2020

Bank of Ireland Group plc
Interim Report
(for the six months ended 30 June 2020)

Bank of Ireland

Our Ambition is to be the National Champion Bank in Ireland, with UK and selective international diversification.

Our Purpose is to enable our customers, colleagues and communities to thrive.

Inside this report

View this report online

This Interim Report and other information relating to Bank of Ireland is available at:

www.bankofireland.com

The Group's forward-looking statement can be found on page 135.

Key performance highlights

Financial Performance

Loss before tax
€822m
(H1 2019 profit: €315m)

Underlying[1] loss before tax
€669m
(H1 2019 profit: €376m)

- Total operating income (net of insurance claims) reduced by 13% versus H1 2019; lower business income and valuation item movements
- Stable net interest income; net interest margin of 2.02% *(H1 2019: 2.16%)*
- Strong cost discipline continues; costs reduced by 3%[2] vs. H1 2019
- Net lending growth €0.2bn *(H1 2019: €1.2 bn)* including €1.3bn of revolving credit facilities; Irish mortgage market share of 25%

Transformation

Reduction in underlying operating expenses[2] vs H2 2017
10%

- Cost reduction in each of past five reporting periods, 10% lower vs. H2 2017
- Impairment of intangible assets €136m *(H1 2019: €nil)*
- Launched new mobile app; strong progress against key milestones
- Further Wealth and Insurance digital platforms launched

Capital

CET1 ratio
13.6%
(31 December 2019: 13.8%)

- Strong capital position, CET1 ratio 13.6%, regulatory ratio 14.9%
- Pre-impairment organic capital generation of 45bps
- Successfully completed €675m Additional Tier 1 (AT1) transaction in Q2

Asset Quality

€937m
impairment charge
(H1 2019: €79m)

- Net credit impairment charge of €937m *(H1 2019: €79m)*, of which c.60% relates to performing Stage 1 and Stage 2 loans; a prudent and comprehensive approach
- NPE ratio 5.8% *(H1 2019: 5.3%)*, credit migration in Q2 and implementation of new Definition of Default regulatory framework
- Proven track record of working with customers to find sustainable solutions; diversified balance sheet across portfolios and geographies

Further information on measures referred to in our key performance highlights is found in Alternative performance measures on page 137.

[1] *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business.*
[2] *Underlying operating expenses include core transformation investment charges, exclude levies and regulatory charges, impairment of goodwill and non-core items. Including these items total costs were €61 million or 6% higher than the same period in 2019.*

Chief Executive's review

Delivering on our strategic priorities while supporting our customers, colleagues and communities through COVID-19

Francesca McDonagh *Group Chief Executive*

We have responded swiftly to COVID-19, putting in place a wide range of supports for our customers, colleagues and communities, and transforming how we operate as a business. In addressing the impact of COVID-19 we have also advanced our priorities of transformation and profitable growth. During 2020, we have increased our market share in Irish mortgages, Irish business banking and targeted UK business lines, delivered growth in net lending, reduced costs, and continued to enhance our customer propositions, particularly through ongoing investment in our digital capabilities with an increase in customer digital engagement.

COVID-19

COVID-19 has had a material impact on the Group's financial performance and outlook. For the period ending 30 June 2020, the Group is reporting an underlying loss[1] before tax of €669 million, including an IFRS 9 impairment charge of €937 million. Capital however remains strong with a fully loaded CET1 ratio of 13.6%.

The changed economic environment in Ireland and the United Kingdom (UK) has resulted in lower levels of economic activity, credit formation and business income. Higher levels of credit impairment charges and reduced revenues from the lower-for-longer interest rate environment also weigh on the Group's earnings. Brexit uncertainty continues to impact consumer and business confidence and activity levels. While aspects of our outlook are more positive than when we presented our Q1 trading update and we expect further economic recovery in the second half, we continue to expect large falls in Gross Domestic Product (GDP) and employment in both Ireland and the UK compared to 2019, followed by a return to economic growth in 2021.

However, there is much uncertainty related to COVID-19, in particular the risk of a second wave and the timeline for a vaccine to become widely available. As a result, the longer term impacts of COVID-19 on the economy and the Group's financial performance remain uncertain; our medium-term targets should therefore no longer be considered current in these circumstances.

Response to COVID-19

The Group's purpose is to enable our customers, colleagues and communities to thrive. This purpose has never been so important than when responding to COVID-19. The steps we have taken since 2018 to transform the Bank materially strengthened the speed of our response to the global pandemic.

Extensive supports for our personal and business customers have been launched, including over 100,000 payment breaks for customers in Ireland and the UK. We have specialist teams and a dedicated COVID-19 Hub to support customers from a service and financial perspective, including those who are concerned about being able to return to full repayments at the end of their payment break. Partly reflecting the range of steps taken to support our customers, the Group's customer relationship Net Promoter Score has improved by 10 points since the end of 2019, the highest score we have achieved to date.

To support economic recovery, additional funding of €1.4 billion has been made available for homebuilding and green investment in Ireland. We are also working closely with government and our small and medium enterprise (SME) customers on the provision of COVID-19 guaranteed lending schemes. We have issued over 50% of all business loans under the Strategic Banking Corporation of Ireland's (SBCI) COVID-19 Working Capital Loan Scheme since launch in March 2020, and we continue to provide credit facilities to corporate customers in a sustainable way while maintaining risk discipline. This support is beneficial to our customers, brings new growth opportunities to the Group and generates returns for shareholders.

Our investment in Agile Ways of Working since 2018 has helped to swiftly transform how we operate as a business, with over 70% of colleagues working from home during the first half of 2020. Nearly 90% of colleagues believe that the Group is quickly adapting to the changing ways of doing business. Colleague engagement is up 8 points since Q4 2019 to a high of 70% and we have now surpassed global financial services benchmarks for Engagement for the first time. We continue to maintain a large number of colleague supports including mental and physical wellbeing, health support, and communications hubs.

[1] *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business.*

The Group is working closely with various communities, including government and state bodies, to support the re-boot and development of a greener, more sustainable Irish economy. In response to the phased reopening of the economy, we have reopened most of our branches in Ireland which were temporarily closed. We have extended fast-tracking of payments to all the Group's SME suppliers to the end of the year and are supporting a large number of charities and communities through the Group's 'Begin Together' programme. The Group is donating over €2 million this year to support those most severely impacted by COVID-19 and help communities get back on their feet. The recent award from Euromoney of 'Best Bank in Ireland' is further evidence of the Group supporting our communities. The Group is a signatory to the United Nations (UN) Principles for Responsible Business and our Responsible and Sustainable Business (RSB) credentials have been recognised with an improved risk rating from Sustainalytics. We are also progressing a range of other activities, including an impact assessment of our portfolios, as part of the development of our RSB strategy in the second half of the year.

Strategic ambition

Our ambition is to be the National Champion bank in Ireland, with UK and selective international diversification. Our strategic priorities are to transform the Bank, serve customers brilliantly and grow sustainable profits.

The first six months of 2020 has seen continued progress in delivery of our strategy, including:

- improving efficiency and a further reduction in our costs for the fifth consecutive reporting period down 3% in the first half of 2020 and down 10% in the past two and a half years;
- net lending growth for the fifth consecutive reporting period, up €0.2 billion in the first half of 2020;
- an increase in our mortgage market share in Ireland to 25%, while maintaining commercial discipline on risk and pricing;
- rollout of our new mobile app to customers commenced in Q2;
- launch of new digital pension platform for our Wealth and Insurance customers; and
- strong capital ratios despite elevated impairment charges.

Transformation of our culture, systems and business model is continuing to deliver and we are seeing the benefits. Customers' preferences and behaviours are evolving, with increasing levels of digital adoption and customer engagement. Mobile app traffic now accounts for 64% of digital traffic and greater than 65% of high volume product applications are fulfilled digitally. At the same time, the use of physical channels has diminished with less than 10% of branch transactions now completed over-the-counter. We have delivered a number of key digital milestones in addition to our new mobile app, in particular across our Wealth and Insurance business. We are delivering market leading digital platforms across pensions, advice platforms and broker and adviser connectivity. Favourable demographics, growing pension demand, increased deposit base and the strength of our franchise provide significant opportunity in our Wealth and Insurance business.

Further milestones on our systems roadmap include a fully digitised mortgage application process, a new digitised small business lending proposition and card control features added for mobile app and 365 online customers as we continue to accelerate our digital capabilities.

Additional actions necessary to improve returns

Despite continued progress against our strategic priorities and the growth in the strength of our franchise in the six months to June 2020, additional actions are necessary to improve returns given the impact COVID-19 is having on our financial performance.

Costs have been successfully reduced for the last five reporting periods and 2021 costs are now expected to be below our previous guidance of €1.65 billion. We will not stop identifying opportunities to be more efficient once we achieve this milestone. We will look to capture all tactical and strategic opportunities to reduce costs further beyond 2021. We will do this by continuing to invest in our transformation and digital capabilities, providing our customers products and services in a more efficient way, while reducing our cost to serve. A cost review is currently underway and updated guidance on costs beyond 2021 will be provided at 2020 full year results.

Since our June 2018 investor day, the Group has made good progress on our UK strategy of 'invest, improve and reposition'. We have successfully launched our 'Bespoke' mortgage proposition, pivoting to niche, and grown lending in higher margin personal loans and our Northridge business. This has been achieved while maintaining commercial discipline on risk and pricing. We have reduced costs and simplified our business model, selling our UK credit card portfolio and exiting current accounts and unprofitable ATMs. We have also extended our partnerships with the Post Office and the AA.

Notwithstanding this progress, the UK market remains challenging and COVID-19 has negatively impacted the outlook further. Competition, particularly in the mortgage market, remains intense and is expected to persist for the foreseeable future. Interest rates have further reduced, with the outlook pointing to an even lower-for-longer rate environment. We remain committed to the UK, however, additional actions are necessary to deliver against our strategic imperative of increasing returns in our UK business.

These adverse market conditions now require further restructuring of our retail businesses in the UK. In Great Britain, we will run-down lower margin and less profitable mortgages over time and grow our 'Bespoke' mortgage business. We will leverage our expertise in travel money and car finance; optimise a smaller balance sheet to reduce funding costs; and reduce our cost base reflecting a more efficient business. In Northern Ireland, a strategic review has recently commenced to assess options for the business.

Financial performance

The Group posted an underlying loss before tax of €669 million in the first half of 2020 with COVID-19 having a material impact on financial performance.

The Group's loan book decreased by €2.8 billion during the first six months of 2020 (€0.5 billion on a constant currency basis). Net lending growth of €0.2 billion includes €1.3 billion of revolving credit facility (RCF) drawdowns. Foreign exchange and other movements of €2.1 billion and impairment charges more than offset net lending. Total new lending volumes, excluding RCF activity, of €5.8 billion were 19% lower than the first half of 2019, reflecting reduced activity in our core markets.

Net interest income of €1,079 million was broadly in line with the first half of 2019 with income from average loan book growth and reduced liability costs offsetting headwinds from the lower interest rate environment and UK competitive pressures. Net interest margin (NIM) was 2.02%, in line with our expectations. The Group's NIM reflects the positive impact from new lending margins and our strong commercial pricing discipline, offset by growth in liquid assets, competitive pressure in the UK mortgage market and lower structural hedge income. We expect full year 2020 NIM to be c.1.95%, primarily reflecting lower customer loans, further growth in liquid assets and the impact of the lower interest environment on structural hedge income. 2020 net interest income is expected to be c.5% lower than 2019.

Fees and other income arise from diversified business activities including wealth, bancassurance, foreign exchange and transactional banking fees. Business income of €266 million is 14% lower than the same period in 2019 and 32% lower in Q2 2020 compared to Q2 2019, driven primarily from reduced levels of economic activity. A loss of €109 million on valuations and other items was reported in the first six months, with falling equity markets and widening credit spreads relating to unit linked assets and bond portfolio valuations in Wealth and Insurance of €90 million and financial instrument valuation adjustments and other items of €19 million.

Business income includes Wealth and Insurance income which decreased 16% versus the same period in 2019 due to lower new business sales and reduced income on existing business. Retail Ireland income decreased 20% from reduced current account and foreign exchange income and lower levels of card transactions. We expect 2020 business income to be 20%-30% lower than 2019, an improvement to our outlook of a 30%-40% reduction provided at our Q1 trading update.

Delivery on transforming our culture, systems and business model continues to drive efficiencies across the Group. Operating expenses (excluding levies and regulatory charges and impairment of goodwill) reduced by 3% compared to the first half of 2019 and includes €12 million COVID-19 related expenses. Non-core charges of €153 million include a €136 million charge relating to impairment of intangible software assets. This charge was incurred following a review of the recoverability of assets.

A net credit impairment charge of €937 million on financial instruments in the first six months of 2020 compared to €79 million in the same period of 2019.

This charge, largely taken on Stage 1 and Stage 2 performing loans, reflects the impact on IFRS 9 models of Forward Looking Information (FLI) from the Group's latest macroeconomic outlook, a management adjustment related to payment breaks and actual loan loss experience in the period. Actual loan losses in the period, primarily in corporate and property portfolios, include €0.2 billion on legacy property exposures. The Group's impairment coverage increased to 2.7% from 1.6% at December 2019. While uncertainties remain, subject to no further deterioration in the economic environment or outlook, 2020 impairment charge is expected to be in a range of c.€1.1 billion to €1.3 billion.

Our non-performing exposures (NPE) increased by €1.1 billion to €4.6 billion, equating to an NPE ratio of 5.8% of gross customer loans. This increase primarily reflects credit migration in our corporate and property and construction portfolios, and the implementation of the new Definition of Default regulatory framework.

Our fully loaded CET1 capital ratio of 13.6% at June 2020 remains strong despite elevated levels of impairment charges in the period. Pre-provision organic capital generation and the reversal of the dividend declared in respect of 2019 was more than offset by the impact of credit deterioration, loan book growth, transformation investment and regulatory capital demand. Minimum regulatory capital requirements have been reduced by 218 basis points to 9.27% in 2020 and the Group's regulatory CET1 capital ratio of 14.9% at June provides headroom of c.560 basis points. No dividend deduction has been assumed for 2020. We expect our 2020 regulatory CET1 ratio to remain above 13.5%.

Sustainable returns

The first six months of 2020 have presented significant challenges. The Group has responded by accelerating key initiatives to support our customers, colleagues and communities. We expect further economic recovery during 2020 and the Group is well positioned to manage remaining uncertainties including COVID-19 and Brexit. We have strong capital, funding and liquidity while asset quality remains robust, and we have a proven track record of working with our customers to find sustainable solutions.

We are taking actions now to ensure the Group is well positioned to deliver improved and enhanced performance post COVID-19 including further cost reduction below current targets, ongoing digital transformation, and a further restructuring of our UK business to improve returns. We are committed to responsibly developing our long term franchises, and to serve our customers brilliantly in a way that delivers attractive, sustainable returns to our shareholders.

Francesca McDonagh
Group Chief Executive

Operating and financial review

(incorporating risk management)

The Group made an underlying loss before tax of €669 million for the six months ended 30 June 2020 (six months ended 30 June 2019: €376 million underlying profit). Operating profit of €271 million is down 38% period on period. Underlying losses are driven primarily by lower operating income of €189 million and credit losses of €937 million.

Basis of presentation

This operating and financial review (OFR) is presented on an underlying basis. For an explanation of underlying see page 12.

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

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

Principal rates of exchange used in the preparation of the Interim Financial Statements are set out on page 136.

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

Further information on measures referred to in the OFR is found in Alternative performance measures on page 137.

Summary consolidated income statement on an underlying basis

	Table	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Net interest income	1	1,079	1,069
Net other income	2	143	342
Operating income (net of insurance claims)		**1,222**	**1,411**
Operating expenses (before levies and regulatory charges and impairment of goodwill)	3	(872)	(903)
Levies and regulatory charges	3	(70)	(73)
Impairment of goodwill	3	(9)	-
Operating profit before net impairment losses on financial instruments		**271**	**435**
Net impairment losses on financial instruments	4	(937)	(79)
Share of results of associates and joint ventures (after tax)		(3)	20
Underlying (loss) / profit before tax		**(669)**	**376**
Non-core items	5	(153)	(61)
(Loss) / profit before tax		**(822)**	**315**
Tax credit / (charge)		97	(89)
(Loss) / profit for the period		**(725)**	**226**

Loss before tax of €822 million for the six months ended 30 June 2020 compared to a profit before tax of €315 million in the same period in 2019.

Operating profit before net impairment losses on financial instruments for the six months ended 30 June 2020 of €271 million is €164 million lower than the same period in 2019 reflecting a reduction in operating income of €189 million, partially offset by a reduction in operating expenses of €31 million.

Net impairment losses on financial instruments for the period of €937 million are €858 million higher than the same period in 2019. Lower operating income and the increased net impairment losses are the key drivers of the underlying loss before tax for the period of €669 million compared to an underlying profit of €376 million in the same period in 2019.

Operating income (net of insurance claims) has decreased by €189 million compared to the same period in 2019 primarily due to:

- **net interest income** of €1,079 million for the six months ended 30 June 2020 is €10 million higher than the same period in 2019, primarily reflecting income from average loan book growth and improved deposit pricing discipline offsetting pressures from the lower interest rate environment and UK competitive pressures; and
- a reduction in **net other income** of €199 million which largely reflects the negative impact of volatile equity markets and interest rates on other valuation items as well as lower business income due to reduced economic activity.

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

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

The Group has incurred incremental expenditure of €12 million in managing its response to the COVID-19 pandemic.

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

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

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

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

The **taxation** credit for the period is €97 million with an effective statutory taxation rate of 12% (six months ended 30 June 2019: taxation charge of €89 million and taxation rate of 28%).

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

Net interest income

Table: 1 **Net interest income / net interest margin**	**6 months ended 30 June 2020 €m**	**6 months ended 30 June 2019 €m**	**Change %**
Net interest income	1,079	1,069	1%
IFRS income classifications[1]	(16)	10	n/m
- Interest income on Life loan mortgage products[2]	*6*	*7*	*(14%)*
- Other	*(22)*	*3*	*n/m*
Net interest income after IFRS income classifications	**1,063**	**1,079**	**(1%)**
Average interest earning assets (€bn)[3]			
Loans and advances to customers	79	78	1%
Other interest earning assets	27	23	17%
Total average interest earning assets	**106**	**101**	**5%**
Net interest margin[4]	**2.02%**	**2.16%**	
Gross yield - customer lending[5]	3.18%	3.26%	
Gross yield - liquid assets[5]	0.12%	0.29%	
Average cost of funds - interest bearing liabilities and current accounts[5]	(0.39%)	(0.47%)	

[1] *The period on period changes in 'net interest income' and 'net other income' are affected by certain IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at, or mandatorily included at 'fair value through profit or loss' (FVTPL). Where the Group holds assets and liabilities at FVTPL, the total fair value movements on these assets and liabilities, including interest income and expense, are reported in 'net other income'. However, the interest income on any assets which are funded by these liabilities and interest expense on any liabilities which fund these assets is reported internally in the 'net interest income'. In addition, assets are purchased and debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is economically managed using derivative instruments - the cost of which is reported in 'net other income'. To enable a better understanding of underlying business trends, the impact of these IFRS income classifications is shown in the table above.*

[2] *In the six months ended 30 June 2020, there was €6 million (six months ended 30 June 2019: €7 million) of interest income on 'Life loan mortgage products' which are mandatorily classified at FVTPL, with all income on such loans reported in 'net other income'. This IFRS income classification adjusts the income back to 'net interest income'.*

[3] *Average interest earning assets at 30 June 2020 includes €340 million (31 December 2019: €441 million) of interest bearing assets carried at FVTPL.*

[4] *The net interest margin is stated after adjusting for IFRS income classifications.*

[5] *Average cost of funds and gross yield and represent the interest income or expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. See pages 137 and 138 respectively for further information.*

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

Net interest income after International Financial Reporting Standards (IFRS) income classifications of €1,063 million for the six months ended 30 June 2020 is €16 million lower than the same period in 2019, primarily reflecting the lower interest rate environment partially offset by the benefit of higher corporate lending volumes.

The Group's average net interest margin has decreased to 2.02% from 2.16% in the same period in 2019, reflecting the impact of the lower interest rate environment (4 basis points) and higher liquid asset volumes (10 basis points).

Average interest earning assets for the six months ended 30 June 2020 have increased by €5 billion compared to the same period in 2019, primarily due to increased liquid assets arising from higher customer deposits. For further information on customer deposits see page 17.

Net other income

Table: 2 Net other income	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m	Change %
Net other income	143	342	(58%)
IFRS income classifications[1]	16	(10)	n/m
- Interest income on Life loan mortgage products[2]	*(6)*	*(7)*	*14%*
- Other	*22*	*(3)*	*n/m*
Net other income after IFRS income classifications	**159**	**332**	**(52%)**
Analysed as:			
Business income[3]			
Retail Ireland	103	129	(20%)
Wealth and Insurance	100	119	(16%)
Retail UK	2	(11)	n/m
Corporate and Treasury	67	77	(13%)
Group Centre and other	(6)	(3)	n/m
Total business income	**266**	**311**	**(14%)**
Other gains / (losses)			
Transfers from debt instruments at fair value through other comprehensive income reserve on asset disposal	3	1	n/m
Net (loss) / gain on disposal and revaluation of investments	(2)	2	n/m
Gain on disposal and revaluation of investment properties	1	-	n/m
Other valuation items			
Financial instrument valuation adjustments (CVA, DVA, FVA)[4] and other	(19)	(18)	(6%)
Wealth and Insurance	(90)	36	n/m
- Interest rate movements	*(53)*	*15*	*n/m*
- Unit-linked investment variance	*(37)*	*21*	*n/m*
Net other income after IFRS income classifications	**159**	**332**	**(52%)**

Net other income after IFRS income classifications for the six months ended 30 June 2020 is €159 million, a decrease of €173 million or 52% lower compared to the same period in 2019.

Business income of €266 million for the six months ended 30 June 2020 has decreased by €45 million or 14% compared to the same period in 2019. The impact of COVID-19 has seen reduced business activity resulting in lower current account, card fee and foreign exchange income in Retail Ireland and lower new business sales and reduced income on existing business in Wealth and Insurance. Corporate and Treasury has also experienced lower equity and upfront fee income period on period. This is partially offset by higher income in Retail UK attributed to the renegotiated UK Post Office contract.

Other gains are €2 million for the six months ended 30 June 2020 and are €1 million lower than the same period in 2019.

Other valuation items of €109 million are €127 million lower compared to the same period in 2019 which largely reflects the negative impact of volatile equity markets and interest rates. These market movements have resulted in adverse fund and investment assets performance in Wealth and Insurance.

[1] *The period on period changes in 'net interest income' and 'net other income' are affected by certain IFRS income classifications. See page 8 for further information.*
[2] *In the six months ended 30 June 2020, there was €6 million (six months ended 30 June 2019: €7 million) of interest income on 'Life loan mortgage products' which are mandatorily classified at FVTPL, with all income on such loans reported in 'net other income'. This IFRS income classification adjusts the income back to 'net interest income'.*
[3] *Business income is net other income after IFRS income classifications and before other gains and other valuation items. This is a measure monitored by management as part of the review of divisional performance.*
[4] *Credit Valuation Adjustment (CVA); Debit Valuation Adjustment (DVA); Funding Valuation Adjustment (FVA).*

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

Operating expenses

Table: 3 Operating expenses	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m	Change %
Staff costs (excluding pension costs)	361	350	3%
Pension costs	64	64	-
- Retirement benefit costs (defined benefit plans)	*47*	*49*	*(4%)*
- Retirement benefit costs (defined contribution plans)	*17*	*15*	*13%*
Depreciation and amortisation	131	149	(12%)
Other costs	288	277	4%
Operating expenses (before Transformation Investment, levies and regulatory charges and impairment of goodwill)	**844**	**840**	**-**
Transformation Investment charge	28	63	(56%)
Operating expenses (before levies and regulatory charge and impairment of goodwill)	**872**	**903**	**(3%)**
Levies and regulatory charges	70	73	(4%)
Impairment of goodwill	9	-	n/m
Operating expenses	**951**	**976**	**(3%)**

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

COVID-19
The Group has incurred incremental expenditure of €12 million in managing its response to the pandemic. Excluding these costs the Group's operating expenses (before levies and regulatory charges and impairment of goodwill) would be €43 million or 5% lower than the same period in 2019 reflecting the Group's continuing progress in generating cost savings through strategic sourcing and efficiencies across its businesses whilst investing in strategic initiatives, technology and regulatory compliance.

Staff costs (excluding pension costs) of €361 million are €11 million higher compared to the same period in 2019 primarily reflecting salary increases averaging 2.6% effective 1 January 2020. Average staff numbers employed by the Group for the six months ended 30 June 2020 were 10,383 compared to 10,368 in the same period in 2019.

Depreciation and amortisation of €131 million for the six months ended 30 June 2020 is €18 million or 12% lower than the same period in 2019. The decrease is a result of legacy technology investments reaching the end of their useful lives.

Other costs including technology, property, outsourced services and other non-staff costs are €11 million higher than the same period in 2019.

Following commencement of the rollout of our new mobile app to customers in Q2, associated application and infrastructure costs of €3 million have been reflected in other costs (included as part of Transformation Investment charge in prior years). On a like-for-like basis, and excluding €8 million costs related to the COVID-19 response, other costs are unchanged from the same period in 2019.

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

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

Impairment of goodwill
Impairment of goodwill relates to a write down of €9 million against the Group's commercial leasing and fleet management company Marshall Leasing Limited in the UK.

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

Net impairment losses on financial instruments

Table: 4 Net impairment losses on financial instruments	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m	Change %
Net impairment losses on loans and advances to customers at amortised cost			
Residential mortgages	(153)	(31)	n/m
- Retail Ireland	*(77)*	*(25)*	*n/m*
- Retail UK	*(76)*	*(6)*	*n/m*
Non-property SME and corporate	(365)	(37)	n/m
- Republic of Ireland SME	*(133)*	*3*	*n/m*
- UK SME	*(18)*	*3*	*n/m*
- Corporate	*(214)*	*(43)*	*n/m*
Property and construction	(246)	11	n/m
- Investment	*(235)*	*8*	*n/m*
- Development[1]	*(11)*	*3*	*n/m*
Consumer	(124)	(24)	n/m
Total net impairment losses on loans and advances to customers at amortised cost	**(888)**	**(81)**	**n/m**
Net impairment (losses) / gains on other financial instruments (excluding loans and advances to customers at amortised cost)[2]	**(49)**	**2**	**n/m**
Total net impairment losses on financial instruments	**(937)**	**(79)**	**n/m**
Net impairment losses on loans and advances to customers (bps) (annualised)	(222)	(21)	

The Group recognised a net impairment loss of €937 million, of which €888 million is on loans and advances to customers at amortised cost, compared to a net impairment loss of €79 million for the six months ended 30 June 2019. Approximately 60% of the impairment loss was recognised for assets that are not credit-impaired.

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

A net impairment loss on the Retail Ireland mortgage portfolio of €77 million during the six months ended 30 June 2020 is €52 million higher than the loss of €25 million for the same period in 2019.

A net impairment loss on the Retail UK mortgage portfolio of €76 million during the six months ended 30 June 2020 is €70 million higher than the loss of €6 million for the same period in 2019.

The loss in the Residential mortgages portfolio reflects impairments recognised arising from the change in the macroeconomic outlook, the potential risk that longer term credit supports, beyond payment breaks, may be required for customers impacted by COVID-19, and impairment model parameter updates (including forward-looking information as well as refreshed cure rates and sales ratios).

A net impairment loss of €365 million on the non-property SME and corporate loan portfolio for the six months ended 30 June 2020 is €328 million adverse to the €37 million loss for the same period in 2019. The loss in the reporting period reflects impairments recognised for the change in the macroeconomic outlook, case specific loss emergence primarily on a number of defaulted cases in the Corporate portfolio, and the potential risk that longer term credit supports may be required for SME customers impacted by COVID-19.

A net impairment loss of €246 million on the Property and construction loan portfolio for the six months ended 30 June 2020 is €257 million adverse to the gain of €11 million for the same period in 2019. The loss primarily reflects impairments recognised arising from the change in the macroeconomic outlook, case specific loss emergence on a small number of defaulted cases in the Corporate and Retail UK Investment portfolios, and the potential risk that longer term credit supports may be required for customers impacted by COVID-19.

A net impairment loss of €124 million on the Consumer loans portfolio for the six months ended 30 June 2020 is €100 million higher than the loss of €24 million for the same period in 2019. The loss in the reporting period reflects the change in the macroeconomic outlook, the potential risk that longer term credit supports, beyond payment breaks, may be required for customers impacted by COVID-19, and impairment model parameter updates.

[1] *Formerly land and development.*
[2] *At 30 June 2020, net impairment (losses) / gains on other financial instruments (excluding loans and advances to customers at amortised cost) included €46 million on loan commitments and €2 million on guarantees and irrevocable letters of credit (30 June 2019: €2.9 million and €nil respectively).*

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

Non-core items

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

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

Impairment of internally generated computer software

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

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

Cost of restructuring programme

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

Investment return on Treasury shares held for policyholders

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

Gain / (loss) on liquidation of business activities

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

Customer redress charges

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

Portfolio divestments

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

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

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

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

Non-core items *(continued)*

the income and costs of the Post Office ATMs business have been treated as non-core during 2019 and 2020.

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

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

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

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

Summary consolidated balance sheet

Summary consolidated balance sheet	Table	30 June 2020 €bn	31 December 2019 €bn
Assets *(after impairment loss allowances)*			
Loans and advances to customers[1]	6	77	79
Liquid assets	7	29	27
Wealth and Insurance assets		19	20
Other assets	8	7	6
Total assets		**132**	**132**
Liabilities			
Customer deposits	9	87	84
Wealth and Insurance liabilities		19	20
Wholesale funding	10	10	11
Other liabilities	8	5	4
Subordinated liabilities		1	2
Total liabilities		**122**	**121**
Shareholders' equity		9	10
Other equity instruments - Additional tier 1		1	-
Non-controlling interests - Other equity instruments		-	1
Total liabilities and shareholders' equity		**132**	**132**
Liquidity Coverage Ratio[2]		149%	138%
Net Stable Funding Ratio[3]		135%	131%
Loan to Deposit Ratio		89%	95%
Gross new lending volumes (€bn)		7.1	16.5
Average interest earning assets		106	101
Return on Tangible Equity[4] (%)		(14.1%)	6.6%
Return on Tangible Equity[4] (adjusted) (%)		(12.1%)	6.8%
Common equity tier 1 ratio - fully loaded		13.6%	13.8%
Common equity tier 1 ratio - regulatory		14.9%	15.0%
Total capital ratio - regulatory		18.7%	18.6%

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

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

The increase in NPEs was mainly due to a revised definition of default that was implemented for the majority of the Group's portfolios in the first six months of 2020 which resulted in €0.5 billion of assets being re-classified as NPEs. Details of the revised definition of default are provided in the Asset Quality section on pages 29 and 30.

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

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

Wholesale funding sources decreased by €1.5 billion to €9.5 billion, primarily due to Asset Covered Securities (ACS) maturities (€0.8 billion), repayment of Bank of England funding (€0.3 billion) and Credit Link Note maturity (€0.2 billion), partially offset by higher bank deposits.

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

The Group's fully loaded Common equity tier 1 (CET1) ratio decreased by c.20 basis points during the six months ended 30 June 2020 to 13.6% and the regulatory CET1 ratio decreased by c.10 basis points over the period to 14.9%. The fully loaded ratio decrease of c.20 basis points is primarily due to pre-impairment **organic capital** generation (c.45 basis points) and the withdrawal of the 2019 dividend (c.40 basis points), offset by the impact of credit quality deterioration (c.-65 basis points), RWA growth (c.-15 basis points), the net impact of regulatory change (c.-20 basis points), investment in the Group's transformation programmes (c.-15 basis points) and other net movements, including movements in the Group's defined benefit pension schemes (c.10 basis points). For further information on capital see Capital Management on pages 35 to 38.

Further information on measures referred to in the OFR, including gross new lending, NPEs, wholesale funding and organic capital is found in Alternative performance measures on page 137.

[1] *Includes €0.4 billion of loans and advances to customers at 30 June 2020 (31 December 2019: €0.3 billion) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9.*
[2] *The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.*
[3] *The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.*
[4] *For basis of calculation of Return on Tangible Equity (ROTE), see page 141.*

Summary consolidated balance sheet *(continued)*

Loans and advances to customers

Table: 6	**30 June 2020**		**31 December 2019**	
Loans and advances to customers - Composition[1]	**€m**	**%**	**€m**	**%**
Residential mortgages	44,317	57%	46,271	58%
- Retail Ireland	*22,883*	*29%*	*23,035*	*29%*
- Retail UK	*21,434*	*28%*	*23,236*	*29%*
Non-property SME and corporate	20,659	26%	20,433	25%
- Republic of Ireland SME	*7,108*	*9%*	*7,305*	*9%*
- UK SME	*1,678*	*2%*	*1,687*	*2%*
- Corporate	*11,873*	*15%*	*11,441*	*14%*
Property and construction	8,197	10%	8,112	10%
- Investment	*7,357*	*9%*	*7,253*	*9%*
- Development	*840*	*1%*	*859*	*1%*
Consumer	5,298	7%	5,727	7%
Total loans and advances to customers at amortised cost	**78,471**	**100%**	**80,543**	**100%**
Less impairment loss allowance on loans and advances to customers at amortised cost	(2,122)		(1,308)	
Net loans and advances to customers at amortised cost	**76,349**		**79,235**	
Loans and advances to customers at FVTPL	399		252	
Total loans and advances to customers	**76,748**		**79,487**	
Credit-impaired loans	4,489		3,127	
NPEs	4,557		3,519	
NPE ratio		5.8%		4.4%

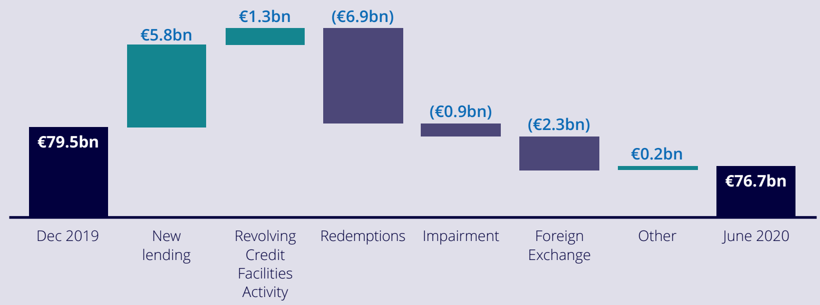
The Group's **loans and advances to customers (after impairment loss allowances)** of €76.7 billion are €2.8 billion lower than 31 December 2019. This is primarily due to adverse foreign exchange movements of €2.3 billion, increased net impairment of €0.9 billion, partially offset by net new lending of €0.2 billion in the period. Redemptions and repayments of €6.9 billion are €0.4 billion or 6% higher than the same period in 2019.

Gross new lending of €7.1 billion is €0.6 billion lower when compared to the same period in 2019 due to the impact of COVID-19 on credit demand. The COVID-19 pandemic, combined with some ongoing Brexit uncertainty a has generated muted demand for credit.

As detailed in the Critical accounting estimates and judgements note on page 50, the emergence of the COVID-19 pandemic (and associated social restrictions) during the first half of 2020 means that the macroeconomic outlook for the Group's core RoI and UK markets is more negative than the outlook as at 31 December 2019.

Loan book reduction of €2.8bn

Group loan book movement



COVID-19 has also impacted the Group's IFRS 9 stage profile, whereby the application of updated FLI, as well as individually assessed risk ratings has resulted in a material migration of loans from Stage 1 to Stage 2 (i.e. identified as having experienced a significant increase in credit risk).

As a result, during the first six months of 2020, the stock of impairment loss allowances increased by €0.8 billion to €2.1 billion primarily due to the impairment loss of €0.9 billion, partly offset by impairment loss allowance utilisation of €0.1 billion.

Group NPEs increased by €1.1 billion or 29% to €4.6 billion at June 2020 and represent 5.8% of gross loans to customers.

Further detail on NPEs and impairment loss allowances are provided in the Asset Quality section (pages 29 to 34).

[1] *Includes €0.4 billion of loans and advances to customers at 30 June 2020 (31 December 2019: €0.3 billion) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9.*

Summary consolidated balance sheet *(continued)*

Liquid assets *(after impairment loss allowance)*

Table: 7 Liquid assets (after impairment loss allowance)	30 June 2020 €bn	31 December 2019 €bn
Cash at banks	3	3
Cash and balances at central banks	9	8
- Central Bank of Ireland	*6*	*5*
- Bank of England	*3*	*3*
Government bonds	11	11
- Financial assets at FVOCI	*6*	*6*
- Debt securities at amortised cost	*5*	*5*
Covered bonds	4	3
Senior bank bonds and other	2	2
	29	**27**

The Group's portfolio of liquid assets at 30 June 2020 of €29.3 billion has increased by €2.1 billion since 31 December 2019 primarily due to an increase in cash balances and covered bonds predominantly arising from higher Group deposit volumes in Retail Ireland.

Other assets and other liabilities

Table: 8 Other assets and other liabilities	30 June 2020 €bn	31 December 2019 €bn
Other assets	6.7	5.6
- Derivative financial instruments	*2.6*	*2.0*
- Deferred tax asset	*1.1*	*1.1*
- Pension surplus (net)	*0.5*	*-*
- Other assets	*2.5*	*2.5*
Other liabilities	5.3	4.5
- Derivative financial instruments	*2.6*	*2.5*
- Notes in circulation	*1.2*	*1.3*
- Lease liabilities	*0.5*	*0.6*
- Pension deficit (net)	*-*	*0.1*
- Other liabilities	*1.0*	*-*

The movement in the value of derivative assets and derivative liabilities is due to changes in fair values caused by the impact of the movements in equity markets, interest rates and foreign exchange rates during the six months ended 30 June 2020, as well as the maturity of transactions during the period.

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

Summary consolidated balance sheet *(continued)*

Customer deposits

Table: 9 Customer deposits	30 June 2020 €bn	31 December 2019 €bn
Retail Ireland	56	52
- Current account credit balances	*33*	*30*
- Deposits	*23*	*22*
Retail UK	21	22
Retail UK (Stg£bn equivalent)	20	19
- UK Post Office	*14*	*13*
- Other Retail UK	*6*	*6*
Corporate and Treasury	10	10
Total customer deposits	**87**	**84**

At 30 June 2020, Group customer deposits (including current accounts with credit balances) have increased by €2.5 billion to €86.5 billion since 31 December 2019. The main driver of this movement was due to €3.7 billion growth in Retail Ireland due to higher current account credit balances predominantly from the impact of COVID-19 restrictions and lower consumer spending, whilst deposit volumes in Corporate and Treasury remained stable. Deposit volumes in Retail UK increased by £0.4 billion to £19.5 billion although decreased by €1.1 billion in Euro terms due to the weaker Sterling vs Euro exchange rate.

Wholesale funding sources

Table: 10	30 June 2020		31 December 2019	
Wholesale funding sources	€bn	%	€bn	%
Secured funding	6	60%	8	73%
- Covered bonds	*4*	*40%*	*4*	*37%*
- Monetary Authority	*1*	*10%*	*2*	*18%*
- Securitisations	*1*	*10%*	*2*	*18%*
Unsecured funding	4	40%	3	27%
- Senior debt	*3*	*30%*	*3*	*27%*
- Bank deposits	*1*	*10%*	*-*	*-*
Total wholesale funding	**10**	**100%**	**11**	**100%**
Wholesale market funding < 1 year to maturity	3	33%	3	29%
Wholesale market funding > 1 year to maturity	6	67%	7	71%
Monetary Authority funding < 1 year to maturity	1	100%	1	50%
Monetary Authority funding > 1 year to maturity	-	-	1	50%

Wholesale funding sources decreased by €1.5 billion to €9.5 billion, primarily due to ACS maturities (€0.8 billion), repayment of Bank of England funding (€0.3 billion) and Credit Link Note maturity (€0.2 billion), partially offset by higher bank deposits.

Divisional review

Retail Ireland

Retail Ireland serves consumer and business customers across a broad range of segments and sectors with financial products, services and propositions tailored to meet their needs.

Highlights

Proactive response to COVID-19, supporting and protecting our customers' financial wellbeing.

Relationship Net Promoter Score (NPS) improved by 10 points from end 2019.

New mobile app deployment, 320k customers migrated.

Transform the Bank

- Rollout of new mobile app to customers commenced in Q2, with 320,000 customers migrated.
- Continued digitalisation of customer experience and processes, including digital application forms and online identity document recognition.
- Exclusive partnerships with two national car distributors to offer online finance for new car purchases and with over 150 car dealerships via DoneDeal.ie for second hand vehicles.

Serve customers brilliantly

- Proactive response to COVID-19, to support and protect the Financial Wellbeing of customers, including payment breaks approved for c.40,000 personal and business customers, dedicated banking services for Health Service workers and special support services for over 65's, carers and those cocooning.
- Additional €1 billion in funding for green mortgages and loans launched through the Bank of Ireland Sustainable Finance Fund to support a green recovery.
- Customer Effort Score which measures service experience combined across branch, phone and website channels, is up from +49 in Q4 2019 to +56 in Q2 2020.

Grow sustainable profits

- Operating profit before net impairments of €225 million for the six months ended 30 June 2020 is 13% lower than the same period in 2019.
- Net impairment losses of €281 million have increased by €280 million compared to 2019, primarily due to the challenging economic environment.
- Both net interest income of €479 million and net other income of €106 million are behind 2019 (4% and 23% respectively) mainly due to the impact of COVID-19.
- Operating expenses of €360 million are down 4% on the same period in 2019 due to continued emphasis on cost control.
- Loans and advances to customers (after impairment loss allowances) of €33.0 billion were €0.8 billion lower then at 31 December 2019.
- Customer deposits of €55.6 billion were €3.7 billion higher than at 31 December 2019.

Wealth and Insurance

Wealth and Insurance is a market leading Life & Pensions Investments and General Insurance (distributor) provider in Ireland. The Group is the only Irish owned bancassurer in the Irish market.

Highlights

Annual Premium Equivalent (APE) new business sales of €139 million, consisting of €61 million of new single premium business and €78 million of regular premium business (30 June 2019: €179 million, of which €78 million single premium and €101 million regular premium).

Transform the Bank

- Developed and launched our broker portal with a leading international partner. Further development and phased roll-out in H2 2020. It provides a secure access point for external and internal advisors and customers to access self-service options and policy information, including digital connection to brokers and their customer relationship management systems.
- Launched a new Group Pension platform 'mypension365' providing customers with a modern, digital, customer-friendly experience and a significantly faster onboarding process.

Serve customers brilliantly

- Proactive response to COVID-19, to protect the Financial Wellbeing of customers, including decreasing minimum premiums on savings and pensions products and three months mortgage protection premium waiver for customers who have been granted a mortgage payment break by their lender.
- Phased roll-out of Wealth and Insurance digital advice platform and general insurance wallet, delivering end-to-end digital fulfilment capability and enhanced digital experience to customers.

Grow sustainable profits

- Operating profit of €26 million for the six months ended 30 June 2020 was €22 million or 46% lower than the same period in 2019 due to the challenging economic environment.
- Operating income of €96 million for the six months ended 30 June 2020 was €19 million lower than the same period in 2019 primarily due to lower new business volumes and lower profits from the existing book of business.
- Unit-linked fund prices decreased in aggregate during the six months ended 30 June 2020, particularly impacted by the fall in equity markets. The adverse variance relative to assumed growth led to a negative investment variance of €37 million (six months ended 30 June 2019: positive investment variance of €21 million).
- The impact on asset values of widening spreads resulted in a €53 million loss for the six months ended 30 June 2020 (six months ended 30 June 2019: €15 million gain).
- Due to valuation variances the underlying loss before tax of €64 million for the six months ended 30 June 2020 was €148 million lower compared to a profit of €84 million in the same period in 2019.

Further information on our divisional results on an underlying basis can be found on pages 22 and 23.
Additional information on our alternative performance measures can be found on page 137.

Divisional review *(continued)*

Retail UK

Retail UK provides consumer banking in the UK and incorporates Northridge Finance, the financial services partnerships with the UK Post Office, AA and our foreign exchange joint venture (FRES).

Highlights

Our partnership relationships continued to evolve with the Bank extending its partnership with the AA to at least 2028.

Operating expenses (before impairment of goodwill) of £136 million are £11 million lower, primarily as a result of the continued focus on cost management.

Transform the Bank of Ireland

- The distribution reach of our 'Bespoke' mortgages proposition was further increased in 2020, as part of the reposition strategy towards higher margin business.

Serve customers brilliantly

- In response to COVID-19 we supported our customers in many ways including more than 66,000 customers receiving payment breaks across our lending portfolio, primarily via online applications. Through the UK Government-backed Coronavirus Business Interruption Loan and Bounce Back Loan Schemes the Group provided business customers with £300 million of support.
- Existing customers have been provided with improved access to self-serve online, including online mortgage offers creating an improved customer experience.

Grow sustainable profits

- Underlying loss before tax of £145 million for the six months ended 30 June 2020 (30 June 2019: underlying profit £80 million).
- Net interest income of £239 million has decreased by £11 million, primarily due to margin pressures, lower interest rates and the impact on overall funding costs.
- Operating expenses (before impairment of goodwill) of £136 million are £11 million lower, as a result of the continued focus on cost management while maintaining our investment in new customer propositions.
- Net impairment losses of £242 million have increased by £211 million compared to the prior period reflecting the challenging economic environment due to the effects of COVID-19.
- Loans and advances to customers (after impairment loss allowances) at 30 June 2020 of £24.5 billion were £0.3 billion lower than 31 December 2019 due to the reduction of the mortgage back book and the uncertain economic environment in Q2 reducing new lending.
- Customer deposits of £19.5 billion at 30 June 2020 were £0.4 billion higher than 31 December 2019 reflecting higher levels of retention in customer savings during the COVID-19 pandemic.

Corporate and Treasury

Corporate bank provides a range of lending and operating products.

Management of Group balance sheet, capital and liquidity, provision of treasury services to customers.

Highlights

Retained our position as Ireland's number one corporate bank[1] and continued to bank two out of every three new foreign direct investments in Ireland[2].

Supporting the strong capital position of the Group by successfully completing a €675 million AT1 transaction.

Transform the Bank

- Leveraging investment in colleagues, systems and agile ways of working to ensure the smooth and safe operation of Corporate and Treasury businesses during the pandemic.
- On-going focus on the digitalisation of our foreign exchange product line and provision of treasury solutions, supporting customers in a remote working environment.

Serve customers brilliantly

- Continuing to support our customers against the backdrop of uncertain market conditions. Pro-active engagement with customers during the COVID-19 pandemic is enabling Corporate and Treasury to distinguish itself from its peers and competitors, and is evidenced by positive customer feedback.
- Supporting the Group's position as a National Champion in house building. Corporate and Treasury has increased its lending appetite for residential development in RoI by c.€400 million to €2.0 billion. Currently supporting the delivery of c.8,300 new homes (including c.1,200 for social housing) and c.1,700 student beds on 190 sites throughout RoI.

Grow sustainable profits

- Underlying loss before tax of €126 million for the six months ended 30 June 2020 (30 June 2019: profit €207 million).
- Business net interest and other income of €374 million is €5 million higher than the same period in 2019.
- Financial instruments valuation adjustments are a charge of €23 million (30 June 2019: charge of €24 million).
- Net impairment losses on financial instruments of €385 million are €342 million higher than the same period in 2019 due to the uncertain market environment and a number of case specific losses arising from impacted sectors / companies.
- Loans and advances to customers at 30 June 2020 of €17.0 billion are €0.6 billion higher than 31 December 2019, the movement is primarily reflective of net new lending, offset by currency translation and higher impairment loss allowances.
- The euro liquid asset bond portfolio has increased by €1.4 billion to €15.4 billion at 30 June 2020.

Further information on our divisional results on an underlying basis can be found on pages 24 and 25.
Additional information on our alternative performance measures can be found on page 137.

[1] *Based on corporate lending information sourced from publicly available annual reports for 2018 & 2019 for all Irish banks, Bank of Ireland analysis of its banking relationships with companies from the 2020 Irish Times Top 500 companies list and Bank of Ireland analysis of its banking relationships with companies on the published listing of international companies setting up operations in RoI 2019.*

[2] *Based on Bank of Ireland's analysis of its banking relationships with international companies who set up operations in Republic of Ireland in 2019, (international company data sourced from the IDA Annual Report 2019).*

Divisional review *(continued)*

Group Centre

Group Centre comprises Group Technology and Customer Services, Group Finance, Group Risk, Group Marketing, People Services, Group Strategy & Development and Group Internal Audit. The Group's central functions establish and oversee policies, and provide and manage processes and delivery platforms for the divisions.

Highlights

Completed phase 1 of the enhanced mobile app and supported the launch by Retail Ireland to customers.

Customer, community and colleague initiatives to address the impacts of the COVID-19 pandemic, including €1 million from a total Community Fund of €2 million allocated in 2020.

Grow sustainable profits

- Group Centre's income and costs comprise income from capital and other management activities, unallocated Group support costs and the costs associated with the Irish Bank levy along with contributions to the Single Resolution Fund (SRF), the Deposit Guarantee Scheme (DGS) and other levies.
- Negative net operating income of €9 million for the six months ended 30 June 2020, represents an increase in negative income of €6 million from the same period in 2019. This variance was due primarily to valuation and fair value adjustments.
- Operating expenses (before Transformation Investment and levies and regulatory charges) of €166 million for the six months ended 30 June 2020 were €26 million higher than the same period in 2019. The increase is reflective of increased investment costs in strategic initiatives, along with costs associated with compliance and meeting regulatory expectations, partially offset by reduced pension costs and further centralisation of business activities.
- Our Transformation programme continues to make progress with the completion of phase 1 of the enhanced mobile app, providing additional functionality, greater security and faster operating speeds, which was launched to customers by Retail Ireland in Q2. A further €109 million was invested in this programme during the six months ended 30 June 2020, of which €54 million is capitalised on the balance sheet (six months ended 30 June 2019: €54 million), with an income statement charge of €28 million (six months ended 30 June 2019: €63 million) and €27 million recognised through non-core items.
- Group Centre levies and regulatory charges were €67 million for the six months ended 30 June 2020 compared with €70 million in the same period in 2019, a decrease of €3 million.

Further information on our divisional results on an underlying basis can be found on page 25.
Additional information on our alternative performance measures can be found on page 137.

Divisional review *(continued)*
Financial results

The tables below and on the following pages provide further information on the financial performance of the Group's divisions during the six months ended 30 June 2020 as well as some key performance metrics. A business review for each division can be found on page 18 to 20 of the OFR. Information on the financial performance of the Group as a whole can be found on pages 7 to 17.

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Underlying[1] (loss) / profit before tax by division		
Retail Ireland	(60)	263
Wealth and Insurance	(64)	84
Retail UK	(158)	92
Corporate and Treasury	(126)	207
Group Centre	(271)	(275)
Other reconciling items[2]	10	5
Underlying (loss) / profit before tax	**(669)**	**376**
Non-core items	(153)	(61)
(Loss) / profit before tax	**(822)**	**315**
Per ordinary share		
Basic earnings per share[3] (€ cent)	(70.5)	18.1
Underlying earnings per share[3] (€ cent)	(58.8)	25.2
Tangible Net Asset Value per share[4] (€ cent)	797	788
Statutory cost income ratio[5] (%)	91%	74%
Underlying cost income ratio[5] (%)	66%	65%
Return on assets[6] (bps) (annualised)	(111)	36

Further information in relation to our divisional results which are prepared on an underlying basis can be found on pages 22 to 27.

Further information on measures referred to in our business segments is found in Alternative performance measures on page 137.

[1] These financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 12 for further information.
[2] Other reconciling items represent inter-segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.
[3] The basis of calculation of basic earnings per share see note 17 on page 67. Underlying earnings per share excludes non-core items for further information see page 12.
[4] The basis of calculation of the tangible net asset value per share is set out on page 142.
[5] The basis of calculation of the statutory cost income ratio is set out on page 141. Underlying cost income ratio is calculated on an underlying basis (page 142).
[6] The basis of calculation of the return on assets is set out on page 140.

Divisional review *(continued)*
Retail Ireland results

Retail Ireland Income statement	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m	Change %
Net interest income[1]	479	497	(4%)
Net other income[1]	106	137	(23%)
Operating income	**585**	**634**	**(8%)**
Operating expenses	(360)	(374)	(4%)
Operating profit before net impairment losses on financial instruments	**225**	**260**	**(13%)**
Net impairment losses on financial instruments	(281)	(1)	n/m
Share of results of associates and joint ventures (after tax)	(4)	4	n/m
Underlying (loss) / profit before tax	**(60)**	**263**	**n/m**
Net impairment losses on financial instruments			
Loans and advances to customers at amortised cost	(268)	(1)	n/m
- Residential mortgages	*(77)*	*(25)*	*n/m*
- Non-property SME and corporate	*(133)*	*3*	*n/m*
- Property and construction	*(33)*	*18*	*n/m*
- Consumer	*(25)*	*3*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[2]	(13)	-	n/m
Net impairment losses on financial instruments	**(281)**	**(1)**	**n/m**

	30 June 2020 €bn	31 December 2019 €bn	Change %
Loans and advances to customers (net)	33.0	33.8	(2%)
Customer deposits	55.6	51.9	7%

Further information in relation to the performance of Retail Ireland can be found on page 18.

[1] *'Net interest income' and 'net other income' are impacted by IFRS income classifications as set out on pages 8 and 9. The impact on Retail Ireland is to increase 'net interest income' for the six months ended 30 June 2020 by €6 million to €485 million (post IFRS income classification) (six months ended 30 June 2019: €505 million) with fully offsetting changes to 'net other income' in both periods. In the six months ended 30 June 2020, this included €6 million (six months ended 30 June 2019: €7 million) of interest income on 'Life loan mortgage products' which on transition to IFRS 9 were mandatorily classified at FVTPL, with all income on such loans reported in 'net other income'. This IFRS income classification adjusts the income back to 'net interest income' in line with how it was reported in prior periods.*

[2] *At 30 June 2020, other financial instruments (excluding loans and advances to customers at amortised cost) include a net impairment loss of €13 million (30 June 2019: €nil) on loan commitments.*

Divisional review *(continued)*
Wealth and Insurance results

Wealth and Insurance Income statement	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m	Change %
Net interest (expense)	(4)	(4)	-
Net other income	100	119	(16%)
Operating income	**96**	**115**	**(17%)**
Operating expenses	(70)	(67)	(4%)
Operating profit	**26**	**48**	**(46%)**
Interest rate movement	(53)	15	n/m
Unit-linked investment variance	(37)	21	n/m
Underlying (loss) / profit before tax	**(64)**	**84**	**n/m**

Wealth and Insurance Income statement (Market Consistent Embedded Value performance)	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m	Change %
New business profits	3	8	(63%)
Existing business profits	29	41	(29%)
- Expected return	*27*	*30*	*(10%)*
- Assumption changes	*2*	*4*	*(50%)*
- Experience variance	*-*	*7*	*n/m*
Interest payments	(3)	(3)	-
Operating profit	**29**	**46**	**(37%)**
Unit-linked investment variance	(58)	39	n/m
Interest rate movements	(57)	12	n/m
Underlying (loss) / profit before tax	**(86)**	**97**	**n/m**

Embedded value
The table above outlines the Market Consistent Embedded Value (MCEV) performance using market consistent assumptions. The MCEV principles are closely aligned to the Solvency II principles and are consistent with the approach used for insurance contracts on the IFRS basis.

Operating profit of €29 million for the six months ended 30 June 2020 (six months ended 30 June 2019: €46 million) was €17 million or 37% lower than the same period in 2019 primarily due to lower new business volumes and lower profits from the existing book of business.

Due to investment market movements on unit-linked fund performance (€58 million loss) and the impact on asset values of widening spreads (€57 million loss) the underlying loss before tax was €86 million (six months ended 30 June 2019: €97 million profit).

The table below summarises the overall balance sheet of Wealth and Insurance on an MCEV basis at 30 June 2020 compared to the value at 31 December 2019. The Value of in Force (ViF) asset represents the after tax value of future income from the existing book.

Wealth and Insurance Summary balance sheet (MCEV)	30 June 2020 €m	31 December 2019 €m
Net assets	439	481
Value of in Force	666	710
Less Tier 2 subordinated capital / debt	(164)	(162)
Less pension scheme deficit	(88)	(126)
Total embedded value	**853**	**903**

Further information in relation to the performance of Wealth and Insurance can be found on page 18.

Divisional review *(continued)*
Retail UK results

Retail UK Income statement	6 months ended 30 June 2020 £m	6 months ended 30 June 2019 £m	Change %
Net interest income	239	250	(4%)
Net other income / (expense)	1	(6)	n/m
Operating income	**240**	**244**	**(2%)**
Operating expenses (before impairment of goodwill)	(136)	(147)	(7%)
Impairment of goodwill	(8)	-	n/m
Operating profit before impairment losses on financial instruments	**96**	**97**	**(1%)**
Net impairment losses on financial instruments	(242)	(31)	n/m
Share of results of associates and joint ventures (after tax)	1	14	(93%)
Underlying (loss) / profit before tax	**(145)**	**80**	**n/m**
Underlying (loss) / profit before tax (€m equivalent)	**(158)**	**92**	**n/m**
Net impairment losses on financial instruments			
Loans and advances to customers at amortised cost	(240)	(32)	n/m
- Residential mortgages	*(69)*	*(5)*	*n/m*
- Non-property SME and corporate	*(16)*	*3*	*n/m*
- Property and construction	*(66)*	*(6)*	*n/m*
- Consumer	*(89)*	*(24)*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[1]	(2)	1	n/m
Net impairment losses on financial instruments	**(242)**	**(31)**	**n/m**

	30 June 2020 £bn	31 December 2019 £bn	Change %
Loans and advances to customers (net)	24.5	24.8	(1%)
Customer deposits	19.5	19.1	2%

Further information in relation to the performance of Retail UK can be found on page 19.

[1] *At 30 June 2020, other financial instruments (excluding loans and advances to customers at amortised cost) includes a net impairment loss of £2 million (30 June 2019: gain £2 million) on loan commitments.*

Divisional review *(continued)*

Corporate and Treasury results

Corporate and Treasury Income statement	**6 months ended 30 June 2020 €m**	**6 months ended 30 June 2019 €m**	**Change %**
Net interest income[1]	327	291	12%
Net other income[1]	28	55	(49%)
Operating income	**355**	**346**	**3%**
- Business - net interest and other income	*374*	*369*	*2%*
- Financial Instruments valuation adjustments	*(23)*	*(24)*	*4%*
- Other debt instruments at FVOCI	*4*	*1*	*n/m*
Operating expenses	(96)	(96)	-
Operating profit before impairment losses on financial instruments	**259**	**250**	**4%**
Net impairment losses on financial instruments	(385)	(43)	n/m
Underlying (loss) / profit before tax	**(126)**	**207**	**n/m**
Net impairment losses on financial instruments			
Loans and advances to customers at amortised cost	(354)	(43)	n/m
- Non-property SME and corporate	*(214)*	*(43)*	*n/m*
- Property and construction	*(140)*	*-*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)	*(31)*	-	*n/m*
Net impairment losses on financial instruments	**(385)**	**(43)**	**n/m**

	30 June 2020 €bn	**31 December 2019 €bn**	**Change %**
Loans and advances to customers (net)	17.0	16.4	4%
Euro liquid asset bond portfolio	15.4	14.0	10%
Customer deposits	9.5	9.6	(1%)

Further information in relation to the performance of Corporate and Treasury can be found on page 19.

Group Centre results

Group Centre Income statement	**6 months ended 30 June 2020 €m**	**6 months ended 30 June 2019 €m**	**Change %**
Net operating income / (expense)	(9)	(3)	n/m
Operating expenses (before Transformation Investment and levies and regulatory charges)	(166)	(140)	(19%)
Transformation Investment charge	(28)	(63)	56%
Levies and regulatory charges	(67)	(70)	4%
Operating loss before impairment (losses) / gains on financial instruments	**(270)**	**(276)**	**2%**
Net impairment (losses) / gains on financial instruments	(1)	1	n/m
Underlying loss before tax	**(271)**	**(275)**	**1%**

Further information in relation to the performance of Group Centre can be found on page 20.

[1] *Net interest income' and 'net other income' are impacted by IFRS income classifications as set out on pages 8 and 9. The impact on Corporate and Treasury is to decrease 'net interest income' for the six months ended 30 June 2020 by €20 million to €307 million (six months ended 30 June 2019: nil) with fully offsetting changes to 'net other income' in both periods.*

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

6 months ended 30 June 2020	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Total operating expenses €m	Operating profit / (loss) before net impairment (losses) on financial instruments €m	Net impairment (losses) on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	(Loss) / profit before taxation €m
Retail Ireland	479	-	106	585	-	585	(360)	225	(281)	(4)	-	(60)
Wealth and Insurance	(4)	764	(521)	239	(233)	6	(70)	(64)	-	-	-	(64)
Retail UK	274	-	1	275	-	275	(164)	111	(270)	1	-	(158)
Corporate and Treasury	327	-	28	355	-	355	(96)	259	(385)	-	-	(126)
Group Centre	2	(1)	(7)	(6)	(3)	(9)	(261)	(270)	(1)	-	-	(271)
Other reconciling items	1	-	9	10	-	10	(-)	10	-	-	-	10
Group - underlying[1]	**1,079**	**763**	**(384)**	**1,458**	**(236)**	**1,222**	**(951)**	**271**	**(937)**	**(3)**	**-**	**(669)**
Total non-core items												
Impairment of internally generated computer software	-	-	-	-	-	-	(136)	(136)	-	-	-	(136)
Cost of restructuring programme	-	-	-	-	-	-	(27)	(27)	-	-	-	(27)
Investment return on Treasury shares held for policyholders	-	-	17	17	-	17	-	17	-	-	-	17
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	9	9
Customer redress charges	(1)	-	-	(1)	-	(1)	(6)	(7)	-	-	-	(7)
Portfolio divestments	-	-	19	19	-	19	(24)	(5)	-	-	-	(5)
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	(4)	(4)	-	(4)	-	(4)	-	-	-	(4)
Group total	**1,078**	**763**	**(352)**	**1,489**	**(236)**	**1,253**	**(1,144)**	**109**	**(937)**	**(3)**	**9**	**(822)**

[1] *Underlying performance excludes the impact of non-core items (see page 12).*

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

6 months ended 30 June 2019	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Total operating expenses €m	Operating profit / (loss) before net impairment (losses) on financial instruments €m	Net impairment (losses) on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	(Loss) / profit before taxation €m
Retail Ireland	497	-	137	634	-	634	(374)	260	(1)	4	-	263
Wealth and Insurance	(4)	700	911	1,607	(1,456)	151	(67)	84	-	-	-	84
Retail UK	287	-	(7)	280	-	280	(168)	112	(36)	16	-	92
Corporate and Treasury	291	-	55	346	-	346	(96)	250	(43)	-	-	207
Group Centre	(5)	(2)	8	1	(4)	(3)	(273)	(276)	1	-	-	(275)
Other reconciling items	3	-	-	3	-	3	2	5	-	-	-	5
Group - underlying[1]	**1,069**	**698**	**1,104**	**2,871**	**(1,460)**	**1,411**	**(976)**	**435**	**(79)**	**20**	**-**	**376**
Total non-core items												
Impairment of internally generated computer software	-	-	-	-	-	-	-	-	-	-	-	-
Cost of restructuring programme	-	-	-	-	-	-	(27)	(27)	-	-	-	(27)
Investment return on Treasury shares held for policyholders	-	-	1	1	-	1	-	1	-	-	-	1
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Customer redress charges	(5)	-	-	(5)	-	(5)	(57)	(62)	-	-	-	(62)
Portfolio divestments	13	-	16	29	-	29	(23)	6	2	-	-	8
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	22	22	-	22	-	22	-	-	-	22
Group total	**1,077**	**698**	**1,143**	**2,918**	**(1,460)**	**1,458**	**(1,083)**	**375**	**(77)**	**20**	**(3)**	**315**

[1] *Underlying performance excludes the impact of non-core items (see page 12).*

Principal Risks and Uncertainties

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

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

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

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

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

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

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

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

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

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

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

Principal Risks and Uncertainties *(continued)*

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

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

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

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

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

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

The Group also faces other significant and emerging risks and further detail on risks facing the Group, including key mitigating considerations, may be found in the principal risks and uncertainties section on pages 111 to 120 of the Group's Annual Report for the year ended 31 December 2019.

Asset quality

Asset quality - Loans and advances to customers

The information below including referenced footnotes forms an integral part of the interim financial statements as described in the basis of preparation on page 49.

The Group's asset quality reporting methodology is as set out on pages 130 and 131 of the Group's Annual Report for the year ended 31 December 2019. The approach to 'identifying a significant increase in credit risk' since initial recognition and in identifying credit-impaired assets is outlined on pages 137 to 138 of the Group's Annual Report for the year ended 31 December 2019.

Identifying defaulted assets and credit-impaired assets

During the first six months of 2020, the Group commenced implementation of a new policy on the definition of default for the purposes of credit risk management (to be implemented in full by the end of 2020). The policy was formulated with regard to regulatory guidelines including European Banking Authority (EBA) Guidelines on the application of the definition of default

Asset quality *(continued)*

Asset quality - Loans and advances to customers *(continued)*

under Article 178 of the Capital Requirements Regulation. The Group's Impairment Policy has been revised accordingly and the manner in which the Group identifies financial assets as credit-impaired continues to result in the Group's population of credit-impaired financial assets being consistent with its population of defaulted financial assets and materially aligned with the Group's definition of NPEs. Where default criteria are no longer met, the credit facility (obligor for non-retail exposures) exits credit-impaired (Stage 3), subject to meeting defined probation criteria, in line with regulatory requirements.

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

Under the revised definition of default the Group considers certain events as resulting in mandatory default and credit-impaired classification without further assessment. These include:

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

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

All portfolios:

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

Residential mortgage portfolios:

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

Larger Small and Medium Enterprise / corporate and property loans:

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

COVID-19

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

The Group's processes in relation to payment breaks are in line with the common industry-wide approaches agreed through industry bodies and regulatory authorities in Ireland and the UK. During the period, the Group granted payment breaks to over

Asset quality *(continued)*

Asset quality - Loans and advances to customers *(continued)*

100,000 customers. Detailed information on the profile of accounts with payment breaks as at 30 June 2020 can be found on page 130.

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

- Due weight to longer-term economic outlook versus the short-term impacts of COVID-19, has been considered in the formulation of forward-looking information (FLI) at the reporting date. FLI scenarios for the period from 2020 to 2024 assume reversion to long-run trends, with consideration given to impact of governmental supports for customers and payment moratoria.
- COVID-19 payment breaks do not automatically result in migration of cases into Stage 2 (or forbearance classification) or Stage 3.
- Individual assessments for larger corporate cases and some business banking cases, which received COVID-19 concessions have been completed.
- Collective assessments have been considered for cases where such individual assessments have not been completed, with outputs utilised to inform post-model Group management adjustments to the model driven loss allowance, where impairment models were unable to adequately capture effects of COVID-19 for the period ended 30 June 2020.
- A greater degree of management judgement (based on available reasonable and supportable internal and external information) has been incorporated into impairment reporting processes for this reporting period. In particular judgement has been applied where the unprecedented nature of the COVID-19 FLI scenarios would have generated inappropriate predictions of default.

Further details on the selected FLI scenarios for the reporting period, Group management adjustments and management judgement incorporated into impairment model parameters are provided in the Critical Accounting Estimates and Judgements on pages 50 to 55.

Quantitative information about credit risk within financial instruments held by the Group can be found in the credit risk exposure note on pages 81 to 91 to the consolidated financial statements.

Composition and impairment

The table below summarises the composition, credit-impaired volumes and related impairment loss allowance of the Group's loans and advances to customers at amortised cost as at 30 June 2020.

30 June 2020 **Total loans and advances to customers at amortised cost - Composition and impairment**[1]	**Advances (pre-impairment loss allowance) €m**	**Credit-impaired loans**[2] **€m**	**Credit-impaired loans as % of advances %**	**Impairment loss allowance on credit-impaired loans**[3] **€m**	**Impairment loss allowance as % of credit-impaired loans %**
Residential mortgages	44,317	2,200	5.0%	435	20%
- Retail Ireland	*22,883*	*1,566*	*6.8%*	*376*	*24%*
- Retail UK	*21,434*	*634*	*3.0%*	*59*	*9%*
Non-property SME and corporate	20,659	1,074	5.2%	444	41%
- Republic of Ireland SME	*7,108*	*636*	*8.9%*	*251*	*39%*
- UK SME	*1,678*	*107*	*6.4%*	*37*	*35%*
- Corporate	*11,873*	*331*	*2.8%*	*156*	*47%*
Property and Construction	8,197	1,087	13.3%	361	33%
- Investment	*7,357*	*1,053*	*14.3%*	*346*	*33%*
- Development[4]	*840*	*34*	*4.0%*	*15*	*44%*
Consumer	5,298	128	2.4%	75	59%
Total	**78,471**	**4,489**	**5.7%**	**1,315**	**29%**

[1] *Excludes €399 million of loans and advances to customers at 30 June 2020 (31 December 2019: €252 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9.*
[2] *Credit-impaired loans include Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*
[3] *Includes impairment loss allowance on Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*
[4] *Formerly Land and development.*

Asset quality *(continued)*

Asset quality - Loans and advances to customers *(continued)*

31 December 2019 **Total loans and advances to customers at amortised cost - Composition and impairment[1]**	**Advances (pre-impairment loss allowance) €m**	**Credit-impaired loans[2] €m**	**Credit-impaired loans as % of advances %**	**Impairment loss allowance on credit-impaired loans[3] €m**	**Impairment loss allowance as % of credit-impaired loans %**
Residential mortgages	46,271	1,694	3.7%	380	22%
- Retail Ireland	*23,035*	*1,290*	*5.6%*	*340*	*26%*
- Retail UK	*23,236*	*404*	*1.7%*	*40*	*10%*
Non-property SME and corporate	20,433	784	3.8%	353	45%
- Republic of Ireland SME	*7,305*	*495*	*6.8%*	*225*	*45%*
- UK SME	*1,687*	*80*	*4.7%*	*38*	*48%*
- Corporate	*11,441*	*209*	*1.8%*	*90*	*43%*
Property and Construction	8,112	549	6.8%	180	33%
- Investment	*7,253*	*519*	*7.2%*	*162*	*31%*
- Development[4]	*859*	*30*	*3.5%*	*18*	*60%*
Consumer	5,727	100	1.7%	63	63%
Total	**80,543**	**3,127**	**3.9%**	**976**	**31%**

At 30 June 2020, loans and advances to customers (pre-impairment loss allowance) of €78.5 billion were €2.0 billion lower than 31 December 2019, reflecting adverse currency translation, utilisation of impairment loss allowances and muted demand for net new lending in the period.

Credit-impaired loans increased to €4.5 billion or 5.7% of customer loans at 30 June 2020 from €3.1 billion or 3.9% at 31 December 2019. The increase in credit-impaired loans was due in part to the revised definition of default that was implemented for the majority of the Group's portfolios in first six months of 2020 which resulted in €0.9 billion of assets being re-classified as credit-impaired on implementation during the period. The remaining increase in credit-impaired assets reflected the emergence of new defaults for case-specific reasons primarily in the Corporate and Property and construction portfolios. The increase in credit-impaired loans was partly offset by ongoing resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

COVID-19 has impacted the Group's IFRS 9 staging profile, whereby the application of updated forward-looking information, as well as individually assessed risk ratings has resulted in a material migration of loans from Stage 1 to Stage 2 (i.e. identified as having experienced a significant increase in credit risk).

The stock of impairment loss allowance on credit-impaired loans increased to €1.3 billion at 30 June 2020 from €1.0 billion at 31 December 2019. This increase incorporates the impact of the impairment loss on credit-impaired loans €0.4 billion in the period, partly offset by impairment loss allowance utilisation of c.€0.1 billion.

The total impairment loss allowance as at 30 June 2020 includes a total Group management adjustment of €240 million (31 December 2019: €56 million), €50 million of which was related to credit-impaired assets. Details on the Group management adjustment are provided in note 2 on page 54 of the consolidated financial statements.

Impairment loss allowance as a percentage of credit-impaired loans decreased to 29% at 30 June 2020 from 31% at 31 December 2019. The reduction reflected the impact of the revised definition of default which involved the classification of cases as credit-impaired that have assessed impairment loss allowances coverage that is lower than average. In addition some large Investment property cases that became credit-impaired during the period were individually assessed and require lower than average impairment loss allowances.

[1] *Excludes €399 million of loans and advances to customers at 30 June 2020 (31 December 2019: €252 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9.*
[2] *Credit-impaired loans include Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*
[3] *Includes loss allowance on Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*
[4] *Formerly Land and development.*

Asset quality *(continued)*

Asset quality - Loans and advances to customers *(continued)*

The information below including referenced footnotes forms an integral part of the interim financial statements as described in the basis of preparation on page 49.

Non-performing exposures

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

30 June 2020 Risk profile of loans and advances to customers - NPEs[1]	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired[2]	2,200	1,074	1,087	128	4,489
Not credit-impaired[3]	12	50	5	1	68
Total	**2,212**	**1,124**	**1,092**	**129**	**4,557**

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

The information below including referenced footnotes is additional disclosure and it does not form an integral part of the interim financial statements as described in the basis of preparation on page 49.

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

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

The movements in NPEs in the period are broadly consistent with the movements in credit-impaired loans as set out in the table above. At 30 June 2020, the Group's NPE impairment loss allowance cover ratio was 47% (31 December 2019: 37%), with the increase reflecting the €0.9 billion impairment loss in the period.

[1] *The above tables include NPEs relating to loans and advances to customers at amortised cost and loans and advances to customers measured at FVTPL.*
[2] *Includes Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*
[3] *Other loans meeting NPE criteria as aligned with regulatory requirements.*

Asset quality *(continued)*

Asset quality - Loans and advances to customers *(continued)*

The information below on pages 35 to 39 including referenced footnotes forms an integral part of the interim financial statements as described in the basis of preparation on page 49.

The table below summarises the composition, NPEs and related impairment loss allowance of the Group's loans and advances to customers at amortised cost at 30 June 2020.

30 June 2020 **Total loans and advances to customers Composition and impairment**[1]	**Advances (pre-impairment loss allowance) €m**	**NPEs €m**	**NPEs as % of advances %**	**Total impairment loss allowance €m**	**Total Impairment loss allowance as % of NPEs %**
Residential mortgages	44,317	2,208	5.0%	581	26%
- Retail Ireland	*22,883*	*1,570*	*6.9%*	*448*	*29%*
- Retail UK	*21,434*	*638*	*3.0%*	*133*	*21%*
Non-property SME and corporate	20,659	1,124	5.4%	818	73%
- Republic of Ireland SME	*7,108*	*645*	*9.1%*	*427*	*66%*
- UK SME	*1,678*	*114*	*6.8%*	*65*	*57%*
- Corporate	*11,873*	*365*	*3.1%*	*326*	*89%*
Property and Construction	8,197	1,092	13.3%	455	42%
- Investment	*7,357*	*1,058*	*14.4%*	*415*	*39%*
- Land and development	*840*	*34*	*4.0%*	*40*	*118%*
Consumer	5,298	129	2.4%	268	208%
Total	**78,471**	**4,553**	**5.8%**	**2,122**	**47%**

31 December 2019 **Total loans and advances to customers Composition and impairment**[1]	**Advances (pre-impairment loss allowance) €m**	**NPEs €m**	**NPEs as % of advances %**	**Total impairment loss allowance €m**	**Total Impairment loss allowance as % of NPEs %**
Residential mortgages	46,271	1,939	4.2%	432	22%
- Retail Ireland	*23,035*	*1,461*	*6.3%*	*369*	*25%*
- Retail UK	*23,236*	*478*	*2.1%*	*63*	*13%*
Non-property SME and corporate	20,433	888	4.3%	487	55%
- Republic of Ireland SME	*7,305*	*548*	*7.5%*	*297*	*54%*
- UK SME	*1,687*	*106*	*6.3%*	*49*	*46%*
- Corporate	*11,441*	*234*	*2.0%*	*141*	*60%*
Property and Construction	8,112	592	7.3%	230	39%
- Investment	*7,253*	*559*	*7.7%*	*209*	*37%*
- Development	*859*	*33*	*3.8%*	*21*	*64%*
Consumer	5,727	100	1.7%	159	159%
Total	**80,543**	**3,519**	**4.4%**	**1,308**	**37%**

The movements in NPEs in the year are broadly consistent with the movements in credit-impaired loans as set out on page 31. At 30 June 2020, the Group's NPE impairment loss allowance cover ratio was 47% (31 December 2019: 37%).

[1] *Excludes €399 million of loans and advances to customers at 30 June 2020 (31 December 2019: €252 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9.*

Capital management

The information below including referenced footnotes is additional disclosure and it does not form an integral part of the interim financial statements as described in the basis of preparation on page 49.

CRD IV - 31 December 2019			CRD IV - 30 June 2020[1]	
Regulatory €m	Fully loaded €m		Regulatory €m	Fully loaded €m
		Capital Base		
10,433	10,433	Total equity	9,918	9,968
(189)	(189)	- less foreseeable dividend deduction[2]	-	-
(750)	(750)	- less AT1 Capital	(675)	(675)
9,494	**9,494**	**Total equity less foreseeable dividend deduction and equity instruments not qualifying as CET 1**	**9,243**	**9,293**
(440)	**(1,076)**	**Regulatory adjustments being phased in / out under CRD IV**	**(327)**	**(1,211)**
(513)	*(1,027)*	*- Deferred tax assets[3]*	*(692)*	*(1,154)*
-	*(49)*	*- 10% / 15% threshold deduction*	*-*	*(57)*
73	*-*	*- IFRS 9 transitional adjustment*	365	*-*
(1,512)	**(1,512)**	**Other regulatory adjustments**	**(1,767)**	**(1,610)**
(423)	*(423)*	*- Expected loss deduction*	*(322)*	*(165)*
(761)	*(761)*	*- Intangible assets and goodwill*	*(648)*	*(648)*
(2)	*(2)*	*- Coupon expected on AT1 instrument*	*(7)*	*(7)*
14	*14*	*- Cash flow hedge reserve*	*3*	*3*
3	*3*	*- Own credit spread adjustment (net of tax)*	*(24)*	*(24)*
(47)	*(47)*	*- Securitisation deduction*	*(3)*	*(3)*
(123)	*(123)*	*- Pension asset deduction[4]*	*(603)*	*(603)*
(173)	*(173)*	*- Other adjustments[4,5]*	*(163)*	*(163)*
7,542	**6,906**	**Common equity tier 1**	**7,149**	**6,472**
		AT1		
-	-	AT1 instruments (issued by parent entity)[6]	675	675
611	611	Instruments issued by subsidiaries that are given recognition in AT1 capital[7]	-	-
8,153	**7,517**	**Total tier 1 capital**	**7,824**	**7,147**
		Tier 2		
1,092	1,092	Tier 2 instruments (issued by Parent entity[4,6])	1,071	1,071
248	248	Instruments issued by subsidiaries that are given recognition in Tier 2 capital[4,7]	238	238
		Regulatory adjustments		
(160)	(160)	Other adjustments	(160)	(160)
1,180	**1,180**	**Total tier 2 capital**	**1,149**	**1,149**
9,333	**8,697**	**Total capital**	**8,973**	**8,296**
50.1	**49.9**	**Total risk weighted assets (€bn)**	**47.9**	**47.6**
		Capital ratios		
15.0%	13.8%	Common equity tier 1	14.9%	13.6%
16.3%	15.1%	Tier 1[7]	16.3%	15.0%
18.6%	17.4%	Total capital[7]	18.7%	17.4%
7.1%	6.5%	Leverage ratio[7]	6.8%	6.3%

[1] Capital ratios have been presented including the retained loss in the period (30 June 2019: retained profit).
[2] A foreseeable dividend of €nil (31 December 2019: €189 million) has been deducted as required under Article 2 of EU Regulation No. 241/2014
[3] Deduction relates to deferred tax assets on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 60% in 2020, increasing annually at a rate of 10% thereafter.
[4] 2019 pension asset deduction of €123 debit has been reclassified from 'other adjustments' to 'pension asset deduction'. 2019 'Tier 2 instruments issued by parent)' have been reduced by €38 million and 2019 'instruments issued by subsidiaries that are given recognition in Tier 2 capital' have been increased by €38 million.
[5] Includes technical items such as non-qualifying common equity tier 1 items and Prudential Valuation Adjustment.
[6] The Parent entity refers to BOIG plc.
[7] The calculation of the Group's Tier 1, Total Capital and related ratios (including Leverage ratio) at 30 June 2020 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (further details are provided on pages 36 to 38). As a result of the establishment of BOIG plc, and due to the requirements of Articles 85 and 87 of the Capital Requirements Regulation, regulatory capital instruments issued by subsidiaries (i.e. The Governor and Company of the Bank of Ireland) cannot be recognised in full in the prudential consolidation.

Capital management *(continued)*

CRD IV - 31 December 2019[1] Regulatory €bn	CRD IV - 31 December 2019[1] Fully loaded €bn		CRD IV - 30 June 2020[1] Regulatory €bn	CRD IV - 30 June 2020[1] Fully loaded €bn
		Risk weighted assets (RWA)[2]		
40.5	40.4	Credit risk	37.2	37.0
0.6	0.6	Counterparty credit risk	0.8	0.8
0.6	0.6	Securitisation	0.9	0.9
0.4	0.4	Market risk	0.8	0.8
4.4	4.4	Operational risk	4.4	4.4
3.6	3.5	Other assets / 10% / 15% threshold deduction	3.8	3.7
50.1	**49.9**	**Total RWA**	**47.9**	**47.6**

Regulatory Capital Developments

The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent clarifications, including European Central Bank (ECB) regulation 2016/445 on the exercise of options and discretions. The regulatory capital ratios reflect the phased implementation of deferred tax assets (DTAs) (dependent on future profitability) deduction and the impact of the implementation of IFRS 9. These items will be fully implemented in 2024 and 2025 respectively.

CRD IV continues to evolve through amendments to current Regulations, directives and the adoption of new technical standards. The majority of the changes impacting capital contained in the amended Capital Requirements Regulation (CRR) (e.g. binding leverage requirement) will become applicable from 28 June 2021 with some accelerated to June 2020 as outlined below. The amendments to CRD and the Bank Recovery and Resolution Directive (BRRD) require transposition into Irish law by 28 December 2020.

On 26 June 2020 amendments to the capital rules CRR to support banks during COVID-19 were published in the Official Journal of the EU. The amendments include an increase to IFRS 9 transitional addbacks to capital, and an acceleration of changes to the SME supporting factor (reduces RWA) and rules relating to deducting certain software assets from capital. The regulation is applicable from 27 June 2020, with the software asset exemption becoming applicable when the associated EBA regulatory technical standard is approved.

The Basel Committee announced revisions to the Basel Framework which focus on the standardised and internal ratings-based approaches to measuring credit risk. These include the introduction of an aggregate output floor to ensure banks' RWAs calculated via internal models are no lower than 72.5% of RWAs calculated under the standard approach.

The revised standards which were originally due to take effect from 1 January 2022, are now deferred to 1 January 2023, with a phase-in period of five years for the aggregate output floor. The Group continues to monitor developments with any impact dependent on the implementation at EU level.

Capital Actions

In May 2020, the Group issued AT1 securities with a par value of €675 million. The securities carry an initial coupon of 7.5%.

[1] *RWA reflect the application of certain Central Bank of Ireland / European Central Bank required adjustments, including treatments of expected loss.*
[2] *Further details on risk weighted assets as at 31 December 2019 can be found in the Group's Pillar 3 disclosures for the year ended 31 December 2019 available on the Group's website.*

Capital management *(continued)*

Pro forma CET 1 Regulatory Capital Requirements	Set by	2018	2019	2020	2021
Pillar 1 - CET 1	CRR	4.50%	4.50%	4.50%	4.50%
Pillar 2 Requirement (P2R)	SSM	2.25%	2.25%	1.27%	1.27%
Capital Conservation Buffer (CCB)	CRD	1.88%	2.50%	2.50%	2.50%
Countercyclical buffer (CCyB)					
Ireland (c.60% of RWA)	CBI	-	0.60%	-	-
UK (c.30% of RWA)	FPC (UK)	0.30%	0.30%	-	-
US and other (c.10% of RWA)	Fed / Various	-	-	-	-
Other systemically important institutions (O-SII) Buffer (from 1 July 2020)	CBI	-	0.50%	1.00%	1.50%
Systemic Risk Buffer - Ireland	Minister for Finance	-	-	-	-
Pro forma Minimum CET 1 Regulatory Requirements		**8.93%**	**10.65%**	**9.27%**	**9.77%**
Pillar 2 Guidance (P2G)	**Not disclosed in line with regulatory preference**				

Capital requirements / buffers

The table above sets out the Group's CET 1 capital requirements for 2020 and the authorities responsible for setting those requirements.

The Group is required to maintain a CET 1 ratio of 8.77% on a regulatory basis from 1 April 2020, increasing to 9.27% from July 2020. This includes a Pillar 1 requirement of 4.5%, a CET1 P2R of 1.27%, a CCB of 2.5% and an O-SII Buffer of 1.0% (from 1 July 2020). P2G is not disclosed in accordance with regulatory preference.

The Group's CET1 capital requirements at 1 April 2020 have decreased by c.188 basis points from those at 31 December 2019 due to a range of measures introduced by supervisors in response to the economic impact of COVID-19. The ECB confirmed, in its letter dated 8 April 2020, that the Group's Pillar 2 requirement of 2.25%, which was previously to be held in the form of CET1 capital, is now to be held in the form of 56.25% of CET1 capital and 75% Tier 1 capital, as a minimum. This represents a Pillar 2 requirement of 1.27% for CET1 capital, 1.69% for Tier 1 capital and 2.25% for Total Capital. This change reduced the Group's CET1 requirement by c.98 basis points.

The Financial Policy Committee UK (FPC) and the CBI have reduced the UK and RoI CCyB rates to 0% until at least Q1 2022. These changes reduced the Group's CET1 requirement at 1 April 2020 by c.90 basis points.

The CBI has advised that the Group is required to maintain an O-SII buffer of 0.5% from 1 July 2019, 1.0% from 1 July 2020 and 1.5% from 1 July 2021. The O-SII buffer is subject to annual review by the CBI.

The CBI has requested the power to introduce a Systemic Risk Buffer (SyRB) in Ireland, which could increase capital demand in the future. The timing, size and application of any potential SyRB are unknown. In response to the impact of COVID-19, the Minister for Finance confirmed that the introduction of the systemic risk buffer would be deferred.

The Group expects to maintain both regulatory and fully loaded capital ratios significantly in excess of minimum regulatory requirements.

Minimum requirement for own funds and eligible liabilities

In November 2019, the Single Resolution Board (SRB) advised that the Group's Minimum requirement for own funds and eligible liabilities (MREL) requirement had been set at 11.93% of total liabilities and own funds as at December 2017 (equivalent to 27.09% of RWAs) to be met by 1 January 2021. In light of the COVID-19 pandemic, the SRB announced that it intends to take a forward-looking approach and has confirmed that MREL decisions during the 2020 resolution planning cycle will set according to the transition period in the Single Resolution Mechanism Regulation II, i.e. setting the first binding intermediate target for compliance by 2022 and the final target by 2024.

The Group's MREL position at 30 June 2020 is 24.4% (based on June 2020 RWA).

Risk weighted assets

RWA on a regulatory basis, were €47.9 billion at 30 June 2020 (31 December 2019: €50.1 billion). The decrease of €2.2 billion in RWA is primarily due to net loan book growth being offset by reductions in RWA from application of revised SME Supporting Factor, impact of changes in asset quality and foreign exchange movements.

Capital management *(continued)*

Regulatory ratio
The CET 1 ratio was 14.9% at 30 June 2020 (15.0% at 31 December 2019). The decrease since 31 December 2019 of c.10 basis points is primarily due to pre-impairment organic capital generation (c.50 basis points) and the withdrawal of the 2019 dividend (c.40 basis points), offset by the impact of CRD phasing for 2020 (c.-25 basis points), the impact of credit quality deterioration (c.-40 basis points), RWA growth (c.-10 basis points), the net impact of regulatory change (c.-15 basis points), investment in the Group's transformation programmes (c.-15 basis points) and other net movements, including movements in the Group's defined benefit pension schemes (c.5 basis points).

Fully loaded ratio
The Group's fully loaded CET 1 ratio is 13.6% at 30 June 2020 (31 December 2019: 13.8%). The decrease of c.20 basis points since 31 December 2019 is primarily due to organic capital generation (c.45 basis points) and the withdrawal of the 2019 dividend (c.40 basis points), offset by the impact of credit quality deterioration (c.-65 basis points), RWA growth (c.-15 basis points), the net impact of regulatory change (c.-20 basis points), investment in the Group's transformation programmes (c.-15 basis points) and other net movements, including movements in the Group's defined benefit pension schemes (c.10 basis points).

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

The European Commission (EC) has introduced a binding leverage requirement of 3% which will be applicable from 28 June 2021. The Group expects to remain well in excess of this requirement.

Distribution policy
The Group proposed the payment of a dividend of €189 million, equivalent to 17.5 cents per share in respect of the 2019 financial year. In light of the evolving COVID-19 pandemic, and following the recommendation of the ECB on 27 March 2020 on dividend distributions for all significant institutions during the COVID-19 pandemic, the Group announced on 30 March 2020 that it withdrew its proposed dividend for the year ended 31 December 2019, and that it would assess dividends at a future date, the earliest of which, in line with the ECB's revised recommendation on 27 July 2020, would be 1 January 2021. Consistent with the ECB recommendation, the Group is not currently making a foreseeable dividend deduction.

The Group's underlying dividend policy remains unchanged, the dividend level and the rate of progression will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties and any impact from the evolving regulatory and accounting environments.

Impediments to the transfer of funds
There is a requirement to disclose any impediment to the prompt transfer of funds within the Group. In respect of the Group's licensed subsidiaries, the Group is obliged to meet certain license conditions in respect of capital and / or liquidity.

These requirements may include meeting or exceeding appropriate capital and liquidity ratios and obtaining appropriate regulatory approvals for the transfer of capital or, in certain circumstances, liquidity. The Group's licensed subsidiaries would be unable to remit funds to the parent when to do so would result in such ratios or other regulatory permissions being breached. Apart from this requirement, there is no restriction on the prompt transfer of own funds or the repayment of liabilities between the subsidiary companies and the parent.

At 30 June 2020, own funds were in excess of the required minimum requirement.

Responsibility statement
for the six months ended 30 June 2020

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

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

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year (see page 28);
- details of any related parties' transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2020; and
- details of any changes to related parties' transactions described in the Group's Annual Report for the year ended 31 December 2019 that could have a material effect on the financial position or performance of the Group in the six months ended 30 June 2020.

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

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

Signed on behalf of the Board by
4 August 2020

Patrick Kennedy	Patrick Haren	Francesca McDonagh
Patrick Kennedy	***Patrick Haren***	***Francesca McDonagh***
Chairman	*Deputy Chairman*	*Group Chief Executive Officer*

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

Independent review report
to the members of Bank of Ireland Group plc

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

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

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

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

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

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

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the Group in accordance with the terms of our engagement to assist the Group in meeting the requirements of the TD Regulations and the Transparency Rules of the CBI. Our review has been undertaken so that we might state to the Group 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 Group for our review work, for this report, or for the conclusions we have reached.

KPMG

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

4 August 2020

Consolidated interim financial statements and notes *(unaudited)*

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

	Note	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Interest income calculated using the effective interest method	4	1,138	1,181
Interest income on finance leases and hire purchase receivables	4	89	84
Interest income		**1,227**	**1,265**
Interest expense	5	(149)	(188)
Net interest income		**1,078**	**1,077**
Net insurance premium income	6	763	698
Fee and commission income	7	217	254
Fee and commission expense	7	(85)	(103)
Net trading (expense) / income	8	(36)	78
Life assurance investment income, gains and losses	9	(470)	848
Other leasing income	10	31	27
Other leasing expense	10	(26)	(22)
Other operating income	11	17	61
Total operating income		**1,489**	**2,918**
Insurance contract liabilities and claims paid	12	(236)	(1,460)
Total operating income, net of insurance claims		**1,253**	**1,458**
Total operating expenses		(1,117)	(1,056)
- other operating expenses	13	*(972)*	*(1,056)*
- impairment of intangible assets	21	*(136)*	-
- impairment of goodwill	21	*(9)*	-
Cost of restructuring programme	14	(27)	(27)
Operating profit before impairment losses on financial instruments		**109**	**375**
Net impairment losses on financial instruments	15	(937)	(77)
Operating (loss) / profit		**(828)**	**298**
Share of results of associates and joint ventures (after tax)		(3)	20
Gain / (loss) on liquidation of business activities		9	(3)
(Loss) / profit before tax		**(822)**	**315**
Taxation credit / (charge)	16	97	(89)
(Loss) / profit for the period		**(725)**	**226**
Attributable to shareholders		(757)	195
Attributable to non-controlling interests		32	31
(Loss) / profit for the period		**(725)**	**226**
Earnings per ordinary share	17	(70.5c)	18.1c
Diluted earnings per ordinary share	17	(70.5c)	18.1c

Consolidated condensed statement of comprehensive income

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

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
(Loss) / profit for the period	**(725)**	**226**
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss in subsequent periods		
- Debt instruments at fair value through other comprehensive income, net of tax	(41)	48
- Cash flow hedge reserve, net of tax	11	8
- Foreign exchange reserve	(169)	(2)
Total items that may be reclassified to profit or loss in subsequent periods	**(199)**	**54**
Items that will not be reclassified to profit or loss in subsequent periods		
- Remeasurement of the net defined benefit pension asset / (liability), net of tax	562	(61)
- Net change in liability credit reserve	15	-
Total items that will not be reclassified to profit or loss in subsequent periods	**577**	**(61)**
Other comprehensive income for the period, net of tax	**378**	**(7)**
Total comprehensive income for the period, net of tax	**(347)**	**219**
Total comprehensive income attributable to equity shareholders	(379)	188
Total comprehensive income attributable to non-controlling interests	32	31
Total comprehensive income for the period, net of tax	**(347)**	**219**

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

Consolidated condensed balance sheet
(as at 30 June 2020) (unaudited)

	Note	30 June 2020 €m	31 December 2019 €m
Assets			
Cash and balances at central banks		9,385	8,325
Items in the course of collection from other banks		169	223
Trading securities		61	32
Derivative financial instruments		2,642	1,999
Other financial assets at FVTPL		15,603	16,453
Loans and advances to banks		3,022	3,328
Debt securities at amortised cost		5,297	4,511
Financial assets at FVOCI		11,537	10,797
Loans and advances to customers	18	76,748	79,487
Interest in associates		52	56
Interest in joint ventures		71	76
Intangible assets and goodwill	21	720	838
Investment properties		945	999
Property, plant and equipment		950	1,009
Current tax assets		32	36
Deferred tax assets	22	1,078	1,088
Other assets		2,589	2,497
Retirement benefit assets	29	714	129
Total assets		**131,615**	**131,883**
Equity and liabilities			
Deposits from banks	23	2,023	2,179
Customer accounts	24	86,508	83,968
Items in the course of transmission to other banks		378	219
Derivative financial instruments		2,559	2,478
Debt securities in issue	25	7,496	8,809
Liabilities to customers under investment contracts		5,454	5,890
Insurance contract liabilities		12,472	12,694
Other liabilities		2,276	2,413
Lease liabilities		532	565
Current tax liabilities		33	33
Provisions	26	128	143
Loss allowance provision on loan commitments and financial guarantees	28	77	30
Deferred tax liabilities	22	58	71
Retirement benefit obligations	29	181	268
Subordinated liabilities	30	1,472	1,690
Total liabilities		**121,647**	**121,450**
Equity			
Share capital		1,079	1,079
Share premium account		456	456
Retained earnings		8,046	8,180
Other reserves		(315)	(60)
Own shares held for the benefit of life assurance policyholders		(35)	(30)
Shareholders' equity		**9,231**	**9,625**
Other equity instruments - Additional Tier 1	31	669	-
Total equity excluding non-controlling interests		**9,900**	**9,625**
Non-controlling interests	32	68	808
Total equity		**9,968**	**10,433**
Total equity and liabilities		**131,615**	**131,883**

Consolidated condensed statement of changes in equity

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

				Other reserves											
	Share capital €m	Share 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	Merger reserve €m	Revaluation reserve €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2020	**1,079**	**456**	**8,180**	**158**	**(14)**	**(3)**	**(703)**	**451**	**17**	**34**	**(30)**	**9,625**	**-**	**808**	**10,433**
Loss for the period	-	-	(757)	-	-	-	-	-	-	-	-	(757)	-	32	(725)
Other comprehensive income	-	-	562	(41)	11	15	(169)	-	-	-	-	378	-	-	378
Total comprehensive income for the period	**-**	**-**	**(195)**	**(41)**	**11**	**15**	**(169)**	**-**	**-**	**-**	**-**	**(379)**	**-**	**32**	**(347)**
Transactions with owners															
Contributions by and distributions to owners of the Group															
- Redemption of NCI - AT1 securities (note 32)	-	-	(10)	-	-	-	-	-	-	-	-	(10)	-	(740)	(750)
- AT1 securities issued during the period, net of expenses (note 31)	-	-	-	-	-	-	-	-	-	-	-	-	669	-	669
- Distribution paid to NCI - AT1 coupon (note 32)	-	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	(5)	(5)	-	-	(5)
- Dividends paid to NCI - preference stock (note 32)	-	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)
- Dividends on ordinary shares (note 36)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**(10)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**(15)**	**669**	**(772)**	**(118)**
Transfer from capital reserve to retained earnings	-	-	71	-	-	-	-	(71)	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2020	**1,079**	**456**	**8,046**	**117**	**(3)**	**12**	**(872)**	**380**	**17**	**34**	**(35)**	**9,231**	**669**	**68**	**9,968**

Consolidated condensed statement of changes in equity

(for the six months ended 30 June 2019) (unaudited)

				Other reserves											
	Share capital €m	Share 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	Merger reserve €m	Revaluation reserve €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2019	**1,079**	**456**	**7,975**	**133**	**(10)**	**24**	**(833)**	**396**	**17**	**31**	**(25)**	**9,243**	**-**	**808**	**10,051**
Profit for the period	-	-	195	-	-	-	-	-	-	-	-	195	-	31	226
Other comprehensive income	-	-	(61)	48	8	-	(2)	-	-	-	-	(7)	-	-	(7)
Total comprehensive income for the period	**-**	**-**	**134**	**48**	**8**	**-**	**(2)**	**-**	**-**	**-**	**-**	**188**	**-**	**31**	**219**
Transactions with owners															
Contributions by and distributions to owners of the Group															
- Dividends on ordinary shares (note 36)	-	-	(173)	-	-	-	-	-	-	-	-	(173)	-	-	(173)
- Dividends paid to NCI - preference stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
- Distribution paid to NCI - AT1 coupon	-	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	(2)	(2)	-	-	(2)
- Redemption of NCI - AT1 securities (note 32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the period, net of expenses (note 31)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**(173)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(175)**	**-**	**(31)**	**(206)**
Transfer from retained earnings to capital reserve	-	-	(65)	-	-	-	-	65	-	-	-	-	-	-	-
Other movements	-	-	1	-	-	-	-	-	-	-	-	1	-	-	1
Balance at 30 June 2019	**1,079**	**456**	**7,872**	**181**	**(2)**	**24**	**(835)**	**461**	**17**	**31**	**(27)**	**9,257**	**-**	**808**	**10,065**

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

	Share capital €m	Share 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: Merger reserve €m	Other reserves: Revaluation reserve €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2019	**1,079**	**456**	**7,975**	**133**	**(10)**	**24**	**(833)**	**396**	**17**	**31**	**(25)**	**9,243**	**-**	**808**	**10,051**
Profit for the period	-	-	386	-	-	-	-	-	-	-	-	386	-	62	448
Other comprehensive income	-	-	39	25	(4)	(18)	130	-	-	3	-	175	-	-	175
Total comprehensive income for the period	**-**	**-**	**425**	**25**	**(4)**	**(18)**	**130**	**-**	**-**	**3**	**-**	**561**	**-**	**62**	**623**
Transactions with owners															
Contributions by and distributions to owners of the Group															
- Dividends on ordinary shares (note 36)	-	-	(173)	-	-	-	-	-	-	-	-	(173)	-	-	(173)
- Dividends paid to NCI - preference stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)
- Distribution paid to NCI - AT1 coupon, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	(55)	(55)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	(5)	(5)	-	-	(5)
- Redemption of NCI - AT1 securities (note 32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the period, net of expenses (note 31)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**(173)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**(178)**	**-**	**(62)**	**(240)**
Transfer from retained earnings to capital reserve	-	-	(55)	-	-	-	-	55	-	-	-	-	-	-	-
Transfer from liability credit reserve to retained earnings	-	-	9	-	-	(9)	-	-	-	-	-	-	-	-	-
Other movements	-	-	(1)	-	-	-	-	-	-	-	-	(1)	-	-	(1)
Balance at 31 December 2019	**1,079**	**456**	**8,180**	**158**	**(14)**	**(3)**	**(703)**	**451**	**17**	**34**	**(30)**	**9,625**	**-**	**808**	**10,433**

Consolidated condensed cash flow statement
(for the six months ended 30 June 2020) (unaudited)

	Note	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Cash flows from operating activities			
(Loss) / profit before tax		(822)	315
Share of results of associates and joint ventures		3	(20)
(Gain) / loss on liquidation of business activities		(9)	3
Impairment of intangible assets and goodwill	21	145	-
Depreciation and amortisation	10,13	145	163
Net impairment losses on financial instruments, excluding cash recoveries	15	959	94
Revaluation of investment property		40	9
Interest expense on subordinated liabilities		38	57
Interest expense on lease liabilities		7	6
Charge for pension and similar obligations	13	47	49
Net change in accruals and interest payable		(45)	(42)
Net change in prepayments and interest receivable		43	51
Charge for provisions	26	18	77
Net change in operating expenses accrued		37	57
Non-cash and other items		24	44
Cash flows from operating activities before changes in operating assets and liabilities		**630**	**863**
Net cash flow from operating assets and liabilities		851	(1,558)
Net cash flow from operating activities before tax		**1,481**	**(695)**
Tax paid		(13)	(16)
Net cash flow from operating activities		**1,468**	**(711)**
Investing activities (section a below)		(1,683)	(219)
Financing activities (section b below)		(396)	(1,065)
Effect of exchange translation and other adjustments		198	28
Net change in cash and cash equivalents		**(413)**	**(1,967)**
Opening cash and cash equivalents		11,326	8,349
Closing cash and cash equivalents		**10,913**	**6,382**
(a) Investing activities			
Additions to financial assets at FVOCI		(1,858)	(805)
Disposals / redemptions of financial assets at FVOCI		1,108	1,247
Additions to debt securities at amortised cost		(859)	(705)
Disposals / redemptions of debt securities at amortised cost		60	144
Additions to property, plant and equipment, intangible assets and investment property		(143)	(144)
Disposal of property, plant and equipment, intangible assets and investment property		9	38
Net change in interest in associates		-	6
Cash flows from investing activities		**(1,683)**	**(219)**
(b) Financing activities			
Repayment of subordinated liabilities		(208)	(750)
Interest paid on subordinated liabilities		(35)	(66)
Interest paid on lease liability		(7)	(6)
Payment of lease liability		(33)	(39)
Dividend paid to ordinary shareholders	36	-	(173)
Net proceeds from the issue of other equity instruments	31	669	-
Redemption of NCI - AT1 securities	32	(750)	-
Distribution to NCI - AT1 coupons	32	(28)	(28)
Dividend paid to NCI - AT1 coupons - preference stock	32	(4)	(3)
Cash flows from financing activities		**(396)**	**(1,065)**

Notes to the consolidated financial statements *(unaudited)*

1 Group accounting policies

Basis of preparation

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

Statutory financial statements

These interim financial statements do not comprise statutory financial statements within the meaning of the Companies Act 2014. The statutory financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 21 February 2020, contained an unqualified audit report and did not include a reference to any matters to which the statutory auditor drew attention by way of emphasis. The statutory financial statements were filed with the Companies Registration Office on 19 May 2020.

Interim financial statements

The interim financial statements comprise the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the notes to the consolidated interim financial statements on pages 48 to 107. The interim financial statements include the information that is described as being an integral part of the interim financial statements contained in the Asset quality section on pages 29 to 34 of the Operating Financial Review (OFR). The interim financial statements also include the tables in Other Information - Supplementary asset quality and forbearance disclosures on pages 108 to 133 described as being an integral part of the interim financial statements.

Going concern

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

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

Capital

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

Funding and liquidity

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

Conclusion

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

Comparatives

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

Accounting policies

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 178 to 193 of the Group's Annual Report for the year ended 31 December 2019, except for the application of amendments to standards, as set out below as of 1 January 2020.

Amendments to IFRS 3 'Business Combinations'

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

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

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

2 Critical accounting estimates and judgements

The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets, liabilities, income and expense. Other than as set out below, there have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2019, as set out on pages 194 to 197 of the Group's Annual Report for the year ended 31 December 2019.

Impairment loss allowance on financial assets

The Group's credit risk methodologies are set out on pages 134 to 139 of the Group's Annual Report for the year ended 31 December 2019.

Changes in estimates

Forward Looking Information

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

The Group's FLI methodology is set out on pages 138 and 139 of the Group's Annual Report for the year ended 31 December 2019.

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

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

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

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

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

The table below shows the mean average forecast values for the key macroeconomic variables under each scenario for the forecast period 2020 to 2024, together with the scenario weightings for both the Republic of Ireland and the United Kingdom.

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

The table on page 51 sets out the annual forecast values for 2020, 2021 and the average forecast values for the period 2022 to 2024 for the key macroeconomic variables which underpin the above mean average values.

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

2 Critical accounting estimates and judgements *(continued)*

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

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

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

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

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

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

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

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

2 Critical accounting estimates and judgements *(continued)*

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

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

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

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

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

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

2 Critical accounting estimates and judgements *(continued)*

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

Management Judgement in Impairment Measurement

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

Management judgement in impairment model parameters

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

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

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

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

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

The ECL model framework was also updated in the period to reflect the implementation of the revised definition of default (as outlined on page 29 in the asset quality section of the OFR) and model factor updates to reflect recent observed information. This included the utilisation of an enhanced data source for the sales ratio parameter in the Retail Ireland residential mortgages Loss Given Default (LGD) model.

Post-model Group management adjustment

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

COVID-19 Group management adjustment

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

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

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

The total payment break population at 30 June 2020 is c.€11.5 billion. Further details in relation to payment breaks are set out on page 130. The Group's management adjustment of €169 million in Stage 1 is broadly equivalent to the impact from a transfer of circa 40% of stage 1 payment breaks into stage 2.

Stage 3 Group management adjustment for residential mortgages

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

The management adjustment for the Retail Ireland mortgage portfolio primarily reflects the concentration of Stage 3 assets which are longer in default, where utilisation of alternative recovery strategies to achieve realisation may require higher impairment coverage on disposal that currently cannot be reasonably be reflected in IFRS 9 impairment model methodology. The €50 million (31 December 2019: €50 million) management adjustment reflects the profile of the Stage 3

2 Critical accounting estimates and judgements *(continued)*

population at 30 June 2020 and has been calculated and applied through increases to the LGD component of modelled impairment loss allowances for Stage 3 residential mortgages that have been in default for more than five years.

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

Taxation

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates, based on a judgement of the application of law and practice in certain cases, to determine the quantification of any liabilities arising. At 30 June 2020, the net Deferred Tax Asset (DTA) was €1,020 million (31 December 2019: €1,017 million), of which €1,174 million (31 December 2019: €1,089 million) related to trading losses. The closing DTA includes €1,104 million of Irish trading losses, €63 million of UK trading losses, and €7 million of US trading losses.

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

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

RoI deferred tax asset

Judgement

The Group's judgement takes into consideration the impact of both positive and negative evidence in assessing the recoverability of the deferred tax asset. Positive factors which have been considered include:

- With the exception of the current year and the years of the financial crisis, the Group has a sustained history of Irish operating profits and a large market share and it is considered likely that the Group's Irish activities will be profitable into the future;
- the absence of any expiry dates for Irish and UK tax losses; and
- external forecasts for Ireland and the UK which indicate a return to growth and improved employment levels in 2021.

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

- the absolute level of deferred tax assets compared to the Group's equity;
- the quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised; and
- the challenge of projecting over a long period, taking account of the level of competition and a lower-for-longer interest rate environment.

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

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

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

UK deferred tax assets

Judgement

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

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

UK Branch

Judgement

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

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

Bank of Ireland (UK) plc

Judgement

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

2 Critical accounting estimates and judgements *(continued)*

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

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

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

Sources of estimation uncertainty

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

The Group's profitability projections are based on its strategic priorities where the focus will be to increase overall returns, improve cost efficiencies and grow sustainable profits. The projections also reflect the significant impact of COVID-19 on business performance, the external challenges facing the banking industry including the lower-for-longer interest rate environment and the uncertainty around the impact of Brexit on the UK economy (note 22).

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

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

Intangible assets

Judgement

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

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

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

3 Operating segments

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Underlying profit or loss' in its internal management reporting systems. Underlying profit or loss excludes:
- impairment of internally generated computer software;
- cost of restructuring programme;
- investment return on Treasury shares held for policyholders;
- gain / loss on disposal / liquidation of business activities;
- customer redress charges;
- portfolio divestments; and
- gross-up for policyholder tax in the Wealth and Insurance business.

3 Operating segments *(continued)*

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

30 June 2020 Reconciliation of underlying loss before tax to loss before tax	Group €m
Underlying loss before tax	(669)
Impairment of internally generated computer software	(136)
Cost of restructuring programme	(27)
Investment return on Treasury shares held for policyholders	17
Gain on disposal / liquidation of business activities	9
Customer redress charges	(7)
Portfolio divestments	(5)
Gross-up for policyholder tax in the Wealth and Insurance business	(4)
Loss before tax	**(822)**

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

3 Operating segments *(continued)*

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

6 months ended 30 June 2019 Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	376
Customer redress charges	(62)
Cost of restructuring programme	(27)
Gross-up for policyholder tax in the Wealth and Insurance business	22
Portfolio divestments	8
Loss on disposal / liquidation of business activities	(3)
Investment return on Treasury shares held for policyholders	1
Profit before tax	**315**

30 June 2020 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**52**	**-**	**71**	**-**	**-**	**-**	**123**
External assets	33,916	18,830	32,995	37,019	8,859	(4)	131,615
Inter segment assets	74,539	675	1,524	92,863	25,390	(194,991)	-
Total assets	**108,455**	**19,505**	**34,519**	**129,882**	**34,259**	**(194,995)**	**131,615**
External liabilities	58,701	18,506	25,446	13,734	5,264	(4)	121,647
Inter segment liabilities	47,831	283	6,916	115,739	24,249	(195,018)	-
Total liabilities	**106,532**	**18,789**	**32,362**	**129,473**	**29,513**	**(195,022)**	**121,647**

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

3 Operating segments *(continued)*

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

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

6 months ended 30 June 2019 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
External revenue	**687**	**1,613**	**602**	**357**	**8**	**(16)**	**3,251**
Inter segment revenues	228	49	(23)	165	123	(542)	-
Revenue before claims paid	**915**	**1,662**	**579**	**522**	**131**	**(558)**	**3,251**
Insurance contract liabilities and claims paid	-	(1,456)	-	-	(4)	-	(1,460)
Revenue	**915**	**206**	**579**	**522**	**127**	**(558)**	**1,791**
Interest expense	**(41)**	**-**	**(116)**	**62**	**(97)**	**4**	**(188)**
Capital expenditure	**12**	**9**	**27**	**-**	**96**	**-**	**144**

4 Interest income

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

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

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

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

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

5 Interest expense

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Debt securities in issue	51	49
Customer accounts	48	71
Subordinated liabilities	34	49
Lease liabilities	7	6
Deposits from banks	6	9
Interest expense from financial liabilities measured at amortised cost	**146**	**184**
Negative interest on financial assets	3	4
Interest expense	**149**	**188**

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

6 Net insurance premium income

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

7 Fee and commission income and expense

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

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

Expense

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

8 Net trading (expense) / income

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

[1] *Net (expense) / income from financial instruments mandatorily measured at FVTPL includes interest (expense) / income from debt instruments and dividend income from equities. It also includes realised and unrealised gains and losses.*

[2] *Non-trading equities and debt securities mandatorily measured at FVTPL are reported in the balance sheet under the caption 'Other financial assets at FVTPL'. The income from life assurance investments which also comprises 'Other financial assets at FVTPL' is reported in note 9 'Life assurance investment income, gains and losses'.*

8 Net trading (expense) / income *(continued)*

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

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

9 Life assurance investment income, gains and losses

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

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

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

10 Other leasing income and expense

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

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

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

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

11 Other operating income

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

12 Insurance contract liabilities and claims paid

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

13 Other operating expenses

Administrative expenses and staff costs	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Staff costs excluding restructuring and Transformation Investment staff costs	430	419
Amortisation of intangible assets (note 21)	83	96
Levies and regulatory charges	70	73
Transformation Investment charge	28	63
Depreciation of property, plant and equipment	48	53
Lease expenses - short-term leases	-	2
Other administrative expenses excluding cost of restructuring programme	313	350
Total	**972**	**1,056**
Total staff costs are analysed as follows:		
Wages and salaries	327	310
Retirement benefit costs (defined benefit plans)	47	49
Social security costs	38	37
Retirement benefit costs (defined contribution plans)	17	15
Other staff expenses	1	8
Staff costs excluding restructuring and Transformation Investment staff costs	**430**	**419**
Additional restructuring and Transformation Investment staff costs:		
Included in cost of restructuring programme (note 14)	10	17
Included in Transformation Investment charge	2	11
Total staff costs recognised in the income statement	**442**	**447**

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

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

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

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

Staff numbers

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

14 Cost of restructuring programme

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

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

15 Net impairment losses on financial instruments

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Loans and advances to customers	(888)	(81)
- Movement in impairment loss allowances (note 18)	*(910)*	*(98)*
- Cash recoveries	*22*	*17*
Loan commitments	(46)	3
Guarantees and irrevocable letters of credit	(2)	-
Other financial assets	(1)	1
Net impairment losses on financial instruments	**(937)**	**(77)**

Loans and advances to customers at amortised cost

Net impairment losses

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

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

[1] *Formerly land and development.*

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

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

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

Further information on the 2019 disposal is outlined in note 27 of the Group's Annual Report for the year ended 31 December 2019.

16 Taxation

The taxation credit for the period is €97 million with an effective statutory taxation rate of 12% (six months ended 30 June 2019: taxation charge of €89 million and taxation rate of 28%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses.

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

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Current tax		
Irish Corporation Tax		
- Current period	3	23
- Adjustments in respect of prior periods	-	-
Foreign tax		
- Current period	15	27
- Adjustments in respect of prior periods	3	(2)
Current tax charge	**21**	**48**
Deferred tax		
Current period (losses) / profits	(76)	21
Origination and reversal of temporary differences	(21)	16
Reassessment of value of tax losses carried forward	(10)	-
Impact of corporation tax rate change	(9)	-
Adjustments in respect of prior periods	(2)	4
Deferred tax (credit) / charge	**(118)**	**41**
Total taxation (credit) / charge	**(97)**	**89**

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
(Loss) / profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2019: 12.5%)	(103)	39
Effects of:		
Foreign earnings subject to different rates of tax	12	22
Reassessment of value of tax losses carried forward	(10)	-
Impact of corporation tax rate change on deferred tax	(9)	-
Current period UK losses not valued for deferred tax	8	-
Adjustments in respect of prior year	1	2
Share of results of associates and joint ventures shown post tax in the income statement	-	(2)
Other adjustments for tax purposes	4	28
Taxation (credit) / charge	**(97)**	**89**

16 Taxation *(continued)*

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

17 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue excluding own shares held for the benefit of life assurance policyholders (Treasury shares).

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

	6 months ended 30 June 2020 €m	6 months ended 30 June 2019 €m
Basic and diluted earnings per share		
(Loss) / profit attributable to ordinary shareholders	(757)	195
	Shares (millions)	**Shares (millions)**
Weighted average number of shares in issue excluding Treasury shares	1,073	1,075
Basic and diluted earnings per share (cent)	(70.5c)	18.1c

18 Loans and advances to customers

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

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

In 2019, the Group completed three transactions whereby it derecognised or disposed of €479 million of loans and advances to customers (after impairment loss allowance) as follows:
- A portfolio of residential mortgage NPEs with a net carrying value of €326 million, was transferred to Mulcair Securities DAC.
- A portfolio of residential and commercial property NPEs with a net carrying value of €151 million, was sold to Promontoria 2019 DAC.
- A portfolio of UK personal loan NPEs with a net carrying value of €2 million, was sold to Intrum Finance Limited.

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

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

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

Further information on the 2019 disposals is outlined in note 27 of the Group's Annual Report for the year ended 31 December 2019.

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

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

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

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

18 Loans and advances to customers *(continued)*

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

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

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

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a significant increase in credit risk or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in the credit risk section of the Risk Management Report on page 137 of the Group's Annual Report for the year ended 31 December 2019, with updates for 2020 (including the impact of the implementation of a revised definition of default) outlined in the asset quality section of the OFR on pages 29 to 34.

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

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

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

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

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

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

18 Loans and advances to customers *(continued)*

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

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

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

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

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

18 Loans and advances to customers *(continued)*

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

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

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

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

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

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

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

18 Loans and advances to customers *(continued)*

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

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

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

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

[1] At 31 December 2019, Purchased or originated credit-impaired assets included €67 million of assets with an impairment loss allowance of €2 million which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.
[2] The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2019 is €2 million.

18 Loans and advances to customers *(continued)*

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

Residential Mortgages

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

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

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

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

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

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

18 Loans and advances to customers *(continued)*

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

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

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

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

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

18 Loans and advances to customers *(continued)*

Non-property SME and corporate

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

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

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

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

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

18 Loans and advances to customers *(continued)*

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

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

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

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

18 Loans and advances to customers *(continued)*

Property and construction

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

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

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

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

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

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

18 Loans and advances to customers *(continued)*

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

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

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

[1] *At 31 December 2019, Purchased or originated credit-impaired assets included €65 million of assets with an impairment loss allowance of €2 million which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

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

18 Loans and advances to customers *(continued)*

Consumer

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

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

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

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

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

18 Loans and advances to customers *(continued)*

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

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

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

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

19 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 134 to 139 of the Group's Annual Report for the year ended 31 December 2019, with updates for 2020 outlined in the OFR on pages 29 to 34.

In addition to credit risk, the primary risks affecting the Group through its use of financial instruments are: funding and liquidity risk, market risk and life insurance risk. The Group's approach to the management of these risks, together with its approach to Capital management, are set out in the Risk Management Report included on pages 127 to 160 of the Group's Annual Report for the year ended 31 December 2019.

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

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

Financial assets

Composition and risk profile

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

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

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

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

19 Credit risk exposures *(continued)*

Loans and advances to customers excludes €399 million (31 December 2019: €252 million) of loans mandatorily at FVTPL at 30 June 2020 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment-related tables (note 18).

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

The tables below and on the preceding page exclude loan commitments, guarantees and letters of credit of €13,551 million at 30 June 2020 (31 December 2019: €14,671 million) that are subject to impairment (note 28).

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

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

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

19 Credit risk exposures *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

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

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

Asset quality - not credit-impaired

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

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

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

19 Credit risk exposures *(continued)*

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

The tables below provide analysis of the asset quality of loans and advances to customers at amortised cost that are not credit-impaired based on mapping the IFRS 9 twelve-month PD of each loan to a PD grade based on the table provided on page 81.

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

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

19 Credit risk exposures *(continued)*

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

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

Asset quality - credit-impaired

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

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

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

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

19 Credit risk exposures *(continued)*

Geographical and industry analysis of loans and advances to customers

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

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

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

19 Credit risk exposures *(continued)*

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

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

19 Credit risk exposures *(continued)*

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

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

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

19 Credit risk exposures *(continued)*

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

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

19 Credit risk exposures *(continued)*

Asset quality - other financial assets

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

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

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

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

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

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

19 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, loans and advances to customers at fair value, other financial instruments at FVTPL (excluding equity instruments) and reinsurance assets. The table summarises the asset quality of these financial instruments by equivalent external risk ratings.

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

20 Modified financial assets

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

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

This table excludes loans subject to COVID-19 payment breaks. COVID-19 payment breaks are disclosed separately in the Supplementary asset quality section on page 130, and include €3,752 million of assets which were granted a COVID-19 payment break, while they had an impairment loss allowance measured at an amount equal to lifetime ECL.

21 Intangible assets and goodwill

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

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

Impairment review – Goodwill

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

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

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

Impairment review - computer software internally generated

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

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

Impairment review – other externally purchased intangible assets

Other externally purchased intangible assets have been reviewed for any indication that impairment may have occurred. There was €nil impairment identified in the period ended 30 June 2020 (31 December 2019: €nil).

22 Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 Deposits from banks

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

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

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

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

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

24 Customer accounts

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

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

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

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

	30 June 2020 €m	31 December 2019 €m
Current accounts	41,504	37,351
Demand deposits	27,032	27,736
Term deposits and other products	17,283	17,951
Customer accounts at amortised cost	**85,819**	**83,038**
Term deposits at fair value through profit or loss	689	930
Total customer accounts	**86,508**	**83,968**

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

25 Debt securities in issue

	30 June 2020 €m	31 December 2019 €m
Bonds and medium term notes	5,912	6,886
Other debt securities in issue	1,235	1,559
Debt securities in issue at amortised cost	**7,147**	**8,445**
Debt securities in issue at fair value through profit or loss	349	364
Total debt securities in issue	**7,496**	**8,809**

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

	30 June 2020 €m	31 December 2019 €m
Balance at 1 January	8,809	8,904
Issued during the period	84	1,928
Redemptions	(1,402)	(1,938)
Repurchases	-	(194)
Other movements[1]	5	109
Balance at end of the period	**7,496**	**8,809**

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

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

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

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

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

26 Provisions

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

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

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

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

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

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

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

27 Contingent liabilities and commitments

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

Loss allowance provisions of €77 million (31 December 2019: €30 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 28. Provisions on all other commitments are included in note 26.

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

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

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

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

28 Loss allowance provision on loan commitments and financial guarantees

	30 June 2020		31 December 2019	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 27)	13,137	75	14,243	29
Guarantees and irrevocable letters of credit (note 27)	414	2	428	1
	13,551	**77**	**14,671**	**30**

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

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

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

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

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

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

29 Retirement benefit obligations

The net IAS 19 pension surplus at 30 June 2020 was €533 million (31 December 2019: net deficit €139 million). This is shown on the balance sheet as a retirement benefit asset of €714 million (31 December 2019: €129 million) and a retirement benefit obligation of €181 million (31 December 2019: €268 million).

The significant financial assumptions used in measuring the Group's net defined benefit pension surplus under IAS 19 are set out in the table below.

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

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

Sensitivity of defined benefit obligation to key assumptions

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

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

29 Retirement benefit obligations *(continued)*

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

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

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

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

30 Subordinated liabilities

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

	30 June 2020 €m	31 December 2019 €m
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	461	445
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	332	351
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes 2029	298	295
€250 million 10% Fixed Rate Subordinated Notes 2022	262	263
Undated loan capital	119	127
€1,002 million 10% Fixed Rate Subordinated Notes 2020	-	207
Stg£197 million 10% Fixed Rate Subordinated Notes 2020	-	2
Total subordinated liabilities	**1,472**	**1,690**

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

31 Other equity instruments - Additional Tier 1

In May 2020, BOIG issued AT1 securities with a par value of €675 million at an issue price of 100%.

The principal terms of the AT1 securities are as follows:
- the securities constitute direct, unsecured, unguaranteed and subordinated obligations of BOIG, rank behind Tier 2 instruments and preference shareholders and in priority to ordinary shareholders;
- the securities have no fixed redemption date, and the security holders will have no right to require BOIG to redeem or purchase the securities at any time;
- BOIG may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities at any time from and including the first call date (19 May 2025) to and including the first reset date (19 November 2025), or semi-annually on any interest payment date thereafter;
- the securities bear a fixed rate of interest of 7.5% until the first reset date (19 November 2025). After the initial reset date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;

	30 June 2020 €m	31 December 2019 €m
AT1 securities issued during the period	675	-
Transaction costs	(6)	-
Balance at the end of the period	**669**	**-**

- BOIG may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date;
- the securities will be written down together with any accrued but unpaid interest if BOIG's CET 1 ratio falls below 7%; and
- subsequent to any write-down event BOIG may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

32 Non-controlling interests

Additional Tier 1 securities

The Governor and Company of the Bank of Ireland (the 'Bank') issued AT1 securities in June 2015 with a par value of €750 million. These securities were not attributable to the owners of the Parent, BOIG plc, and were classified as non-controlling interests (NCI).

On 18 June 2020, the Bank redeemed these securities at par on their initial call date, having received regulatory consent to do so. The carrying value of these securities was €740 million, presented as NCI. On redemption at par value of €750 million, NCI was reduced by €740 million, to nil, and the excess of €10 million was deducted from retained earnings.

Preference stock

The preference stock and related stock premium of the Bank are classified as non-controlling interests, as they are not attributable to the owners of the Parent, BOIG plc.

As at 30 June 2020 and 31 December 2019, 1,876,090 units of sterling preference stock and 3,026,598 units of euro preference stock were in issue.

	30 June 2020 €m	31 December 2019 €m
Balance at 1 January	808	808
Profit attributable to non-controlling interests	32	62
Distribution to non-controlling interests - AT1	(28)	(55)
Redemption of non-controlling interests - AT1	(740)	-
Dividends paid to non-controlling interests - preference stock	(4)	(7)
Balance at the end of the period	**68**	**808**

33 Summary of relations with the State

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

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

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

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

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

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

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

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

34 Liquidity risk and profile

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

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

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

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

30 June 2020 **Group's Non Derivative financial liabilities** **Contractual maturity**	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	171	452	-	-	-	623
Monetary Authorities secured funding	-	1	1,098	305	-	1,404
Customer accounts	74,468	5,788	4,103	1,871	60	86,290
Debt securities in issue	-	524	1,585	4,030	1,800	7,939
Subordinated liabilities	-	19	51	482	1,316	1,868
Lease liabilities	-	19	61	199	363	642
Contingent liabilities	469	28	84	96	13	690
Commitments	12,315	27	734	61	-	13,137
Total	**87,423**	**6,858**	**7,716**	**7,044**	**3,552**	**112,593**

34 Liquidity risk and profile *(continued)*

31 December 2019 Group's Non Derivative financial liabilities Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	94	349	-	-	-	443
Monetary Authorities secured funding	-	4	1,131	623	-	1,758
Customer accounts	70,018	6,715	4,710	2,307	87	83,837
Debt securities in issue	-	1,036	982	4,330	3,220	9,568
Subordinated liabilities	-	238	63	487	1,362	2,150
Lease liabilities	-	20	57	213	390	680
Contingent liabilities	444	17	109	115	15	700
Commitments	13,008	47	1,118	70	-	14,243
Total	**83,564**	**8,426**	**8,170**	**8,145**	**5,074**	**113,379**

35 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 281 to 283 of the Group's Annual Report for the year ended 31 December 2019. During the period to 30 June 2020, the Group has developed its fair value methodology for syndicated loans held at FVTPL in its Corporate Banking business. There have been no other significant changes to those methods, assumptions, processes or the Group's policy for assessing transfers between the different levels of the fair value hierarchy.

Sensitivity of level 3 valuations

Derivative financial instruments

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

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

Other financial assets at FVTPL

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

Loan and advances to customers held at fair value

€244 million of loans and advances to customers held at fair value relate to Life Loans. These assets are valued using DCF models which incorporate unobservable inputs (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. €155 million of loans and advances to customers held at fair value relate to syndicated corporate facilities. These assets are valued by applying a discount based on previous syndicated transactions and the Group's ECL models (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Interest in associates

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

Investment properties

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

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

Fair value on offsetting positions

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

35 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 2020				31 December 2019			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value								
Trading securities	61	-	-	61	32	-	-	32
Derivative financial instruments	2	2,637	3	2,642	-	1,996	3	1,999
Other financial assets at FVTPL	14,962	524	117	15,603	15,725	592	136	16,453
Loans and advances to banks	-	358	-	358	-	306	-	306
Financial assets at FVOCI	11,537	-	-	11,537	10,797	-	-	10,797
Loans and advances to customers	-	-	399	399	-	-	252	252
Interest in associates	-	-	52	52	-	-	56	56
	26,562	**3,519**	**571**	**30,652**	**26,554**	**2,894**	**447**	**29,895**
Financial liabilities held at fair value								
Customer accounts	-	689	-	689	-	916	14	930
Derivative financial instruments	3	2,555	1	2,559	-	2,474	4	2,478
Debt securities in issue	-	349	-	349	-	362	2	364
Liabilities to customers under investment contracts	-	5,454	-	5,454	-	5,890	-	5,890
Insurance contract liabilities	-	12,472	-	12,472	-	12,694	-	12,694
Short positions in trading securities	7	-	-	7	-	-	-	-
	10	**21,519**	**1**	**21,530**	**-**	**22,336**	**20**	**22,356**

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

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

There were no transfers between level 1 and 2.

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

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

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2019 which were unavailable at 31 December 2018.

There were no transfers between level 1 and 2.

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

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

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

There were no transfers between levels 1 and 2.

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

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

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

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

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

Note: 100 basis points = 1%

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

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

	30 June 2020		31 December 2019	
Non-trading financial instruments	**Carrying amount €m**	**Fair values €m**	**Carrying amount €m**	**Fair values €m**
Assets				
Loans and advances to customers	76,349	73,548	79,235	76,487
Debt securities at amortised cost	5,297	5,306	4,511	4,536
Liabilities				
Customer accounts	85,819	85,884	83,038	83,062
Debt securities in issue	7,147	7,019	8,445	8,450
Subordinated liabilities	1,472	1,484	1,690	1,808

36 Dividend per ordinary share

	30 June 2020		30 June 2019	
	Cent per share	**€m**	**Cent per share**	**€m**
Final dividend paid in respect of the years ended 31 December 2019 and 2018	-	-	16.0	173

On 21 February 2020, the Board recommended a dividend of 17.5 cent per share, in respect of the year ended 31 December 2019. In light of the evolving COVID-19 pandemic and following the recommendation of the European Central Bank (ECB) of 27 March 2020 on dividend distributions for all significant institutions during the COVID-19 pandemic, the Group announced on 30 March 2020 that it withdrew its proposed dividend for the year ended 31 December 2019, and that it would assess dividends at a future date, the earliest of which, in line with the ECB's revised recommendation on 27 July 2020, would be 1 January 2021.

37 Post balance sheet events

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

38 Approval of interim report

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

Other Information

Supplementary asset quality and forbearance disclosures

The tables below (except for tables 3a on pages 112 and 122 and 3a-(i) on page 112 in Other information - Supplementary asset quality and forbearance disclosures on pages 131 to 133 form an integral part of the interim financial statements as described in the basis of preparation on page 49. All other information in Other information - Supplementary asset quality and forbearance disclosures is additional information and does not form part of the interim financial statements.

Retail Ireland mortgages

The following disclosures relate to the Retail Ireland mortgage loan book and provide additional detail and analysis on the composition and quality of this loan book.

The Group has an established infrastructure for the origination, underwriting and management of its mortgage portfolio. The processes of underwriting through to account management are centralised and no delegated discretions are in operation outside the centralised units. The mortgage process is a comprehensively documented process including evidence of key borrower information such as independent valuations of relevant security property.

Retail Ireland mortgage origination lending policy and guidelines are subject to annual governance. Each applicant is primarily assessed based on their ability and capacity to repay the loan while the creditworthiness of the applicant, value of the property and the individual circumstances of the applicant are key factors in the underwriting decision.

Lending criteria for the Retail Ireland mortgage portfolio include:
- repayment capacity of the borrower;
- loan to value (LTV) limits;
- loan to income (LTI) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Unless otherwise indicated, excluded from the following tables are €0.2 billion of loans and advances to customers mandatorily held at FVTPL at 30 June 2020 (31 December 2019: €0.2 billion) which are not subject to impairment under IFRS 9 (note 18).

Book composition

Loan volumes

The tables below summarise the composition and risk profile of the Retail Ireland mortgage loan book.

The following tables reflect the Retail Ireland mortgages at amortised cost at 30 June 2020 and 31 December 2019. The tables include details of accounts that were granted a payment break in 2020 as a result of the COVID-19 pandemic, where the account is still subject to a payment break at 30 June 2020.

Table: 1a	**30 June 2020**				**31 December 2019**	
	Total Retail Ireland mortgages		**Of which subject to COVID-19 payment break**		**Total Retail Ireland mortgages**	
Retail Ireland mortgages - Volumes (before impairment loss allowance) by interest rate type[1]	**€m**	**%**	**€m**	**%**	**€m**	**%**
Tracker	8,310	36%	1,254	42%	8,709	38%
Variable rates	2,954	13%	404	14%	3,173	14%
Fixed rates	11,619	51%	1,314	44%	11,153	48%
Total Retail Ireland mortgages	**22,883**	**100%**	**2,972**	**100%**	**23,035**	**100%**

[1] *The above table excludes undrawn loan commitments relating to Retail Ireland mortgages of €804 million at 30 June 2020 (31 December 2019: €895 million) that are subject to impairment under IFRS 9.*

Book composition *(continued)*

Loan volumes *(continued)*

Table: 1b **30 June 2020** **Retail Ireland mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Subtotal (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased or originated credit-impaired[2] €m**	**Total €m**
Owner occupied mortgages	18,446	980	19,426	1,074	2	20,502
Buy to let mortgages	1,660	229	1,889	491	1	2,381
Total Retail Ireland mortgages	**20,106**	**1,209**	**21,315**	**1,565**	**3**	**22,883**
Of which subject to COVID-19 payment break						
Owner occupied mortgages	2,021	304	2,325	223	1	2,549
Buy to let mortgages	254	77	331	92	-	423
Total Retail Ireland mortgages subject to a COVID-19 payment break	**2,275**	**381**	**2,656**	**315**	**1**	**2,972**

Table: 1b **31 December 2019** **Retail Ireland mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Subtotal (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased or originated credit-impaired[2] €m**	**Total €m**
Owner occupied mortgages	18,763	872	19,635	874	2	20,511
Buy to let mortgages	1,847	261	2,108	415	1	2,524
Total Retail Ireland mortgages	**20,610**	**1,133**	**21,743**	**1,289**	**3**	**23,035**

At 30 June 2020, Retail Ireland mortgages were €22.9 billion (31 December 2019: €23.0 billion), a decrease of €0.1 billion or 1%. There was a €0.4 billion decrease in the tracker portfolio, a €0.2 billion decrease in the variable rate portfolio and an increase of €0.5 billion in the fixed rate portfolio. This increase in the fixed rate portfolio reflects the strong take up of fixed interest rate mortgages by both existing and new customers. The movement in the book size reflects a combination of factors including new mortgage lending, principal repayments and resolution activity.

The proportion of the Retail Ireland mortgage portfolio on a 'full principal and interest'[3] repayment basis at 30 June 2020 was 97% (31 December 2019: 97%) with the balance of 3% on an 'interest only'[4] repayment basis (31 December 2019: 3%). Of the Owner occupied mortgages of €20.5 billion, 98% were on a 'full principal and interest' repayment basis (31 December 2019: 98%), while 91% of the buy to let (BTL) mortgages of €2.4 billion were on a 'full principal and interest' repayment basis (31 December 2019: 90%). It is the Group's policy to revert all loans to a 'full principal and interest' basis on expiry of the 'interest only' period.

1 *The above tables exclude undrawn loan commitments relating to Retail Ireland mortgages of €804 million at 30 June 2020 (31 December 2019: €895 million) that are subject to impairment under IFRS 9.*

2 *At 30 June 2020, Purchased or originated credit-impaired loans included €2 million (31 December 2019: €2 million) of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*

3 *'Full principal and interest' repayment basis mortgages consist of mortgages that are contracted to be repaid over the agreed term on an amortising basis. The typical term at origination for these mortgages was between 20 to 30 years.*

4 *'Interest only' mortgages typically consist of mortgages where the repayment consists of the full interest element (or greater) for an agreed period at the end of which the mortgage repayment basis becomes 'full principal and interest' contracted to be repaid over the agreed term. Interest only periods on Retail Ireland mortgages typically range between three and five years.*

Book composition *(continued)*

Origination profile

Table: 2	30 June 2020								31 December 2019			
	Total Retail Ireland mortgage loan book		of which subject to COVID-19 payment break		Non-performing exposures		of which subject to COVID-19 payment break		Total Retail Ireland mortgage loan book		Non-performing exposures	
Origination[1] of Retail Ireland mortgage loan book (before impairment loss allowance)	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]
2000 and before	126	4,913	19	474	24	642	2	82	143	5,879	22	559
2001	115	3,455	14	338	16	288	2	49	126	3,604	14	221
2002	244	5,051	32	513	37	416	7	72	266	5,283	36	342
2003	500	7,760	74	902	67	725	10	114	535	7,998	64	613
2004	930	11,123	138	1,366	119	1,036	22	183	986	11,491	111	885
2005	1,598	15,384	237	1,819	223	1,475	50	285	1,685	16,057	206	1,284
2006	2,516	20,210	395	2,606	399	2,345	86	486	2,633	20,643	367	2,025
2007	2,262	17,121	374	2,307	342	1,915	61	338	2,370	17,475	337	1,729
2008	1,615	12,417	260	1,593	208	1,227	43	226	1,688	12,704	196	1,085
2009	872	7,357	128	928	63	493	14	101	915	7,591	57	431
2010	640	5,088	73	521	14	119	3	28	673	5,316	12	102
2011	572	4,649	58	400	9	72	1	10	597	4,769	7	55
2012	505	4,191	47	330	6	42	2	11	530	4,318	3	23
2013	472	3,725	40	274	4	30	1	2	497	3,835	3	20
2014	742	5,226	68	416	3	20	1	7	787	5,414	1	10
2015	1,055	8,919	109	847	8	127	2	32	1,115	9,274	6	76
2016	1,212	8,208	146	922	18	157	5	27	1,269	8,460	12	90
2017	1,749	8,884	193	915	6	51	2	16	1,829	9,105	3	23
2018	2,156	9,852	241	996	3	15	1	1	2,214	9,993	-	3
2019	2,176	9,778	272	1,078	1	7	-	1	2,177	9,870	-	-
2020	826	3,862	54	198	-	2	-	-	-	-	-	-
Total	**22,883**	**177,173**	**2,972**	**19,743**	**1,570**	**11,204**	**315**	**2,071**	**23,035**	**179,079**	**1,457**	**9,576**

[1] *The lending originated in each year is net of related redemptions. For phased drawdowns, the year of the initial drawdown is classified as the year of origination.*
[2] *The number of accounts does not equate to either the number of customers or the number of properties.*

Book composition *(continued)*

Origination profile *(continued)*

The table on the previous page illustrates that at 30 June 2020, €3.5 billion or 15% of the Retail Ireland mortgage loan book originated before 2006, €6.4 billion or 28% between 2006 and 2008 and €13 billion or 57% in the years since 2008. At 30 June 2020, total non-performing exposures were €1.6 billion (31 December 2019: €1.5 billion) or 7% of the Retail Ireland mortgage loan book (31 December 2019: 6%), of which, €0.9 billion or 4% originated between 2006 and 2008. There has been an increase in total NPEs in 2020 reflecting a change to the definition of default which was implemented in H1 2020.

Arrears profile

Table: 3a *(not an integral part of the interim financial statements)*

Mortgage arrears[1] **Greater than 90 days past due**	**June 2020** **%**	**March 2020** **%**	**December 2019** **%**	**June 2019** **%**
Number of accounts				
Retail Ireland[2] Owner occupied mortgages	1.9%	1.9%	1.9%	2.0%
Industry[3] Owner occupied (number of accounts)	n/a	6.5%	6.7%	7.1%
Retail Ireland[2] Buy to let mortgages	3.9%	3.8%	3.7%	5.4%
Industry[3] Buy to let (number of accounts)	n/a	15.7%	15.9%	17.4%
Value				
Retail Ireland[2] Owner occupied mortgages	2.4%	2.4%	2.5%	2.7%
Industry[3] Owner occupied (value)	n/a	9.4%	9.6%	10.3%
Retail Ireland[2] Buy to let mortgages	9.9%	9.5%	9.3%	12.2%
Industry[3] Buy to let (value)	n/a	23.1%	23.4%	24.9%

Table: 3a-(i) *(not an integral part of the interim financial statements)*

Mortgage arrears[1] **720 days past due**	**June 2020** **%**	**March 2020** **%**	**December 2019** **%**	**June 2019** **%**
Number of accounts				
Retail Ireland[2] Owner occupied mortgages	1.0%	1.0%	1.0%	1.1%
Industry[3] Owner occupied (number of accounts)	n/a	4.3%	4.4%	4.6%
Retail Ireland[2] Buy to let mortgages	2.2%	2.1%	2.1%	2.7%
Industry[3] Buy to let (number of accounts)	n/a	12.1%	12.0%	13.5%
Value				
Retail Ireland[2] Owner occupied mortgages	1.5%	1.5%	1.6%	1.7%
Industry[3] Owner occupied (value)	n/a	6.9%	7.0%	7.4%
Retail Ireland[2] Buy to let mortgages	6.7%	6.5%	5.9%	7.0%
Industry[3] Buy to let (value)	n/a	19.0%	19.0%	20.7%

The latest information published by the CBI is for the quarter ended 31 March 2020.

This information indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in arrears (greater than 90 days past due) consistently remains significantly below the industry average for both Owner occupied (29% of industry average) and BTL (24% of industry average) mortgages. At 31 March 2020, 1.9% and 3.8% of Bank of Ireland's Retail Ireland Owner occupied and BTL mortgages respectively (by number of accounts) were greater than '90 days past due' compared to 6.5%[3] and 15.7%[3] respectively for the industry.

This information also indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in arrears greater than 720 days past due consistently remains significantly below the industry average for both Owner occupied (23% of industry average) and BTL (17% of industry average) mortgages. At 31 March 2020, 1% and 2.1% of Bank of Ireland's Retail Ireland Owner occupied and BTL mortgages respectively (by number of accounts) were greater than 720 days past due compared to 4.3%[3] and 12.1%[3] respectively for the industry.

[1] Accounts availing of a COVID-19 payment break that were not in arrears prior to the payment break are not considered to be in arrears for the duration of the payment break. Accounts availing of a COVID-19 payment break that were in arrears prior to the payment break will continue to be in arrears for the duration of the payment break but will not accrue any further arrears during this period.

[2] The tables above include €0.2 billion of loans mandatorily held at fair value through the profit or loss at 30 June 2020 (31 December 2019: €0.2 billion) which are not subject to impairment under IFRS 9.

[3] Industry source: CBI Mortgage Arrears Statistics Report, March 2020 - adjusted to exclude Bank of Ireland.

Book composition *(continued)*

Loan to value profiles - total loans

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

[1] *Excluded from the above table are Purchased or originated credit-impaired loans of €3 million, €2 million of which were no longer credit-impaired at the reporting date. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*
[2] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

Book composition *(continued)*

Loan to value profiles - total loans *(continued)*

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

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

Property values are determined by reference to the property valuations held, indexed to the Central Statistics Office (CSO) Residential Property Price Index (RPPI). The indexed LTV profile of the Retail Ireland mortgage loan book contained in the table on the preceding page is based on the CSO RPPI at April 2020.

The CSO RPPI for April 2020 reported that average national residential property prices were 18.1% below peak (31 December 2019: 16.9% below peak), with Dublin residential prices and outside of Dublin residential prices 22.6% and 21.1% below peak respectively (31 December 2019: 21.3% and 20.1% below peak respectively). In the 4 months to April 2020, residential property prices at a national level decreased by 0.1%.

At 30 June 2020, €22.1 billion or 97% of Retail Ireland mortgages were classified as being in positive equity, 98% for owner occupied mortgages and 87% for BTL mortgages.

[1] *Excluded from the above table are Purchased or originated credit-impaired loans of €3 million, €2 million of which were no longer credit-impaired at the reporting date. These loans will remain classified as Purchased or originated credit-impaired loans until derecognition.*
[2] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

Book composition *(continued)*

Risk profile

The table below provides an analysis of the Retail Ireland mortgages at amortised cost by IFRS 9 twelve-month PD grade.

Table: 3c	Owner occupied		Of which subject to COVID-19 payment break		Buy to let		Of which subject to COVID-19 payment break		Total		Of which subject to COVID-19 payment break	
30 June 2020 Risk profile of Retail Ireland mortgage loan book (before impairment loss allowance) - PD Grade[1]	Performing €m	Non-performing €m	Performing €m	Non-performing €m	Performing €m	Non-performing €m	Performing €m	Non-performing €m	Performing €m	Non-performing €m	Performing €m	Non-performing €m
Not credit-impaired												
Stage 1												
1-4	236	-	2	-	7	-	-	-	243	-	2	-
5-7	14,525	-	1,290	-	1,080	-	88	-	15,605	-	1,378	-
8-9	2,233	-	396	-	389	-	108	-	2,622	-	504	-
10-11	1,452	-	333	-	184	-	58	-	1,636	-	391	-
Total Stage 1	**18,446**	**-**	**2,021**	**-**	**1,660**	**-**	**254**	**-**	**20,106**	**-**	**2,275**	**-**
Stage 2												
1-4	-	-	-	-	-	-	-	-	-	-	-	-
5-7	193	-	32	-	6	-	1	-	199	-	33	-
8-9	105	-	27	-	29	-	6	-	134	-	33	-
10-11	679	3	245	-	194	-	70	-	873	3	315	-
Total Stage 2	**977**	**3**	**304**	**-**	**229**	**-**	**77**	**-**	**1,206**	**3**	**381**	**-**
Not credit-impaired (Stage 1 & Stage 2)												
1-4	236	-	2	-	7	-	-	-	243	-	2	-
5-7	14,718	-	1,322	-	1,086	-	89	-	15,804	-	1,411	-
8-9	2,338	-	423	-	418	-	114	-	2,756	-	537	-
10-11	2,131	3	578	-	378	-	128	-	2,509	3	706	-
Subtotal - not credit-impaired	**19,423**	**3**	**2,325**	**-**	**1,889**	**-**	**331**	**-**	**21,312**	**3**	**2,656**	**-**
Credit-impaired (Stage 3)												
12	-	1,074	-	223	-	491	-	92	-	1,565	-	315
Subtotal - credit-impaired	**-**	**1,074**	**-**	**223**	**-**	**491**	**-**	**92**	**-**	**1,565**	**-**	**315**
Total	**19,423**	**1,077**	**2,325**	**223**	**1,889**	**491**	**331**	**92**	**21,312**	**1,568**	**2,656**	**315**

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

Book composition *(continued)*

Risk profile *(continued)*

Table: 3c

31 December 2019 Risk profile of Retail Ireland mortgage loan book (before impairment loss allowance) - PD Grade[1]	Owner occupied Performing €m	Owner occupied Non-performing €m	Buy to let Performing €m	Buy to let Non-performing €m	Total Performing €m	Total Non-performing €m
Not credit-impaired						
Stage 1						
1-4	15,719	-	385	-	16,104	-
5-7	2,477	-	1,191	-	3,668	-
8-9	413	-	167	-	580	-
10-11	154	-	104	-	258	-
Total Stage 1	**18,763**	**-**	**1,847**	**-**	**20,610**	**-**
Stage 2						
1-4	68	1	1	-	69	1
5-7	108	4	18	2	126	6
8-9	193	31	41	3	234	34
10-11	395	72	141	55	536	127
Total Stage 2	**764**	**108**	**201**	**60**	**965**	**168**
Not credit-impaired (Stage 1 & Stage 2)						
1-4	15,787	1	386	-	16,173	1
5-7	2,585	4	1,209	2	3,794	6
8-9	606	31	208	3	814	34
10-11	549	72	245	55	794	127
Subtotal - not credit-impaired	**19,527**	**108**	**2,048**	**60**	**21,575**	**168**
Credit-impaired (Stage 3)						
12	-	874	-	415	-	1,289
Subtotal - credit-impaired	**-**	**874**	**-**	**415**	**-**	**1,289**
Total	**19,527**	**982**	**2,048**	**475**	**21,575**	**1,457**

Increase in the not credit-impaired PD grading at June 2020 reflect the Group's revised forward-looking information. Increased credit impaired stock reflects the implementation of the revised definition of default in H1 2020.

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

Asset quality

Composition and impairment

The table below summarises the composition of NPEs and impairment loss allowance for the Retail Ireland mortgage portfolio.

Table: 4 30 June 2020 Retail Ireland mortgages[1]	Advances (before impairment loss allowance) €m	Non-performing exposures €m	Non-performing exposures as % of advances %	Impairment loss allowance €m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Owner occupied mortgages	18,446	-	-	38	-	-
Buy to let mortgages	1,660	-	-	12	-	1%
Total	**20,106**	**-**	**-**	**50**	**-**	**-**
Stage 2 not credit-impaired						
Owner occupied mortgages	980	3	-	13	n/m	1%
Buy to let mortgages	229	-	-	9	-	4%
Total	**1,209**	**3**	**-**	**22**	**n/m**	**2%**
Stage 3 credit-impaired						
Owner occupied mortgages	1,074	1,074	100%	222	21%	21%
Buy to let mortgages	491	491	100%	154	31%	31%
Total	**1,565**	**1,565**	**100%**	**376**	**24%**	**24%**
Total						
Owner occupied mortgages	20,500	1,077	5%	273	25%	1%
Buy to let mortgages	2,380	491	21%	175	36%	7%
Total	**22,880**	**1,568**	**7%**	**448**	**29%**	**2%**

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

Asset quality *(continued)*

Composition and impairment *(continued)*

Table: 4 31 December 2019 Retail Ireland mortgages[1]	Advances (before impairment loss allowance) €m	Non-performing exposures €m	Non-performing exposures as % of advances %	Impairment loss allowance €m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Owner occupied mortgages	18,763	-	-	5	-	-
Buy to let mortgages	1,847	-	-	2	-	-
Total	**20,610**	**-**	**-**	**7**	**-**	**-**
Stage 2 not credit-impaired						
Owner occupied mortgages	872	108	12%	14	13%	2%
Buy to let mortgages	261	60	23%	8	13%	3%
Total	**1,133**	**168**	**15%**	**22**	**13%**	**2%**
Stage 3 credit-impaired						
Owner occupied mortgages	874	874	100%	206	24%	24%
Buy to let mortgages	415	415	100%	134	32%	32%
Total	**1,289**	**1,289**	**100%**	**340**	**26%**	**26%**
Total						
Owner occupied mortgages	20,509	982	5%	225	23%	1%
Buy to let mortgages	2,523	475	19%	144	30%	6%
Total	**23,032**	**1,457**	**6%**	**369**	**25%**	**2%**

Total NPEs at 30 June 2020 of €1.6 billion were €0.1 billion higher than at 31 December 2019 with Owner occupied NPEs increasing from €1.0 billion at 31 December 2019 to €1.1 billion at 30 June 2020 and BTL NPEs remaining at €0.5 billion (31 December 2019 €0.5 billion). The increase in NPEs reflects the change to the definition of default which was implemented in H1 2020.

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

Retail UK mortgages

The following disclosures relate to the Retail UK mortgage loan book. These provide additional detail and analysis on the composition and quality of this loan book.

The Group has an established infrastructure for the origination, underwriting and management of its mortgage portfolio. The processes of underwriting through to account management are centralised and no delegated discretions are in operation outside the centralised units. The mortgage process is a comprehensively documented process with documentary evidence of key borrower information including independent valuations of relevant security property.

Retail UK mortgage origination lending policy and guidelines are subject to annual governance. Each applicant is primarily assessed based on their ability and capacity to repay the loan. In addition to the above, the credit worthiness of the applicant, value of the property and the individual circumstances of the applicant are key factors in the underwriting decision.

Lending criteria for the Retail UK mortgage portfolio include:
- repayment capacity of the borrower;
- loan to value (LTV) limits;
- loan to income (LTI) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

Loan volumes

The tables below summarise the composition and risk profile of the Retail UK mortgage loan book and include details of accounts that were granted a payment break in 2020 as a result of the COVID-19 pandemic, where the account is still subject to a payment break at 30 June 2020.

Table: 1a	**30 June 2020**				**31 December 2019**	
	Total Retail UK mortgages		**Of which subject to COVID-19 payment break**		**Total Retail UK mortgages**	
Retail UK mortgages - Volumes (before impairment loss allowance) by interest rate type[1]	**£m**	**%**	**£m**	**%**	**£m**	**%**
Tracker	5,346	27%	660	24%	5,607	28%
Variable rates	2,108	11%	553	20%	2,245	12%
Fixed rates	12,103	62%	1,549	56%	11,917	60%
Total Retail UK mortgages	**19,557**	**100%**	**2,762**	**100%**	**19,769**	**100%**

At 30 June 2020, Retail UK mortgages were £19.6 billion (31 December 2019: £19.8 billion). The decrease of £0.2 billion or 1.1% reflects new business generation offset by redemptions in the book.

New mortgage business continues to be sourced through the Group's relationship with the UK Post Office, through distribution arrangements with other selected strategic partners and the Group's branch network in NI.

Tracker mortgages were £5.4 billion or 27% of the Retail UK mortgages compared to £5.6 billion or 28% at 31 December 2019, a decrease of £0.3 billion. Variable rate mortgages were £2.1 billion or 11% of the Retail UK mortgages compared to £2.2 billion or 12% at 31 December 2019, a decrease of £0.1 billion.

Fixed rate mortgages were £12.1 billion or 62% of the Retail UK mortgages compared to £11.9 billion or 60% at 31 December 2019, an increase of £0.2 billion.

[1] The above table excludes loan commitments relating to Retail UK mortgages of £670 million at 30 June 2020 (31 December 2019: £951 million) that are subject to impairment.

Book composition *(continued)*

Loan volumes *(continued)*

Table: 1b

30 June 2020 Retail UK mortgages - Volumes (before impairment loss allowance) by product type[1]	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Subtotal (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased or originated credit-impaired £m	Total £m
Standard mortgages	10,376	176	10,552	203	-	10,755
Buy to let mortgages	6,998	171	7,169	160	-	7,329
Self certified mortgages	1,176	82	1,258	215	-	1,473
Total Retail UK mortgages	**18,550**	**429**	**18,979**	**578**	**-**	**19,557**
Of which subject to COVID-19 payment break						
Standard mortgages	1,388	71	1,459	59	-	1,518
Buy to let mortgages	700	51	751	39	-	790
Self certified mortgages	334	40	374	80	-	454
Total Retail UK mortgages subject to a COVID-19 payment break	**2,422**	**162**	**2,584**	**178**	**-**	**2,762**

Table: 1b

31 December 2019 Retail UK mortgages - Volumes (before impairment loss allowance) by product type[1]	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Subtotal (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased or originated credit-impaired £m	Total £m
Standard mortgages	10,531	173	10,704	121	-	10,825
Buy to let mortgages	7,135	166	7,301	93	-	7,394
Self certified mortgages	1,297	124	1,421	129	-	1,550
Total Retail UK mortgages	**18,963**	**463**	**19,426**	**343**	**-**	**19,769**

[1] *The above tables exclude loan commitments relating to Retail UK mortgages of £670 million at 30 June 2020 (31 December 2019: £951 million) that are subject to impairment.*

Book composition *(continued)*

Origination profile

Table: 2	30 June 2020								31 December 2019			
	Total Retail UK mortgage loan book		of which subject to COVID-19 payment break		Non-performing exposures		of which subject to COVID-19 payment break		Total Retail UK mortgage loan book		Non-performing exposures	
Origination[1] of Retail UK mortgage loan book (before impairment loss allowance)	Balance £m	Number of accounts[2]	Balance £m	Number of accounts[2]	Balance £m	Number of accounts[2]	Balance £m	Number of accounts[2]	Balance £m	Number of accounts[2]	Balance £m	Number of accounts[2]
2000 and before	87	2,807	6	152	9	246	1	32	98	3,146	7	175
2001	77	1,368	8	85	5	62	1	9	83	1,455	5	38
2002	102	1,594	10	120	5	59	2	15	109	1,695	2	24
2003	239	3,054	40	406	20	188	6	45	252	3,196	15	125
2004	285	3,454	48	458	24	224	8	60	300	3,632	17	155
2005	842	8,415	138	1,166	58	507	17	126	888	8,878	39	340
2006	1,246	12,042	208	1,704	90	731	28	201	1,307	12,579	67	514
2007	1,953	17,979	340	2,694	135	1,069	43	310	2,044	18,776	94	736
2008	2,697	23,964	481	3,778	181	1,381	53	370	2,818	24,982	128	990
2009	254	2,705	33	318	12	119	3	36	271	2,849	10	96
2010	184	1,840	25	230	5	41	1	5	197	1,941	4	28
2011	119	1,183	17	158	3	29	1	8	128	1,260	2	16
2012	119	1,106	15	118	2	13	-	1	129	1,175	1	8
2013	158	1,347	21	175	1	8	1	3	169	1,422	1	6
2014	325	2,746	46	334	3	25	1	9	362	2,962	1	12
2015	851	6,250	104	684	6	47	2	14	1,046	7,426	4	31
2016	1,019	7,449	134	923	5	35	3	18	1,092	7,844	3	18
2017	1,819	13,762	257	1,779	8	68	4	30	1,970	14,687	4	31
2018	2,556	19,462	322	2,253	6	47	2	16	2,988	21,959	2	15
2019	3,463	24,233	426	2,633	2	13	1	5	3,518	24,325	1	5
2020	1,162	7,974	83	495	-	3	-	1	-	-	-	-
Total	**19,557**	**164,734**	**2,762**	**20,663**	**580**	**4,915**	**178**	**1,314**	**19,769**	**166,189**	**407**	**3,363**

[1] *The lending originated in each year is net of related redemptions. For phased drawdowns, the year of the initial drawdown is classified as the year of origination.*
[2] *The number of accounts does not equate to either the number of customers or the number of properties.*

Book composition *(continued)*

Origination profile *(continued)*

The table on the previous page illustrates that at 30 June 2020, £1.6 billion or 8% of the Retail UK mortgage loan book originated before 2006, £5.9 billion or 30% between 2006 and 2008 and £12.0 billion or 62% in the years since.

Non-performing Retail UK mortgages were £0.6 billion or 3% (31 December 2019: £0.4 billion or 2.1%) of the Retail UK mortgage loan book at 30 June 2020, of which £0.4 billion or 2.1% were originated between 2006 and 2008 (31 December 2019: £0.3 billion or 1.5%).

Increase in NPE stock primarily reflects the change of the Group definition of default implemented in 2020 and an increase in 90 days past due stock.

Arrears profile

Table: 3a *(not an integral part of the interim financial statements)*

Mortgage arrears[1] **Greater than 90 days past due**	**30 June 2020 %**	**31 December 2019 %**	**30 June 2019 %**
Number of accounts			
Standard mortgages	0.85%	0.76%	0.76%
Buy to let mortgages	0.91%	0.84%	0.77%
Self certified mortgages	4.30%	3.98%	3.61%
Value			
Standard mortgages	0.72%	0.63%	0.69%
Buy to let mortgages	0.94%	0.86%	0.78%
Self certified mortgages	5.36%	5.05%	4.64%

[1] *Accounts availing of a COVID-19 payment break that were not in arrears prior to the payment break are not considered to be in arrears for the duration of the payment break. Accounts availing of a COVID-19 payment break that were in arrears prior to the payment break will continue to be in arrears for the duration of the payment break but will not accrue any further arrears during this period.*

Book composition *(continued)*

Loan to value profiles - total loans

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

The table above sets out the weighted average indexed LTV for the total Retail UK mortgage loan book, which was 62% at 30 June 2020. The weighted average LTV for new Residential mortgages written during 2020 was 71%, 75% for Standard mortgages and 58% for BTL mortgages.

At 30 June 2020, £19.5 billion or 99.7% of the Retail UK mortgage book was in positive equity (31 December 2019: £19.7 billion or 99.6%), comprising £10.7 billion or 99.6% of Standard mortgages (31 December 2019: £10.8 billion or 99.5%), £7.3 billion or 99.9% of BTL mortgages (31 December 2019: £7.4 billion or 99.8%) and £1.5 billion or 99% of Self certified mortgages (31 December 2019: £1.5 billion or 98.8%).

The decrease in average LTV from 73% to 71% at 30 June 2020 reflects slightly lower LTV lending in the first half of 2020.

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

Book composition *(continued)*

Loan to value profiles - total loans *(continued)*

The table below provides an analysis of Retail UK mortgages at amortised cost by IFRS 9 twelve-month PD grade, as at 31 December 2019.

Table: 3b

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

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

Book composition *(continued)*

Risk profile

The table below provides an analysis of the Retail UK mortgages at amortised cost by IFRS 9 twelve-month PD grade.

Table: 3c 30 June 2020 Risk profile of Retail UK mortgage loan book (before impairment loss allowance) PD Grade	Standard Performing £m	Standard Non-performing £m	Buy to let Performing £m	Buy to let Non-performing £m	Self certified Performing £m	Self certified Non-performing £m	Total Performing £m	Total Non-performing £m
Not credit-impaired								
Stage 1								
1-4	43	-	115	-	11	-	169	-
5-7	8,615	-	2,504	-	847	-	11,966	-
8-9	1,545	-	3,005	-	237	-	4,787	-
10-11	173	-	1,374	-	81	-	1,628	-
Total Stage 1	**10,376**	**-**	**6,998**	**-**	**1,176**	**-**	**18,550**	**-**
Stage 2								
1-4	-	-	-	-	-	-	-	-
5-7	21	-	3	-	16	-	40	-
8-9	13	-	18	-	6	-	37	-
10-11	142	-	148	2	60	-	350	2
Total Stage 2	**176**	**-**	**169**	**2**	**82**	**-**	**427**	**2**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	43	-	115	-	11	-	169	-
5-7	8,636	-	2,507	-	863	-	12,006	-
8-9	1,558	-	3,023	-	243	-	4,824	-
10-11	315	-	1,522	2	141	-	1,978	2
Subtotal - not credit-impaired	**10,552**	**-**	**7,167**	**2**	**1,258**	**-**	**18,977**	**2**
Credit-impaired (Stage 3)								
12	-	203	-	160	-	215	-	578
Subtotal - credit-impaired	**-**	**203**	**-**	**160**	**-**	**215**	**-**	**578**
Total	**10,552**	**203**	**7,167**	**162**	**1,258**	**215**	**18,977**	**580**

Book composition *(continued)*

Risk profile *(continued)*

The table below provides an analysis by IFRS 9 twelve-month PD grade, of Retail UK mortgages that were granted a payment break in 2020 as a result of the COVID-19 pandemic, where the account is still subject to a payment break at 30 June 2020.

Table: 3c *(continued)*

30 June 2020	Standard		Buy to let		Self certified		Total	
Risk profile of Retail UK mortgages subject to a COVID-19 payment break	**Performing £m**	**Non-performing £m**	**Performing £m**	**Non-performing £m**	**Performing £m**	**Non-performing £m**	**Performing £m**	**Non-performing £m**
Not credit-impaired								
Stage 1								
1-4	-	-	-	-	-	-	-	-
5-7	962	-	166	-	230	-	1,358	-
8-9	346	-	316	-	74	-	736	-
10-11	80	-	218	-	30	-	328	-
Total Stage 1	**1,388**	**-**	**700**	**-**	**334**	**-**	**2,422**	**-**
Stage 2								
1-4	-	-	-	-	-	-	-	-
5-7	4	-	1	-	6	-	11	-
8-9	3	-	5	-	4	-	12	-
10-11	64	-	45	-	30	-	139	-
Total Stage 2	**71**	**-**	**51**	**-**	**40**	**-**	**162**	**-**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	-	-	-	-	-	-	-	-
5-7	966	-	167	-	236	-	1,369	-
8-9	349	-	321	-	78	-	748	-
10-11	144	-	263	-	60	-	467	-
Subtotal - not credit-impaired	**1,459**	**-**	**751**	**-**	**374**	**-**	**2,584**	**-**
Credit-impaired (Stage 3)								
12	-	59	-	39	-	80	-	178
Subtotal - credit-impaired	**-**	**59**	**-**	**39**	**-**	**80**	**-**	**178**
Total	**1,459**	**59**	**751**	**39**	**374**	**80**	**2,584**	**178**

Increase in the not credit-impaired PD grading at June 2020 reflect the Group's revised forward-looking information. Increased credit-impaired stock reflects the implementation of the revised definition of default and increases to 90 days past due stock.

Book composition *(continued)*

Risk profile *(continued)*

Table: 3c *(continued)*

31 December 2019 Risk profile of Retail UK mortgage loan book (before impairment loss allowance) PD Grade	Standard		Buy to let		Self certified		Total	
	Performing £m	Non-performing £m	Performing £m	Non-performing £m	Performing £m	Non-performing £m	Performing £m	Non-performing £m
Not credit-impaired								
Stage 1								
1-4	6,376	-	1,105	-	11	-	7,492	-
5-7	4,037	-	5,277	-	910	-	10,224	-
8-9	44	-	547	-	270	-	861	-
10-11	74	-	205	1	106	-	385	1
Total Stage 1	**10,531**	**-**	**7,134**	**1**	**1,297**	**-**	**18,962**	**1**
Stage 2								
1-4	13	3	2	-	-	-	15	3
5-7	21	3	23	4	18	5	62	12
8-9	5	2	13	3	5	2	23	7
10-11	116	10	105	16	79	15	300	41
Total Stage 2	**155**	**18**	**143**	**23**	**102**	**22**	**400**	**63**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	6,389	3	1,107	-	11	-	7,507	3
5-7	4,058	3	5,300	4	928	5	10,286	12
8-9	49	2	560	3	275	2	884	7
10-11	190	10	310	17	185	15	685	42
Subtotal - not credit-impaired	**10,686**	**18**	**7,277**	**24**	**1,399**	**22**	**19,362**	**64**
Credit-impaired (Stage 3)								
12	-	121	-	93	-	129	-	343
Subtotal - credit-impaired	**-**	**121**	**-**	**93**	**-**	**129**	**-**	**343**
Total	**10,686**	**139**	**7,277**	**117**	**1,399**	**151**	**19,362**	**407**

Asset quality

Composition and impairment

The table below summarises the composition of NPEs and impairment loss allowance for the Retail UK mortgage portfolio.

Table: 4 30 June 2020 Retail UK mortgages	Advances (before impairment loss allowance) £m	Non-performing exposures £m	Non-performing exposures as % of advances %	Impairment loss allowance £m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Standard mortgages	10,376	-	-	14	-	-
Buy to let mortgages	6,998	-	-	28	-	-
Self certified mortgages	1,176	-	-	7	-	1%
Total	**18,550**	**-**	**-**	**49**	**-**	**-**
Stage 2 not credit-impaired						
Standard mortgages	176	-	-	6	-	3%
Buy to let mortgages	171	2	1%	9	n/m	5%
Self certified mortgages	82	-	-	2	-	2%
Total	**429**	**2**	**-**	**17**	**n/m**	**4%**
Stage 3 credit-impaired						
Standard mortgages	203	203	100%	18	9%	9%
Buy to let mortgages	160	160	100%	22	14%	14%
Self certified mortgages	215	215	100%	15	7%	7%
Total	**578**	**578**	**100%**	**55**	**10%**	**10%**
Total						
Standard mortgages	10,755	203	2%	38	19%	-
Buy to let mortgages	7,329	162	2%	59	36%	1%
Self certified mortgages	1,473	215	15%	24	11%	2%
Total	**19,557**	**580**	**3%**	**121**	**21%**	**1%**

Total NPEs of £580 million were £173 million higher than at 31 December 2019.

Owner occupied NPEs of £418 million were £128 million higher than at 31 December 2019.

BTL NPEs of £162 million were £45 million higher than at 31 December 2019.

Increase in NPE stock primarily reflects the change of the Group definition of default implemented in 2020 and an increase in 90 days past due stock.

Asset quality *(continued)*

Composition and impairment *(continued)*

The table below summarises the composition of NPEs and impairment loss allowance for the Retail UK mortgage portfolio.

Table: 4 31 December 2019 Retail UK mortgages	Advances (before impairment loss allowance) £m	Non-performing exposures £m	Non-performing exposures as % of advances %	Impairment loss allowance £m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Standard mortgages	10,531	-	-	2	-	-
Buy to let mortgages	7,135	1	-	5	n/m	-
Self certified mortgages	1,297	-	-	1	-	-
Total	**18,963**	**1**	**-**	**8**	**n/m**	**-**
Stage 2 not credit-impaired						
Standard mortgages	173	18	10%	3	17%	2%
Buy to let mortgages	166	23	14%	7	30%	4%
Self certified mortgages	124	22	18%	2	9%	2%
Total	**463**	**63**	**14%**	**12**	**19%**	**3%**
Stage 3 credit-impaired						
Standard mortgages	121	121	100%	12	10%	10%
Buy to let mortgages	93	93	100%	14	15%	15%
Self certified mortgages	129	129	100%	9	7%	7%
Total	**343**	**343**	**100%**	**35**	**10%**	**10%**
Total						
Standard mortgages	10,825	139	1%	17	12%	-
Buy to let mortgages	7,394	117	2%	26	22%	-
Self certified mortgages	1,550	151	10%	12	8%	1%
Total	**19,769**	**407**	**2%**	**55**	**14%**	**-**

Supplementary COVID-19 disclosures

Composition of COVID-19 payment breaks

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

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

30 June 2020 Analysis of loans and advances to customers subject to a COVID-19 payment break[1]	Residential mortgages[3]	Non-property SME and corporate	Property and construction	Consumer	Total
Total number of accounts subject to a payment break	40,406	17,279	1,103	35,507	94,295
Percentage of customer loan accounts[4]	12%	10%	23%	5%	8%
Total gross carrying amount of loans subject to a payment break[5] - €'m	5,998	3,439	1,615	446	11,498
Total impairment loss allowance on loans subject to a payment break[5] - €'m	90	116	223	17	446

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

[1] The tables above do not include COVID-19 payments breaks granted by MLL on their operating leases to customers (c.4,000 accounts).
[2] The gross carrying amount and impairment loss allowance on loans granted a payment break relate to balances as at the date the payment break was granted.
[3] The COVID-19 payment break analysis of the Residential mortgages portfolio as at 30 June 2020 is further detailed within the Retail Ireland mortgage loan book disclosures on pages 109 to 118 and within the Retail UK mortgage loan book disclosures on pages 119 to 129.
[4] The number of accounts does not equate to the number of customers.
[5] The gross carrying amount and impairment loss allowance on loans subject to a payment break, relate to balances as at 30 June 2020.

Group forbearance disclosures

Risk profile of forborne loans and advances to customers

The Group's total risk profile of loans and advances to customers at amortised cost at 30 June 2020 of €78.5 billion is available in note 19 on page 81. Exposures are before impairment loss allowance.

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

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

Group forbearance disclosures *(continued)*

Risk profile of forborne loans and advances to customers *(continued)*

Table: 1

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

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

Group forbearance disclosures *(continued)*

Risk profile of non-performing exposures

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

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

Consolidated average balance sheet and interest rates

The following table shows the average balances and interest rates of interest earning assets and interest bearing liabilities for the six months ended 30 June 2020 and for the year ended 31 December 2019. The calculations of average balances can be based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on a product margin basis, with funding and interest exposure managed centrally. The explanation of the underlying business trends in the Group's net interest margin (NIM), after adjusting for the impact of IFRS income classifications, is outlined on page 8.

	30 June 2020			31 December 2019		
	Average Balance[1] €m	Interest[2,3] €m	Rate %	Average Balance[1] €m	Interest[2,3] €m	Rate %
Assets						
Loans and advances to banks	10,704	5	0.09%	7,042	25	0.36%
Loans and advances to customers at amortised cost[4,5]	79,025	1,249	3.18%	77,652	2,523	3.25%
Debt securities at amortised cost and financial assets at FVOCI	15,813	11	0.14%	16,389	38	0.23%
Total interest earning assets	**105,542**	**1,265**	**2.41%**	**101,083**	**2,586**	**2.56%**
Non interest earning assets	26,000	-	-	25,432	-	-
Total assets	**131,542**	**1,265**	**1.93%**	**126,515**	**2,586**	**2.04%**
Liabilities and shareholders' equity						
Deposits from banks[6]	2,532	4	0.32%	2,541	16	0.63%
Customer accounts[6]	44,613	99	0.45%	44,360	224	0.50%
Debt securities in issue	7,395	50	1.36%	7,583	100	1.32%
Subordinated liabilities	1,494	34	4.58%	1,751	90	5.14%
Lease liabilities	544	7	2.59%	603	15	2.49%
Total interest bearing liabilities	**56,578**	**194**	**0.69%**	**56,838**	**445**	**0.78%**
Current accounts	39,600	(8)	(0.04%)	35,517	(9)	(0.03%)
Total interest bearing liabilities and current accounts	**96,178**	**186**	**0.39%**	**92,355**	**436**	**0.47%**
Non interest bearing liabilities[7]	24,756	-	-	24,002	-	-
Shareholders' equity and non-controlling interests	10,608	-	-	10,158	-	-
Total liabilities and shareholders' equity	**131,542**	**186**	**0.28%**	**126,515**	**436**	**0.34%**
Euro and sterling reference rates (average)						
ECB base rate			0.00%			0.00%
3 month Euribor rate			(0.31%)			(0.35%)
Bank of England base rate			0.36%			0.75%
3 month Libor rate			0.35%			0.81%

Loans and advances to banks includes cash and balances at central banks.

[1] *Average balances are presented on an underlying basis excluding non-core items, see page 12 for further details.*

[2] *Represents underlying interest income or underlying interest expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. For the six months ended 30 June 2020, a charge of €1 million (year ended 31 December 2019: €10 million) to interest income relating to customer redress charges are excluded as non-core items.*

[3] *Interest expense of €3 million (31 December 2019: €7 million) arising from assets subject to negative interest rates has been reclassified to interest income, whereas in the consolidated income statement it is presented as interest expense. Interest income of €12 million (31 December 2019: €19 million) arising from liabilities subject to negative interest rates has been reclassified to interest expense, whereas in the consolidated income statement it is presented as interest income.*

[4] *Average loans and advances to customers volumes are presented net of Stage 3 impairment loss allowances.*

[5] *The Group has availed of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. In order that yields on products are presented on a consistent basis period on period and are not impacted by the resulting change in hedge accounting designations; net interest flows of €52 million (31 December 2019: €97 million) on all derivatives designated as fair value hedges of current accounts continue to be presented together with gross interest income on 'Loans and advances to customers' and is not included in 'Customer accounts'.*

[6] *Excludes deposits carried at FVTPL.*

[7] *Includes liabilities carried at FVTPL.*

Forward looking statement

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

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

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

Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 28 and also the discussion of risk in the Group's Annual Report for the year ended 31 December 2019.

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

For further information please contact:
Myles O'Grady, Group Chief Financial Officer
Tel: +353 76 624 3291

Darach O'Leary, Director of Group Investor Relations
Tel: +353 76 624 4711

Damien Garvey, Head of Group External Communications and Public Affairs
Tel: +353 76 624 6716

Rates of exchange

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

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

Credit ratings

	30 June 2020	31 December 2019
Ireland - Senior debt		
Standard & Poor's	AA- (Stable)	AA- (Stable)
Moody’s	A2 (Stable)	A2 (Stable)
Fitch	A+ (Stable)	A+ (Stable)
BOIG plc - Senior debt		
Standard & Poor's	BBB- (Negative)	BBB- (Stable)
Moody’s	Baa2 (Stable)	Baa2 (Stable)
Fitch	BBB (Negative)	BBB (Stable)
The Governor and Company of the Bank of Ireland - Senior debt		
Standard & Poor's	A- (Negative)	A- (Stable)
Moody’s	A2 (Stable)	A2 (Stable)
Fitch	BBB+ (Negative)	BBB (Positive)

Stock exchange listings

Bank of Ireland Group plc is a public limited company incorporated in Ireland in 2016 with registration number 593672. Its ordinary shares, of nominal value €1.00 per share, have a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange.

Alternative performance measures

This section contains further information related to certain measures referred to in the key performance highlights and the OFR.

The OFR is prepared using IFRS and non-IFRS measures to analyse the Group's performance, providing period on period comparability. These performance measures are consistent with those presented to the Board and Group Executive Committee and include alternative performance measures as set out below. These performance measures may not be uniformly defined by all companies and accordingly they may not be directly comparable with similarly titled measures and disclosures by other companies. These measures should be considered in conjunction with IFRS measures as set out in the consolidated financial statements from page 41.

'Annual Premium Equivalent' (APE) is a common metric used by insurance companies. The approach taken by insurance companies is to take 100% of regular premiums, being the annual premiums received for a policy, and 10% of single premiums. This assumes that an average life insurance policy lasts 10 years and therefore taking 10% of single premiums annualises the single lump sum payment received over the 10 year duration.

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. See pages 8 and 134 for further information.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Interest expense	Income statement	149	188
Exclude impact of FV hedges of current accounts	Average balance sheet	52	44
Include negative interest on financial liabilities	Note 4	(12)	(10)
Exclude negative interest on financial assets	Note 5	(3)	(4)
Exclude interest expense related to portfolio divestments	Average balance sheet	-	(5)
Underlying interest expense		**186**	**213**
Average interest bearing liabilities	Average balance sheet	96,178	91,450
Average cost of funds % (annualised)		**(0.39%)**	**(0.47%)**

Business income is net other income after IFRS income classifications before other gains and other valuation items. See page 9 for further details.

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

Growth in customer accounts on a constant currency basis
The Group calculates growth in customer accounts on a constant currency basis. For this calculation the Group applies the prior period end rate in both periods so that the impact of movements in foreign exchange rates is eliminated.

Calculation	Source	30 June 2020 €m	31 December 2019 €m
Customer accounts	Note 24	86,508	83,968
Impact of foreign exchange movements		1,626	(1,168)
Customer accounts on a constant currency basis		**88,134**	**82,800**
Growth in customer accounts		**5,334**	

Alternative performance measures *(continued)*

Growth in gross new lending on a constant currency basis

The Group calculates growth in gross new lending on a constant currency basis. For this calculation the Group applies the current period average in period interest rate to Retail UK lending flows in both periods so that the impact of movements in foreign exchange rates is eliminated.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Gross new lending in the period	Loans and advances to customers (OFR)	7,111	7,712
Impact of foreign exchange movements		(8)	(5)
Gross new lending on a constant currency basis		**7,103**	**7,707**
Growth in gross new lending (%)		**(7.84%)**	

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

Gross yield represents the underlying interest income recognised on interest earning assets, net of interest on derivatives which are in a hedge relationship with the relevant asset. See pages 8 and 134 for further information.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Interest income	Income statement	1,227	1,265
Include impact of FV hedges of current accounts	Average balance sheet	52	44
Exclude negative interest on financial liabilities	Note 4	(12)	(10)
Include negative interest on financial assets	Note 5	(3)	(4)
Exclude customer redress charges	Note 4	1	5
Exclude interest income related to portfolio divestments	Average balance sheet	-	(18)
Underlying interest expense		**1,265**	**1,282**
Average interest earning assets	Average balance sheet	105,542	100,081
Average gross yield % (annualised)		**2.41%**	**2.58%**

Gross yield - customer lending

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Interest income on loans and advances to customers	Note 4	1,107	1,134
Interest income on finance leases and hire purchase receivables	Note 4	89	84
Include impact of FV hedges of current accounts	Average balance sheet	52	44
Exclude customer redress charges	Note 4	1	5
Exclude interest income related to portfolio divestments	Average balance sheet	-	(18)
Underlying interest income on customer lending		**1,249**	**1,249**
Average customer lending assets	Average balance sheet	79,025	77,177
Average gross yield on customer lending % (annualised)		**3.18%**	**3.26%**

Alternative performance measures *(continued)*

Gross yield - liquid assets

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Interest income on loans and advances to banks	Note 4	8	15
Interest income on debt securities at FVOCI	Note 4	8	16
Interest income on debt securities at amortised cost	Note 4	3	6
Include negative interest on financial assets	Note 5	(3)	(4)
Underlying interest income on liquid assets		**16**	**33**
Loans and advances to banks	Average balance sheet	10,704	6,253
Debt securities at amortised cost and financial assets at FVOCI	Average balance sheet	15,813	16,651
Average interest earning liquid assets		**26,517**	**22,904**
Average gross yield on liquid assets % (annualised)		**0.12%**	**0.29%**

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). See page 16 for further details.

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

Calculation	Source	30 June 2020 €m	31 December2019 €m
Loans and advances to customers	Balance sheet	76,748	79,487
Customer accounts	Balance sheet	86,508	83,968
Loan to deposit ratio %		**89%**	**95%**

Net impairment losses on loans and advances to customers at amortised cost (bps) is the net impairment loss on loans and advances to customers at amortised cost divided by average gross loans and advances to customers at amortised cost.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Net impairment losses on loans & advances to customers at amortised cost	Note 15	(888)	(81)
Average gross loans and advances to customers		80,319	78,931
Net Impairment losses on loans and advances to customers at amortised cost (bps) (annualised)		**(222)**	**(21)**

Alternative performance measures *(continued)*

Net interest margin (NIM) is stated on an underlying basis after adjusting for IFRS income classifications. See page 8 for further details.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Net interest income	Income statement	1,078	1,077
Exclude customer redress charges	Note 4	1	5
Exclude net interest income related to portfolio divestments	Non-core items (OFR)	-	(13)
IFRS income classifications	Net interest income (OFR)	(16)	10
Underlying net interest income after IFRS income classifications		**1,063**	**1,079**
Average interest earning assets	Average balance sheet	105,542	100,081
IFRS income classifications - average assets	Net interest income (OFR)	340	441
Total average interest earning assets		**105,882**	**100,522**
Net interest margin % (annualised)		**2.02%**	**2.16%**

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

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

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

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

Calculation	Source	30 June 2020 €m	31 December 2019 €m
Non-performing exposures	Asset quality (OFR)	4,557	3,519
Loans and advances to customers at amortised cost	Note 18	78,471	80,543
Loans and advances to customers at FVTPL	Note 18	399	252
Total loans and advances to customers		**78,870**	**80,795**
NPE ratio %		**5.8%**	**4.4%**

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

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

Calculation	Source	30 June 2020 €m	30 June 2019 €m
(Loss) / profit for the period	Income statement	(725)	226
Total assets	Balance Sheet	131,615	125,982
Return on assets (bps) (annualised)		**(111)**	**36**

Alternative performance measures *(continued)*

Return on Tangible Equity (ROTE) is calculated as being profit attributable to ordinary shareholders less non-core items (net of tax) divided by average shareholders' equity less average intangible assets and goodwill.

Return on Tangible Equity (adjusted) is calculated by adjusting the ROTE to exclude other gains and other valuation items (net of tax) and to adjust the impairment gain or loss on financial instruments (net of tax) to a more 'normalised' impairment level of impairment loss, net of tax. The average shareholders tangible equity is adjusted to a maximum CET 1 ratio of 13.5%, reflecting the Group target CET 1 ratio.

	Reported		Adjusted	
	30 June 2020 €m	31 December 2019 €m	30 June 2020 €m	31 December 2019 €m
(Loss) / profit for the period attributable to shareholders	(757)	386	(757)	386
Non-core items including tax	126	177	126	177
Other gains and other valuation items, net of tax	-	-	93	(3)
Adjusted (loss) / profit after tax	**(631)**	**563**	**(538)**	**560**
Annualised adjusted (loss) / profit after tax	**(1,252)**	**n/m**	**(1,065)**	**n/m**
Shareholders' equity	**9,231**	**9,625**	**9,231**	**9,625**
Intangible assets and goodwill	(720)	(838)	(720)	(838)
Shareholders' tangible equity	**8,511**	**8,787**	**8,511**	**8,787**
Average shareholders' tangible equity	**8,859**	**8,528**	**8,859**	**8,528**
Adjustment for CET1 ratio at 13.5%	-	-	(71)	(235)
Adjusted average shareholders tangible equity	**8,859**	**8,528**	**8,788**	**8,293**
Return on Tangible Equity	**(14.1%)**	**6.6%**	**(12.1%)**	**6.8%**

Statutory cost income ratio is calculated as other operating expenses, impairment of intangible assets, impairment of goodwill and cost of restructuring divided by total operating income, net of insurance claims.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Other operating expenses	Income statement	972	1,056
Impairment of intangible assets	Income statement	136	-
Impairment of goodwill	Income statement	9	-
Cost of restructuring programme	Income statement	27	27
Costs		**1,144**	**1,083**
Operating income, net of insurance claims	Income statement	1,253	1,458
Total operating income		**1,253**	**1,458**
Statutory cost / income ratio %		**91%**	**74%**

Alternative performance measures *(continued)*

Tangible Net Asset Value (TNAV) per share is calculated as shareholder equity less intangible assets and goodwill divided by the number of ordinary shares in issue, adjusted for Treasury shares held for the benefit of life assurance policyholder at the period end.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Shareholders' equity	Balance sheet	9,231	9,257
Less - intangible assets	Note 21	(695)	(777)
Less - goodwill	Note 21	(25)	(34)
Adjust for own shares held for the benefit of life assurance policyholders	Balance sheet	35	27
Tangible net asset value		**8,546**	**8,473**
		Shares (millions)	**Shares (millions)**
Number of ordinary shares in issue		1,079	1,079
Treasury shares		(7)	(4)
		1,072	**1,075**
Tangible net asset value per share (cent)		**797**	**788**

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 12 for further information.

Underlying cost income ratio is calculated on an underlying basis (excluding non-core items), as operating expenses excluding levies and regulatory charges and impairment of goodwill, divided by operating income (net of insurance claims), excluding other gains and other valuation items.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
Other operating expenses	Income statement	972	1,056
Impairment of intangible assets	Income Statement	136	-
Cost of restructuring programme	Income statement	27	27
Impairment of goodwill	Income Statement	9	-
		1,144	**1,083**
Exclude:			
- impairment of intangible assets	Non-core items (OFR)	(136)	-
- levies and regulatory charges	Note 13	(70)	(73)
- cost of restructuring programme	Non-core items (OFR)	(27)	(27)
- portfolio divestments	Non-core items (OFR)	(24)	(23)
- impairment of goodwill	Note 21	(9)	-
- customer redress charges	Note 13	(6)	(57)
Underlying costs		**872**	**903**
Operating income net of insurance claims	Income statement	1,253	1,458
Exclude:			
- interest rate movements - W&I	Other income (OFR)	53	(15)
- unit-linked investment variance - W&I	Other income (OFR)	37	(21)
- financial instrument valuation adjustments (CVA, DVA, FVA) and other	Other income (OFR)	19	18
- portfolio divestments	Non-core items (OFR)	(19)	(29)
- investment return on treasury stock held for policyholders	Non-core items (OFR)	(17)	(1)
- gross up of policyholder tax in the W&I business	Non-core items (OFR)	4	(22)
- transfers from reserves on asset disposal	Note 11	(3)	(1)
- net gain on disposal and revaluation of investments	Other income (OFR)	2	(2)
- customer redress charges	Non-core items (OFR)	1	5
- gain on disposal and revaluation of investments properties	Other income (OFR)	(1)	(2)
Underlying income		**1,329**	**1,390**
Underlying cost / income ratio %		**66%**	**65%**

Alternative performance measures *(continued)*

Underlying earnings per share is calculated as profit attributable to shareholders adjusted for non-core items, divided by the weighted average number of ordinary shares in issue, adjusted for average Treasury shares held for the benefit of life assurance policyholders.

Calculation	Source	30 June 2020 €m	30 June 2019 €m
(Loss) / profit attributable to shareholders	Income statement	(757)	195
Non-core items, including tax	Non-core items (OFR)	126	77
Underlying profit attributable to shareholders		**(631)**	**272**
		Shares (millions)	**Shares (millions)**
Weighted average number of ordinary shares in issue	Note 17	1,079	1,079
Average Treasury shares held for the benefit of life assurance policyholders	Note 17	(6)	(4)
		1,073	**1,075**
Underlying earnings per share (cent)		**(58.8)**	**25.2**

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 337 and 338 of the Group's Annual Report for the year ended 31 December 2019.

This page has been intentionally left blank

Bank of Ireland Group plc
40 Mespil Road
Dublin 4
D04 C2N4

Registered number 593672