Group's net defined benefit pension surplus under IAS 19 are set out in the table below.

Financial assumptions	30 June 2022 % p.a.	31 December 2021 % p.a.
Irish Schemes		
Discount rate	3.45	1.35
Inflation rate	2.10	1.85
UK Schemes		
Discount rate	3.85	1.90
Consumer Price Inflation	2.70	2.75
Retail Price Inflation	3.30	3.35

Sensitivity of defined benefit obligation to key assumptions

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

Impact on defined benefit obligations	Increase / (decrease) 30 June 2022 €m	Increase / (decrease) 31 December 2021 €m
RoI schemes		
Discount rate		
Increase of 0.25%	(220)	(357)
Decrease of 0.25%	234	384
Inflation rate		
Increase of 0.10%	58	96
Decrease of 0.10%	(57)	(94)
UK schemes		
Discount rate		
Increase of 0.25%	(52)	(87)
Decrease of 0.25%	56	94
RPI Inflation		
Increase of 0.10%	13	22
Decrease of 0.10%	(11)	(22)

The sensitivities have reduced during the period due to the lower present value of the defined benefit obligation at 30 June 2022 compared to 31 December 2021, due to changes in financial assumptions during the period.

31 Retirement benefit obligations *(continued)*

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

Impact on plan assets	Increase / (decrease) 30 June 2022 €m	Increase / (decrease) 31 December 2021 €m
Sensitivity of plan assets to a movement in global equity markets with allowance for other correlated diversified asset classes		
Increase of 5.00%	142	137
Decrease of 5.00%	(142)	(137)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
Increase of 0.25%	(262)	(409)
Decrease of 0.25%	277	433
Sensitivity of liability matching assets to a 10 bps movement in inflation rates		
Increase of 0.10%	75	115
Decrease of 0.10%	(74)	(113)

The sensitivities of liability-matching assets to movements in interest rates and inflation rates have reduced due to lower value of liability matching assets at 30 June 2022 compared to 31 December 2021, due to market movements during the period.

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

	6 months ended 30 June 2022 €m	6 months ended 30 June 2021 €m
Present value of obligation gain	2,660	332
Fair value of plan assets (loss) / gain	(1,884)	6
Total gain	**776**	**338**

32 Subordinated liabilities

The principal terms and conditions of all subordinated liabilities are set out in note 48 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

	30 June 2022 €m	31 December 2021 €m
US$500 million 4.425% Fixed Rate Reset Callable Subordinated Notes 2027	482	446
€500m 1.675% Fixed Rate Reset Callable Subordinated Notes 2031	463	500
Stg£300 million 3.425% Fixed Rate Reset Callable Subordinated Notes 2027	349	357
€300 million 2.775% Fixed Rate Reset Callable Subordinated Notes 2029	287	297
€250 million 10% Fixed Rate Subordinated Notes 2022	252	255
Undated loan capital	126	129
Total subordinated liabilities	**1,959**	**1,984**

33 Cash and cash equivalents

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

The Group is required to hold an average balance with the Central Bank over the published ECB reserve maintenance (six weeks) periods in order to meet its minimum reserve requirement, which at 30 June 2022 was €864 million (31 December 2021: €816 million).

The Group's cash and cash equivalents balances with central banks increased by €7.5 billion since 31 December 2021 primarily due to bond sales and maturities of c.€3.6 billion and c.€1.1 billion respectively, higher deposit balances of €1.3 billion (constant currency basis), lower lending volumes of €1.5 billion (constant currency basis), higher loans and advances to banks of €0.3 billion, other inflows of €0.2 billion, partially offset by the Davy acquisition of €0.4 billion and lower wholesale funding volumes of €0.1 billion.

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

	30 June 2022 €m	31 December 2021 €m
Cash and balances at central banks	38,563	31,371
Less impairment loss allowance on cash and balances at central banks	(15)	(11)
Cash and balances at central banks net of impairment loss allowance	**38,548**	**31,360**
Loans and advances to banks (with an original maturity of less than 3 months)	2,856	2,571
Cash and cash equivalents at amortised cost	**41,404**	**33,931**

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

	30 June 2022 €m	31 December 2021 €m
Republic of Ireland (Central Bank of Ireland)	34,693	26,330
United Kingdom (Bank of England)	3,305	4,190
United States (Federal Reserve)	151	456
Other (cash holdings)	399	384
Total	**38,548**	**31,360**

34 Davy acquisition

The accounting policy for business combinations is set out on page 220 of the Group's Annual Report for the year ended 31 December 2021.

On 1 June 2022, following receipt of all regulatory approvals, the Group acquired 100% of the voting equity interests of Amber Note Unlimited Company and its subsidiaries including J&E Davy Holdings ('Davy'), Ireland's leading provider of wealth management and capital markets services. The acquisition of Davy strongly supports the Group's commercial and strategic objectives of growing its Wealth and Insurance business, with the aim of unlocking growth opportunities in Ireland, increasing fee income, and generating sustainable profits.

Davy has been acquired for c.€427 million after adjusting for the capital position of Davy as of 1 June 2022. 75% (€320 million) was paid upfront on 1 June 2022 and 25% (€107 million) of the enterprise value (split between consideration and remuneration) will be paid two years after completion, subject to Davy's pre-existing shareholders meeting a number of agreed criteria. In addition, as announced on 22 July 2021, Bank of Ireland also paid for excess cash which amounts to c.€126 million, following the sale prior to the acquisition date of Davy Global Fund Management (DGFM) and Davy's shareholding in Rize ETF Limited. A further payment of up to €40 million will be payable to certain employees of Davy from 2025, contingent on future business model performance. This amount will be reflected as remuneration by the Group in due course. An additional contingent consideration of up to €20 million will be payable to certain Davy's pre-existing shareholders within one year, upon the satisfaction of a composite capital requirement.

Davy's financial performance for the one month to 30 June 2022 is reported within the Wealth and Insurance operating segment.

Consideration recognised for the acquisition of Davy

A total consideration (before pre-existing Group relationships) of €506 million has been recognised by the Group, €382 million of which relates to an upfront cash payment of €320 million along with deferred and contingent consideration of €62 million (€2 million of which relates to DGFM). The Group additionally paid €124 million on acquisition date, for excess cash comprised of the proceeds from the disposal to a third party of DGFM and Rize ETF Limited. After excluding pre-existing Group relationships, the total consideration transferred is €400 million.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	1 June 2022 €m
Upfront cash payment	320
Deferred/contingent consideration	62
Total consideration before excess cash	**382**
Payment for excess cash arising from sale of DGFM and Rize ETF Limited (excluding €2 million included in deferred consideration)	124
Total consideration before pre-existing relationships	**506**
Pre-existing relationships	(106)
Consideration transferred	**400**

34 Davy acquisition *(continued)*

Pre-existing relationships mainly consist of current and savings deposit accounts balances, partly offset by a term loan and bank overdraft balance, which were held between Davy and Bank of Ireland Group entities as at the date of acquisition.

Deferred and contingent consideration

The €62 million deferred and contingent consideration is made up as follows; €50 million payable in two years' time subject to certain criteria being met over the two year period and €2 million relating to proceeds from the sale of DGFM that are held back in escrow, subject to certain criteria being satisfied. This consideration has been recognised at fair value based on probabilities of expected payments. In addition, the Group has also recognised €10 million in consideration relating to the satisfaction of a composite capital requirement. This amount has been recognised at fair value based on the probability of expected payment.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Davy at the date of acquisition, which exclude pre-existing relationships and have been determined provisionally by management in line with the requirements of IFRS 3 are as follows:

	1 June 2022 €m
Assets	
Property, plant and equipment	14
Intangible assets	55
Investment in joint ventures	1
Deferred tax asset	2
Trade receivables and other assets	297
Financial assets held at fair value through profit or loss	13
Current tax receivable	1
Cash and cash equivalents	53
Total assets	**436**
Liabilities	
Lease liabilities	9
Deferred tax liability	7
Trade payables and other liabilities	255
Provisions	16
Total liabilities	**287**
Fair value of identifiable net assets	**149**

Fair value of identifiable net assets

The intangible asset substantially reflects the fair value determined by the Group for customer relationships and brand value in the Davy business at the date of acquisition.

The fair value of receivables amounts to €283 million. The gross amount of those receivables is €284 million and it is expected that the full contractual amounts can be collected.

Goodwill

	1 June 2022 €m
Consideration transferred	400
Fair value of identifiable net assets	149
Goodwill arising on acquisition	**251**

The principal factor contributing to the recognition of goodwill of €251 million is Davy's growth potential, further supported by access to the Group's distribution reach and other intangible assets that would not have otherwise qualified for separate recognition in Davy's financial statements. None of the goodwill recognised is expected to be deductible for income tax purposes.

The initial accounting for the acquisition of Davy has been provisionally determined as at 30 June 2022. The measurement of certain items of contingent consideration, deferred remuneration and provisions, whilst not finalised, is substantially complete reflecting management's best estimate using information available at the date of the consolidated financial statements.

Davy's contribution to the Group results

For the one month from 1 June 2022 to 30 June 2022, Davy contributed revenue[1] amounting to €12.5 million and a profit before tax of c.€1 million to the Group's results. If the acquisition had occurred on 1 January 2022, Davy's revenue[1] would have been €183.5 million, and profit before tax would have been €95.8 million for H122. However, these numbers include both the profit from disposal of DGFM of €94.6 million and Davy deal and transaction related costs of €10.5 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

Separate transactions

During H122, the Group recognised an employee remuneration charge of c.€6 million in the income statement related to the incurred portion of a deferred remuneration payable to certain employees of Davy on satisfaction of certain conditions.

On the date of acquisition, the Group had pre-existing relationships amounting to €106 million with Davy. The effective settlement of these relationships has been treated as a separate transaction in the financial statements.

Acquisition related costs

The Group incurred acquisition related costs amounting to €19 million on due diligence costs, stamp duty and legal fees which were incurred and expensed as part of the transaction. These are included in 'Other operating expenses' (note 13).

[1] *Revenue consists of net interest income, net fee and commission income and other operating income.*

35 Client property

In the normal course of business, the Group (through Davy) provides the following services to certain of its clients:
- investment of funds at the sole discretion of the Group in securities and the placing of deposits in separately designated accounts with recognised banks and building societies, the income from which accrues for the benefit of these clients, and
- custodianship of securities held on behalf of clients.

Client property placed with third parties has been excluded from the financial statements while client deposit accounts placed with the Group are included in customer accounts (note 26).

36 Summary of relations with the State

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

Further details of the Group's relations with the State are set out in note 55 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

In H122, the State's shareholding in the Group has dropped below 3% (31 December 2021: 7.74%).

There have been no changes with respect to guarantee schemes during H122.

The Finance Act (No 2) 2013 introduced a bank levy on certain financial institutions, including the Group. An income statement charge is recognised annually on the date on which all of the criteria set out in the legislation are met. The Group's Annual Report for the year ended 31 December 2021 noted that the Finance Act 2021 extended the levy for a further year based on the current methodology and the Group paid the annual levy of €25 million in April 2022 (31 December 2021: €25 million). The future of the levy is being reviewed by the Irish Government in 2022.

Through its participation in the Strategic Banking Corporation of Ireland (SBCI) Support loan Schemes (the 'Schemes') the Group benefits from an 80% Government guarantee related to amounts advanced under the Schemes. To date c.€655 million has been advanced under the scheme (31 December 2021: c.€518 million).

The amounts outstanding at 30 June 2022 and 31 December 2021 in respect of these transactions, which are considered individually significant (either quantitatively or qualitatively), are set out in the following table.

	30 June 2022 €m	31 December 2021 €m
Assets		
Bonds issued by the State	4,391	7,827
Unguaranteed senior bonds issued by AIB	32	101
Derivative financial assets	53	70
Liabilities		
Customer Accounts		
State (including agencies & entities under its control or joint control)	607	606

In addition to the matters set out in the table, the Group enters into other transactions in the normal course of business with the State, its agencies and entities under its control or joint control. This includes transactions with AIB, Permanent TSB Group Holdings plc, Government departments, local authorities, county councils, embassies and the NTMA which are all considered to be 'controlled' by the Government.

These transactions include the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks.

37 Liquidity risk and profile

The following tables summarise the maturity profile of the Group's non-derivative financial liabilities (excluding those arising from insurance and investment contracts in the Wealth and Insurance division) at 30 June 2022 and 31 December 2021, based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,743 million and €14,173 million respectively (31 December 2021: €6,671 million and €15,399 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

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

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

30 June 2022 Group's Non Derivative financial liabilities Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	135	494	—	—	—	629
Monetary Authorities secured funding	—	14	23	13,246	—	13,283
Customer accounts	86,953	5,181	1,648	653	216	94,651
Debt securities in issue	—	45	141	6,752	1,671	8,609
Subordinated liabilities	—	31	304	254	1,936	2,525
Lease liabilities	—	15	49	202	269	535
Contingent liabilities	402	22	81	138	7	650
Commitments	14,975	70	507	1,000	—	16,552
Short positions in trading securities	—	7	—	—	—	7
Dividend payable to parent	27	—	—	—	—	27
Total	**102,492**	**5,879**	**2,753**	**22,245**	**4,099**	**137,468**

31 December 2021 Group's Non Derivative financial liabilities Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	92	235	—	—	—	327
Monetary Authorities secured funding	—	3	5	13,272	—	13,280
Customer accounts	84,728	5,652	2,011	917	211	93,519
Debt securities in issue	—	281	1,075	4,789	2,487	8,632
Subordinated liabilities	—	10	324	238	1,854	2,426
Lease liabilities	—	15	44	203	286	548
Contingent liabilities	417	36	103	88	14	658
Commitments	14,913	62	488	53	—	15,516
Short positions in trading securities	—	60	—	—	—	60
Dividend payable to parent	27	—	—	—	—	27
Total	**100,177**	**6,354**	**4,050**	**19,560**	**4,852**	**134,993**

38 Fair values of assets and liabilities

A definition of fair value and the fair value hierarchy, along with a description of the methods, assumptions and processes used to calculate fair values of assets and liabilities is set out on pages 275 to 278 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021. At 30 June 2022, there have been no significant changes to those methods, assumptions, processes or the Group's policy for assessing transfers between the different levels of the fair value hierarchy.

Sensitivity of level 3 valuations

Derivative financial instruments

Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives as at 30 June 2022 is immaterial. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

The Group has entered into a binding agreement with KBCI and KBC Group for the acquisition of c.€8.8 billion of performing mortgages, c.€0.1 billion of performing commercial and consumer loans and c.€4.4 billion of deposits. The Group will acquire the performing mortgages for 103.6% of par value. This agreement is considered to represent a derivative financial liability, the fair value of which was (€147 million) at 30 June 2022. The derivative was valued using unobservable inputs, in this case the behavioural maturity and credit quality of the KBC mortgages. Using reasonably possible alternative assumptions for behavioural maturity and credit quality would result in an increase of up to €15 million in the liability. Interest rate swaps, with a fair value of €147 million at 30 June 2022, which have been traded to economically hedge the acquisition of the KBCI mortgages, materially offset this derivative financial instrument within net trading income / (expense).

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

Loans and advances to customers held at fair value

These consist of assets mandatorily measured at FVTPL, of which €220 million are 'Life loan mortgage products'. Unlike a standard mortgage product, borrowers do not make any periodic repayments and the outstanding loan balance increases through the life of the loan as interest due is capitalised. The mortgage is typically repaid out of the proceeds of the sale of the property. These assets are valued using discounted cash flow (DCF) models which incorporate unobservable inputs (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. €120 million of loans and advances to customers held at fair value relate to syndicated corporate facilities. These assets are valued by applying a discount based on a secondary market loan index and the Group's ECL models (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Other financial assets at fair value through profit or loss

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

Interest in associates

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

Customer accounts

Customer accounts designated at FVTPL consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The Group incorporates the effect of changes in its own credit spreads when valuing these instruments. The Group sources own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads are not available. Where the impact of unobservable inputs is material to the valuation of a customer account, that account is categorised as level 3 on the fair value hierarchy. Using reasonably possible alternative assumptions would not have a material impact on the value of these liabilities.

A small number of customer accounts are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to those unobservable inputs.

Fair value on offsetting positions

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

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

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

	30 June 2022				31 December 2021			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value								
Trading securities	18	—	—	18	20	—	—	20
Derivative financial instruments	8	3,326	17	3,351	—	1,497	74	1,571
Other financial assets at FVTPL	17,461	285	360	18,106	19,433	330	336	20,099
Loans and advances to banks at FVTPL	—	322	—	322	—	280	—	280
Financial assets at FVOCI	5,012	—	—	5,012	9,457	—	—	9,457
Loans and advances to customers at FVTPL	—	—	340	340	—	—	426	426
Interest in associates	—	—	63	63	—	—	55	55
	22,499	**3,933**	**780**	**27,212**	**28,910**	**2,107**	**891**	**31,908**
Financial liabilities held at fair value								
Customer accounts	—	338	26	364	—	402	15	417
Derivative financial instruments	7	4,175	158	4,340	—	2,125	60	2,185
Debt securities in issue	—	269	—	269	—	307	—	307
Liabilities to customers under investment contracts	—	5,743	—	5,743	—	6,671	—	6,671
Insurance contract liabilities	—	14,173	—	14,173	—	15,399	—	15,399
Short positions in trading securities	9	—	—	9	60	—	—	60
Other liabilities	—	—	10	10	—	—	—	—
	16	**24,698**	**194**	**24,908**	**60**	**24,904**	**75**	**25,039**

In the table above, 'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 34).

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

Movements in level 3 assets 30 June 2022	**Loans and advances to customers at FVTPL €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Total €m**
Opening balance 1 January 2022	**426**	**336**	**74**	**55**	**891**
Exchange adjustment	—	1	(1)	—	—
Total gains or losses in:					
Profit or loss					
Interest income	8	—	—	—	8
Net trading income / (expense)	—	7	(14)	—	(7)
Revaluation	—	(1)	—	—	(1)
Share of results of associates	—	—	—	8	8
Life assurance investment income and gains	—	17	—	—	17
Additions	—	15	—	5	20
Disposals	(85)	—	—	(5)	(90)
Redemptions	(9)	(16)	—	—	(25)
Reclassifications	—	—	—	—	—
Transfers out of level 3					
From level 3 to level 2	—	—	(52)	—	(52)
Transfers into level 3					
From level 1 to level 3	—	—	—	—	—
From level 2 to level 3	—	1	10	—	11
Closing balance 30 June 2022	**340**	**360**	**17**	**63**	**780**
Total unrealised gains / (losses) for the period included in profit or loss for level 3 assets at the end of the reporting period	**5**	**24**	**(10)**	**3**	**22**
Net trading income / (expense)	*—*	*7*	*(10)*	*—*	*(3)*
Interest income	*5*	*—*	*—*	*—*	*5*
Share of results of associates	*—*	*—*	*—*	*3*	*3*
Life assurance investment income and gains	*—*	*17*	*—*	*—*	*17*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 30 June 2022. The transfer from level 2 to level 3 arose as a result of certain unobservable inputs becoming material.

There were no transfers to or from level 1.

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

Movements in level 3 assets 31 December 2021	**Loans and advances to customers at FVTPL €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Total €m**
Opening Balance 1 January 2021	361	152	7	54	574
Exchange adjustment	—	—	1	—	1
Total gains or losses in:					
Profit or loss					
Interest income	18	—	—	—	18
Net trading income / (expense)	1	21	62	—	84
Revaluation	—	—	—	—	—
Share of results of associates	—	—	—	7	7
Life assurance investment income and gains	—	1	—	—	1
Additions	287	18	—	11	316
Disposals	(208)	(7)	(2)	(17)	(234)
Redemptions	(33)	(12)	—	—	(45)
Reclassifications	—	—	—	—	—
Transfers out of level 3					
From level 3 to level 2	—	—	(2)	—	(2)
Transfers into level 3					
From level 1 to level 3	—	77	—	—	77
From level 2 to level 3	—	86	8	—	94
Closing balance 31 December 2021	**426**	**336**	**74**	**55**	**891**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**13**	**17**	**59**	**7**	**96**
Net trading income / (expense)	*—*	*16*	*59*	*—*	*75*
Life assurance investment income and gains	*—*	*1*	*—*	*—*	*1*
Share of results of associates	*—*	*—*	*—*	*7*	*7*
Interest income	*13*	*—*	*—*	*—*	*13*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2021. The transfer from levels 1 and 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and level 2.

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

Movements in level 3 liabilities	30 June 2022 Customer accounts €m	30 June 2022 Derivative financial instruments €m	30 June 2022 Other liabilities €m	30 June 2022 Total €m	31 December 2021 Customer accounts €m	31 December 2021 Derivative financial instruments €m	31 December 2021 Other liabilities €m	31 December 2021 Total €m
Opening balance	**15**	**60**	**—**	**75**	**5**	**8**	**—**	**13**
Exchange adjustments	—	(1)	—	(1)	—	1	—	1
Total gains or losses in:								
Profit or loss								
Net trading (income) / expense	(1)	151	—	150	2	52	—	54
Other comprehensive income	(1)	—	—	(1)	—	—	—	—
Additions	26	—	10	36	15	—	—	15
Disposals	—	—	—	—	—	—	—	—
Redemptions and maturities	—	—	—	—	—	—	—	—
Transfers out of level 3								
From level 3 to level 2	(13)	(53)	—	(66)	(7)	(1)	—	(8)
Transfers into level 3								
From level 2 to level 3	—	1	—	1	—	—	—	—
Closing balance	**26**	**158**	**10**	**194**	**15**	**60**	**—**	**75**
Total unrealised (gains) / losses for the period included in profit or loss for level 3 liabilities at the end of the reporting period								
Net trading (income) / expense	(3)	158	—	155	(3)	59	—	56

'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 34).

The transfers from level 3 to level 2 arose due to unobservable inputs becoming less significant to the fair value measurement of these liabilities. The transfer from level 2 to level 3 arose as a result of certain unobservable inputs becoming material.

There were no transfers to or from level 1.

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

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

Level 3 financial assets	Valuation technique	Unobservable input	Fair Value 30 Jun 2022 €m	Fair Value 31 Dec 2021 €m	Range 30 Jun 2022 %	Range 31 Dec 2021 %
Loans and advances to customers	Discounted cash flow	Discount on market rate	220	225	2.75% - 4.50%	2.75% - 4.50%
		Collateral charges			1.00% - 6.80%	1.00% - 5.80%
	Par value less discount	Discount	120	201	—	—
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate	360	336	0% - 15%	0% - 15%
	Equity Value less discount	Discount			0% - 50%	0% - 50%
	Market comparable property transactions	Yield			3.00% - 7.99%	2.92% - 7.75%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread	17	74	0% - 1.1%	0.0% - 1.7%
Interest in associates	Market comparable companies	Price of recent investment Earnings multiple Revenue multiple	63	55	—	—

Level 3 financial liabilities	Valuation technique	Unobservable input	Fair Value 30 Jun 2022 €m	Fair Value 31 Dec 2021 €m	Range 30 Jun 2022 %	Range 31 Dec 2021 %
Customer accounts	Discounted cash flow Option pricing model	Own credit spread	26	15	—	0.4% - 0.5%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread	11	60	0% - 1.1%	0.0% - 1.7%
	Discounted cash flow Option pricing model	Maturity profile and credit quality of the KBC mortgages	147	—	—	—
Other liabilities	Discounted cash flow	Probability of the Davy composite capital requirement being met	10	—	40% - 60%	—

Valuation techniques and unobservable inputs

In the tables above:

- Discount rates represent a range of discount rates that market participants would use in valuing these assets.
- Holdings in real estate property funds (within other financial assets at fair value through profit or loss) are valued through market comparable property transactions.
- Counterparty and own credit spreads represent the range of credit spreads that market participants would use in valuing these contracts.
- Earnings and revenue multiples represent multiples that market participants would use in valuing these investments.
- The Group does not disclose the ranges for interests in associates. Given the wide range of diverse investments and the correspondingly large differences in prices, the Group believes disclosure of ranges would not provide meaningful information without a full list of the underlying investments, which would be impractical.
- The Group does not disclose the ranges associated with the behavioural maturity and counterparty credit of the underlying cash flows of the binding commitment to purchase the KBC / KBCI mortgages, which have been recognised as a derivative liability. Given the information that is available and the resulting variability in values, the Group believes disclosure would not provide meaningful information and would be impractical to do so.

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

Financial assets and liabilities carried at amortised cost

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

	30 June 2022		31 December 2021	
Financial instruments	**Carrying amount €m**	**Fair values €m**	**Carrying amount €m**	**Fair values €m**
Assets				
Loans and advances to banks	2,721	2,721	2,470	2,470
Debt securities at amortised cost	4,972	5,075	6,008	6,101
Loans and advances to customers	74,276	71,878	75,920	74,359
Liabilities				
Deposits from banks	11,879	11,860	12,946	12,964
Customer accounts	92,798	92,787	93,028	93,043
Debt securities in issue	9,121	9,265	8,184	8,204
Subordinated liabilities	1,959	1,938	1,984	2,058

39 Interest rate benchmark reform

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

In line with regulatory guidance and now established market practice, for the majority of the Group's contracts, Sterling Overnight Index Average (SONIA) has replaced GBP LIBOR, Secured Overnight Financing Rate (SOFR) will replace USD LIBOR and Euro Short term rate (€STR) has replaced EONIA.

As Euro Interbank Offered Rate (EURIBOR) was reformed during 2019 and currently complies with the EU Benchmarks Regulation under a new hybrid methodology, the Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future. Therefore, the Group does not consider EURIBOR to be directly affected by the benchmark rate (BMR) reform as at 30 June 2022.

The cessation date for Euro, GBP, Swiss Franc (CHF), Japanese Yen (JPY) and One-Week and Two Month USD LIBOR was 31 December 2021 while the cessation date for USD LIBOR is 30 June 2023.

As at the cessation date 31 December 2021, the Group has transitioned substantially all relevant LIBOR and EONIA products to replacement rates. Progress continues on reducing a small number of contracts which transitioned using Tough Legacy legislation and the Group continues to engage with these counterparties.

A Group wide Benchmark Reform Programme continues to manage the orderly transition of USD LIBOR contracts, in line with regulatory guidance and is expected to conclude by the end of June 2023.

39 Interest rate benchmark reform *(continued)*

The table below shows the principal values of the Group's non-derivative exposures which remain subject to BMR Reform as at 30 June 2022, excluding USD LIBOR exposures with contractual maturities prior to the cessation date of 30 June 2023:

	30 June 2022				31 December 2021			
	GBP LIBOR €m	USD LIBOR €m	Other €m[1]	Total €m	GBP LIBOR €m	USD LIBOR €m	Other €m[1]	Total €m
Non-derivative financial assets								
Loans and advances to customers	120	2,854	—	2,974	676	3,110	2	3,788
Other financial assets at FVTPL	45	—	—	45	47	—	—	47
Debt securities at amortised cost	8	3	—	11	8	3	—	11
Total non-derivative financial assets	**173**	**2,857**	**—**	**3,030**	**731**	**3,113**	**2**	**3,846**
Non-derivative financial liabilities								
Debt securities in issue	—	4	—	4	—	237	—	237
Total non-derivative financial liabilities	**—**	**4**	**—**	**4**	**—**	**237**	**—**	**237**
Off balance sheet exposures								
Undrawn loan commitments[2]	29	496	—	525	45	648	—	693
Total off-balance sheet exposures	**29**	**496**	**—**	**525**	**45**	**648**	**—**	**693**

The table below shows the notional amounts of the Group's derivatives exposures which remain subject to BMR Reform as at 30 June 2022, excluding USD LIBOR exposures with contractual maturities prior to the cessation date of 30 June 2023. It also includes derivative financial instruments designated in hedge accounting relationships.

	30 June 2022			31 December 2021		
	GBP LIBOR €m	USD LIBOR €m	Total €m	GBP LIBOR €m	USD LIBOR €m	Total €m
Derivative financial assets						
OTC interest rate options	—	1,143	1,143	—	782	782
Interest rate swaps	135	692	827	509	1,252	1,761
Cross currency interest rate swaps	—	123	123	—	114	114
Total derivative financial assets	**135**	**1,958**	**2,093**	**509**	**2,148**	**2,657**
Derivative financial liabilities						
Interest rate swaps	—	1,296	1,296	870	721	1,591
OTC interest rate options	—	1,143	1,143	74	782	856
Cross currency interest rate swaps	—	123	123	5	114	119
Total derivative financial liabilities	**—**	**2,562**	**2,562**	**949**	**1,617**	**2,566**

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

40 Post balance sheet events

In July 2022, the Group together with the Irish State, AIB and PTSB became a founding member and shareholder in the 'First Home' Shared Equity Scheme (FHS). The FHS is an initiative under the Government's Affordable Housing Strategy which aims to provide eligible buyers greater access to homes which would otherwise be deemed unaffordable. The FHS is a shared-equity scheme which will be available to First Time Buyers (FTB) and certain other individuals seeking to purchase a newly built house or apartment in a private development anywhere in Ireland. The support provided to FTBs will take the form of a percentage equity stake in the home, bridging the gap between their deposit and mortgage and the purchase price of the new home. The Group will over time provide an investment of €70 million out of the €400 million total initial investment committed to by the shareholders. The first tranche was effective as of 7 July 2022 with an initial investment of €14 million provided by the Group.

41 Approval of interim report

The Court of Directors approved the Interim Report on 2 August 2022.

Other information

Forward looking statement **96**
Rates of exchange **96**
Credit ratings **96**
Alternative performance measures **97**

Forward looking statement

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

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

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

Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 9 and also the discussion of risk in The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

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

Rates of exchange

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

	30 June 2022		30 June 2021		31 December 2021	
	Average	**Closing**	**Average**	**Closing**	**Average**	**Closing**
€ / Stg£	0.8424	0.8582	0.8680	0.8581	0.8596	0.8403
€ / US$	1.0934	1.0387	1.2053	1.1884	1.1827	1.1326

Credit Ratings

	30 June 2022	31 December 2021
Ireland - Senior debt		
Standard & Poor's	AA- (Stable)	AA- (Stable)
Moody's	A1 (Positive)	A2 (Positive)
Fitch	AA- (Stable)	A+ (Stable)
The Governor and Company of the Bank of Ireland - Senior debt		
Standard & Poor's	A- (Stable)	A- (Negative)
Moody's	A1 (Stable)	A2 (Stable)
Fitch	BBB+ (Stable)	BBB+ (Stable)

Alternative performance measures

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

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

Business income is net other income before other gains and other valuation items.

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

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

The Group's **Liquidity Coverage Ratio (LCR)** is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.

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

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

Net interest margin (NIM) is stated on an underlying basis.

The Group's **Net Stable Funding Ratio (NSFR)** for 30 June 2022 is prepared on a regulatory group basis, in accordance with the EU Capital Requirement Regulations and Directive, as amended, which requires the maintenance of a NSFR ratio greater than or equal to 100%, effective June 2021. For further information see the Group's Pillar 3 disclosures (tab 1.3) available on the Group's website.

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

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

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

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

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

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

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

For any abbreviations used in this document please refer to the abbreviations listing on pages 300 and 301 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2021.

THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK