2020

The Governor and Company of the Bank of Ireland
Annual Report

Bank of Ireland

Inside this report

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

The Group's forward looking statement can be found on page 293.

Business Review

Operating and financial review

Basis of presentation

This operating and financial review is presented on an underlying basis. For an explanation of underlying see page 5.

Percentages presented throughout the Business Review 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.

Principal rates of exchange used in the preparation of the Financial Statements are set out on page 87.

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. References to Bank of Ireland Group plc ('BOIG plc Group') throughout this document should be taken to be referred to BOIG plc and its subsidiaries.

Group income statement

Summary consolidated income statement on an underlying[1] basis

	2020 €m	*Restated*[2] 2019 €m	Change %
Net interest income	2,098	2,160	(3%)
Net other income	505	669	(25%)
Operating income (net of insurance claims)	**2,603**	**2,829**	**(8%)**
Operating expenses (before levies and regulatory charges and impairment of intangible assets and goodwill)	(1,719)	(1,784)	(4%)
Levies and regulatory charges	(125)	(117)	7%
Impairment of intangible assets and goodwill	(12)	-	n/m
Operating profit before net impairment losses on financial instruments	**747**	**928**	**(20%)**
Net impairment losses on financial instruments	(1,133)	(215)	n/m
Share of results of associates and joint ventures (after tax)	(4)	39	n/m
Underlying[1] (loss) / profit before tax	**(390)**	**752**	**n/m**
Non-core items	(386)	(113)	n/m
(Loss) / profit before tax	**(776)**	**639**	**n/m**
Tax credit / (charge)	55	(196)	n/m
(Loss) / profit for the year	**(721)**	**443**	**n/m**
Return on assets (bps)	(54)	34	

Loss before tax of €776 million was reported by the Group for 2020 (2019: €639 million profit before tax).

Operating profit before net impairment losses on financial instruments for 2020 of €747 million is €181 million lower than 2019 reflecting a reduction in operating income of €226 million, partially offset by a reduction in operating expenses (before levies and regulatory charges and impairment of intangible assets and goodwill) of €65 million.

Net impairment losses on financial instruments for 2020 of €1,133 million are €918 million higher than 2019. Lower operating income and the increased net impairment losses are the key drivers of the underlying loss before tax for the year of €390 million compared to an underlying profit before tax of €752 million in 2019.

[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. See pages 4 to 6 for further information.*

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for interest income and expense (see note 61 for further information) which on an underlying basis has resulted in an increase of €17 million in net interest income and a reduction of €17 million in net other income for 2019. There is no change to 2019 underlying operating income (net of insurance claims) or the 2019 underlying profit before tax arising from the restatement.*

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

Operating income (net of insurance claims) has decreased by €226 million compared to 2019 primarily due to:
- net interest income of €2,098 million for 2020 is €62 million lower than 2019, primarily reflecting the lower interest rate environment, reduced yields on liquid assets and structural hedges partially offset by the benefit of reduced liability costs.
- a reduction in net other income of €164 million due to lower business income resulting from reduced economic activity as well as the negative impact of volatile equity markets and interest rates on other valuation items

Operating expenses before levies and regulatory charges and impairment of intangible assets and goodwill of €1,719 are €65 million or 4% lower than 2019 as the Group continued to focus on reducing its operational costs while maintaining its investment in regulatory compliance, technology and business growth.

The Group has incurred incremental expenditure of €25 million in managing its response to the COVID-19 pandemic.

A further €410 million (2019: €263 million) was invested in the Group's transformation investment programme in 2020, of which €117 million is capitalised on the balance sheet (2019: €100 million), €56 million (2019: €108 million) charged to operating expenses on the income statement and €237 million (2019: €55 million) recognised as non-core costs on the income statement.

Net impairment losses on financial instruments of €1,133 million for 2020 is €918 million higher than 2019. Consistent with the recognition of expected credit loss under IFRS 9, c.60% of the impairment loss was recognised on performing assets (i.e. not credit-impaired).

The credit loss in the year reflects impairments recognised arising from: impairment model updates, including the change in the macroeconomic outlook due to the COVID-19 pandemic (€0.5 billion); loss emergence primarily from a number of commercial exposures in Corporate and Treasury and Retail UK (€0.4 billion), including losses on legacy property exposures (€0.3 billion); and the application of Group management adjustments which primarily reflect the potential risk that longer-term credit supports may be required for customers affected by COVID-19 (€0.2 billion).

Income from associates and joint ventures includes income from First Rate Exchange Services Limited (FRES), the Group's FX joint venture with the Post Office. The reduction of €43 million in income for 2020 is primarily due to the impact of economic uncertainty and extensive travel restrictions on the UK travel and FX markets.

Non-core charges increased by €273 million to €386 million in 2020. The year on year increase is primarily driven by cost of restructuring charge of €245 million (includes €189 million for the Group-wide voluntary redundancy scheme) and the impairment of internally generated computer software of €136 million.

The **taxation credit** was €55 million with an effective statutory taxation rate of 7% (2019: taxation charge of €196 million and taxation rate of 31%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses and the reassessment of the tax value of the tax losses carried forward.

On an underlying basis and excluding the impact of the re-assessment of the tax value of the tax losses carried forward, the effective taxation rate in 2020 was 8% (2019: 17%). For further details on the Group's re-assessment of tax losses carried forward see note 2 on pages 109 and 110.

Non-core items

Non-core items	2020 €m	2019 €m	Change %
Cost of restructuring programme	(245)	(59)	n/m
- Transformation Investment costs	*(237)*	*(55)*	*n/m*
- Other restructuring charges	*(8)*	*(4)*	*100%*
Impairment of internally generated computer software	(136)	-	n/m
Customer redress charges	(39)	(74)	(47%)
Gain / (loss) on disposal / liquidation of business activities	13	(25)	n/m
Investment return on treasury shares held for policyholders	9	(2)	n/m
Gross-up for policyholder tax in the Wealth and Insurance business	7	35	(80%)
Portfolio divestments	5	12	(58%)
- Operating income	*35*	*51*	*(31%)*
- Operating expenses[1]	*(30)*	*(40)*	*(25%)*
- Impairment gains on other financial instruments	*-*	*1*	*(100%)*
Total non-core items	**(386)**	**(113)**	**n/m**

[1] *Includes staff costs of €10 million (2019: €5 million).*

Non-core items *(continued)*

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

Cost of restructuring programme
During 2020, the Group recognised a restructuring charge of €245 million (2019: €59 million) of which €237 million (2019: €55 million) related to the Group's Transformation Investment programme and €8 million (2019: €4 million) for other restructuring costs.

The 2020 transformation investment costs of €237 million predominantly relate to the Group-wide voluntary redundancy scheme (the 'Scheme') which was open to employees between August and September 2020. The €189 million voluntary redundancy costs reflects costs for employees that had exited the Group by 31 December 2020 and employees for which the Group has exit plans in place and made appropriate communications as at 31 December 2020.

The Group is taking a phased approach to employee departures, which began in 2020 and will progress into 2022 to ensure that Group operations continue smoothly. The Scheme will result in c.1,700 staff exits by the time it concludes in 2022.

In addition, Transformation Investment costs included programme management costs of €22 million (2019: €17 million), costs of €16 million related to the planning and scoping of the strategic review of the Group’s Northern Ireland and UK operations, of which €3 million related to the impairment of property, plant and equipment costs related to the implementation of the Group’s property strategy of €6 million (2019: €4 million) and additional costs associated with reduction in staff numbers of €4 million (2019: €34 million), which preceeded the voluntary redundancy scheme.

Other restructuring costs of €8 million (2019: €4 million) includes €3 million related to the impairment of property, plant and equipment and other related costs of €5 million.

Impairment of internally generated computer software
During 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 year, of which €127 million was charged to the transformation investment asset and €9 million was charged to other internally generated computer software. There was no similar charge for 2019.

Customer redress charges
The Group has set aside a further €14 million (2019: €67 million) provision to cover the additional redress and compensation costs for a small number of additional customers, operational costs associated with the length and nature of the review and estimated costs of closing out the Tracker Mortgage Examination review.

In 2011 the Group’s Irish Business Banking business introduced a new Bank Cost of Funds interest rate to certain business customers. The implementation was limited to larger business customers and personal consumers were excluded. In 2013 the Group’s Irish Private Banking business introduced a similar Private Banking cost of funds interest rate.

During 2020 a review of the implementation of these interest rates was carried out by the Group. The review identified that a cohort of customers incorrectly had these interest rates applied to their accounts. The Group made a total remediation provision of €25 million in order to cover the identified remediation and related costs.

Gain / loss on disposal / liquidation of business activities
In 2019, the Group incurred a net loss of €21 million on disposal of its consumer credit card portfolio which included a provision relating to the cost of migration and other costs associated with the disposal. In October 2020, the migration concluded and consequently management have adjusted the provision to reflect the actual costs and timing of the migration. This has resulted in a release of €8 million from the provision during 2020 which is reflected as an adjustment to the loss on disposal during the year.

In addition, a gain of €5 million (2019: €4 million loss) was recognised relating to the recycling of cumulative unrealised FX gains and losses through the income statement following the liquidation of foreign denominated subsidiaries. These losses were previously held in the FX reserve.

Investment return on treasury shares held for policyholders
Under International Financial Reporting Standards (IFRS), the Group income statement excludes the impact of the change in value of Bank of Ireland Group plc (‘BOIG plc’) shares held by Wealth and Insurance for policyholders. In 2020, there was a gain of €9 million (2019: €2 million loss).

The year on year movement reflects a change in valuation during the year. At 31 December 2020, there were 5.1 million shares (31 December 2019: 5.0 million shares) held for the benefit of policyholders.

Gross-up for policyholder tax in the Wealth and Insurance business
IFRS requires 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 2020, the Group recognised a credit of €7 million (2019: €35 million). The year on year movement is mainly due to lower investment returns in 2020 compared to 2019.

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.

Non-core items *(continued)*

During 2020, the Group made the decision to exit its Irish non-branch ATM business. As a result, operating income of €1 million and costs of €5 million associated with this business have been recognised as non-core in the current year.

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. The migration was completed in October 2020.

Following a strategic review carried out in 2018, the Group commenced the exit of its UK Post Office ATM business in 2019. An agreement for the sale of the business concluded during 2020 and the disposal of devices will commence in 2021 and is expected to be completed by early 2022. As a result, the associated income and costs have been treated as non-core in 2019 and 2020.

As a result of the disposal of the UK credit card portfolio and exit of the UK Post Office ATM business €34 million of operating income and €25 million of operating costs arising from these business have been recognised as non-core (2019: €51 million of operating income, €40 million of operating costs and €1 million of impairment gains).

Group balance sheet

The following tables show the composition of the Group's balance sheet including the key sources of the Group's funding and liquidity.

Summary consolidated balance sheet

Summary consolidated balance sheet	2020 €bn	2019 €bn	Change %
Assets *(after impairment loss allowances)*			
Loans and advances to customers[1]	77	79	(3%)
Liquid assets	31	27	15%
Wealth and Insurance assets	20	20	-
Other assets	6	6	-
Total assets	**134**	**132**	**2%**
Liabilities			
Customer deposits	89	84	6%
Wholesale funding	9	11	(18%)
Wealth and Insurance liabilities	20	20	-
Other liabilities	6	5	20%
Subordinated liabilities	1	2	(50%)
Total liabilities	**125**	**122**	**2%**
Stockholders' equity	8	9	(11%)
Other equity instruments	1	1	-
Total liabilities and shareholders' equity	**134**	**132**	**2%**
Credit-impaired loans and advances to customers	4.5	3.1	
Non-performing exposures	4.5	3.5	
Non-performing exposures ratio	5.7%	4.4%	
Liquidity Coverage Ratio[2]	153%	138%	
Net Stable Funding Ratio[3]	138%	131%	
Loan to Deposit Ratio	86%	95%	

[1] *Includes €0.4 billion of loans and advances to customers at 31 December 2020 (2019: €0.3 billion) that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.*
[2] *The Group's Liquidity Coverage Ratio 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 is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.*

Summary consolidated balance sheet *(continued)*

The Group's **loans and advances to customers (after impairment loss allowances)** reduced to €76.6 billion from €79.5 billion at 31 December 2019. This is primarily due to adverse FX movements of €2.0 billion and increased net impairment of €1.1 billion. The COVID-19 pandemic, combined with ongoing Brexit uncertainty has generated muted demand for credit.

The Group's **asset quality** has been negatively impacted by the uncertain market environment and a number of case specific events arising from Corporate and investment property portfolios. **Non-performing exposures (NPE)** increased by €1.0 billion to €4.5 billion during 2020, and represented 5.7% of gross loans at 31 December 2020. Implementation of a revised definition of default during 2020 resulted in an increase in NPEs of c.€0.6 billion.

At 31 December 2020, Group **customer deposit** volumes of €88.6 billion are €4.6 billion higher than 31 December 2019. Deposit growth in Retail Ireland of €7.1 billion was primarily driven by higher household and Small and Medium Enterprise (SME) savings rates, whilst deposit volumes in Corporate and Treasury marginally decreased by €0.3 billion. Deposit volumes in Retail UK decreased by £0.8 billion to £18.3 billion. The Loan to Deposit Ratio (LDR) at 31 December 2020 is 86% (2019: 95%).

Wholesale funding decreased by €1.6 billion to €9.4 billion primarily due to term funding maturities (asset covered securities (ACS) of €1.3 billion , the calling of Brunel Residential Mortgage Securitisation No.1 plc of €0.5 billion and €0.2 billion Credit Linked Note), partially offset by an increase in senior issuance of the parent (€0.6 billion) and a net increase in Bank of England Monetary Authority funding (€0.2 billion). Total Monetary Authority borrowings at 31 December 2020 are €1.9 billion compared to €1.7 billion at 31 December 2019.

The net pension position is a deficit of €0.1 billion at 31 December 2020 (31 December 2019: €0.1 billion). The primary drivers of the movement in the pension deficit were positive asset returns, experience gains and employer contributions offset by the negative impact of assumption changes in 2020. Total asset values at 31 December 2020 have increased from 31 December 2019 mainly due to the increase in Liability Driven Investments assets, hedging interest rate and inflation rate movements, and have largely offset an increase in liabilities, driven by the decrease in the interest rate elements of the discount rates and inflation movements.

The Group's fully loaded Common Equity Tier 1 (CET1) ratio decreased by c.40 basis points during 2020 to 13.4% and the regulatory CET1 ratio decreased by c.10 basis points during 2020 to 14.9%. The fully loaded ratio decrease of c.40 basis points is primarily due to pre-impairment **organic capital generation** (c.125 basis points) and the benefit from implementation of SME support factor and software asset rules (c.75 basis points) offset by the impact of credit quality deterioration (c.- 110 basis points), risk weighted assets (RWAs) growth (c.-20 basis points), the impact of regulatory change (c.-65 basis points), investment in the Group's transformation programmes (c.-75 basis points) and other net movements, including movements in the Group's defined benefit pension schemes (c.30 basis points).

Capital

CRD IV - 2019			CRD IV - 2020[1]	
Regulatory %	Fully loaded %		Regulatory %	Fully loaded %
		Capital ratios		
15.0%	13.8%	Common equity tier 1	14.9%	13.4%
16.3%	15.1%	Tier 1	16.9%	15.4%
18.6%	17.4%	Total capital	19.2%	18.0%
7.1%	6.5%	Leverage ratio	7.1%	6.4%

Fully loaded ratio[1]
BOIG plc Group's fully loaded CET1 ratio is estimated at 13.4% at 31 December 2020 (2019: 13.8%).

Leverage ratio[1]
The leverage ratio at 31 December 2020 is 7.1% on a CRD IV regulatory basis (31 December 2019: 7.1%) and 6.4% on a pro forma fully loaded basis (31 December 2019: 6.5%).

Distributable items
As at 31 December 2020, the Bank had reserves available for distribution in excess of €2.2 billion (2019: €3.3 billion).

Individual consolidation
The regulatory CET1 ratio of the Bank calculated on an individual consolidated basis as referred to in Article 9 of the CRR is 13.7% at 31 December 2020 (2019: 15.2%).

[1] *The capital and leverage ratios are calculated under the prudential scope of consolidation of the BOIG plc Group. Further details on the capital position of BOIG plc Group and The Governor and Company of the Bank of Ireland can be found in BOIG plc's Pillar 3 disclosures for the year ended 31 December 2020, available on the Group's website.*

Income statement - Operating segments

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 gains / (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
Divisional underlying contribution[1]												
Retail Ireland[2]	937	-	205	1,142	-	1,142	(709)	433	(314)	(3)	-	116
Wealth and Insurance	(7)	1,631	238	1,862	(1,691)	171	(115)	56	-	-	-	56
Retail UK	559	-	(2)	557	-	557	(305)	252	(268)	(1)	-	(17)
Corporate and Treasury	630	-	131	761	-	761	(183)	578	(549)	-	-	29
Group Centre	(2)	(4)	(7)	(13)	1	(12)	(543)	(555)	(2)	-	-	(557)
Other reconciling items	(2)	-	3	1	-	1	(2)	(1)	-	-	-	(1)
BOIG Group plc - underlying[1]	**2,115**	**1,627**	**568**	**4,310**	**(1,690)**	**2,620**	**(1,857)**	**763**	**(1,133)**	**(4)**	**-**	**(374)**
Less:												
Attributable to BOIG plc	(17)	-	-	(17)	-	(17)	1	(16)	-	-	-	(16)
Group underlying[1]	**2,098**	**1,627**	**568**	**4,293**	**(1,690)**	**2,603**	**(1,856)**	**747**	**(1,133)**	**(4)**	**-**	**(390)**
Total non-core items												
Cost of restructuring programme	-	-	-	-	-	-	(245)	(245)	-	-	-	(245)
Impairment of internally generated computer software	-	-	-		-		(136)	(136)	-	-	-	(136)
Customer redress charges	(26)	-	-	(26)	-	(26)	(13)	(39)	-	-	-	(39)
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	13	13
Investment return on treasury stock held for policyholders	-	-	9	9	-	9	-	9	-	-	-	9
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	7	7	-	7	-	7	-	-	-	7
Portfolio divestments	-	-	35	35	-	35	(30)	5	-	-	-	5
Group total	**2,072**	**1,627**	**619**	**4,318**	**(1,690)**	**2,628**	**(2,280)**	**348**	**(1,133)**	**(4)**	**13**	**(776)**

[1] *Underlying performance excludes the impact of non-core items (page 5). See page 294 which describes the adoption of divisional contribution in 2020.*

[2] *Included in underlying profit before tax of Retail Ireland in 2019 is an underlying loss before tax of €1.2 million, comprising operating income of €2.5 million, and operating expenses of €3.7 million relating to its Irish non-branch ATM business from which the Group has made a strategic decision to exit. For 2020, income and expense from the Irish non-branch ATM business has been excluded from underlying profit before tax of Retail Ireland and presented within non-core items on the table above as 'Portfolio divestments'.*

Income statement - Operating segments *(continued)*

Restated[1] 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 gains / (losses) on financial instruments €m	Net impairment (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Loss on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Divisional underlying contribution												
Retail Ireland	1,005	-	253	1,258	-	1,258	(745)	513	(50)	5	-	468
Wealth and Insurance	(8)	1,521	1,433	2,946	(2,642)	304	(135)	169	-	-	-	169
Retail UK	563	-	(15)	548	-	548	(329)	219	(82)	34	-	171
Corporate and Treasury	603	-	129	732	-	732	(195)	537	(82)	-	-	455
Group Centre	(2)	(3)	5	-	(5)	(5)	(500)	(505)	(1)	-	-	(506)
Other reconciling items	6	-	(7)	(1)	-	(1)	2	1	-	-	-	1
BOIG Group plc - underlying[2]	**2,167**	**1,518**	**1,798**	**5,483**	**(2,647)**	**2,836**	**(1,902)**	**934**	**(215)**	**39**	**-**	**758**
Less:												
Attributable to BOIG plc	(7)	-	-	(7)	-	(7)	1	(6)	-	-	-	(6)
Group underlying[2]	**2,160**	**1,518**	**1,798**	**5,476**	**(2,647)**	**2,829**	**(1,901)**	**928**	**(215)**	**39**	**-**	**752**
Total non-core items												
Cost of restructuring programme	-	-	-	-	-	-	(59)	(59)	-	-	-	(59)
Impairment of internally generated computer software	-	-	-	-	-	-	-	-	-	-	-	-
Customer redress charges	(10)	-	-	(10)	-	(10)	(64)	(74)	-	-	-	(74)
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	(25)	(25)
Investment return on treasury stock held for policyholders	-	-	(2)	(2)	-	(2)	-	(2)	-	-	-	(2)
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	35	35	-	35	-	35	-	-	-	35
Portfolio divestments	15	-	36	51	-	51	(40)	11	1	-	-	12
Group total	**2,165**	**1,518**	**1,867**	**5,550**	**(2,647)**	**2,903**	**(2,064)**	**839**	**(214)**	**39**	**(25)**	**639**

[1] *As outlined on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for interest income and expense.*
[2] *Underlying performance excludes the impact of non-core items (page 5).*

Principal Risks and Uncertainties

Key risks identified by the annual risk identification process, together with other significant and emerging risks facing the Group and key mitigating considerations are set out below. For many of the risks, the allocation of capital against potential loss is a key mitigant; other mitigating considerations include those outlined below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants; nor can it confirm that the mitigants would apply to fully eliminate or reduce the corresponding key risks. Additionally, other factors not yet identified, or not currently material, may adversely affect the Group.

The COVID-19 pandemic continues to have a significant impact on the global economy with an uncertain path to recovery. The short and medium term economic impacts of the pandemic are partially offset through significant levels of government intervention. Business and consumer behaviours have changed and evolved, creating new challenges and opportunities for the Group. These include the acceleration towards digital channels and a change in remote working practices. The longer term impact for some sectors and on the Group remains uncertain.

Further details on risk management are set out in the note 27 Financial risk management.

Business and strategic risk

Principal risks and uncertainties

Business and strategic risk arises from changes in the external environment including economic trends and competitive environment; failure to develop and / or execute an appropriate business model or strategy; and ability to anticipate or mitigate a related risk.

Business and strategic risk encompasses the Group's current business model on the basis of its ability to generate acceptable returns, given its quantitative performance, key success drivers and dependencies, and business environment and the sustainability of the Group's strategy on the basis of its ability to generate acceptable returns, based on its strategic plans and financial forecasts, and an assessment of the business environment.

Key mitigating considerations

- Business divisional strategy is developed within the boundaries of the Group's strategy as well as the Court approved risk appetite limit. These strategies are developed within the divisions and challenged, endorsed, supported and monitored by Group functions.
- The Court receives regular deep dive presentations on key aspects of the Group's strategy, and regular updates on performance against strategic objectives by way of the Group organisational balanced scorecard.
- The Court receives comprehensive reports setting out business and financial performance relative to plan, financial projections, capital and liquidity plans, along with reports on the Group's key risks, risk appetite and risks outlook. The Court's business, financial and risk considerations are further informed by regular economic updates, together with updates on developments relevant to the Group's franchises, operations, customers, colleagues, and other business activities.
- An independent Court Risk Report is produced quarterly and reviewed by the Executive and Non-executive Risk Committees. The content of the report includes an analysis of, and commentary on, the key existing and emerging risk types and also addresses governance, control issues and compliance with risk appetite.

Transformation risk

Principal risks and uncertainties

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

Key mitigating considerations

- The Court has responsibility for developing the Group's strategic priorities. These priorities were set out at the Group Investor Day on 13 June 2018. A strategic refresh is also underway in 2021 which is subjected to ongoing risk assessment.
- The Group has mobilised a number of significant change programmes under each of the key Transformational change areas to deliver against this strategy. A new Enterprise Transformation Office function was introduced in 2020 to co-ordinate and support the safe delivery of this scale of change.
- The Group Transformation Oversight Committee (GTOC) oversees the business and strategy aspects of the programme for its duration including review of transformation risk updates.

Principal Risks and Uncertainties *(continued)*

Business and strategic risk *(continued)*

Brexit

Principal risks and uncertainties

Following the UK exit from the EU, ongoing uncertainty relating to the nature of the future trading relationship between the UK and EU could impact the markets in which the Group operates and affect factors including pricing, partner appetite, supply chains, customer confidence and credit demand, collateral values and customers' ability to meet their financial obligations, and consequently impact the Group's financial performance, balance sheet, capital and dividend capacity. Other effects may include changes in official interest rate policy in both the UK and Eurozone, which can impact the Group's revenues and also the Group's IAS 19 defined benefit pension deficit, and FX rate volatility, which can impact the translation of the Group's non-euro denominated net assets and profits.

Key mitigating considerations

- The Group established a comprehensive Brexit programme to identify, monitor and mitigate risks associated with various outcomes of Brexit. The Group continues to monitor the trading relationship between the EU and UK.
- The Group's ongoing operations in the UK are managed within a ring-fenced, Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulated subsidiary, Bank of Ireland (UK) plc. and primarily conducted through key partnerships, which reduces the Group's investment in infrastructure and other items of a fixed cost nature.
- Bank of Ireland (UK) plc is primarily funded from deposits gathered through partnerships with two iconic UK-focused brands, the Post Office and the AA, and predominately from deposits below the £85,000 Financial Services Compensation Scheme (FSCS) limit.
- The Group manages its exposure to interest rate risk, including GBP / EUR, through the hedging of its fixed-rate customer and wholesale portfolios, the investment of its non-interest bearing liabilities (free funds) and the setting of conservative limits on the assumption of discretionary interest rate risk.
- To minimise the sensitivity of the Group's capital ratios to changes in FX rates, the Group maintains reserves in sterling, ensuring that the currency composition of capital is broadly similar to the currency composition of risk weighted assets (RWAs).

People risk

Principal risks and uncertainties

People Risk in the short term is heavily influenced by COVID-19, including colleague absence, COVID-19 restriction impacts on colleague work capacity as well as ongoing pandemic impacts on colleague physical and emotional wellbeing. In addition, the Group is progressing with its resizing and reshaping of the Bank's workforce facilitated by an enhanced Voluntary Redundancy programme.

Notwithstanding the impact of COVID-19 on the macro economic environment and the labour market, there remains increased competition for talent in Ireland for certain capabilities, skills and experience, where the continuing impact of remuneration restrictions on the Group is a factor.

Key mitigating considerations

- In order to support colleagues through challenging periods while continuing to deliver for customers, the Group is assessing resource capacity against workload demands in provision of essential services on an ongoing basis.
- The Group continues to evolve and hone its colleague Wellbeing programme including physical, mental and financial, with the latest iteration being a 'Power Down' focus comprising a 12 week launch programme supporting wellbeing in general while also responding to COVID-19 impacts. Pay certainty and reinforcing assurances on flexible working options during this time are also aspects of the organisation's support to colleagues in mitigating COVID-19 related risks.
- Risks associated with the Voluntary Redundancy programme implementation continue to be monitored via Group and Divisional Key Risk Indicators with regular updates provided to Senior Management Risk Committee and the Court Risk Committee (CRC).
- The Group has a Court approved people strategy providing it with a range of programmes and initiatives to enable the Group to retain appropriate numbers and / or calibre of staff having regard to remuneration restrictions imposed by government, tax or regulatory authorities.

Principal Risks and Uncertainties *(continued)*

Business and strategic risk *(continued)*

Digital

Principal risks and uncertainties

Banking models are rapidly evolving, for both consumers and businesses in Ireland and globally. Rapidly shifting consumer behaviours and available technologies are changing how customers consume products and services, and COVID-19 has accelerated some existing trends.

These developments affect the manner in which customers manage their day to day financial affairs. Money transmission and data driven integrated services are also forecast to rapidly evolve in the coming years, underpinned by regulatory developments including the revised Payment Services Directive. How the Group adapts to these developments could impact the realisation of market strategies and financial plans, dilute customer propositions and cause reputational damage.

Key mitigating considerations

- In the context of the overall business strategy, the Group assesses and develops its complementary technology strategy to support and mitigate these risks.
- Given the significant developments in digital demands on technology as well as increased regulatory requirements the Group rigorously manages these demands within risk, capacity and financial constraints.
- The Group's policies, standards, governance and control models undergo ongoing review to ensure continued alignment with the Group's strategy to accelerate its pivot to digital and the resulting solutions.
- To support the Group's strategy to accelerate its pivot to digital, as necessary, the Group engages with appropriate external experts.
- The GTOC provides oversight on the Group's digital strategy.

Macroeconomic conditions and geopolitical uncertainty

Principal risks and uncertainties

The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in Ireland and the UK. COVID-19 and post-Brexit trade disruption, unfavourable exchange rate movements and changes in interest rates, with the potential for global protectionism and changes in the international tax environment pose additional risks.

Geopolitical uncertainties could impact economic conditions in countries where the Group has exposures, market risk pricing and asset price valuations thereby potentially reducing returns.

The Group businesses may be affected by political, economic, financial and regulatory uncertainty from time to time in its key markets.

Key mitigating considerations

- The Group monitors the risks and impact of changing current and forecast macroeconomic conditions on the likely achievement of the Group's strategy and objectives.
- The Group manages its exposures in accordance with key risk policies including maximum single counterparty limits and defined country limits.
- The Group has in place a comprehensive stress and scenario testing process.
- The Group is diversified in terms of asset class, industry and funding source.

Principal Risks and Uncertainties *(continued)*

Business and strategic risk *(continued)*

Key benchmark interest rate reform

Principal risks and uncertainties

Following the financial crisis, the reform and replacement of benchmark interest rates to alternative or nearly risk-free rates has become a priority for global regulators. The Group's exposures to benchmark interest rates will be replaced or reformed as part of this market-wide initiative. Transition efforts in connection with these reforms are complex, with significant risks and challenges.

Key mitigating considerations

- A formal Group-wide Benchmark Reform Programme is progressing to plan so as to manage the orderly transition to new regulatory compliant bodies; the Joint Supervisory Team (JST) and the PRA.
- The Group Asset and Liability Committee (ALCO) provides oversight to the programme, and updates are provided to the Regulatory bodies; the JST and the PRA.
- The Group continues to transition to new Risk Free Rates where market liquidity allows and alternative rates are available for all relevant products.
- The Group will adhere to the International Swaps and Derivative Association (ISDA) 2020 Interbank offered rate (IBOR) fallback protocol to support the smooth transition of derivative products.

Climate risk

Principal risks and uncertainties

Climate related considerations are a developing and growing agenda item for financial institutions globally and an increasing focus for key stakeholders including investors and customers. The Group's businesses, operations and assets could be affected by climate change and climate-related risks. Two key risks identified are physical risks from climate change, i.e. extreme weather events such as flooding; and transition risks which are risks associated with transitioning to a low carbon economy, where the Group and its customer base could be impacted by a range of impacts such as changes to consumer behaviour and environmental legislation, e.g. changes in how cars are powered. Accelerating climate change could lead to sooner than anticipated physical risk impacts to the Group and the wider economy and there is uncertainty in the scale and timing of technology, commercial and regulatory changes associated with the transition to a low carbon economy.

Key mitigating considerations

- Conducting the Group's business in a responsible and sustainable way is fundamental to achieving its purpose of enabling its customers, colleagues and communities to thrive. The Group continues to develop its Responsible and Sustainable Business (RSB) agenda which considers climate related impacts across its own footprint and that of its key stakeholders.
- As a signatory to the UN Principles of Responsible Banking and a supporter of the Task-force on Climate-related Financial Disclosures (TCFD), the Group is committed to working together with its customers, colleagues and communities to support their transition to a resilient, Net Zero economy by 2050, in line with the Irish and UK governments' ambitions and actions. The Group has also set a target to make its own operations Net Zero by 2030. This is underpinned by the development of the Group's RSB Strategy and its associated 5-point climate action plan. See page 28 of the BOIG plc Group Annual Report 2020 for more information on our climate action plan.
- The RSB Strategy sees the Group setting its portfolios and lending practices on a pathway aligned with the Paris Agreement. The Group has committed to setting science based targets across its portfolios by 2022 and to build the Group's own resilience by embedding climate-related impacts in decision making processes for the Group's operations, in lending and investment decisions and the advice provided to customers.
- As a systemic and persisting risk to the Group's business model, the Group has implemented an Environmental, Social and Corporate Governance (ESG) Risk Framework in 2020 to guide this deepening integration of climate risk management into our enterprise risk frameworks and business processes in line with regulatory guidance.
- For further details on climate risk management, please refer to page 34 of the BOIG plc Group Annual Report 2020.

Principal Risks and Uncertainties *(continued)*

Credit risk

Principal risks and uncertainties

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes, but is not limited to, default risk, concentration risk, country risk, migration risk and collateral risk.

Credit risk arises from loans and advances to customers and from certain other financial transactions such as those entered into by the Group with financial institutions, sovereigns and state institutions.

Key mitigating considerations

- Court approved Group Credit Policy and risk appetite limits, including credit category limits, together with a framework for cascade to businesses and portfolios.
- Exposure limits for credit concentration risk.
- Defined credit processes and controls, including credit policies, independent credit risk assessment and defined authority levels for sanctioning lending.
- Processes to monitor compliance with policies and limits.
- Enhanced management of credit risk associated with customers affected by the economic impacts of the COVID-19 pandemic.
- Dedicated structures focused on the management of customers in financial difficulty, including those who require short and long-term support measures due to COVID-19.

Funding and liquidity risk

Principal risks and uncertainties

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 maturities, non-repayment of assets, a sudden withdrawal of deposits or the potential changes in customer behaviour.

Funding Risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities.

The Group funds an element of its sterling balance sheet in part from euro (via cross currency derivatives), which creates an exposure to the cost of this hedging.

Key mitigating considerations

- Court approved risk appetite limits.
- Group funding and liquidity policies, systems and controls.
- Comprehensive liquidity monitoring framework.
- Annual Court approved forward looking Internal Liquidity Adequacy Assessment Process (ILAAP).
- Strategic plan articulating and quantifying deposit projections, wholesale funding and lending projections for all divisions.
- Contingency Funding Plan and Recovery Plan in place with annual update.
- Maintenance of liquid assets and contingent liquidity available for use with market counterparties and / or in liquidity operations offered by Monetary Authorities.
- The maturity profile of the Group's cross currency hedging is broadly spread over 24 months.

Principal Risks and Uncertainties *(continued)*

Market risk

Principal risks and uncertainties

Market risk is the risk of loss arising from movements in interest rates, FX rates, credit spreads or other market prices.

Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk-taking. Additionally, market risk arises through the conduct of customer business, particularly in respect to fixed- rate lending and the execution of derivatives and FX business. The market risk profile of the Group may, in addition to the above risks which arise in the usual course of a business cycle, be impacted by 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 through fee income generated on unit-linked customer investments.

The Group policy permits discretionary risk taking activity to generate income from Market Risk. Risk appetite for discretionary market risk is controlled to remain within Value-at-Risk (VaR) trading limits. Discretionary risk can arise through leaving some customer or intra-Group risk unhedged or through assuming risk proactively in the market.

Structural market risk arises from the presence of non-interest bearing liabilities (equity and some current accounts), the multi-currency nature of the Group's balance sheet and changes in the volume of impaired assets and the floating interest rates to which the Group's assets and liabilities are linked.

Key mitigating considerations

- Court approved risk appetite limits.
- Group Market Risk Policy.
- Comprehensive framework for monitoring compliance with the Court's market risk appetite limits, more granular market risk limits and other controls.
- The Group substantially reduces its market risk through hedging in external markets.
- VaR and extensive stress testing of market risks.

Life insurance risk

Principal risks and uncertainties

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. The impact of COVID-19 will continue to be monitored and there is no material adverse impact expected for 2021.

Life insurance risk arises from the Group's life insurance subsidiary (NIAC) selling life insurance products in the Irish market.

Key mitigating considerations

- Court approved risk appetite limits.
- Underwriting standards and limits are in place and apply throughout the policy lifecycle from risk acceptance to claim settlement.
- Reinsurance is used to manage the volatility from both individual claims and aggregate risk exposures. Coverage is placed with a diversified list of approved counterparties. High levels of reinsurance act as a significant mitigant if there were adverse mortality developments, together with the diversification effect of mortality and longevity risk.
- The sensitivity of the Group's exposure to life insurance risk is assessed regularly and appropriate levels of capital are held to meet ongoing capital adequacy requirements.
- A range of sensitivities and scenario tests are performed as part of the annual Own Risk and Solvency Assessment (ORSA) process.
- Management undertakes a rigorous analysis of claims and persistency experience on a regular basis and monitors these against the assumptions in its valuation and pricing bases so that these can be adjusted to reflect experience. Management undertakes pro-active operational initiatives in order to manage persistency risk.

Principal Risks and Uncertainties *(continued)*

Conduct risk

Principal risks and uncertainties

Conduct risk is the risk that the Group and / or its staff conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes. It includes the risk the Group's wholesale market activities do not meet the necessary standards of integrity and the level of professionalism required or expected.

Examples of conduct risk include:
- risk of not delivering fair outcomes to customers;
- risk of the design and development of products and services that do not continue to be suitable over the lifetime of the product or respond to changing customer needs; and
- risk of staff not meeting set standards of behaviour with a consequential material negative outcome for customers, colleagues and communities.

Conduct risk arises from day-to-day execution of business processes, provision of sales and services, management of key stakeholder expectations and the various activities performed by staff, contractors and third party suppliers.

Key mitigating considerations

- Court approved risk appetite limits.
- A robust, structured and methodical approach for the management of conduct risk is in place across the Group including the Group Conduct Risk Policy, the Conduct Risk Management Framework (CRMF), a suite of policy standards which clearly define expected standards of behaviour supported by additional guidance, Group-wide and bespoke training to assist the implementation and understanding of the CRMF.
- Supporting customer-focused oversight measures.
- The Group have developed a strategy to develop culture based on the outcomes we wish to deliver guided by the Group's values.
- The Group has increased oversight of processes developed to help customers who availed of interim supports during the economic dislocation caused by the COVID-19 pandemic.

Regulatory risk

Principal risks and uncertainties

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.

The Group is exposed to regulatory risk as a direct and indirect consequence of its normal business activities. These risks may materialise from failures to comply with regulatory requirements or expectations in the day-to-day conduct of its business, as an outcome of risk events in other key risk categories and / or from changes in external market expectations or conditions.

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.

Key mitigating considerations

- Court approved risk appetite limits.
- Policies, statements, policy standards in place for compliance risk, conduct risk, prudential risk, regulatory change risk and financial crime risk.
- Specific Group-wide processes in place to identify, assess, plan, develop and implement key compliance requirements.
- Regular status updates and monitoring at senior levels in the Group including reporting to the CRC and the Court.
- Processes in place to identify, assess, manage, monitor and report financial crime risks as well as controls to mitigate those risks.
- Processes in place to support the reporting, investigation, resolution and remediation of incidents of non-compliance.
- Group-wide education and training in place.

Principal Risks and Uncertainties *(continued)*

Operational risk

Principal risks and uncertainties

Operational risk is loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes Business Continuity Risk, Data Quality & Reliability, Fraud, Information Security and Cyber Risk, Information Technology, Insurable, Legal & Contractual, Model, Payments, Sourcing, Unauthorised Trading and Business Processes.

Operational risk arises as a direct or indirect consequence of the Group's normal business activities through the day-to-day execution of business processes, the functioning of its technologies and in the various activities performed by its staff, contractors and third party suppliers. This also includes the risks associated with major change and the failure to deliver on the Group's multi-year transformation agenda.

It also arises from the risk of cybersecurity attacks which target financial institutions and corporates as well as governments and other institutions. The risk of these attacks remains material as their frequency, sophistication and severity continue to develop in an increasingly digital world.

The worldwide pandemic caused by COVID-19 is an example of external events, not caused by the actions of the Group, to which the Group must respond and manage. The risk of such external events, which includes natural disasters, civil unrest, etc., present potential significant disruption and are therefore considered material. The pandemic has caused significant changes for our customers and corresponding operational changes for the Group, including the deployment of interventions to mitigate model risk. The potential for increased operational risk arising from COVID-19 and the legacy of changes, that may ensue, to ways of working for our customers and colleagues, will be kept under continuous review by the Group.

Key mitigating considerations

- Court approved risk appetite limits.
- The Group utilises a number of strategies in controlling its exposure to operational risk, with the primary strategy being the maintenance of an effective control environment, coupled with appropriate management actions.
- The Operational Risk Management Framework consisting of processes and policy standards, aims to embed adequate and effective risk management practices within business units throughout the Group.
- Processes to identify, assess, manage, monitor and report operational risks as well as controls to mitigate those risks in place.
- Processes to support the reporting, investigation, resolution and remediation of incidents in place.
- Given the significant developments in digital demands on technology and changes required due to COVID-19, the Group has initiated a 'Pivot to Digital'. This initiative includes the migration of retail customers to new digital channels which nears completion and will also be underpinned by an Enterprise Transformation Plan to ensure the digital demands are managed within risk, capacity and financial constraints while addressing regulatory requirements.
- Clear contracts and accountability in place for third party partners for the Transformation Programme.
- Regular internal audits and testing carried out to ensure adequacy of controls.
- Business Continuity Management combined with Incident Management, and the Crisis Management Framework of the Group enable resilience, swift response, and recovery from external events.
- Since the onset of COVID-19, there has been proactive management intervention applied to the credit models in particular. This includes a triangulation of the model outputs with external reference points and engaging subject matter experts to reduce the reliance on model outputs and thereby mitigating model risk.

Litigation and regulatory proceedings

Principal risks and uncertainties

Uncertainty surrounding the outcome of disputes, legal proceedings and regulatory investigations and administrative sanctions proceedings, as well as potential adverse judgements in litigation or regulatory proceedings remains a risk.

Key mitigating considerations

The Group has processes in place to seek to ensure the Group's compliance with legal and regulatory obligations, together with clear controls in respect of the management and mitigation of such disputes, proceedings and investigations as may be instigated against the Group from time to time.

Principal Risks and Uncertainties *(continued)*

Pension risk

Principal risks and uncertainties

The Group sponsored defined benefit pension schemes are currently in deficit under the IAS 19 accounting definition, requiring the Group to set aside capital to mitigate these risks.

The defined benefit pension schemes are subject to market fluctuations and these movements impact on the Group's capital position, particularly the Group's CET1 capital ratio, which amongst other things, could impact on the Group's dividend capacity. See note 47 Retirement benefit obligations.

Key mitigating considerations

- Court approved risk appetite limits.
- To help manage pension risk, defined benefit schemes were closed to new entrants in 2007 and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in 2014 and a new defined contribution scheme was introduced for new entrants to the Group from that date.
- In addition, the Group implemented two Pension Review programmes in 2010 and 2013 resulting in significant restructuring of defined benefit scheme benefits which were accepted by unions and by staff through individual staff member consent.
- In return for the deficit reduction achieved through these programmes, the Group also agreed to increase its support for the schemes, above existing arrangements, so as to broadly match the IAS 19 deficit reduction arising from the benefit changes, and to facilitate a number of de-risking initiatives.
- The Group monitors on an ongoing basis the opportunities at an appropriate cost to increase the correlation between the assets and liabilities of the scheme.

Reputation risk

Principal risks and uncertainties

Reputation risk is defined as the risk to earnings or franchise value arising from adverse perception of the Group's image on the part of customers, suppliers, counterparties, shareholders, investors, colleagues, legislators, regulators, partners or wider society.

Reputation risk arises as a direct or indirect consequence of the Group's operations and business activities. Reputation is not a standalone risk but overlaps with other risk areas and may often arise as a consequence of external events or operational risk related issues.

Key mitigating considerations

- Group ambition, purpose, values and strategic priorities communicated to all stakeholders.
- Potential impact on reputation is considered in the decision making process.
- Media, government, political, regulatory and administrative stakeholder engagement is actively managed.
- Print, broadcast, online and social media reportage and commentary is monitored.
- Process of 'Early Warning Reports' - to alert senior management on emerging issues that have the potential to expose the Group to reputational risk - is embedded across the Group.
- Group Sponsorship and Group Responsible and Sustainable Business programmes in place.
- Proactive external communications with key stakeholders on Group response to COVID-19.
- Strong focus on internal communications to ensure that colleagues are kept informed on all important Group announcements, issues and developments.
- Colleagues are required to comply with all Group policies and procedures including the Group Code of Conduct.

Principal Risks and Uncertainties *(continued)*

Capital adequacy

Principal risks and uncertainties

Capital adequacy risk is the risk that the Group breaches or may breach regulatory capital ratios and internal targets. The Group's business and financial condition would be negatively affected if the Group was, or was considered to be, insufficiently capitalised.

While all material risks impact on the Group's capital adequacy to some extent, capital adequacy is primarily impacted by significant increases in credit risk or RWAs, materially worse than expected financial performance and changes to minimum regulatory requirements as part of the annual Supervisory Review and Evaluation Process (SREP) review conducted by the Single Supervisory Mechanism (SSM).

Key mitigating considerations

- The Group closely monitors capital and leverage ratios to ensure all regulatory requirements and internal targets are met. In addition, these metrics are monitored against the Court approved Risk Appetite Statement and suite of Recovery Indicators.
- Comprehensive stress tests / forward-looking Internal Capital Adequacy Assessment Process (ICAAP) financial projections are prepared, reviewed and challenged by the Court to assess the adequacy of the Group's capital, liquidity and leverage positions.
- The Group has a contingency capital plan which sets out the framework and reporting process for identifying the emergence of capital concerns and potential options to remediate same.

Risk in relation to Irish Government shareholding

Principal risks and uncertainties

The risk that the Irish Government, which has a c.14% discretionary shareholding in BOIG plc via the Ireland Strategic Investment Fund (ISIF), uses its voting rights in a way that might not be in the best interests of the Group's private sector shareholders.

Key mitigating considerations

- The Minister for Finance and the Bank entered into a Relationship Framework Agreement dated 30 March 2012, the terms of which were prepared in the context of EU and Irish competition law and to accommodate considerations and commitments made in connection with the EU / International Monetary Fund (IMF) Programme for Financial Support for Ireland.
- The Framework Agreement provides inter-alia that the Minister will ensure that the investment in BOIG plc is managed on a commercial basis and will engage with the Group in accordance with best institutional shareholder practice in a manner proportionate to the shareholding interest of the State in the Group. In March 2017, as part of the corporate reorganisation, the Company agreed to be bound by and comply with certain provisions of the relationship framework in relation to the Ministerial consent, consultation process and the Group's business plan.

Resolution risk

Principal risks and uncertainties

Arising from the implementation of the EU Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism (SRM) Regulation in Ireland and the UK, the relevant authorities have wide powers to impose resolution measures on the Group which could materially adversely affect the Group, as well as the shareholders and unsecured creditors of the Group. The Single Resolution Board (SRB) has the authority to exercise specific resolution powers pursuant to the SRM Regulation similar to those of the competent authorities under the BRRD, including in relation to resolution planning and the assessment of resolvability.

Key mitigating considerations

- Following notification that the SRB's preferred resolution strategy consisted of a single point of entry bail-in strategy, the Group implemented a holding company, BOIG plc, during 2017.
- The Group continues to engage constructively with its resolution authorities, including the SRB, in order to meet regulatory expectations in respect of resolvability.
- The Group has a Court approved Recovery Plan which includes an escalation process to identify an emerging stress along with recovery options that it can utilise to mitigate a severe stress scenario.

Principal Risks and Uncertainties *(continued)*

Tax rates, legislation and practice

Principal risks and uncertainties

The Group's financial position and outlook are exposed to the risks associated with a change in tax laws, tax rates, regulations or practice and the risks associated with non-compliance with existing requirements. The Group is also exposed to the risk that tax authorities may take a different view to the Group on the treatment of certain items. Furthermore, failure to demonstrate that it is probable that future taxable profits will be available, or changes in government policy or tax legislation may reduce the recoverable amount of the deferred tax assets (DTAs) currently recognised in the financial statements.

Key mitigating considerations

- The Group has clearly defined tax compliance procedures to identify, assess, manage, monitor and report tax risks and to ensure controls mitigating those risks are in place and operate effectively.
- The Group monitors the expected recovery period for DTAs.
- The Group monitors potential changes to tax legislation or government policy and considers any appropriate remedial actions.

Governance

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Corporate Governance Statement
Governor's Introduction

Patrick Kennedy
Governor

Dear Shareholders,

I am pleased to present our Corporate Governance Report for 2020. The Report explains how corporate governance standards are applied across the Group and how they are overseen by the Court, how the Court operates, and how the Court evaluated its effectiveness during 2020. It includes reports from the four mandatory Court committees which further illustrate how the principles of good governance are embedded.

The Court is cognisant of its role in creating sustainable, long term value for our shareholders and in contributing to wider society. The Group's role in wider society and our Purpose of enabling our customers, colleagues and communities to thrive was at the top of all of our minds as we faced the many challenges brought about by the Coronavirus pandemic. The Group's ability to respond at pace was supported strongly by the Group's robust corporate governance framework which the Court continually seeks to enhance through regular reviews and challenge.

The Court is committed to achieving high standards of governance designed to protect the long-term interests of shareholders and all other stakeholders, while promoting the highest standards of integrity, transparency and accountability.

The Court is accountable to shareholders for the overall direction and control of the Group. The established governance framework provides for systems of checks and controls required to drive accountability and effective decision making across the Group, with appropriate policies and practices in place to ensure that the Court and its Committees operate effectively.

A key objective of the Group's governance framework is to ensure compliance with applicable corporate governance requirements. During 2020, the Group complied fully with the following corporate governance requirements:

- Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 ('Irish Code'[1]).
- Irish Corporate Governance Annex[2].
- S.I. No. 158/2014 & No. 159/2014 - EU (Capital Requirements) Regulations 2014.
- European Banking Authority (EBA) Guidelines on internal governance under Directive 2013/36/EU.
- Joint European Securities and Markets Authority (ESMA) and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU[3].

The Group is also subject to the 2018 UK Corporate Governance Code published by the Financial Reporting Council in the UK ('UK Code') and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange, t/a Euronext Dublin. During 2020, the Group applied the main principles and complied with all provisions of the Code other than in instances related to Section 5: Remuneration, in particular principle R and provisions 32, 36 and 37. The rationale and explanation for noncompliance with these principles are set out below:

- due to certain agreements in place with the Irish State, the Court Remuneration Committee and the Court are restricted in their ability to fully comply with Principle R and associated provisions;
- under such agreements, the implementation of variable remuneration structures is not permitted, the Court's discretion is limited and, as such, the Court cannot be in compliance with the recommendation to exercise independent judgement;
- should variable remuneration be introduced, the Group notes and will fully adhere to these principles and provisions in the design, implementation and operation of any future variable remuneration structures; and
- the current status of pension arrangements is considered to be fair in light of the remuneration restrictions. The pension contribution rates for executive directors, where provided, are aligned with those available to the workforce.

Coronavirus pandemic (COVID-19)

As COVID-19 became a reality in early March 2020, the Court focused on ensuring the health and safety of our colleagues and customers, the continuity of the Group's operations and the availability and reliability of service to our customers. The provision of financial services was determined by the Government to be an essential service during the pandemic. Our technology colleagues enabled a significant increase in the number of colleagues working remotely, while others ensured the safety of those physically required at the Bank's locations where continuity of service and support to, and the safety of, customers visiting our premises was a priority.

The Court met 31 times during 2020, working with the Group Executive Committee (GEC) to ensure the

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1 *The Governor and Company of the Bank of Ireland, was subject to the Irish Code, (which is available on www.centralbank.ie) throughout 2020. The Bank is also subject to the additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the CRD IV), respectively.*
2 *The Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange, t/a Euronext Dublin which is available on www.ise.ie.*
3 *All Codes, Regulations, Directives, Statutory Instruments and Acts are publicly available on the respective organisations' websites.*

Governor's Introduction *(continued)*

continued health and safety of colleagues and customers and the availability of reliable services. Alongside these important matters, the Court focused on:

- supports required by customers facing financial distress and uncertainty in the wake of COVID-19. Risk management and customer outcomes were key lenses through which important decisions were taken across the Group;
- the potential financial and capital impact of the pandemic on the Group's performance during 2020 and beyond, with transparent market disclosures ensured;
- the role of the Group and the banking industry generally in supporting the Irish economy; and
- advancing the Group's Strategy, maintaining strong momentum on key priorities and accelerating certain initiatives in response to changing customer behaviours, needs and expectations.

The Court and Group Executive Committee have been strongly supported throughout the pandemic by effective risk management and business continuity management practices and processes, which are key aspects of the Group's governance framework.

The Court has operated remotely since early March 2020 and a review of the Court's operations was conducted in August 2020 to ensure its continued effectiveness in a remote environment. I led the review, which was conducted in addition to the formal annual evaluation of the effectiveness of the full Court, its Committees and individual Directors. Following meetings with individual Directors, I provided a summary of the Directors' observations to the Court. The review found that the Court continued to operate effectively and that the agenda and areas of focus remained appropriate. Following Director feedback, dedicated Court sessions to provide the opportunity to observe more directly customer experiences in the contact centres were put in place to compensate for the absence of site visits.

The appointment of Eileen Fitzpatrick as our Workforce Engagement Director during 2020 proved a positive additional point of connection with the workforce. Later in the Report we share some of the activities undertaken by Eileen during 2020. Eileen's activities coupled with the Court's direct engagement with senior colleagues during 'visibility sessions' (held in the absence of the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and wider Executive team) complemented the pre-existing mechanisms through which the Court gains valuable insights into how colleagues were experiencing the pandemic and, importantly, the leadership and culture of the Group.

People and culture

Our people remain at the very core of what we do, and I continue to be impressed by the commitment shown by all of our colleagues during this global pandemic. The Court appreciates that the pandemic has led to personal and professional challenges for all of us and the way in which the Group's workforce has worked to support one another and our customers has been notable.

The Court has worked with the Executive team to ensure a continued focus on the Group's culture during 2020. The Court is satisfied that the Group's Purpose is fully aligned with the Group's culture, values and strategic priorities.

I am pleased to report further improvement during 2020 in our engagement and cultural embedding scores, assessed through staff surveys with very high participation rates. The scores achieved were above the reported global average for financial services. The improvement experienced during what was a challenging year is reflective of the pride colleagues feel in the demonstration of our commitment to the Group's Purpose, in the support they themselves have provided to our customers and in the huge effort made across the Group to support colleague mental health and wellbeing during the pandemic.

An important aspect of our culture is embedding diversity and inclusion throughout the organisation. Gender diversity has been an area of focus for the Group at both workforce and Court level. Currently, the representation of females on our Court is at 45%.

The Group signed up to the UK Race Charter during 2020 and has committed to meeting, and in certain cases exceeding, the standards set out in that Charter, which is composed of five principal calls to action for leaders and organisations to ensure their workplaces are tackling barriers that ethnic minorities face in recruitment and progression. Supporting equality in the workplace is the responsibility of all leaders and the Court has pledged its commitment to zero tolerance for any form of racial harassment, bullying or inappropriate behaviours from any source, be it management, colleagues, customers or contractors.

The Court's Diversity Policy sets out the approach to diversity on the Court and is available on the Group website at https://www.bankofireland.com/about-bank-of-ireland/corporate-governance/#tabpanel_2

Court changes in 2020

The Nomination, Governance and Responsible Business Committee (NGRB) is responsible for reviewing the composition of the Court and its Committees and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable them to operate effectively. The composition of the Court remains under continuous review and the NGRB maintains a constant focus on succession planning, to ensure the continuation of a strong and diverse Court and the orderly succession of Court members, which is appropriate to the Group's Purpose and the industry within which it operates.

Giles Andrews joined the Court in November 2020, bringing extensive experience in financial technology, investment and lending as well as strong management experience to the Court. Giles is a highly respected FinTech pioneer and the Court will benefit in particular from his technology transformation background and innovative mindset. On appointment, Giles joined the Court's Risk Committee, Remuneration Committee and the Group Transformation Oversight Committee.

Patrick Haren and Patrick Mulvihill retired from the Court on 31 December 2020 having each served nine years. Individually they made a significant contribution to the Group and we remain grateful for the considerable experience and sound judgement they brought to the Court's deliberations during their respective tenures. In preparation for their retirements, the following Court changes took place:

Governor's Introduction *(continued)*

- Richard Goulding succeeded Patrick Haren as the Senior Independent Director (SID) and Deputy Governor on 1 January 2021. Richard stood down from the Remuneration Committee, joined the NGRB and became a Trustee of the Bank of Ireland Staff Pension Fund (BSPF). Richard remains a member of the Group Transformation Oversight and Audit Committees, and continues in his role as the Chair of the Risk Committee.
- Evelyn Bourke succeeded Patrick Mulvihill as the Chair of the Court Audit Committee (CAC) on 1 January 2021. Evelyn also joined the CRC and stood down from the NGRB.

Other Committee changes

- Eileen Fitzpatrick joined the NGRB and also became a Trustee of the BSPF. Both positions are considered to be aligned with her position as the Group's Workforce Engagement Director.
- Fiona Muldoon joined the CAC and Court Renumeration Committee (RC) during 2020. Fiona stood down from the Risk Committee on 1 January 2021 having served as a member for five years.

Court and individual effectiveness evaluation

During 2020, the Court conducted the annual evaluation of its effectiveness. Having successfully concluded a comprehensive external evaluation in 2019, the 2020 process was internal and consisted of the completion of questionnaires by each Director and individual one to one meetings between myself, as Governor, and the individual Directors.

In addition, Committee Chairs met with Committee Members to consider the effectiveness of their respective Court Committees and, led by the SID, the Directors completed questionnaires and held meetings to discuss my performance as Governor.

In summary, the evaluation reaffirmed the conclusions of the 2019 external evaluation regarding the continued effectiveness of the Court. The evaluation of individual Directors concluded that individual Directors continue to demonstrate commitment to their roles, with such commitment evidenced further during 2020 given the heightened activity levels arising from the pandemic. All Directors are considered to be experienced and provide an objective perspective. The Court considers the effective contribution of each of the individual Directors and the Court as a whole to be important to the long-term sustainable success of the Group.

On pages 31 and 32 respectively, you will find detail on the outcome of the evaluation of the Governor's effectiveness as well as that of the wider Court. As part of the process we identified some areas for enhancement, details of which can be found later in the Report. Such enhancements are always welcomed and I look forward to reporting on progress on those areas in the next report.

Updates on the areas for enhancement identified in the 2019 external evaluation are reported on page 35.

Looking ahead

The Court will continue to work effectively with the Executive team in 2021 to ensure continued challenge to and delivery of the Group's strategy in order to create sustainable long-term value for our shareholders. The Group's governance framework will be subject to continuous review to ensure it remains robust and facilitates effective decision making and appropriate Court oversight.

The health and safety of our colleagues and customers and the Bank's wider role in the community will remain a top priority as we work together to combat the COVID-19 pandemic.

Patrick Kennedy

Patrick Kennedy
Governor

26 February 2021

Your Court

Court

Court Audit Committee	Court Risk Committee	Court Remuneration Committee	Nomination, Governance & Responsible Business Committee	Group Transformation Oversight Committee[1]
Evelyn Bourke *(Chair)*	Richard Goulding *(Chair)*	Steve Pateman *(Chair)*	Patrick Kennedy *(Chair)*	Ian Buchanan *(Chair)*
Eileen Fitzpatrick	Giles Andrews	Giles Andrews	Eileen Fitzpatrick	Giles Andrews
Richard Goulding	Evelyn Bourke	Eileen Fitzpatrick	Richard Goulding	Richard Goulding
Fiona Muldoon	Ian Buchanan	Fiona Muldoon	Fiona Muldoon	Michele Greene
Steve Pateman	Michele Greene			Patrick Kennedy
	Steve Pateman			

Group Executive Committee

Francesca McDonagh *Group Chief Executive Officer*
Myles O'Grady *Group Chief Financial Officer*
Henry Dummer *Chief Marketing Officer*
Matt Elliott *Chief People Officer*
Tom Hayes *Chief Executive, Corporate Banking*
Gavin Kelly *Chief Executive, Retail Ireland*
Ian McLaughlin *Chief Executive, Retail UK*
Sarah McLaughlin *Group Secretary and Head of Corporate Governance*
Vincent Mulvey *Group Chief Risk Officer*
Jackie Noakes *Chief Operating Officer*
Mark Spain *Chief Strategy Officer*
Oliver Wall *Chief of Staff & Head of Corporate Affairs*

Your Court *(continued)*

Abbreviations

AC	Audit Committee
CRC	Court Risk Committee
GTOC	Group Transformation Oversight Committee
NGRB	Nomination, Governance & Responsible Business Committee
RC	Remuneraton Committee

Note:
Patrick Haren and Patrick Mulvihill retired on 31 December 2020.

[1] *The Bank of Ireland Group plc established the Group Transformation Oversight Committee.*

Your Court *(continued)*

Patrick **Kennedy**

Independent

Role
Non-Executive Director (July 2010). Governor (August 2018, Deputy Governor April 2015). Chair, Nomination, Governance & Responsible Business Committee (August 2018, Member from September 2014).

Member, Risk Committee from January 2011 and Chair July 2016 to July 2018. Member, Remuneration Committee from January 2011 to July 2016. Member of the Audit Committee from July 2016 to July 2018. Member of Group Transformation Oversight Committee (August 2018).

Particular Skills
Strong leadership qualities. Deep knowledge of the Group with exceptional commercial acumen. In-depth knowledge of international business, management, finance, corporate transactions, strategic development and risk management gained from a highly successful career in national and international business.

External Appointments
Chairman of Cartrawler. Honorary Treasurer of the Irish Rugby Football Union.

Experience
Patrick was chief executive of Paddy Power plc from 2006 to 2014, prior to which he served as an executive director from 2005 and non-executive director from 2004. Prior to joining Paddy Power plc, Patrick worked at Greencore Group plc for seven years where he was CFO and also held a number of senior strategic and corporate development roles. He previously worked with KPMG Corporate Finance in Ireland and the Netherlands, with McKinsey & Company. in London, Dublin and Amsterdam, and as a non-executive director of Elan Corporation plc.

Qualifications
Fellow of Chartered Accountants Ireland.

Richard **Goulding**

Independent

Role
Non-Executive Director (July 2017). Deputy Governor and SID (January 2021). Chair, Risk Committee (Aug 2018, Member, July 2017). Member, Remuneration Committee (December 2020). Member, Audit Committee (August 2018). Member, Nomination, Governance & Responsible Business Committee (January 2021). Member of Group Transformation Oversight Committee (August 2018).

Particular Skills
Extensive risk management and executive experience in a number of banks with an international profile, and brings a strong understanding of banking and banking risks, with a deep knowledge of operational risk.

External Appointments
Non-executive director of Zopa Bank Limited, where he is chair of the risk committee and a member of the audit, nomination and remuneration committees.

Experience
Richard held the role of group chief risk officer (2006 to 2015) and director (2013 to 2015) at Standard Chartered Bank, where he was a member of the group executive committee, prior to which he held the role of chief operating officer, Wholesale Banking Division. Before joining Standard Chartered in 2002, he held senior executive positions with Old Mutual Financial Services in the U.S., UBS Warburg / SBC Warburg, London and Switzerland, Astra Holding plc, Bankers Trust Company and the Midland Bank Group, London. Richard is a former director of Citigroup Global Markets Limited where he served as chair of its risk committee and a member of its audit, remuneration and nomination committees.

Qualifications
Qualified Chartered Accountant (South Africa), Bachelor of Commerce degree and a postgraduate degree in finance from the University of Natal, South Africa.

Francesca **McDonagh**

Non-Independent

Role
Group Chief Executive Officer and Executive Director (October 2017).

Particular Skills
A skilled global banker, renowned for strategic thinking and a proven track record in successfully executing strategy. A history of delivering strong financial performance coupled with leadership of transformation to drive future results. Experience in a range of senior banking roles, and in a range of countries and operating structures. She brings to the Court a leadership style characterised by strong commercial results orientation, a clear strategic vision and significant customer focus.

External Appointments
Director of IBEC Company Limited by Guarantee. Member of the PRA Practitioner Panel.

Experience
Francesca joined the Group from HSBC Group, where she held a number of senior management roles over a twenty year period including Group General Manager and Regional Head of Retail Banking and Wealth Management, UK and Europe, Regional Head of Retail Banking and Wealth Management, Middle East and North Africa, and Head of Personal Financial Services, Hong Kong. She has previously served on the board of the British Bankers' Association, where she was Deputy Chair, and on the board of the National Centre for Universities and Business in the UK.

Qualifications
Bachelor of Arts Degree in Politics, Philosophy and Economics from Oxford University. Awarded an Order of the British Empire in 2017 for services to banking. Fellow of the Institute of Banking (Ireland).

Your Court *(continued)*

Giles **Andrews**

Independent

Role

Non-Executive Director (November 2020). Member, Risk Committee, Remuneration Committee and Group Transformation Oversight Committee (November 2020).

Particular Skills

Extensive experience in financial technology, investment and lending as well as strong management experience.

External Appointments

Non-executive Director of Zopa Group Limited. Chairman of Bethnal Green Ventures. Non-executive Chairman of Market Finance Limited. Non-executive Chairman of Carwow Limited. Advisory role to Northzone Ventures.

Experience

In 2004, Giles co-founded Zopa, initially the first ever online peer-to-peer lending marketplace. In 2020, Zopa also launched as a Digital Bank. He was CEO of Zopa from 2007 to 2015, Chairman from 2015 until 2019 and remains a member of the Zopa Group Board. Giles is Chairman of Bethnal Green Ventures, a leading early-stage venture capital firm which focuses on using technology to tackle large-scale social and environmental problems, and is on the boards of Carwow Limited, a platform for buying new cars from franchised dealers, and Market Finance Limited, a FinTech platform that provides working capital finance to small businesses in the UK.

Qualifications

Master's degree in Experimental Psychology from Christ Church at Oxford University. MBA from INSEAD. Awarded an OBE in 2015 for services to financial services. Named FinTech leader of the year in the 2016 FinTech innovation awards.

Ian **Buchanan**

Independent

Role

Non-Executive Director (May 2018). Member, Risk Committee (May 2018). Director, Bank of Ireland (UK) plc (September 2018) and a member of its Risk Committee (October 2019). Chair of Group Transformation Oversight Committee (August 2018).

Particular Skills

Extensive technology, digital, business transformation and customer operations experience gained through his work in a number of international retail, commercial and investment banks.

External Appointments

None.

Experience

Ian was group chief information officer for Barclays plc and chief operating officer for Barclaycard until 2016. Before joining Barclays in 2011, Ian was chief information officer for Société Générale Corporate & Investment Banking (2009 to 2011), a member of the public board and group manufacturing director of Alliance & Leicester plc (2005 to 2008) and a member of the executive committee and chief operations and technology officer of Nomura International (1994 to 2005). Ian's earlier career was spent at Credit Suisse, Guinness, and BP. Ian is a former non-executive director of Openwork Holding Limited.

Qualifications

Bachelor of Science degree in Physics from the University of Durham.

Evelyn **Bourke**

Independent

Role

Non-Executive Director (May 2018). Chair, Audit Committee (January 2021, Member May 2018). Member, Risk Committee (January 2021). Member of the Nomination, Governance & Responsible Business Committee from May 2018 to December 2020.

Particular Skills

Strong track record in global executive management and extensive experience in financial services, risk and capital management, and mergers and acquisitions.

External Appointments

Non-executive director of Marks & Spencer Group plc and member of its Audit and Nomination Committees.

Experience

Evelyn retired from Bupa, the international health insurance and health care group, as at 31 December 2020, having served as Group CEO since April 2016, initially on an acting basis from April to July 2016. She joined BUPA as CFO in September 2012, from Friends Life Group, where she was CEO of its Heritage division. Evelyn joined Friends Provident plc (renamed Friends Life Group) in May 2009 as CFO. Evelyn's earlier career was spent in the UK, at Standard Life Assurance plc, Chase De Vere Financial Solutions, St James's Place plc, Nascent Group, Tillinghast Towers Perrin, in the UK, and Lifetime Assurance and New Ireland Assurance in Dublin.

She was a non-executive director with IFG plc, Dublin, from 2011 to 2016, where she chaired the Risk Committee.

Qualifications

Fellow of Institute and Faculty of Actuaries. MBA from London Business School.

Your Court *(continued)*

Eileen **Fitzpatrick**

Independent

Role
Non-Executive Director (May 2019), Member, Audit and Remuneration Committees (May 2019). Workforce Engagement Director (January 2020).

Particular Skills
Eileen has extensive capital markets and public sector experience, and has held a number of senior roles in both the asset management and stockbroking industries.

External Appointments
Chairman of the Outside Appointments Board, Department of Public Expenditure and Reform. Non-Executive Director of a number of KKR investment management firms in Ireland. Non-Executive Director of Urbeo Residential Limited and Respond Housing Association.

Experience
Eileen joined the National Treasury Management Agency (NTMA) in 2006 as a director, where she oversaw the Alternative Assets Investment Programme, for the National Pensions Reserve Fund. Eileen was subsequently appointed as head of NewERA at the NTMA, a position she held from November 2011 to January 2019. Prior to her appointment at the NTMA Eileen was chief executive officer at AIB Investment Managers from 2000 to 2006. From 1987 to 2000 Eileen held a number of senior investment and stockbroking positions, including with AIB Investment Managers, Goodbody Stockbrokers, National City Brokers and Montgomery Govett.

Eileen has served in a number of non-executive positions including as chairman of the Irish Association of Investment Managers, as a board member of the Chartered Accountants Regulatory Board, as a member of the Government's Top Level Appointments Committee, and as a member of the Governing Body of University College Dublin.

Qualifications
PhD in Science from University College Dublin.

Michele **Greene**

Non-Independent

Role
Non-Executive Director (December 2019). Member, Risk Committee and Group Transformation Oversight Committee (December 2019).

Particular Skills
Extensive experience of financial services and retail banking, particularly in the areas of payments, transformational and digital innovation.

External Appointments
Director of Mololo Limited, an advisory firm specialising in the use of advanced technologies for performance management.

Experience
Michele held the role of managing director of Virgin Money's Digital Bank until July 2018, prior to which she was director of strategic development, responsible for the bank's future development. Michele joined Virgin Money initially as director of banking, with responsibility for building the bank's new credit card business. Before joining Virgin Money, she was CFO of MBNA Europe where she held executive positions on the boards of MBNA Europe Ltd and Premium Credit Finance Limited.

Michele's earlier career was spent at Goldman Sachs, Credit Lyonnais and KPMG.

Qualifications
Masters Degree from Trinity College Dublin and Fellow of Chartered Accountants Ireland.

Fiona **Muldoon**

Independent

Role
Non-Executive Director (June 2015). Member, Risk Committee (November 2015 to December 2020). Member, Nomination, Governance & Responsible Business Committee (January 2019). Audit Committee (May 2020) and Remuneration Committee (October 2020).

Particular Skills
Significant experience in governance, regulatory compliance and financial oversight and is an experienced financial services professional. Significant previous experience within a financial institution with an international focus.

External Appointments
None.

Experience
From 2015 to 2020, Fiona was group chief executive of FBD Holdings plc and FBD Insurance plc, one of Ireland's largest general insurers. She served from 2011 to 2014 with the Central Bank of Ireland (CBI) including as director, Credit Institutions and Insurance Supervision. Fiona spent 17 years of her career with XL Group in Dublin, London and Bermuda, where she worked in various management positions including general insurance responsibilities, corporate treasury and strategic activities including capital management, rating agency engagement and corporate development.

Qualifications
Bachelor of Arts Degree from University College Dublin, Fellow Chartered Accountants Ireland.

Your Court *(continued)*

Myles **O'Grady**

Non-Independent

Role
Group Chief Financial Officer, Executive Director (January 2020).

Particular Skills
Significant expertise working with international and domestic regulators, government and state authorities, investors, market analysts and international investment banks. Experienced across strategy development, business restructuring and recovery, Finance function transformation, investor relations and Initial Public Offerings (IPOs).

External Appointments
None.

Experience
Myles has 30 years' experience as a finance professional with over 25 years in financial services. Prior to joining the Group he was CFO at D|Res Properties, an Irish homebuilding and property development company. Previously, he was group director of finance and investor relations at AIB, an Irish financial services group operating predominantly in Ireland and the UK.

Myles' earlier career was spent at Citibank and Dresdner Kleinwort Benson.

Qualifications
Fellow of the Chartered Association of Certified Accounts, an INSEAD certified board director and member of the Institute of Directors Ireland.

Steve **Pateman**

Independent

Role
Non-Executive Director (September 2018). Chair, Remuneration Committee (January 2020, Member September 2018). Member, Audit and Risk Committees (September 2018).

Particular Skills
Brings to the Court the strategic insights of a CEO of a UK Bank and a strong lending and credit background with deep commercial experience including the operational challenges facing lending institutions.

External Appointments
Consultant to the Arora Group.

Experience
Steve acts as an Advisor to the Arora Group, where he was the CEO from April 2020 to August 2020. Prior to this, Steve held roles as the CEO of Hodge Group from January 2019 to March 2020 and Shawbrook Bank Limited from October 2015 to December 2018. He joined Shawbrook from Santander UK, where he was Executive Director and Head of UK Banking and was responsible for the bank's corporate, commercial, business and retail banking operations as well as wealth management. He also held a number of senior positions at Santander UK, Royal Bank of Scotland and NatWest. Steve was appointed vice president of the Chartered Bankers Institute in June 2017. He was a director of The Mortgage Lender Limited from May 2018 to January 2019.

Qualifications
Steve became a Senior Vice President of the Chartered Banker Institute in June 2020. Awarded an Honorary Doctorate from the University of Kent for services to banking.

Your Court *(continued)*

Governor's tenure

Patrick Kennedy was appointed Governor in August 2018. He was independent under the UK Code at the time of his appointment. As an existing Non-Executive Director (NED), he registered service of nine years on the Court in July 2019.

In the 2019 Annual Report, the Court's consideration of Patrick's continued strength of leadership was outlined against the backdrop of the UK Code recommendations. The UK Code and the supporting Guidance on Board Effectiveness identify service on the Court for more than nine years from the date of first appointment as a specific consideration in the evaluation of the independence of NEDs. The Governor is not subject to the UK Code's independence test other than on appointment. However, the UK Code recommends that the Chair is subject to similar length of service considerations and should not remain in post longer than nine years. The UK Code provides for extension of the Chair's tenure to facilitate succession planning and the development of a diverse Board, particularly in those cases where the Chair was an existing NED on appointment.

The principles and provisions of the UK Code in this area are not rigid rules but instead offer flexibility through the application of its 'comply or explain' provisions and the supporting Guidance; they are considered to support maintenance of the right combination of skills, experience and knowledge on the board, supported by formal processes of appointment and annual evaluation of performance.

The 2019 Annual Report outlined the Court's rationale for Patrick's continuation as Governor for a further period and the Court's recommendation of his re-election at the 2020 Annual General Court (AGC), which was subsequently approved by the BOIG plc's shareholders with greater than 99% of votes cast in favour of his re-election. The Group committed to consulting with shareholders on the matter of tenure during the second half of 2020.

Patrick Haren, as the departing SID, and Richard Goulding, as his successor, led the BOIG plc shareholder consultation between September and December 2020, during which they consulted with BOIG plc shareholders representing c.50% of the Company's issued share capital and the Department of Finance which represents a further 14%. The consultation was positive, with shareholders confirming their understanding of and support for the Court's considerations.

An overview of the Court's assessment of the key considerations on the Governor's tenure, which was shared during the consultation, is outlined below.

The Court's assessment of the key considerations on the continuation of the Governors tenure

Patrick Kennedy's appointment as Governor in August 2018 was governed by a rigorous process led by the SID with external benchmarking by Egon Zehnder which rated him as an exceptional candidate for the role. His performance in the role in the two years since his appointment - from his refocussing of the Court agenda, the innovation he has brought to the Court's engagement with customers and staff, his structured approach to engagement with institutional shareholders and regulators, through to his leadership during the COVID-19 pandemic - has confirmed his exceptional qualities as Governor.

Patrick's positioning as an internal candidate for the Governor arose out of a planned process of succession. As part of that succession planning, he had the opportunity to serve on each major Court Committee, including Chair of the Risk Committee and Deputy Governor until July and August 2018 respectively. His years of experience of Bank of Ireland prior to his appointment as Governor, which are calculated in the assessment of tenure, are precisely what provided him with the detailed understanding of the business which, in the view of the Court, underpins his current success in the role.

With seven out of eleven Court directors at January 2021 having been appointed within the last three years, the factors which were regarded as relevant to Patrick's original selection as Governor continue to be key Court considerations. These include: the significant level of change in Court membership which underlines a need for continuity on strategic issues and integration of new Court members into a coherent and effective team; and Patrick's deep rooted knowledge and experience of the Irish environment, embracing all stakeholders including Customers, Regulators and the Government, which complements the previously UK based CEO.

The background of a political landscape which underwent significant change in the 2020 Irish general election, a relatively newly formed Government responding to a global pandemic and preparing for a post-COVID-19 recovery, the ill-defined parameters of the post-COVID-19 world, and Brexit and its impact on the Irish economy and its trading relationships with Britain and Northern Ireland, are all factors which accentuate the continuing value in the medium-term of a Governor who is rooted in the Irish business community.

Patrick is young at 51 and has served just two years as Governor. He has deliberately restricted his other commitments to ensure that the Group remains his primary focus and brings very strong leadership to the Court. As the business embraces continuing significant internal change, including the ongoing transformation of its culture and a multi-year programme of investment in systems, and against a background of substantial change at Court level and within the executive team, his very detailed understanding of the business provides continuity of institutional knowledge and his continuing tenure provides desirable stability in the direction of the business.

In relation to the senior management team, having regard to the relatively recent appointment of the two Executive Directors (a formerly UK-based CEO in October 2017 and the Group CFO in January 2020), the Court is satisfied that there is no issue of significant concurrent service arising as a governance concern.

Patrick is considered to combine a detailed understanding of the Group with exceptional commercial acumen gained from a highly successful career in national and international business. He continues to demonstrate clear independence of mind and objective judgement. He has focused on strong succession at Court level with appointments of directors with experience of banking, technology, transformation and government policy. He has promoted diversity and constructive challenge amongst Court members and has reinforced relationships with the Group's stakeholders. An independent review of his role conducted by Praesta during 2019 assessed him as a first-class Governor, rated very highly by all Court members; this view was

Your Court *(continued)*

reinforced in the more recent 2020 internal effectiveness evaluation. Patrick's strength of leadership of the Court and his adaptability has been further demonstrated through the COVID-19 pandemic.

Recommendation to shareholders

At the time of his appointment in 2018, the Court's expectation was that Patrick would serve two three-year terms, in line with the tenure of previous Governors and the Court's views on succession planning and the need for retention of corporate memory as other long-standing directors depart the Court. The Court has considered carefully the implications of the UK Code and is of the view that Patrick's tenure should be extended for up to a further three years to 2024 to allow his services to be retained in the best interests of the company and its shareholders, and subject always to annual performance assessments and the annual re-election by shareholders at the Company's AGC.

The Court has considered carefully its succession plan over the short to medium term and has given due consideration to the process through which an appropriate successor to Patrick would be identified and the timeframe thereof. It is intended that the process to select an external third-party firm to work with the SID and the wider NGRB on the search would commence in the second half of 2022. The Court will keep shareholders informed on the matter of the Governor's performance and his tenure in future Annual Reports.

The Court believes Patrick provides valuable knowledge and experience of the customer, regulatory and political environment and necessary continuity during a period of significant change and challenge in the wake of COVID-19. As such, the Court considers it appropriate for Patrick to remain in role for a further period and will be recommending his re-election at the 2021 AGC. The Company will continue to consult shareholders on the matter of tenure as appropriate.

Court committees

The Court is assisted in the discharge of its duties by a number of Court Committees, whose purpose it is to consider, in greater depth than would be practicable at Court meetings, matters for which the Court retains responsibility. Each Committee operates under terms of reference approved by the Court. Appropriate cross-membership of key Court Committees, including between the Audit and Risk Committees and Remuneration and Risk Committees, is ensured. The NGRB formally reviews the composition and purpose of the Court Committees annually on behalf of the Court.

The minutes of all meetings of Court Committees are circulated to all Directors for information and are formally noted by the Court. Papers for all Court Committee meetings are also made available to all Directors, irrespective of membership. Such circulation of minutes and papers are restricted should there be a conflict of interest or issues of personal confidentiality.

The terms of reference of the CAC, the CRC, the NGRB and the Court Remuneration Committee (RC) are available on the Group's website at www.bankofireland.com/about-bank-of-ireland/corporate-governance. In addition to the aforementioned Committees, the Board has in place a Committee, the GTOC, which has a mandate to support the Board in overseeing, supporting, and challenging the actions being taken by Management in relation to the execution of the Group's strategic transformation, focused on technology related change. As the Group pivots towards a more customer-focused, digital banking model, with greater levels of customer digital engagement and automation of servicing and processes, the Committee oversees the step change required in the Group's business and technology practices alongside changes required to optimise digital skills, organisational models and ways of working in order to deliver the right customer experience, systems, and processes to deliver the desired outcomes.

In carrying out their duties, Court Committees are entitled to take independent professional advice, at the Group's expense, where deemed necessary or desirable by the Committee Members.

Reports from the CAC, the CRC, the NGRB and the RC are presented on pages 45 to 63.

Court composition and succession

The Court comprises eleven Directors: two Executive Directors, the Governor, who was independent on appointment, seven independent NEDs and a Director nominated by the Minister for Finance, who is deemed to be a non-independent NED. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pages 27 to 30.

The Court considers that a court size of ten to twelve Directors allows for a good balance between having the full range of skills necessary on the Court and to populate its committees and retaining a sense of accountability by each Director for Court decisions. The Court acknowledges that this number may go below ten or beyond twelve for a short term as may be required to accommodate succession planning activities and to ensure the timely induction and development of new Directors.

The NGRB ensures a formal, rigorous and transparent procedure when considering candidates for appointment to the Court and maintains continuous oversight of the Court's composition to ensure it remains appropriate and has regard for its purpose, culture, major business lines, geographies, risk profile and governance requirements.

Both on an individual and a collective basis, the Directors are considered to have the range of skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group and that high corporate governance standards are maintained. The NGRB leads the process for appointments to the Court and ensures plans are in place for orderly succession to both the Court and Executive positions.

The process has regard for the impact of expected retirements of Directors and the Group's desired culture and its strategic direction. As part of the process, the NGRB approves a detailed role profile, based on its analysis of the skills and experiences needed and selects, where appropriate, an external search firm to facilitate the process. The NGRB ensures that a comprehensive due diligence process is undertaken, which includes the candidate's self-certification of probity and financial

Your Court *(continued)*

soundness, external references and external checks. The due diligence process facilitates the NGRB in satisfying itself as to the candidate's independence, fitness and probity, and capacity to devote sufficient time to the role before making a formal recommendation to the Court. Regulatory assessment and formal approval is required and received for all Court appointments.

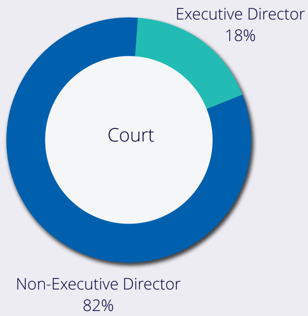
A Court-approved Policy for the Assessment of Directors, which outlines the Court appointment process, is in place, and is in accordance with applicable joint guidelines issued by ESMA and the EBA.

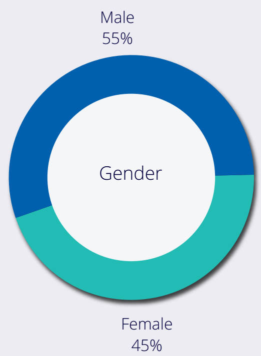
The Governor's introduction set out the key Court changes that took place in 2020. The search process leading to the appointment of Giles Andrews was facilitated externally by MWM Consulting, an external executive and non-executive search and board advisory firm. MWM Consulting was used for Court searches but has no other connection with the Group or individual Directors.

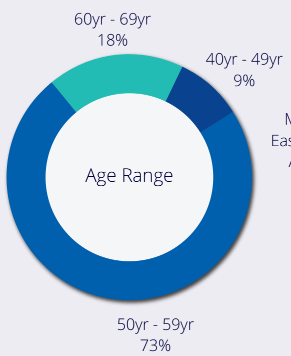
External support

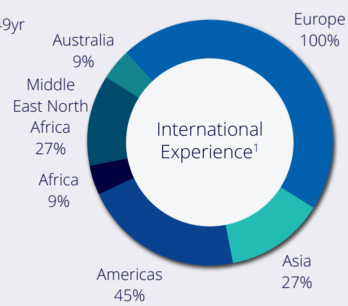
Diversity

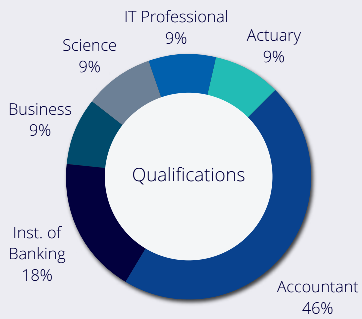
The Court is fully committed to diversity in all forms and truly believes that diversity is an essential ingredient of sound decision-making. As of 1 January 2021, the Court comprises 45% female representation. The Court's approach to diversity in all its forms is set out in the Court Diversity Policy, which has retained the specific gender target of maintaining a minimum of 33% female representation on the Court, with a medium term aspiration of achieving broadly equal gender representation on the Court. The following provides an overview of the current Court profile.











Tailored Induction Programmes delivered in 2020

Michele Greene: Following her appointment in December 2019, Michele undertook the comprehensive and wide-ranging NED induction plan over a six month period, with specific focus on the Group's transformation programme and risk framework, in support of her roles on the Court Committees with oversight of those two key areas.
Myles O'Grady: Having joined the Group in June 2019 and taken on the role of interim Group CFO in October 2019, Myles' induction plan focused on matters pertinent to the role of the Group CFO and Executive Director.
Giles Andrews: Giles has undertaken the comprehensive and wide-ranging NED induction plan, with specific focus on matters pertinent to his Court Committee roles and with additional deep dives on areas related to the Irish market and the Irish consumer protection framework.

[1] *International experience shows Directors with experience in more than one geographical location.*

Your Court *(continued)*

Education and Development Sessions delivered in 2020	
The following development and education sessions were facilitated remotely during the year: • Culture. • Cyber Security. • Anti-Money Laundering. • Risk appetite: Definitions of non-financial risks and articulation of appetite. • Internal Capital Adequacy Assessment Process (ICAAP). • IFRS 9 and accounting policy. • Customer listening sessions.	Prior to COVID-19, the Court visited the Bank's Galway operations during which the Court received a management presentation on the local market and participated in customer call observation and engagement sessions.

In addition to collective education and development programmes in 2020, individual Directors actively engaged in one to one focus sessions with Management on topics such as the End to End Customer Journey, cyber defences and strategy, the Life Assurance business, internal audit processes and procedures, regulatory requirements for a listed entity, Corporate Banking and Leveraged Acquisition Finance, the Irish mortgage market, technology transformation, governance and the Irish economy.

The Court's Professional Development and Continuous Education Programme

- Formal Induction Programme: A suite of induction documentation is furnished to all incoming Directors to facilitate their understanding of how the Group operates and the key issues that it faces. A series of meetings with senior management are arranged on matters such as Group and Divisional strategy, the Group's Risk Appetite and Group Risk Framework, the regulatory environment, people strategies, technology and operations, capital and liquidity management and the Group's financial position. The induction programme is supplemented with an additional bespoke programme, developed in conjunction with the incoming Director to address any specific requirements.
- Continuous Education Programme: The continuous development requirements of the Court and individual Directors is informed by the outcome of annual effectiveness reviews, the annual review of the collective skillset of the Court, emerging external developments and areas the Court has identified for further focus. The Continuous Education Programme is delivered through varying means and facilitated by internal and external experts where appropriate. The approach to Directors' induction and continuous development is set out in a Court-approved Director Induction, Training and Development Policy which is reviewed annually by the NGRB.
- Site visits across the Group including meetings with colleagues and customers.

Assessing the effectiveness of the Court

The Court seeks to continually enhance its operations and, each year, conducts a formal effectiveness evaluation of the Court, Court Committees and individual Directors. In addition to reviewing the Court's operations, composition and overall effectiveness, the evaluation reviews past performance with the aim of identifying possible opportunities for improvement, determines whether the Court and its Committees are as a whole effective in discharging their responsibilities and, in the case of individual Directors, determines whether each Director continues to contribute effectively and to demonstrate commitment to their role. The Court is required to have an external evaluation conducted once every three years. The Group had an external evaluation conducted by Praesta Ireland, in 2019 which concluded positively regarding the effectiveness of the Court, the Committees and individual Directors. A report on progress against opportunities identified for improvement in 2019 is set out on page 35. In 2020, an internal evaluation was conducted, details of which are set out below.

Your Court *(continued)*

The internal evaluation comprised:
- an online survey of Directors which sought their views on a range of topics across the Court and Court Committees:
- one to one meetings between the individual Directors and the Governor;
- one to one meetings between Committee Members and the Committee Chairs;
- an online survey of Directors which sought their views on the performance of the Governor;
- a meeting of the Court in the absence of the Governor to discuss the Directors' views on the performance of the Governor;
- a meeting of the Non-Executive Directors only to discuss their views on the performance of the CEO; and
- consideration of the final Review Reports at the Court and Court Committees and agreement on actions to ensure continued enhancement.

The scope of the internal evaluation included:
- consideration of the Court Composition and Competence;
- assessment of the Court Strategy and the Court's approach to risk taking during 2020;
- evaluation of the Court's Culture and Behaviour;
- appraisal of Court engagement and its discharge of its responsibilities;
- consideration of the Court's response to COVID-19.
- an overall assessment of the Court's effectiveness during 2020;
- a summary of the Court's expected priorities for the coming year; and
- an appraisal of how each Court Committee discharged its responsibilities under various, Committee-specific headings during 2020.

Governor

Each Director completed an online survey which sought their views on the performance of the Governor. Led by the SID, the Court then met to discuss the outcome of the survey in the absence of the Governor. The SID subsequently provided an update on the positive outcome of the review to the Governor. Patrick Kennedy is considered to be a highly effective Governor and provides very strong leadership to the Court. The Court confirmed its continued support for Patrick Kennedy and his continuation in office, including his proposal for re-election at the 2021 Annual General Court (AGC). Further details on the Governor's tenure can be found on pages 31 and 32.

Individual Directors

The Governor met with Directors on a one to one basis to discuss their individual performance, taking account of their feedback submitted in advance of the meetings on a number of topics including ,their individual contributions and performance at the Court. The Governor assessed each Director as being fully effective, with all Directors demonstrating strong commitment to their role, noting that in 2020 they were each required to go above and beyond their normal required time commitment to the role, and their contributions continuing to be important to the company's long-term sustainable success.

2020 Conclusion

The findings of the Court and Court Committee evaluations were reviewed by the Group Secretary. The summary findings were then shared and discussed with the Governor and feedback on each of the Committees was shared with the individual Committee chairs. Feedback on individual Directors was shared directly by the Governor. The results culminated in a consolidated report on the findings of the full evaluation process being presented to the Court in January 2021.

The outcome of the evaluation was positive, and built further on the ad hoc evaluation conducted by the Governor during the summer in the context of remote working during COVID-19. Overall the effectiveness of the Court and its Committees continued to be enhanced year on year. The key themes identified through the Court evaluation as having contributed to the Court's effectiveness in 2020 included the Court's flexibility, dedication, skills and experience accompanied by a strong senior management and good information flows complemented by a strong Governor. The Court evaluation also identified a number of areas for enhancement including a greater focus on the Group's RSB agenda and its integration in the Group's wider strategy and further improvements to the quality and consistency of the Court papers.

Progress against the 2019 external Court Effectiveness Evaluation

A summary of the Court's progress against the actions arising from the 2019 external effectiveness review are set out below:
- Court Papers – Brevity and Clarity: While observations on the volume of papers did appear again during the 2020 effectiveness review, improvements in the quality and consistency of papers were acknowledged. These improvements were driven by enhancements led by the CEO and wider executive team. An ongoing drive to enhance the succinctness has seen positive results albeit continuous improvement is still required;
- Court Schedule of Topics: The Court plan for 2021 was developed to ensure appropriate focus was placed on strategic and other priority matters whilst maintaining agility to respond to issues that may arise and require priority attention;
- Court Training & Development: The Director Induction, Training and Development Policy was reviewed to ensure greater alignment with the assessment of the collective suitability of the Court to ensure all areas requiring collective or individual focus were identified and appropriately addressed; and
- Focus on non-financial risk management: Non-financial risk management was a regular area of focus for the CRC during 2020, with the related programme further strengthened by the appointment of an experienced individual to the newly established senior role of Head of Non-Financial Risk.

Your Court *(continued)*

Court Focus in 2020

The Court held thirty-one meetings during the year ended 31 December 2020. Further details on the number of Court and Committee meetings and attendance by individual Directors are set out on page 64.

While not intended to be exhaustive, below is a high level overview of a number of matters considered by the Court and Court Committees during 2020:

Regular updates

- Governor's activities.
- CEO activities and key areas of focus.
- Business and financial performance.
- Organisational Balanced Scorecard: Performance relative to strategic, financial and non-financial key performance indicators (KPIs)
- Cost and Efficiency.
- Risk Management.
- Court Committee activities.

Financial

- 2019 full year results.
- 2020 half-year results and interim management statement.
- Impairments.
- Funding and Liquidity Policy.
- Internal Capital Adequacy Assessment.
- Internal Liquidity Adequacy Assessment.

Environment

- Investor relations.
- Economic environment.
- Stakeholder engagements.

Risk management

- Risk reports in the context of COVID-19
- Group Risk Appetite Statement.
- Risk Policies and Frameworks.
- Group's Remuneration Policy.
- Group Recovery Plan.
- Regulatory interactions.
- General material risks, including those related to Brexit and the wider macro economy.
- Non-financial risk.
- AML and combating of financing of terrorism updates.

Strategy

- Digital Relationship Bank.
- Transformation programme.
- BoI in a post COVID-19 Environment.
- Progress implementing the Group's 2018–2021 strategy.
- The approach to a strategy refresh 2021-2024.
- Future environment and business model in the UK.
- Irish Retail Mortgage Market.

Governance

- Key Court governance policies and documents.
- Corporate governance frameworks.
- Court, Committee and Individual Directors Effectiveness Evaluation.
- Endorsement of Material Risk Takers (MRTs) and Key Function Holders.
- Subsidiary oversight.
- Tracking of agreed actions.

Culture and values

- Group Culture Programme.
- Colleague engagement and culture survey outcomes, including a Pulse Survey conducted with specific focus on COVID-19.
- Talent updates.
- Policy for supporting COVID-19 payment break customers.
- Customer call listening.

Your Court *(continued)*

Roles and Responsibilities

Role of the Court

The Group is led by an effective and committed Court of Directors, who are collectively responsible for the long-term success of the Group. The Court's role is to provide leadership of the Group within the boundaries of risk appetite and a framework of prudent and effective controls which enable risk to be identified, assessed, measured and controlled.

The Court sets the Group's strategic aims and risk appetite to support the strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The Court ensures that the Group's purpose, values, strategy and culture are all aligned and reviews management performance in that regard.

The Court is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group and monitoring on an ongoing basis their appropriateness for the role. The removal from office of the head of a 'control function', as defined in the Irish Code, is also subject to Court approval.

The respective roles of the Governor and the Group CEO, which are separate, are set out in writing and have been agreed by the Court. The Court has a schedule of matters specifically reserved for its decision which is reviewed and updated regularly.

The Court approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types. Further information on risk management and the Court's role in the risk governance of the Group is set out in the risk management report on pages 134 to 189 of the BOIG plc Group Annual Report 2020.

The work of the Court follows an agreed schedule of topics which evolves based on business needs and is formally reviewed annually by the Court.

Role of the Governor

The Governor oversees the operation and effectiveness of the Court, including ensuring that agendas cover the key strategic items confronting the Group and encouraging all Directors to participate fully in the discussions and activities of the Court. He also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards. The Governor commits a substantial amount of time to the Group and his role has priority over any other business commitment.

Role of the Deputy Governor and Senior Independent Director

The Deputy Governor adopts the role of SID and deputises for the Chairman as required and is a Trustee of the Bank Staff Pensions Scheme. The SID provides a sounding board for the Governor and serves as an intermediary for the other directors and shareholders if they have concerns that contact through the normal channels of Governor, Group CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate. As appropriate and when required, the SID meets a range of major shareholders in order to develop a balanced understanding of their views. The SID leads the evaluation of the Governor in conjunction with the other Directors and would normally take responsibility for an orderly succession process for the Governor, working closely with the NGRB.

Role of the Independent Non-Executive Director

The NEDs (including the Governor and the Deputy Governor) bring independent challenge and judgement to the deliberations of the Court through their character, objectivity and integrity. As reported, Michele Greene has been designated as non-independent by virtue of her nomination by the Minister for Finance; however, the Court believes, based on her performance to date, that she too brings independent challenge and judgement to the deliberations of the Court. During the year, the Governor and NEDs met without the Executive Directors present, to discuss a range of business matters.

Executive Directors

Executive Directors have executive functions in the Group in addition to their Court duties. The role of Executive Directors, led by the Group CEO, is to propose strategies to the Court and, following challenging Court scrutiny, to execute the agreed strategies to the highest possible standards.

Role of the Group CEO

The Group CEO is responsible for execution of approved strategy, holds delegated authority from the Court for the day to day management of the business and has ultimate executive responsibility for the Group's operations, compliance and performance. Procedures are in place to review the Group CEO's contract at least every five years.

Matters Reserved for the Court

While arrangements have been made by the Directors for the delegation of the management, organisation and administration of the Group's affairs, certain matters are reserved specifically for decision by the Court. The schedule of matters reserved for the Court is reviewed at least annually to ensure that it remains relevant and to reflect any enhancements required under evolving corporate governance requirements and industry best practice.

The Directors have access to the advice and services of the Group Secretary, who advises the Court on matters relating to governance, ensuring good information flows and comprehensive practical support for Directors.

She maintains the Group's Corporate Governance Framework and communicates with shareholders as appropriate, ensuring due regard is paid to their interests.

The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal board process.

Both the appointment and removal of the Group Secretary is a matter for the Court as a whole.

The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required.

Committees of the Court have similar access and are provided with sufficient resources to undertake their duties.

The Group has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors.

Your Court *(continued)*

Stakeholder Engagement

Court understanding of views of major shareholders

To facilitate the Court's understanding of the views of major shareholders, Directors receive an investor relations update from management at all scheduled Court meetings. The content of this update is varied, based on recent investor activities, but typically includes market updates, details of recent equity and debt investor interactions, share price and valuation analysis, analyst updates, and share register analysis. All Directors are facilitated to ensure that they are informed of the views of investors and analysts. The Governor met with a number of major shareholders to discuss governance matters and delivery of strategic priorities and progress in delivering transformation. During 2020, the SID consulted with a significant number of major shareholders on the matter of the Governor's tenure, details of which are reported on page 31. The Court was updated on the outcome of the Governor's discussions and the SID shareholder consultation. The Governor and / or the SID are available to all shareholders if they have concerns that cannot be resolved through the normal channels.

Institutional equity investors and analysts

Communication with shareholders is given high priority. One of the responsibilities of the Governor is to ensure effective communication with shareholders and to ensure that Directors develop an understanding of the views of major investors. Group Investor Relations has primary responsibility for managing and developing the Group's external relationships with existing and potential institutional equity investors and analysts. The Group has an active and well-developed Investor Relations programme, which involves regular meetings by Executive Directors, selected Senior Executives and the Director of Group Investor Relations and other authorised officers with the Group's principal institutional shareholders, other investors, financial analysts and brokers. During 2020, c.400 such meetings and presentations were held. All meetings with shareholders are conducted in such a way as to ensure that price sensitive information is not divulged. A dedicated Debt Investor section of the Group website provides access to relevant information, including presentations, publications and bond tables.

Retail shareholders

The Group Secretary's team, supported by the Group's Registrar, Computershare Investor Services (Ireland) Limited ('Computershare'), maintains the Group's share register, engages with retail shareholders and delivers the Group's AGC and EGC as required. With the assistance of Computershare, the Group addresses shareholder queries and, through its online facilities, enables shareholders to view their portfolio and amend their information securely.

Annual and Extraordinary General Court

The AGC provides an opportunity for shareholders to hear directly from the Court on the Group's performance and strategic direction. The general aim of the Court is to make constructive use of the AGC and shareholders are encouraged to participate in the proceedings. The 2020 AGC was held on 19 May 2020 in Baggot Plaza, 27 - 33 Upper Baggot Street, Dublin 4.

Due to the Government restrictions in place to combat COVID-19 at the time, and in order to ensure the health and safety of the Group's colleagues, shareholders and service providers, the 2020 AGC was held remotely. In order to facilitate shareholder engagement, questions were invited from shareholders in advance of the AGC, which were each responded to directly. An overview of shareholder questions received and the responses provided was shared at the AGC for the benefit of all shareholders.

The Company's Extraordinary General Court (EGC) was held on 19 January 2021 to facilitate the migration of the Company's Participating Securities (as defined in the Migration of Participating Securities Act 2019) from the CREST system to the settlement system operated by Euroclear Bank SA/NV in order to ensure, post-Brexit, that the Company's Shares can continue to be settled electronically when they are traded on Euronext Dublin and the London Stock Exchange, and remain eligible for continued admission to trading and listing on those exchanges.

The EGC was held in similar circumstances to the 2020 AGC as the COVID-19 pandemic and related Government restrictions were heightened across Ireland and the UK.

At the 2020 AGC and the 2021 EGC, separate resolutions were proposed on each substantially separate issue and voting was conducted by way of poll. The results of every general meeting, including details of votes cast for, against and withheld on each resolution, are posted on the Group's website and released to the Irish and London Stock Exchanges. As soon as the results of the 2020 AGC and 2021 EGC were calculated and verified, they were released to applicable exchanges, as set out above, and were made available on the Group's website. At both the 2020 AGC and 2021 EGC all resolutions passed, with no resolution receiving less than 94% approval.

In line with the Group's policy to issue notice of the AGC 20 working days before the meeting, notice of the 2020 AGC was circulated to shareholders on 15 April 2020. The EGC Notice was circulated to shareholders 19 working days in advance, on 17 December 2020. It is usual for all Directors at the time of the AGC and any EGC to attend. All members of the Court attended the 2020 AGC and 2021 EGC remotely, albeit the opportunity for them to respond directly to shareholder questions was unavailable at that time, due to the COVID-19 restrictions.

The 2021 AGC is scheduled to be held on 25 May 2021. The means through which the AGC will be held will be solely dependent on the COVID-19 situation in Ireland and the related Government guidelines.

Your Court *(continued)*

Stakeholder Engagement *(continued)*

Customers

The Group's aim is to serve customers brilliantly by being the number one bank for service and having the best brand in our target markets including supporting our partnerships in the UK. The Court consistently reviews the strategy, receives updates on implementation and reviews progress as part of the governance process.

The Group's approach to customer engagement and progress against customer metrics through which the experience of customers when dealing with the Bank is assessed, is a key focus for the Group Executive Committee. Customer outcomes is a key focus area required of all formal governance fora across the Group. The Court receives regular updates on progress against customer metrics and reports from the Group CEO, the Chief Marketing Officer and the respective business CEOs. In addition, its understanding of customers' perspectives is informed by deep dives on customer themes and customer complaints, and in the absence of visits by Directors to customer call centres due to COVID-19, other tools to enable the Court to hear customer voices at first hand.

In January 2020, prior to the emergence of COVID-19, Directors met with customers directly reflecting the importance of 'serving customers brilliantly' in our strategy. A key focus area for the Court during 2020 was in reviewing, challenging and receiving regular updates on the operational plan in place to support Customers who were experiencing difficulties in the face of COVID-19, through payment breaks and other means.

Colleagues

The Court receives regular updates on the progress of the Group Culture Programme and reviews the outputs from the Group's Open View staff surveys and receives updates on progress in implementing actions in response to staff feedback. The Court pays particular attention to the Group Code of Conduct and Speak Up Policy, and the NGRB reviews their effectiveness annually. The Court strives to create an environment in which staff are encouraged to speak up where they have any concerns. Fiona Muldoon, on behalf of the Court, actively sponsors the Group Code of Conduct and Speak Up Policy.

During 2020, the Court met virtually with senior managers from across the Group in 'Visibility Sessions', which form part of the annual Court programme of work which is considered and approved each year.

Due to the global pandemic, Directors were unable to conduct site visits and engage directly with colleagues on the ground other than a visit to a branch location in Galway in January 2020. The 2021 Court programme of work is designed to further enhance engagement with colleagues and plans for opportunities both on a virtual basis or physically via site visits which will be implemented dependant on the COVID-19 situation.

We reported in the 2019 Report on the positive step taken when the Court designated Eileen Fitzpatrick as the Workforce Engagement NED, the objective of which is to enhance the Group's existing engagement mechanisms between the Court and the workforce and to strengthen the 'employee voice' at the Court table and when making decisions. A formal terms of reference for this designated role was agreed during 2020. The role supplements what the Court is already hearing about culture and behaviour across the Group through various other mechanisms and regular reports to the Court.

During 2020, Eileen undertook a number of valuable activities which provided great insights for the Court and facilitated further consideration of the workforce in Court decisions. These activities included, but are not limited to:

- consultation with the Group Executive Committee;
- consultation with a group of 30 of the Group's most senior leaders below the Group Executive Committee;
- a listening session on 'Speak Up' themes and insights, deep dives on the Open View and Ways of Working colleague survey results;
- a deep dive on industrial relations; and
- 'Open Door' sessions with a number of colleagues across Retail Ireland, New Ireland Assurance and Group Finance, and separate focused sessions with graduates and the colleague Multicultural Network.

Regulators and Government

The Governor and members of the Court regularly meet with representatives from the regulators and government bodies, including the Joint Supervisory Team (JST), the CBI, BoE, Financial Conduct Authority (FCA), PRA, ECB and the Department of Finance. Core themes discussed at these meetings include regulation and supervision, risk governance and oversight, challenges facing the banking industry, strategic challenges and rebuilding trust and culture. The Governor and Group CEO update the Court on their meetings with regulators and government representatives at each Court meeting. Management provide regular briefings to the Court on regulatory engagement and correspondence which ensures that the Court remains aware of regulatory expectations and areas of focus.

Communities

The Group's communities are those where it has a physical presence, where colleagues live and work, as well as other local and global groups and partners.

The Group supports the wider community through its community investment programme, Begin Together, its support of local enterprise and through its financial wellbeing programmes as well as playing an active role in society.

Begin Together was launched in February 2020. The Fund provides valuable investment for community initiatives making a difference in towns and villages across the island of Ireland. In 2020 the Fund, working with the Community Foundation for Ireland, granted between €3,000 and €5,000 to 116 projects encompassing financial, mental and physical wellbeing – projects included financial skills for young people, suicide prevention and physical exercise for the elderly. In March 2020 as Covid restrictions were announced, the Group donated €1 million in emergency funding to the CFI COVID-19 Emergency Fund, aimed at the immediate needs of vulnerable members of the community severely impacted by the pandemic, with 14 organisations receiving immediate funding focused on the elderly, people with respiratory illnesses or cancer, those at risk of domestic

Your Court *(continued)*

Stakeholder Engagement *(continued)*

abuse, isolated vulnerable people and families, particularly those living in rural areas, children and support for mental health. In July the Begin Together Awards supported towns and villages looking to recover and rebound. In September working with Business to Arts the Group announced a €1m Begin Together Arts Fund to support the Arts Community with grants for arts projects responding to or adapting from Covid-19.

Throughout the year colleagues were supported in making donations to the causes they care about, in their communities where they live and work, with €350,000 of donations made by the Group.

The financial support of the Group is very much aimed at helping local community groups and non-profit organisations continue to serve their communities through the COVID-19 pandemic.

The Group is conscious of and acknowledges the importance of its role in wider society.

Court's oversight of risk management and internal control systems

Accountability and audit

The Report of the Directors, including a going concern statement and a viability statement, is set out on pages 65 to 66. This Corporate Governance Statement forms part of the Report of the Directors.

Court Responsibility

The Court is responsible for overseeing the Group's risk management and internal control systems, which are designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations, and to review the effectiveness of same.

In establishing and reviewing the risk management and internal control systems, the Directors carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity, the likelihood of a risk event occurring and the costs of control. The process for identification, evaluation and management of the principal risks faced by the Group is integrated into the Group's overall framework for risk governance. The Group is forward-looking in its risk identification processes to ensure emerging risks are identified. The risk identification, evaluation and management process also identifies whether the controls in place result in an acceptable level of risk. At Group level, a consolidated risk report and risk appetite dashboard is reviewed and regularly debated by the CRC and the Court to ensure satisfaction with the overall risk profile, risk accountabilities and mitigating actions.

The report and dashboard provide a monthly view of the Group's overall risk profile, key risks and management actions, together with performance against risk appetite and an assessment of emerging risks which could affect the Group's performance over the life of the operating plan.

Information regarding the main features of the internal control and risk management systems is provided within the risk management report on pages 149 to 153 of the BOIG plc Group Annual Report 2020. The Court concluded that the Group's risk management arrangements are adequate to provide assurance that the risk management systems put in place are suitable with regard to the Group's profile and strategy.

Control systems

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms;
- three lines of defence approach to the management of risk across the Group: line management in individual businesses and relevant Group functions, central risk management functions, and Group Internal Audit (GIA);
- Court and Management Committees with responsibility for core policy areas;
- a set of policies and processes relating to key risks;
- reconciliation of data consolidated into the Group's financial statements to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the financial position and results of the Group are appropriately reflected, through compliance with approved accounting policies and the appropriate accounting for non-routine transactions;
- Codes of Conduct setting out the standards expected of all Directors, officers and employees in driving an appropriate, transparent risk culture;
- a Risk Control Self-Assessment framework, where risks are logged, managed and mitigated across the first-line, with clear reporting, escalation and second-line oversight. Action plans are developed and implemented to address any control deficiencies;
- a comprehensive set of accounting policies; and
- a compliance framework incorporating the design and testing of specific controls over key financial processes.

The Group operates a comprehensive internal control framework over financial reporting with documented procedures and guidelines to support the preparation of the consolidated financial statements.

Your Court *(continued)*

The main features are as follows:
- a comprehensive set of accounting policies relating to the preparation of the annual and interim financial statements in line with IFRS as adopted by the EU
- an independent internal audit function with responsibility for providing independent, reasonable assurance to key internal (Court, Group and Subsidiary Audit and Risk committees and Senior Management) and external (Regulators and external auditor) stakeholders on the effectiveness of the Group's risk management and internal control framework;
- a compliance framework incorporating the design and testing of specific controls over key financial processes to confirm that the Group's key controls are appropriate to mitigate the financial reporting risks;
- a robust control process is followed as part of interim and annual financial statements preparation, involving the appropriate level of management review and attestation of the significant account line items, and where judgements and estimates are made, they are independently reviewed to ensure that they are reasonable and appropriate. This ensures that the consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;
- the Annual Report and Interim Report are also subject to detailed review and approval through a structured governance process involving Senior and Executive finance personnel;
- summary and detailed papers are prepared for review and approval by the CAC covering all significant judgemental and technical accounting issues, together with any significant presentation and disclosure matters; and
- user access to the financial reporting system is restricted to those individuals that require it for their assigned roles and responsibilities.

Reviews by the Court
The effectiveness of the risk management and internal control systems is reviewed regularly by the Court, the CAC and the CRC, which also receive reports of reviews undertaken by Group Risk and GIA. The CAC receives reports from the Group's external auditor (which include details of significant internal control matters that they have identified), and has separate discussions with the external and internal auditors at least once a year without Executives present, to ensure that there are no unresolved issues of concern.
The Group's risk management and internal control systems are regularly reviewed by the Court and are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council and compliant with the requirements of Capital Requirements Directive (CRD) IV. They have been in place for the year under review and up to the date of the approval of the annual report. The Group has determined a pathway to compliance with the Basel Committee on Banking Supervision (BCBS) 239 risk data aggregation and risk reporting requirements and continues to actively manage enhancements.

Continuous improvement
The Group's controls frameworks are continuously improved and enhanced, addressing known issues and keeping pace with the dynamic environment. Progress continues to be made in operational (including IT and Information Security), regulatory and conduct risks. The 2020 internal control assessment provides reasonable assurance that the Group's controls are effective, or that, where control weaknesses are identified, they are subject to management oversight and action plans. The CAC, in conjunction with the CRC, following an assessment of whether the significant challenges facing the Group are understood and are being addressed, concluded that the assessment process was effective and made a positive recommendation to the Court in that regard.

Court Governance

Conflicts of interest
The Court has an approved Conflicts of Interest Policy which sets out how actual, potential or perceived conflicts of interest are to be identified, reported and managed to ensure that Directors act at all times in the best interests of the Group. This policy is reviewed on an annual basis.

The Group Code of Conduct, which applies to all employees and Directors of the Group, clarifies the duty on all employees to avoid conflicts of interests. The Code of Conduct is reviewed on an annual basis and communicated throughout the Group.

Time commitment
The Group ensures that individual Court Directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Company and the Bank have each been classified as 'significant institutions' under CRD IV. During the year ended 31 December 2020, all Directors were within the directorship limits set out for significant institutions under CRD IV.

All newly-appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of NEDs can be inspected during normal business hours by contacting the Group Secretary. Directors are required to devote adequate time to the business of the Group, which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units. In addition, NEDs are normally required to sit on at least one Court Committee, which involves the commitment of additional time. Certain NEDs, such as the Deputy Governor, SID and Committee Chairs, are required to allocate additional time in fulfilling those roles.

Before being appointed, Directors disclose details of their other significant commitments along with a broad indication of the time absorbed by such commitments. Before accepting any additional external commitments, including other directorships that might impact on the time available to devote to their role, the agreement of the Governor and the Group Secretary, or, depending on the nature of the proposed commitment, the full Court, must be sought. In certain cases, advanced CBI approval must also be sought.

Your Court *(continued)*

Proposed new external commitments are assessed against conflicts of interest, over boarding and time commitment considerations. Any new external commitments proposed by the Governor require SID and Group Secretary in the first instance and depending on the nature of the proposed commitment, the Court and CBI in advance.

During 2020, all Directors complied with the Court-approved process and sought advanced approval where required. The Group has an obligation to report the reasons for permitting significant appointments. Ms. Evelyn Bourke sought advanced approval for a non-executive directorship role on the Court of Marks & Spencer Group plc which as a listed entity would be considered significant in terms of an additional external appointment. In considering whether to approve this external role, the NGRB and the Court gave due and careful consideration to actual, potential or perceived conflicts of interest, the risk of 'over boarding', whether the additional role would impact Ms Bourke's ability to commit the requisite time to her Group duties, and CRD directorship limitations. The Court was satisfied that there was no issue of concern that should impede Ms Bourke from proceeding and that it could be managed in accordance with the Court-approved policy. All Directors are reminded of their obligations under the Court's Conflicts of Interest Policy when approved for any external roles and such roles remain under regular review. In accordance with the Group's listing obligations, an RNS was issued to the market to advise of Ms Bourke's appointment to Marks & Spencer Group plc.

Balance and Independence

The Court has determined that ten of the eleven Non-Executive Directors in office at 31 December 2020 were independent in character and judgement and free from any business or other relationships with the Group which could affect their judgement.

Michele Greene has been deemed non-independent by virtue of her nomination by the Minister for Finance. However, having regard for the nature of the individual and her contribution to the Court during 2020, the Court is satisfied that in carrying out of her duties as a Director, Michele is able to exercise independent and objective judgement without external influence.

Term of Appointment and Re-election of Directors

NEDs are normally appointed for an initial three-year term, with an expectation of a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing fitness and probity. Any continuation in term beyond two three-year terms is considered on an annual basis and will have regard for a number of factors including performance, independence, the Court's succession planning needs over the medium to long term, and the best interests of the shareholders.

A NED's term of office will generally not extend beyond nine years in total unless the Court, on the recommendation of the NGRB, concludes that such extension is necessary due to exceptional circumstances. In such a situation the Court will document its rationale for any continuance and so advise the CBI in writing as required under the Irish Code.

In respect of Executive Directors, no service contract exists between the Company and any Director which provides for a notice period from the Group of greater than one year. None of the NEDs have a contract of service with the Group.

It is Group practice that, following evaluation, all Court Directors are subject to annual re-election by shareholders. All Directors retired at the AGC held on 19 May 2020. The following Directors, being eligible, offered themselves for election and were elected at the AGC in 2020:

- Ian Buchanan.
- Evelyn Bourke.
- Eileen Fitzpatrick.
- Richard Goulding.
- Michele Greene.
- Patrick Haren.
- Patrick Kennedy.
- Francesca McDonagh.
- Fiona Muldoon.
- Patrick Mulvihill.
- Myles O'Grady.
- Steve Pateman.

The names of Directors submitted for election or re-election are accompanied by sufficient biographical details and any other relevant information in the AGC documentation to enable shareholders to take an informed decision on their election. Giles Andrews was appointed in November 2020. Patrick Haren and Patrick Mulvihill retired on 31 December 2020. The 2021 AGC is scheduled for 25 May 2021 and, in line with previous AGCs, all Directors will retire from office at the date of the AGC and may choose to offer themselves for election.

Organisational structure

The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, and appropriate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review. These governance arrangements provide systems of checks and controls to ensure accountability and drive better decision-making, and also include policies and practices which ensure that the Court and its Committees operate effectively.

The Group's overall control systems include a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Court, which support the maintenance of a strong control environment. Corporate and capital structure is a matter requiring Court approval. In accordance with section 225(2) of the Companies Act 2014, the Directors acknowledge that appropriate structures that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations (as defined in section 225(1)) have been put in place. The Court reviews annually the corporate legal structure of the Group and any changes to the structure of the Group effected since the Court's previous review.

Group Executive Committee

During 2020, the Group undertook a review and challenge process to streamline the existing executive governance structure. The objective of the review was to ensure the structure was not only fit for its current purpose but positioned the Group for the future and was sufficiently clear and robust in preparation for the Senior Executive Accountability Regime (SEAR) that will soon apply in Ireland. A refreshed structure was introduced with effect from 1 January 2021 and will be reported

Your Court *(continued)*

on in greater detail in the 2021 Report. The structure underwent a rigorous process of review and challenge, informed by internal and external experts and governance best practices. The maintenance of a strong control environment - with risk management and customer outcomes at the forefront of all decisions - has been and remains a key governance consideration.

The most senior executive committee in the Group, the GEC, acts in an advisory capacity to the CEO and assists the CEO in the management and leadership of the Group on a day-to-day basis, making decisions on matters affecting the operations and performance of the Group's business and the delivery of the Court approved strategy. It is supported by a number of senior executive committees, encompassing:

(i) Group Executive Risk Committee, which supports the GEC and Court in inter alia overseeing the material risks of the Group, taking a holistic approach to overseeing the effective management of risk (financial & non- financial) and monitoring the overall risk profile of the Group, as well as compliance with risk appetite and other approved policy limits;

(ii) Group Asset and Liability Committee, which oversees the strategic direction of the Group's assets and liabilities and the profit and loss implications of balance sheet management actions and considers the appropriate allocation of capital, funding and liquidity and market risk resources;

(iii) Group Transformation Oversight Committee, which monitors progress on the Group's strategic transformation agenda, encompassing culture, systems and business model initiatives, ensuring they are fully aligned with the Group's Strategy, Purpose and Values and that all strategic transformation initiatives have clearly defined business and customer outcomes, along with appropriate mechanisms to track and report progress;

(iv) Group Data Management Board, which oversees the development of standards, metrics and tolerances for data quality with the application of an adequate data control environment to support effective management within the Group's risk appetite; and

(v) Announcements Committee, which, oversees compliance with the Group's Market Abuse Regulation obligations.

Summary biographical details on each of the GEC members are set out below.

Group Executive Committee

The Committee's purpose is to assist the CEO in leading the Group's day to day operations and developing and leading the execution of the Group's Strategy in line with the Group's Purpose to enable its customers, colleagues and communities to thrive. The CEO and CFO, both executive directors of the Court, are members of the Group Executive Committee.

In addition to the two Executive Directors, Francesca McDonagh, CEO, and Myles O'Grady, CFO, whose bios can be found on pages 27 and 30, the GEC is currently composed of the following Members:

Henry Dummer
Chief Marketing Officer
Henry was appointed to the role of Chief Marketing Officer for the Group in June 2018. Prior to this Henry held the position of Group Marketing Director for Consumer and Business at eir, delivering an impactful rebrand for the company.

He previously held the roles of Marketing Director at Tesco Ireland, and Customer Marketing Director at Diageo Ireland.

Matt Elliott
Chief People Officer
Matt Elliott was appointed to the role of Chief People Officer for the Group in February 2019. He is responsible for transforming the culture of the Bank and developing a company where colleagues thrive.

Prior to that he was Group People Director with Virgin Money. Under Matt's leadership, Virgin Money successfully acquired and integrated Northern Rock. Matt was part of the executive team who successfully listed the company on the London Stock Exchange, and created a company widely acknowledged to be a cultural leader in the UK.

A passionate advocate for inclusion and diversity, Matt appeared as a leading ally in the 2018 Financial Times lists for gender, ethnicity and LGBT+, the only leader to appear in all three lists.

Tom Hayes
Chief Executive Officer, Corporate Banking
Tom joined the Bank of Ireland Group in 1979 and held various roles in Retail Banking before joining Corporate Banking in 1989. Tom was appointed Head of Leveraged Acquisition Finance in 2000 and Chief Executive, Corporate Banking, in January 2006. Under his leadership, Corporate Banking has consolidated its leading position as the No. 1 corporate bank in Ireland.

Gavin Kelly
Chief Executive Officer, Retail Ireland
Gavin was appointed Retail Ireland CEO in March 2018. He oversees the provision of banking products and related financial services to personal, business and wealth management customers and the New Ireland Assurance Company.

Gavin joined Bank of Ireland in 2007 and has held a number of senior management positions. He was President of the Banking and Payments Federation, Ireland (BPFI) from January 2019 to December 2020.

Ian McLaughlin
Chief Executive Officer, Bank of Ireland (UK)
Ian was appointed CEO of Bank of Ireland (UK) plc and Retail UK Division in December 2019. Ian has over 25 years' financial services experience, joining Bank of Ireland from Royal Bank of Scotland. Prior to this, he held a number of senior management roles at Lloyds Banking Group and Zurich Financial Services.

Your Court *(continued)*

Sarah McLaughlin
Group Secretary & Head of Corporate Governance
Sarah joined Bank of Ireland as Group Secretary & Head of Corporate Governance in September 2019. Sarah is responsible for assisting the Chairman in establishing the policies and processes the Court needs in order to function properly, in ensuring that these are complied with and advising the Court on all governance matters. Sarah previously held the role of Group Secretary & Head of Corporate Governance at AIB Group plc, having held a variety of roles across corporate governance, finance and private banking.

Vincent Mulvey
Group Chief Risk Officer
Appointed to the Group Executive Committee (GEC) in 2009 and as Group Chief Risk Officer in 2017, Vincent is responsible for leading the Risk function in overseeing risk strategy and management for the Group. He has 40 years' banking experience including periods in customer facing roles in the Group's Retail and Corporate Banking Businesses. Vincent is a Director of the Irish Banking Culture Board. Vincent will retire from Bank of Ireland in March 2021.

Jackie Noakes
Group Chief Operating Officer
Jackie was appointed as Chief Operating Officer in August 2018. In her role as Chief Operating Officer she oversees a range of services across technology, infrastructure and operations. Jackie is also a Group NED of Bank of Ireland (UK) plc.

Jackie has held a number of senior positions in the financial services sector, most recently at Legal & General (UK) as CEO of Mature Savings.

Mark Spain
Chief Strategy Officer
Mark was appointed Chief Strategy Officer in April 2019 and to the Group Executive Committee in July 2019. He previously held a number of senior management positions in the Group including Director of Group Investor Relations, Director of Group Finance and most recently UK Commercial Director. Mark is also a Group NED of Bank of Ireland (UK) plc. Mark has more than 30 years' experience in financial and accounting roles.

Oliver Wall
Chief of Staff & Head of Corporate Affairs
Oliver joined Bank of Ireland as Group Chief of Staff in 2017, taking on additional responsibility as Head of Corporate Affairs in 2019. He joined the Bank from HSBC, where he was Head of External Affairs UK and Europe. Oliver previously held a range of roles in both the public and private sectors, including working in the Department of The Taoiseach.

Subsidiary governance

The interaction between the Group Court and the boards of our strategically significant subsidiaries are closely monitored. The Governor meets regularly with the Chairmen of these subsidiaries in order to ensure good communication and alignment and attends a number of subsidiary board meetings during the year. The Group Court receives reports conducted on the effectiveness of these significant subsidiaries. Ian Buchanan is also a NED of Bank of Ireland (UK) plc and a member of its Risk Committee.

The Chairs of Group Court Committees attend the equivalent committees of the strategically significant subsidiaries once a year. Similarly, the respective subsidiary Court Committee chairs attend and present at the Group Court Committees annually to provide an account of the subsidiary Board Committees activities.

In 2020, the Court reviewed the Group Subsidiary Governance Policy including the New Subsidiary / Entity process document, which sets out the required procedure should any party in the Group wish to set up a new Group subsidiary or entity in which the Group will have a controlling interest. This is reviewed annually.

The Group's corporate simplification programme, designed to remove a number of subsidiaries from the Group, made considerable progress in 2020 with the dissolution of 11 companies. The purpose of this programme is to simplify corporate structure of the Group with a view to generating efficiencies and cost savings and reducing risk.

Report of the Nomination, Governance and Responsible Business Committee

Patrick Kennedy
Chair

Dear Shareholders,

Membership and meetings

At close of business on 31 December 2020, the Group Nomination, Governance and Responsible Business Committee (the 'Committee' or the 'NGRB') comprised Patrick Kennedy, Patrick Haren, Evelyn Bourke and Fiona Muldoon. Having served nine years with the Group, Patrick Haren retired and was succeeded in his role as SID and Deputy Governor and on the Committee by Richard Goulding, with effect from 1 January 2021. Evelyn Bourke also stood down from the NGRB on her appointment to the role of Audit Committee Chair and Eileen Fitzpatrick joined the NGRB in her place. Eileen's membership of the NGRB is considered to be positively aligned with her role as the Group's Workforce Engagement Director. I would like to thank Patrick and Evelyn for their contributions to the Committee during their respective tenures on the Committee.

Biographical details, including each member's background and experience, are set out on pages 27 to 30.

The Committee met eight times during 2020, five of which were scheduled meetings. The Chair and Members of the Committee, together with their attendance at meetings, are set out below. The Group CEO, Chief People Officer and other members of management are invited to attend meetings where the agenda item is relevant to them and their attendance is requested by the Committee. The Committee meets annually with no management present.

Role and responsibilities

The key responsibilities of the Committee are set out in its terms of reference (which are available on www.bankofireland.com) and include:

- leading the process for appointments and renewals for Court and Court Committees as appropriate, and making recommendations in this regard to the Court, for its approval;
- considering and making recommendations to the Court in respect of the appointment of Key Function Holders;
- ensuring plans are in place for orderly succession to both the Court and senior management positions, and oversee the development of a diverse pipeline for succession;
- keeping Court governance arrangements under review and making appropriate recommendations to the Court to ensure the Bank's corporate governance practices are consistent with Irish and international best practice corporate governance standards;
- overseeing subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries; and
- providing oversight of the Group's Responsible and Sustainable Business (RSB) Strategy and monitoring the Group's implementation of the UN Principles for Responsible Banking.

Matters considered by the Committee

The principal matters considered, and actions taken by the Committee during the year are described on pages 47 to 49.

Committee meetings	Eligible to attend	Attended
Patrick Kennedy	8	8
Patrick Haren	8	8
Evelyn Bourke	8	8
Fiona Muldoon	8	8

Court composition, succession and diversity

The Committee continued to keep the structure, size and composition of the Court and its Committees under review in 2020.

Having identified the need, in 2019, to appoint a NED with technology transformation experience and engaged MWM Consulting to support the search, the NGRB led a robust search which resulted in the successful appointment of Giles Andrews to the Court in November 2020. Other than in connection with the Court searches, MWM Consulting has no connection with the Group.

We reported last year on the selection of Eileen Fitzpatrick as the Group's Workforce Engagement Director in January 2020 and on page 39 we share detail of the activities undertaken by Eileen during the year, which were reported on regularly to the Court.

During 2020, the Committee again devoted considerable time to succession planning and recruitment, having regard to the tenure of a number of Court Directors to ensure readiness and appropriate and timely succession activities.

During the early stages of the COVID-19 pandemic, the NGRB agreed contingency arrangements for key Court roles, including the Executive Directors, the Governor, the SID and Deputy Governor, and the Chairs of each of the Committees in the event that of any of these role-holders were directly impacted by COVID-19.

Report of the Nomination, Governance and Responsible Business Committee *(continued)*

Detailed wider succession considerations, having regard to the tenure of current Directors, the diversity profile of the Court and the Group's strategy, among other factors, also took place during 2020. The purpose of this exercise was to ensure the orderly succession of the Court over the short to medium term as Directors retire and to ensure the Court's composition and profile remains appropriate to the needs of the Group and the industry within which it operates. These plans are reviewed and challenged regularly by the NGRB.

Key near term outcomes from 2020 succession planning considerations led to the following actions:
- Evelyn Bourke appointed as the Audit Committee Chair to succeed Patrick Mulvihill, who also retired on 31 December 2020 after nine years with the Group;
- Richard Goulding appointed as the SID and Deputy Governor to succeed Patrick Haren, as previously reported, and related Committee membership changes.

Further details on key Committee changes recommended for approval by the Court are set out on pages 31 and 32.

As part of the process of succession planning and determining the appropriate range and mix of skills required to maintain an effective Court, each member of the Court is requested to self-assess against the requisite skills set out in Joint ESMA and EBA Guidelines. This assessment provided the Committee with valuable analysis of the skills and experience of Court members relative to required and desirable Court competencies, and facilitates us in ensuring that the Court continues to have an appropriate range and depth of skills and experience.

While potential candidates for appointment to the Court are assessed against developed candidate specifications for particular identified roles and skill sets, potential candidates are also required to be of sufficient calibre and suitable for appointment to the Court and to enhance the Court's overall effectiveness, facilitating the Court by acting with integrity, leading by example and promoting the desired customer-focused culture.

The Group recognises the benefits of having a diverse Court and workforce, creating a work environment where everyone has an opportunity to fully participate in creating business success, and where each person is valued for their distinctive skills, experiences and perspectives. In reviewing Court composition and identifying suitable candidates, the Committee considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, regional and industry experience, social and ethnic backgrounds, gender, age and other relevant cognitive and personal qualities in order to maintain an appropriate range and balance of skills, experience and background on the Court. All Court appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Court as a whole required to have to be effective.

Report of the Nomination, Governance and Responsible Business Committee *(continued)*

Matters considered and action taken by the Committee in 2020

Key issue	Committee considerations	Committee conclusion
Court Composition, renewal, succession and effectiveness	• Court skills assessment, composition, diversity, size, tenure, succession planning. • Committee composition and succession planning. • Contingency planning in the context of COVID-19. • NED recruitment and appointments, including Fitness and Probity assessments. • Effectiveness Reviews of the Court, Court Committees, the Governor and individual Directors.	Court and Committee changes during the year were made to ensure the continued enhancement and refreshment of the composition and skills profile of the Court and Committees. Having regard to the requisite skillsets of each Court Committee and members' tenures, the NGRB recommended the appointment of: • Evelyn Bourke as Chair of the CAC and as a member of the BRC to replace Patrick Mulvihill who retired on 31 December 2020; • Eileen Fitzpatrick as the Group's Workforce Engagement Director, member of the NGRB and as a trustee on the BSPF (both roles were considered to be aligned with the position of Workforce Engagement Director); • Richard Goulding as the Deputy Governor and SID replacing Patrick Haren and, consequently as a member of the NGRB and Trustee of the BSPF. • Giles Andrews to the Court and as a member of the CRC, GRC and GTOC. • Fiona Muldoon to the CAC and GRC. Fiona stood down from the CRC, having served on that Committee for 5 years. The Committee engaged extensively on the Governor's tenure and supported the shareholder consultation led by the SID in H2 2020. A medium term succession plan was agreed by the Committee in 2020 and will remain under regular review and challenge. The 2019 external and 2020 internal effectiveness reviews of the Court and its Committees were each positive in relation to effectiveness and the appropriateness of their respective compositions.
Executive	• GEC and Senior Management appointments, including Fitness and Probity assessments, and succession planning. • Assessment of Suitability of Key Function Holders and Material Risk Takers. • Gender diversity of leaders and senior managers. • Ethnic diversity data and related considerations across the wider Group.	The Committee supported a number of appointments at executive and senior management level in the Group during 2020 including the appointment of the Chief Internal Auditor. The Committee considered the process to determine the appropriateness of individuals being appointed to or holding Material Risk Taker and Key Function roles across the Group, and made recommendations to the Court in that regard. The Committee noted reports on progress in relation to data collation and analysis of gender and ethnicity diversity data across the Group to better understand the Group and to ensure progress towards improving diversity within the Group.

Report of the Nomination, Governance and Responsible Business Committee *(continued)*

Matters considered and action taken by the Committee in 2020 *(continued)*

Key issue	Committee considerations	Committee conclusion
Governance and corporate responsibility	• Annual Corporate Governance Statement. • Corporate Governance Compliance Updates and annual statements of compliance. • Updates on Corporate Governance Developments. • Governance Disclosures. • Code of Conduct and reports on effectiveness. • Group Speak Up Policy and reports on effectiveness. • Group Conflicts of Interests Policy and reports on effectiveness. • Modern Slavery Statement. • Race at Work Charter. • Group Fitness and Probity and Suitability Assessment Policy.	The Committee approved changes to internal polices to ensure continued compliance with all applicable corporate governance requirements and best practice. The Group's Modern Slavery Statement, Conflicts of Interest Policy, Code of Conduct and Speak Up Policy were each considered and changes agreed to ensure they remained appropriate. The external communication of the Group's corporate governance standards through disclosures and the annual report was approved. The approach for improving ethnic and cultural diversity in the Group was reviewed alongside the proposed actions which are required to improve ethnic minority representation. The Committee supported the Group as a signatory to the UK Race at Work Charter which included updates to the Court Diversity Policy to reflect the Group's commitment to zero tolerance of harassment and bullying.
Responsible and Sustainable Business	• Group's Responsible and Sustainable Business strategy. • UN Principles for Responsible Banking.	The Committee received updates to ensure the Group is well positioned to meet its commitments regarding Responsible and Sustainable Business, particularly those designed to align with the UN Principles for Responsible Banking. The Group's Responsible and Sustainable Business Strategy was reviewed and challenged by the NGRB. Enhanced Committee focus is planned on RSB matters in 2021.
Court Policies and Frameworks	• Matters Reserved for the Court. • Court Terms of Reference. • Court Conflicts of Interest Policy. • Director Assessment Policy. • Court Diversity Policy. • Court Training Development and Induction Policy.	The Committee approved proposed amendments to the policies to ensure that the key Court policies remained appropriate and effective.
Subsidiary Governance	Appointments to boards of substantial regulated subsidiaries: • Subsidiary Governance Policy and Guidelines. • Review of composition and succession plans of key subsidiary Boards. • Review of effectiveness evaluations conducted by substantial subsidiary Boards. • Pension Scheme trustee appointments.	The Committee ensured that the boards of subsidiaries were properly composed with suitable directors and have sound governance structures, and that Group oversight of subsidiaries remained appropriate. The Committee supported the process to identify a successor to the role of Bank of Ireland UK plc Board Chairman and reviewed and recommended proposed appointments to other Board roles across the Group's substantial subsidiaries.

Report of the Nomination, Governance and Responsible Business Committee *(continued)*

Matters considered and action taken by the Committee in 2020 *(continued)*

Key issue	Committee considerations	Committee conclusion
Committee Governance	• Committee Effectiveness Evaluation Report. • Committee Terms of Reference. • Committee Schedule of Topics for 2021. • Report on the effective discharge by the Committee of its duties during 2020.	The Committee recommended minor amendments to its terms of reference to ensure continued compliance with evolving corporate governance requirements and to greater reflect the work of the Committee. The Committee considered the outcome of evaluations of its effectiveness. A positive outcome with regard to the Committee's continued effectiveness was reported in both the 2019 and 2020 evaluations.

During 2020 the Committee reviewed the Court Diversity Policy (the latest version of which is available on the Group's website) and the measurable gender-specific objectives set out thereunder. As at 1 January 2021 there was 45% female representation on the Court. The Court Diversity Policy maintains the target of ensuring a minimum of 33% female representation on the Court, with a medium-term aspiration to have broadly equal gender representation.

In 2020, the Group made further progress in addressing diversity in the Group's workforce through its Inclusion & Diversity programme and signing up to the UK Race at Work Charter. The Group has a target of 50:50 gender balance for management and leadership appointments in 2021.

For further details please see page 25 of the Strategic Report in the BOIG plc Group Annual Report 2020.

While considering Senior Executive succession planning, the Committee and the Court ensures that diversity in its widest sense is at the forefront of related considerations.

Responsible and sustainable business matters

Having been delegated responsibility for oversight of the Group's RSB policy in early 2020, the Committee received updates on the approach to the Group's RSB strategy and recommended approval of the proposed strategy to the Court. Details of the strategy can be found on pages 20 to 41 of the Strategic Report in the BOIG plc Group Annual Report 2020.

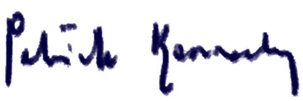
Governance matters

The Committee keeps under regular review, updates to corporate governance regulations and requirements and briefs the Court on their effective implementation. Updates on evolution in corporate governance requirements are presented by the Group Secretary to ensure the Group's practices continue to be appropriate and robust.

Effectiveness reviews

The Committee oversaw the 2019 external review by Praesta Ireland of the effectiveness of the Court, its Committees and individual Directors, which concluded in January 2020, and the 2020 internal effectiveness evaluation which concluded in January 2021. For further details, see page 35.

The Chair reports to the Court after each meeting to ensure all members are fully informed of its committee's activities and decisions.



Patrick Kennedy
Chair of the Nomination, Governance and Responsible Business Committee

26 February 2021

Report of the Court Remuneration Committee

Steve Pateman
Chair

Dear Shareholders,

Membership and meetings

At close of business on 31 December 2020, the Court Remuneration Committee (the 'Committee' or the 'RC') comprised five independent NEDs from diverse backgrounds to provide a balanced and independent view on remuneration matters. Its composition is compliant with the requirements of the Irish Code and CRD IV, and with the recommendations of the 2018 UK Code.

I was appointed Chair of the Committee in January 2020, having served as a member since September 2018, succeeding Patrick Haren who had served as Chair since May 2015. I would like to take this opportunity to thank Patrick, who retired as a NED on 31 December 2020, for his service to the Committee over the period of his tenure. Richard Goulding stepped down from the Committee on 31 December 2020 on being appointed Deputy Governor and Senior Independent Director. I would also like to thank Richard for his contribution to the Committee over the period of his tenure. Fiona Muldoon joined the Committee in October 2020 and Giles Andrews joined the Committee upon his appointment as a NED in November 2020.

In order to ensure that remuneration policies and procedures are consistent with effective risk management, there is common membership between the RC and the CRC. Richard Goulding and I were members of both Committees in 2020, as were Fiona Muldoon and Giles Andrews during their tenures on these committees in 2020. Ms. Muldoon ceased to be a member of the Risk Committee on 31 December 2020, in line with Group requirements regarding tenure of committee memberships, having served as a member for 5 years. Biographical details, including each member's background and experience, are set out on pages 27 to 30.

The RC met ten times in 2020. The Members of the RC, together with their attendance at meetings, are shown below. The Chairman, the Group CEO, Chief People Officer, Group Chief Risk Officer (CRO), and the Head of Reward are invited to attend meetings as appropriate.

Role and responsibilities

The RC holds delegated responsibility from the Court of Directors for the oversight of Group-wide remuneration policy with specific reference to the Governor, Directors and senior management, heads of and senior officers in independent control functions, and those employees whose activities have a material impact on the Group's risk profile.

The RC is responsible for overseeing the annual review of the Group Remuneration Policy with input from the CRC and relevant risk management functions.

The remuneration of NEDs is determined by a Court Committee of the Governor and the Executive Directors, within the boundaries of the Company's constitution. No Director is involved in decisions regarding their own remuneration. The remuneration of the Governor is a matter for the Committee.

The Group is currently operating under a number of remuneration restrictions which cover all Directors, senior management, employees and certain service providers across the Group. For further information, please see page 123 of the Remuneration Report of the BOIG plc Group Annual Report 2020.

During 2020, independent advice was received by the Group from external advisers, Willis Towers Watson, Deloitte LLP, and Price Waterhouse Coopers (PwC) on a range of issues relating to remuneration including:

- remuneration benchmarking for the GEC and senior management;
- variable pay structures, including annual and long-term incentive schemes;
- evolving pay regulations and market pay practices; and
- other remuneration structures.

The Committee is of the view that these advisers provided independent remuneration advice to the Committee and they do not have any connections with the Group that may impair their independence. During the year, the Court Remuneration Committee appointed PwC as independent advisors to the Committee.

Matters considered by the Court Remuneration Committee

The matters considered and action taken by the RC during the year are set out on the following page. The Committee reviews and challenges information provided by management and takes advice from external advisors, as appropriate. The Committee ensures at all times to exercise independent judgment and makes informed decisions.

The Chair of the RC reported to the Court after each meeting to ensure all Directors were fully informed of the RC's activities.

Committee meetings[1]	Eligible to attend	Attended
Steve Pateman *(Chair)*	10	10
Eileen Fitzpatrick	10	10
Richard Goulding	10	10
Fiona Muldoon	2	2
Giles Andrews	2	2

[1] *Fiona Muldoon joined the Court Remuneration Committee on 22 October 2020. Giles Andrews joined the Court Remuneration Committee on 17 November 2020.*

Report of the Court Remuneration Committee *(continued)*

Matters considered and action taken by the Committee in 2020

Key issue	Committee considerations	Committee conclusion
Remuneration Policy, including impact of risk profile.	• Approval of Group Remuneration Policy and of governance and monitoring of that policy. • Review of Group risk profile and implications of remuneration policies for risk and risk management. • Exploratory discussions on variable pay structures. • Review of remuneration approach for staff in the context of COVID 19.	• Current Remuneration Policy is properly governed and implemented and does not lead to inappropriate risk taking. • Any potential incentive scheme design will be subject to removal of relevant restrictions and shareholder approval. • The RC's desired remuneration policy continues to be the implementation of a competitive, market-aligned, performance related remuneration model, fully compliant with regulatory requirements, which will allow the Group to clearly link Group culture and values, risk culture, customer outcomes and Group performance to remuneration and enable the achievement of the Group's strategic objectives, however due to the Remuneration Restrictions, this has yet to be achieved.
Remuneration Disclosure	• Pillar 3 disclosures and the Remuneration Report (review and approval). • Design of Remuneration Report and disclosures if an incentive scheme is introduced.	• Current disclosures are appropriate. • Future disclosures should reflect good practice and shareholder expectations.
Performance and Remuneration of Senior Management	• Objective setting and performance appraisal of Senior Executives to inform the setting of remuneration, including for heads of independent control functions. • Review of approach to remuneration of Senior Officers in independent control functions. • Benchmarking and approval of changes to remuneration of Senior Executives. • Review of Executive Director Remuneration Policy and practice, with a view to clarity, simplicity, risk predictability, proportionality, and alignment to culture.	• There is an appropriate process in place to assess the performance of Senior Executives. • Changes to Senior Executive remuneration are properly assessed and approved. • The RC considers itself to be compliant with the UK Code in relation to Remuneration to the extent possible due to the Remuneration Restrictions in place. It should be noted that some of the provisions of the Code (including provisions 36 and 37) are not currently applicable to the Group, as the Group does not operate variable incentive arrangements, other than a small number of limited commission schemes.
Governance and review of remuneration practice.	• Approval of the Group Remuneration Policy • Approval of Group Material Risk Taker Policy. • Approval of Group Material Risk Taker list. • Approval of remuneration of Heads of and Senior Officers in Independent Control Functions. • Review of workforce remuneration, top earners, staff with specific Minister for Finance approvals and compliance with remuneration restrictions. • Review of regulatory developments. • Review of internal audits relevant to remuneration policy or practice.	• There is good governance around remuneration, particularly of Executive Directors, Senior Management and those who could materially impact the Group's risk profile. • The RC considers itself to be compliant with the UK Code in relation to Remuneration to the extent possible due to the Remuneration Restrictions in place. It should be noted that some of the provisions of the Code (including provisions 36 and 37) are not currently applicable to the Group, as the Group does not operate variable incentive arrangements, other than a small number of limited commission schemes.

Report of the Court Remuneration Committee *(continued)*

Matters considered and action taken by the Committee in 2020 *(continued)*

Key issue	Committee considerations	Committee conclusion
NED fees	• Review and benchmarking of fees paid to the Governor and NEDs of subsidiary boards.	• Governor fees are subject to the remuneration restrictions and remain unchanged. • Subsidiary NED fees are appropriate.
Committee Governance	• Review of Committee Terms of Reference and effectiveness.	• The Committee considered the outcome of the external review of the Court's effectiveness as it related specifically to the Committee. A positive outcome with regard to the Committee's continued effectiveness was reported.

Steve Pateman
Chair of the Court Remuneration Committee

26 February 2021

Report of the Court Audit Committee

Evelyn Bourke
Chair

Dear Shareholders,

On behalf of the Court Audit Committee (the 'Committee' or 'CAC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2020, my first as Chair of the Committee. I would like to begin by acknowledging the excellent work undertaken by my predecessor, Patrick Mulvihill who steered the CAC expertly and effectively since May 2018.

Committee responsibilities

At a high level, the Committee operates in conjunction with the CRC to ensure the Court operates a strong internal control environment, with the Committee specifically focused on protecting the interests of the shareholders in relation to internal controls as they relate to financial reporting.

The Committee also evaluates the independence and performance of Group Internal Audit (GIA) and the external auditor, KPMG, and considers and recommends the interim and annual financial statements to the Court for approval.

During 2020, a review of the CAC and CRC terms of reference was undertaken, focused on the assessment of the internal control environment across both committees; this resulted in a change in responsibilities, with matters relating to oversight on the overall approach to ongoing and future compliance responsibilities and reports from Group Compliance and Regulatory Risk transitioning to the CRC. This provided opportunity for enhanced alignment of the CRC's oversight across the second line of defence activities.

The COVID-19 pandemic and its unprecedented impact on the global economy, led to additional and dedicated focus by the Court and its Committees on a number of key areas – with the CAC and CRC focusing on, inter alia, the approach to and implementation of a management overlay for the Expected Credit Loss (ECL) model to account for the expected impairment arising from COVID-19 impacts, prior to the publication of the interim and year end financial statements.

Committee Membership and Cross-Membership changes and relevant management changes

Fiona Muldoon joined the Committee in May 2020, bringing the total number of members to 6 during 2020, common membership between the Committee and the CRC was maintained through Patrick Mulvihill, Fiona Muldoon, Richard Goulding and Steve Pateman's membership of both committees; this facilitates appropriate co-ordination and effective governance across key areas of internal control. Ms. Muldoon ceased to be a member the CRC on 31 December 2020 in line with Group requirements regarding tenure of committee memberships, having served as a member for 5 years. Mr. Mulvihill retired as a Director of the Company and CAC Chair on 31 December 2020 and I joined the CRC in my capacity as Chair of the CAC with effect from the same date. This ensures the continuation of common membership and the effective coordination between committees during 2021.

During 2020, the Committee welcomed Steve Sanders as Group Chief Internal Auditor, having held the position on an interim basis from October 2019.

Further details on Committee Members, Committee meetings and attendance at meetings during 2020 are outlined on page 64.

Committee Activities in 2020

While not intending to be an exhaustive list of the Committee's considerations and activities in 2020, a number of areas that were subject to Committee focus during the year are outlined below.

Group Internal Audit

In monitoring the activities and effectiveness of GIA, the Committee approved the Internal Audit Charter, the annual audit plan and budget, including resources, and reviewed progress against the plan throughout the year.

The Committee received regular reports from GIA on internal audit activities across the Group which outline details of the audit approach; Management engagement; and areas identified during audits for further strengthening across the Group's risk management and internal control framework. These reports also cover matters of relevance to the Committee including assessing the effectiveness of the internal controls over the financial reporting processes. Reports are rated based on the strength of the control environment in operation; Management's awareness of the risks facing their business areas; and the controls in place to mitigate those risks. In conjunction with the GIA reports, the Committee considers Management's responses to, and the timeliness of the remediation of, identified issues.

In compliance with the Institute of Internal Auditors Standards, during 2020, the Committee reviewed the External Quality Assurance Report on the GIA function's effectiveness which was undertaken by Deloitte. GIA's responses to the areas highlighted for improvement were monitored by the Committee throughout 2020 and this will continue into 2021.

Having regard for GIA activities and the Committee's review of the extent of the work undertaken by the Finance and Risk teams across the Group, the Committee is satisfied that internal controls over financial reporting were appropriately designed and operating effectively. Full details of the internal control and risk management systems in relation to the financial reporting process are detailed within the risk management section on pages 149 to 153 of the BOIG plc Group Annual Report 2020.

Report of the Court Audit Committee *(continued)*

External audit

The Committee oversees the relationship with KPMG and Niamh Marshall, KPMG's lead audit partner, attends all Committee meetings.

During the year, the Committee considered KPMG's terms of engagement (including remuneration), its independence, audit quality / performance, objectivity and considered the plans for the interim review and year-end audit. The Committee also assessed KPMG's findings, conclusions and recommendations arising from the interim review and year-end audit.

Appropriate safeguards are in place to protect the independence and objectivity of KPMG. The Committee operates a policy to regulate the use of KPMG for non-audit services, to ensure compliance with the revised Ethical Standards for Auditors (Ireland) 2017 from the Irish Auditing Accounting Supervisory Authority (IAASA) and the Financial Reporting Council's revised Ethical Standards 2019.

In order to ensure the objectivity and independence of the external auditor, the policy formalises certain restrictions on the provision of non-audit services and requires that all non-audit services provided by KPMG must be approved in advance by the Committee, or, in exceptional circumstances by the Committee Chair, prior to engagement with KPMG. Additional provision is made for the approval by certain members of senior management of non-material services which are below the threshold. Annually, details of expected non-audit services for the coming year are presented to the Committee for pre-approval. Any proposed additional services exceeding these levels require additional specific pre-approval.

The fees paid to KPMG for the year ended 31 December 2020 amounted to €4.6 million (2019: €4.6 million), of which €1.1 million (2019: €1.1 million) was payable in respect of assurance services. Assurance services represented 24% of the statutory audit fee (2019: 24%). Further information on fees paid in respect of audit and assurance services, along with details of assurance services provided during the year are set out in note 15 to the consolidated financial statements 'auditor's remuneration'.

The Committee concluded that it was satisfied with the independence, quality and performance of KPMG in respect of the year ended 31 December 2020 and recommended that the Court propose KPMG for reappointment for approval at the 2021 AGC. KPMG's term as statutory auditor will be required to end in 2028.

Financial reporting

A key activity for the Committee is the consideration of significant matters relating to the annual financial report, with key accounting judgements and disclosures subject to in depth discussion with Management and KPMG. The Committee provides robust challenge to key judgements in advance of making a recommendation to the Court that all financial reports are considered to be a fair, balanced and understandable assessment of the Group's financial position.

In light of the COVID-19 pandemic and the subsequent economic impact of lockdown measures applied in the Group's key markets, in conjunction with the CRC, the Committee considered and made recommendations to the Court regarding the approach and quantum of the proposed net impairment loss applied to the Group's financial statements.

The Committee also considers, provides robust challenge to and ultimately recommends, the annual and semi-annual Pillar III Disclosures to the Court for approval. It also considers and approves the Country-by-Country report required under the Fourth Capital Requirements Directive (CRD IV).

Further information on some of these significant items is set out in note 2 Critical Accounting Estimates and Judgements. Overall the Committee was satisfied that the 2020 annual report, including the financial statements, is fair, balanced and understandable.

Report of the Court Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2020

Key issue	Committee considerations	Committee conclusion
IFRS 9 and impairment of financial instruments	The Committee reviewed management papers and discussed and challenged management judgements used in determining the following based on IFRS 9 requirements: • correct classification and measurement of financial instruments; • model parameter updates incorporating FLI; • Group management adjustments to reflect Management judgement in impairment model parameters, COVID-19 Group management adjustment and late breaking events; • the ECL model framework updates in the period to reflect the revised definition of default and model factor updates to reflect recent observed information; • net impairment loss for the year; and • quantum of NPEs. The Group's approach to the measurement of impairment is set out in the Group Impairment Policy. The policy includes the Group's criteria for allocating financial instruments to stages, the method used to measure impairment for each material portfolio, core impairment model methodologies, and the criteria for classifying financial assets as NPEs. The policy has been approved by the Court on the recommendation of the Committee, following recommendation by the Group Credit Risk Committee and the Group Risk Policy Committee (GRPC). The impairment models are approved for use by the Risk Measurement Committee (RMC) and are maintained and executed by a specialist central unit within Group Risk. The Committee reviewed the impact of key model changes and of management overlays in response to COVID-19 made during the reporting period.	The Committee was satisfied that the classification and measurement of financial assets, stage allocations, model parameter updates (including FLI), impairment loss allowances, and the net impairment loss for the reporting year, had been appropriately determined in accordance with the Group's methodologies and IFRS 9 accounting standard. The Committee was also satisfied that the associated disclosures were appropriate based on the relevant accounting standards including International Accounting Standard (IAS) 1 and IFRS 7. As a result of the COVID-19 pandemic and the subsequent economic impact of lockdown measures applied in the Group's key markets, in conjunction with the CRC, the Committee considered and made recommendations to the Court regarding the approach and value of the proposed net impairment loss applied to the Group's financial statements.
Retirement benefit obligations	The Committee considered management's key assumptions and judgements used in determining the actuarial values of the liabilities of each of the Group's sponsored defined benefit pension schemes under IAS 19 'Employee Benefits'. Management considered advice from independent actuaries, Willis Towers Watson, for the determination of significant actuarial assumptions. The key assumptions proposed by management and considered by the Committee were the discount rates and inflation rates applied in valuing liabilities in both Ireland and the UK.	The Committee was satisfied that the inflation rates, discount rates and other significant assumptions were appropriate and that the accounting for the Group's sponsored defined benefit pension schemes and related disclosures was in accordance with IAS 19.

Report of the Court Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2020 *(continued)*

Key issue	Committee considerations	Committee conclusion
Deferred taxation	The Committee considered the extent of DTA to be recognised in respect of unutilised tax losses, and in particular the projections for future taxable profits against which those losses may be utilised. In order for the Group to recognise these assets, it must be probable that sufficient future taxable profits will be available against which the losses can be utilised. The Group has prepared financial projections which are being used to support the Group's ICAAP. The financial projections are prepared for the purpose of the Group's assessment of its capital adequacy. They are subjected to considerable internal governance at a divisional and Group level and are reviewed and approved by Executive management and the Court. Management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the DTA recognised arising from unused tax losses. In relation to DTAs arising from Irish tax losses carried forward by The Governor and Company of the Bank of Ireland (the 'Bank') management considered the following: • IAS 12 provides that a DTA can only be recognised when it is probable that that taxable profits will be available against which the losses and deductible temporary differences can be utilised. • European Securities & Markets Authority (ESMA) guidance issued in 2019 discusses considerations regarding the reliability of forecasting and its impact on probability in the context of the DTA. • Whilst management and the Committee believe that the Bank will continue to be profitable for the foreseeable future, there was an acknowledgement of the external challenges facing the banking industry. In particular, the continued low interest rate environment along with the uncertainty around the impact of the COVID-19 pandemic and the ongoing impact of Brexit. • Therefore, notwithstanding the absence of any expiry date for trading losses in Ireland, but acknowledging that profit forecasts become increasingly uncertain as the forecast period extends into the future, management considered that, at 31 December 2020, the recognition of DTAs in respect of tax losses of the Bank should be limited by reference to the amount of losses that are expected to be utilised within a 20 year period of projected profits. • This 20 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 management believes it can conclude that it is probable that future taxable profits will be available in the Bank. The most recent financial projections indicate a recovery period of 19 years for the Bank and thus the carrying value of DTA relating to trading losses carried forward is not required to be reduced for the year ended 31 December 2020.	The Committee discussed with management its assessment of the recoverability of the DTA and the related disclosures. The Committee agreed that the Irish DTA should be restricted to the quantum of profits expected to be recovered within the next 20 years, and that the related disclosures were as required under IAS 12 'Income Taxes'.

Report of the Court Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2020 *(continued)*

Key issue	Committee considerations	Committee conclusion
Intangible assets - capitalisation and impairment assessment of the transformation investment asset	The Committee considered the appropriateness of Management's internal controls and governance surrounding the capitalisation of costs related to internally generated intangible assets associated with the transformation investment asset. The Committee also considered management's assessment of the existence of impairment indicators in respect of the asset, and the impact on the carrying value of the associated intangible assets.	The Committee concurred with management's view that certain aspects of the transformation investment asset product set capability had not matured sufficiently, and that technology and approaches to systems transformation had evolved. As a result certain software assets were considered to be impaired, as they were no longer expected to provide future economic benefits. The Committee considered that management's view that an impairment charge of €136 million should be recognised in the first half of 2020, of which €127 million related to the transformation investment Asset and €9 million. to other internally generated computer software, was reasonable and in line with the requirements of IFRS.
Life assurance accounting	The Committee considered management's key assumptions and judgements used in determining the valuations of the Value of in Force (ViF) and insurance contract liabilities. The key assumptions in projecting future surpluses and other net cash flows attributable to the shareholder arising from business written were the interest rate and unit growth rates, lapse rates, mortality, morbidity and expenses. Interest rates and unit-growth rates are based on a range of duration specific rates determined by a risk-free yield curve. This yield curve is provided by the European Insurance and Occupational Pensions Authority (EIOPA).	The Committee was satisfied that the significant assumptions are appropriately applied and that the accounting for the Group's ViF and insurance contract liabilities is appropriate.
Going concern	The Committee considered management's assessment of the appropriateness of preparing the financial statements of the Group for the year ended 31 December 2020 on a going concern basis. In making this assessment, matters considered included the performance of the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios, including consideration of the impact of COVID-19. The considerations assessed by the CAC are set out on page 87 in the Going Concern disclosure within the Accounting Policies in note 1 to the consolidated financial statements.	On the basis of the review performed and the discussions with management, the Committee was satisfied that there were 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. This assessment together with the Going Concern disclosure (as set out on page 87) was subsequently approved by the Court.

Report of the Court Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2020 *(continued)*

Key issue	Committee considerations	Committee conclusion
Viability statement	In accordance with the requirements of the UK Code, the CAC considered whether it had a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment and made a recommendation to the Court in that regard. This required a robust assessment of the principal risks facing the Group, including those that would threaten its business model and future performance, solvency and liquidity.	CAC concluded a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, and that there was a reasonable expectation that the Group would be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Group adopted a three-year period, having regard to existing relevant process and frameworks which are performed over time periods ranging from six months to three years.
IT risk	The Committee considered and discussed management's assessment of IT risks and the ongoing risk management programme to identify, rate, mitigate and report on IT risks, including GIA and the external auditor's findings of the internal control environment and arising from KPMG's findings.	On the basis of the review performed, discussions with management, and the continued operation of the comprehensive internal control framework over financial reporting, the Committee was satisfied that these risks did not impact financial reporting processes.

Other matters

The Committee also:

- received reports from the Group's Money Laundering Reporting Officer on the operation and effectiveness of the systems and controls established by the Group to manage Financial Crime Compliance (FCC) risk. FCC incorporates money laundering, terrorist financing, sanctions and bribery and corruption and is a key area of Committee focus;
- alongside the CRC, received reports from Group Compliance on matters relating to Regulatory Risk and Conduct Risk profiles;
- dedicated time to review and oversee the BCBS Principles for Effective Risk Data Aggregation and Risk Reporting, in parallel with the CRC;
- alongside the CRC, received reports from the Group Investment Committee;
- considered the minutes of the Audit Committees for each of the Group's material subsidiaries; and
- reviewed talent development in and succession planning for the finance function.

A full list of responsibilities are detailed in the Committee's terms of reference, which can be found at www.bankofireland.com

Committee Membership and Meetings

The Committee acts independently of the Executive. All members of the Committee are independent NEDs with relevant competence in the financial sector, and their biographies can be found on pages 27 to 30. The members of the Committee have extensive knowledge of financial markets, treasury, risk management and International Accounting standards (IAS), and the Committee's composition is considered to meet all of the applicable requirements, including the need for recent and relevant financial experience and competence in accounting or auditing.

The members of the Committee maintain their knowledge base on relevant Committee matters, through Court deep dives and training. During 2020, the Committee, in conjunction with the CRC, received refreshed training on the operation of IFRS 9 in preparation for the discussion regarding impairment charges to be applied in response to COVID-19.

Report of the Court Audit Committee *(continued)*

Committee meetings	Eligible to attend	Attended
Evelyn Bourke	10	9
Patrick Mulvihill	10	10
Eileen Fitzpatrick	10	10
Richard Goulding	10	9
Steve Pateman	10	9
Fiona Muldoon[1]	7	7

The Committee met, in conjunction with the CRC, twice during 2020 to consider the impairment charges being applied to the interim financial statements. The Committee also met in conjunction with the Group Remuneration Committee to consider the appointment of the Group Chief Internal Auditor.

The Group CFO, Group Financial Controller, the Group Chief Internal Auditor, the Group CEO, and the Group CRO each attend meetings of the Committee, when appropriate.

The Committee also holds individual private sessions with the Group Senior Management, with each of the Internal and External Audit teams (without other members of the Executive management being present) and with the Group's CFO during the year.

An internal effectiveness evaluation of the Court and its Committees was conducted during 2020, and, as part of that process, a positive outcome was reported regarding the Committee's continued effectiveness.

The Committee reports to the Court on how it discharges its responsibilities and makes recommendations to the Court on key matters.

Evelyn Bourke
Chair of the Court Audit Committee

26 February 2021

[1] *Fiona Muldoon joined the Committee in May 2020.*

Report of the Court Risk Committee

Richard Goulding
Chair

Dear Shareholders,

On behalf of the Court Risk Committee (the 'Committee' or the 'CRC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2020.

Committee purpose and responsibilities

The Committee was established to advise and support the Court in monitoring risk governance and ensuring that the Group's risks are properly identified, reported, and assessed; that risks are properly controlled; and that strategy is informed by and aligned with the Group's risk appetite. It makes recommendations to the Court, or approves under delegation, certain risk matters and maintains oversight of the Group's risk profile, including adherence to Group risk principles, policies and standards. The Committee oversees the Group's Risk Framework and the risk management function, which is managed on a day to day basis by the Group CRO.

Membership, meetings and relevant management changes

The Committee currently comprises six NEDs, including five independent NEDs and one NED who is deemed non-independent by virtue of her nomination by the Minister for Finance who has a 14% holding in the Group, on behalf of the Irish State. Mr Mulvihill retired from the Group on 31 December 2020 and so stood down from the Committee on that date, and Mr Giles Andrews joined the Committee on appointment to the Court in November 2020.

The Committee's composition ensures appropriate coverage of core banking skills and competence in the financial sector, with experience and expertise in risk that is considered appropriate to the scale and complexity of the Group. Committee Members have extensive knowledge of financial markets, consumer banking and risk management, with technology, digital and operational experience together with a keen awareness of the importance of taking all reasonable steps to ensure good customer outcomes. Members' biographies can be found on pages 27 to 30.

Board consideration of risk-related issues is considered to be enhanced by Members serving on more than one Board sub-committee. The CRC is required under regulation to have one shared member with each of the CAC and Court Remuneration Committee (RC). Given its focus on transformation activities and related risk considerations, the Group has determined that shared membership with the GTOC is also effective. Shared-membership between the CRC and each of the CAC, RC and the GTOC is currently maintained as follows:

Committee	Shared Members with the CRC
CAC	Richard Goulding, Steve Pateman and Evelyn Bourke
RC	Richard Goulding, Steve Pateman and Giles Andrews
GTOC	Richard Goulding, Giles Andrews, Ian Buchanan, and Michele Greene

The Committee met 18 times during 2020, nine of which were out of course in response to heightened activities, and details of Members' attendance during the year are set out in the table below.

Committee meetings	Eligible to attend	Attended
Ian Buchanan	18	17
Richard Goulding	18	18
Michele Greene	18	18
Fiona Muldoon	18	17
Patrick Mulvihill	18	18
Steve Pateman	18	17
Giles Andrews[1]	4	3

The Group CRO has full access to the Committee and normally attends all meetings. The Group Chief Internal Auditor and members of the wider Executive also attend meetings as appropriate and at my invitation as Committee Chair.

The Group's CRO, Vincent Mulvey, retires from the Group on 31 March 2021. Vincent has had a long and successful career with the Bank and has played a crucial role in embedding a strong risk culture during his tenure. Vincent was appointed as the Head of Group Credit in 2005 and Chief Credit & Market Risk Officer (and member of the GEC) in 2009; Vincent held these important roles during a period of significance in the organisation's history and contributed strongly to the Bank's relative strength during the financial crisis. He was appointed to the role of Group Chief Risk Officer in 2017. The Committee and the Court remain grateful to Vincent for his significant contribution to the Group and wish him well in his future endeavours. The process to identify a successor to Vincent is progressing, along with robust interim arrangements pending the appointment.

Committee activities in 2020

While not intending to be an exhaustive list of the Committee's activities in 2020, a number of areas that were subject to particular focus during the year are outlined below.

[1] *Giles Andrews joined November 2020.*

Report of the Court Risk Committee *(continued)*

COVID-19

Risk management and customer outcomes were key areas of focus for the Committee and the Court during what was an unprecedented year. As the Chairman reports, the Court met with increasing frequency during 2020 and the CRO provided weekly risk reports throughout the initial period of COVID-19, focusing on the overall risk profile of the Group and the outlook thereof; COVID-19 related risk considerations across each risk type; and management actions and risk mitigants in place. Operational resilience, the continuity of service to our customers, colleague and customer wellbeing and available supports, credit risk, information security and cyber risks were key considerations during this time.

In addition to the enhanced risk focus at the full Court, the Committee received regular reports from the business and the CRO.

Prior to the publication of the interim and year-end financial statements, the CRC worked closely with the CAC on the approach to and implementation of a management overlay for the Expected Credit Loss (ECL) model to account for the expected impairment arising from COVID-19 impacts. The Committee continues to receive an update at each meeting on the supports available to customers availing of payment breaks, and challenges management to ensure the requisite operational arrangements are in place to provide appropriate support to customers during this difficult time.

The Committee also received and challenged the ICAAP and ILAAP submission to the Regulator during 2020, ensuring due consideration had been applied to risks associated with COVID-19, including in respect of adequate risk identification and quantification.

Transformation

Transformation was another key area of focus for both the CRC and GTOC during 2020. While GTOC focuses on the Group's capability and capacity to execute the Group's major strategic systems transformation and programmes with high dependency on technology change, the CRC focuses on initial risk assessment and ongoing risk monitoring of specific strategic and transformation programmes.

Alongside consideration of the impact of COVID-19 on key project milestones and regulatory deliverables and numerous other topics during the year, the Strategic Review of the UK business and the Group's voluntary parting programme (VP) were subject to extensive assessment by and oversight from the CRC.

The Committee's consideration of VP included challenge of first line divisional risk assessments, along with consideration of second and third line assessments of the approach to and initiatives underpinning VP decisions across each division and their view of risks arising for departing colleagues, colleagues who would remain with the Group and for the Group overall.

Planning rigour, governance, execution capability, risk assessment discipline, and changes to the UK and Group risk profiles were amongst the key areas of Committee focus when assessing the approach to the UK strategic review and subsequent outcomes.

As the Group progresses its transformation strategy and seeks to respond to accelerated customer needs and behavioural changes in response to COVID-19, transformation and related risk considerations will remain at the top of the CRC and GTOC agendas.

The establishment during 2020 of a new Enterprise Transformation Office was a further positive development as it provides for holistic oversight and challenge of all change programmes and will increasingly afford Management and the Court the ability to proactively identify any areas of challenge arising from, for example, competing priorities.

Non-Financial Risks (NFR)

Our 2019 report shared details on our intention of ensuring a greater level of focus on NFR. During 2020, the Committee was involved in the appointment of an experienced senior leader to the role of Head of NFR and the establishment of a NFR improvement programme to further enhance the Group's operational, conduct and regulatory frameworks and capabilities. The Committee is satisfied that progress is being made and the NFR improvement programme will remain subject to detailed oversight during 2021 and beyond.

Executive Governance & Risk Management Framework

During 2020, a robust review of the Group's executive governance structure was commissioned by the CEO. As CRC Chair, I received updates on and challenged the review as it progressed and CRC considered the proposed refreshed structure prior to implementation. A refreshed governance structure was approved to commence operations on 1 January 2021. The refreshed structure is considered to be appropriately lean and transparent and is a positive step in the Group's preparation for the implementation of an executive accountability regime in Ireland. Further information on the executive governance review can be found on page 42.

In a similar vein, while recognising that the Group's Risk Management Framework was subject to regular review to ensure its continued effectiveness, the CRC commissioned a detailed review and challenge of the Framework including the Group's risk taxonomy. The review commenced in Q4 2020 and will lead to a refreshed Framework for CRC consideration and challenge later this year. Any changes arising from the review will be reported in next year's annual report.

Together the CRC and the CAC ensure the Group operates a strong internal control environment. During 2020, a review of the CAC and CRC terms of reference was undertaken, with matters relating to oversight on the overall approach to compliance responsibilities and reports from Group Compliance and Regulatory Risk transitioning to the BRC. This ensures CRC's full oversight across the second line of defence activities.

Based on the oversight activities of the CAC and the BRC, the Committee is satisfied that the Group operates a strong risk framework and internal control environment. More details on the Group's wider approach to risk management can be found in note 27 Financial risk management. Full details of the Committee's responsibilities are set out in its terms of reference, which can be found at https://www.bankofireland.com/about-bank-of-ireland/ corporate-governance/.

Further information on the Committee's other activities is set out below.

Report of the Court Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2020

Key issue	Committee considerations	Committee conclusion
Credit Risk	Credit Risk has increased in 2020, due primarily to the economic impact of COVID-19 and associated restrictions. During 2020, CRC considered overall credit quality and regular updates on the Group's Strategic and Operating Plan for customers impacted by COVID-19.	While the Group's NPEs had reduced significantly in previous years, the deterioration in economic conditions during 2020 due to COVID-19, together with implementation of a revised definition of default, has resulted in a higher level of NPEs at 31 December 2020.
Capital Adequacy	Regular reviews are undertaken to ensure that Regulatory and Fully Loaded capital ratios have appropriate buffers above the Group's own minimum targets and regulatory requirements. The CRC considered the impacts of future capital requirement and capital availability and reviewed in detail the ICAAP, including under stress scenarios.	The Group holds sufficient capital to meet its regulatory and business requirements over its planning horizon.
Funding and Liquidity Risk	Regular reviews are undertaken to ensure that the Group is compliant with all risk appetite measures and regulatory liquidity requirements. The Committee reviewed the results of regular stress testing and of the ILAAP.	The Group continues to be fully compliant and has no issues with market access or pricing.
Market Risk	Regular reviews are undertaken to ensure that the Group is compliant with all risk appetite measures across credit spread risk, discretionary risk, Value at Risk (VaR) and scenario-based stress testing. The CRC reviewed the results of regular market risk reporting and considered the impacts of emerging market developments including Brexit.	The Group continues to operate within risk appetite in this area.
Pension Risk	The Group is exposed to Pension Risk as a consequence of its sponsorship of the Group's defined benefit pension schemes. The key sensitivities associated with Pension Risk are outside the control of the Group.	The Group continues to take asset and liability management actions in order to reduce volatility and consequent capital impact. The Group has made and continues to make progress on asset and liability management activities.
Operational Risk	Managing operational risk continues to be a key focus, due to the complexity and volume of change, the IT infrastructure, cyber risk and reliance on third party suppliers. CRC focuses on ensuring the Group has an effective framework for managing operational risk, including enhancing the use of key risk and control indicators and residual risk reporting. CRC receives regular reports on all aspects of the operational risk framework.	The Group has made progress in its management of operational risk, with a renewed focus on all aspects of NFR, including operational, regulatory and conduct risks. This will strengthen the linkages and alignment of the risk management approach across these closely related risk disciplines and ensure a co-ordinated uplift in capabilities. The Group will continue to focus on enhancing the maturity of the framework and internal capability during 2021.
Regulatory Risk	Managing regulatory risk continues to be a key focus for the Group due to the complexity, pace and volume of regulatory change to be managed. The CRC continued to experience a busy regulatory and compliance agenda in 2020, as a result of ongoing regulatory interactions, coupled with a significant uplift in engagement as a result of COVID-19. CRC also focused on ensuring adherence across the Group to policies and risk appetite and that effective controls are in place to ensure oversight of Regulatory Risk.	The Group has placed significant focus on overseeing and ensuring compliance with regulatory requirements and has made positive progress across a range of matters from a regulatory perspective. The ongoing enhancement of regulatory risk frameworks and a strong compliance culture will remain an area of focus in 2021, along with a focus on the pipeline of regulatory engagement and developments.

Report of the Court Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2020 *(continued)*

Key issue	Committee considerations	Committee conclusion
Conduct Risk	The effective management of conduct risk is essential to serving our customers and creating the right culture and, in 2020, the CRC considered frequent reports on the resolution of customer conduct issues, with a particular focus on tracker mortgages and consumer errors. The pace and quality of remediation remained a focus, including root cause analysis to help prevent similar issues in the future. CRC continues to consider developments in the Group's conduct culture and receive reports on rectification programmes, complaints, and conduct risk appetite performance.	While progress has been made in 2020, a focus on improvement of the management of consumer errors is required to support continued improvement in the risk profile; embedding of conduct initiatives will remain a priority for the Group in 2021.
Business and Strategic Risk	CRC recognises the risks in delivering the approved strategy, the associated transformation agenda, and meeting evolving customer and regulatory expectations. The risk is further exacerbated by uncertainties arising in the macro environment, such as Brexit.	The Group is engaged in a significant programme to deliver its strategy under 3 pillars: transforming the bank; serving customers brilliantly; and growing sustainable profits. The Group acknowledges the challenge in executing such a strategy effectively and progress against key milestones receives significant oversight. A strategy refresh is underway, which is also subject to ongoing risk assessment.
IT and Information Security	A resilient IT environment is critical to providing reliable services to customers, and meeting current and future demands. The risk of cybersecurity attacks, which target financial institutions and corporates as well as governments and other institutions, remains material; as their frequency, sophistication and severity continue to develop in an increasingly digital world. Alongside GTOC, the CRC considered a wide range of issues, including cyber and IT controls, technology resilience and cybersecurity programme updates; the CRC continues to ensure appropriate prioritisation of this risk area.	Whilst there has been significant improvement in cyber capability, IT resilience and transformation risk will remain areas of key focus during 2021 as the Group continues to invest in its systems transformation.
Brexit	Following the UK exit from the EU, ongoing uncertainty relating to the nature of the future trading relationship between the UK and EU could impact the markets in which the Group operates.	With an agreement reached between the EU and UK on the future trading relationship, any residual Brexit risks impacting the Group are captured via the Committee's ongoing oversight of credit risk, business and strategic risk, and operating model risk.
People	With a substantial transformation programme and cost agenda underway, a global pandemic and remuneration restrictions in place, the CRC regularly reviewed the arrangements to manage people risk.	In 2020 the risks were mitigated and managed through collaborative work between the first, second and third lines of defence, particularly evident through the risk approach to the enhanced voluntary redundancy scheme from August to December 2020. People risk will be a key area of focus during 2021, including safe management of voluntary redundancy departures.

Richard Goulding
Chair of the Court Risk Committee

26 February 2021

Attendance table

Court and Committee composition and attendance at scheduled meetings in 2020.

	Court		Audit Committee		Nomination Governance & Responsible Business Committee		Remuneration Committee		Risk Committee		Group Transformation Oversight Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Giles Andrews *(appointed 17 November 2020)*	1	1	-	-	-	-	2	2	4	3	1	1
Evelyn Bourke	31	31	10	9	8	8	-	-	-	-	-	-
Ian Buchanan	31	30	-	-	-	-	-	-	18	17	7	7
Eileen Fitzpatrick	31	31	10	10	-	-	10	10	-	-	-	-
Richard Goulding	31	31	10	9	-	-	10	10	18	18	7	7
Michele Greene	31	31	-	-	-	-	-	-	18	18	7	7
Patrick Haren *(resigned 31 December 2020)*	31	31	-	-	8	8	-	-	-	-	-	-
Myles O'Grady *(appointed 15 January 2020)*	31	31	-	-	-	-	-	-	-	-	-	-
Patrick Kennedy	31	31	-	-	8	8	-	-	-	-	7	7
Francesca McDonagh	31	31	-	-	-	-	-	-	-	-	-	-
Fiona Muldoon	31	30	7	7	8	8	2	2	18	17	-	-
Patrick Mulvihill *(resigned 31 December 2020)*	31	31	10	10	-	-	-	-	18	17	7	7
Steve Pateman	31	31	10	9	-	-	10	10	18	17	-	-

Column A: Indicates the number of meetings held during the year the Director was a member of the Court and / or the Committee and was eligible to attend.
Column B: Indicates the number of meetings attended.

Report of the Directors

Results
In 2020, the Group made a loss before tax of €776 million (2019: profit €639 million) and an after tax loss of €721million (2019: profit €443 million). €721 million (2019: profit €443 million profit) of loss after tax is attributable to ordinary stockholders and a €nil profit is attributable to non-controlling interests (NCI).

Dividends
No dividend on ordinary stock was paid in respect of the year ended 31 December 2020.

Group activities
The Group provides a range of banking and other financial services. The business review on pages 3 to 9 contains a review of the results and operations of the Group, of most recent events, and of likely future developments.

In relation to the Group's business, no contracts of significance to the Group within the meaning of LR 6.1.77(10) of the Euronext Dublin Listing Rules existed at any time during the year ended 31 December 2020.

Principal Risks and Uncertainties
Information concerning the Principal Risks and Uncertainties facing the Group is set out on pages 10 to 20.

Financial risk management objectives and policies
Information regarding the financial risk management objectives and policies of the Group, in relation to the use of financial instruments, is set out in note 27. The Group's approach to risk management, including risk policies, risk appetite, measurement bases and sensitivities, in particular for credit risk, liquidity risk, market risk and life insurance risk, is aligned to that of BOIG plc, the Bank's immediate and ultimate parent. Further information can be found in the BOIG plc Group Annual Report 2020.

Capital stock
As at 31 December 2020, the Group had 32,363,275,074 units of issued ordinary stock of €0.05 each. Further detail on the structure of the Group's capital is set out in note 49.

Directors
The names of the members of the Court of Directors of the Company as at 31 December 2020, together with a short biographical note on each Director appear on pages 27 to 30.

At the Annual General Court (AGC) held on 19 May 2020, Eileen Fitzpatrick, Michele Greene and Myles O'Grady were elected following their appointments to the Court. Ms. Fitzpatrick was appointed to the Court on 15 May 2019, Ms. Greene on 5 December 2019 and Mr. O'Grady on 15 January 2020. Evelyn Bourke, Ian Buchanan, Richard Goulding, Patrick Haren, Patrick Kennedy, Francesca McDonagh, Fiona Muldoon, Patrick Mulvihill and Steve Pateman were re-elected. Giles Andrews was appointed as Independent Non-Executive Director on 17 November 2020. Patrick Haren and Patrick Mulvihill retired from the Court on 31 December 2020.

Substantial stockholdings
All ordinary stock of the Bank was held by its parent company, BOIG plc, at 31 December 2020. There were no other interests disclosed to the Bank in accordance with the Market Abuse Regulation and Part 5 of the Transparency Regulations and the related transparency rules during the period from 31 December 2020 to 26 February 2021.

Corporate governance
The Corporate Governance Statement forms part of the Report of the Directors. Statements by the Directors in relation to the Bank's compliance with the CBI's Corporate Governance Requirements for Credit Institutions 2015, (the 'Irish Code') and additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions, and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the CRD IV), respectively, are set out on pages 21 to 66. The Bank is also subject to the to the Listing rules of the Irish Stock Exchange, t/a Euronext Dublin.

Directors' Compliance Statement
As required by Section 225 of the Companies Act 2014, as amended, of Ireland, the Directors acknowledge that they are responsible for securing the Company's compliance with its 'relevant obligations' (as defined in that legislation). The Directors further confirm that a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the directors' opinion, designed to secure material compliance with the relevant obligations. A review of those arrangements and structures has been conducted in the financial year to which this report relates.

Political donations
Political donations are required to be disclosed under the Electoral Acts 1992 to 2014. The Directors, on enquiry, have satisfied themselves that there were no political donations made during 2020.

Branches outside the State
The Bank has branches in the UK, France, Germany, the US and Spain.

Going concern
The Directors have considered the appropriateness of the going concern basis in preparing the financial statements for 2020 on page 87, which forms part of the Report of the Directors and on page 57, in the Corporate Governance Statement.

Viability statement
In accordance with the requirements of the UK Code, the Directors have assessed the viability of the Group, taking account of the Group's current position and the potential impact of the principal risks facing the Group.

The Directors have selected a three-year period for this assessment, reflecting the time horizon that they consider fits with the various risk and planning frameworks taken into account in arriving at the viability statement.

The Directors have assessed the prospects of the Group through a number of frameworks, including the ICAAP, the ILAAP, each of which include an assessment of the impacts of COVID-19 and Brexit, the monitoring of key risks identified under the Group's risk identification process by the GRPC, the CRC and the Court (see page 151 of the Risk Management Report in the BOIG plc Group Annual Report 2020), and the assessment of Principal Risks and Uncertainties (pages 10 to 20) together with the Group's strategic direction as set out in the Strategic report (pages 3 to 46 of the BOIG plc Group Annual Report 2020). Within the Principal Risks and Uncertainties, the Directors consider Credit risk, Funding and Liquidity risk and Capital adequacy to be the most relevant to the viability assessment.

Report of the Directors *(continued)*

The ICAAP process facilitates the Court and senior management in adequately identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile. ICAAP is subject to review by the Group's prudential regulator, the ECB Single Supervisory Mechanism (SSM). Underpinning the ICAAP process, the Group prepares detailed financial projections under both a base case and a stress case. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions, and the stress case is prepared based on a severe but plausible stress economic scenario, (BOIG plc Risk Management Report sections 2.5, 3.2 and 4). As a result of COVID-19, the Group redeveloped the base case and stress case projections using the updated macroeconomic forecasts which include the impact of COVID-19. The ICAAP process demonstrates that the Group has sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives having regard to Court approved risk appetite and strategy, and to meet its CRD IV regulatory capital, leverage and liquidity requirements.

The potential economic and market impacts of COVID-19 have been considered in a number of areas of the Group's ILAAP, which demonstrates that the volume and capacity of liquidity resources available to the Group are adequate to support its business model, to achieve its strategic objectives under both business as usual and severe but plausible stress scenarios and to meet regulatory requirements including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Directors confirm that their assessment of the principal risks facing the Group, through the processes set out above, was robust. Based upon this assessment, and their assessment of the Group's prospects, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023.

Accounting records
The Directors ensure that adequate accounting records are kept at the Company's registered office, through the appointment of suitably qualified competent personnel, the implementation of appropriate computerised systems and the use of financial and other controls over the systems and the data.

Auditor
KPMG, Chartered Accountants, were appointed statutory auditor on 19 April 2018. They have been re-appointed annually since that date and will continue in office in accordance with section 383(2) of the Companies Act 2014.

Relevant audit information
The Directors in office at the date of this report have each confirmed that as far as they are aware, there is no relevant audit information of which the Group's Auditor is unaware; and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Directors' and Secretary's interests in stock
The Directors and Secretary had no interests in the stock / securities of the Bank or its Group undertakings at 31 December 2020 and no change to this provision has been disclosed to the Bank under the provisions of article 19 of the Market Abuse Regulation occurring between the end of the year under review and 26 February 2021.

Non-financial information
Information required in accordance with the EU (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 can be found in in the Strategic Report in the BOIG plc Group Annual Report 2020 on page 41. The strategic report also includes information on topics such as the Environment and Employee matters.

Post balance sheet events
These are described in note 63 to the financial statements.

Patrick Kennedy
Governor

Richard Goulding
Deputy Governor

The Governor and Company
of the Bank of Ireland
Registered Office
40 Mespil Road,
Dublin 4

26 February 2021

Financial Statements

Contents

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Independent Auditor's Report set out on pages 69 to 75, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with IFRS adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS, the EU (Credit Institutions: Financial Statements) Regulations, 2015 and, in respect of the consolidated financial statements, Article 4 of the IAS regulation. Company law requires the Directors to prepare Group and Bank financial statements for each financial year.

The Directors are responsible for preparing the Bank financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 '*Reduced disclosure framework*', and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law the Directors shall not approve the Group's and Bank's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Bank's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with IFRS adopted by the EU, and the Bank financial statements have been prepared in accordance with Financial Reporting Standards (FRS) 101, and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:
- correctly record and explain the transactions of the Bank; and
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Bank to be determined with reasonable accuracy.

The Directors are also responsible under Section 282 of the Companies Act 2014 for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014, including Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are also responsible for monitoring the effectiveness of the Bank's systems of internal control in relation to the financial reporting processes, and have a general responsibility for safeguarding the assets of the Group and the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish and London Stock Exchanges, the Directors are also responsible for preparing a Directors' Report and report relating to corporate governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and the Transparency Rules to include a management report containing a fair review of the business and a description of the Principal Risks and Uncertainties facing the Group.

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.

The Directors confirm that, to the best of each Director's knowledge and belief:
- they have complied with the above requirements in preparing the financial statements;
- the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group and of the profit of the Group;
- the Bank financial statements, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities and financial position of the Bank;
- the management report contained in the Business Review includes a fair review of the development and performance of the business and the position of the Group and the Bank, together with a description of the Principal Risks and Uncertainties that they face; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Court by
26 February 2021

Patrick Kennedy	Richard Goulding	Francesca McDonagh
Governor	*Deputy Governor*	*Group Chief Executive*

Independent Auditor's Report
to the members of The Governor and Company of the Bank of Ireland

Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements of The Governor and Company of the Bank of Ireland ('the Bank') for the year ended 31 December 2020 set out on pages 76 to 291, which comprise the consolidated income statement, consolidated statement of comprehensive income, balance sheet of the Group and Bank, statement of changes in equity of the Group and Bank, consolidated cash flow statement, and related notes including the Group and Bank accounting policies set out in note 1. Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, Irish Law and FRS 101 Reduced Disclosure Framework issued in the United Kingdom by the Financial Reporting Council.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Bank as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Bank financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the Group and Bank financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our reporting to the Court Audit Committee.

We were appointed as Auditor by the Court of Directors on 19 April 2018. The period of total uninterrupted engagement is therefore three years for the year ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Director's assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- we used our knowledge of the Group and Company, the financial services industry, and the general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period were;
  - the availability of funding and liquidity in the event of a market wide stress scenario in which the global COVID-19 pandemic continues to unfold; and
  - the impact on regulatory capital requirements in the event of an economic slowdown or recession.
- we considered whether these risks could plausibly affect the availability of financial resources in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts;
- our procedures also included:
  - we benchmarked significant assumptions included in the Directors' downside scenarios relevant to liquidity and capital metrics. In particular, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of the impact of severe, but plausible, scenarios on these and assessing whether these downside scenarios applied consider reasonably possible outcomes.

Based on the work we have performed, we have not identified a material uncertainty relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

We found the significant assumptions associated with the use of the going concern basis of accounting, outlined in disclosure in note 1 to be acceptable.

In relation to the Group and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following performance of our risk assessment procedures, we have not assessed 'Conduct risk - specifically, the Tracker Mortgage Examination (TME) provision' as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Impairment loss allowance under IFRS 9

Refer to page 91 to 92 (accounting policy) and note 26 (financial statement disclosures)

The key audit matter

The calculation of credit provisions requires a high degree of judgement to reflect recent developments in credit quality, arrears experience, and / or emerging macroeconomic risks.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's compliance with IFRS 9 include but are not limited to:

Accuracy of PD models

The Probability of Default (PD) models are the key drivers of the expected credit loss calculation and also impact the staging of assets. ECLs may be inappropriate if PD models do not accurately predict defaults over time, become out of line with wider industry experience, or fail to reflect the credit risk of financial assets. This is particularly relevant for the current environment, where there are increased challenges in predicting defaults in light of the uncertainty created by COVID-19.

Material qualitative adjustments

Qualitative adjustments are raised by management to address known impairment model limitations and/or emerging trends. There is a high degree of estimation uncertainty and management judgment involved in post model adjustments (PMA's) and management overlays.

Economic Scenarios

Economic scenarios have a direct impact on the staging of loans and the resultant ECL. Significant management judgment is applied to the determination of the economic scenarios and the weightings applied to them especially when considering the current uncertain economic environment as a result of COVID-19.

Identification and quantification of Stage 3 loans

There is a risk that individually assessed ECLs held against counterparties are incorrectly or inappropriately calculated by management. Management judgement is applied to value the collateral, in determining the probability weighting of scenarios used to calculate the level of provisioning required and the impact of the likely courses of action with borrowers on ECL.

How the matter was addressed in our audit

- We performed end-to-end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the design and operating effectiveness of the key controls over the completeness and accuracy of the significant data inputs into the impairment models.
- We tested the design and implementation of key controls over the assessment and calculation of material SICR indicators and criteria, including credit risk monitoring controls.
- In conjunction with our modelling specialists, we tested the design and implementation of controls over the modelling process and methodologies, including model monitoring, validation and approval, as well as testing the design and implementation of controls over model outputs and recognition and approval of post model adjustments.
- We tested the design and implementation of key controls relating to the estimation of macroeconomic forecasts used in measuring ECL including the economic scenarios and probability weightings applied to them.
- We tested key aspects of the Group's SICR calculations to determine whether SICR was appropriately identified.
- We assessed the reasonableness of the significant assumptions in the ECL models and the loss rate ECL calculations.
- We re-performed the calculation of certain components of the ECL model calculation.
- We involved our own economic specialists to assist us in assessing the reasonableness of the Group's methodology for determining the economic scenarios used and the probability weightings applied to them. We assessed key economic variables used and challenged the overall reasonableness of the economic forecasts by comparing management's significant assumptions to observable industry forecasts. We assessed the reasonableness of the Group's considerations of the ECL impact of anticipated economic uncertainty associated with COVID-19.
- We assessed the completeness and adequacy of post model adjustments for certain portfolios, having regard for the risk profile of loan books, recent loss history and performance of the relevant portfolios and key uncertainties such as COVID-19 and Brexit.
- For a risk-based selection of loans, we critically assessed and challenged the reasonableness of management's judgment, by reference to the underlying documentation and through inquiry of management, whether the indicators for a credit impairment had been identified.
- For a selection of credit-impaired loans we examined the forecasts of future cash flows prepared by management to support the calculation of the impairment provision and challenged the significant assumptions through comparing estimates to external support where available. When relevant, this work involved considering third party valuations of collateral, internal valuation guidelines derived from benchmark data and / or externally prepared reports to determine whether appropriate valuation methodologies were employed.
- We found the significant judgments used by management in determining the ECL charge and provision, including the accuracy of PD models, application of PMAs, economic scenarios and identification and quantification of stage 3 loans, to be reasonable.

Valuation of defined benefit pension net liability €126 million (2019: €139 million)

Refer to pages 98 to 99 (accounting policy) and note 47 (financial statement disclosures)

The key audit matter

The Group operates a number of defined benefit pension schemes which in total are significant in the context of both the overall balance sheet and the results of the Group. The schemes have an aggregate IAS 19 defined benefit pension deficit of €126 million at 31 December 2020.

The valuations of the pension obligations are calculated with reference to a number of significant actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The treatment of curtailments, settlements, past service costs and other amendments can significantly impact the balance sheet and results of the Group.

We regard the determination of the Group's defined benefit pension liability as a key audit matter because its valuation is complex and requires judgement in choosing appropriate actuarial assumptions. Small changes in these significant assumptions can have a material impact on the liability.

How the matter was addressed in our audit

- We obtained an understanding of the process around the defined benefit pension schemes and tested the design and implementation and operating effectiveness of the key controls relating to the defined benefit pension schemes.
- We tested significant data to source documentation establishing the obligation to members, and vice versa.
- We obtained independent confirmations relating to the valuation of the schemes' assets.
- In conjunction with our actuarial specialists we met with management and the scheme actuary to understand any changes in methodology, assess the appropriateness of the methodology used, and challenged the reasonableness of the significant assumptions used in the calculation of the liability, comparing them to industry benchmarks.
- We also assessed the adequacy of the Group's disclosures in respect to the sensitivity of the pension liability to these significant assumptions.
- Overall, we found that the significant assumptions and methodologies used by management in the valuation of the retirement benefit obligations, including the discount rates, inflation rates and mortality assumptions, to be reasonable.

Valuation of the insurance contract liabilities €13,479 million (2019: €12,694 million) and the Value of in Force business (ViF) asset €615 million (2019: €631 million)

Refer to page 100 (accounting policy) and notes 37 and 41 (financial statement disclosures)

The key audit matter

We consider the valuation of insurance contract liabilities and the related ViF asset to be a key audit matter owing to the complex calculations and the use of detailed methodologies and significant judgements. This includes judgement over uncertain future outcomes which for insurance contract liabilities mainly relate to the ultimate settlement value of long term policyholder liabilities; and for the ViF asset, includes future margins on insurance contracts.

The valuation of the insurance contract liabilities and the related ViF asset is based on a number of significant assumptions such as mortality, morbidity, persistency, expenses, unit growth rates and interest rates.

How the matter was addressed in our audit

In testing the valuation of the insurance contract liabilities and ViF asset:

- We tested the design and implementation, and operating effectiveness of the key controls relevant to the valuation of the insurance contract liabilities and the ViF asset.
- We tested, on a sample basis, the completeness and accuracy of the significant data used in the valuation calculation valuation of the insurance contract liabilities and the ViF asset.
- In conjunction with our actuarial specialists, we evaluated the methodologies applied and the significant assumptions, including consideration of alternatives used in the valuation.
- We assessed and challenged the methodology and basis used to set the underlying significant assumptions with reference to guidance issued by the European Insurance and Occupational Pensions Authority (EIOPA), the Group's actuarial experience investigations and our experience of similar companies in the marketplace as applicable.
- We assessed the calculation of insurance contract liabilities and the ViF asset through:
  - agreeing the significant assumptions and significant data inputs into the actuarial models to those we had evaluated;
  - testing the design, implementation and operating effectiveness of management's key controls over the output of the calculations; and
  - evaluating the external actuary's report on the actuarial methodologies, significant assumptions and calculations.
- We found that the significant assumptions used in the valuation of the insurance contract liabilities and the ViF asset, including mortality, morbidity, persistency, expenses, unit growth rates and interest rates were reasonable.

IT Operational Risk

The key audit matter

As with many banks, the Group is highly dependent on IT systems for the processing and recording of significant volumes of transactions. Our audit approach relies extensively on automated controls and therefore on the effectiveness of controls over IT systems.

In particular, we consider privileged user access management controls to be critical in ensuring that only appropriately authorised changes are made to relevant IT systems. Moreover, appropriate access controls contribute to mitigating the risk of potential fraud or error as a result of changes to applications and data.

The Group has a complex IT environment and operates a large number of applications, many of which are legacy systems which we understand will be replaced as the Group executes its multi-year investment programme to replace its core banking IT platforms. This programme operates in tandem with existing initiatives to maintain the operating effectiveness of the Group's existing IT systems. Each of these elements has been brought together in an Integrated IT Plan. Management has an ongoing risk management programme in place to identify, rate, mitigate and report on risk including IT and Operational risk matters.

We regard this area as a key audit matter owing to the high level of IT dependency within the Group as well as the associated complexity and the risk that automated controls are not designed and operating effectively.

How the matter was addressed in our audit

- We evaluated the design and implementation, and operating effectiveness, of the key controls over the continued integrity of the IT systems that are relevant to financial reporting.
- In conjunction with our IT audit specialists, we updated our understanding of the Group's IT environment having particular regard for developments with respect to the Group's Integrated IT plans. We used this understanding to identify those IT systems which support financial reporting processes;
- We examined the design of the governance framework associated with the Group's IT architecture. We tested relevant General IT Controls for IT applications we considered relevant to the financial reporting process, including access management, program development and change management;
- We also tested the design and implementation, and operating effectiveness, of key IT application controls, including the configuration, security and accuracy of end user computing controls. Where IT controls could not be relied upon we conducted additional substantive procedures and where relevant, we determined whether compensating controls were effective mitigants for any design or operating deficiencies; and
- While we continue to identify certain design and operating effectiveness deficiencies with user access controls, the existence of compensating controls provided us with sufficient evidence to rely on the operation of the Group's IT systems for the purposes of our audit.

Recognition and impairment of internally generated intangible assets €697 million (2019: €760 million)

Refer to page 98 (accounting policy) and note 32 (financial statement disclosures)

The key audit matter

The Group balance sheet includes capitalised intangible assets of €697 million and an impairment of €139 million has been recognised in the consolidated income statement during the year.

We considered this a key audit matter due to the significance of the costs capitalised and the fact that there is considerable judgement involved in assessing whether the criteria in IAS 38 required for capitalisation of such costs, have been met and, where impairment indicators are identified, determining the recoverable amount of the intangible asset.

For the recognition of intangible assets, where the costs incurred are internally generated (for example employee costs) there is further judgement required, such as the accuracy of amount of time spent on the projects.

How the matter was addressed in our audit

- We obtained an understanding of the various projects, and their stage of completion. We tested the design and implementation, and operating effectiveness, of key controls relating to the capitalisation of expenditure and impairment of intangible assets.
- We inquired of management responsible for certain costs to obtain an understanding of their associated projects so as to enable us to determine whether the costs met the criteria for capitalisation and tested a sample of costs capitalised in the period to assess whether these had been appropriately treated in line with the Group's accounting policy and IAS 38, vouching to supporting documentation.
- Where external third-party contractors were used, we agreed on a sample basis that the amounts invoiced were appropriately capitalised. To determine whether internal employee costs were directly attributable to projects, we obtained listings of hours worked on individual projects for the employment costs capitalised. We selected a sample of the individual hours recorded and checked that the hours charged were appropriately capitalised.
- We compared the methodology used by the Group to market practice.
- We obtained management's impairment calculations and tested the accuracy of the underlying calculations.
- We assessed the reasonableness of significant assumptions used in the impairment calculations through inquiries of management to understand and evaluate their basis for determining the significant assumptions, and critically assessing the significant assumptions with reference to relevant external and internal sources of information.
- For intangible assets with identified impairment indicators, we obtained and tested management's analysis around the significant assumptions, to ascertain whether certain adverse changes to significant assumptions, both individually and in aggregate, would not cause the carrying amount of intangible assets to exceed the recoverable amount.
- We considered whether the development of new software provided any evidence of obsolescence for existing internally generated intangible assets on the balance sheet.
- We evaluated management's assessment on whether any events or change in circumstances indicate there may be a change in the expected useful lives of intangible assets.
- We found that the costs were capitalised in line with Group policy and on a basis which is consistent with the requirements of IAS 38.
- We found that the significant assumptions used in the recognition and impairment assessments, including the future economic benefits and determination of impairment indicators, to be reasonable.

Recoverability of deferred tax assets (DTAs) €1,165 million (2019: €1,088 million)

Refer to page 99 (accounting policy) and note 35 (financial statement disclosures)

The key audit matter

The Group has DTAs of €1,165 million which are projected to be recovered by 2037. The total DTAs before netting by jurisdiction is €1,253 million. This includes unutilised tax losses of €1,157 million, of which €1,133 million relates to Ireland and €18 million relates to the UK, with recovery periods of 19 and 10 years respectively.

Detailed projections of future taxable profits for a five year period are prepared by the Group. The projections for the final year are then extrapolated, at estimated annual long term growth rates for the Irish and UK economies for the purposes of projecting future taxable profits beyond five years.

The recognition of a DTA relies on management's judgements relating to the probability, timing and sufficiency of future taxable profits, which in turn is based on significant assumptions concerning future economic conditions and business performance and current legislation governing the use of

historical trading losses carried forward. These are inherently subjective and subject to a high degree of estimation uncertainty, particularly given the Brexit uncertainty at year end and the differing jurisdictions in which the DTA arises.
Under UK and Irish tax legislation, there is no time limit on the utilisation of the Group's tax losses. However, in the UK the amount of a bank's annual profits that can be sheltered with trading losses carried forward is restricted to 25%.

We regard this area as a key audit matter because of the judgements required by management as the estimation of future taxable profits is inherently judgemental

How the matter was addressed in our audit

- We tested the design and implementation, and operating effectiveness, of key controls over the forecasting and approval of the projections of future profits used to support the recognition of the DTAs.
- With the assistance of our tax specialists we tested the accuracy of the DTA calculations and the appropriateness of tax utilisation strategies applied.
- We assessed whether the forecast profits used in support of the forecasts were reasonable by reference to recent performance and challenged the significant assumptions underpinning the Group's future forecasts using our knowledge of the business, the Group's strategy and wider initiatives within the Group. We focused on those significant assumptions directly impacting the forecast profits. We assessed the reasonableness of the external significant economic assumptions applied in the future forecast assessment with reference to observable market data.
- We assessed how management considered alternative outcomes and potential estimation uncertainty in arriving at their base case projections.
- We considered whether significant assumptions within the DTA calculations were internally consistent and assessed the reasonableness of the period over which the asset is projected to be recovered.
- We assessed the adequacy of disclosures provided in the financial statements, including disclosures of the significant assumptions and found them to be appropriate.
- On the basis of the work performed, we found the significant assumptions associated with the recoverability of DTA, including the timing and sufficiency of future taxable profits to be reasonable.

Recoverability of the carrying value of the investment by the Governor and Company of the Bank of Ireland (Company only risk and key audit matter) in material subsidiaries €3,665 million (2019: €4,256 million)

Refer to page 101 (accounting policy) and note 29 (financial statement disclosures)

The key audit matter

The Company balance sheet includes a €4 billion investment in material subsidiaries.

The accounting policy followed by the Company is to carry the investments at cost less impairment. Impairment testing includes the comparison of the carrying value with its recoverable amount for each investment. The recoverable amount is the higher of the investment's fair value less costs of disposal or its value in use.

We consider this a key audit matter because of the significance of the material investments to the Company and the judgement associated with their recovery which is predicated on the achievement of future projections.

How the matter was addressed in our audit

- We tested the design and implementation of key controls over the forecasting and approval of the projections of future profits.
- We assessed the investments for indicators of impairment and challenged the significant assumptions underlying the value in use calculations.
- We assessed the significant assumptions underlying the projections in the value in use calculations based on our knowledge of the Group and the markets in which the subsidiaries operate and tested the resulting impairment amount.
- We compared management's historic forecasts against actual cash flows achieved in the year and previously to ascertain their historical accuracy.
- We assessed the adequacy of disclosures in the Company's financial statements.
- Based on evidence obtained, we found that the significant assumptions associated with recoverability of the carrying value of the investments, including the underlying projections in the Group's value in use calculations and the discount rate, to be reasonable.

Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at €32.5 million (2019: €38 million). This has been calculated as c.8.3% of the benchmark of Group's underlying loss before taxation of €390 million, which we consider to be one of the principal considerations for members of the Bank in assessing the financial performance of the Group. We reported to the Court Audit Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €1.5 million in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The materiality for the Bank financial statements is €73 million which represents 1% of total equity. Total equity is a proxy for Capital resources and is included in the audited financial statements. Capital resources is a key metric used externally by the users of the Bank's financial statements. Hence a benchmark based on total equity reflects the focus of the users of the financial statements.

Our audit work addressed each of the Group's five operating segments which are headquartered in Ireland and the UK: Retail Ireland, Wealth and Insurance, Retail UK, Corporate and Treasury (C&T) and Group Centre. In planning the audit we used materiality to assist in making the determination to perform full scope audits of the complete financial information of the Retail Ireland, Wealth and Insurance, Retail UK and Corporate and Treasury operating segments. An audit of account balances was performed on the Group Centre operating segment.

We applied materiality to assist us determine what risks were significant risks and the Group audit team instructed component auditors as to the significant areas to be covered by them, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the materiality for components which ranged from €10 million to €25 million, having regard to the mix of size and risk profile of the Group across the components.

The Group team undertook an assessment of the audit risk and strategy and regular meetings were held through video conference meetings with these component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Audit coverage for individual line items within the consolidated income statement and consolidated balance sheet falls in the range of 60% to 100%; most line items have audit coverage above 90%.

The work on five of the six components was performed by KPMG Ireland, including the audit of the parent Company. The remaining work was covered by overseas component auditors.

Other information

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Business Review on pages 3 to 20, the Governance section on pages 21 to 66, the unaudited parts of Other Information on pages 292 to 296. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that, in those parts of the directors' report specified for our consideration :
- we have not identified material misstatements in the Directors' report;
- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

Disclosures of principal risks and longer-term viability

As a result of the Directors' voluntary reporting on how they have applied the UK Corporate Governance Code, we are required to report to you based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the Directors' confirmation within The Report of the Directors on page 66 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the Directors' explanation in The Report of the Directors of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other corporate governance disclosures

As a result of the Directors' voluntary reporting on how they have applied the UK Corporate Governance Code, we are required to address the following items and report to you in the following circumstances:
- fair, balanced and understandable: if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for stockholders to assess the Group's position and performance, business model and strategy;
- Report of the Audit Committee: if the section of the Annual Report describing the work of the Court Audit Committee does not appropriately address matters communicated by us to the Court Audit Committee; or
- statement of compliance with UK Corporate Governance Code: if the Directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Governance section on pages 21 to 66, that:
- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2006 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act; and
- based on our knowledge and understanding of the Bank and its environment obtained in the course of our audit, we have not identified any material misstatements in that information.

We also report that, based on work undertaken for our audit, other information required by the Act is contained in the Corporate Governance Statement.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Bank were sufficient to permit the Bank financial statements to be readily and properly audited and the Bank's financial statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion:

- the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made; and
- the Companies Act 2014 also requires us to report to you if, in our opinion, the Bank has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2019 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 68, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

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

Our report is made solely to the Bank's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for our report, or for the opinions we have formed.

N. Marshall

N Marshall
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

26 February 2021

Consolidated and Bank financial statements

Consolidated income statement *(for the year ended 31 December 2020)*

	Note	2020 €m	*Restated*[1] 2019 €m
Interest income calculated using the effective interest method	4	2,183	2,350
Other interest income	4	387	408
Interest income		**2,570**	**2,758**
Interest expense	5	(498)	(593)
Net interest income		**2,072**	**2,165**
Net insurance premium income	6	1,627	1,518
Fee and commission income	7	428	510
Fee and commission expense	7	(172)	(205)
Net trading income	8	26	121
Life assurance investment income, gains and losses	9	270	1,311
Other leasing income	10	65	62
Other leasing expense	10	(55)	(52)
Other operating income	11	57	120
Total operating income		**4,318**	**5,550**
Insurance contract liabilities and claims paid	12	(1,690)	(2,647)
Total operating income, net of insurance claims		**2,628**	**2,903**
Total operating expenses		**(2,035)**	**(2,005)**
- Other operating expenses	13	(1,887)	*(2,005)*
- Impairment of intangible assets	32	*(139)*	-
- Impairment of goodwill	32	*(9)*	-
Cost of restructuring programme	14	(245)	(59)
Operating profit before impairment (losses) on financial instruments		**348**	**839**
Net impairment losses on financial instruments	16	(1,133)	(214)
Operating (loss) / profit		**(785)**	**625**
Share of results of associates and joint ventures (after tax)	17	(4)	39
Gain/ (loss) on disposal / liquidation of business activities	18	13	(25)
(Loss) / profit before tax		**(776)**	**639**
Taxation credit / (charge)	19	55	(196)
(Loss) / profit for the year		**(721)**	**443**
Attributable to stockholders		(721)	443
Attributable to non-controlling interests		-	-
(Loss) / profit for the year		**(721)**	**443**

[1] *As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 additional for information.*

Consolidated statement of comprehensive income *(for the year ended 31 December 2020)*

	Note	2020 €m	2019 €m
(Loss) / profit for the year		**(721)**	**443**
Other comprehensive income, net of tax:			
Items that may be reclassified to profit or loss in subsequent years:			
Debt instruments at fair value through other comprehensive income reserve, net of tax:			
Changes in fair value		11	28
Transfer to income statement		-	
- Asset disposal		(6)	(3)
Net change in debt instruments at fair value through other comprehensive income reserve		**5**	**25**
Cash flow hedge reserve, net of tax:			
Changes in fair value		344	(390)
Transfer to income statement		(356)	386
Net change in cash flow hedge reserve		**(12)**	**(4)**
Foreign exchange reserve:			
Foreign exchange translation (losses) / gains		(169)	139
Transfer to income statement		(5)	(9)
Net change in foreign exchange reserve		**(174)**	**130**
Total items that may be reclassified to profit or loss in subsequent years		**(181)**	**151**
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement of the net defined benefit pension liability, net of tax		(80)	39
Revaluation of property, net of tax		(7)	3
Net change in liability credit reserve, net of tax		2	(18)
Total items that will not be reclassified to profit or loss in subsequent years		**(85)**	**24**
Other comprehensive income for the year, net of tax		**(266)**	**175**
Total comprehensive income for the year, net of tax		**(987)**	**618**
`			
Total comprehensive income attributable to equity stockholders		(987)	618
Total comprehensive income attributable to non-controlling interests		-	-
Total comprehensive income for the year, net of tax		**(987)**	**618**

The effect of tax on these items is shown in note 19.

Balance sheet *(as at 31 December 2020)*

		Group		Bank	
	Note	31 Dec 2020 €m	31 Dec 2019 €m	31 Dec 2020 €m	31 Dec 2019 €m
Assets					
Cash and balances at central banks	51	10,953	8,325	8,672	5,817
Items in the course of collection from other banks		166	223	43	54
Trading securities		-	32	-	32
Derivative financial instruments	20	2,217	1,999	2,366	2,066
Other financial assets at fair value through profit or loss	21	17,417	16,484	430	517
Loans and advances to banks	22	2,453	3,328	15,864	14,277
Debt securities at amortised cost	23	6,266	4,511	8,422	6,675
Financial assets at fair value through other comprehensive income	24	10,942	10,797	10,942	10,797
Assets classified as held for sale	25	5	-	5	-
Loans and advances to customers	26	76,581	79,487	36,918	38,583
Shares in Group undertakings	29	-	-	3,665	4,256
Interest in associates	30	54	56	-	-
Interest in joint ventures	31	54	76	-	-
Intangible assets and goodwill	32	751	838	665	744
Investment properties	33	843	999	-	-
Property, plant and equipment	34	889	1,009	739	832
Current tax assets		42	36	30	29
Deferred tax assets	35	1,165	1,088	1,150	1,055
Other assets	36	2,826	2,501	462	427
Retirement benefit assets	47	162	129	151	119
Total assets		**133,786**	**131,918**	**90,524**	**86,280**
Equity and liabilities					
Deposits from banks	38	2,388	2,179	4,335	4,526
Customer accounts	39	88,718	84,043	70,419	64,417
Items in the course of transmission to other banks		216	219	141	108
Derivative financial instruments	20	2,257	2,478	2,407	2,620
Debt securities in issue	40	6,972	8,815	3,214	2,913
Liabilities to customers under investment contracts	41	5,892	5,890	-	-
Insurance contract liabilities	41	13,479	12,694	-	-
Other liabilities	42	2,271	3,043	380	1,011
Lease liabilities	43	498	565	491	551
Current tax liabilities		10	33	-	-
Provisions	44	268	143	178	46
Loss allowance provision on loan commitments and financial guarantees	46	99	30	91	28
Deferred tax liabilities	35	64	72	-	-
Retirement benefit obligations	47	288	268	173	142
Subordinated liabilities	48	1,436	1,693	1,400	1,655
Total liabilities		**124,856**	**122,165**	**83,229**	**78,017**

Balance sheet *(as at 31 December 2020) (continued)*

	Note	Group 31 Dec 2020 €m	Group 31 Dec 2019 €m	Bank 31 Dec 2020 €m	Bank 31 Dec 2019 €m
Equity					
Capital stock	49	1,625	1,625	1,625	1,625
Stock premium account		571	571	561	561
Retained earnings		5,057	5,915	3,486	4,526
Other reserves		700	900	648	811
Stockholders' equity		**7,953**	**9,011**	**6,320**	**7,523**
Other equity instruments - Additional Tier 1	50	975	740	975	740
Total equity excluding non-controlling interests		**8,928**	**9,751**	**7,295**	**8,263**
Non-controlling interests		2	2	-	-
Total equity		**8,930**	**9,753**	**7,295**	**8,263**
Total equity and liabilities		**133,786**	**131,918**	**90,524**	**86,280**

The Bank recorded a loss after tax of €902 million for the year ended 31 December 2020 (2019: profit after tax of €565 million).

Patrick Kennedy	***Richard Goulding***	***Francesca McDonagh***	***Sarah McLoughlin***
Governor	*Deputy Governor*	*Group Chief Executive*	*Group Secretary*

Consolidated statement of changes in equity

(for the year ended 31 December 2020)

Group				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2020	**1,625**	**571**	**5,915**	**158**	**(14)**	**(3)**	**(703)**	**1,428**	**34**	**9,011**	**740**	**2**	**9,753**
Loss for the year	-	-	(721)	-	-	-	-	-	-	(721)	-	-	(721)
Other comprehensive income for the year	-	-	(80)	5	(12)	2	(174)	-	(7)	(266)	-	-	(266)
Total comprehensive income for the year	**-**	**-**	**(801)**	**5**	**(12)**	**2**	**(174)**	**-**	**(7)**	**(987)**	**-**	**-**	**(987)**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- AT1 securities issued during the period, net of expenses (note 50)	-	-	-	-	-	-	-	-	-	-	975	-	975
- Redemption of AT1 securities (note 50)	-	-	(10)	-	-	-	-	-	-	(10)	(740)	-	(750)
- Distribution on other equity instruments - Additional tier 1 coupon	-	-	(54)	-	-	-	-	-	-	(54)	-	-	(54)
- Dividends on preference equity interests paid in cash	-	-	(7)	-	-	-	-	-	-	(7)	-	-	(7)
Total transactions with owners	**-**	**-**	**(71)**	**-**	**-**	**-**	**-**	**-**	**-**	**(71)**	**235**	**-**	**164**
Transfer from capital reserve to retained earnings	-	-	14	-	-	-	-	(14)	-	-	-	-	-
Transfer from liability credit reserve to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	**1,625**	**571**	**5,057**	**163**	**(26)**	**(1)**	**(877)**	**1,414**	**27**	**7,953**	**975**	**2**	**8,930**

Consolidated statement of changes in equity *(continued)*

(for the year ended 31 December 2019)

Group	Capital stock €m	Stock premium account €m	Retained earnings €m	Other reserves: Debt instruments at FVOCI reserve €m	Other reserves: Cash flow hedge reserve €m	Other reserves: Liability credit reserve €m	Other reserves: Foreign exchange reserve €m	Other reserves: Capital reserve €m	Other reserves: Revaluation reserve €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2019	**1,625**	**571**	**5,542**	**133**	**(10)**	**24**	**(833)**	**1,373**	**31**	**8,456**	**740**	**2**	**9,198**
Profit for the year	-	-	443	-	-	-	-	-	-	443	-	-	443
Other comprehensive income for the year	-	-	39	25	(4)	(18)	130	-	3	175	-	-	175
Total comprehensive income for the year	**-**	**-**	**482**	**25**	**(4)**	**(18)**	**130**	**-**	**3**	**618**	**-**	**-**	**618**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- Distribution on other equity instruments - Additional tier 1 coupon	-	-	(55)	-	-	-	-	-	-	(55)	-	-	(55)
- Redemption of AT1 securities (note 50)	-	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the period, net of expenses (note 50)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Dividends on preference equity interests paid in cash	-	-	(7)	-	-	-	-	-	-	(7)	-	-	(7)
Total transactions with owners	**-**	**-**	**(62)**	**-**	**-**	**-**	**-**	**-**	**-**	**(62)**	**-**	**-**	**(62)**
Transfer from capital reserve to retained earnings	-	-	(55)	-	-	-	-	55	-	-	-	-	-
Transfer from liability credit reserve to retained earnings	-	-	9	-	-	(9)	-	-	-	-	-	-	-
Other movements	-	-	(1)	-	-	-	-	-	-	(1)	-	-	(1)
Balance at 31 December 2019	**1,625**	**571**	**5,915**	**158**	**(14)**	**(3)**	**(703)**	**1,428**	**34**	**9,011**	**740**	**2**	**9,753**

Consolidated statement of changes in equity *(continued)*
(for the year ended 31 December 2020)

Bank				Other reserves								
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Total €m
Balance at 1 January 2020	**1,625**	**561**	**4,526**	**158**	**(38)**	**(5)**	**(316)**	**976**	**36**	**7,523**	**740**	**8,263**
Loss for the year	-	-	(902)	-	-	-	-	-	-	(902)	-	(902)
Other comprehensive income for the year	-	-	(67)	5	(32)	2	(132)	-	(6)	(230)	-	(230)
Total comprehensive income for the year	**-**	**-**	**(969)**	**5**	**(32)**	**2**	**(132)**	**-**	**(6)**	**(1,132)**	**-**	**(1,132)**
Transactions with owners												
Contributions by and distributions to owners of the Group												
- AT1 securities issued during the period, net of expenses (note 50)	-	-	-	-	-	-	-	-	-	-	975	975
- Redemption of AT1 securities (note 50)	-	-	(10)	-	-	-	-	-	-	(10)	(740)	(750)
- Distribution on other equity instruments - Additional tier 1 coupon	-	-	(54)	-	-	-	-	-	-	(54)	-	(54)
- Dividends on preference equity interests paid in cash	-	-	(7)	-	-	-	-	-	-	(7)	-	(7)
Total transactions with owners	**-**	**-**	**(71)**	**-**	**-**	**-**	**-**	**-**	**-**	**(71)**	**235**	**164**
Transfer from liability credit reserve to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	**1,625**	**561**	**3,486**	**163**	**(70)**	**(3)**	**(448)**	**976**	**30**	**6,320**	**975**	**7,295**

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

Bank				Other reserves								
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Total €m
Balance at 1 January 2019	**1,625**	**561**	**3,954**	**133**	**(5)**	**21**	**(402)**	**976**	**33**	**6,896**	**740**	**7,636**
Profit for the year	-	-	565	-	-	-	-	-	-	565	-	565
Other comprehensive income for the year	-	-	61	25	(33)	(17)	86	-	3	125	-	125
Total comprehensive income for the year	**-**	**-**	**626**	**25**	**(33)**	**(17)**	**86**	**-**	**3**	**690**	**-**	**690**
Transactions with owners												
Contributions by and distributions to owners of the Group												
- Dividends on preference equity interests paid in cash	-	-	(7)	-	-	-	-	-	-	(7)	-	(7)
- Distribution on other equity instruments - Additional tier 1 coupon	-	-	(55)	-	-	-	-	-	-	(55)	-	(55)
- Redemption of AT1 securities (note 50)	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the period, net of expenses (note 50)	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**(62)**	**-**	**-**	**-**	**-**	**-**	**-**	**(62)**	**-**	**(62)**
Transfer from liability credit reserve to retained earnings	-	-	9	-	-	(9)	-	-	-	-	-	-
Other movements	-	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Balance at 31 December 2019	**1,625**	**561**	**4,526**	**158**	**(38)**	**(5)**	**(316)**	**976**	**36**	**7,523**	**740**	**8,263**

Consolidated cash flow statement *(for the year ended 31 December 2020)*

	Note	2020 €m	2019 €m
Cash flows from operating activities			
(Loss) / profit before tax		(776)	639
Share of results of associates and joint ventures	17	4	(39)
(Gain) / loss on disposal / liquidation of business activities	18	(13)	25
Depreciation and amortisation	10,13	281	317
Net impairment losses on financial instruments, excluding cash recoveries	16	1,171	262
Impairment of property, plant and equipment	14,34	6	4
Revaluation loss on property	13	4	-
Impairment of intangible assets and goodwill	32	148	-
Reversal of impairment on property	13	(3)	-
Revaluation of investment property	33	77	3
Interest expense on subordinated liabilities	5	77	108
Interest expense on lease liabilities	5	14	15
Charge for pension and similar obligations	47	50	101
Net change in accruals and interest payable		(99)	(14)
Net change in prepayments and interest receivable		22	(16)
Charge for provisions	44	256	111
Non-cash and other items		44	(1)
Cash flows from operating activities before changes in operating assets and liabilities		**1,263**	**1,515**
Net change in items in the course of collection from other banks		54	(13)
Net change in trading securities		32	(3)
Net change in derivative financial instruments		(515)	250
Net change in other financial assets at FVTPL		(933)	(2,325)
Net change in loans and advances to banks		186	(18)
Net change in loans and advances to customers		77	(1,322)
Net change in other assets		(358)	(211)
Net change in deposits from banks		298	(392)
Net change in customer accounts		5,920	3,906
Net change in debt securities in issue		(1,779)	(144)
Net change in liabilities to customers under investment contracts		2	651
Net change in insurance contract liabilities		785	1,691
Net change in other operating liabilities		(249)	(227)
Net cash flow from operating assets and liabilities		**3,520**	**1,843**
Net cash flow from operating activities before tax		**4,783**	**3,358**
Tax paid		(56)	(54)
Net cash flow from operating activities		**4,727**	**3,304**
Investing activities (section a below)		(2,111)	651
Financing activities (section b below)		(785)	(878)
Effect of exchange translation and other adjustments		108	(100)
Net change in cash and cash equivalents		**1,939**	**2,977**
Opening cash and cash equivalents		11,326	8,349
Closing cash and cash equivalents	51	**13,265**	**11,326**

Consolidated cash flow statement *(for the year ended 31 December 2020) (continued)*

	Note	2020 €m	2019 €m
(a) Investing activities			
Additions to financial assets at FVOCI	24	(3,029)	(1,525)
Disposal / redemption of financial assets at FVOCI	24	2,863	2,827
Additions to debt securities at amortised cost		(1,858)	(803)
Disposal / redemption of debt securities at amortised cost		91	373
Additions to property, plant and equipment - owned assets	34	(54)	(81)
Disposal of property, plant and equipment		25	22
Additions to intangible assets	32	(229)	(223)
Additions to investment property	33	-	(11)
Disposal of investment property		65	39
Dividends received from joint ventures	31	16	31
Net change in interest in associates	30	(1)	2
Cash flows from investing activities		**(2,111)**	**651**
(b) Financing activities			
Net proceeds from the issue of other equity instruments	50	975	-
Redemption of AT1 securities	50	(750)	-
Partial remittance of dividend payable to Parent	52	(600)	(173)
Repayment of subordinated liabilities	52	(208)	(750)
Payment of lease liability	43	(62)	(69)
Interest paid on subordinated liabilities	52	(65)	(109)
Distribution paid on other equity instruments - Additional tier 1 coupon	50	(54)	(55)
Interest paid on lease liability	43	(14)	(15)
Dividend paid on other preference equity interests		(7)	(7)
Proceeds from issue of subordinated liabilities	52	-	300
Cash flows from financing activities		**(785)**	**(878)**

Notes to the consolidated and Bank financial statements

1 Group accounting policies

Basis of preparation

These financial statements are the consolidated financial statements of The Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries (collectively the 'Group'), and the separate financial statements of the Bank.

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Bank balance sheets, the Consolidated and Bank statements of changes in equity, the Consolidated cash flow statement and the notes to the Consolidated and Bank statements on pages 86 to 291.

The separate financial statements of the Bank reflect the financial position of the Bank only and do not consolidate the results of any subsidiaries.

The consolidated financial statements of the Group are 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 EU (Credit Institutions: Financial Statements) Regulations, 2015 and the Asset Covered Securities Acts 2001 and 2007. The financial statements of the Bank are prepared under FRS 101 'Reduced disclosure framework' and in accordance with Section 290 (1) of the Companies Act 2014.

In preparing these financial statements the Bank applies the recognition, measurement and disclosure requirements of IFRS as adopted by the EU (but makes amendments where necessary in order to comply with the Companies Act 2014). The Bank has applied the exemptions available under FRS 101 in respect of the following disclosures:
- statement of Cash Flows;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- certain requirements of IAS 1 'Presentation of Financial Statements';
- certain disclosure requirements in respect of IFRS 15, 'Revenue from Contracts with Customers'; and
- the effects of new but not yet effective IFRSs.

Where relevant, equivalent disclosures have been given in the Group financial statements. Accounting policies that are relevant to the Bank only are set out on page 101.

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

The preparation of the financial statements in conformity with IFRS or FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out in note 2.

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

FX rates used during the year are as follows:

	2020		2019	
	Average	Closing	Average	Closing
€ / Stg£	0.8897	0.8990	0.8778	0.8508
€ / US$	1.1422	1.2271	1.1195	1.1234

Going concern

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

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

1 Group accounting policies *(continued)*

Adoption of new and amended accounting standards and voluntary change in accounting policy

The following amendments to standards have been adopted by the Group during the year ended 31 December 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 definition 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. It also 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 31 December 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 31 December 2020.

Voluntary change in accounting policy - presentation of interest Income and expense

The Group has voluntarily changed its accounting policy for the presentation of interest income and expense on certain financial instruments.

In prior periods, the total fair value movement on assets and liabilities held at fair value through profit or loss (FVTPL), including interest income or expense, was recognised in net trading income. The only exception to this was the recognition of interest income or expense on derivatives in a qualifying hedging relationship, where interest income or expense on the derivative designated as hedging instrument was recognised with the interest on the hedged item.

To enable a more relevant and enhanced understanding of business performance, the Group has adopted an amended accounting policy in 2020, such that interest income and expense on the following financial instruments is now included within the components of net interest income:

- interest income on debt financial assets measured at FVTPL, excluding assets held for trading and those within the Group's life assurance operations;
- interest expense on debt financial liabilities measured at FVTPL, excluding liabilities held for trading; and
- interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges).

The Group believes this revised accounting policy provides reliable and more relevant information as it more closely reflects the basis upon which the underlying businesses are managed, on a net interest basis as opposed to a fair value basis.

This change in accounting policy has been accounted for retrospectively as required under IAS 8, and the comparative period has been restated to reflect this change. The effect of this change is explained further in note 61.

Comparatives

Comparative figures have been restated 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.

Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method for financial instruments measured at amortised cost and financial assets which are debt instruments measured at fair value through other comprehensive income (FVOCI), in accordance with IFRS 9.

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

The effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or liability and in the allocation and recognition of interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the ECL (except, in accordance with IFRS 9 in the case of Purchased or Originated Credit-impaired financial asset (POCI) financial assets where ECL are included in the calculation of a 'credit-adjusted effective interest rate'). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In the case of a financial asset that is neither credit-impaired nor a POCI financial asset, interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

In the case of a financial asset that is not a POCI financial asset but is credit-impaired at the reporting date, interest revenue is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount adjusted for any impairment loss allowance.

1 Group accounting policies *(continued)*

In the case of a POCI financial asset, interest revenue is recognised by applying the credit-adjusted effective interest rate to the amortised cost.

Where the Group revises its estimates of payments or receipts on a financial instrument (excluding modifications of a financial asset and changes in ECL), it recalculates the gross carrying amount of the financial asset or amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The adjustment is recognised as interest income or expense.

Interest income or expense on derivatives designated as hedging instruments are presented in net interest income, in line with the underlying hedged asset or liability. Interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges) is included in other interest income or expense. Interest income or expense on derivatives held with trading intent is included in trading income.

Interest income on debt financial assets measured at FVTPL, excluding assets held for trading and those within the Group's life assurance operations, is recognised when earned and presented within other interest income.

Interest expense on debt financial liabilities measured at FVTPL, excluding liabilities held for trading, is recognised when incurred and presented in other interest expense.

Modifications

Where the contractual cash flows of a financial asset are modified and the modification does not result in derecognition of the financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate and recognises a modification gain or loss in the income statement. Where a modification is a forbearance measure which does not result in derecognition, the modification gain or loss is included in the income statement within net impairment gains or losses. Otherwise, the modification gain or loss is included within interest income.

Fee and commission income

The Group accounts for fee and commission income when the contract with the customer is agreed and each party's rights under the contract, together with the payment terms, are identified. In addition it must be probable that the Group will collect the consideration to which it is entitled. Fee and commission income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Fee income on the provision of current accounts to customers is recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Loan syndication and arrangement fees are recognised at a point in time when the performance obligation is completed. Other fees including interchange income, ATM fees and FX fees are recognised on completion of the transaction and once the Group has completed its performance obligations under the contract.

Financial assets

1. Recognition, classification and measurement

A financial asset is recognised in the balance sheet when, and only when, the Group becomes a party to its contractual provisions. At initial recognition, a financial asset is measured at fair value (plus, in the case of a financial asset not at FVTPL, directly attributable transaction costs) and is assigned one of the following classifications for the purposes of subsequent measurement:
- financial assets at amortised cost;
- financial assets at FVOCI; or
- financial assets at FVTPL.

The Group determines the appropriate classification based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the financial asset is held.

In determining the business model for a group of financial assets, the Group considers factors such as how performance is evaluated and reported to key management personnel (KMP); the risks that affect performance and how they are managed; how managers are compensated; and the expected frequency, value and timing of sales of financial assets.

In considering the contractual cash flow characteristics of a financial asset, the Group determines whether the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In this context, 'principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In making the determination, the Group assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers contingent events, leverage features, prepayment and term extensions, terms which limit the Group's recourse to specific assets and features that modify consideration of the time value of money.

(a) Financial assets at amortised cost.

Debt instruments

A debt instrument is measured, subsequent to initial recognition, at amortised cost where it meets both of the following conditions and has not been designated as measured at FVTPL:
- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

1 Group accounting policies *(continued)*

- the financial asset is held within a business model whose objective is achieved by holding financial assets to collect contractual cash flows.

Purchases and sales of debt securities at amortised cost are recognised on trade date: the date on which the Group commits to purchase or sell the asset. Loans measured at amortised cost are recognised when cash is advanced to the borrowers.

Interest revenue using the effective interest method is recognised in the income statement. An impairment loss allowance is recognised for ECL with corresponding impairment gains or losses recognised in the income statement.

(b) Financial assets at fair value through other comprehensive income

Debt instruments

A debt instrument is measured, subsequent to initial recognition, at FVOCI where it meets both of the following conditions and has not been designated as measured at FVTPL:

- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Purchases and sales of debt instruments at FVOCI are recognised on trade date. Gains and losses arising from changes in fair value are included in other comprehensive income (OCI). Interest revenue using the effective interest method and FX gains and losses on the amortised cost of the financial asset are recognised in the income statement.

The impairment loss allowance for ECL does not reduce the carrying amount but an amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the income statement. On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified to the income statement.

Equity instruments

Where an irrevocable election has been made by the Group at initial recognition, an investment in an equity instrument that is neither 'held for trading' nor contingent consideration recognised by the Group in a business combination to which IFRS 3 'Business Combinations' applies, is measured at FVOCI. Amounts presented in OCI are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Regular way purchases and sales of financial assets measured at FVOCI are recognised on trade date.

(c) Financial assets at fair value through profit or loss

All other financial assets are measured, subsequent to initial recognition, at FVTPL. Financial assets at FVTPL comprise:

Financial assets mandatorily measured at fair value through profit or loss

Financial assets meeting either of the conditions below are mandatorily measured at FVTPL (other than in respect of an equity investment designated as at FVOCI):

- financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- financial assets held within a business model whose objective is achieved neither by collecting contractual cash flows nor both collecting contractual cash flows and selling financial assets. This includes financial assets held within a portfolio that is managed and whose performance is evaluated on a fair value basis, such as investments held by the Group's life assurance business. It further includes portfolios of financial assets which are 'held for trading', which includes financial assets acquired principally for the purpose of selling in the near term and financial assets that on initial recognition are part of an identified portfolio where there is evidence of a recent pattern of short-term profit-taking.

Financial assets designated as measured at fair value through profit or loss

A financial asset may be designated at FVTPL only if doing so eliminates or significantly reduces measurement or recognition inconsistencies (an 'accounting mismatch') that would otherwise arise from measuring financial assets or liabilities or recognising gains and losses on them on different bases.

Regular way purchases and sales of financial assets at FVTPL are recognised on trade date. They are carried on the balance sheet at fair value, with all changes in fair value included in the income statement.

2. Reclassification

When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. Reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period, interim or annual, following the change in business model that results in the reclassification. Any previously recognised gains, losses or interest are not restated.

3. Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has transferred substantially all the risks and rewards of ownership. Where the Group retains the obligation to service the transferred financial asset, the transferred asset is derecognised if it meets the derecognition criteria and an asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (an asset) or is less than adequate (a liability) for performing the servicing.

1 Group accounting policies *(continued)*

Where a modification results in a substantial change on a quantitative or qualitative basis, to the contractual cash flows of a financial asset, it may be considered to represent expiry of the contractual cash flows, resulting in derecognition of the original financial asset and recognition of a new financial asset at fair value. The Group reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Impairment of financial instruments

Scope

The Group recognises impairment loss allowances for ECL on the following categories of financial instruments unless measured at FVTPL:

- financial assets that are debt instruments;
- loan commitments;
- lease receivables recognised under IFRS 16 'Leases';
- financial guarantee contracts issued and not accounted for under IFRS 4 'Insurance Contracts'; and
- receivables and contract assets recognised under IFRS 15 'Revenue from Contracts with Customers'.

Basis for measuring impairment

The Group allocates financial instruments into the following categories at each reporting date to determine the appropriate accounting treatment.

Stage 1: 12-month expected credit losses (not credit-impaired)

These are financial instruments where there has not been a significant increase in credit risk since initial recognition. An impairment loss allowance equal to 12- month ECL is recognised. This is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

Stage 2: Lifetime expected credit losses (not credit-impaired)

These are financial instruments where there has been a significant increase in credit risk since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised. Lifetime ECL are the ECL resulting from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime expected credit losses (credit-impaired)

These are financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognised.

Purchased or Originated Credit-impaired financial assets

These are financial assets that were credit-impaired at initial recognition. They are not subject to any initial impairment loss allowance but an impairment loss allowance is subsequently recognised for the cumulative changes in lifetime ECL since initial recognition. A POCI financial asset remains classified as such until it is derecognised, even if assessed as no longer credit-impaired at a subsequent reporting date.

With the exception of POCI financial assets, a financial instrument may migrate between stages from one reporting date to the next.

Significant increase in credit risk

In determining if a financial instrument has experienced a significant increase in credit risk since initial recognition, the Group assesses whether the risk of default over the remaining expected life of the financial instrument is significantly higher than had been anticipated at initial recognition, taking into account changes in prepayment expectations where relevant. The Group uses reasonable and supportable information available without undue cost or effort at the reporting date, including forward-looking information. A combination of quantitative, qualitative and backstop indicators are generally applied in making the determination. For certain portfolios, the Group assumes that no significant increase in credit risk has occurred if credit risk is 'low' at the reporting date.

Credit-impaired

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Measurement of expected credit losses and presentation of impairment loss allowances

ECL are measured in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) 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.

ECL are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of the difference between all contractual cash flows due to the Group in accordance with the contract and all the cash flows the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments: the present value difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive.
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover, discounted at an appropriate risk-free rate.

1 Group accounting policies *(continued)*

Expected cash flows arising from the sale on default of a loan are included in the measurement of expected credit losses under IFRS 9 where the following conditions are met:
- selling the loan is one of the recovery methods that the Group expects to pursue in a default scenario;
- the Group is neither legally nor practically prevented from realising the loan using that recovery method; and
- the Group has reasonable and supportable information upon which to base its expectations and assumptions.

For financial assets, the discount rate used in measuring ECL is the effective interest rate (or 'credit-adjusted effective interest rate' for a POCI financial asset) or an approximation thereof. For undrawn loan commitments, it is the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment.

Impairment loss allowances for ECL are presented in the financial statements as follows:
- **Financial assets at amortised cost:** as a deduction from the gross carrying amount in the balance sheet.
- **Loan commitments and financial guarantee contracts:** generally, as a provision in the balance sheet.
- **Debt instruments at FVOCI:** an amount equal to the allowance is recognised in OCI as an accumulated impairment amount.

Utilisation of impairment loss allowances

The Group reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include the collection process having been exhausted or it becoming clear during the collection process that recovery will fall short of the amount due to the Group. The Group considers, on a case-by-case basis, whether enforcement action in respect of an amount that has been written off from an accounting perspective is or remains appropriate. Any subsequent recoveries are included in the income statement as an impairment gain.

Forbearance

Forbearance occurs when a borrower is granted a concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred if the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower.

Prior to any decision to grant forbearance, the Group performs an assessment of a customer's financial circumstances and ability to repay and assesses whether the loan is credit-impaired. Where the loan is credit-impaired, it is allocated to Stage 3 (unless a POCI financial asset). If a forborne loan has a variable interest rate, the discount rate for measuring ECL is the current effective interest rate determined under the contract before the modification of terms.

Financial assets to which forbearance has been applied continue to be reported as forborne until such time as they satisfy conditions to exit forbearance in line with EBA guidance on non-performing and forborne classifications. Forborne financial assets which are not credit-impaired are generally classified as Stage 2. A financial asset can only be reclassified from Stage 3 when certain conditions are met over a pre-defined period of time or probation period, in line with regulatory requirements.

Where the cash flows from a forborne loan are considered to have expired, due to the loan being restructured in such a way that results in a substantial modification, the original financial asset is derecognised and a new financial asset is recognised, initially measured at fair value. Any difference between the carrying value of the original financial asset and the fair value of the new financial asset on initial recognition are recognised in the income statement. The new financial asset may be initially allocated to Stage 1 or, if credit-impaired, be categorised as a POCI financial asset.

Where a forbearance measure represents a modification of the contractual cash flows of a financial asset and does not result in its derecognition, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate (before any modification of terms) and a modification gain or loss is included in the income statement within net impairment gains or losses.

Financial liabilities

The Group classifies its financial liabilities as being measured at amortised cost unless it has designated liabilities at FVTPL or is required to measure liabilities mandatorily at FVTPL, such as derivative liabilities. Financial liabilities are initially recognised at fair value, (normally the issue proceeds i.e. the fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For financial liabilities carried at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement using the effective interest method.

When a financial liability that is measured at amortised cost is modified without resulting in derecognition, a gain or loss is recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified contractual cash flows discounted at the original effective interest rate.

Preference shares which carry a mandatory coupon are classified as financial liabilities. The dividends on these preference shares are recognised in the income statement as interest expense using the effective interest method.

A financial liability may be designated as at FVTPL only when:
(i) it eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
(iii) a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The Group designates certain financial liabilities at FVTPL as set out in note 57 to the financial statements.

1 Group accounting policies *(continued)*

The movement in own credit risk related to financial liabilities designated at FVTPL is recorded in OCI unless this would create or enlarge an accounting mismatch in profit or loss for the Group (in which case all gains or losses are recognised in profit or loss). Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is not a financial asset within the scope of IFRS 9, an embedded derivative is separated from the host and accounted for as a derivative if, and only if, its economic characteristics and risks are not closely related to those of the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at FVTPL.

Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the original or modified terms of a debt instrument.

Financial guarantees held by the Group

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Where the Group is the holder of such a guarantee and it is considered integral to the contractual terms of the guaranteed debt instrument(s), the guarantee is not accounted for separately but is considered in the determination of the impairment loss allowance for ECL of the guaranteed instrument(s).

Financial guarantees issued by the Group

The Group issues financial guarantees to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities and in connection with the performance of customers under payment obligations related to contracts and the payment of import duties. The Group's liability under an issued financial guarantee contract is initially measured at fair value. The liability is subsequently measured at the higher of the amount of the impairment loss allowance for ECL determined in accordance with the requirements of IFRS 9, and the initial measurement less the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Any change in the liability is taken to the income statement and recognised on the balance sheet within provisions. Where the Group issues a financial liability which contains a financial guarantee, the liability is measured at amortised cost using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. No impairment loss allowance for ECL is recognised on a financial asset, or portion thereof, which has been offset.

Valuation of financial instruments

The Group recognises trading securities, other financial assets and liabilities designated at FVTPL, derivatives and financial assets at FVOCI at fair value in the balance sheet. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants. To the extent possible, these valuation techniques use observable market data. Where observable data does not exist, the Group uses estimates based on the best information available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price in an arm's length transaction, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which uses only observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price. Any day one profit is deferred and recognised in the income statement to the extent that it arises from a change in a factor that market participants would consider in setting a price. Straight line amortisation is used where it approximates to that amount. Subsequent changes in fair value are recognised immediately in the income statement without the reversal of deferred day one profits or losses.

Where a transaction price in an arm's length transaction is not available, the fair value of the instrument at initial recognition is measured using a valuation technique.

For liabilities designated at FVTPL, the fair values reflect changes in the Group's own credit spread.

Transfers between levels of the fair value hierarchy

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

1 Group accounting policies *(continued)*

Group accounts

1. Subsidiaries

Subsidiary undertakings are investees controlled by the Group. The Group controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control. The existence and effect of potential voting rights are considered when assessing whether the Group controls an investee only if the rights are substantive.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. The Group assesses whether it has control over such entities by considering factors such as: the purpose and design of the entity; the nature of its relationship with the entity; and the size of its exposure to the variability of returns from the entity.

Assets, liabilities and results of all Group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial year.

Business combinations

Except for where predecessor accounting applies, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. In addition, FX gains and losses which arise on the retranslation to functional currency of intercompany monetary assets and liabilities are not eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

2. Associates and Joint Ventures

Associates are all entities over which the Group has significant influence, but not control, over the entity's financial and operating decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint arrangement is an arrangement of which two or more parties have joint control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.
Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost.
The Group utilises the venture capital exemption for investments where significant influence is present and the business operates as a venture capital business. These investments are designated at initial recognition at FVTPL.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Accounting policies of associates and joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

3. Non-controlling interests

Transactions with non-controlling interests where the Group has control over the entity are accounted for using the Economic entity model. This accounting model requires that any surplus or deficit that arises on any transaction(s) with non-controlling interests to dispose of or to acquire additional interests in the entity that does not result in loss of control is recognised in equity.

4. Securitisations

Certain Group undertakings have entered into securitisation transactions in order to finance specific loans and advances to customers.

All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless:

- the rights to the cash flows have expired or been transferred;
- substantially all the risks and rewards associated with the financial instruments have been transferred outside the Group, in which case the assets are derecognised in full; or
- a significant portion, but not all, of the risks and rewards have been transferred outside the Group. In this case the asset is derecognised entirely if the transferee has the ability to sell the financial asset. Otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

1 Group accounting policies *(continued)*

Where the above conditions apply to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

Foreign currency translation

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements of the Group and the financial statements of the Company are presented in euro.

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the dates of the transactions. FX gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated into the appropriate functional currency using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date the fair value was determined. Exchange rate differences on non-monetary items are recognised based on the classification of the underlying items.

Assets, liabilities and equity of all the Group entities that have a functional currency different from the presentation currency ('foreign operations') are translated at the closing rate at the reporting date and items of income and expense are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). All resulting exchange differences are recognised in OCI and accumulated in a separate component of equity. On disposal of a foreign operation the amount accumulated in the separate component of equity is reclassified from equity to profit or loss. The Group may dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital, abandonment or through loss of control or significant influence.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Operating profit / loss

Operating profit / loss includes the Group's earnings from ongoing activities after net impairment losses on financial instruments, and before share of profit or loss on associates and joint ventures (after tax), profit / loss on disposal of property and profit / loss on disposal / liquidation of business activities.

Leases

Identifying a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A Group company is the lessee

The Group recognises a Right of Use (RoU) asset and lease liability at the lease commencement date. This policy is applied to contracts entered into (or changed) on or after 1 January 2019. RoU assets are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurement of lease liabilities. The recognised RoU assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. RoU assets are subject to impairment under IAS 36 'Impairment of Assets'.

The Group has elected not to recognise RoU assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. RoU assets, comprised of leases of buildings which do not meet the definition of investment properties, and computer equipment, are presented in property, plant and equipment. RoU assets which meet the definition of investment properties are presented within investment properties.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Incremental borrowing rate (IBR) if the interest rate implicit in the lease is not readily determinable. Lease payments include fixed rental payments. Generally, the Group uses its IBR as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonable certain not to be exercised.

When the lease liability is remeasured a corresponding adjustment is made to the RoU asset and / or profit or loss, as appropriate.

The Group has applied judgement in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and RoU assets recognised.

The Group has a number of leases which contain break options and applies judgement in evaluating whether it is reasonably certain not to exercise the option. That is, on commencement of a lease the Group considers all relevant factors that create an incentive for it to exercise the option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Under IFRS 16, where the Group is an intermediate lessor the subleases are classified with reference to the RoU asset arising from the head lease, not with reference to the underlying asset. Where the Group continues to retain the risks and rewards of ownership as the intermediate lessor, it retains the lease liability and the RoU asset relating to the head lease in its balance sheet.

1 Group accounting policies *(continued)*

If the Group does not retain the risks and rewards of ownership as the intermediate lessor, these subleases are deemed finance leases. During the term of the sublease, the Group recognises both finance lease income on the sublease and interest expense on the head lease.

A Group company is the lessor

When assets are held under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is included within net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

Sale and repurchase agreements and lending of assets

Assets sold subject to repurchase agreements ('repos') are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate.

Securities purchased under agreements to resell ('reverse repos') are treated as collateralised loans and recorded as loans and advances to banks or customers, as appropriate.
The difference between sale and repurchase price is treated as interest and recognised in the income statement over the life of the agreement using the effective interest method.

Securities lent to counterparties are also retained on the balance sheet. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return the securities is recorded at fair value as a trading liability.

Issued debt and equity securities

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The coupons on these instruments are recognised in the income statement as interest expense using the effective interest method. Where the Group has absolute discretion in relation to the payment of coupons and repayment of principal, the instrument is classified as equity and any coupon payments are classified as distributions in the period in which they are made.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in other operating income, net of any costs or fees incurred.

Derivative financial instruments and hedge accounting

The Group has made the accounting policy choice allowed under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39.

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each reporting date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments that are not financial assets are separated from the host contract and accounted for as derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the entire host contract is not carried at FVTPL.

Fair value gains or losses on derivatives are normally recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

The Group designates certain derivatives as either:
(i) hedges of the exposure to changes in the fair value of recognised assets or liabilities that is attributable to a particular risk (fair value hedge); or
(ii) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge).

Hedge accounting is applied to these derivatives provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge relationships are concluded to be effective if the hedging instruments that are used in hedging transactions offset the changes in fair value or cash flow of the hedged items within a range of 80% to 125%.

Where a hedging instrument is novated to a clearing counterparty, the Group does not discontinue hedge accounting where the following criteria are met:
- the novation arises due to laws or regulations, or the introduction of laws and regulations;
- the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and
- the novation does not result in changes to the terms of the original instrument except for those changes necessary to effect the change in counterparty.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The hedged item in a micro fair value hedge is a single specified item e.g. a fixed rate commercial loan or a FVOCI bond.

1 Group accounting policies *(continued)*

The hedged item in a macro fair value hedge is a pool of assets or liabilities with similar risk characteristics and profiles, such as a pool of fixed rate mortgages. Unlike micro fair value hedge accounting, macro fair value hedge accounting is not discontinued if an individual asset or liability within the pool of hedged items is sold, so long as the overall pool of hedged items retains its characteristics as documented at inception of the hedge. In addition, hedge effectiveness testing is performed on a portfolio basis rather than on an individual hedge relationship by hedge relationship basis.

The Group also avails of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. Under these provisions the Group applies portfolio fair value hedge accounting of interest rate risk to its demand deposit book. The Group resets portfolio fair value hedges of its demand deposit book on a weekly basis and other macro fair value hedges are reset on a monthly basis.

If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using straight line method for macro hedges and the effective interest method for micro hedges.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in OCI are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised in the income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately reclassified to the income statement.

Property, plant and equipment

Freehold land and buildings are initially recognised at cost, and subsequently are revalued annually to fair value by independent external valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the reporting date.

RoU assets recognised as property, plant and equipment are measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurement of lease liabilities.

All other property, plant and equipment, including freehold and leasehold adaptations, are stated at historical cost less accumulated depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings, are recognised in OCI. Decreases that offset previous increases on the same asset are recognised in OCI: all other decreases are charged to the income statement.

The Directors consider that residual values of freehold and long leasehold property based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not material.

Depreciation is calculated on the straight line method to write down the carrying value of other items of property, plant and equipment to their residual values over their estimated useful lives as follows:
- adaptation works on freehold and leasehold property - 15 years, or the remaining period of the lease; and
- computer and other equipment - maximum of ten years.
- the recognised RoU assets are depreciated on a straight-line basis over the earlier of the end of the useful life of the RoU asset or the end of the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its Value in Use (VIU).

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. If the asset being disposed of had previously been revalued then any amount in OCI relating to that asset is reclassified directly to retained earnings on disposal rather than the income statement.

Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property, except where the property is used by the Group for administrative purposes or the supply of services, in which case it is classified as owner occupied property. Investment property comprises freehold and long leasehold land and buildings. It is carried at fair value in the balance sheet based on annual revaluations at open market value as determined by external qualified property surveyors and is not depreciated. Changes in fair values are recorded in the income statement. Rental income from investment properties is recognised as it becomes receivable over the term of the lease.

1 Group accounting policies *(continued)*

Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with research activities or maintaining computer software programmes are recognised as an expense as incurred. 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 exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, which is normally between five and ten years.

(b) Other intangible assets

Other intangible assets are carried at cost less amortisation and impairment, if any, and are amortised on a straight line basis over their useful lives, which range from five years to twenty years.

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. If such indicators exist, the asset's recoverable amount is estimated. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell and its VIU.

(c) Goodwill

Goodwill represents the excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment or more frequently if there is any indication that it may be impaired, and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGU) for the purpose of impairment testing. An impairment loss arises if the carrying value of the CGU exceeds the recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the CGU.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. A levy payable to a Government is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

Employee benefits

(a) Pension obligations

The Group operates both defined contribution and defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Where a plan amendment, curtailment or settlement occurs and the net defined benefit liability is remeasured to determine past service cost or the gain or loss on settlement, the current service cost and net interest for the remainder of the period are remeasured using the same assumptions.

Service cost and net interest on the net defined benefit liability / (asset) are recognised in profit or loss, within operating expenses.

Remeasurements of the net defined benefit liability / (asset) that are recognised in OCI include:

- actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions; and
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability / (asset).

A settlement is a transaction that eliminates all further legal and constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

1 Group accounting policies *(continued)*

For defined contribution plans, contributions are recognised as employee benefit expense when they are due.

(b) Short-term employee benefits
Short-term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employees' service is rendered.

(c) Termination payments
Termination payments are recognised as an expense at the earlier of:
- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

For this purpose, in relation to termination benefits for voluntary redundancies, the Group is considered to be no longer able to withdraw the offer on the earlier of the following dates:
- when the employee accepts the offer; and
- when a restriction (e.g. a legal, regulatory or contractual requirement) on the Group's ability to withdraw the offer takes effect.

Income taxes

(a) Current income tax
Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise.

Tax provisions are provided on a transaction by transaction basis using either the 'most likely amount' method or the 'expected value' method as appropriate for the particular uncertainty and by management assessing the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that there will be a future outflow of funds to a fiscal authority to settle the obligation. Interest on tax liabilities is recognised as interest expense.

(b) Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of income tax losses available for carry forward are recognised as DTAs to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. DTAs and deferred tax liabilities are not discounted.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax on items taken to OCI is also recognised in OCI and is subsequently reclassified to the income statement together with the deferred gain or loss. Income tax on items recognised directly in equity is recognised directly in equity, except for the income tax consequences of dividends on a financial instrument classified as equity, which are recognised according to where the previous transactions or events that generated distributable profits were recognised.

(c) Uncertain tax positions
The Group considers uncertain tax positions together or separately depending on which approach better predicts how the uncertainties will be resolved. Where the Group concludes it is not probable that a tax authority will accept its assessment of an uncertain tax position, it reflects the effect of the uncertainty using either the 'most likely amount' method or the 'expected value' method, as appropriate for the particular uncertainty.

Where the Group concludes it is probable that a tax authority will accept its assessment of an uncertain tax position, the taxable profit or loss, the tax bases, unused tax losses, unused tax credits and the tax rates are determined consistently with the tax treatment used or planned to be used in the income tax filing.

Capital stock and reserves

1. Equity transaction costs
Incremental external costs directly attributable to equity transactions, including the issue of new equity shares or options, are shown as a deduction from the component of equity in which the equity transaction is recognised, net of tax.

2. Dividends on ordinary shares
Final dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders on the recommendation of the Court of Directors, or approved by the Court of Directors, as appropriate. Interim dividends are recognised in equity in the period in which they are paid.

3. Treasury shares
Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently

1 Group accounting policies *(continued)*

sold or reissued, any consideration received is included in shareholders' equity. Any changes in the value of treasury shares held are recognised in equity at the time of the disposal and dividends are not recognised as income or distributions.

4. **Capital reserve**
The capital reserve represents transfers from share capital, retained earnings and other reserves in accordance with relevant legislation. The capital reserve is not distributable.

5. **Foreign exchange reserve**
The FX reserve represents the cumulative gains and losses on the translation of the Group's net investment in its foreign operations since 1 April 2004. Gains and losses accumulated in this reserve are reclassified to the income statement when the Group loses control, joint control or significant influence over the foreign operation or on disposal or partial disposal of the operation.

6. **Revaluation reserve**
The revaluation reserve represents the cumulative gains and losses on the revaluation of property occupied by Group businesses, included within property, plant and equipment and non-financial assets classified as held for sale. The revaluation reserve is not distributable.

7. **Share premium account**
Where the company issues shares at a premium, a sum equal to the aggregate amount or value of the premiums on those shares is transferred to the share premium account. Where, pursuant to Section 84 of the Companies Act 2014, there has been a reduction of the Company's share capital by the cancellation of share premium, the resulting profits available for distribution, as defined by Section 117 of the Companies Act 2014, are reclassified from the share premium account to retained earnings.

8. **Cash flow hedge reserve**
The cash flow hedge reserve represents the cumulative changes in fair value, excluding any ineffectiveness, of cash flow hedging derivatives. These are transferred to the income statement when hedged transactions impact the Group's profit or loss.

9. **Debt instruments at fair value through other comprehensive income reserve**
The debt instruments at FVOCI reserve comprises the cumulative net change in the fair value of debt securities measured at FVOCI together with the impact of fair value hedge accounting, less the ECL allowance recognised in profit or loss.

10. **Liability credit reserve**
The liability credit reserve represents the cumulative changes in the fair value of financial liabilities designated as at FVTPL that are attributable to changes in the credit risk of those liabilities, other than those recognised in profit or loss.

Life assurance operations

In accordance with IFRS 4, the Group classifies all life assurance products as either insurance or investment contracts for accounting purposes.

Insurance contracts are those contracts that transfer significant insurance risk. These contracts are accounted for using an embedded value basis.

Investment contracts are accounted for in accordance with IFRS 9. All of the Group's investment contracts are unit linked in nature. These contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the reporting date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

The Group recognises an asset for deferred acquisition costs relating to investment contracts. Upfront fees received for investment management services are deferred. These amounts are amortised over the period of the contract.

Non-unit linked insurance liabilities are calculated using a gross premium method of valuation. The computation is made on the basis of recognised actuarial methods annually by an actuary, with due regard to the applicable actuarial principles recognised in the European framework for the prudential and financial monitoring of direct life assurance business.

The Group recognises the ViF life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. This represents the present value of expected future cash flows, using appropriate assumptions in assessing factors such as future mortality, lapse rates and levels of expenses, and discounting using the risk free interest rate curve. Thus, the use of best estimate assumptions in the valuation of the ViF asset ensures that the net carrying amount of insurance liabilities less the ViF asset is adequate.

The ViF asset in the consolidated balance sheet and movements in the asset in the income statement are presented on a gross of tax basis. The tax charge comprises both current and deferred tax expense and includes tax attributable to both shareholders and policyholders for the period.

Premiums and claims

Premiums receivable in respect of non-unit linked insurance contracts are recognised as revenue when due from policyholders.

Premiums received in respect of unit linked insurance contracts are recognised in the same period in which the related policyholder liabilities are created. Claims are recorded as an expense when they are incurred.

Reinsurance

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are dealt with as insurance contracts, subject to meeting the significant insurance risk test in IFRS 4. The impairment requirements of IFRS 4 are applied to these assets. Outward reinsurance premiums are accounted for in accordance with the contract terms when due for payment.

1 Group accounting policies *(continued)*

Collateral

The Group enters into master agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customers' assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is, in general, not recorded on the Group balance sheet.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the balance sheet. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

Operating segments

The Group's reportable operating segments have been identified on the basis that the chief operating decision maker uses information based on these segments to make decisions about assessing performance and allocating resources. The analysis of results by operating segment is based on management accounts information.

Accounting Policies relevant to the Bank only

Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Bank, in accordance with IAS 8, uses its judgement in developing and applying an accounting policy that is relevant and reliable. Where the transactions meet the definition of a group reconstruction or achieve a similar result, predecessor accounting is applied. The assets and liabilities of the business transferred are measured in the acquiring entity upon initial recognition at their existing book value in the Group, as measured under IFRS. The Bank incorporates the results of the acquired businesses only from the date on which the business combination occurs.

Shares in Group undertakings

The Bank's shares in Group undertakings are stated at cost less any impairment. The Bank reviews its shares in Group undertakings for impairment at each reporting date. Impairment testing involves the comparison of the carrying value of the investment with its recoverable amount. The recoverable amount is the higher of the investment's fair value and its VIU. VIU is the present value of expected future cash flows from the investment. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of the investment; and the valuation of the separable assets comprising the overall investment in the Group undertaking. The use of reasonably possible alternative assumptions would not materially impact the carrying value of the Bank's shares in Group undertakings. See note 29 for further information.

Impact of new accounting standards

The following standards will be relevant to the Group but were not effective at 31 December 2020 and have not been applied in preparing these financial statements. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in future reporting periods. The Group's current view of the impact of these standards is outlined as follows:

Pronouncement	Impact
IFRS 17 'Insurance Contracts' **Nature of change** IFRS 17 replaces IFRS 4 'Insurance Contracts', which was introduced as an interim standard in 2004. IFRS 17 addresses the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosures of insurance contract liabilities, ensuring an entity provides relevant information that faithfully represents those contracts. The standard is still subject to EU endorsement. **Effective date** The effective date is for financial periods beginning on or after 1 January 2023, with early application permitted.	The Group expects that IFRS 17 is likely to have a material impact on the recognition, measurement and presentation of the insurance business in the Group's financial statements. The Group is currently assessing the nature and likely extent of the impact. Given the complexity of the standard and ongoing implementation activity, the Group is not yet in a position to reasonably estimate the impact on the Group's financial statements. A Group IFRS 17 implementation programme is in place supported by appropriate external advisors. Work to date has focused on interpreting the requirements of the standard, developing methodologies and accounting policies, and scoping and assessing the changes required to the reporting, administration and other systems to enable IFRS 17 readiness. The development and build of systems and implementation is the key focus for 2021.

1 Group accounting policies *(continued)*

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

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

Effective date
The effective date is for reporting periods beginning on or after 1 January 2021, with early application permitted. The Group will adopt the amendments with effect from 1 January 2021.

Impact
The amendments will enable the Group to account for transitions to an alternative BMR as a change to a floating rate of interest, generally allow existing hedge accounting relationships to continue upon the replacement of an existing BMR with an alternative BMR and require the Group to provide additional disclosures related to the BMR Reform.

Pronouncement
Amendments to IAS 1 - Classification of liabilities as current or non-current

Nature of change
The purpose of these amendments is to promote consistency in application and to clarify the requirements on determining whether a liability is current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments also clarify the situations that are considered to be the settlement of a liability.

The amendments are still subject to EU endorsement.

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

Impact
The amendments are not expected to have a significant impact on the Group.

2 Critical accounting estimates and judgements

In preparing the financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in estimating the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Group's financial statements are set out below.

(a) Impairment loss allowance on financial assets

The measurement of impairment loss allowance requires significant judgement and estimation and is dependent on complex impairment models.

In arriving at impairment loss allowances, accounting estimates which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include:
- generation of forward looking macroeconomic scenarios and their probability weightings which are used in both the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances; and
- valuing property collateral (including residential property).

Accounting judgements which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include determining if Group management adjustments may be necessary to impairment model outputs to address impairment model limitations or late breaking events.

Other key accounting estimates which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:
- determining the period over which to measure ECL for uncommitted Revolving Credit Facilities (RCFs); and
- determining timeframes to realisation and likely net sale proceeds.

Other key accounting judgements which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:
- the Group's criteria for assessing if there has been a significant increase in credit risk since initial recognition such that a loss allowance for lifetime rather than 12 month ECL is required;
- the selection of appropriate methodologies and model factors for internal risk rating and impairment models;
- the approximation made at transition to IFRS 9 of the residual lifetime PD expectations for most exposures originated prior to adoption of IFRS 9; and

2 Critical accounting estimates and judgements *(continued)*

- selection of the most relevant macroeconomic variables for particular portfolios and determining associations between those variables and model components such as PD and Loss Given Default (LGD).

The Group's approach to measurement of impairment loss allowances and associated methodologies is set out in the credit risk methodologies section on pages 203 to 206.

Changes in estimates

Forward Looking Information

Forward Looking Information (FLI) refers to probability weighted future macroeconomic scenarios approved semi-annually by the 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 has used five RoI FLI scenarios and five UK FLI scenarios at 31 December 2020, an increase from three scenarios in previous years, comprising of two central scenarios, an upside scenario, and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for property for years beyond the forecast period. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The central FLI scenarios for the year ending 31 December 2020 are based on internal and external information and management judgement and follow the same process as used in prior periods, though for December 2020 two central scenarios were developed for both RoI and UK to reflect different base case Brexit assumptions:

- central scenario 1 is based on less adverse base case consensus forecasts that assumed a Free Trade Agreement (FTA) Brexit; and
- central scenario 2 is based on more adverse base case consensus forecasts that assumed a World Trade Organisation (WTO) Brexit.

With the UK and EU reaching an agreement prior to year-end a higher weighting was applied to central scenario 1 (45%), with a small (5%) weighting retained for central scenario 2 to address initial disruption and uncertainty around the granular details of the new trading arrangement.

In prior years, the upside and downside scenarios have previously been generated using a simulation model that used historical volatilities and correlations for key macroeconomic variables to generate a distribution around the central forecast.

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

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

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

The narrative-driven scenarios were assessed relative to the simulated distribution. The probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The 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 2021 to 2025, together with the scenario weightings for both the RoI and the UK.

	Republic of Ireland					United Kingdom				
	Central			Downside		Central			Downside	
	Scenario 1	Scenario 2	Upside scenario	Scenario 1	Scenario 2	Scenario 1	Scenario 2	Upside scenario	Scenario 1	Scenario 2
Scenario probability weighting	45%	5%	20%	25%	5%	45%	5%	20%	25%	5%
GDP Growth[1]	3.5%	3.0%	4.3%	2.0%	0.9%	3.2%	2.7%	4.0%	1.3%	0.4%
GNP Growth[1]	3.4%	2.7%	4.2%	1.6%	0.5%	n/a	n/a	n/a	n/a	n/a
Unemployment rate[2]	6.4%	7.1%	5.3%	9.6%	12.3%	5.5%	5.6%	4.5%	8.5%	10.6%
Residential property price growth[3]	0.4%	0.2%	1.2%	(0.6%)	(1.4%)	0.4%	0.2%	1.4%	(1.6%)	(2.8%)
Commercial property price growth[3]	(0.3%)	(0.3%)	0.5%	(1.1%)	(2.4%)	(0.2%)	(0.7%)	0.5%	(1.4%)	(2.2%)

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

2 Critical accounting estimates and judgements *(continued)*

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

	Republic of Ireland			United Kingdom		
	2021	**2022**	**2023-2025**	**2021**	**2022**	**2023-2025**
Central scenario 1 - 45% weighting						
GDP Growth[1]	5.1%	3.6%	3.0%	6.3%	4.0%	1.9%
GNP Growth[1]	5.1%	3.4%	2.8%	n/a	n/a	n/a
Unemployment rate[2]	10.2%	5.9%	5.3%	7.1%	6.0%	4.7%
Residential property price growth[3]	(3.0%)	0.0%	1.7%	(3.0%)	(1.0%)	2.0%
Commercial property price growth[3]	(4.5%)	0.0%	1.0%	(3.5%)	0.0%	0.8%
Central scenario 2 - 5% weighting						
GDP Growth[1]	2.7%	3.7%	2.9%	4.3%	2.8%	2.1%
GNP Growth[1]	1.6%	3.5%	2.8%	n/a	n/a	n/a
Unemployment rate[2]	10.7%	8.1%	5.5%	7.3%	6.2%	4.9%
Residential property price growth[3]	(4.0%)	0.0%	1.7%	(4.0%)	(1.5%)	2.2%
Commercial property price growth[3]	(5.5%)	1.0%	1.0%	(5.0%)	(1.5%)	1.0%
Upside- 20% weighting						
GDP Growth[1]	8.1%	3.9%	3.2%	9.3%	4.3%	2.1%
GNP Growth[1]	8.3%	3.7%	3.0%	n/a	n/a	n/a
Unemployment rate[2]	9.1%	4.7%	4.2%	5.9%	4.8%	3.9%
Residential property price growth[3]	(1.0%)	1.0%	2.0%	(1.0%)	0.0%	2.7%
Commercial property price growth[3]	(2.0%)	1.5%	1.0%	(1.5%)	1.0%	1.0%
Downside scenario 1 - 25% weighting						
GDP Growth[1]	(1.9%)	3.5%	2.8%	(1.0%)	2.4%	1.8%
GNP Growth[1]	(3.0%)	3.3%	2.6%	n/a	n/a	n/a
Unemployment rate[2]	12.9%	10.5%	8.2%	9.8%	9.2%	7.8%
Residential property price growth[3]	(5.0%)	(2.0%)	1.3%	(7.0%)	(4.0%)	1.0%
Commercial property price growth[3]	(7.0%)	(1.0%)	0.8%	(7.0%)	(2.5%)	0.8%
Downside scenario 2 - 5% weighting						
GDP Growth[1]	(2.1%)	(1.0%)	2.5%	(1.5%)	(1.0%)	1.5%
GNP Growth[1]	(3.2%)	(1.2%)	2.3%	n/a	n/a	n/a
Unemployment rate[2]	14.0%	14.3%	11.1%	10.5%	11.7%	10.2%
Residential property price growth[3]	(5.0%)	(4.0%)	0.7%	(8.0%)	(6.0%)	0.0%
Commercial property price growth[3]	(9.0%)	(4.0%)	0.3%	(8.0%)	(4.0%)	0.3%

There was acceleration in the incidence of COVID-19 and related announcements on increased social restrictions in the Group's key markets in late December 2020. In light of these late-breaking events a post-model management adjustment to the Group's impairment loss allowance (€24 million) has been recognised as at 31 December 2020. This adjustment reflects the estimated impact on impairment loss allowances if the probability weightings applied to the Group's multiple economic scenarios utilised in its impairment models (per the table above) were adjusted so that the upside scenario weighting was reduced to 15% (from 20%) and the downside scenario 1 weighting was increased to 30% (from 25%). For further reference see Group management adjustment for late breaking events on page 108.

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

2 Critical accounting estimates and judgements *(continued)*

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

Central scenario 1
Having been significantly impacted in the spring of 2020 when stringent measures to contain the spread of COVID-19 were imposed, the Irish and UK economies saw a pick-up in activity over the summer months and into the autumn. However, rising virus cases led to a tightening of public health restrictions again in late 2020 and tensions over future UK-EU trading arrangements were high ahead of the end of the Brexit transition period on 31 December 2020.

The scenario assumes that restrictions are in place into 2021 and that the UK and EU have reached agreement on a trade deal which takes effect on 1 January 2021. GDP in Ireland expands in 2021, with growth continuing over the rest of the forecast horizon and the unemployment rate declining. Following a sharp fall in 2020 as a whole, GDP in the UK rebounds in 2021 and increases further over the rest of the forecast horizon, while the unemployment rate peaks in 2021 before declining.

Central scenario 2
This scenario also assumes that COVID-19 restrictions are in place into 2021 but that the UK would fail to reach agreement with the EU meaning trade is conducted on WTO terms from 1 January 2021. The latter causes additional short-term disruption but GDP still expands in 2021 in Ireland and the UK (tariffs and a weaker pound add to inflation in the UK). Growth continues over the remainder of the forecast horizon in both economies and unemployment rates move down.

Upside scenario
With medical advances helping to keep the virus under control, the Irish and UK economies expand strongly in 2021 even as the new UK-EU trade deal takes effect. Solid GDP growth continues over the remainder of the forecast horizon and unemployment in the two countries settles at a low rate.

Downside scenario 1
Attempts to contain COVID-19 prove unsuccessful with another virus wave in the first half of 2021 resulting in a full shutdown of the Irish and UK economies. Uncertainty, increasing business failures and less favourable post-Brexit trading terms also weigh on activity and GDP contracts for the year as a whole. And while growth resumes in both countries in 2022, unemployment rates remain high for some time.

Downside scenario 2
Ongoing attempts to contain COVID-19 prove unsuccessful and repeat waves of the virus see the Irish and UK economies fully shutdown in the first half of 2021 and again towards the end of 2021 and early 2022. This, together with less favourable post-Brexit trading terms, delivers a significant blow to activity. GDP contracts in 2021 and in 2022, while cautious behaviour on the part of consumers and widespread business failures keep the unemployment rate elevated in both countries out the forecast horizon.

Property price growth, all scenarios
In central scenario 1, after showing resilience throughout 2020 average residential prices reduce by 3% in both RoI and UK in 2021 with further weakening in the UK in 2022. From 2023 onwards both markets recover to record marginally positive growth of 1-2% per-annum. Central scenario 2 shows marginally worse falls in the average residential property prices in 2021 and 2022 before recovering to similar growth levels as central scenario 1 in later years. Commercial property prices are expected to record significant falls in 2020 and average price growth remains negative in 2021 with average prices expected to reduce by between 3.5% and 4.5% in central scenario 1 and 5% to 5.5% in central scenario 2 for UK and RoI respectively. Low level recovery then takes place from 2023 onwards in central scenario 1 whilst in central scenario 2 recovery begins in RoI in 2022 but is delayed in the UK until 2023.

In the downside scenarios, residential prices in 2021 are incrementally negatively impacted relative to the central scenarios and this persists into 2022 (and into 2023 in UK downside scenario 2) before recovery in 2024 and 2025. Downside scenario 1 produces a trough point with average prices expected to reduce by between 7% and 11% whilst for downside scenario 2 this is expected to be between 9% and 15% in RoI and UK respectively for both scenarios. Similarly, commercial prices see additional negativity in 2021 with this negativity persisting into 2022 in downside scenario 1 and 2023 in downside scenario 2 before marginal growth returns. Downside scenario 1 produces a trough point from 2021 with average prices expected to reduce by between 8% to 9.5% in RoI and UK respectively and downside scenario 2 is expected to reduce by 13% for the UK and by 14% in RoI.

In the upside scenario residential prices are marginally negative in 2021 increasing gradually in subsequent years in each jurisdiction with slightly stronger growth seen in the UK. Commercial prices remain marginally negative in 2021 in both jurisdictions before showing modest growth levels out to the end of the forecast period.

The quantum of impairment loss allowance is impacted by the application of five probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 31 December 2020, excluding post model Group management adjustments to impairment loss allowances, was increased by virtue of applying multiple scenarios rather than only a central scenario (central scenario 1).

2 Critical accounting estimates and judgements *(continued)*

2020	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
Impact of applying multiple scenarios rather than only central scenario 1[1]	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	5	15%	6	34%	5	2%	16	4%
- Retail Ireland	*3*	*14%*	*4*	*34%*	*3*	*1%*	*10*	*3%*
- Retail UK	2	17%	2	34%	2	6%	6	9%
Non-property SME and corporate	7	8%	29	10%	-	-	36	4%
Property and construction	-	1%	12	12%	3	1%	15	3%
Consumer	13	15%	3	13%	-	-	16	8%
Total	**25**	**11%**	**50**	**11%**	**8**	**1%**	**83**	**4%**

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:

2020	Multiple Scenaros	Central Scenario 1		Central Scenario 2	
Impact of applying only central scenarios rather than multiple probability weighted scenarios[1]	Impairment loss allowance €m	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Residential mortgages	377	(16)	(4%)	(3)	(1%)
- Retail Ireland	*309*	*(10)*	*(3%)*	*1*	*-*
- Retail UK	*68*	*(6)*	*(9%)*	*(4)*	*(6%)*
Non property SME and corporate	837	(36)	(4%)	(26)	(3%)
Property and construction	585	(15)	(3%)	4	1%
Consumer	206	(16)	(8%)	(7)	(3%)
Total	**2,005**	**(83)**	**(4%)**	**(32)**	**(2%)**

2020	Multiple Scenarios	Upside Scenario	
Impact of applying only upside scenarios rather than multiple probability weighted scenarios[1]	Impairment loss allowance €m	Impairment loss allowance €m	Impact %
Residential mortgages	377	(43)	(11%)
- Retail Ireland	*309*	*(29)*	*(9%)*
- Retail UK	*68*	*(14)*	*(21%)*
Non property SME and corporate	837	(86)	(10%)
Property and construction	585	(41)	(7%)
Consumer	206	(36)	(17%)
Total	**2,005**	**(206)**	**(10%)**

[1] *The scenarios outlined in the table are based on the FLI weightings outlined on page 104.*

2 Critical accounting estimates and judgements *(continued)*

2020 **Impact of applying only downside scenarios rather than multiple probability weighted scenarios**[1]	**Multiple Scenarios** **Impairment loss allowance €m**	**Downside Scenario 1** **Impairment loss allowance €m**	**Impact %**	**Downside Scenario 2** **Impairment loss allowance €m**	**Impact %**
Residential mortgages	377	75	20%	143	38%
- Retail Ireland	*309*	*33*	*11%*	*58*	*19%*
- Retail UK	*68*	*42*	*62%*	*85*	*125%*
Non property SME and corporate	837	115	14%	242	29%
Property and construction	585	46	8%	97	17%
Consumer	206	47	23%	79	38%
Total	**2,005**	**283**	**14%**	**561**	**28%**

The following table indicates the approximate extent to which impairment loss allowances for the residential mortgage portfolios, excluding post model Group management adjustments, would be higher or lower than the application of a central scenario 1 if there was an immediate change in residential property prices. Although such changes would not be observed in isolation, as economic indicators tend to be correlated in a coherent scenario, this gives insight into the sensitivity of the Group's impairment loss allowance to a once-off change in residential property values.

2020 **Impact of an immediate change in residential property prices compared to central scenario 1 impairment loss allowances**	**Impairment loss allowance - central scenario 1 €m**	**Residential property price reduction of 10%** **Impact €m**	**Impact %**	**Residential property price reduction of 5%** **Impact €m**	**Impact %**	**Residential property price increase of 5%** **Impact €m**	**Impact %**	**Residential property price increase of 10%** **Impact €m**	**Impact %**
Residential mortgages	361	84	23%	40	11%	(35)	(10%)	(65)	(18%)
- Retail Ireland	*300*	*58*	*19%*	*28*	*9%*	*(25)*	*(8%)*	*(47)*	*(16%)*
- Retail UK	*61*	*26*	*43%*	*12*	*20%*	*(10)*	*(16%)*	*(18)*	*(30%)*

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 31 December 2020 to Stage 2 would increase the Group's impairment loss allowance by c.€13 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 2020 compared to previous years. Management judgement can be described with reference to:

- management judgement in impairment model parameters; and
- post-model Group management adjustments to Impairment loss allowance and staging classification.

Management judgement in impairment model parameters

The macroeconomic situation, which reflects the impact of COVID-19, is unprecedented compared to historic experience, resulting in impairment models generating PD rates that in certain cases were not considered to be reasonable. In order for the Group's impairment loss allowance as at 31 December 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 rate estimates, residential mortgage prepayment 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 PD estimates from impairment models were considered to be unreasonable, a number of reference points were assessed, utilising data derived from internal and external information (including historical peak default rates; more recently observed default rates; IRB central tendencies; payment break cases; and equity and credit default swap implied PDs). Where relevant, management judgement informed by these reference points was utilised to select more appropriate PDs for central scenario 1, with corresponding PDs in the other upside, central and downside scenarios derived from the central scenario 1 taking into account the severity of the respective scenarios. Once the PDs incorporating management judgement were applied, the standard ECL calculation was followed within the existing credit methodologies (which include the control framework).

[1] *The scenarios outlined in the table are based on the FLI weightings outlined on page 104.*

2 Critical accounting estimates and judgements *(continued)*

In addition, for the corporate banking portfolio, 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. This assessment informed the staging classification of exposures.

The ECL model framework was also updated in the year to reflect the implementation of the revised definition of default 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 LGD model, resulting in a decrease in impairment loss allowance of c.€59 million on implementation.

Post-model Group management adjustment

To ensure that the measurement of impairment reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, the need for a Group management adjustment to the outputs of the Group's staging and impairment measurement methodologies is considered at each reporting date in arriving at the final impairment loss allowance. Such a need may arise, for example, due to a model limitation or late breaking event. At 31 December 2020, the Group's impairment loss allowance of €2.2 billion includes the total impact of a post-model Group management adjustment of c.€237 million. This comprises the total impact of a COVID-19 Group management adjustment of €163 million, a Group management adjustment for late breaking events €24 million, a stage 3 Group management adjustment for residential mortgages €50 million. Further details of each are outlined below.

COVID-19 Group management adjustment

At 31 December 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 during the year to all customers regardless of credit status. While the majority of payment breaks have expired prior to the reporting date the Group's view is that modelled impairment losses at 31 December 2020 may not fully capture expected credit losses relating to these customers as the days past due count was paused when payment breaks were applied in line with the industrywide approach. As a result, a post-model management adjustment of c.€152 million was applied, with €103 million of this management adjustment allocated to Stage 1 and €49 million to Stage 2. €49 million of the adjustment is related to RoI and UK residential mortgages, a further €72 million relates to the RoI and UK SME portfolios; €27 million is related to the Consumer portfolio; and €4 million relates to property and construction.

Individual assessments for corporate cases and the majority of relationship managed business banking cases, which received COVID-19 concessions have been completed. In addition, sector-level COVID-19 and Brexit risk assessments for the business banking portfolios were completed informed by the prevalence of payment breaks, macro-prudential sector risk classifications, and management judgement. Certain sectors (e.g. hospitality and entertainment) were identified to be highly impacted where the risk was not considered to be adequately captured in the modelled PD estimates.

Payment break cohorts in the mortgage, consumer and asset finance portfolios 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. The vulnerability assessments were informed by data on loans that availed of payment breaks during 2020 with cross reference to other credit characteristics (e.g. employment type; employment status; employment sector; IFRS 9 staging status).

Given the level at which this review was performed for mortgage, consumer, asset finance and micro SME portfolios, the Group did not reclassify any exposures into a different stage than that initially identified by the impairment models for these portfolios.

The total population remaining with payment breaks in place at 31 December 2020 was €1.2 billion (June 2020: was c.€11.5 billion). Further details in relation to payment breaks are set out on page 206. The Group's management adjustment of €103 million in Stage 1 is broadly equivalent to the impact from a transfer of c.6% of the Group's Stage 1 assets into Stage 2.

In addition, a post model staging adjustment has been applied to relationship managed business banking portfolios whereby all customers who operate in 'highly impacted' sectors, as referenced above, are classified as Stage 2 with a lifetime impairment loss allowance applied. The impact of this staging adjustment is c.€0.9 billion increase in Stage 2 volumes and a c.€11 million increase in impairment loss allowances (€8 million of which relates to RoI SME; €2 million to Investment property; and €1 million to UK SME).

Group management adjustment for late breaking events

A post-model management adjustment to the Group's impairment loss allowance of €24 million has been recognised as at the 31 December 2020 to reflect an acceleration in the incidence of COVID-19 and related announcements on increased social restrictions in the Group's key markets in late December 2020.

This adjustment reflects the estimated impact on impairment loss allowances if the probability weightings applied to the Group's multiple economic scenarios utilised in its impairment models were adjusted so that the upside scenario weighting was reduced to 15% (from 20%) and the downside scenario 1 weighting was increased to 30% (from 25%).

The adjustment is allocated across portfolios to reflect the estimated impacts of the adjusted scenario weightings on impairment loss allowance, with €6 million allocated to Stage 1, €15 million to Stage 2, and €3 million to Stage 3. The stage classification of assets was not changed through the application of this management adjustment.

2 Critical accounting estimates and judgements *(continued)*

Stage 3 Group management adjustment for residential mortgages
The impairment loss allowance for residential mortgages of €479 million also includes a management adjustment of €50 million (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 reflected in IFRS 9 impairment model methodology. The €50 million (2019: €50 million) management adjustment reflects the profile of the Stage 3 population at 31 December 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 combined COVID-19 and the adjustment for late breaking events includes €19 million relating to the Retail UK Mortgage portfolio and the amount of impairment loss allowance for the portfolio is considered to be appropriate.

(b) Taxation
The current taxation charge of €38 million (note 19) 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 31 December 2020, the net DTA was €1,101 million (2019: €1,016 million), of which €1,157 million (2019: €1,089 million) related to trading losses. The closing DTA includes €1,133 million of Irish trading losses, €18 million of UK trading losses, and €6 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 and financial performance in the current period and future financial 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 DTA. 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 economic forecasts for Ireland and the UK which indicate a return to economic growth and improved employment levels in 2021.

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

Based on the Group's financial projections, the DTA in respect of tax losses is estimated to be recovered in full by the end of 2039 (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 Directors believe that the Group will be profitable over the longer term but acknowledge the external challenges facing the banking industry, in particular, the traditional, full service banks and the inherent uncertainties of long-term financial projections.

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, an adjustment may be required to the DTA.

UK deferred tax assets
Judgement
Changes were introduced to UK tax legislation in 2017 which have been considered in assessing the utilisation of UK tax losses incurred in the current year and the recognition of the UK DTA at 31 December 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 DTA 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

2 Critical accounting estimates and judgements *(continued)*

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 reduced by €14 million at 31 December 2020 (31 December 2019: reduction of €2 million).

Bank of Ireland (UK) plc

Judgement

The Directors believe that Bank of Ireland (UK) plc will achieve an overall level of profitability in the foreseeable future but acknowledge the external challenges facing the banking industry. In particular, the economic environment has become more challenging with COVID-19, residual Brexit uncertainty, forecast continuation of a lower for longer interest rate environment and accelerated transformation of banking business models.

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

This restriction, together with more challenging economic headwinds including the significant impacts of COVID-19 on future profits, will result in a lower utilisation of Bank of Ireland (UK) plc tax losses than projected at December 2019 and results in a further reassessment and reduction of the DTA relating to trading losses of €21 million at 31 December 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 DTA.

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 residual uncertainty around the impact of Brexit on the UK economy.

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 after 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.

If the projected rate of growth of taxable profits after the fifth year of the strategic planning period was decreased by two percentage points, the Group estimates that this would increase the recovery period of its Irish DTA by two years. If it was increased by one percentage point, the Group estimates that this would decrease the recovery period of its Irish DTA by one year.

Liability management exercise

Judgement

The Group conducted a series of liability management exercises between 2009 and 2011 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. HMRC have now issued their technical views on the tax treatment of all of the liability management exercises and have accepted the Group's tax assessment in respect of certain of the gains that arose and challenged others. The Group expects that the resolution of the tax treatment will result in certain of the gains being treated as taxable, and therefore a provision of €15 million (€11 million tax and €4 million of interest) has been made in respect of the year ended 31 December 2020 (note 19).

(c) Retirement benefit obligations

The Group sponsors a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial values of the liabilities of the schemes are calculated by external actuaries. This involves modelling their future development and requires management to make assumptions as to discount rates, price inflation, salary and pensions increases, member mortality and other demographic assumptions.

Sources of estimation uncertainty

There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. A quantitative analysis of the sensitivity of the defined benefit pension liability to changes in the key assumptions is set out in note 47.

(d) Life assurance operations

The Group accounts for the value of the shareholders' interest in its long-term assurance business using Market Consistent Embedded Value (MCEV) Principles and Guidelines. Embedded value is comprised of the net tangible assets of Bank of Ireland Wealth and Insurance and the ViF asset. The ViF asset represents the expected future profits on insurance contracts and this is calculated using an embedded value approach with market consistent

2 Critical accounting estimates and judgements *(continued)*

assumptions. The ViF asset is measured by projecting expected future surpluses using best estimate and market consistent assumptions and a risk free interest rate curve.

Sources of estimation uncertainty

The estimation of future surpluses will depend on experience in a number of areas such as investment returns, lapse rates, mortality and investment expenses. Surpluses are projected by making assumptions about future experience, having regard to both actual experience and projected long-term economic trends.

Changes to these assumptions may cause the present value of future surpluses to differ from those assumed at the reporting date and could significantly affect the value attributed to the in force business. The ViF asset could also be affected by changes in the amounts and timing of other net cash flows (principally annual management charges and other fees levied upon the policyholders) or the rate at which the future surpluses and cash flows are discounted. In addition, the extent to which actual experience is different from that assumed will be recognised in the income statement for the period. A quantitative analysis of the sensitivity of profit to changes in the key life assurance assumptions is set out in note 37.

(e) Tracker Mortgage Examination Review

At 31 December 2020 the Group holds a provision of €74 million (2019: €75 million) in respect of the industry wide Tracker Mortgage Examination. While the supervisory phase of the examination was concluded by the CBI in July 2019, the provision covers the estimated costs of remediation of any remaining impacted customers, addressing customer appeals and closing out all other outstanding costs of the exercise, in particular, any sanction that may be incurred as a result of Central Bank of Ireland enforcement actions.

Judgement

The Group has exercised judgement in particular in determining the level of potential appeals and the impact of any potential administrative sanction. With respect to the latter, the Group considers that there is a range of potential sanction outcomes based on general and specific circumstances and the amount of any sanction imposed may differ from the amount provided at 31 December 2020.

(f) Intangible assets

Judgement

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which meet the various recognition criteria of IAS 38, including probable generation of future economic benefits are recognised as intangible assets, with a net book value at 31 December 2020 of €697 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 year ended 31 December 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 €139 million has been recognised in the year, €136 million of which is recognised as non-core with €127 million charged to the transformation investment asset and €9 million charged to other internally generated computer software. There was no similar charge for 2019.

The Group considers that the remaining carrying amount of €697 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.

Critical accounting estimates and judgements relevant to the Bank only

Shares in Group undertakings

The Bank carries its investment in its subsidiaries at cost and reviews for impairment at each reporting date. Impairment testing involves the comparison of the carrying value of the investment with its recoverable amount. The recoverable amount is the higher of the investment's fair value and its Value in Use (VIU), where the VIU is the present value of the future cash flows expected to be derived from the asset. The calculation of the recoverable amount is based upon a VIU calculation that discounts expected pre-tax cash flows at a rate appropriate to the cash generating unit.

At 31 December 2020, the VIU of all of the Bank's subsidiaries, with the exception of Bank of Ireland (UK) Plc, was greater than the carrying value of the Bank's investment.

The VIU of Bank of Ireland (UK) plc was calculated as €1,427 million which was lower than the carrying value. Accordingly an impairment of €409 million was recognised by the Bank.

Judgement

Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate and growth rate appropriate to the business; estimation of the fair value of the investment; and the valuation of the separable assets comprising the overall investment in the Group undertaking.

Sources of estimation uncertainty

Cash flow forecasts

Cash flow forecasts are based on internal management information for a period of up to five years, after which a long- term growth rate appropriate for the business is applied (see below). The initial five years cash flows are consistent with approved plans for each business.

The cash flow forecasts involved significant judgements which were subject to review and validation at a number of levels of governance and are the current best estimate of the expected cash flows over the planning period.

2 Critical accounting estimates and judgements *(continued)*

The discounted cash flow model is most sensitive to cash flow changes at the 5 year point as these are projected forward using the growth rate. An increase / decrease in year 5 cash flows by £50 million would lead to an increase / decrease in VIU of €458 million.

Growth rates
Growth rates beyond five years are determined by reference to local economic growth rates. The assumed long term growth rate for the purpose of the impairment assessment is 2%.

An increase of 1% to the growth rate would lead to an increase in VIU of €95 million; a decrease of 1% would lead to a decrease of €83 million.

Discount rate
The discount rate used is the pre-tax weighted average cost of capital for Bank of Ireland (UK) plc of 11.0%. The equivalent post-tax rate is 9.0%.

A decrease of 0.5% in the WACC would lead to an increase in VIU of €72 million; an increase of 0.5% would result in a decrease of €67 million.

3 Operating segments

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

Retail Ireland
Retail Ireland is one of the largest providers of financial services in Ireland with a network of branches across the country, mobile and online banking applications and customer contact centre. Retail Ireland offers a broad range of financial products and services including current accounts, savings, mortgages, credit cards, motor finance and loans to personal and business banking customers and is managed through a number of business units, namely Distribution Channels, Customer Segments and Propositions, Products (including Bank of Ireland Mortgage Bank (BoIMB)) and Business Banking (including Bank of Ireland Finance).

Wealth and Insurance
Wealth and Insurance includes the Group’s life assurance subsidiary NIAC which distributes protection, investment and pension products to the Irish market, across three core channels made up of the Group’s distribution channels, independent financial brokers and its own financial advisor network 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 FX joint venture with the UK Post Office, the financial services partnership with the AA, the UK residential mortgage business, the Group’s branch network in Northern Ireland (NI), the Group’s business banking business in NI and the Northridge Finance motor and asset finance, vehicle leasing and fleet management business. The Group also has a business banking business in GB which is being run down. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group’s wholly owned UK licenced banking subsidiary.

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

Group Centre
Group Centre comprises Group Technology and Customer Solutions, Group Finance, Group Risk, Group Marketing, People Services, Group Strategy & Development and Group Internal Audit. The Group's 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 CEO and CFO are considered to be the chief operating decision maker for the Group. The Group’s operating segments reflect its organisational and management structures. The CEO and CFO review the Group’s internal reporting based around these segments to assess performance and allocate resources. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

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

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

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

3 Operating segments *(continued)*

External revenue comprises interest income, net insurance premium income, fee and commission income, net trading 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' in its internal management reporting systems. Underlying profit or loss excludes:

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

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

Group **2020**	**Retail Ireland[1] €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Group Centre €m**	**Other reconciling items[2] €m**	**BOIG plc Group €m**	**BOIG plc €m**	**Group €m**
Net interest income	**937**	**(7)**	**559**	**630**	**(2)**	**(2)**	**2,115**	**(17)**	**2,098**
Other income, net of insurance claims	205	178	(2)	131	(10)	3	505	-	505
Total operating income, net of insurance claims	**1,142**	**171**	**557**	**761**	**(12)**	**1**	**2,620**	**(17)**	**2,603**
Other operating expenses	(642)	(106)	(254)	(172)	(416)	(2)	(1,592)	1	(1,591)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(642)*	*(104)*	*(250)*	*(172)*	*(241)*	*(2)*	*(1,411)*	*1*	*(1,410)*
- Transformation Investment charge	*-*	*-*	*-*	*-*	*(56)*	*-*	*(56)*	*-*	*(56)*
- Levies and regulatory charges	*-*	*(2)*	*(4)*	*-*	*(119)*	*-*	*(125)*	*-*	*(125)*
Depreciation and amortisation	(67)	(9)	(42)	(11)	(124)	-	(253)	-	(253)
Impairment of goodwill and intangibles	-	-	(9)	-	(3)	-	(12)	-	(12)
Total operating expenses	**(709)**	**(115)**	**(305)**	**(183)**	**(543)**	**(2)**	**(1,857)**	**1**	**(1,856)**
Underlying operating profit / (loss) before impairment charges on financial assets	**433**	**56**	**252**	**578**	**(555)**	**(1)**	**763**	**(16)**	**747**
Net impairment losses on financial instruments	(314)	-	(268)	(549)	(2)	-	(1,133)	-	(1,133)
Share of results of associates and joint ventures	(3)	-	(1)	-	-	-	(4)	-	(4)
Underlying (loss) before tax	**116**	**56**	**(17)**	**29**	**(557)**	**(1)**	**(374)**	**(16)**	**(390)**

2020 **Reconciliation of underlying loss before tax to loss before tax**	**Group €m**
Underlying loss before tax	(390)
Cost of restructuring programme	(245)
Impairment of internally generated computer software	(136)
Customer redress charges	(39)
Gain on disposal / liquidation of business activities	13
Investment return on treasury shares held for policyholders	9
Gross-up for policyholder tax in the Wealth and Insurance business	7
Portfolio divestments	5
Loss before tax	**(776)**

[1] *Included in underlying profit before tax of Retail Ireland in 2019 is an underlying loss before tax of €1.2 million, comprising operating income of €2.5 million, and operating expenses of €3.7 million relating to its Irish non-branch ATM business from which the Group has made a strategic decision to exit. For 2020, income and expense from the Irish non-branch ATM business has been excluded from underlying profit before tax of Retail Ireland and presented within non-core items on the reconciliation table above as 'Portfolio divestments'.*

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

3 Operating segments *(continued)*

Group *Restated*[1] 2019	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[2] €m	BOIG plc Group €m	BOIG plc €m	Group €m
Net interest income	1,005	(8)	563	609	(2)	6	2,167	(7)	2,160
Other income, net of insurance claims	253	312	(15)	129	(3)	(7)	669	-	669
Total operating income, net of insurance claims	**1,258**	**304**	**548**	**732**	**(5)**	**(1)**	**2,836**	**(7)**	**2,829**
Other operating expenses	(670)	(128)	(281)	(182)	(349)	1	(1,609)	1	(1,608)
- Other operating expenses (before transformation investment and levies and regulatory charges)	*(670)*	*(126)*	*(277)*	*(182)*	*(130)*	*1*	*(1,384)*	*1*	*(1,383)*
- Transformation Investment charge	-	-	-	-	*(108)*	-	*(108)*	-	*(108)*
- Levies and regulatory charges	-	*(2)*	*(4)*	-	*(111)*	-	*(117)*	-	*(117)*
Depreciation and amortisation	(75)	(7)	(48)	(13)	(151)	1	(293)	-	(293)
Impairment of goodwill and intangibles	-	-	-	-	-	-	-	-	-
Total operating expenses	**(745)**	**(135)**	**(329)**	**(195)**	**(500)**	**2**	**(1,902)**	**1**	**(1,901)**
Underlying operating profit / (loss) before impairment charges on financial assets	**513**	**169**	**219**	**537**	**(505)**	**1**	**934**	**(6)**	**928**
Net impairment (losses) / gains on financial instruments	(50)	-	(82)	(82)	(1)	-	(215)	-	(215)
Share of results of associates and joint ventures	5	-	34	-	-	-	39	-	39
Underlying profit / (loss) before tax	**468**	**169**	**171**	**455**	**(506)**	**1**	**758**	**(6)**	**752**

2019 **Reconciliation of underlying profit before tax to profit before tax**	Group €m
Underlying profit before tax	752
Customer redress charges	(74)
Cost of restructuring programme	(59)
Gross-up for policyholder tax in the Wealth and Insurance business	35
(Loss) on disposal / liquidation of business activities	(25)
Portfolio divestments	12
Investment return on treasury shares held for policyholders	(2)
Profit before tax	**639**

[1] *As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.*

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

3 Operating segments *(continued)*

Group 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	**54**	**-**	**54**	**-**	**-**	**-**	**108**
External assets	33,933	20,666	32,688	36,107	10,375	(15)	133,754
Inter segment assets	73,281	486	879	97,490	23,804	(195,940)	-
Total assets	**107,214**	**21,152**	**33,567**	**133,597**	**34,179**	**(195,955)**	**133,754**
Other Bank assets							40
Group assets							**133,794**
External liabilities	61,256	20,132	24,158	13,359	5,234	(6)	124,133
Inter segment liabilities	44,026	255	7,151	119,689	24,848	(195,969)	-
Total liabilities	**105,282**	**20,387**	**31,309**	**133,048**	**30,082**	**(195,975)**	**124,133**
Other Bank liabilities							723
Group liabilities							**124,856**

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

3 Operating segments *(continued)*

Group 2020 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	1,233	1,955	1,057	856	9	(71)	5,039	-	5,039
Inter segment revenues	530	(9)	(84)	542	197	(1,176)	-	-	-
Revenue before claims paid	**1,763**	**1,946**	**973**	**1,398**	**206**	**(1,247)**	**5,039**	**-**	**5,039**
Insurance contract liabilities and claims paid	-	(1,691)	-	-	1	-	(1,690)	-	(1,690)
Revenue	**1,763**	**255**	**973**	**1,398**	**207**	**(1,247)**	**3,349**	**-**	**3,349**
Interest expense	**(58)**	**-**	**(176)**	**(138)**	**(171)**	**62**	**(481)**	**(17)**	**(498)**
Capital expenditure	**10**	**96**	**58**	**25**	**144**	**-**	**333**	**-**	**333**

Group *Restated*[1] 2019 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	1,360	2,965	1,164	975	17	(42)	6,439	-	6,439
Inter segment revenues	477	83	(14)	374	248	(1,168)	-	-	-
Revenue before claims paid	**1,837**	**3,048**	**1,150**	**1,349**	**265**	**(1,210)**	**6,439**	**-**	**6,439**
Insurance contract liabilities and claims paid	-	(2,642)	-	-	(5)	-	(2,647)	-	(2,647)
Revenue	**1,837**	**406**	**1,150**	**1,349**	**260**	**(1,210)**	**3,792**	**-**	**3,792**
Interest expense	**(79)**	**-**	**(239)**	**(127)**	**(189)**	**48**	**(586)**	**(7)**	**(593)**
Capital expenditure	**18**	**20**	**64**	**-**	**205**	**-**	**307**	**-**	**307**

[1] *As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.*

3 Operating segments *(continued)*

Group 2020 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	3,834	1,106	99	-	5,039	-	5,039
Inter segment revenues	102	121	16	(239)	-	-	-
Revenue before claims paid	**3,936**	**1,227**	**115**	**(239)**	**5,039**	**-**	**5,039**
Insurance contract liabilities and claims paid	(1,691)	-	1	-	(1,690)	-	(1,690)
Revenue	**2,245**	**1,227**	**116**	**(239)**	**3,349**	**-**	**3,349**
Capital expenditure	**284**	**49**	**-**	**-**	**333**	**-**	**333**
External assets	98,449	33,915	1,390	-	133,754		
Inter segment assets	10,003	2,862	1,293	(14,158)	-		
Total assets					**133,754**		
Other Bank assets					40		
Group assets					**133,794**		
External liabilities	99,259	24,798	76	-	124,133		
Inter segment liabilities	1,810	9,887	2,463	(14,160)	-		
Total liabilities					**124,133**		
Other Bank liabilities					723		
Group liabilities					**124,856**		

Group *Restated*[1] 2019 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	5,086	1,246	107	-	6,439	-	6,439
Inter segment revenues	171	82	32	(285)	-	-	-
Revenue before claims paid	**5,257**	**1,328**	**139**	**(285)**	**6,439**	**-**	**6,439**
Insurance contract liabilities and claims paid	(2,642)	-	(5)	-	(2,647)	-	(2,647)
Revenue	**2,615**	**1,328**	**134**	**(285)**	**3,792**	**-**	**3,792**
Capital expenditure	**258**	**49**	**-**	**-**	**307**	**-**	**307**
External assets	93,285	37,025	1,573	-	131,883		
Inter segment assets	11,086	4,258	1,008	(16,352)	-		
Total assets					**131,883**		
Other Bank assets					35		
Group assets					**131,918**		
External liabilities	93,604	27,736	110	-	121,450		
Inter segment liabilities	3,119	10,941	2,294	(16,354)	-		
Total liabilities					**121,450**		
Other Bank liabilities					715		
Group liabilities					**122,165**		

[1] *As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.*

4 Interest income

Interest income includes interest on debt financial assets measured at FVTPL, excluding assets held for trading and those within the Group's life assurance operations; and interest income on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges).

Interest income on loans and advances to customers is shown net of:

- a charge of €22 million (2019: €nil) arising from an interest rate implementation review which was carried out by the Group in 2020. For further details, see note 44 Provisions; and
- a charge of €4 million (2019: €10 million) related to redress arising from the Tracker Mortgage Examination Review.

Interest income recognised on loans and advances to customers
In 2020, €87 million of interest was recognised on credit-impaired loans and advances to customers (2019: €68 million).

In 2020, €98 million of interest income was received on credit-impaired loans and advances to customers (2019: €73 million).

In 2020, interest recognised on total forborne loans and advances to customers was €152 million (2019: €140 million).

In 2020, interest income received on total forborne loans and advances to customers was €154 million (2019: €134 million).

Transferred from cash flow hedge reserve
Interest income is presented net of a charge of €61 million (2019: €98 million charge) transferred from the cash flow hedge reserve (page 127).

Interest income recognised on debt securities at fair value through other comprehensive income
Interest income on FVOCI financial assets is recognised net of negative interest on derivatives which are in a hedge relationship with the relevant financial asset of €86 million (2019: €92 million[2]).

	2020 €m	*Restated*[1] 2019 €m
Financial assets measured at amortised cost		
Loans and advances to customers	2,129	2,261
Loans and advances to banks	10	31
Debt securities at amortised cost	2	9
Interest income on financial assets measured at amortised cost	**2,141**	**2,301**
Financial assets at fair value through other comprehensive income		
Debt securities at FVOCI	9	30
	2,150	**2,331**
Negative interest on financial liabilities	33	19
Interest income calculated using the effective interest method	**2,183**	**2,350**
Other interest income		
Finance leases and hire purchase receivables	171	175
Loans and advances to customers at FVTPL	18	13
Other financial assets at FVTPL	1	5
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	197	215
Other interest income	**387**	**408**
Interest income	**2,570**	**2,758**

[1] As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.

[2] The comparative disclosure of negative interest on derivatives in a hedge relationship with debt securities at fair value through other comprehensive income has been restated to include interest on all such derivatives. Negative interest on derivatives in a hedge relationship with debt securities at fair value through other comprehensive income increased by €64 million from €28 million to €92 million. There was no impact on interest from debt securities at fair value through other comprehensive income or interest income.

5 Interest expense

Interest expense includes interest on debt financial liabilities measured at FVTPL, excluding liabilities held for trading; and interest expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges).

Interest expense recognised on subordinated liabilities
Interest expense on subordinated liabilities is recognised on an Effective Interest Rate basis, net of interest income of €11 million (2019: €12 million[2]) on derivatives which are in a hedge relationship with the relevant liability.

Interest expense recognised on debt securities in issue
Interest expense on debt securities in issue is recognised on an Effective Interest Rate basis net of interest income of €49 million (2019: €51 million) on derivatives which are in a hedge relationship with the relevant liability.

Other interest expense
Other interest expense is made up of €4 million interest expense on certain taxable gains arising from liability management exercises between 2009 and 2011 (see notes 2 and 19 for further information) and other interest expense €1 million.

Group	2020 €m	*Restated[1]* 2019 €m
Fiancial liabilities measured at amortised cost		
Debt securities in issue	99	108
Subordinated liabilities	66	92
Customer accounts	59	135
Lease liabilities	14	15
Deposits from banks	9	20
Interest expense on financial liabilities measured at amortised cost	**247**	**370**
Negative interest on financial assets	10	7
Interest expense calculated using effective interest rate method	**257**	**377**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	231	207
Customer accounts at FVTPL	5	9
Other interest expense	5	-
Other interest expense	**241**	**216**
Interest expense	**498**	**593**

6 Net insurance premium income

	2020 €m	2019 €m
Gross premiums written	1,905	1,704
Ceded reinsurance premiums	(278)	(186)
Net premium written	**1,627**	**1,518**

7 Fee and commission income and expense

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	229	-	64	40	-	333
Credit related fees	6	-	2	14	-	22
Insurance commissions	-	11	1	-	-	12
Asset management fees	-	3	-	-	-	3
Brokerage fees	2	-	1	-	-	3
Other	7	3	22	23	-	55
Fee and commission income	**244**	**17**	**90**	**77**	**-**	**428**

[1] As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.

[2] The comparative disclosure of interest income on derivatives in a hedge relationship with subordinated liabilities has been restated to include interest on all such derivatives. Interest income on derivatives in a hedge relationship with subordinated liabilities reduced by €4 million from €16 million to €12 million. There was no impact on interest on subordinated liabilities or interest expense.

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

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	274	-	89	44	-	407
Credit related fees	8	-	4	17	-	29
Insurance commissions	-	12	1	-	-	13
Asset management fees	-	3	-	-	-	3
Brokerage fees	1	-	1	-	-	2
Other	11	5	16	24	-	56
Fee and commission income	**294**	**20**	**111**	**85**	**-**	**510**

Expense

Fee and commission expense of €172 million (2019: €205 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

8 Net trading income

Net trading income includes the gains and losses on financial instruments mandatorily measured at FVTPL and those designated at FVTPL (other than unit linked life assurance assets and investment contract liabilities). It includes the fair value movement on these instruments and the realised gains and losses arising on the purchase and sale. It also includes the interest income receivable and expense payable on financial instruments held for trading and €14 million of a net gain arising from FX (2019: net gain €18 million).

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

Net fair value hedge ineffectiveness reflects a net charge from hedging instruments of €42 million (2019: net charge of €78 million) offsetting a net gain from hedged items of €39 million (2019: net gain of €76 million).

The total hedging ineffectiveness on cash flow hedges reflected in the income statement in 2020 amounted to €nil (2019: €nil).

	2020 €m	*Restated*[1] 2019 €m
Financial liabilities designated at fair value	40	(141)
Related derivatives held for trading	(44)	147
	(4)	**6**
Net income from financial instruments mandatorily measured at fair value through profit or loss[2]		
Other financial instruments held for trading	31	80
Equities[3]	6	36
Loans and advances	(2)	(2)
Non-trading debt securities[3]	(2)	3
	29	**123**
Net fair value hedge ineffectiveness	(3)	(2)
Cash flow hedge ineffectiveness	-	-
Net trading income	**26**	**121**

1 As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.
2 Net income from other financial assets mandatorily measured at fair value through profit or loss includes interest income from debt instruments and dividend income from equities. It also includes realised and unrealised gains and losses.
3 Non-trading equities and debt securities mandatorily measured at fair value through profit or loss are reported in the balance sheet under the caption 'Other financial assets at fair value through profit or loss'. The income from life assurance investments which also comprise 'Other financial assets at fair value through profit or loss is reported in note 9 Life assurance investment income, gains and losses.

9 Life assurance investment income, gains and losses

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 income, gains are €270 million for the year ended 31 December 2020 (2019: gains of €1,311 million). The gains on other financial assets is consistent with favourable investment market performance. Movement in insurance contract liabilities (note 41) is consistent with the investment returns in the year.

The losses on investment property is consistent with change in fair value revaluation loss net of rental income and expenses.

	2020 €m	2019 €m
Gains on other financial assets held on behalf of Wealth and Insurance policyholders	299	1,284
(Losses) / gains on investment property held on behalf of Wealth and Insurance policyholders	(29)	27
Life assurance investment income, gains and losses	**270**	**1,311**

10 Other leasing income and expense

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: €35 million (2019: €35 million) of operating lease payments received (note 34), €25 million arising from the sale of leased assets (2019: €20 million) and €5 million relating to other income (2019: €7 million).

Other leasing expense includes: depreciation of €28 million related to rental vehicles (2019: €28 million) and other selling and disposal costs of €27 million (2019: €24 million).

	2020 €m	2019 €m
Other leasing income	65	62
Other leasing expense	(55)	(52)
Net other leasing income	**10**	**10**

11 Other operating income

	2020 €m	2019 €m
Other insurance income	58	52
Movement in Value of in Force asset (note 37)	(16)	60
Transfer from debt instruments at FVOCI reserve on asset disposal (note 24)	7	3
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	4	(1)
Other income	3	5
Dividend income	1	1
Other operating income	**57**	**120**

12 Insurance contract liabilities and claims paid

	2020 €m	2019 €m
Claims paid		
Policy surrenders	915	897
Death and critical illness claims	187	171
Annuity payments	91	90
Policy maturities	-	2
Other claims	79	79
Gross claims paid	**1,272**	**1,239**
Recovered from reinsurers	(124)	(116)
Net claims paid	**1,148**	**1,123**
Change in insurance contract liabilities		
Change in gross liabilities	786	1,690
Change in reinsured liabilities	(244)	(166)
Net change in insurance contract liabilities	**542**	**1,524**
Insurance contract liabilities and claims paid	**1,690**	**2,647**

13 Other operating expenses

Group **Administrative expenses and staff costs**	2020 €m	2019 €m
Staff costs excluding restructuring and Transformation Investment staff costs	826	855
Amortisation of intangible assets (note 32)	164	193
Levies and regulatory charges	125	117
- Irish bank levy	*34*	*34*
- Other	*91*	*83*
Depreciation of property, plant and equipment (note 34)	89	96
Transformation Investment charge	56	108
Lease expenses	9	11
- Variable lease payments (note 43)	*8*	*8*
- Short-term leases (note 43)	*1*	*3*
Revaluation loss on property (note 34)	4	-
Reversal of previously recognised impairment (note 34)	(3)	-
Other administrative expenses excluding cost of restructuring programme	617	625
Total	**1,887**	**2,005**
Total staff costs are analysed as follows:		
Wages and salaries	681	659
Social security costs	78	74
Retirement benefit costs (defined benefit plans) (note 47)	66	103
Retirement benefit costs (defined contribution plans)	35	31
Other staff expenses	-	8
	860	**875**
Staff costs capitalised	(34)	(20)
Staff costs excluding restructuring and Transformation Investment staff costs	**826**	**855**
Additional restructuring and Transformation Investment staff costs:		
Included in cost of restructuring programme (note 14)	193	34
Included in Transformation Investment charge	13	17
Total staff costs recognised in the income statement	**1,032**	**906**

13 Other operating expenses *(continued)*

The Group has incurred levies and regulatory charges of €125 million (2019: €117 million). The other levies and regulatory charges for 2020 primarily reflect the Group's contribution to the Single Resolution Fund (SRF) and the DGS fund, along with the charges for the FSCS levy.

Transformation Investment income statement charge of €56 million (2019: €108 million) includes €12 million (2019: €30 million) for associated application and infrastructure costs.

In 2020, there was €63 million (2019: €69 million) depreciation of RoU assets under IFRS 16 included within depreciation of property, plant and equipment. In 2020, a €3 million reversal of impairment relates to the transferral of computer and other equipment to assets classified as held for sale, see notes 26 and 34 for further details.

Other administrative expenses includes a charge of €10 million (2019: €57 million) relating to the Tracker Mortgage Examination Review and a charge of €3 million (2019: €nil) arising from an interest rate implementation review which was carried out by the Group in 2020 (see note 44 for further details).

Retirement benefit costs on the defined benefit plans have reduced mainly due to a negative past service cost recognised in 2020 of €26 million (2019: €nil). See note 47 for further details.

Staff numbers

At 31 December 2020, the number of staff (full time equivalents) was 9,782 (2019: 10,440) (Bank 2020: 8,298, 2019: 9,058) which excludes employees who exited the Group under the Voluntary Parting Scheme up to and including 31 December 2020.

The table below outlines the reduction in the average number of staff employed by the Group.

Average number of staff (full time equivalents)	**2020**	**2019**
Retail Ireland	4,056	4,139
Retail UK	1,433	1,490
Wealth and Insurance	891	902
Corporate and Treasury	697	691
Group Centre	3,226	3,202
Total	**10,303**	**10,424**

Bank **Staff costs**	**2020** **€m**	**2019** **€m**
Total staff costs are analysed as follows:		
Wages and salaries	584	571
Social security costs	66	63
Retirement benefit costs (defined benefit plans) (note 47)	82	89
Retirement benefit costs (defined contribution plans)	31	27
Other staff expenses	-	5
	763	**755**
Staff costs capitalised	(33)	(13)
Staff costs excluding restructuring and platforms investment staff costs	**730**	**742**
Additional restructuring and platforms investment staff costs:		
Included in cost of restructuring programme	167	34
Included in transformation investment charge	13	17
Total staff costs recognised in the income statement	**910**	**793**
Average number of staff (full time equivalents)	8,735	9,049

14 Cost of restructuring programme

	2020 €m	2019 €m
Transformation Investment costs	237	55
- Staff costs (note 13)	*193*	*34*
- Programme management costs	*22*	*17*
- UK Strategic Review costs	*16*	*-*
- Property-related costs	*6*	*4*
Other restructuring charges	8	4
Total	**245**	**59**

During 2020, the Group recognised a restructuring charge of €245 million (2019: €59 million) all of which €237 million (2019: €55 million) related to the Group's Transformation Investment programme and €8 million (2019: €4 million) for other restructuring costs.

The Transformation Investment costs predominantly relate to the Group-wide voluntary redundancy scheme which was open to employees between August and September 2020 (the 'Scheme'). The €193 million staff costs reflects voluntary redundancy costs of €189 million for employees that had exited the Group by 31 December 2020 and employees for which the Group has exit plans in place and has made appropriate communications as at 31 December 2020 and €4 million for other staff costs. The Transformation Investment costs also include external programme management costs of €22 million (2019: €17 million), costs of €16 million incurred related to the planning and scoping of the strategic review of the Group's Northern Ireland and UK operations, of which €3 million related to the impairment of other property, plant and equipment, costs related to the implementation of the Group's property strategy of €6 million (2019: €4 million) which is due to the loss on disposal of assets arising from the exit of property.

Other restructuring costs of €8 million (2019: €4 million) includes €3 million related to the impairment of property, plant and equipment and other related costs of €5 million.

15 Auditor's remuneration (excluding Value Added Tax)

Audit and assurance services	Note	RoI (i) €m	Overseas (ii) €m	2020 €m	2019 €m
Statutory audit of financial statements		2.8	0.7	3.5	3.5
Other assurance services	(iii)	0.6	0.4	1.0	1.1
		3.4	**1.1**	**4.5**	**4.6**
Tax advisory services		0.1	-	0.1	-
Total Auditors' remuneration		**3.5**	**1.1**	**4.6**	**4.6**

Disclosure of Auditor's fees is made in accordance with Section 322 of the Companies Act which mandates the disclosure of fees in particular categories and that fees paid to the Group Auditor (KPMG) for services provided to the Group be disclosed in this format. All years presented are on that basis.

The CAC has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

(i) Fees paid to the Statutory Auditor, KPMG.
(ii) Fees paid to overseas auditors consist of fees paid to KPMG UK in the UK;
(iii) Assurance services consist primarily of review of the interim financial statements, review of Bank of Ireland UK plc's regulatory returns and associated governance and controls and other processes in relation to the preparation of the returns, fees in connection with reporting to regulators including the CBI, letters of comfort and review of compliance with the Government Guarantee Schemes; and
(iv) Tax Advisory services consists primarily of taxation advice in relation to historical property related transactions & cash flow analysis services.

16 Net impairment losses on financial instruments

	2020 €m	2019 €m
Loans and advances to customers	(1,061)	(209)
- Movement in impairment loss allowance (note 26)	*(1,099)*	*(257)*
- Cash recoveries	*38*	*48*
Loan commitments	(65)	(5)
Guarantees and irrevocable letters of credit	(4)	-
Other financial assets	(3)	-
Net impairment (losses) on financial instruments	**(1,133)**	**(214)**

Loans and advances to customers at amortised cost

Net impairment losses

The Group's net impairment (losses) / gains on loans and advances to customers at amortised cost are set out in this table.

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 year ended 31 December 2019.

There have been no such disposals or resulting impairment gains / losses in the year ended 31 December 2020.

	2020 €m	2019 €m
Residential mortgages	(53)	(52)
- Retail Ireland	*(23)*	*(60)*
- Retail UK	*(30)*	*8*
Non-property SME and corporate	(512)	(76)
- Republic of Ireland SME	*(217)*	*(18)*
- UK SME	*(29)*	*9*
- Corporate	*(266)*	*(67)*
Property and construction	(388)	(24)
- Investment	*(372)*	*(30)*
- Land and development	*(16)*	*6*
Consumer	(108)	(57)
Total	**(1,061)**	**(209)**

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

	2020 €m	2019 €m
Associates (note 30)	(3)	5
First Rate Exchange Services (note 31)	(1)	34
Share of results of associates and joint ventures (after tax)	**(4)**	**39**

18 Gain / (loss) on disposal / liquidation of business activities

The 2019 loss on disposal of business activities reflects the sale of the Retail UK credit card portfolio in 2019. In July 2019, the portfolio was sold for total consideration of €580 million resulting in a net loss on disposal of €21 million. The net loss on disposal also included a provision of €39 million related to the costs of migration and other costs associated with the disposal (note 44). This provision was based upon management's best estimates at that time of the length of the migration period and the related costs.

In October 2020 the migration concluded and consequently management has adjusted the provision during 2020 to reflect the actual costs and timing of the migration. This has resulted in a release of €8 million from the provision during 2020 which is reflected as an adjustment to the loss on disposal line during the current year.

As part of the Group's focus on simplifying its corporate structure, the Group has an ongoing programme of winding up a number of wholly owned, dormant and non-trading companies, a number of which are foreign operations. During 2020, the Group voluntarily appointed a liquidator to manage the winding up of a number of foreign operations. Upon appointment of the liquidator, the Group is considered to have lost control of the foreign operations and has accounted for this loss of control as a disposal. In accordance with IAS 21, the Group has reclassified net cumulative FX gains of €5 million relating to these foreign operations from the FX reserve to the income statement during 2020 (2019: losses of €4 million).

	2020 €m	2019 €m
Disposal of Retail UK card portfolio	8	(21)
Transfer of foreign exchange reserve to income statement on liquidation of non-trading entities	5	(4)
Gain / (loss) on disposal / liquidation of business activities	**13**	**(25)**

19 Taxation

The taxation credit for the year is €55 million with an effective statutory taxation rate of 7% (2019: taxation charge of €196 million and taxation rate of 31%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses and the reassessment of the tax value of the tax losses carried forward.

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, HMRC, over the last number of years as it considers these transactions. Details of these transactions are outlined in Critical Accounting Estimates & Judgements (note 2) on page 110.

Recognised in income statement	2020 €m	2019 €m
Current tax		
Irish Corporation Tax		
- Current year	4	47
- Adjustments in respect of prior year	-	(1)
Foreign tax		
- Current year	25	49
- Adjustments in respect of prior year	7	(5)
Current tax charge	**36**	**90**
Deferred tax		
Current year profits	(100)	33
Adjustments in respect of prior year	(6)	1
Origination and reversal of temporary differences	(11)	25
Impact of Corporation Tax rate change	(9)	-
Reassessment of value of tax losses carried forward	35	47
Deferred tax (credit) / charge	**(91)**	**106**
Taxation (credit) /charge	**(55)**	**196**

19 Taxation *(continued)*

Reconciliation of tax on the (loss) / profit before taxation at the standard Irish corporation tax rate to actual tax charge	2020 €m	2019 €m
(Loss) / profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2019: 12.5%)	(97)	80
Effects of:		
Reassessment of value of tax losses carried forward	35	47
Foreign earnings subject to different rates of tax	4	35
Wealth & Insurance companies - different basis of accounting	(9)	16
Adjustments in respect of prior year	1	(5)
Share of results of associates and joint ventures shown post tax in the income statement	-	(4)
Impact of Corporation tax rate change[1]	(9)	-
Other adjustments for tax purposes	20	27
Taxation (credit) / charge	**(55)**	**196**

	2020			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	13	(2)	11	32	(4)	28
Transfer to income statement						
- Asset disposal	(7)	1	(6)	(3)	-	(3)
Net change in debt instruments at FVOCI reserve	**6**	**(1)**	**5**	**29**	**(4)**	**25**
Remeasurement of the net defined benefit pension liability	**(87)**	**7**	**(80)**	**44**	**(5)**	**39**
Cash flow hedge reserve						
Changes in fair value	394	(50)	344	(440)	50	(390)
Transfer to income statement	(403)	47	(356)	442	(56)	386
- Net trading income / (expense)	*(464)*	*54*	*(410)*	*344*	*(44)*	*300*
- Net interest income	*61*	*(7)*	*54*	*98*	*(12)*	*86*
Net change in cash flow hedge reserve	**(9)**	**(3)**	**(12)**	**2**	**(6)**	**(4)**
Net change in foreign exchange reserve	**(174)**	**-**	**(174)**	**130**	**-**	**130**
Net change in revaluation reserve	**(9)**	**2**	**(7)**	**3**	**-**	**3**
Liability credit reserve						
Changes in fair value of liabilities designated at fair value through profit or loss due to own credit risk	2	-	2	(22)	4	(18)
Other comprehensive income for the year	**(271)**	**5**	**(266)**	**186**	**(11)**	**175**

[1] *The tax credit of €9 million (2019: €nil) in respect of corporation tax rate changes is due to the main UK corporation tax rate remaining at 19% for the financial year, rather than reducing to the previously enacted rate of 17%. This change was substantively enacted on 17 March 2020.*

20 Derivative financial instruments

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in note 27 Financial Risk Management. The notional amounts of certain types of derivatives do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit risk. The derivative instruments give rise to assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

Derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Group does not apply hedge accounting. Derivatives classified as held for hedging comprise only those derivatives to which the Group applies hedge accounting.

The Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €2.2 billion at 31 December 2020 (2019: €2.0 billion):

- €2.0 billion (2019: €1.7 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities. At 31 December 2020, cash collateral of €0.2 billion (2019: €0.2 billion) was held against these assets and is reported within deposits from banks (note 38); and
- €0.2 billion (2019: €0.3 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the reporting date.

At 31 December 2020, placements with other banks include cash collateral of €0.6 billion (2019: €0.8 billion) and loans and advances to customers include cash collateral of €0.01 billion placed with derivative counterparties in respect of a net derivative liability position of €0.5 billion (2019: €0.9 billion) and is reported within loans and advances to banks (note 22) and loans and advances to customers (note 26).

The notional amounts and fair values of derivative instruments held by the Group are set out in the table below.

Group	2020			2019		
	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m
Derivatives held for trading						
Foreign exchange derivatives						
Currency swaps	2,068	13	13	3,427	21	22
Currency forwards	3,894	63	55	3,746	45	41
Over the counter currency options	115	1	1	370	1	1
Total foreign exchange derivatives held for trading	**6,077**	**77**	**69**	**7,543**	**67**	**64**
Interest rate derivatives						
Interest rate swaps	173,036	1,268	1,393	144,223	1,103	1,347
Cross currency interest rate swaps	1,801	34	19	2,349	84	132
Over the counter interest rate options	12,090	8	7	11,875	3	6
Interest rate futures	20	-	-	99	-	-
Forward rate agreements	4,304	2	3	4,020	1	1
Total interest rate derivatives held for trading	**191,251**	**1,312**	**1,422**	**162,566**	**1,191**	**1,486**
Equity contracts, commodity contracts and credit derivatives						
Equity index-linked contracts held	1,866	38	29	1,766	135	11
Credit derivatives	-	-	-	100	5	5
Total equity contracts and credit derivatives	**1,866**	**38**	**29**	**1,866**	**140**	**16**
Total derivative assets / liabilities held for trading	**199,194**	**1,427**	**1,520**	**171,975**	**1,398**	**1,566**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	46,522	595	707	47,165	572	560
Cross currency interest rate swaps	82	-	4	-	-	-
Total designated as fair value hedges	**46,604**	**595**	**711**	**47,165**	**572**	**560**
Derivatives designated as cash flow hedges						
Cross currency interest rate swaps	11,875	180	21	9,933	3	346
Interest rate swaps	857	15	5	1,383	26	6
Total designated as cash flow hedges	**12,732**	**195**	**26**	**11,316**	**29**	**352**
Total derivative assets / liabilities held for hedging	**59,336**	**790**	**737**	**58,481**	**601**	**912**
Total derivative assets / liabilities	**258,530**	**2,217**	**2,257**	**230,456**	**1,999**	**2,478**

20 Derivative financial instruments *(continued)*

Interest rate benchmark reform

At 31 December 2020, EURIBOR, GBP LIBOR and USD LIBOR represented the most significant interbank offered rate benchmarks subject to reform to which the Group's fair value and cash flow hedge relationships of interest rate risk are exposed.

As EURIBOR has been reformed and complies with the EU Benchmarks Regulation under a new hybrid methodology, the Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future and, therefore, does not consider interest rate hedge relationships of EURIBOR to be directly affected by BMR reform as at 31 December 2020. In line with regulatory guidance and now established market practice it is expected that SONIA (Sterling Overnight Index Average) will replace GBP LIBOR and SOFR (Secured Overnight Financing Rate) will replace USD LIBOR.

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

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships. The Group has applied judgement in relation to market expectations when determining the fair value of the hedging instrument and the present value of the estimated cash flows of the hedged item. The key judgement is that the cash flows for contracts indexing rates subject to the BMR reform are currently expected to be broadly equivalent to the cash flows when those contracts transition to alternative BMRs. However, this may no longer be the case. Hedge accounting relationships impacted by the BMR reform may experience increased ineffectiveness due to the following reasons:

- Market participants' expectations for when the transition from the existing benchmark rate to an alternative benchmark interest rate may occur. This could give rise to hedge ineffectiveness in the prospective assessment, in particular where the replacement of the benchmark rate in the hedged item and the hedging instrument is expected to occur at different times or to be subject to different market conventions.
- Modification to the terms of the existing BMR contracts that results in the derecognition of a hedged item or the hedging instrument. If upon transition to an alternative benchmark rate, the new basis for determining contractual cash flows is not economically equivalent to the previous basis and the modification is deemed to be substantial, the hedging instrument and / or hedged item will be required to be derecognised, which would imply discontinuation of the corresponding hedge accounting relationship. Any subsequent re-designation of such hedge relationships may increase hedge ineffectiveness.

The timing of the nominal amounts of hedging instruments (excluding those subject to a dynamic macro-hedging process) and the applicable average rates were as follows.

Group	2020				2019			
Hedging strategy	Up to 1 year €m	1-2 years €m	2-5 years €m	>5 years €m	Up to 1 year €m	1-2 years €m	2-5 years €m	>5 years €m
Fair value hedge								
Interest rate risk								
- Interest rate swap - notional amount	1,783	4,375	7,438	8,127	3,386	1,851	9,738	6,771
- Average fixed interest rate	0.38%	0.69%	0.46%	0.41%	0.92%	0.39%	0.58%	0.72%
Foreign exchange risk								
- Cross currency interest rate swap - notional amount	-	-	-	82	-	-	-	-
- Average EUR- JPY foreign exchange risk	-	-	-	0.01	-	-	-	-
Cash flow hedge								
Interest rate risk								
- Interest rate swap - notional amount	434	-	-	423	-	434	139	810
- Average fixed interest rate	0.84%	-	-	0.63%	-	0.86%	1.20%	1.18%
Foreign exchange risk								
- Cross currency interest rate swap - notional amount	4,569	4,353	2,953	-	5,297	4,631	5	-
- Average EUR - GBP foreign exchange rate	0.89	0.87	0.91	-	0.89	0.89	0.87	-

20 Derivative financial instruments *(continued)*

Fair value hedges

Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and FX exposure on the Group's fixed rate debt held, fixed rate mortgages, customer accounts and debt issued portfolios. The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year were as follows:

Items designated as hedging instruments and hedge ineffectiveness Group - 2020 Risk category	Hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used to calculate hedge ineffectiveness[2,3] €m	Ineffectiveness recognised in profit or loss[2,3] €m	Nominal amount of the hedging instruments affected by BMR reform[4] €m
Interest rate risk	Interest rate swaps	46,522	595	(707)	(38)	(3)	7,035
Foreign Exchange Risk	Cross Currency Interest Rate Swaps	82	-	(4)	(4)	-	-
Total		**46,604**	**595**	**(711)**	**(42)**	**(3)**	**7,035**

Items designated as hedging instruments and hedge ineffectiveness Group - 2019 Risk category	Hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used to calculate hedge ineffectiveness[2,3] €m	Ineffectiveness recognised in profit or loss[2,3] €m	Nominal amount of the hedging instruments affected by BMR reform[4] €m
Interest rate risk	Interest rate swaps	47,165	572	(560)	(78)	(2)	10,133
Foreign Exchange Risk	Cross Currency Interest Rate Swaps	-	-	-	-	-	-
Total		**47,165**	**572**	**(560)**	**(78)**	**(2)**	**10,133**

Group 2020 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	Carrying amount of the hedged item Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI	10,837	-	271	-	69	43
Debt securities at amortised cost	5,706	-	233	-	71	-
Loans and advances to customers	7,720	-	87	-	63	2
Customer accounts	-	17,727	-	(308)	(129)	(78)
Debt securities in issue	-	6,595	-	(196)	(39)	(1)
Foreign exchange risk						
Debt securities in issue	-	78	1	-	4	-
Total	**24,263**	**24,400**	**592**	**(504)**	**39**	**(34)**

[1] *All hedging instruments are included within derivative financial instruments on the balance sheet.*
[2] *Ineffectiveness is included within net trading income on the income statement.*
[3] *The main cause of ineffectiveness in the Group's fair value hedge relationships are differences in maturities between certain interest rate swaps and their related hedged items.*
[4] *In previous periods, these figures were reported as the Nominal amount of the hedging instruments affected by IBOR reform.*

20 Derivative financial instruments *(continued)*

Group 2019 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	Carrying amount of the hedged item Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI	10,571	-	232	-	116	61
Debt securities at amortised cost	4,144	-	160	-	121	-
Loans and advances to customers	8,807	-	30	-	46	(3)
Deposits from banks	-	-	-	-	-	-
Customer accounts	-	17,287	-	(244)	(156)	(28)
Debt securities in issue	-	8,438	-	(153)	(51)	(2)
Foreign exchange risk						
Debt securities in issue	-	-	-	-	-	-
Total	**23,522**	**25,725**	**422**	**(397)**	**76**	**28**

Cash flow hedges

The Group designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from floating rate assets and liabilities and from foreign currency assets.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year were as follows:

Group 2020 Risk category and hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or loss[2,3] €m	Amount reclassified from the cash flow hedge reserve to profit or loss[4] €m	Nominal amount of the hedging instruments affected by BMR reform[5] €m
Interest rate risk								
Interest rate swaps	856	15	(5)	9	(9)	-	(28)	228
Foreign exchange risk								
Cross currency interest rate swaps	11,876	180	(21)	464	(464)	-	(375)	3,152
Total	**12,732**	**195**	**(26)**	**473**	**(473)**	**-**	**(403)**	**3,380**

[1] *All hedging instruments are included within derivative financial instruments on the balance sheet.*
[2] *Ineffectiveness is included within net trading income on the income statement.*
[3] *There are no material causes of ineffectiveness in the Group's cash flow hedges.*
[4] *Balances include €nil (2019: €nil) amounts transferred to profit or loss for which hedge accounting was previously applied but for which hedged future cash flows are not expected to occur. The line items affected in profit or loss because of the reclassification are net interest income and net trading income.*
[5] *In previous periods, these figures were reported as the Nominal amount of the hedging instruments affected by IBOR reform.*

20 Derivative financial instruments *(continued)*

Group 2019 Risk category and hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or loss[2,3] €m	Amount reclassified from the cash flow hedge reserve to profit or loss[4] €m	Nominal amount of the hedging instruments affected by BMR reform[5] €m
Interest rate risk								
Interest rate swaps	1,383	26	(6)	(19)	19	-	(39)	950
Foreign exchange risk								
Cross currency interest rate swaps[6]	9,933	3	(346)	(372)	372	-	481	9,933
Total	**11,316**	**29**	**(352)**	**(391)**	**391**	**-**	**442**	**10,883**

Group 2020 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discontinued hedges €m
Interest rate risk	(9)	(5)	8
Foreign exchange risk	(464)	24	-
Total	**(473)**	**19**	**8**

Group 2019 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discontinued hedges €m
Interest rate risk	19	(16)	31
Foreign exchange risk[6]	372	3	-
Total	**391**	**(13)**	**31**

[1] *All hedging instruments are included within derivative financial instruments on the balance sheet.*
[2] *Ineffectiveness is included within net trading income on the income statement.*
[3] *There are no material causes of ineffectiveness in the Group's cash flow hedges.*
[4] *Balances include €nil (2019: €nil) amounts transferred to profit or loss for which hedge accounting was previously applied but for which hedged future cash flows are not expected to occur. The line items affected in profit or loss because of the reclassification are net interest income and net trading income.*
[5] *In previous periods, these figures were reported as the Nominal amount of the hedging instruments affected by IBOR reform.*
[6] *The changes in value used for calculating hedge ineffectiveness on cross currency interest rate swaps and the hedged foreign exchange risk have been restated in order to include changes in value attributed to movements in spot foreign exchange rates that were transferred to the income statement during 2019. The changes in value used for calculating hedge ineffectiveness have been amended by €376 million from €4 million net gain on the cross currency interest rate swaps and €4 million net loss on the hedged foreign exchange risk to €372 million net loss on the cross currency interest rate swaps and €372 million net gain on the hedged foreign exchange risk. This restatement had no impact on either the hedge ineffectiveness or the income statement.*

20 Derivative financial instruments *(continued)*

In 2020 and 2019, there were no forecast transactions to which the Group had applied hedge accounting which were no longer expected to occur.

Movements in the cash flow hedge reserve are shown in note 19 on page 127.

Group **Movement in cash flow hedge reserve**	**2020** **€m**	**2019** **€m**
Changes in fair value		
- Interest rate risk	41	45
- Foreign exchange risk	353	(485)
Transfer to income statement		
Interest income		
- Interest rate risk	(7)	(7)
- Foreign exchange risk	68	105
Net trading income / (expense)		
- Interest rate risk	(21)	(32)
- Foreign exchange risk	(443)	376
Deferred tax on reserve movements	(3)	(6)
Net decrease in cash flow hedge reserve	**(12)**	**(4)**

20 Derivative financial instruments *(continued)*

The notional amounts and fair values of derivative instruments held by the Bank are set out in the table below.

Bank	2020			2019		
	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m
Derivatives held for trading						
Foreign exchange derivatives						
Currency swaps	2,069	12	13	3,450	17	18
Currency forwards	3,900	64	55	3,769	49	45
Over the counter currency options	115	1	1	370	1	1
Total foreign exchange derivatives held for trading	**6,084**	**77**	**69**	**7,589**	**67**	**64**
Interest rate derivatives						
Interest rate swaps	228,479	1,534	1,658	199,659	1,323	1,539
Cross currency interest rate swaps	2,027	34	19	2,465	53	132
Over the counter interest rate options	12,080	8	4	11,865	3	3
Interest rate futures	20	-	-	99	-	-
Forward rate agreements	4,304	2	3	4,020	1	1
Total interest rate derivatives held for trading	**246,910**	**1,578**	**1,684**	**218,108**	**1,380**	**1,675**
Equity contracts, commodity contracts and credit derivatives						
Equity index-linked contracts held	1,866	38	29	1,766	135	11
Commodity contracts	-	-	-	-	-	-
Credit derivatives	218	19	-	530	28	5
Total designated as fair value hedges	**2,084**	**57**	**29**	**2,296**	**163**	**16**
Total derivative assets / liabilities held for trading	**255,078**	**1,712**	**1,782**	**227,993**	**1,610**	**1,755**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	35,513	472	595	34,231	446	515
Cross currency interest rate swaps	82	-	4	-	-	-
Total designated as fair value hedges	**35,595**	**472**	**599**	**34,231**	**446**	**515**
Derivatives designated as cash flow hedges						
Cross currency interest rate swaps	11,875	180	21	9,933	3	346
Interest rate swaps	442	2	5	442	7	4
Total designated as cash flow hedges	**12,317**	**182**	**26**	**10,375**	**10**	**350**
Total derivative assets / liabilities held for hedging	**47,912**	**654**	**625**	**44,606**	**456**	**865**
Total derivative assets / liabilities	**302,990**	**2,366**	**2,407**	**272,599**	**2,066**	**2,620**
Amounts include:						
Due from / to Group undertakings	44,736	160	175	42,152	103	175

The Bank uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €2.4 billion at 31 December 2020 (2019: €2.0 billion):

- €2.0 billion (2019: €1.7 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities. At 31 December 2020, cash collateral of €0.2 billion (2019: €0.2 billion) was held against these assets and is reported within deposits from banks (note 38); and
- €0.2 billion (2019: €0.3 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the reporting date.

At 31 December 2020, placements with other banks include cash collateral of €0.6 billion (2019: €0.8 billion) and loans and advances to customers include cash collateral of €0.01 billion placed with derivative counterparties in respect of a net derivative liability position of €0.5 billion (2019: €0.9 billion) and is reported within loans and advances to banks (note 22) and loans and advances to customers (note 26).

20 Derivative financial instruments *(continued)*

The Bank designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships. At 31 December 2020, the Bank held the following instruments in either fair value or cash flow hedge relationships.

The timing of the nominal amounts of hedging instruments (excluding those subject to a dynamic macro-hedging process) and the applicable average rates were as follows:

Bank	**2020**				**2019**			
Hedging strategy	**Up to 1 year €m**	**1-2 years €m**	**2-5 years €m**	**>5 years €m**	**Up to 1 year €m**	**1-2 years €m**	**2-5 years €m**	**>5 years €m**
Fair value hedge								
Interest rate risk								
- Interest rate swap	891	3,271	6,500	7,912	2.093	948	8,567	5,801
- Average fixed interest rate (%)	0.13%	0.76%	0.42%	0.36%	1.03%	0.16%	0.59%	0.67%
Foreign exchange risk								
- Cross currency interest rate swap - notional amount	-	-	-	82	-	-	-	-
- Average EUR - JPY foreign exchange rate	-	-	-	0.01	-	-	-	-
Cash flow hedge								
Interest rate risk								
- Interest rate swap	434	-	-	8	-	434	-	8
- Average fixed interest rate (%)	0.86%	-	-	0.40%	-	0.86%	-	4.00%
Foreign exchange risk								
- Cross currency interest rate swap	4,569	4,353	2,953	-	5,297	4,631	5	-
- Average EUR - GBP foreign exchange rate	0.89	0.87	0.91	-	0.89	0.89	0.87	-

Fair value hedges

Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and FX exposure on the Bank's fixed rate debt held, fixed rate mortgages, customer accounts and debt issued portfolios. The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year were as follows.

Bank **Items designated as hedging instruments and hedge ineffectiveness** **2020** **Risk category**	**Hedging instrument**[1]	**Nominal amount of the hedging instrument €m**	**Carrying amount of the hedging instrument** Assets €m	Liabilities €m	**Changes in value used to calculate hedge ineffectiveness**[2,3] **€m**	**Ineffectiveness recognised in profit or loss**[2,3] **€m**	**Nominal amount of the hedging instruments affected by BMR reform**[4] **€m**
Interest rate risk	Interest rate swaps	35,964	472	(596)	19	(2)	1,437
Foreign exchange Risk	Cross Currency Interest Rate Swaps	82	-	(4)	(4)	-	-
Total		**36,046**	**472**	**(600)**	**15**	**(2)**	**1,437**

[1] *All hedging instruments are included within derivative financial instruments on the balance sheet.*
[2] *Ineffectiveness is included within the Bank's net trading income on the income statement.*
[3] *The main cause of ineffectiveness in the Bank's fair value hedge relationships are differences in interest indices or maturities between certain interest rate swaps and their related hedged items.*
[4] *In previous periods, these figures were reported as the Nominal amount of the hedging instruments affected by IBOR reform.*

20 Derivative financial instruments *(continued)*

Bank Items designated as hedging instruments and hedge ineffectiveness 2019 Risk category	Hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Liabilities €m	Changes in value used to calculate hedge ineffectiveness[2,3] €m	Ineffectiveness recognised in profit or loss[2,3] €m	Nominal amount of the hedging instruments affected by BMR reform[4,5] €m
Interest rate risk	Interest rate swaps	34,231	446	(515)	(69)	3	1,519
Foreign Exchange Risk	Cross Currency Interest Rate Swaps	-	-	-	-	-	-
Total		**34,231**	**446**	**(515)**	**(69)**	**3**	**1,519**

Bank 2020 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI	10,837	-	271	-	69	43
Debt securities at amortised cost	5,198	-	224	-	71	-
Loans and advances to customers	234	-	11	-	5	(1)
Customer accounts	-	17,727	-	(308)	(129)	(78)
Debt securities in issue	-	3,823	-	(85)	(37)	-
Foreign exchange risk						
Debt securities in issue	-	78	1	-	4	-
Total	**16,269**	**21,628**	**507**	**(393)**	**(17)**	**(36)**

Bank 2019 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI	10,571	-	232	-	116	61
Debt securities at amortised cost	3,658	-	153	-	121	-
Loans and advances to customers	224	-	6	-	6	(1)
Customer accounts	-	17,287	-	(244)	(156)	(28)
Debt securities in issue	-	4,439	-	(49)	(22)	-
Foreign exchange risk						
Debt securities in issue	-	-	-	-	-	-
Total	**14,453**	**21,726**	**391**	**(293)**	**65**	**32**

1 *All hedging instruments are included within derivative financial instruments on the balance sheet.*
2 *Ineffectiveness is included within the Bank's net trading income on the income statement.*
3 *The main cause of ineffectiveness in the Bank's fair value hedge relationships are differences in interest indices or maturities between certain interest rate swaps and their related hedged items.*
4 *In previous periods, these figures were reported as the Nominal amount of the hedging instruments affected by IBOR reform.*
5 *In the table above the notional value of derivative instruments subject to BMR reform have been restated as an exposure subject to BMR reform was omitted in 2019. The notional value of the hedging instruments subject to BMR reform has increased from €1,074 million by €445 million to €1,519 million.*

20 Derivative financial instruments *(continued)*

Cash flow hedges

The Bank designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from floating rate assets and liabilities and from foreign currency assets. The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

Bank 2020 Risk category and hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or loss[2,3] €m	Amount reclassified from the cash flow hedge reserve to profit or loss[4] €m	Nominal amount of the hedging instruments affected by BMR reform[5] €m
Interest rate risk								
Interest rate swaps	441	2	(5)	4	(4)	-	(16)	8
Foreign exchange risk								
Cross currency interest rate swaps	11,876	180	(21)	466	(466)	-	(375)	3,152
Total	**12,317**	**182**	**(26)**	**470**	**(470)**	**-**	**(391)**	**3,160**

Bank 2019 Risk category and hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or loss[2,3] €m	Amount reclassified from the cash flow hedge reserve to profit or loss[4] €m	Nominal amount of the hedging instruments affected by BMR reform[5] €m
Interest rate risk								
Interest rate swaps	442	7	(4)	2	(2)	-	(32)	8
Foreign exchange risk								
Cross currency interest rate swaps[6]	9,933	3	(346)	(371)	371	-	482	9,933
Total	**10,375**	**10**	**(350)**	**(369)**	**369**	**-**	**450**	**9,941**

1 *All hedging instruments are included within derivative financial instruments on the balance sheet.*
2 *Ineffectiveness is included within net trading income / (expense) on the Bank's income statement.*
3 *There are no material causes of ineffectiveness in the Bank's cash flow hedges.*
4 *Balances include €nil (2019: €nil) amounts transferred to profit or loss for which hedge accounting was previously applied but for which hedged future cash flows are not expected to occur. The line items affected in the Bank's profit or loss because of the reclassification are net interest income and net trading income.*
5 *In previous periods, these figures were reported as the Nominal amount of the hedging instruments affected by IBOR reform.*
6 *The changes in value used for calculating hedge ineffectiveness on cross currency interest rate swaps and the hedged foreign exchange risk have been restated in order to include changes in value attributed to movements in spot foreign exchange rates that were transferred to the income statement during the year. The changes in value used for calculating hedge ineffectiveness have been amended by €375 million from €4 million net gain on the cross currency interest rate swaps and €4 million net loss on the hedged foreign exchange risk to €371million net loss on the cross currency interest rate swaps and €371 million net gain on the hedged foreign exchange risk.*

20 Derivative financial instruments *(continued)*

Bank 2020 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discounted hedges €m
Interest rate risk	(4)	10	53
Foreign exchange risk	(466)	24	-
Total	**(470)**	**34**	**53**

Bank 2019 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discounted hedges €m
Interest rate risk	(2)	4	44
Foreign exchange risk[1]	371	3	-
Total	**369**	**7**	**44**

In 2019 and 2020, there were no forecast transactions to which the Bank had applied hedge accounting which were no longer expected to occur.

Movements in the cash flow hedge reserve are shown in note 19 on page 127.

Bank Movement in cash flow hedge reserve	2020 €m	2019 €m
Changes in fair value		
- Interest rate risk	1	1
- Foreign exchange risk	354	(485)
Transfer to income statement		
Interest income		
- Interest rate risk	(3)	(3)
- Foreign exchange risk	68	105
Net trading income / (expense)		
- Interest rate risk	(13)	(29)
- Foreign exchange risk	(443)	375
Deferred tax on reserve movements	4	3
Net decrease in cash flow hedge reserve	**(32)**	**(33)**

[1] *The changes in value used for calculating hedge ineffectiveness on cross currency interest rate swaps and the hedged foreign exchange risk have been restated in order to include changes in value attributed to movements in spot foreign exchange rates that were transferred to the income statement during 2019. The changes in value used for calculating hedge ineffectiveness have been amended by €375 million from €4 million net gain on the cross currency interest rate swaps and €4 million net loss on the hedged foreign exchange risk to €371 million net loss on the cross currency interest rate swaps and €371 million net gain on the hedged foreign exchange risk. This restatement had no impact on either the hedge ineffectiveness or the income statement.*

21 Other financial assets at fair value through profit or loss

Other financial assets at FVTPL include assets managed on a fair value basis by the life assurance business and those assets which do not meet the requirements in order to be measured at FVOCI or amortised cost.

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the policyholders. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal change in the value of the amounts due to policyholders. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet. At 31 December 2020, such assets were €15,258 million (2019: €14,425 million). Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €10,889 million (2019: €10,029 million) (note 56).

Other financial assets of €2,159 million (2019: €2,059 million) include €1,980 million (2019: €1,809 million) relating to assets held by the Group's life assurance business for solvency margin purposes or as backing for non-linked policyholder liabilities. Further details on financial assets mandatorily measured at FVTPL is set out in note 57. Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €219 million (2019: €147 million) (note 56).

Group	2020 €m	2019 €m
Assets linked to policyholder liabilities		
Equity securities	11,266	10,792
Unit trusts	1,710	1,364
Debt securities	1,644	1,543
Government bonds	638	726
	15,258	**14,425**
Other financial assets		
Government bonds	904	854
Debt securities	898	916
Unit trusts	192	119
Equity securities	165	170
	2,159	**2,059**
Other financial assets at fair value through profit or loss	**17,417**	**16,484**

At 31 December 2020, NIAC held ordinary shares of BOIG plc the Bank's ultimate Parent company, with a fair value of €17 million (2019: €24 million), for the benefit of life assurance policyholders.

During the year, the National Asset Management Agency (NAMA) redeemed all of its subordinated bonds which were held within other financial assets at FVTPL. The fair value was therefore €nil at 31 December 2020 (2019: €73 million).

22 Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost or financial assets mandatorily at FVTPL. The associated impairment loss allowance on loans and advances to banks is measured on a 12-month or lifetime ECL approach.

Loans and advances to banks at FVTPL include assets managed on a fair value basis by the life assurance business and those assets which do not meet the requirements in order to be measured at FVOCI or amortised cost. At 31 December 2020, the Group's loans and advances to banks includes €200 million (2019: €198 million) of assets held on behalf of Wealth and Insurance life policyholders.

Mandatory deposits with central banks includes €1.2 billion relating to collateral in respect of the Group's issued bank notes in NI (2019: €1.4 billion).

Placements with other banks includes cash collateral of €0.6 billion (2019: €0.8 billion) placed with derivative counterparties in relation to net derivative liability positions (note 20).

The Group enters into transactions to purchase securities with agreement to resell and accepts collateral that it is permitted to be sold or repledged in the absence of default by the owner of the collateral. At 31 December 2020, there was no collateral included in the loans and advances to banks at FVTPL (2019: €nil).

There has been no significant change in the impairment loss allowance on loans and advances to banks held at amortised cost during the year. The composition of loans and advances to banks at amortised cost by stage is set out on page 171 and the asset quality of loans and advances to banks at amortised cost is set out on page 200.

Loans and advances to banks at FVTPL are not subject to impairment under IFRS 9.

22 Loans and advances to banks *(continued)*

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Mandatory deposits with central banks	1,288	1,519	14	13
Placements with banks	917	1,474	15,857	14,276
Funds placed with central banks not on demand	22	30	-	-
	2,227	**3,023**	**15,871**	**14,289**
Less impairment loss allowance on loans and advances to banks	(1)	(1)	(7)	(13)
Loans and advances to banks at amortised cost	**2,226**	**3,022**	**15,864**	**14,276**
Loans and advances to banks at fair value through profit and loss	227	306	-	1
Loans and advances to banks	**2,453**	**3,328**	**15,864**	**14,277**
Amounts include:				
Due from Group undertakings	**-**	**-**	**15,169**	**13,324**

23 Debt securities at amortised cost

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Government bonds	5,494	3,767	5,210	3,464
Other debt securities at amortised cost	739	687	3,200	3,200
Asset backed securities	36	58	14	15
Less impairment loss allowance	(3)	(1)	(2)	(4)
Debt securities at amortised cost	**6,266**	**4,511**	**8,422**	**6,675**
Amounts include				
Due from Group undertakings	-	-	3,198	3,197

The table above details the significant categories of debt securities at amortised cost.

At 31 December 2020, debt securities at amortised cost with a fair value of €99 million (2019: €18 million) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

The impairment loss allowance on debt securities at amortised cost was €3 million at 31 December 2020 (2019: €1 million) (Bank 2020: €2 million, 2019: €4 million). The composition of debt securities at amortised cost by stage is set out on page 171 and the asset quality of debt securities at amortised cost is set out on page 200.

24 Financial assets at fair value through other comprehensive income

At 31 December 2020, debt instruments at FVOCI with a fair value of €24 million (2019: €17 million) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

The impairment loss allowance for ECL on debt instruments at FVOCI does not reduce the carrying amount but an amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the income statement.

The impairment loss allowance on debt instruments at FVOCI was €3 million at 31 December 2020 (2019: €3 million). The composition of debt instruments at FVOCI by stage is set out on page 171 and the asset quality of debt instruments at FVOCI is set out on page 199.

In 2020, the Group disposed of debt instruments at FVOCI of €1,124 million (2019: €1,178 million) which resulted in a transfer of €7 million (2019: €3 million) from the debt instruments at FVOCI reserve to the income statement.

At 31 December 2020, financial assets at FVOCI included €921 million (2019: €664 million) placed with Monetary Authorities as collateral, to access intraday and other funding facilities.

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Debt instruments at fair value through other comprehensive income				
Government bonds	5,879	5,849	5,879	5,849
Other debt securities				
- listed	5,063	4,948	5,063	4,948
Total debt instruments at fair value through other comprehensive income	**10,942**	**10,797**	**10,942**	**10,797**
Impairment loss allowance on debt instruments at fair value through other comprehensive income	**(3)**	**(3)**	**(3)**	**(3)**

	Group		Bank	
Fair value	2020 €m	2019 €m	2020 €m	2019 €m
Opening balance	**10,797**	**12,048**	**10,797**	**12,048**
Additions	3,029	1,525	3,029	1,525
Redemptions and disposals	(2,863)	(2,827)	(2,863)	(2,827)
Revaluation, exchange and other adjustments	(21)	51	(21)	51
Closing balance	**10,942**	**10,797**	**10,942**	**10,797**

25 Assets classified as held for sale

At 31 December 2020, the Group is in the process of disposing of two ATM fleets with a carrying value of €5 million. These transactions are as follows:

- Retail UK has reached agreement to transfer ownership of c.1,400 ATMs directly to the Post Office and to remove the remaining c.600 Bank of Ireland UK Post Office ATMs. As a result, these assets have been reclassified from property, plant and equipment to assets classified as held for sale. The assets are measured at their fair value less costs to sell of €3 million.
- Retail Ireland has substantially progressed the disposal of its fleet of non-branch ATMs. The devices are primarily located in non Bank retail units throughout Ireland. As a result, these assets have been reclassified from property plant and equipment to assets classified as held for sale at their fair value less costs to sell of €2 million.

Group	2020 €m	2019 €m
Retail UK: Post Office ATMs	3	-
Retail Ireland: Non-branch ATMs	2	-
At end of year	**5**	**-**

26 Loans and advances to customers

Loans and advances to customers includes cash collateral of €5 million (2019: €98 million) placed with derivative counterparties in relation to net derivative liability positions.

Of loans and advances to customers at FVTPL, €239 million (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 as FVTPL. The remaining €122 million (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.

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

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; and
- a portfolio of UK personal loan NPEs with a net carrying value of €2 million, was sold to Intrum Finance Limited.

In 2019 the Group has recognised a net impairment loss of €23 million on these transactions which has been reported through net impairment (losses) / gains on financial instruments, as required by IFRS 9 (note 16).

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

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Loans and advances to customers at amortised cost	74,870	76,543	37,199	38,140
Finance leases and hire purchase receivables	3,592	4,000	1,089	1,146
	78,462	**80,543**	**38,288**	**39,286**
Less allowance for impairment charges on loans and advances to customers	(2,242)	(1,308)	(1,653)	(869)
Loans and advances to customers at amortised cost	**76,220**	**79,235**	**36,635**	**38,417**
Loans and advances to customers at fair value through profit or loss[1]	361	252	283	166
Total loans and advances to customers	**76,581**	**79,487**	**36,918**	**38,583**
Amounts include				
Due from joint ventures and associates	106	142	n/a	n/a
Due from Group undertakings	n/a	n/a	977	931

[1] *Loans and advances to customers at fair value through profit or loss are not subject to impairment under IFRS 9.*

26 Loans and advances to customers *(continued)*

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

Group **2020** **Gross carrying amount at amortised cost** **(before impairment loss allowance)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit impaired)	40,016	10,637	2,639	4,961	58,253
Stage 2 - Lifetime ECL (not credit impaired)	2,528	8,181	4,869	165	15,743
Stage 3 - Lifetime ECL (credit impaired)	2,196	1,014	1,021	145	4,376
Purchased / originated credit-impaired	2	26	62	0	90
Gross carrying amount at 31 December 2019	**44,742**	**19,858**	**8,591**	**5,271**	**78,462**

Group **2020** **Impairment loss allowance**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit impaired)	74	134	9	129	346
Stage 2 - Lifetime ECL not credit impaired	31	368	126	27	552
Stage 3 - Lifetime ECL credit impaired	374	416	442	80	1,312
Purchased / originated credit-impaired	-	13	19	-	32
Impairment loss allowance at 31 December 2019	**479**	**931**	**596**	**236**	**2,242**

Group **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**

Group **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**

26 Loans and advances to customers *(continued)*

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

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a 'significant increase in credit risk' or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in note 27 and the Group accounting policies note on page 91 with updates for 2020 (including the impact of the implementation of a revised definition of default) outlined in note 27 on pages 204 and 205.

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

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

'Net impairment (losses) / gains in income statement' does not include the impact of cash recoveries which are recognised directly in the income statement (note 16).

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

'ECL model parameter 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.

Group **2020** **Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit impaired) €m**	**Stage 2 - Lifetime ECL (not credit impaired) €m**	**Stage 3 - Lifetime ECL (credit impaired) €m**	**Purchased / originated credit impaired[1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**71,778**	**5,571**	**3,099**	**95**	**80,543**
Total net transfers	(13,909)	11,867	2,042	-	-
- to 12-month ECL not credit-impaired	*4,139*	*(4,076)*	*(63)*	-	-
- to lifetime ECL not credit-impaired	*(17,512)*	*18,036*	*(524)*	-	-
- to lifetime ECL credit-impaired	*(536)*	*(2,093)*	*2,629*	-	-
Net changes in exposure	2,149	(1,457)	(528)	(1)	163
Impairment loss allowances utilised	-	-	(173)	-	(173)
Exchange adjustments	(1,849)	(234)	(65)	(4)	(2,152)
Measurement reclassification and other movements	84	(4)	1	-	81
Gross carrying amount at 31 December 2020	**58,253**	**15,743**	**4,376**	**90**	**78,462**

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

[1] *At 31 December 2020, Purchased or Originated Credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

26 Loans and advances to customers *(continued)*

Group 2020 Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**142**	**188**	**976**	**2**	**1,308**
Total net transfers	(3)	(58)	61	-	-
- to 12-month ECL not credit-impaired	*110*	*(101)*	*(9)*	-	-
- to lifetime ECL not credit-impaired	*(101)*	*161*	*(60)*	-	-
- to lifetime ECL credit-impaired	*(12)*	*(118)*	*130*	-	-
Net impairment (losses) / gains in income statement	212	424	433	30	1,099
- Re-measurement	*116*	*165*	*602*	*30*	*913*
- Net changes in exposure	*(1)*	*(63)*	*(131)*	-	*(195)*
- ECL model parameter changes	*97*	*322*	*(38)*	-	*381*
Impairment loss allowances utilised	-	-	(173)	-	(173)
Exchange adjustments	(4)	(2)	(9)	-	(15)
Measurement reclassification and other movements	(1)	-	24	-	23
Impairment loss allowance at 31 December 2020	**346**	**552**	**1,312**	**32**	**2,242**
Impairment coverage at 31 December 2020 (%)	**0.59%**	**3.51%**	**29.98%**	**35.56%**	**2.86%**

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 31 December 2020.

Stage 1 loans have decreased by €13.5 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 €13.9 billion reflect the impact of COVID-19 on asset quality across all portfolios as 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. Transfers to Stage 2 also include the c. €0.9bn impact of a post model staging adjustment at 31 December 2020. See note 2 for further details.

Impairment loss allowances on Stage 1 loans have increased by €204 million resulting in an increase in coverage on Stage 1 loans from 0.20% at 31 December 2019 to 0.59% at 31 December 2020. The increase in coverage reflects a combination of the impact of FLI / impairment model parameter updates during 2020 of €97 million presented above as 'ECL model parameter changes' and re-measurements of €116 million which includes the impact of the total €109 million post-model management adjustment applied to Stage 1 loans at 31 December 2020. See note 2 for further details. Excluding the impact of the post-model management adjustments coverage on Stage 1 loans at 30 June 2020 would be 0.41%.

Stage 2 loans have increased by €10.2 billion with net transfers from other stages of €11.9 billion offset by net repayments of €1.5 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, a Group management staging adjustment for certain relationship managed business banking assets and case specific credit events, the main driver of transfers to Stage 2 from Stage 1.

Coverage on Stage 2 loans has increased from 3.37% at 31 December 2019 to 3.51% at 31 December 2020 primarily due to FLI / impairment model parameter updates (excluding the classification impact of the revised definition of default). The parameter updates reflected the change in the macroeconomic outlook and resulted in an increase of €322 million in impairment loss allowances, a combination of increases on loans already in Stage 2 and the migration of loans from Stage 1. Re-measurements of €165 million include the impact of re-measurement on migration from other stages excluding those due to FLI / impairment model parameter updates and the management adjustment of €64 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 €2.0 billion offset by the impact of net repayments of €0.5 billion and the utilisation of impairment loss allowances of €0.2 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 2020 which resulted in €0.9 billion of assets being re-classified as credit-impaired. The remaining increase reflects the emergence of new defaults for case specific reasons primarily in the Corporate and Property and construction portfolios. The increase in credit-impaired loans was partly offset by ongoing resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

[1] *At 31 December 2020, Purchased or Originated Credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. 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 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Stage 3 impairment loss allowances have increased by €336 million primarily due to re-measurement of €602 million offset by the utilisation of impairment loss allowances of €173 million. Re-measurement 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 29.98% at 31 December 2020. While an increase in impairment cover was observed in the Corporate and Property and construction portfolios reflecting case specific impairment assessments for some larger defaulted assets as noted above, this was offset by lower impairment cover for credit-impaired assets in other portfolios, in part reflecting the impact of the revised definition of default which involved the classification of cases as credit-impaired with lower assessed impairment loss coverage than average. Most notably cover for residential mortgages reduced due to the impact of the revised definition of default (as described above), resilience in the residential housing markets and the impact of impairment model parameter updates (including FLI as well as refreshed cure rates and sales ratios).

Group **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**

Group **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
- Re-measurement	*(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%**

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

26 Loans and advances to customers *(continued)*

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.

Bank 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)	8,051	10,283	2,559	1,773	22,666
Stage 2 - Lifetime ECL (not credit impaired)	513	7,616	4,603	51	12,783
Stage 3 - Lifetime ECL (credit impaired)	819	904	957	69	2,749
Purchased / originated credit-impaired	2	26	62	-	90
Gross carrying amount at 31 December 2020	**9,385**	**18,829**	**8,181**	**1,893**	**38,288**

Bank 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)	23	125	8	29	185
Stage 2 - Lifetime ECL not credit impaired	9	341	120	6	476
Stage 3 - Lifetime ECL credit impaired	124	384	418	34	960
Purchased / originated credit-impaired	-	13	19	-	32
Impairment loss allowance at 31 December 2020	**156**	**863**	**565**	**69**	**1,653**

Bank 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)	8,888	16,736	5,647	1,933	33,204
Stage 2 - Lifetime ECL (not credit impaired)	595	2,008	1,409	108	4,120
Stage 3 - Lifetime ECL (credit impaired)	611	698	506	53	1,868
Purchased / originated credit-impaired	3	26	65	-	94
Gross carrying amount at 31 December 2019	**10,097**	**19,468**	**7,627**	**2,094**	**39,286**

Bank 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)	8	53	5	16	82
Stage 2 - Lifetime ECL not credit impaired	15	74	40	12	141
Stage 3 - Lifetime ECL credit impaired	121	326	166	31	644
Purchased / originated credit-impaired	-	-	2	-	2
Impairment loss allowance at 31 December 2019	**144**	**453**	**213**	**59**	**869**

26 Loans and advances to customers *(continued)*

Bank 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	**33,204**	**4,120**	**1,868**	**94**	**39,286**
Total net transfers	(11,377)	9,989	1,388	-	-
- to 12-month ECL not credit-impaired	*2,695*	*(2,659)*	*(36)*	-	-
- to lifetime ECL not credit-impaired	*(13,827)*	*14,116*	*(289)*	-	-
- to lifetime ECL credit-impaired	*(245)*	*(1,468)*	*1,713*	-	-
Net changes in exposure	1,282	(1,134)	(344)	-	(196)
Impairment loss allowances utilised	-	-	(123)	-	(123)
Exchange adjustments	(554)	(188)	(40)	(4)	(786)
Measurement reclassification and other movements	111	(4)	-	-	107
Gross carrying amount at 31 December 2020	**22,666**	**12,783**	**2,749**	**90**	**38,288**

Bank 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	**82**	**141**	**644**	**2**	**869**
Total net transfers	(13)	(42)	55	-	-
- to 12-month ECL not credit-impaired	*77*	*(72)*	*(5)*	-	-
- to lifetime ECL not credit-impaired	*(87)*	*118*	*(31)*	-	-
- to lifetime ECL credit-impaired	*(3)*	*(88)*	*91*	-	-
Net impairment (losses) / gains in income statement	116	378	377	30	901
- Re-measurement	*96*	*125*	*490*	*30*	*741*
- Net changes in exposure	*(38)*	*(47)*	*(99)*	-	*(184)*
- ECL model parameter and / or methodology changes	*58*	*300*	*(14)*	-	*344*
Impairment loss allowances utilised	-	-	(123)	-	(123)
Exchange adjustments	-	(1)	(5)	-	(6)
Measurement reclassification and other movements	-	-	12	-	12
Impairment loss allowance at 31 December 2020	**185**	**476**	**960**	**32**	**1,653**
Impairment coverage at 31 December 2020 (%)	**0.82%**	**3.72%**	**34.92%**	**35.56%**	**4.32%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2020 includes €41 million of contractual amounts outstanding that are still subject to enforcement activity.

1 At 31 December 2020, Purchased or Originated Credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. 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 year is €nil.

26 Loans and advances to customers *(continued)*

Bank **2019** **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	**33,703**	**3,387**	**2,725**	**70**	**39,885**
Total net transfers	(1,460)	1,223	237	-	-
- to 12-month ECL not credit-impaired	*1,659*	*(1,656)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(3,053)*	*3,469*	*(416)*	-	-
- to lifetime ECL credit-impaired	*(66)*	*(590)*	*656*	-	-
Net changes in exposure	751	(542)	(590)	21	(360)
Impairment loss allowances utilised	-	-	(533)	-	(533)
Exchange adjustments	400	55	29	3	487
Measurement reclassification and other movements	(190)	(3)	-	-	(193)
Gross carrying amount at 31 December 2019	**33,204**	**4,120**	**1,868**	**94**	**39,286**

Bank **2019** **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	**71**	**128**	**1,019**	**1**	**1,219**
Total net transfers	38	10	(48)	-	-
- to 12-month ECL not credit-impaired	*52*	*(51)*	*(1)*	-	-
- to lifetime ECL not credit-impaired	*(14)*	*98*	*(84)*	-	-
- to lifetime ECL credit-impaired	-	*(37)*	*37*	-	-
Net impairment (losses) / gains in income statement	(28)	1	176	1	150
- Re-measurement	*(35)*	*(1)*	*244*	*1*	*209*
- Net changes in exposure	*2*	*(18)*	*(89)*	-	*(105)*
- ECL model parameter and / or methodology changes	*5*	*20*	*21*	-	*46*
Impairment loss allowances utilised	-	-	(533)	-	(533)
Exchange adjustments	-	2	5	-	7
Measurement reclassification and other movements	1	-	25	-	26
Impairment loss allowance at 31 December 2019	**82**	**141**	**644**	**2**	**869**
Impairment coverage at 31 December 2019 (%)	**0.25%**	**3.42%**	**34.48%**	**2.13%**	**2.21%**

[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 due to improvements in credit risk. 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 year is €2 million.*

26 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 as set out above.

Residential Mortgages

Group 2020 Residential mortgages - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total gross carrying amount €m
Opening balance 1 January 2020	**42,898**	**1,677**	**1,693**	**3**	**46,271**
Total net transfers	(1,788)	1,050	738	-	-
- to 12-month ECL not credit-impaired	*1,827*	*(1,787)*	*(40)*	-	-
- to lifetime ECL not credit-impaired	*(3,300)*	*3,657*	*(327)*	-	-
- to lifetime ECL credit-impaired	*(285)*	*(820)*	*1,105*	-	-
Net changes in exposure	78	(168)	(190)	(1)	(281)
Impairment loss allowances utilised	-	-	(20)	-	(20)
Exchange adjustments	(1,190)	(31)	(25)	-	(1,246)
Measurement reclassification and other movements	18	-	-	-	18
Gross carrying amount at 31 December 2020	**40,016**	**2,528**	**2,196**	**2**	**44,742**

Group 2020 Residential mortgages - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**16**	**36**	**380**	**-**	**432**
Total net transfers	34	(36)	2	-	-
- to 12-month ECL not credit-impaired	*45*	*(42)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(10)*	*38*	*(28)*	-	-
- to lifetime ECL credit-impaired	*(1)*	*(32)*	*33*	-	-
Net impairment (losses) / gains in income statement	25	32	3	-	60
- Re-measurement	*13*	*28*	*52*	-	*93*
- Net changes in exposure	*(4)*	-	*(16)*	-	*(20)*
- ECL model parameter changes	*16*	*4*	*(33)*	-	*(13)*
Impairment loss allowances utilised	-	-	(20)	-	(20)
Exchange adjustments	(1)	(1)	(2)	-	(4)
Measurement reclassification and other movements	-	-	11	-	11
Impairment loss allowance at 31 December 2020	**74**	**31**	**374**	**-**	**479**
Impairment coverage at 31 December 2020 (%)	**0.18%**	**1.23%**	**17.03%**	**-**	**1.07%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2020 includes €16 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 31 December 2020, which has been recognised within the impairment charge for the year.

[1] *At 31 December 2020, Purchased or Originated Credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. 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 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Group 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**

Group 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
- Re-measurement	*(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 2020 (%)	**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 due to improvements in credit risk. 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.*

26 Loans and advances to customers *(continued)*

Bank **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	**8,888**	**595**	**611**	**3**	**10,097**
Total net transfers	(280)	(18)	298	-	-
- to 12-month ECL not credit-impaired	*595*	*(577)*	*(18)*	-	-
- to lifetime ECL not credit-impaired	*(767)*	*898*	*(131)*	-	-
- to lifetime ECL credit-impaired	*(108)*	*(339)*	*447*	-	-
Net changes in exposure	(450)	(53)	(72)	(1)	(576)
Impairment loss allowances utilised	-	-	(6)	-	(6)
Exchange adjustments	(161)	(11)	(12)	-	(184)
Measurement reclassification and other movements	54	-	-	-	54
Gross carrying amount at 31 December 2020	**8,051**	**513**	**819**	**2**	**9,385**

Bank **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	**8**	**15**	**121**	**-**	**144**
Total net transfers	13	(16)	3	-	-
- to 12-month ECL not credit-impaired	*18*	*(16)*	*(2)*	-	-
- to lifetime ECL not credit-impaired	*(4)*	*15*	*(11)*	-	-
- to lifetime ECL credit-impaired	*(1)*	*(15)*	*16*	-	-
Net impairment (losses) / gains in income statement	2	11	4	-	17
- Re-measurement	*(2)*	*11*	*23*	-	*32*
- Net changes in exposure	*(1)*	*(1)*	*(7)*	-	*(9)*
- ECL model parameter and / or methodology changes	*5*	*1*	*(12)*	-	*(6)*
Impairment loss allowances utilised	-	-	(6)	-	(6)
Exchange adjustments	-	(1)	(1)	-	(2)
Measurement reclassification and other movements	-	-	3	-	3
Impairment loss allowance at 31 December 2020	**23**	**9**	**124**	**-**	**156**
Impairment coverage at 31 December 2020 (%)	**0.29%**	**1.75%**	**15.14%**	**-**	**1.66%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2020 includes €5 million of contractual amounts outstanding that are still subject to enforcement activity.

On initial implementation of the Group's revised definition of default, €0.25 billion of assets within the Residential mortgages portfolio were reclassified as credit-impaired (Stage 3).This resulted in a €14 million increase in impairment loss allowances as at 31 December 2020, which has been recognised within the impairment charge for the year.

[1] *At 31 December 2020, Purchased or Originated Credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. 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 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Bank 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	**9,604**	**661**	**904**	**3**	**11,172**
Total net transfers	(9)	2	7	-	-
- to 12-month ECL not credit-impaired	*585*	*(585)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(575)*	*768*	*(193)*	-	-
- to lifetime ECL credit-impaired	*(19)*	*(181)*	*200*	-	-
Net changes in exposure	(916)	(80)	(250)	-	(1,246)
Impairment loss allowances utilised	-	-	(60)	-	(60)
Exchange adjustments	157	12	10	-	179
Measurement reclassification and other movements	52	-	-	-	52
Gross carrying amount at 31 December 2019	**8,888**	**595**	**611**	**3**	**10,097**

Bank 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	**8**	**13**	**160**	**-**	**181**
Total net transfers	11	-	(11)	-	-
- to 12-month ECL not credit-impaired	*13*	*(13)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(2)*	*20*	*(18)*	-	-
- to lifetime ECL credit-impaired	*-*	*(7)*	*7*	-	-
Net impairment (losses) / gains in income statement	(11)	1	27	-	17
- Re-measurement	*(11)*	*(3)*	*26*	-	*12*
- Net changes in exposure	*(1)*	*(1)*	*(15)*	-	*(17)*
- ECL model parameter and / or methodology changes	*1*	*5*	*16*	-	*22*
Impairment loss allowances utilised	-	-	(60)	-	(60)
Exchange adjustments	-	1	1	-	2
Measurement reclassification and other movements	-	-	4	-	4
Impairment loss allowance at 31 December 2019	**8**	**15**	**121**	**-**	**144**
Impairment coverage at 31 December 2020 (%)	**0.09%**	**2.52%**	**19.80%**	**-**	**1.43%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2019 includes €8 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 due to improvements in credit risk. 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.*

26 Loans and advances to customers *(continued)*

Non-property SME and corporate

Group 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[1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**17,474**	**2,175**	**757**	**27**	**20,433**
Total net transfers	(7,786)	7,196	590	-	-
- to 12-month ECL not credit-impaired	*1,393*	*(1,377)*	*(16)*	-	-
- to lifetime ECL not credit-impaired	*(9,020)*	*9,132*	*(112)*	-	-
- to lifetime ECL credit-impaired	*(159)*	*(559)*	*718*	-	-
Net changes in exposure	1,277	(1,045)	(222)	-	10
Impairment loss allowances utilised	-	-	(89)	-	(89)
Exchange adjustments	(389)	(143)	(23)	(1)	(556)
Measurement reclassification and other movements	61	(2)	1	-	60
Gross carrying amount at 31 December 2020	**10,637**	**8,181**	**1,014**	**26**	**19,858**

Group 2020 Non-property SME and corporate - Impairment loss allowance	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2020	**56**	**78**	**353**	**-**	**487**
Total net transfers	(38)	13	25	-	-
- to 12-month ECL not credit-impaired	*38*	*(35)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(72)*	*92*	*(20)*	-	-
- to lifetime ECL credit-impaired	*(4)*	*(44)*	*48*	-	-
Net impairment (losses) / gains in income statement	117	277	126	13	533
- Re-measurement	*100*	*91*	*214*	*13*	*418*
- Net changes in exposure	*(27)*	*(38)*	*(87)*	-	*(152)*
- ECL model parameter changes	*44*	*224*	*(1)*	-	*267*
Impairment loss allowances utilised	-	-	(89)	-	(89)
Exchange adjustments	-	-	(2)	-	(2)
Measurement reclassification and other movements	(1)	-	3	-	2
Impairment loss allowance at 31 December 2020	**134**	**368**	**416**	**13**	**931**
Impairment coverage at 31 December 2020 (%)	**1.26%**	**4.50%**	**41.03%**	**50.00%**	**4.69%**

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

Oninitial 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 €17 million increase in impairment loss allowances as at 31 December 2020, which has been recognised within the impairment charge for the year.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Group 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**

Group 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
- Re-measurement	*(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 2020 (%)	**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.*

26 Loans and advances to customers *(continued)*

Bank 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	**16,736**	**2,008**	**698**	**26**	**19,468**
Total net transfers	(7,158)	6,672	486	-	-
- to 12-month ECL not credit-impaired	*1,277*	*(1,261)*	*(16)*	-	-
- to lifetime ECL not credit-impaired	*(8,324)*	*8,421*	*(97)*	-	-
- to lifetime ECL credit-impaired	*(111)*	*(488)*	*599*	-	-
Net changes in exposure	972	(932)	(186)	1	(145)
Impairment loss allowances utilised	-	-	(78)	-	(78)
Exchange adjustments	(318)	(130)	(16)	(1)	(465)
Measurement reclassification and other movements	51	(2)	-	-	49
Gross carrying amount at 31 December 2020	**10,283**	**7,616**	**904**	**26**	**18,829**

Bank 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	**53**	**74**	**326**	**-**	**453**
Total net transfers	(35)	8	27	-	-
- to 12-month ECL not credit-impaired	*36*	*(34)*	*(2)*	-	-
- to lifetime ECL not credit-impaired	*(69)*	*84*	*(15)*	-	-
- to lifetime ECL credit-impaired	*(2)*	*(42)*	*44*	-	-
Net impairment (losses) / gains in income statement	107	259	109	13	488
- Re-measurement	*106*	*87*	*184*	*13*	*390*
- Net changes in exposure	*(41)*	*(38)*	*(73)*	-	*(152)*
- ECL model parameter and / or methodology changes	*42*	*210*	*(2)*	-	*250*
Impairment loss allowances utilised	-	-	(78)	-	(78)
Exchange adjustments	-	-	(2)	-	(2)
Measurement reclassification and other movements	-	-	2	-	2
Impairment loss allowance at 31 December 2020	**125**	**341**	**384**	**13**	**863**
Impairment coverage at 31 December 2020 (%)	**1.22%**	**4.48%**	**42.48%**	**50.00%**	**4.58%**

Impairment loss allowances utilised on non-property SME and corporate during 2020 includes €10 million of contractual amounts outstanding that are still subject to enforcement activity.

On initial implementation of the Group's revised definition of default, €0.14 billion of assets within the Non-property SME and corporate portfolio were reclassified as credit-impaired (Stage 3). This resulted in a €14 million increase in impairment loss allowances as at 31 December 2020, which has been recognised within the impairment charge for the year.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Bank **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	**16,244**	**1,633**	**1,006**	**1**	**18,884**
Total net transfers	(767)	698	69	-	-
- to 12-month ECL not credit-impaired	*713*	*(711)*	*(2)*	-	-
- to lifetime ECL not credit-impaired	*(1,453)*	*1,614*	*(161)*	-	-
- to lifetime ECL credit-impaired	*(27)*	*(205)*	*232*	-	-
Net changes in exposure	1,312	(338)	(135)	25	864
Impairment loss allowances utilised	-	-	(250)	-	(250)
Exchange adjustments	190	16	8	-	214
Measurement reclassification and other movements	(243)	(1)	-	-	(244)
Gross carrying amount at 31 December 2019	**16,736**	**2,008**	**698**	**26**	**19,468**

Bank **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	**47**	**66**	**478**	**1**	**592**
Total net transfers	16	18	(34)	-	-
- to 12-month ECL not credit-impaired	*24*	*(24)*	-	-	-
- to lifetime ECL not credit-impaired	*(8)*	*60*	*(52)*	-	-
- to lifetime ECL credit-impaired	-	*(18)*	*18*	-	-
Net impairment (losses) / gains in income statement	(11)	(11)	115	(1)	92
- Re-measurement	*(9)*	*(7)*	*147*	*(1)*	*130*
- Net changes in exposure	*(3)*	*(10)*	*(38)*	-	*(51)*
- ECL model parameter and / or methodology changes	*1*	*6*	*6*	-	*13*
Impairment loss allowances utilised	-	-	(250)	-	(250)
Exchange adjustments	-	1	1	-	2
Measurement reclassification and other movements	1	-	16	-	17
Impairment loss allowance at 31 December 2019	**53**	**74**	**326**	**-**	**453**
Impairment coverage at 31 December 2020 (%)	**0.32%**	**3.69%**	**46.70%**	**-**	**2.33%**

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.*

26 Loans and advances to customers *(continued)*

Property and construction

Group 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	(4,158)	3,541	617	-	-
- to 12-month ECL not credit-impaired	*769*	*(769)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(4,895)*	*4,963*	*(68)*	-	-
- to lifetime ECL credit-impaired	*(32)*	*(653)*	*685*	-	-
Net changes in exposure	896	(128)	(104)	-	664
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	(90)	(55)	(15)	(3)	(163)
Measurement reclassification and other movements	6	(2)	-	-	4
Gross carrying amount at 31 December 2020	**2,639**	**4,869**	**1,021**	**62**	**8,591**

Group 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)	(22)	23	-	-
- to 12-month ECL not credit-impaired	*10*	*(10)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(11)*	*17*	*(6)*	-	-
- to lifetime ECL credit-impaired	*-*	*(29)*	*29*	-	-
Net impairment (losses) / gains in income statement	4	106	262	17	389
- Re-measurement	*-*	*16*	*282*	*17*	*315*
- Net changes in exposure	*2*	*(5)*	*(21)*	*-*	*(24)*
- ECL model parameter changes	*2*	*95*	*1*	*-*	*98*
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	-	-	(3)	-	(3)
Measurement reclassification and other movements	-	-	6	-	6
Impairment loss allowance at 31 December 2020	**9**	**126**	**442**	**19**	**596**
Impairment coverage at 31 December 2020 (%)	**0.34%**	**2.59%**	**43.29%**	**30.65%**	**6.94%**

Impairment loss allowances utilised on Property and construction during 2020 includes €20 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 31 December 2020, which has been recognised within the impairment charge for the year.

[1] *At 31 December 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 due to improvements in credit risk. 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 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Group 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**

Group 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
- Re-measurement	*(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 2020 (%)	**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 due to improvements in credit risk. 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.*

26 Loans and advances to customers *(continued)*

Bank 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	**5,647**	**1,409**	**506**	**65**	**7,627**
Total net transfers	(3,910)	3,344	566	-	-
- to 12-month ECL not credit-impaired	*691*	*(691)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(4,581)*	*4,639*	*(58)*	-	-
- to lifetime ECL credit-impaired	*(20)*	*(604)*	*624*	-	-
Net changes in exposure	891	(101)	(77)	-	713
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	(75)	(47)	(12)	(3)	(137)
Measurement reclassification and other movements	6	(2)	-	-	4
Gross carrying amount at 31 December 2020	**2,559**	**4,603**	**957**	**62**	**8,181**

Bank 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	**5**	**40**	**166**	**2**	**213**
Total net transfers	(2)	(18)	20	-	-
- to 12-month ECL not credit-impaired	*9*	*(9)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(11)*	*15*	*(4)*	-	-
- to lifetime ECL credit-impaired	*-*	*(24)*	*24*	-	-
Net impairment (losses) / gains in income statement	5	98	255	17	375
- Re-measurement	*-*	*14*	*268*	*17*	*299*
- Net changes in exposure	*2*	*(5)*	*(14)*	*-*	*(17)*
- ECL model parameter and / or methodology changes	*3*	*89*	*1*	*-*	*93*
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	-	-	(2)	-	(2)
Measurement reclassification and other movements	-	-	5	-	5
Impairment loss allowance at 31 December 2020	**8**	**120**	**418**	**19**	**565**
Impairment coverage at 31 December 2020 (%)	**0.31%**	**2.61%**	**43.68%**	**30.65%**	**6.91%**

Impairment loss allowances utilised on Property and construction during 2020 includes €20 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 €4 million increase in impairment loss allowances as at 31 December 2020, which has been recognised within the impairment charge for the year.

1 *At 31 December 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 due to improvements in credit risk. 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 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Bank **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	**5,977**	**995**	**754**	**66**	**7,792**
Total net transfers	(622)	478	144	-	-
- to 12-month ECL not credit-impaired	*268*	*(268)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(871)*	*932*	*(61)*	-	-
- to lifetime ECL credit-impaired	*(19)*	*(186)*	*205*	-	-
Net changes in exposure	238	(89)	(195)	(4)	(50)
Impairment loss allowances utilised	-	-	(208)	-	(208)
Exchange adjustments	53	27	11	3	94
Measurement reclassification and other movements	1	(2)	-	-	(1)
Gross carrying amount at 31 December 2019	**5,647**	**1,409**	**506**	**65**	**7,627**

Bank **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	**3**	**37**	**344**	**-**	**384**
Total net transfers	5	1	(6)	-	-
- to 12-month ECL not credit-impaired	*7*	*(6)*	*(1)*	-	-
- to lifetime ECL not credit-impaired	*(2)*	*15*	*(13)*	-	-
- to lifetime ECL credit-impaired	-	*(8)*	*8*	-	-
Net impairment (losses) / gains in income statement	(3)	2	30	2	31
- Re-measurement	*(6)*	*(4)*	*61*	*2*	*53*
- Net changes in exposure	*2*	*(4)*	*(31)*	-	*(33)*
- ECL model parameter and / or methodology changes	*1*	*10*	-	-	*11*
Impairment loss allowances utilised	-	-	(208)	-	(208)
Exchange adjustments	-	-	3	-	3
Measurement reclassification and other movements	-	-	3	-	3
Impairment loss allowance at 31 December 2019	**5**	**40**	**166**	**2**	**213**
Impairment coverage at 31 December 2020 (%)	**0.09%**	**2.84%**	**32.81%**	**3.08%**	**2.79%**

Impairment loss allowances utilised on Property and construction during 2019 includes €63 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 due to improvements in credit risk. 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.*

26 Loans and advances to customers *(continued)*

Consumer

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

Group 2020 Consumer - Impairment loss allowance including held for sale	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit- impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**64**	**32**	**63**	**-**	**159**
Total net transfers	2	(13)	11	-	-
- to 12-month ECL not credit-impaired	*17*	*(14)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(8)*	*14*	*(6)*	-	-
- to lifetime ECL credit-impaired	*(7)*	*(13)*	*20*	-	-
Net impairment (losses) / gains in income statement	66	9	42	-	117
- Re-measurement	*3*	*30*	*54*	-	*87*
- Net changes in exposure	*28*	*(20)*	*(7)*	-	*1*
- ECL model parameter changes	*35*	*(1)*	*(5)*	-	*29*
Impairment loss allowances utilised	-	-	(38)	-	(38)
Exchange adjustments	(3)	(1)	(2)	-	(6)
Measurement reclassification and other movements	-	-	4	-	4
Impairment loss allowance at 31 December 2020	**129**	**27**	**80**	**-**	**236**
Impairment coverage at 31 December 2020 (%)	**2.60%**	**16.36%**	**55.17%**	**-**	**4.48%**

Impairment loss allowances utilised on consumer during 2020 includes €31 million of contractual amounts outstanding that are still subject to enforcement activity.

On initial implementation of the Group's revised definition of default, €38 million of assets within the Consumer portfolio were reclassified as credit-impaired (Stage 3). This resulted in a €9 million increase in impairment loss allowances as at 31 December 2020, which has been recognised within the impairment charge for the year.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Group 2019 Consumer - Gross carrying amount including held for sale (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	**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**

Group 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
- Re-measurement	*(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 2020 (%)	**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.*

26 Loans and advances to customers *(continued)*

Bank 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	**1,933**	**108**	**53**	**-**	**2,094**
Total net transfers	(29)	(9)	38	-	-
- to 12-month ECL not credit-impaired	*132*	*(130)*	*(2)*	-	-
- to lifetime ECL not credit-impaired	*(155)*	*158*	*(3)*	-	-
- to lifetime ECL credit-impaired	*(6)*	*(37)*	*43*	-	-
Net changes in exposure	(131)	(48)	(9)	-	(188)
Impairment loss allowances utilised	-	-	(13)	-	(13)
Exchange adjustments	-	-	-	-	-
Measurement reclassification and other movements	-	-	-	-	-
Gross carrying amount at 31 December 2020	**1,773**	**51**	**69**	**-**	**1,893**

Bank 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	**16**	**12**	**31**	**-**	**59**
Total net transfers	11	(16)	5	-	-
- to 12-month ECL not credit-impaired	*14*	*(13)*	*(1)*	-	-
- to lifetime ECL not credit-impaired	*(3)*	*4*	*(1)*	-	-
- to lifetime ECL credit-impaired	-	*(7)*	*7*	-	-
Net impairment (losses) / gains in income statement	2	10	9	-	21
- Re-measurement	*(8)*	*13*	*15*	-	*20*
- Net changes in exposure	*2*	*(3)*	*(5)*	-	*(6)*
- ECL model parameter and / or methodology changes	*8*	-	*(1)*	-	*7*
Impairment loss allowances utilised	-	-	(13)	-	(13)
Exchange adjustments	-	-	-	-	-
Measurement reclassification and other movements	-	-	2	-	2
Impairment loss allowance at 31 December 2020	**29**	**6**	**34**	**-**	**69**
Impairment coverage at 31 December 2020 (%)	**1.64%**	**11.76%**	**49.28%**	**-**	**3.65%**

Impairment loss allowances utilised on Consumer during 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, €14 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 31 December 2020, which has been recognised within the impairment charge for the year.

[1] *The total amount of undiscounted ECL at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2020 is €nil.*

26 Loans and advances to customers *(continued)*

Bank **2019** **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 2019	**1,878**	**98**	**61**	**-**	**2,037**
Total net transfers	(62)	45	17	-	-
- to 12-month ECL not credit-impaired	*93*	*(92)*	*(1)*	-	-
- to lifetime ECL not credit-impaired	*(154)*	*155*	*(1)*	-	-
- to lifetime ECL credit-impaired	*(1)*	*(18)*	*19*	-	-
Net changes in exposure	117	(35)	(10)	-	72
Impairment loss allowances utilised	-	-	(15)	-	(15)
Exchange adjustments	-	-	-	-	-
Measurement reclassification and other movements	-	-	-	-	-
Gross carrying amount at 31 December 2019	**1,933**	**108**	**53**	**-**	**2,094**

Bank **2019** **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 2019	**13**	**12**	**37**	**-**	**62**
Total net transfers	6	(9)	3	-	-
- to 12-month ECL not credit-impaired	*8*	*(8)*	-	-	-
- to lifetime ECL not credit-impaired	*(2)*	*3*	*(1)*	-	-
- to lifetime ECL credit-impaired	-	*(4)*	*4*	-	-
Net impairment (losses) / gains in income statement	(3)	9	4	-	10
- Re-measurement	*(9)*	*13*	*10*	-	*14*
- Net changes in exposure	*4*	*(3)*	*(5)*	-	*(4)*
- ECL model parameter and / or methodology changes	*2*	*(1)*	*(1)*	-	-
Impairment loss allowances utilised	-	-	(15)	-	(15)
Exchange adjustments	-	-	-	-	-
Measurement reclassification and other movements	-	-	2	-	2
Impairment loss allowance at 31 December 2019	**16**	**12**	**31**	**-**	**59**
Impairment coverage at 31 December 2020 (%)	**0.83%**	**11.11%**	**58.49%**	**-**	**2.82%**

Impairment loss allowances utilised on Consumer during 2019 includes €6 million of contractual amounts outstanding that are still subject to enforcement activity.

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

26 Loans and advances to customers *(continued)*

Finance leases and hire purchase receivables

The Group's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and business customers.

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed in the table below. The net investment in finance leases at 31 December 2020 was €3.6 billion, an decrease of €0.4 billion since 31 December 2019. This was primarily driven by volume increases in the Northridge business in Retail UK.

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Gross investment in finance leases				
Not later than 1 year	1,169	1,289	330	395
1 to 2 years	1,057	1,085	280	263
2 to 3 years	926	984	253	247
3 to 4 years	496	743	166	192
4 to 5 years	186	209	122	114
Later than 5 years	15	20	6	10
	3,849	4,330	1,157	1,221
Unearned future finance income on finance leases	(257)	(330)	(68)	(75)
Net investment in finance leases	**3,592**	**4,000**	**1,089**	**1,146**
The net investment in finance leases is analysed as follows:				
Not later than 1 year	1,090	1,191	311	371
1 to 2 years	986	1,002	264	247
2 to 3 years	864	909	238	232
3 to 4 years	463	686	156	180
4 to 5 years	175	194	115	107
Later than 5 years	14	18	5	9
	3,592	**4,000**	**1,089**	**1,146**

Securitisations

Loans and advances to customers include balances that have been securitised but not derecognised, comprising both residential mortgages and commercial loans. In general, the assets, or interests in the assets, are transferred to structured entities, which then issue securities to third party investors or to other entities within the Group. With the exception of Mulcair Securities, all of the Group's securitisation structured entities are consolidated. See note 56 for further details.

27 Financial risk management

Financial instruments are fundamental to the Group's activities and, as a consequence, the risks associated with financial instruments represent a significant component of the risks faced by the Group.

The primary risks affecting the Group and Bank through the use of financial instruments are: credit risk, liquidity risk and market risk. The Group is also exposed to life insurance risk. Information about the Group and Bank's management of these risks is given below.

The Group's approach to risk management including risk policies, risk appetite, measurement bases and sensitivities, in particular for credit risk, market risk and liquidity risk, is aligned to that of BOIG plc, the Bank's immediate and ultimate parent. Further information can be found in the BOIG plc Group Annual Report 2020.

The Group's approach to managing capital is also included in this note on page 216.

Credit risk

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. At portfolio level, credit risk is assessed in relation to the degree of name, sector and geographic concentration to inform the setting of appropriate risk mitigation and transfer mechanisms, and to assess risk capital requirements. Risk appetite measures for credit risk are set by the Court.

Credit risk arises from loans and advances to customers and from certain other financial transactions such as those entered into by the Group with financial institutions, sovereigns and state institutions.

Credit facilities can be largely grouped into the following categories:
- cash advances (e.g. loans, overdrafts, revolving credit facilities (RCFs) and bonds), and associated commitments and letters of offer;
- credit related contingent facilities (issuing of guarantees / performance bonds / letters of credit);
- derivative instruments; and
- settlement lines.

The manner in which the Group's exposure to credit risk arises, its policies and processes for managing it and the methods used to measure and monitor it are set out below.

Default risk
Default risk is the risk that financial institutions, sovereigns, state institutions, companies or individuals will be unable to meet the required payments on their debt obligations. Default may be as a result of one or a number of factors including, but not limited to:
- deterioration in macroeconomic or general market conditions;
- deterioration in a borrower's capacity to service its credit obligation;
- a credit event (e.g. a corporate transaction);
- a natural or manmade disaster;
- regulatory change, or technological development that causes an abrupt deterioration in credit quality;
- a mismatch between the currency of a borrower's income and their borrowing / repayments; and
- environmental factors that impact on the credit quality of the counterparty.

Credit concentration risk
Credit concentration risk is the risk of loss due to exposures to a single entity or group of entities engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Undue concentrations could lead to increased volatility in the Group's expected financial outcomes.

Country risk
Country risk is the risk that sovereign or other counterparties within a country may be unable, unwilling or precluded from fulfilling their cross-border obligations due to changing political, financial or economic circumstances such that a loss to the Group may arise.

Migration risk
Migration risk is the potential for loss due to an internal / external ratings downgrade which signals a change in the credit quality of the loan exposure.

Collateral risk
Collateral risk is the risk of loss arising from a change in the value or enforceability of security held due to errors in the nature, quantity, pricing, or characteristics of collateral security held in respect of a transaction with credit risk.

Credit risk management

Credit risk statement
The Group actively seeks opportunities to provide appropriately remunerated credit facilities to borrowers who are assessed as having the capacity to service and discharge their obligations and to allow growth in the volume of loan assets in line with the Group's risk appetite and to provide a solid foundation for sustained growth in earnings and stockholder value.

The Group's credit strategy is to underwrite credit risk within a clearly defined Court-approved risk appetite and risk governance framework through the extension of credit to customers and financial counterparties in a manner that results in an appropriate return for the risks taken and on the capital deployed while operating within prudent Court-approved risk parameters, and to maximise recoveries on loans that become distressed.

Credit risk management
The Group's approach to the management of credit risk is focused on a detailed credit analysis at origination followed by early intervention and active management of accounts where creditworthiness has deteriorated.

Through its ongoing credit review processes, the Group seeks early identification of deteriorating loans with a view to taking

27 Financial risk management *(continued)*

corrective action to prevent a loan becoming credit-impaired. Typically, loans that are at risk of becoming credit-impaired are managed by dedicated specialist units / debt collection teams focused on working-out loans. For loans that become credit-impaired, the focus is to minimise the loss that the Group will incur. This may involve implementing forbearance solutions, entering into restructuring arrangements or action to enforce security, asset / portfolio disposals or securitisations.

The Group Credit Risk function has responsibility for the independent oversight of credit risk, and for overall risk reporting to the GRPC, the CRC and the Court on developments in credit risk and compliance with specific risk limits. It is led by the Chief Credit Officer who reports directly to the Group CRO. The function provides independent oversight and management of the Group's credit risk strategy, credit risk management information and credit risk underwriting. A separate Customer Loans Solutions function also reports to the Group CRO and provides experienced and dedicated management of challenged assets.

Credit policy
The core values and principles governing the provision of credit are contained in Group Credit Policy which is approved by the Court. Individual business unit credit policies (which include specific sectoral / product credit policies) define in greater detail the credit approach appropriate to the units concerned. These policies are aligned with, and have regard to, the Group's Risk Appetite Statement and applicable credit limits, the lessons learned from the Group's loss history, the markets in which the business units operate and the products which they provide.

Lending authorisation
The Group's credit risk management systems operate through a hierarchy of lending authorities which are related to internal loan ratings. All exposures above certain levels require approval by the Group Credit Committee. Other exposures are approved according to a system of tiered individual authorities which reflect credit competence, proven judgement and experience. Material lending proposals are referred to credit units for independent assessment / approval or formulation of a recommendation for subsequent adjudication by the applicable approval authority. Certain retail loan applications may be approved automatically where they meet both approved policy rules and minimum thresholds for the score produced by internal credit scoring tools.

Controls and limits
The Group imposes credit risk control limits and guide points to mitigate significant concentration risk. These limits and guide points are informed by the Group's Risk Appetite Statement which is approved annually by the Court.

It includes specific long term limits for each category and maximum exposure limits to a customer or a group of connected customers.

The Court approves a framework of country maximum exposure guide points which are used as benchmarks for the setting of country limits. A maximum exposure limit framework for exposures to banks is also approved by the GRPC for each rating category. Limits are set and monitored for countries, sovereign obligors and banks in accordance with these frameworks.

Credit risk measurement

All credit transactions are assessed at origination for credit quality and the borrower is assigned a credit grade based on a predefined credit rating scale. The risk, and consequently the credit grade, is reassessed periodically. The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

Loan impairment
Under IFRS 9, essentially all credit risk exposures not measured at FVTPL are subject to recognition of an impairment loss allowance for ECL. The Group's impairment modelling methodologies are approved by RMC and the quantum of the Group's impairment gain or loss, NPEs and impairment loss allowances are reviewed by the Impairment Committee and by the GRPC in advance of providing a recommendation to the CAC.

The Group's credit risk rating systems and impairment models and methodologies play a key role in quantifying the appropriate level of impairment loss allowance. Further details are provided in the section on credit risk methodologies on page 201.

An analysis of the Group's impairment loss allowances at 31 December 2020 is set out on page 171.

Credit risk mitigation

An assessment of the borrower's ability to service and repay the proposed level of debt (principal repayment source) is undertaken for credit requests and is a key element in the Group's approach to mitigating risk. In addition, the Group mitigates credit risk through the adoption of both proactive preventative measures (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks should these materialise, including hedging, securitisation and the taking of collateral (which acts as a secondary repayment source) and selective asset / portfolio disposals and securitisations.

Risk transfer
The objective of risk mitigation / transfer is to limit the risk impact to acceptable levels. At portfolio level, credit risk is assessed in relation to the degree of name, sector and geographic concentration. Where possible emergence of undue risk concentrations are identified, the risk capital implications are assessed and, where appropriate, risk transfer and mitigation options (e.g. disposals, securitisations, hedging strategies) are explored and recommended to the Portfolio Review Committee (PRC).

Collateral
Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product and local market practice, as set out in the Group's policies and procedures. The Group takes collateral as a secondary repayment source, which can be called upon if the borrower is unable or unwilling to service and repay debt as originally envisaged. Various types of collateral are accepted, including property, securities, cash, guarantees and insurance.

27 Financial risk management *(continued)*

The nature and level of collateral required depends on a number of factors including, but not limited to, the amount of the exposure, the type of facility made available, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or PD.

The Group's requirements around completion, valuation and management of collateral are set out in appropriate Group or business unit policies and procedures. The extent to which collateral and other credit enhancements mitigate credit risk in respect of the Group's Residential mortgage portfolio is set out in the tables on pages 196 to 199.

Counterparty credit risk arising from derivatives

Trading in over-the-counter (OTC) derivatives is governed by the European Market Infrastructure Regulation (EMIR). The Group has executed standard internationally recognised documents such as International Swaps and Derivatives Association (ISDA) agreements and Credit Support Annexes (CSAs) with all of its derivative financial counterparties. In addition, the Group has Cleared Derivatives Execution Agreements (CDEAs) with its principal interbank derivative counterparties enabling the Group to clear eligible derivatives through an EU approved and regulated central counterparty. If a derivative contract cannot be cleared through a central counterparty, a CSA serves to limit the potential cost of replacing that contract at market price in the event of a default by the financial counterparty. All of the Group's interbank derivatives are covered by CDEAs or CSAs and are hence collateralised.

Credit risk reporting / monitoring

Credit risk at a Group, divisional and significant operating unit / product type level is reported on a monthly basis to senior management. This monthly reporting includes information and detailed commentary on loan book growth, quality of the loan book (credit grade and PD profiles and RWAs), impairment loss allowances, and individual large credit-impaired exposures.

Credit risk, including compliance with key credit risk limits, is monitored and reported monthly in the Court Risk Report. This report is presented to and discussed by the GRPC and the Court. The quarterly Court Risk Report is also presented to and discussed by the CRC. A report on exceptions to credit policy is presented to and reviewed by the GRPC, the CRC and the Court on a quarterly basis.

The PRC considers and recommends to the GRPC, on a quarterly basis, credit concentration reports which track changes in sectoral and single name concentrations measured under agreed parameters.

In addition other reports are submitted to senior management and the Court as required.

Credit Review (CR), an independent function within GIA, reviews the quality and management of credit risk assets across the Group. Using a risk based approach, CR carries out periodic reviews of Group lending portfolios, lending units and credit units.

Management of challenged assets

The Group has in place a range of initiatives to manage challenged and vulnerable credit. These include:

- enhanced collections and recoveries processes;
- specialist work-out teams to ensure early intervention in vulnerable cases;
- intensive review cycles for 'at risk' exposures and the management of excess positions; and
- support from central teams in managing 'at risk' portfolios at a business unit level.

Group forbearance strategies

Forbearance occurs when a borrower is granted a concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. If the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower, forbearance has not occurred.

The forbearance strategies adopted by the Group seek to maximise recoveries and minimise losses arising from non-repayment of debt, while providing suitable and sustainable restructure options that are supportive of customers in challenged circumstances. Such strategies may include, where appropriate, one or a combination of measures such as a temporary reduction in contractual payments, a term extension, capitalisation of arrears, adjustment or non-enforcement of covenants and / or more permanent restructuring measures. Forbearance requests are assessed on a case by case basis, taking due consideration of the individual circumstances and risk profile of the borrower.

A request for forbearance will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances and ability to repay prior to any decision to grant a forbearance treatment. This assessment may result in a deterioration in the credit grade assigned to the loan, potentially impacting how frequently the loan must be formally reviewed. This assessment may also result in a loan being considered to have experienced a 'significant increase in credit risk' or becoming classified as credit-impaired.

The Group Credit Policy and Group Credit Framework outlines the core principles and parameters underpinning the Group's approach to forbearance with individual business unit policies and procedures defining in greater detail the forbearance strategies appropriate to each unit.

Borrower compliance with revised terms and conditions may not be achieved in all cases. Non-compliance could for example arise because the individual circumstances and risk profile of the borrower continue to deteriorate, or fail to show an expected improvement, to the extent that an agreed reduced level of repayment can no longer be met. In the event of non-compliance, a request for further forbearance may be considered. It is possible that the Group, by virtue of having granted forbearance to a borrower, could suffer a loss that might otherwise have been avoided had enforcement action instead been taken - this could for example arise where the value of security held in respect of a loan diminishes over the period of a forbearance arrangement which ultimately proves unsustainable.

27 Financial risk management *(continued)*

It is the Group's policy to measure the effectiveness of forbearance arrangements over the lifetime of those arrangements. A forbearance arrangement is considered to be effective where the risk profile of the affected borrower stabilises or improves over the measured time period, resulting in an improved outcome for the Group and the borrower. The measurement of effectiveness takes account of the nature and intended outcome of the forbearance arrangement and the period over which it applies.

As outlined on page 206, in line with regulatory guidance and wider industry practice, cases where customers availed of COVID-19 payment breaks or concessions were typically not classified as forborne.

Where customers require further support following the expiry of COVID-19 payment breaks or concessions (i.e. are unable to return to paying full capital and interest) the Group's objective is to offer suitable and sustainable solutions in a timely manner. The Group has alternative repayment arrangements available, including forbearance arrangements, for customers who require further financial support and these are based on an assessment of the individual needs of each customer and what is the most suitable solution.

Asset quality - Loans and advances to customers

Asset quality methodology

The Group has allocated financial instruments into one of the following categories at the reporting date:

- **Stage 1 - 12 month expected credit losses (not credit-impaired)**
  Financial instruments which have not experienced a significant increase in credit risk since initial recognition and are not credit-impaired. An impairment loss allowance equal to 12-month ECL is recognised, which is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

- **Stage 2 - Lifetime expected credit losses (not credit-impaired)**
  Financial instruments which have experienced a 'significant increase in credit risk since initial recognition' and are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised, being the ECL resulting from all possible default events over the expected life of the financial instrument. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument.

- **Stage 3 - Lifetime expected credit losses (credit-impaired)**
  Credit-impaired financial instruments, other than POCI financial assets. An impairment loss allowance equal to lifetime ECL is recognised. The manner in which the Group identifies financial assets as credit-impaired results in the Group's population of credit-impaired financial assets being consistent with its population of defaulted financial assets (in accordance with Article 178 of the CRR) in scope for the impairment requirements of IFRS 9. This encompasses loans where: (i) the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security and / or (ii) the borrower is greater than 90 days past due and the arrears amount is material.

- **Purchased or Originated Credit-impaired financial asset**
  Financial assets that were credit-impaired at initial recognition. A POCI is not subject to any initial impairment loss allowance but an impairment loss allowance is subsequently recognised for the cumulative changes in lifetime ECL since initial recognition. A POCI remains classified as such until it is derecognised, even if assessed as no longer credit-impaired at a subsequent reporting date.

Further information on the approach to identifying a 'significant increase in credit risk since initial recognition' and in identifying credit-impaired assets is outlined in the Credit risk methodologies section on pages 201 to 207.

The Group continued to apply the following classifications at the reporting date.

Forborne loans

Loans where a forbearance measure has been granted and where the criteria to exit a forborne classification, in line with EBA guidance, are not yet met. Loans that have never been forborne or loans that are no longer required to be reported as 'forborne' are classified as 'non-forborne'.

Non-performing exposures

These are:

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

An analysis of loans and advances to customers that are non-performing by asset classification as at 31 December 2020 can be found on page 185.

27 Financial risk management *(continued)*

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

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

Financial assets

Composition and risk profile

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

Group **2020** **Financial assets exposure by stage (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	58,253	15,743	4,376	90	78,462
Loans and advances to banks	2,227	-	-	-	2,227
Debt securities	6,258	11	-	-	6,269
Other financial assets	11,123	-	-	-	11,123
Total financial assets measured at amortised cost	**77,861**	**15,754**	**4,376**	**90**	**98,081**
Debt instruments at FVOCI	10,942	-	-	-	10,942
Total	**88,803**	**15,754**	**4,376**	**90**	**109,023**

Group **2020** **Impairment loss allowance on financial assets**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	346	552	1,312	32	2,242
Loans and advances to banks	1	-	-	-	1
Debt securities	1	2	-	-	3
Other financial assets	4	-	-	-	4
Total financial assets measured at amortised cost	**352**	**554**	**1,312**	**32**	**2,250**
Debt instruments at FVOCI	3	-	-	-	3
Total	**355**	**554**	**1,312**	**32**	**2,253**

[1] *At 31 December 2020, Purchased or Originated Credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

27 Financial risk management *(continued)*

Group 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**

Group 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**

Loans and advances to customers excludes €361 million (Bank 2020: €283 million) of loans mandatorily measured at FVTPL at 31 December 2020 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (Group 2019: €252 million, Bank 2019: €166 million) (note 26).

At 31 December 2020, other financial assets includes: cash and balances at central banks of €10,957 million (2019: €7,646 million) and items in the course of collection from other banks of €166 million (2019: €223 million). At 31 December 2020, the Bank's other financial assets includes: cash and balances at central banks of €8,676 million (2019: €5,819 million) and items in the course of collection from other banks of €43 million (2019: €54 million).

The above tables exclude loan commitments, guarantees and letters of credit of €15,897 million at 31 December 2020 (2019: €14,671 million) (Bank 2020: €13,326 million, 2019: €12,010 million) that are subject to impairment (note 46).

[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 due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

27 Financial risk management *(continued)*

Bank **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	22,666	12,783	2,749	90	38,288
Loans and advances to banks	15,871	-	-	-	15,871
Debt securities	8,424	-	-	-	8,424
Other financial assets	8,719	-	-	-	8,719
Total financial assets measured at amortised cost	**55,680**	**12,783**	**2,749**	**90**	**71,302**
Debt instruments at FVOCI	10,942	-	-	-	10,942
Total	**66,622**	**12,783**	**2,749**	**90**	**82,243**

Bank **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	185	476	960	32	1,653
Loans and advances to banks	7	-	-	-	7
Debt securities	2	-	-	-	2
Other financial assets	3	-	-	-	3
Total financial assets measured at amortised cost	**197**	**476**	**960**	**32**	**1,665**
Debt instruments at FVOCI	3	-	-	-	3
Total	**200**	**476**	**960**	**32**	**1,668**

[1] *At 31 December 2020, Purchased or Originated Credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

27 Financial risk management *(continued)*

Bank **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	33,204	4,120	1,868	94	39,286
Loans and advances to banks	14,284	5	-	-	14,289
Debt securities	6,679	-	-	-	6,679
Other financial assets	5,873	-	-	-	5,873
Total financial assets measured at amortised cost	**60,040**	**4,125**	**1,868**	**94**	**66,127**
Debt instruments at FVOCI	10,797	-	-	-	10,797
Total	**70,837**	**4,125**	**1,868**	**94**	**76,924**

Bank **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	82	141	644	2	869
Loans and advances to banks	13	-	-	-	13
Debt securities	4	-	-	-	4
Other financial assets	2	-	-	-	2
Total financial assets measured at amortised cost	**101**	**141**	**644**	**2**	**888**
Debt instruments at FVOCI	3	-	-	-	3
Total	**104**	**141**	**644**	**2**	**891**

[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 due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

27 Financial risk management *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

The tables below summarise the composition and risk profile of the Group and Bank's loans and advances to customers at amortised cost.

Group	**2020**				**2019**			
Loans and advances to customers Composition and risk profile (before impairment loss allowance)[1]	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Total %**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Total %**
Residential mortgages	42,544	2,196	44,740	57%	44,575	1,693	46,268	58%
- Retail Ireland	*21,432*	*1,508*	*22,940*	*29%*	*21,743*	*1,289*	*23,032*	*29%*
- Retail UK	*21,112*	*688*	*21,800*	*28%*	*22,832*	*404*	*23,236*	*29%*
Non-property SME and corporate	18,818	1,014	19,832	25%	19,649	757	20,406	25%
- Republic of Ireland SME	*6,401*	*672*	*7,073*	*9%*	*6,810*	*495*	*7,305*	*9%*
- UK SME	*1,676*	*114*	*1,790*	*2%*	*1,607*	*78*	*1,685*	*2%*
- Corporate	*10,741*	*228*	*10,969*	*14%*	*11,232*	*184*	*11,416*	*14%*
Property and construction	7,508	1,021	8,529	11%	7,498	549	8,047	10%
- Investment	*6,584*	*987*	*7,571*	*10%*	*6,669*	*519*	*7,188*	*9%*
- Land and development	*924*	*34*	*958*	*1%*	*829*	*30*	*859*	*1%*
Consumer	5,126	145	5,271	7%	5,627	100	5,727	7%
Total	**73,996**	**4,376**	**78,372**	**100%**	**77,349**	**3,099**	**80,448**	**100%**
Impairment loss allowance on loans and advances to customers	**898**	**1,312**	**2,210**	**3%**	**330**	**976**	**1,306**	**2%**

Bank	**2020**				**2019**			
Loans and advances to customers Composition and risk profile (before impairment loss allowance)[1]	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Total %**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Total %**
Residential mortgages	8,564	819	9,383	25%	9,483	611	10,094	26%
- Retail Ireland	*5,877*	*491*	*6,368*	*17%*	*6,187*	*405*	*6,592*	*17%*
- Retail UK	*2,687*	*328*	*3,015*	*8%*	*3,296*	*206*	*3,502*	*9%*
Non-property SME and corporate	17,899	904	18,803	49%	18,744	698	19,442	50%
- Republic of Ireland SME	*6,592*	*669*	*7,261*	*19%*	*7,023*	*494*	*7,517*	*19%*
- UK SME	*79*	*13*	*92*	*-*	*191*	*33*	*224*	*1%*
- Corporate	*11,228*	*222*	*11,450*	*30%*	*11,530*	*171*	*11,701*	*30%*
Property and construction	7,162	957	8,119	21%	7,056	506	7,562	19%
- Investment	*6,283*	*934*	*7,217*	*19%*	*6,280*	*487*	*6,767*	*17%*
- Land and development	*879*	*23*	*902*	*2%*	*776*	*19*	*795*	*2%*
Consumer	1,824	69	1,893	5%	2,041	53	2,094	5%
Total	**35,449**	**2,749**	**38,198**	**100%**	**37,324**	**1,868**	**39,192**	**100%**
Impairment loss allowance on loans and advances to customers	**661**	**960**	**1,621**	**4%**	**223**	**644**	**867**	**2%**

[1] *Excluded from the table above are Purchased or Originated Credit-impaired assets of €90 million (2019 €95 million) (Bank 2020: €90 million, 2019: €94 million), €1 million (2019: €67 million) (Bank 2020: €1 million, 2019: €67 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

27 Financial risk management *(continued)*

Asset quality - not credit-impaired

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

Group	**Stage 1**				**Stage 2**			
2020 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	40,016	51%	74	0.18%	2,528	3%	31	1.23%
- Retail Ireland	*19,552*	*25%*	*44*	*0.23%*	*1,880*	*2%*	*20*	*1.06%*
- Retail UK	*20,464*	*26%*	*30*	*0.15%*	*648*	*1%*	*11*	*1.70%*
Non-property SME and corporate	10,637	14%	134	1.26%	8,181	11%	368	4.50%
- Republic of Ireland SME	*4,155*	*5%*	*96*	*2.31%*	*2,246*	*3%*	*144*	*6.41%*
- UK SME	*1,064*	*1%*	*9*	*0.85%*	*612*	*1%*	*37*	*6.05%*
- Corporate	5,418	8%	29	0.54%	5,323	7%	187	3.51%
Property and construction	2,639	3%	9	0.34%	4,869	6%	126	2.59%
- Investment	*2,357*	*3%*	*7*	*0.30%*	*4,227*	*5%*	*103*	*2.44%*
- Land and development	*282*	*-*	*2*	*0.71%*	*642*	*1%*	*23*	*3.58%*
Consumer	4,961	6%	129	2.60%	165	-	27	16.36%
Total	**58,253**	**74%**	**346**	**0.59%**	**15,743**	**20%**	**552**	**3.51%**

Group	**Stage 1**				**Stage 2**			
2019 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%*
- Land and 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%**

27 Financial risk management *(continued)*

Bank 2020 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1 Loans €m	Stage 1 Loans as % of total advances %	Stage 1 Impairment loss allowance €m	Stage 1 Impairment loss allowance as % of loans %	Stage 2 Loans €m	Stage 2 Loans as % of total advances %	Stage 2 Impairment loss allowance €m	Stage 2 Impairment loss allowance as % of loans %
Residential mortgages	8,051	21%	23	0.29%	513	1%	9	1.75%
- Retail Ireland	*5,492*	*14%*	*15*	*0.27%*	*385*	*1%*	*6*	*1.56%*
- Retail UK	*2,559*	*7%*	*8*	*0.31%*	*128*	*-*	*3*	*2.34%*
Non-property SME and corporate	10,283	27%	125	1.22%	7,616	20%	341	4.48%
- RoI SME	*4,346*	*11%*	*96*	*2.21%*	*2,246*	*6%*	*144*	*6.41%*
- UK SME	*11*	*-*	*-*	*-*	*68*	*-*	*10*	*14.71%*
- Corporate	*5,926*	*16%*	*29*	*0.49%*	*5,302*	*14%*	*187*	*3.53%*
Property and construction	2,559	7%	8	0.31%	4,603	12%	120	2.61%
- Investment	*2,288*	*6%*	*6*	*0.26%*	*3,995*	*10%*	*99*	*2.48%*
- Land and development	*271*	*1%*	*2*	*0.74%*	*608*	*2%*	*21*	*3.45%*
Consumer	1,773	5%	29	1.64%	51	-	6	11.76%
Total	**22,666**	**60%**	**185**	**0.82%**	**12,783**	**33%**	**476**	**3.72%**

Bank 2019 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1 Loans €m	Stage 1 Loans as % of total advances %	Stage 1 Impairment loss allowance €m	Stage 1 Impairment loss allowance as % of loans %	Stage 2 Loans €m	Stage 2 Loans as % of total advances %	Stage 2 Impairment loss allowance €m	Stage 2 Impairment loss allowance as % of loans %
Residential mortgages	8,888	23%	8	0.09%	595	2%	15	2.52%
- Retail Ireland	*5,816*	*15%*	*5*	*0.09%*	*371*	*1%*	*7*	*1.89%*
- Retail UK	*3,072*	*8%*	*3*	*0.10%*	*224*	*1%*	*8*	*3.57%*
Non-property SME and corporate	16,736	42%	53	0.32%	2,008	5%	74	3.69%
- RoI SME	*6,013*	*15%*	*33*	*0.55%*	*1,010*	*3%*	*39*	*3.86%*
- UK SME	*119*	*-*	*-*	*0.00%*	*72*	*-*	*5*	*6.94%*
- Corporate	*10,604*	*27%*	*20*	*0.19%*	*926*	*2%*	*30*	*3.24%*
Property and construction	5,647	14%	5	0.09%	1,409	4%	40	2.84%
- Investment	*5,118*	*13%*	*4*	*0.08%*	*1,162*	*3%*	*38*	*3.27%*
- Land and development	*529*	*1%*	*1*	*0.19%*	*247*	*1%*	*2*	*0.81%*
Consumer	1,933	5%	16	0.83%	108	-	12	11.11%
Total	**33,204**	**84%**	**82**	**0.25%**	**4,120**	**11%**	**141**	**3.42%**

27 Financial risk management *(continued)*

The table below provides analysis of the asset quality of loans and advances to customers at amortised cost that are not credit-impaired based on mapping the IFRS 9 twelve month PD of each loan to a PD grade based on the table provided on page 171.

Group 2020 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%
Stage 1										
1-4	1,819	4%	1,351	7%	-	-	1	-	3,171	4%
5-7	20,287	48%	2,290	12%	2,198	29%	325	6%	25,100	34%
8-9	13,952	33%	4,824	26%	375	5%	2,803	55%	21,954	30%
10-11	3,958	9%	2,172	12%	66	1%	1,832	36%	8,028	11%
Total Stage 1	**40,016**	**94%**	**10,637**	**57%**	**2,639**	**35%**	**4,961**	**97%**	**58,253**	**79%**
Stage 2										
1-4	-	-	48	-	-	-	-	-	48	-
5-7	266	1%	2,040	11%	1,933	26%	-	-	4,239	6%
8-9	946	2%	1,953	10%	1,994	27%	23	-	4,916	7%
10-11	1,316	3%	4,140	22%	942	12%	142	3%	6,540	8%
Total Stage 2	**2,528**	**6%**	**8,181**	**43%**	**4,869**	**65%**	**165**	**3%**	**15,743**	**21%**
Not credit-impaired										
1-4	1,819	4%	1,399	7%	-	-	1	-	3,219	4%
5-7	20,553	49%	4,330	23%	4,131	55%	325	6%	29,339	40%
8-9	14,898	35%	6,777	36%	2,369	32%	2,826	55%	26,870	37%
10-11	5,274	12%	6,312	34%	1,008	13%	1,974	39%	14,568	19%
Total not credit-impaired	**42,544**	**100%**	**18,818**	**100%**	**7,508**	**100%**	**5,126**	**100%**	**73,996**	**100%**

Group 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%**

[1] *Excluded from the table above are Purchased or Originated Credit-impaired assets of €90 million (2019: €95 million), €1 million (2019: €67 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*

27 Financial risk management *(continued)*

Bank 2020 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages €m	Residential mortgages %	Non-property SME and corporate €m	Non-property SME and corporate %	Property and construction €m	Property and construction %	Consumer €m	Consumer %	Total €m	Total %
Stage 1										
1-4	67	1%	1,970	11%	-	-	1	-	2,038	6%
5-7	2,291	27%	1,888	10%	2,164	30%	324	18%	6,667	19%
8-9	3,971	46%	4,343	24%	338	5%	911	50%	9,563	27%
10-11	1,722	20%	2,082	12%	57	1%	537	29%	4,398	12%
Total Stage 1	**8,051**	**94%**	**10,283**	**57%**	**2,559**	**36%**	**1,773**	**97%**	**22,666**	**64%**
Stage 2										
1-4	-	-	48	-	-	-	-	-	48	-
5-7	29	-	1,981	11%	1,844	26%	-	-	3,854	11%
8-9	106	2%	1,778	10%	1,919	26%	2	-	3,805	11%
10-11	378	4%	3,809	22%	840	12%	49	3%	5,076	14%
Total Stage 2	**513**	**6%**	**7,616**	**43%**	**4,603**	**64%**	**51**	**3%**	**12,783**	**36%**
Not credit-impaired										
1-4	67	1%	2,018	11%	-	-	1	-	2,086	6%
5-7	2,320	27%	3,869	21%	4,008	56%	324	18%	10,521	30%
8-9	4,077	48%	6,121	34%	2,257	31%	913	50%	13,368	38%
10-11	2,100	24%	5,891	34%	897	13%	586	32%	9,474	26%
Total not credit-impaired	**8,564**	**100%**	**17,899**	**100%**	**7,162**	**100%**	**1,824**	**100%**	**35,449**	**100%**

Bank 2019 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages €m	Residential mortgages %	Non-property SME and corporate €m	Non-property SME and corporate %	Property and construction €m	Property and construction %	Consumer €m	Consumer %	Total €m	Total %
Stage 1										
1-4	4,000	42%	6,219	33%	3,752	54%	10	1%	13,981	38%
5-7	3,940	41%	6,219	33%	1,842	26%	472	23%	12,473	33%
8-9	628	7%	3,726	20%	26	-	1,274	62%	5,654	15%
10-11	320	3%	572	3%	27	-	177	9%	1,096	3%
Total Stage 1	**8,888**	**93%**	**16,736**	**89%**	**5,647**	**80%**	**1,933**	**95%**	**33,204**	**89%**
Stage 2										
1-4	20	-	166	1%	146	2%	-	-	332	1%
5-7	70	1%	494	3%	851	12%	2	-	1,417	4%
8-9	98	1%	633	3%	43	1%	41	2%	815	2%
10-11	407	5%	715	4%	369	5%	65	3%	1,556	4%
Total Stage 2	**595**	**7%**	**2,008**	**11%**	**1,409**	**20%**	**108**	**5%**	**4,120**	**11%**
Not credit-impaired										
1-4	4,020	42%	6,385	34%	3,898	56%	10	1%	14,313	39%
5-7	4,010	42%	6,713	36%	2,693	38%	474	23%	13,890	37%
8-9	726	8%	4,359	23%	69	1%	1,315	64%	6,469	17%
10-11	727	8%	1,287	7%	396	5%	242	12%	2,652	7%
Total not credit-impaired	**9,483**	**100%**	**18,744**	**100%**	**7,056**	**100%**	**2,041**	**100%**	**37,324**	**100%**

[1] *Excluded from the table above are Purchased or Originated Credit-impaired assets of €90 million (2019: €94 million), €1 million (2019: €67 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*

27 Financial risk management *(continued)*

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

Group	2020				2019			
Credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	Credit-impaired loans €m	CI loans as % of total advances %	Impairment loss allowance €m	ILA as % of loans %	Credit-impaired loans €m	CI loans as % of total advances %	Impairment loss allowance €m	ILA as % of loans %
Residential mortgages	2,196	3%	374	17%	1,693	2%	380	22%
- Retail Ireland	*1,508*	*2%*	*329*	*22%*	*1,289*	*2%*	*340*	*26%*
- Retail UK	688	1%	45	7%	*404*	*-*	*40*	*10%*
Non-property SME and corporate	1,014	1%	416	41%	757	1%	353	47%
- Republic of Ireland SME	*672*	*1%*	*261*	*39%*	*495*	*1%*	*225*	*45%*
- UK SME	*114*	*-*	*26*	*23%*	*78*	*-*	*38*	*49%*
- Corporate	228	-	129	57%	*184*	*-*	*90*	*49%*
Property and construction	1,021	1%	442	43%	549	1%	180	33%
- Investment	*987*	*1%*	*427*	*43%*	*519*	*1%*	*162*	*31%*
- Land and development	34	-	15	44%	*30*	*-*	*18*	*60%*
Consumer	145	-	80	55%	100	-	63	63%
Total credit-impaired	**4,376**	**5%**	**1,312**	**30%**	**3,099**	**4%**	**976**	**31%**

Bank	2020				2019			
Credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	Credit-impaired loans €m	CI loans as % of total advances %	Impairment loss allowance €m	ILA as % of loans %	Credit-impaired loans €m	CI loans as % of total advances %	Impairment loss allowance €m	ILA as % of loans %
Residential mortgages	819	2%	124	15%	611	2%	121	20%
- Retail Ireland	*491*	*1%*	*99*	*20%*	*405*	*1%*	*97*	*24%*
- Retail UK	328	1%	25	8%	206	1%	24	12%
Non-property SME and corporate	904	3%	384	42%	698	2%	326	47%
- Republic of Ireland SME	*669*	*2%*	*260*	*39%*	*494*	*1%*	*225*	*46%*
- UK SME	*13*	*-*	*2*	*15%*	*33*	*-*	*16*	*48%*
- Corporate	222	1%	122	55%	*171*	*1%*	*85*	*50%*
Property and construction	957	2%	418	44%	506	1%	166	33%
- Investment	*934*	*2%*	*410*	*44%*	*487*	*1%*	*156*	*32%*
- Land and development	23	-	8	35%	*19*	*-*	*10*	*53%*
Consumer	69	-	34	49%	53	-	31	58%
Total credit-impaired	**2,749**	**7%**	**960**	**35%**	**1,868**	**5%**	**644**	**34%**

[1] *Excluded from the table above are Purchased or Originated Credit-impaired assets of €90 million (2019: €95 million) (Bank 2020: €90 million, 2019: €94 million), €1 million (2019: €67 million) (Bank 2020: €1 million, 2019: €67 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*

27 Financial risk management *(continued)*

Non-performing exposures

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

Group 2020 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired[1]	2,197	1,040	1,083	145	4,465
Not credit-impaired[2]	7	19	12	-	38
Total	**2,204**	**1,059**	**1,095**	**145**	**4,503**

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

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

NPEs increased to €4.5 billion at 31 December 2020 from €3.5 billion at 31 December 2019. Implementation of the revised definition of default during the year has resulted in close alignment between the assets classified as credit-impaired and NPEs.

Bank 2020 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired[1]	820	930	1,019	69	2,838
Not credit-impaired[2]	-	22	12	3	37
Total	**820**	**952**	**1,031**	**72**	**2,875**

[1] *Includes Stage 3 and Purchased or Originated Credit-impaired assets which remain credit-impaired at the reporting date.*
[2] *Not credit-impaired figures for 2019 include forborne loans that had yet to satisfy exit criteria in line with European Banking Authority guidance to return to performing.*

27 Financial risk management *(continued)*

Bank **2019** **Risk profile of loans and advances to customers - NPEs**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Credit-impaired[1]	612	724	506	53	1,895
Not credit-impaired[2]	100	91	37	3	231
Total	**712**	**815**	**543**	**56**	**2,126**

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

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 31 December 2020 of €78.5 billion (2019: €80.5 billion) is available on page 171. Exposures are before impairment loss allowance.

Group **2020** **Loans and advances to customers including held for sale 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[1,3] €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	40,008	2,062	920	1	42,991
- Retail Ireland	*19,544*	*1,501*	*366*	*1*	*21,412*
- Retail UK	20,464	561	554	-	21,579
Non-property SME and corporate	10,637	6,565	300	-	17,502
- Republic of Ireland SME	*4,155*	*1,848*	*243*	*-*	*6,246*
- UK SME	*1,064*	*520*	*57*	*-*	*1,641*
- Corporate	*5,418*	*4,197*	*-*	*-*	*9,615*
Property and construction	2,639	4,521	44	1	7,205
- Investment	*2,357*	*3,886*	*36*	*1*	*6,280*
- Land and development	282	635	8	-	925
Consumer	4,961	164	138	-	5,263
Total non-forborne loans and advances to customers	**58,245**	**13,312**	**1,402**	**2**	**72,961**
Forborne loans and advances to customers					
Residential mortgages	8	466	1,276	1	1,751
- Retail Ireland	*8*	*379*	*1,142*	*1*	*1,530*
- Retail UK	*-*	*87*	*134*	*-*	*221*
Non-property SME and corporate	-	1,616	714	26	2,356
- Republic of Ireland SME	*-*	*398*	*429*	*-*	*827*
- UK SME	*-*	*92*	*57*	*-*	*149*
- Corporate	*-*	*1,126*	*228*	*26*	*1,380*
Property and construction	-	348	977	61	1,386
- Investment	*-*	*341*	*951*	*61*	*1,353*
- Land and development	*-*	*7*	*26*	*-*	*33*
Consumer	-	1	7	-	8
Total forborne loans and advances to customers	**8**	**2,431**	**2,974**	**88**	**5,501**

[1] Includes Stage 3 and Purchased or Originated Credit-impaired assets which remain credit-impaired at the reporting date.
[2] Not credit-impaired figures for 2019 include forborne loans that had yet to satisfy exit criteria in line with European Banking Authority guidance to return to performing.
[3] At 31 December 2020, forborne Purchased or Originated Credit-impaired loans included €1 million of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvement in credit risk. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.

27 Financial risk management *(continued)*

Group

2019 Loans and advances to customers including held for sale 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*
- Land and 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*
- Land and 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 2018, 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 due to improvement in credit risk. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*

27 Financial risk management *(continued)*

Group 2020 Risk profile of loans and advances to customers at amortised cost - NPEs	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Credit-impaired	912	300	44	138	1,394
Not credit-impaired	7	13	6	-	26
Total non-forborne loans and advances to customers	**919**	**313**	**50**	**138**	**1,420**
Forborne loans and advances to customers					
Credit-impaired	1,278	740	1,039	7	3,064
Not credit-impaired	-	6	6	-	12
Total forborne loans and advances to customers	**1,278**	**746**	**1,045**	**7**	**3,076**

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

Loans and advances to customers - other credit risk information

Segmental analysis

The tables below provide an analysis of the risk profile of loans and advances to customers at amortised cost by division.

Group 2020 Risk profile of loans and advances to customers (before impairment loss allowance)	Retail Ireland €m	Retail UK €m	Corporate & Treasury €m	Total Group €m
Stage 1 - 12 month ECL (not credit impaired)	26,124	24,712	7,417	58,253
Stage 2 - Lifetime ECL (not credit impaired)	5,181	1,783	8,779	15,743
Stage 3 - Lifetime ECL (credit impaired)	2,557	1,202	617	4,376
Purchased / originated credit-impaired	2	61	27	90
Gross carrying amount at 31 December 2020	**33,864**	**27,758**	**16,840**	**78,462**

27 Financial risk management *(continued)*

Group **2019** **Risk profile of loans and advances to customers (before impairment loss allowance)**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Treasury €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit impaired)	29,654	27,514	14,610	71,778
Stage 2 - Lifetime ECL (not credit impaired)	2,653	1,146	1,772	5,571
Stage 3 - Lifetime ECL (credit impaired)	2,141	765	193	3,099
Purchased / originated credit-impaired	3	67	25	95
Gross carrying amount at 31 December 2019	**34,451**	**29,492**	**16,600**	**80,543**

Group **2020** **Risk profile of loans and advances to customers - non-performing exposures**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Treasury €m**	**Total Group €m**
Credit-impaired[1]	2,558	1,263	644	4,465
Not credit-impaired[2]	30	8	-	38
Total	**2,588**	**1,271**	**644**	**4,503**

Group **2019** **Risk profile of loans and advances to customers - non-performing exposures**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Treasury €m**	**Total Group €m**
Credit-impaired[1]	2,143	766	218	3,127
Not credit-impaired[2]	259	106	27	392
Total	**2,402**	**872**	**245**	**3,519**

[1] *Credit-impaired loans include Stage 3 and Purchased or Originated Credit-impaired assets which remain credit-impaired at the reporting date.*
[2] *Other / probationary loans, including forborne loans that have yet to satisfy exit criteria in line with EBA guidance to return to performing.*

27 Financial risk management *(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.

Group	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
2020 **Geographical[1] / industry analysis**	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**
Personal	**24,933**	**25,080**	**-**	**50,013**	**464**	**251**	**-**	**715**
- Residential mortgages	*22,942*	*21,800*	*-*	*44,742*	*393*	*86*	*-*	*479*
- Other consumer lending	*1,991*	*3,280*	*-*	*5,271*	*71*	*165*	*-*	*236*
Property and construction	**7,379**	**1,212**	**-**	**8,591**	**317**	**279**	**-**	**596**
- Investment	*6,477*	*1,156*	*-*	*7,633*	*287*	*269*	*-*	*556*
- Development	*902*	*56*	*-*	*958*	*30*	*10*	*-*	*40*
Non-property SME & corporate[3,4]	**16,292**	**2,383**	**1,183**	**19,858**	**798**	**99**	**34**	**931**
- Manufacturing	*3,101*	*341*	*458*	*3,900*	*98*	*16*	*16*	*130*
- Administrative and support service activities	*1,913*	*324*	*199*	*2,436*	*113*	*13*	*6*	*132*
- Wholesale and retail trade	*2,022*	*291*	*36*	*2,349*	*118*	*9*	*-*	*127*
- Accommodation and food service activities	*1,542*	*144*	*35*	*1,721*	*84*	*6*	*1*	*91*
- Agriculture, forestry and fishing	*1,460*	*211*	*-*	*1,671*	*63*	*4*	*-*	*67*
- Human health services and social work activities	*1,196*	*211*	*113*	*1,520*	*52*	*22*	*1*	*75*
- Transport and storage	*855*	*88*	*51*	*994*	*63*	*4*	*2*	*69*
- Other services	*717*	*58*	*145*	*920*	*58*	*3*	*5*	*66*
- Professional, scientific and technical activities	*600*	*37*	*69*	*706*	*19*	*1*	*1*	*21*
- Financial and Insurance activities	*619*	*76*	*1*	*696*	*15*	*1*	*-*	*16*
- Real estate activities	*414*	*173*	*-*	*587*	*47*	*10*	*-*	*57*
- Arts, entertainment and recreation	*462*	*56*	*11*	*529*	*30*	*7*	*1*	*38*
- Education	*294*	*78*	*39*	*411*	*8*	*-*	*1*	*9*
- Other sectors	*1,097*	*295*	*26*	*1,418*	*30*	*3*	*-*	*33*
Total	**48,604**	**28,675**	**1,183**	**78,462**	**1,579**	**629**	**34**	**2,242**
Analysed by stage:								
Stage 1	32,404	25,095	754	58,253	200	139	7	346
Stage 2	13,320	2,015	408	15,743	438	93	21	552
Stage 3	2,851	1,504	21	4,376	928	378	6	1,312
Purchased / originated credit-impaired	29	61	-	90	13	19	-	32
Total	**48,604**	**28,675**	**1,183**	**78,462**	**1,579**	**629**	**34**	**2,242**

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

27 Financial risk management *(continued)*

Group	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
2019 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 totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.*

27 Financial risk management *(continued)*

Bank	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
2020 Geographical[1] / industry analysis	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**
Personal	**8,263**	**3,015**	**-**	**11,278**	**189**	**36**	**-**	**225**
- Residential mortgages	*6,370*	*3,015*	*-*	*9,385*	*120*	*36*	*-*	*156*
- Other consumer lending	*1,893*	*-*	*-*	*1,893*	*69*	*-*	*-*	*69*
Property and construction	**7,379**	**802**	**-**	**8,181**	**316**	**249**	**-**	**565**
- Investment	*6,477*	*802*	*-*	*7,279*	*285*	*249*	*-*	*534*
- Development	*902*	*-*	*-*	*902*	*31*	*-*	*-*	*31*
Non-property SME & corporate[3,4]	**16,964**	**681**	**1,184**	**18,829**	**787**	**43**	**33**	**863**
- Manufacturing	*3,077*	*96*	*458*	*3,631*	*92*	*8*	*15*	*115*
- Administrative and support service activities	*1,870*	*80*	*200*	*2,150*	*111*	*6*	*6*	*123*
- Wholesale and retail trade	*2,009*	*46*	*36*	*2,091*	*118*	*3*	*-*	*121*
- Accommodation and food service activities	*1,540*	*54*	*35*	*1,629*	*84*	*-*	*1*	*85*
- Agriculture, forestry and fishing	*1,458*	*10*	*-*	*1,468*	*63*	*-*	*-*	*63*
- Human health services and social work activities	*1,185*	*94*	*113*	*1,392*	*51*	*17*	*1*	*69*
- Transport and storage	*851*	*23*	*51*	*925*	*64*	*3*	*2*	*69*
- Other services	*717*	*-*	*145*	*862*	*58*	*-*	*5*	*63*
- Professional, scientific and technical activities	*600*	*6*	*69*	*675*	*18*	*-*	*1*	*19*
- Financial and Insurance activities	*611*	*19*	*1*	*631*	*14*	*-*	*-*	*14*
- Arts, entertainment and recreation	*462*	*41*	*11*	*514*	*31*	*6*	*1*	*38*
- Real estate activities	*415*	*57*	*-*	*472*	*47*	*-*	*-*	*47*
- Education	*294*	*72*	*39*	*405*	*8*	*-*	*1*	*9*
- Other sectors	*1,875*	*83*	*26*	*1,984*	*28*	*-*	*-*	*28*
Total	**32,606**	**4,498**	**1,184**	**38,288**	**1,292**	**328**	**33**	**1,653**
Analysed by stage:								
Stage 1	18,950	2,961	755	22,666	168	10	7	185
Stage 2	11,805	571	407	12,783	422	33	21	476
Stage 3	1,823	904	22	2,749	689	266	5	960
Purchased / originated credit-impaired	28	62	-	90	13	19	-	32
Total	**32,606**	**4,498**	**1,184**	**38,288**	**1,292**	**328**	**33**	**1,653**

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

27 Financial risk management *(continued)*

Bank	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
2019 Geographical[1] / industry analysis	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**
Personal	**8,689**	**3,502**	**-**	**12,191**	**169**	**34**	**-**	**203**
- Residential mortgages	*6,595*	*3,502*	*-*	*10,097*	*110*	*34*	*-*	*144*
- Other consumer lending	*2,094*	*-*	*-*	*2,094*	*59*	*-*	*-*	*59*
Property and construction	**6,718**	**909**	**-**	**7,627**	**155**	**58**	**-**	**213**
- Investment	*5,923*	*909*	*-*	*6,832*	*142*	*58*	*-*	*200*
- Development	*795*	*-*	*-*	*795*	*13*	*-*	*-*	*13*
Non-property SME & corporate[3,4]	**17,351**	**937**	**1,180**	**19,468**	**405**	**42**	**6**	**453**
- Manufacturing	*3,431*	*142*	*532*	*4,105*	*30*	*21*	*2*	*53*
- Administrative and support service activities	*2,161*	*31*	*53*	*2,245*	*75*	*2*	*-*	*77*
- Wholesale and retail trade	*1,764*	*139*	*134*	*2,037*	*44*	*1*	*1*	*46*
- Accommodation and food service activities	*1,530*	*61*	*33*	*1,624*	*27*	*-*	*-*	*27*
- Agriculture, forestry and fishing	*1,495*	*29*	*-*	*1,524*	*39*	*-*	*-*	*39*
- Human health services and social work activities	*1,140*	*111*	*73*	*1,324*	*22*	*16*	*1*	*39*
- Transport and storage	*941*	*18*	*54*	*1,013*	*41*	*-*	*-*	*41*
- Other services	*771*	*1*	*156*	*928*	*56*	*-*	*2*	*58*
- Professional, scientific and technical activities	*629*	*19*	*-*	*648*	*7*	*-*	*-*	*7*
- Financial and Insurance activities	*572*	*8*	*61*	*641*	*9*	*-*	*-*	*9*
- Real estate activities	*408*	*63*	*-*	*471*	*28*	*2*	*-*	*30*
- Arts, entertainment and recreation	*389*	*35*	*9*	*433*	*11*	*-*	*-*	*11*
- Education	*311*	*76*	*40*	*427*	*2*	*-*	*-*	*2*
- Other sectors	*1,809*	*204*	*35*	*2,048*	*14*	*-*	*-*	*14*
Total	**32,758**	**5,348**	**1,180**	**39,286**	**729**	**134**	**6**	**869**
Analysed by stage:								
Stage 1	28,080	3,980	1,144	33,204	73	4	5	82
Stage 2	3,260	830	30	4,120	116	24	1	141
Stage 3	1,389	473	6	1,868	540	104	-	644
Purchased / originated credit-impaired	29	65	-	94	-	2	-	2
Total	**32,758**	**5,348**	**1,180**	**39,286**	**729**	**134**	**6**	**869**

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

27 Financial risk management *(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.

Group	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
2020 Sectoral analysis by stage	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI[1] €m**	**Total €m**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI[1] €m**	**Total €m**
Personal										
Residential mortgages	40,016	2,528	2,196	2	44,742	74	31	374	-	479
Other consumer	4,961	165	145	-	5,271	129	27	80	-	236
- Motor lending UK	*1,798*	*71*	*31*	*-*	*1,900*	*10*	*5*	*13*	*-*	*28*
- Loans UK	*1,295*	*43*	*42*	*-*	*1,380*	*90*	*17*	*32*	*-*	*139*
- Motor lending RoI	*751*	*-*	*22*	*-*	*773*	*8*	*-*	*8*	*-*	*16*
- Loans RoI	*678*	*42*	*33*	*-*	*753*	*18*	*4*	*17*	*-*	*39*
- Credit cards - RoI	*439*	*9*	*17*	*-*	*465*	*3*	*1*	*10*	*-*	*14*
	44,977	**2,693**	**2,341**	**2**	**50,013**	**203**	**58**	**454**	**-**	**715**
Property and construction	**2,639**	**4,869**	**1,021**	**62**	**8,591**	**9**	**126**	**442**	**19**	**596**
- Investment	*2,357*	*4,227*	*987*	*62*	*7,633*	*7*	*103*	*427*	*19*	*556*
- Development	*282*	*642*	*34*	*-*	*958*	*2*	*23*	*15*	*-*	*40*
Non-property SME & corporate[2,3]	**10,637**	**8,181**	**1,014**	**26**	**19,858**	**134**	**368**	**416**	**13**	**931**
- Manufacturing	*2,076*	*1,742*	*82*	*-*	*3,900*	*19*	*75*	*36*	*-*	*130*
- Administrative and support service activities	*1,388*	*926*	*96*	*26*	*2,436*	*25*	*39*	*55*	*13*	*132*
- Wholesale and retail trade	*1,520*	*688*	*141*	*-*	*2,349*	*19*	*31*	*77*	*-*	*127*
- Accommodation and food service activities	*236*	*1,354*	*131*	*-*	*1,721*	*5*	*46*	*40*	*-*	*91*
- Agriculture, forestry and fishing	*1,187*	*352*	*132*	*-*	*1,671*	*16*	*16*	*35*	*-*	*67*
- Human health services and social work activities	*727*	*760*	*33*	*-*	*1,520*	*10*	*55*	*10*	*-*	*75*
- Transport and storage	*436*	*489*	*69*	*-*	*994*	*4*	*23*	*42*	*-*	*69*
- Other services	*431*	*370*	*119*	*-*	*920*	*3*	*15*	*48*	*-*	*66*
- Professional, scientific and technical activities	*475*	*216*	*15*	*-*	*706*	*7*	*9*	*5*	*-*	*21*
- Financial and Insurance activities	*588*	*85*	*23*	*-*	*696*	*4*	*5*	*7*	*-*	*16*
- Real estate activities	*308*	*190*	*89*	*-*	*587*	*12*	*10*	*35*	*-*	*57*
- Arts, entertainment and recreation	*78*	*389*	*62*	*-*	*529*	*1*	*20*	*17*	*-*	*38*
- Education	*311*	*99*	*1*	*-*	*411*	*2*	*6*	*1*	*-*	*9*
- Other sectors	*876*	*521*	*21*	*-*	*1,418*	*7*	*18*	*8*	*-*	*33*
Total	**58,253**	**15,743**	**4,376**	**90**	**78,462**	**346**	**552**	**1,312**	**32**	**2,242**

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

27 Financial risk management *(continued)*

Group	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
2019 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 totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.

27 Financial risk management *(continued)*

Bank	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
2020 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	8,051	513	819	2	9,385	23	9	124	-	156
Other consumer	1,773	51	69	-	1,893	29	6	34	-	69
- Motor lending UK	*678*	*42*	*33*	-	*753*	*19*	*5*	*18*	-	*42*
- Loans UK	*656*	-	*19*	-	*675*	*7*	-	*6*	-	*13*
- Motor lending RoI	*439*	*9*	*17*	-	*465*	*3*	*1*	*10*	-	*14*
	9,824	**564**	**888**	**2**	**11,278**	**52**	**15**	**158**	**-**	**225**
Property and construction	**2,559**	**4,603**	**957**	**62**	**8,181**	**8**	**120**	**418**	**19**	**565**
- Investment	*2,288*	*3,995*	*934*	*62*	*7,279*	*6*	*99*	*410*	*19*	*534*
- Development	*271*	*608*	*23*	-	*902*	*2*	*21*	*8*	-	*31*
Non-property SME & corporate[2,3]	**10,283**	**7,616**	**904**	**26**	**18,829**	**125**	**341**	**384**	**13**	**863**
- Manufacturing	*1,944*	*1,617*	*70*	-	*3,631*	*18*	*71*	*26*	-	*115*
- Administrative and support service activities	*1,163*	*877*	*84*	*26*	*2,150*	*23*	*35*	*52*	*13*	*123*
- Wholesale and retail trade	*1,348*	*615*	*128*	-	*2,091*	*18*	*28*	*75*	-	*121*
- Accommodation and food service activities	*206*	*1,308*	*115*	-	*1,629*	*5*	*44*	*36*	-	*85*
- Agriculture, forestry and fishing	*1,050*	*292*	*126*	-	*1,468*	*15*	*14*	*34*	-	*63*
- Human health services and social work activities	*683*	*680*	*29*	-	*1,392*	*9*	*50*	*10*	-	*69*
- Transport and storage	*382*	*475*	*68*	-	*925*	*4*	*23*	*42*	-	*69*
- Other services	*389*	*360*	*113*	-	*862*	*2*	*15*	*46*	-	*63*
- Professional, scientific and technical activities	*457*	*207*	*11*	-	*675*	*6*	*8*	*5*	-	*19*
- Financial and Insurance activities	*537*	*75*	*19*	-	*631*	*4*	*4*	*6*	-	*14*
- Arts, entertainment and recreation	*71*	*385*	*58*	-	*514*	*1*	*20*	*17*	-	*38*
- Real estate activities	*253*	*153*	*66*	-	*472*	*12*	*8*	*27*	-	*47*
- Education	*307*	*97*	*1*	-	*405*	*2*	*6*	*1*	-	*9*
- Other sectors	*1,493*	*475*	*16*	-	*1,984*	*6*	*15*	*7*	-	*28*
Total	**22,666**	**12,783**	**2,749**	**90**	**38,288**	**185**	**476**	**960**	**32**	**1,653**

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

27 Financial risk management *(continued)*

Bank	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
2019 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	8,888	595	611	3	10,097	8	15	121	-	144
Other consumer	1,933	108	53	-	2,094	16	12	31	-	59
- Motor lending UK	*681*	*75*	*30*	*-*	*785*	*9*	*6*	*19*	*-*	*34*
- Loans UK	*712*	*-*	*12*	*-*	*724*	*3*	*-*	*5*	*-*	*8*
- Motor lending RoI	*540*	*34*	*11*	*-*	*585*	*4*	*6*	*6*	*-*	*17*
	10,821	**703**	**664**	**3**	**12,191**	**24**	**27**	**152**	**-**	**203**
Property and construction	**5,647**	**1,409**	**506**	**65**	**7,627**	**5**	**40**	**166**	**2**	**213**
- Investment	*5,118*	*1,162*	*487*	*65*	*6,832*	*4*	*38*	*156*	*2*	*200*
- Development	*529*	*247*	*19*	*-*	*795*	*1*	*2*	*10*	*-*	*13*
Non-property SME & corporate[2,3]	**16,736**	**2,008**	**698**	**26**	**19,468**	**53**	**74**	**326**	**-**	**453**
- Manufacturing	*3,714*	*312*	*79*	*-*	*4,105*	*10*	*11*	*32*	*-*	*53*
- Administrative and support service activities	*1,811*	*313*	*121*	*-*	*2,245*	*7*	*5*	*34*	*-*	*46*
- Wholesale and retail trade	*1,820*	*132*	*59*	*26*	*2,037*	*7*	*9*	*61*	*-*	*77*
- Accommodation and food service activities	*1,412*	*164*	*48*	*-*	*1,624*	*6*	*5*	*28*	*-*	*39*
- Agriculture, forestry and fishing	*1,314*	*118*	*92*	*-*	*1,524*	*3*	*5*	*19*	*-*	*27*
- Human health services and social work activities	*897*	*397*	*30*	*-*	*1,324*	*4*	*13*	*22*	*-*	*39*
- Transport and storage	*832*	*136*	*45*	*-*	*1,013*	*3*	*5*	*33*	*-*	*41*
- Other services	*716*	*95*	*117*	*-*	*928*	*2*	*7*	*49*	*-*	*58*
- Professional, scientific and technical activities	*616*	*13*	*19*	*-*	*648*	*2*	*3*	*4*	*-*	*9*
- Financial and Insurance activities	*568*	*65*	*8*	*-*	*641*	*1*	*-*	*6*	*-*	*7*
- Real estate activities	*350*	*71*	*50*	*-*	*471*	*3*	*5*	*22*	*-*	*30*
- Arts, entertainment and recreation	*356*	*59*	*18*	*-*	*433*	*1*	*3*	*7*	*-*	*11*
- Education	*418*	*8*	*1*	*-*	*427*	*1*	*-*	*1*	*-*	*2*
- Other sectors	*1,912*	*125*	*11*	*-*	*2,048*	*3*	*3*	*8*	*-*	*14*
Total	**33,204**	**4,120**	**1,868**	**94**	**39,286**	**82**	**141**	**644**	**2**	**869**

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

27 Financial risk management *(continued)*

Repossessed collateral
At December 2020, the Group and Bank had collateral held as security, as set out in the table below. Repossessed collateral is sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

Repossessed collateral	Group 2020 €m	Group 2019 €m	Bank 2020 €m	Bank 2019 €m
Residential properties				
Ireland	9	10	4	5
UK and other	3	11	2	6
	12	**21**	**6**	**11**
Other	2	1	-	-
Total	**14**	**22**	**6**	**11**

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 COVID19 and where the customer's account was still active at 31 December 2020. The analysis does not include cases where a customer cancelled their COVID-19 payment break or where the account was derecognised prior to 31 December 2020. 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 31 December 2020.

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

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

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

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

27 Financial risk management *(continued)*

Bank 2020 Analysis of all COVID-19 payment breaks granted	Residential mortgages	Non-property SME and corporate	Property and construction	Consumer	Total
Total number of accounts granted a payment break	11,461	12,276	1,178	6,860	31,775
Total gross carrying amount of loans granted a payment break[1] - €'m	1,620	3,443	783	88	5,934
Total impairment loss allowance on loans granted a payment break[1] - €'m	25	178	63	5	271

Bank 2020 Analysis of loans and advances to customers subject to a COVID-19 payment break	Residential mortgages	Non-property SME and corporate	Property and construction	Consumer	Total
Total number of accounts subject to a payment break	510	353	27	75	965
Percentage of customer loan accounts[2]	1%	-	1%	-	-
Total gross carrying amount of loans subject to a payment break[3] - €'m	76	825	32	2	935
Total impairment loss allowance on loans subject to a payment break[3] - €'m	1	20	1	-	22

Bank 2020 Risk profile of loans and advances to customers subject to a COVID-19 payment break	Residential mortgages	Non-property SME and corporate	Property and construction	Consumer	Total
Stage 1 - Not Credit Impaired	47	49	1	2	99
Stage 2 - Not Credit Impaired	8	771	29	-	808
Stage 3 - Credit Impaired	21	5	2	-	28
Purchased / originated credit-impaired	-	-	-	-	-
Total	**76**	**825**	**32**	**2**	**935**

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

27 Financial risk management *(continued)*

Loan to value profiles

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

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

Group	Owner occupied			Buy to let			Total		
2020 **Loan to value ratio of total Retail Ireland mortgages[1,2]**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	7,165	231	7,396	916	55	971	8,081	286	8,367
51% to 70%	6,218	194	6,412	546	67	613	6,764	261	7,025
71% to 80%	2,993	96	3,089	97	32	129	3,090	128	3,218
81% to 90%	2,920	107	3,027	106	72	178	3,026	179	3,205
91% to 100%	307	78	385	24	31	55	331	109	440
Subtotal	**19,603**	**706**	**20,309**	**1,689**	**257**	**1,946**	**21,292**	**963**	**22,255**
101% to 120%	33	116	149	30	51	81	63	167	230
121% to 150%	21	78	99	15	39	54	36	117	153
Greater than 151%	18	126	144	23	135	158	41	261	302
Subtotal	**72**	**320**	**392**	**68**	**225**	**293**	**140**	**545**	**685**
Total	**19,675**	**1,026**	**20,701**	**1,757**	**482**	**2,239**	**21,432**	**1,508**	**22,940**
Of which subject to COVID-19 payment break;									
Less than 50%	30	1	31	3	2	5	33	3	36
51% to 70%	32	2	34	3	1	4	35	3	38
71%-80%	26	2	28	1	-	1	27	2	29
81%-90%	14	1	15	4	-	4	18	2	19
91%-100%	4	1	5	1	-	1	5	1	6
Subtotal	**106**	**7**	**113**	**12**	**3**	**15**	**118**	**10**	**128**
101%-120%	1	1	2	-	-	-	1	1	2
121%-150%	3	1	4	-	-	-	3	1	4
Greater than 151%	-	-	-	-	-	-	-	-	-
Subtotal	**4**	**2**	**6**	**-**	**-**	**-**	**4**	**2**	**6**
Total	**110**	**9**	**119**	**12**	**3**	**15**	**122**	**12**	**134**
Weighted average LTV[3]:									
Stock of Retail Ireland mortgages at period end			59%			66%			60%
New Retail Ireland mortgages during the period			75%			57%			75%

[1] *Excluded from the above table are Purchased or Originated Credit-impaired loans of €2 million, €1 million of which were no longer credit-impaired at 31 December 2020 due to improvement in credit risk since purchase of origination. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*
[2] *Excluded from the above table are €0.4 billion of loans mandatorily held at fair value through profit or loss at 31 December 2020 which are not subject to impairment under IFRS 9.*
[3] *Weighted average loan to values are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

27 Financial risk management *(continued)*

The indexed LTV profile of the Retail Ireland mortgage loan book contained in the table below is based on the CSO RPPI at October 2019.

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

[1] *Excluded from the above table are Purchased or Originated Credit-impaired loans of €3 million, €2 million of which were no longer credit-impaired at 31 December 2019 due to improvement in credit risk since purchase of origination. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*
[2] *Excluded from the above table are €0.2 billion of loans mandatorily held at fair value through profit or loss at 31 December 2019 which are not subject to impairment under IFRS 9.*
[3] *Weighted average loan to values are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

27 Financial risk management *(continued)*

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

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

Group **2020** **Loan to value ratio of total Retail UK mortgages**	**Standard** **Not credit-impaired £m**	**Standard** **Credit-impaired £m**	**Buy to let** **Not credit-impaired £m**	**Buy to let** **Credit-impaired £m**	**Self certified** **Not credit-impaired £m**	**Self certified** **Credit-impaired £m**	**Total** **Not credit-impaired £m**	**Total** **Credit-impaired £m**	**Total** **Total £m**
Less than 50%	2,342	64	2,492	52	493	54	5,327	170	5,497
51% to 70%	3,202	83	3,587	69	508	104	7,297	256	7,553
71% to 80%	2,565	32	791	33	113	32	3,469	97	3,566
81% to 90%	2,559	27	142	11	46	21	2,747	59	2,806
91% to 100%	89	11	9	4	7	5	105	20	125
Subtotal	**10,757**	**217**	**7,021**	**169**	**1,167**	**216**	**18,945**	**602**	**19,547**
101% to 120%	13	5	4	1	3	4	20	10	30
121% to 150%	10	2	1	-	3	2	14	4	18
Greater than 150%	1	2	-	-	-	1	1	3	4
Subtotal	**24**	**9**	**5**	**1**	**6**	**7**	**35**	**17**	**52**
Total	**10,781**	**226**	**7,026**	**170**	**1,173**	**223**	**18,980**	**619**	**19,599**
Of which subject to COVID-19 payment break;									
Less than 50%	14	4	11	2	7	4	32	10	42
51% to 70%	35	7	14	4	8	8	57	19	76
71%-80%	29	3	3	1	2	2	34	6	40
81%-90%	24	2	2	-	1	2	27	4	31
91%-100%	1	1	-	-	1	-	2	1	3
Subtotal	**103**	**17**	**30**	**7**	**19**	**16**	**152**	**40**	**192**
101%-120%	-	-	-	-	-	-	-	-	-
121%-150%	-	-	-	-	-	-	-	-	-
Greater than 151%	-	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**103**	**17**	**30**	**7**	**19**	**16**	**152**	**40**	**192**
Weighted average LTV[1]:									
Stock of Retail UK mortgages at year end	65%	63%	55%	59%	53%	62%	60%	62%	60%
New Retail UK mortgages during year	75%	71%	58%	54%	51%	-	72%	66%	72%

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

27 Financial risk management *(continued)*

Group 2019 Loan to value ratio of total Retail UK mortgages	Standard Not credit-impaired £m	Standard Credit-impaired £m	Buy to let Not credit-impaired £m	Buy to let Credit-impaired £m	Self certified Not credit-impaired £m	Self certified Credit-impaired £m	Total Not credit-impaired £m	Total Credit-impaired £m	Total 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 year	76%	87%	61%	53%	n/a	n/a	73%	68%	73%

Asset quality: Other financial instruments

The tables below summarise the asset quality of debt instruments at FVOCI by IFRS 9 12 month PD grade for Group and Bank.

2020 Debt instruments at FVOCI - Asset quality	Group Stage 1 €m	Group Stage 1 %	Group Total €m	Group Total %	Bank Stage 1 €m	Bank Stage 1 %	Bank Total €m	Bank Total %
PD Grade								
1-4	10,265	94%	10,265	94%	10,265	94%	10,265	94%
5-7	677	6%	677	6%	677	6%	677	6%
8-9	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-
Total	**10,942**	**100%**	**10,942**	**100%**	**10,942**	**100%**	**10,942**	**100%**

2019 Debt instruments at FVOCI - Asset quality	Group Stage 1 €m	Group Stage 1 %	Group Total €m	Group Total %	Bank Stage 1 €m	Bank Stage 1 %	Bank Total €m	Bank Total %
PD Grade								
1-4	9,987	92%	9,987	92%	9,987	92%	9,987	92%
5-7	810	8%	810	8%	810	8%	810	8%
8-9	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-
Total	**10,797**	**100%**	**10,797**	**100%**	**10,797**	**100%**	**10,797**	**100%**

27 Financial risk management *(continued)*

The tables below summarise the asset quality of debt securities at amortised cost by IFRS 9 twelve month PD grade for Group and Bank.

2020	**Group**						**Bank**					
Debt securities at amortised cost (before impairment loss allowance) - Asset quality	**Stage 1**		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
PD Grade												
1-4	6,258	100%	1	9%	6,259	100%	8,424	100%	-	-	8,424	100%
5-7	-	-	1	9%	1	-	-	-	-	-	-	-
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	9	82%	9	-	-	-	-	-	-	-
Total	**6,258**	**100%**	**11**	**100%**	**6,269**	**100%**	**8,424**	**100%**	**-**	**-**	**8,424**	**100%**

2019	**Group**						**Bank**					
Debt securities at amortised cost (before impairment loss allowance) - Asset quality	**Stage 1**		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
PD Grade												
1-4	4,499	100%	-	-	4,499	100%	6,679	100%	-	-	6,679	100%
5-7	2	-	-	-	2	-	-	-	-	-	-	-
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	11	-	-	-	11	-	-	-	-	-	-	-
Total	**4,512**	**100%**	**-**	**-**	**4,512**	**100%**	**6,679**	**100%**	**-**	**-**	**6,679**	**100%**

The tables below summarise the asset quality of loans and advances to banks at amortised cost by IFRS 9 twelve month PD grade for Group and Bank.

2020 Loans and advances to banks at amortised cost (before impairment loss allowance) Asset quality	**Group**						**Bank**					
	Stage 1		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
PD Grade												
1-4	2,162	97%	-	-	2,162	97%	15,807	100%	-	-	15,807	100%
5-7	7	-	-	-	7	-	6	-	-	-	6	-
8-9	58	3%	-	-	58	3%	58	-	-	-	58	-
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,227**	**100%**	**-**	**-**	**2,227**	**100%**	**15,871**	**100%**	**-**	**-**	**15,871**	**100%**

27 Financial risk management *(continued)*

2019 Loans and advances to banks at amortised cost (before impairment loss allowance) Asset quality	Group						Bank					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,948	98%	-	-	2,948	98%	14,217	100%	-	-	14,217	100%
5-7	3	-	5	83%	8	-	1	-	5	100%	6	-
8-9	66	2%	1	17%	67	2%	66	-	-	-	66	-
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,017**	**100%**	**6**	**100%**	**3,023**	**100%**	**14,284**	**100%**	**5**	**100%**	**14,289**	**100%**

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

Other financial instruments with ratings equivalent to:	Group				Bank			
	2020		2019		2020		2019	
	€m	%	€m	%	€m	%	€m	%
AAA to AA-	4,984	50%	4,619	50%	33	1%	137	5%
A+ to A-	2,677	26%	2,943	32%	1,795	60%	1,513	56%
BBB+ to BBB-	1,841	18%	1,070	11%	766	26%	730	27%
BB+ to BB-	193	2%	259	3%	181	6%	231	9%
B+ to B-	441	4%	323	4%	208	7%	80	3%
Lower than B-	7	-	5	-	2	-	2	-
Total	**10,143**	**100%**	**9,219**	**100%**	**2,985**	**100%**	**2,693**	**100%**
Amounts include:								
Due from Group undertakings	n/a		n/a		653		616	

Credit risk methodologies

The Group's credit risk methodologies encompass internal credit rating models and scoring tools and impairment models and are set out below.

Internal credit rating models
The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

The primary model measures used are:
- PD: the probability of a given counterparty defaulting on any of its borrowings from the Group within the next twelve months;
- Exposure at Default (EAD): the exposure the Group has to a defaulting borrower at the time of default; and
- LGD: the loss incurred (after the realisation of any collateral) on a specific transaction should the borrower default, expressed as a percentage of EAD.

These measures are used to calculate regulatory expected loss and are fully embedded in, and form an essential component of, the Group's operational and strategic credit risk management and credit pricing practices.

The structure of internal rating systems
The Group divides its internal rating systems into non-retail and retail approaches.

For the Group's retail consumer and smaller business portfolios, the credit risk assessment is grounded on application and behavioural scoring tools. For larger commercial and corporate customers, the risk assessment is underpinned by statistical risk rating models which incorporate quantitative information from the customer (e.g. financial statements) together with a qualitative assessment of non-financial risk factors such as management quality and market / trading outlook. Lending to financial institutions is assigned an internal rating supported by external ratings of the major rating agencies.

27 Financial risk management *(continued)*

PD calculation
For the purposes of internal credit rating models, the Group produces estimates of PD on either or both of the following bases:
- Through-the-Cycle (TtC) estimates are estimates of default over an entire economic cycle, averaged to a twelve month basis. These are in effect averaged expectations of PD for a borrower over the economic cycle; and
- Cyclical estimates are estimates of default applicable to the next immediate twelve months. These cyclical estimates partially capture the economic cycle in that they typically rise in an economic downturn and decline in an economic upturn but not necessarily to the same degree as default rates change in the economy.

Non-retail internal rating systems
The Group has adopted the Foundation Internal Ratings Based (FIRB) approach for most of its non-retail portfolios. Under this approach, the Group calculates its own estimates for PD and uses supervisory estimates of LGD and credit conversion factors.

To calculate PD under the FIRB approach, the Group assesses the credit quality of borrowers based on transaction and borrower specific characteristics. Scorecards are developed for each significant portfolio or type of lending, with outputs used to assign a PD grade to each borrower.

In the case of financial institutions, external credit agency ratings are used to provide a significant challenge within the Group's ratings approach. For exposures other than financial institutions, external ratings, when available for borrowers, play a role in the independent validation of internal estimates.
For non-retail exposures, the Group calculates its own estimates of PD on a TtC basis and on a cyclical basis. The TtC PD estimates are based on internal default experience, or where default data is limited, statistical model estimates combined with available data to reflect the average default rate over the course of an economic cycle. The TtC PDs do not vary with the economic cycle and are used to calculate risk weighted exposure amounts and to determine minimum regulatory capital requirements. The cyclical PD estimates which capture a change in borrower risk over the economic cycle are used for internal credit management purposes. Both measures are estimated from the same borrower risk factors.

Retail internal rating systems
The Group has adopted the Retail Internal Rating Based (IRB) approach for the majority of its retail exposures. Under this approach, the Group calculates its own estimates for PD, LGD and credit conversion factors.

External ratings do not play a role within the Group's retail internal rating systems, however, external credit bureau data can play a role in assessing certain borrowers.

Under the Retail IRB approach, scorecards based on internal behavioural data and, where relevant, transaction specific characteristics are developed for specific portfolios or product types, the output from the scorecard is used to determine the PD estimate.

The Group calculates retail PDs on a TtC or cyclical basis depending on the portfolio. The TtC estimates are calibrated based on long run average default rates over the course of an economic cycle (based on internal default experience) within identified discrete risk pools. The cyclical estimates are calibrated based on a weighted average of the expected long-run default rate over the course of an economic cycle and the most recently observed annual default rate. These retail PDs are used for both the calculation of risk weighted exposure amounts and for internal credit management purposes.

LGD estimates are based on historic loss experience and associated costs for all observed defaults for a defined time period. The time period is set for each model to ensure LGD estimates are representative of economic downturn conditions.
Estimates of credit conversion factors (which determine the extent to which a currently undrawn amount is assumed to be drawn and outstanding at point of default) are similarly derived based on historic experience from observed defaults, and are calibrated to produce estimates of behaviour characteristic of an economic downturn.

The assumption that the time periods and data used for the estimation of LGD and credit conversion factors remain representative of economic downturn conditions is subject to review and challenge on an ongoing basis.

Other uses of internal estimates
Internal estimates play an essential role in risk management and decision making processes as well as the credit approval functions, the internal capital allocation function and the corporate governance functions of the Group. The specific uses of internal estimates differ from portfolio to portfolio, and for retail and non-retail approaches, but typically include:
- credit decisioning / automated credit decisioning and borrower credit approval;
- credit management;
- calculation of Risk Adjusted Return on Capital (RAROC);
- internal reporting; and
- internal capital allocation between businesses of the Group.

For other purposes, the cyclical PD estimates typically are used. Both estimates feature within internal management reporting.

Impairment models are described further below.

Control mechanisms for credit rating and impairment models
The Group Model Risk Policy and Group Model Risk Standards, as approved by the CRC and GRPC respectively, set out the Group's overall approach to model risk management. The Group also sets out more detailed requirements with respect to development, monitoring and validation of credit rating and impairment models. These standards are approved by the RMC. Model development and redevelopment for credit rating and impairment models are approved by the RMC and the results of model performance monitoring are reported to the RMC on a regular basis.

The Group mitigates model risk for credit rating and impairment models as follows:
- **model development standards:** the Group adopts centralised standards and methodologies over the operation and development of models. This ensures a common approach in key areas such as documentation, data quality and management and model testing;
- **model governance:** the Group adopts a uniform approach to the governance of all risk rating model related activities and impairment model related activities, ensuring the appropriate involvement of relevant stakeholders;

27 Financial risk management *(continued)*

- **model performance monitoring:** credit risk rating and impairment models are subject to testing on a quarterly basis which is reported to the RMC. This includes assessment of model performance against observed outcomes, including:
  - rank order of borrowers;
  - accuracy of parameter estimates;
  - the stability of the rating;
  - the quality of data; and
  - the appropriate of model use.
- **independent validation:** all models are subject to in-depth analysis on a periodic basis, which includes an assessment of model performance against observed outcomes, including: rank order of borrowers; accuracy of parameter estimates; the stability of the rating population; the quality of data; and the appropriateness of model use. This analysis is carried out by a dedicated unit (the 'Independent Validation Unit' (IVU)) which is independent of credit origination and management functions.

When issues are raised on risk rating or impairment models, plans are developed to remediate or replace such models within an agreed timeframe.

In addition, GIA regularly reviews the risk control framework, including policies and standards, to ensure that these are being adhered to, meet industry good practices and are compliant with regulatory requirements.

Methodology for loan loss provisioning under IFRS 9

Approach to measurement of impairment loss allowances

Impairment is measured in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) 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. Impairment is measured through the use of impairment models, individual DCF analysis and modelled loss rates; supplemented where necessary by Group management adjustments.

In general, a loss allowance is recognised for all financial instruments in scope for the impairment requirements of IFRS 9. However this may not be the case for very highly collateralised loans, such as residential mortgages at low LTV ratios. There have been no significant changes in the quality of collateral or credit enhancements as a result of changes in the Group's collateral policies during the year. The Group's methodologies for valuation of property collateral are set out on page 205, noting further that FLI (page 206) is applied as appropriate to RoI and UK property collateral values in measuring impairment loss allowances under IFRS 9. The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments, are set out in note 2 to the consolidated financial statements.

An analysis of the Group's net impairment losses on financial instruments and impairment loss allowances is set out in notes 16, 27 and 28 of the consolidated financial statements.

Impairment models

The Group has in place a suite of IFRS 9 compliant impairment models which are executed on a monthly basis and which allocate financial instruments to Stage 1, 2 or 3 and measure the appropriate 12 month or lifetime ECL. The characteristics of an exposure determine which impairment model is used, with influencing factors including product type (e.g. residential mortgage, unsecured personal loan, business loan) and market segment (e.g. owner occupier, Buy To Let (BTL), general corporate lending, general business lending).

ECLs are calculated as the sum of the marginal losses for each time period from the reporting date. The key components of the ECL calculation are PD, EAD and LGD (which is expressed as a percentage of EAD) and are described below. Other components include discount rate and maturity. The current contractual rate is generally used as the discount rate as it is considered a suitable approximation of the effective interest rate determined at initial recognition. For term lending including committed revolving credit facilities, contractual maturity is used in the ECL calculation. For other revolving facilities, behavioural life is generally used.

IFRS 9 Probability of Default

Where available, the ratings or underlying scores from internal credit rating models are used as a starting point for IFRS 9 PD calibration. While calibration techniques are similar to those used for regulatory purposes, the IFRS 9 PD differs from through-the-cycle or cyclical estimate PDs as it is an unbiased point-in-time PD based on current conditions and adjusted to reflect FLI under a range of scenarios.

A current point-in-time IFRS 9 PD is calculated as the expected default rate over the next 12 months. This PD is used in the calculation of 12-month ECL and as a starting point in the calculation of lifetime PD. Future point-in-time IFRS 9 PDs are also calculated, being the expected default rates for each year from the start of year 2 to maturity of the financial instrument. Transition matrices are used to determine how an exposure moves between different PD bands over time.

Together, the current point-in-time IFRS 9 PD and future point-in-time IFRS 9 PDs are used to generate an IFRS 9 lifetime PD expectation for each FLI scenario. The scenario weighted averages are used to generate an overall IFRS 9 lifetime PD expectation. At origination of a new financial instrument, these expectations are stored, together with prepayment estimates where relevant, and allow for comparison at future reporting dates as one of the key determinants as to whether a 'significant increase in credit risk' has occurred. As lifetime PD was not calculated historically, the Group used reasonable and supportable information available without undue cost or effort to approximate the residual IFRS 9 lifetime PD expectations at initial recognition for most financial instruments originated prior to the adoption of IFRS 9 on 1 January 2018.

Due to the unprecedented nature of the COVID-19 macroeconomic scenario, a greater degree of management judgement (based on available reasonable and supportable internal and external information) has been incorporated into IFRS 9 PD estimates at 31 December 2020. Further details are provided in note 2(a) Critical Accounting Estimates and Judgements.

IFRS 9 Exposure at Default

Current point-in-time EAD is the expected EAD were the borrower to default within the next 12 months. Future point-in-time EAD also incorporates expected contractual cash flows. IFRS 9 EAD differs from regulatory EAD in that it incorporates expected contractual cash flows and caps the exposure at the contractual limit.

27 Financial risk management *(continued)*

IFRS 9 Loss Given Default

Current point-in-time LGD is the loss that would be incurred should default occur in the next 12 months. To facilitate the calculation of lifetime ECL, future point-in-time LGDs are calculated for each year from the start of year 2 to maturity of the exposure. The starting point for individual components of the calculation is historical data. Cure rate is incorporated as appropriate into the calculation and represents the expected propensity of borrowers to return to the non-defaulted book without a loss having been realised. FLI is also incorporated into LGD as appropriate where RoI or UK property collateral is held. IFRS 9 LGD may differ from regulatory LGD as conservatism and downward assumptions are generally removed.

Individual discounted cash flow analysis

For credit-impaired financial instruments in Business Banking, Corporate Banking and certain other relationship-managed portfolios, the impairment loss allowance is primarily determined by an individual DCF analysis completed by lenders in business units and subject to review, challenge and, potentially, revision by independent credit professionals in underwriting units within Group Risk. The expected future cash flows are based on an assessment of future recoveries and include forecasted principal and interest payments (not necessarily contractual amounts due) and expected cash flows, if any, from the realisation of collateral / security held, less realisation costs.

Modelled loss rates

For some smaller and / or lower risk portfolios, impairment loss allowances are measured by applying modelled loss rates to exposure amounts. Modelled loss rates are generally determined on a component basis taking into account factors such as the nature and credit quality of the exposures and past default and recovery experience on the portfolio or on portfolios with similar risk characteristics. Generally a number of different loss rates will be set for a portfolio to allow differentiation of individual financial instruments within the portfolio based on their credit quality.

Identifying a significant increase in credit risk

The Group's standard criteria to identify financial instruments which have had a 'significant increase in credit risk since initial recognition' are applied to the vast majority of loans and advances to customers. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument. Unless credit-impaired or a POCI, a financial instrument is generally allocated to Stage 2 if any of the following criteria are met at the reporting date:

- remaining lifetime PD is more than double and more than 50 basis points higher than the remaining lifetime PD at the reporting date as estimated based on facts and circumstances as at initial recognition (adjusted where relevant for changes in prepayment expectations);
- a contractual payment is greater than 30 days past due;
- the credit management PD risk rating for individually assessed/ relationship managed assets is above a defined risk threshold; and / or
- the exposure is a forborne loan or a NPE.

The above criteria are automatically applied as part of the monthly execution of the Group’s impairment models. In addition, management considers whether there is reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred.

Where a financial asset has been modified but not derecognised, the quantitative assessment of 'significant increase in credit risk' continues to be based on the remaining lifetime PD at the reporting date as estimated based on facts and circumstances as at initial recognition (adjusted where relevant for changes in prepayment expectations).

The Group assesses the effectiveness of its staging criteria semi-annually, taking into account considerations such as the extent to which: (i) exposures have moved directly from Stage 1 to Stage 3; (ii) exposures have moved to Stage 3, having spent only a short period in Stage 2; (iii) exposures have moved frequently between Stages 1 and 2; and (iv) there is potential over-reliance on backstop or qualitative criteria in identifying Stage 2 exposures.

The Group applies the low credit risk expedient to all debt securities in scope for the impairment requirements of IFRS 9 (with the exception of a small amount of debt securities associated with corporate banking relationships) and similarly to loans and advances to banks, central banks and investment firms. 'Low credit risk' encompasses PD grades 1 to 5 on the Group's internal PD rating system, which broadly aligns with ratings of AAA to BBB- for the external major rating agencies. Such financial instruments are allocated to Stage 1.

For some smaller and / or low risk portfolios, the Group identifies a 'significant increase in credit risk since initial recognition' solely by reference to whether a contractual payment is greater than 30 days past due.

Identifying defaulted assets and credit-impaired assets

During 2020, the Group implemented a revised definition of default for the purposes of credit risk management. The definition was formulated with regard to regulatory guidelines including EBA Guidelines on the application of the definition of default under Article 178 of the Capital Requirements Regulation. The Group's Impairment Policy has been revised accordingly. The Group's population of credit-impaired financial assets are consistent with its population of defaulted financial assets and closely 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 across the Group in 2020 and resulted in €0.9 billion of assets being reclassified as defaulted (Stage 3), with a corresponding increase in NPEs of €0.6 billion. The change resulted in a c.€65 million increase in impairment loss allowance which has been recognised within the impairment charge for the year.

The re-classification of assets as defaulted reflects the wider scope of default triggers under the revised policy, including: nonperforming forborne loans; probation periods; the impact of contagion; and revised 'unlikeliness to pay' assessment triggers.

Where necessary, the remaining lifetime PD 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.

27 Financial risk management *(continued)*

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 and interest 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;
- it becomes known that an insolvency arrangement is in force; or
- 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 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).

Review of credit-impaired loans

It is Group policy to review credit-impaired loans above agreed thresholds semi-annually or on receipt of material new information, with the review including a reassessment of the recovery strategy and the continued appropriateness of a credit-impaired classification. The minimum requirements for a credit-impaired loan to return to non credit-impaired status are that the borrower must not be greater than 90 days past due on a material amount, the borrower must be considered likely to pay in full without recourse by the Group to actions such as realising security and there must be no forbearance arrangement in place where future reliance on realisation of collateral is expected for repayment in full when this was not originally envisaged. Typically, an updated assessment of the borrower's current financial condition and prospects for repayment is required with the borrower to have satisfactorily met repayments required under the original or modified agreement regularly for a reasonable period of time.

Methodologies for valuation of property collateral

The Group's approach to the determination of the market value of property collateral is set out in a Court-approved Group Property Collateral Valuation Policy, supported by GRPC-approved Group Property Collateral Valuation Guidelines, and is summarised below. The Group's approach to applying FLI to those values for the purposes of measuring impairment loss allowance for the year ended 31 December 2019 is set out in the Court-approved Group Impairment Policy and is described below.

Retail Ireland mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Central Statistics Office (CSO) RPPI. Retail UK mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Nationwide UK house price index.

Commercial property valuations may include formal written valuations from external or internal professionals, or 'internally assessed valuations' completed by business units. Internally assessed valuations are informed by the most appropriate sources available for the assets in question. This may include property specific information / characteristics, local market

27 Financial risk management *(continued)*

knowledge, comparable transactions, professional advice (e.g. asset management reports) or a combination thereof, in line with more detailed guidance approved at least annually by the GRPC. This guidance is informed by both internal and externally sourced market data / valuation information, including input from the Group's Real Estate Advisory Unit.

Internally assessed valuations are subject to review, challenge and, potentially, revision by independent credit professionals in underwriting units within the Group Risk function and are approved as part of the normal credit process.

Typically, more frequent valuations are required for properties held as security for NPEs with an annual valuation required for NPEs in excess of €300,000.

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 were in line with the common industry-wide approaches agreed through industry bodies and regulatory authorities in Ireland and the UK.

During the year, the Group granted payment breaks to c.100,000 customers, the vast majority of which expired with c.5,600 customers remaining on an active payment break as at 31 December 2020. 30% of customers that availed of an initial 3-month COVID-19 payment break requested a further 3-month extension to the original concession.

Detailed information on the profile of accounts with payment breaks as at 31 December 2020 can be found on page 194.

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 2021 to 2025 assume reversion to potential economic growth rates, with consideration given to impact of governmental supports for customers and payment moratoria;
- COVID-19 payment breaks did not automatically result in migration of cases into Stage 2 (or forbearance classification) or Stage 3;
- individual assessments for corporate cases and the majority of relationship managed business banking cases, which received COVID-19 concessions have been completed;
- top-down sectoral assessments for business banking portfolios have been considered with outputs utilised to inform post-model Group management adjustments to the model driven impairment loss allowances, as well as the appropriate staging classification for relationship managed business banking portfolios;
- collective assessments have been considered for retail portfolios (i.e. residential mortgages, consumer lending, and asset finance), 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 year ended 31 December 2020; and
- a greater degree of management judgement (based on available reasonable and supportable internal and external information) has been incorporated into impairment reporting processes this year. In particular judgement has been applied where the unprecedented nature of the COVID-19 FLI scenarios would have generated inappropriate predictions of default.

Where customers require further support following the expiry of COVID-19 payment breaks or concessions the Group's objective is to offer suitable and sustainable solutions in a timely manner. The Group has alternative repayment arrangements available, including forbearance arrangements, for customers who require further financial support and these are based on an assessment of the individual needs of each customer and what is the most suitable solution. As at 31 December c.3,600 customers have requested further support following the expiry of their payment break arrangement, representing 4% of customers who availed of payment breaks during the year.

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 note 2(a) Critical Accounting Estimates and Judgements.

Quantitative information about credit risk within financial instruments held by the Group can be found on pages 171 to 201.

Forward Looking Information

Forward Looking Information (FLI) refers to probability weighted future macroeconomic scenarios approved semi-annually by the 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 has used five RoI FLI scenarios and five UK FLI scenarios at 31 December 2020, an increase from three scenarios in previous reporting periods,, comprising of two central scenarios, an upside scenario, and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for property for years beyond the forecast period. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The central FLI scenarios for the year ending 31 December 2020 are based on internal and external information and management judgement and follow the same process as used in prior periods, though for December 2020 two central scenarios were developed for both RoI and UK to reflect different base case Brexit assumptions:

- central scenario 1 is based on less adverse base case consensus forecasts that assumed a Free Trade Agreement (FTA) Brexit; and
- central scenario 2 is based on more adverse base case consensus forecasts that assumed a World Trade Organisation (WTO) Brexit.

27 Financial risk management *(continued)*

With the UK and EU reaching an agreement prior to year-end a higher weighting was applied to central scenario 1 (45%), with a small (5%) weighting retained for central scenario 2 to address initial disruption and uncertainty around the granular details of the new trading arrangement.

The upside and downside scenarios in previous reporting periods were 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 31 December 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, three narrative-driven alternative scenarios (one upside and two downside) were constructed to reflect different lengths of restrictions, depth of downturn and pace of economic recovery.

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

The narrative-driven scenarios were assessed relative to the simulated distribution. The probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The weightings were also informed by external forward looking information (e.g.equity market indicators).

The overall ECL for an exposure is determined as a probability-weighted average of the ECL calculated for each scenario, weighted by the probability of each scenario occurring.

Beyond the forecast period, default rates are assumed to revert over time to an observed long run average and the value of property collateral for LGD purposes is assumed to grow at an observed long-run rate.

Typically, one or two macroeconomic variables are incorporated into each impairment model, being those determined through macro regression techniques to be most relevant to forecasting default of the credit risk exposures flowing through that model.

The lifetime PD expectation for an exposure generated under each of the scenarios, weighted by the probability of each scenario occurring, is used to generate the lifetime PD expectations used for the assessment of 'significant increase in credit risk'.

Forecasts of residential and commercial property price growth are incorporated as appropriate into the LGD component of the ECL calculation.

A €24 million post-model Group management adjustment to the Group's impairment loss allowance was applied due to late-breaking events (i.e. an acceleration in the incidence of COVID-19 and related announcements on increased social restrictions in the Group's key markets in late December 2020). This adjustment reflects the estimated impact on impairment loss allowances if the probability weightings applied to the Group's multiple economic scenarios utilised in its impairment models were adjusted so that the upside scenario weighting was reduced to 15% (from 20%) and the downside scenario 1 weighting was increased to 30% (from 25%)

For further information, see note 2(a) Critical accounting estimates and judgements.

Funding and liquidity risk

Definition of funding and liquidity risk

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. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt. These factors are often associated with times of distress or adverse events such as a credit rating downgrade(s) or economic or financial turmoil.

Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities. The Group's ability to access funding markets at a sustainable cost and in a sufficient volume can be negatively impacted by a credit rating downgrade(s) or deterioration in market sentiment which in turn could impact the financial position of the Group.

Liquidity risk statement

Funding and liquidity risk arises from a fundamental part of the Group's business model; the maturity transformation of primarily short term deposits into longer term loans. The Group's funding and liquidity strategy is to maintain a stable funding base with loan portfolios substantially funded by retail originated customer deposit portfolios.

Liquidity risk framework

The Group has established a liquidity risk management framework which encompasses the liquidity policies, systems and controls in place to ensure that the Group is positioned to address its daily liquidity obligations and to withstand a period of liquidity stress. Principal components of this framework are the Group's Risk Appetite Statement and associated limits and the Group's Funding and Liquidity Policy, both of which are approved by the Court on the recommendation of ALCO.

The Group Funding and Liquidity Policy outlines the Group's governance process with respect to funding and liquidity risk, and sets out the core principles that govern the manner in which the risk is mitigated, monitored and managed. The operation of this policy is delegated to the Group's ALCO.

27 Financial risk management *(continued)*

These principal components are supported by further liquidity policies, systems and controls which the Group has to manage funding and liquidity risk.

Liquidity risk management

Liquidity risk management within the Group focuses on the control, within prudent limits, of risk arising from the mismatch in contracted maturities of assets and liabilities and the risks arising from undrawn commitments and other contingent liabilities. The Group manages its liquidity by jurisdiction with liquid assets predominantly held in the currency of each jurisdiction.

The Group's treasury function within Markets and Treasury provides top-down centralised management of the Group's funding and liquidity position including overall responsibility for the management of the Group's liquidity position and funding strategy. This ensures a co-ordinated approach to balance sheet management and is accomplished through the incorporation of funding and liquidity risk appetite metrics into risk appetite at a consolidated level, monitoring liquidity metrics for each jurisdiction and compliance by the business units with the Group's funds transfer pricing policy.

The Group's Market and Liquidity Risk function provides independent oversight of funding and liquidity risk and is responsible for proposing and maintaining the Group's funding and liquidity risk management framework and associated risk appetite metrics.

Liquidity risk management consists of two main activities:

- structural liquidity management focuses on the balance sheet structure, the funding mix, the expected maturity profile of assets and liabilities and the Group's debt issuance strategy; and
- tactical liquidity management focuses on monitoring current and expected daily cash flows to ensure that the Group's liquidity needs can be met.

The Group is required to comply with the regulatory liquidity requirements of the SSM and the requirements of local regulators in those jurisdictions where such requirements apply to the Group. SSM requirements include compliance with CRR / CRD IV and associated Delegated Acts. The Group has remained in full compliance with the regulatory liquidity requirements throughout 2020, and as at 31 December 2020 maintained a buffer significantly in excess of regulatory liquidity requirements.

Bank of Ireland (UK) plc is authorised by the PRA and is subject to the regulatory liquidity regime of the PRA. Bank of Ireland (UK) plc has remained in full compliance with the regulatory liquidity regime in the UK throughout 2020, and as at 31 December 2020 maintained a buffer significantly in excess of regulatory liquidity requirements.

The annual ILAAP enables the Court to assess the adequacy of the Group's funding and liquidity risk management framework, to assess the key liquidity and funding risks to which it is exposed; and details the Group's approach to determining the level of liquid assets and contingent liquidity that is required to be maintained under both business as usual and severe stress scenarios.

A key part of this assessment is cash flow forecasting that includes assumptions on the likely behavioural cash flows of certain customer products. Estimating these behavioural cash flows allows the Group assess the stability of its funding sources and potential liquidity requirements in both business as usual and stressed scenarios. The stressed scenarios incorporate Group specific and systemic risks and are run at different levels of possible, even if unlikely, severity. Actions and strategies available to mitigate the impacts of the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, the CRC and the Court.

The Group also monitors a suite of Recovery Indicators and Early Warning Signals in order to identify the potential emergence of a liquidity stress. As part of its contingency and recovery planning the Group has identified a suite of potential funding and liquidity options which could be exercised to help the Group to restore its liquidity position on the occurrence of a major stress event.

Balance sheet encumbrance

It is Group policy to ensure that the level of encumbrance of the balance sheet is consistent and supportive of the Group's unsecured funding issuance plans.

As part of managing its funding requirements, the Group from time to time encumbers assets as collateral to support wholesale funding initiatives. This would include covered bonds, asset backed securities, securities repurchase agreements and other structures that are secured over customer loans. At 31 December 2020, €11 billion (2019: €14 billion) of the Group's assets and collateral received were encumbered[1] (Bank 2020: €3 billion, 2019: €4 billion), primarily through these structures. The Group's overall encumbrance level[1] was 10% (2019: 13%) (Bank 2020: 3%, 2019: 5%). The decrease in encumbered assets is due to a reduction in the volume of secured wholesale funding outstanding.

Covered bonds, a key element of the Group's long term funding strategy are issued through its subsidiary Bank of Ireland Mortgage Bank (BoIMB). BoIMB is registered as a designated mortgage credit institution to issue Irish Asset Covered Securities in accordance with relevant legislative requirements. BoIMB is required to maintain minimum contractual overcollateralisation of 5% and minimum legislative overcollateralisation of 3% (both on a prudent market value basis). This is monitored by the Covered Asset Monitor on behalf of the CBI.

Liquidity risk reporting

The Group's liquidity risk appetite is defined by the Court to ensure that funding and liquidity are managed in a prudent manner. The Court monitors adherence to the liquidity risk appetite through the monthly Court Risk Report.

Management informs the Court in the monthly Court Risk Report of any significant changes in the Group's funding or liquidity position. The Court Risk Report includes the results of the Group's liquidity stress testing. This estimates the potential impact of a range of stress scenarios on the Group's liquidity position including its available liquid assets and contingent liquidity.

Management reviews funding and liquidity reports and stress testing results on a daily, weekly and monthly basis against the Group's Risk Appetite Statement. It is the responsibility of ALCO to ensure that the measuring, monitoring and reporting of funding and liquidity is adequately performed and complies with the governance framework.

[1] *Prepared on a regulatory group basis, in accordance with the Capital Requirements Directive (CRD IV), which comprises banking and other relevant financial institutions within the Bank of Ireland Group, but excludes non-banking related institutions such as insurance entities. For further information, see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.*

27 Financial risk management *(continued)*

Liquidity risk measurement

The Group's cash flow and liquidity reporting processes provide management with daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on-balance sheet and off-balance sheet transactions.

The following tables summarise the maturity profile of the Group's financial assets and liabilities, excluding those arising from insurance and participating investment contracts at 31 December 2020 and 31 December 2019. These maturity profiles are based on the remaining contractual maturity period at the reporting date (discounted). The Group measures liquidity risk by adjusting the contractual cash flows on deposit books to reflect their behavioural stability.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,892 million and €13,479 million respectively (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 access features. These allow the customer to access a portion or all of their deposits notwithstanding that this withdrawal could result in a 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 table.

Group Customer deposits by division	2020 €bn	2019 €bn
Retail Ireland	59	52
- Deposits	*23*	*22*
- Current account credit balances	*36*	*30*
Retail UK	21	22
Retail UK (Stg£bn equivalent)	*18*	*19*
- UK Post Office	*12*	*13*
- Other Retail UK	*6*	*6*
Corporate and Treasury	9	10
Total customer deposits	**89**	**84**
Loan to deposit ratio	**86%**	**95%**

Group 2020 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Assets						
Cash and balances at central banks	10,953	-	-	-	-	10,953
Trading securities	-	-	-	-	-	-
Derivative financial instruments	135	73	135	1,035	839	2,217
Other financial assets at fair value through profit or loss[1]	1,902	35	29	307	3,713	5,986
Loans and advances to banks	228	2,084	141	-	-	2,453
Debt securities at amortised cost	-	31	311	1,367	4,557	6,266
Financial assets at fair value through other comprehensive income	-	300	422	5,620	4,600	10,942
Loans and advances to customers including held for sale (before impairment loss allowance)	1,854	4,119	7,314	31,557	33,979	78,823
Total	**15,072**	**6,642**	**8,352**	**39,886**	**47,688**	**117,640**
Liabilities						
Deposits from banks	97	363	-	-	-	460
Monetary Authorities secured funding	-	117	278	1,533	-	1,928
Customer accounts	77,902	6,182	3,187	1,395	52	88,718
Derivative financial instruments	173	55	90	787	1,152	2,257
Debt securities in issue	-	733	519	4,772	948	6,972
Lease liabilities	-	11	34	173	280	498
Subordinated liabilities	-	-	-	276	1,160	1,436
Dividend payable to parent	27	-	-	-	-	27
Total	**78,199**	**7,461**	**4,108**	**8,936**	**3,592**	**102,296**

[1] *Excluding equity shares which have no contractual maturity.*

27 Financial risk management *(continued)*

Group 2019 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Assets						
Cash and balances at central banks	8,325	-	-	-	-	8,325
Trading securities	-	-	-	-	32	32
Derivative financial instruments	184	102	122	654	937	1,999
Other financial assets at fair value through profit or loss[1]	1,483	103	115	262	3,559	5,522
Loans and advances to banks	426	2,744	158	-	-	3,328
Debt securities at amortised cost	-	47	49	1,590	2,825	4,511
Financial assets at fair value through other comprehensive income	-	86	1,665	4,893	4,153	10,797
Loans and advances to customers including held for sale (before impairment loss allowance)	1,503	4,568	7,072	31,719	35,933	80,795
Total	**11,921**	**7,650**	**9,181**	**39,118**	**47,439**	**115,309**
Liabilities						
Deposits from banks	94	349	-	-	-	443
Monetary Authorities secured funding	-	-	1,117	619	-	1,736
Customer accounts	70,457	6,686	4,585	2,224	91	84,043
Derivative financial instruments	194	147	253	760	1,124	2,478
Debt securities in issue	-	971	870	5,075	1,899	8,815
Lease liabilities	-	17	47	168	333	565
Subordinated liabilities	-	209	-	263	1,221	1,693
Dividend payable to parent	627	-	-	-	-	627
Total	**71,372**	**8,379**	**6,872**	**9,109**	**4,668**	**100,400**

The tables below summarise the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in Bank of Ireland Life) at 31 December 2020 and 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.

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

Group 2020 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	97	363	-	-	-	460
Monetary Authorities secured funding	-	117	280	1,550	-	1,947
Customer accounts	77,555	6,130	3,224	1,432	52	88,393
Debt securities in issue	-	776	114	4,857	1,019	6,766
Subordinated liabilities	-	9	64	465	1,261	1,799
Lease liabilities	-	15	43	213	347	618
Dividend payable to parent	27	-	-	-	-	27
Contingent liabilities	454	12	62	169	19	716
Commitments	14,403	25	956	45	-	15,429
Total	**92,536**	**7,447**	**4,743**	**8,731**	**2,698**	**116,155**

[1] *Excluding equity shares which have no contractual maturity.*

27 Financial risk management *(continued)*

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

As set out in note 20, derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered with economic hedging intent to which the Bank does not apply hedge accounting. Derivatives held with hedging intent also include all derivatives to which the Bank applies hedge accounting.

The following tables summarise the maturity profile of the Bank's derivative liabilities. The Bank manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

Group 2020 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	2,255	2,808	3,467	86	8,616
Gross settled derivative liabilities - inflows	-	(2,250)	(2,813)	(3,396)	(82)	(8,541)
Gross settled derivative liabilities - net flows	-	**5**	**(5)**	**71**	**4**	**75**
Net settled derivative liabilities	-	116	293	920	267	1,596
Total derivatives held with hedging intent	-	**121**	**288**	**991**	**271**	**1,671**
Derivative liabilities held with trading intent	625	-	-	-	-	625
Total derivative cash flows	**625**	**121**	**288**	**991**	**271**	**2,296**

Group 2019 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	3,331	5,096	4,310	-	12,737
Gross settled derivative liabilities - inflows	-	(3,286)	(4,833)	(4,078)	-	(12,197)
Gross settled derivative liabilities - net flows	**-**	**45**	**263**	**232**	**-**	**540**
Net settled derivative liabilities	-	91	262	836	278	1,467
Total derivatives held with hedging intent	**-**	**136**	**525**	**1,068**	**278**	**2,007**
Derivative liabilities held with trading intent	626	-	-	-	-	626
Total derivative cash flows	**626**	**136**	**525**	**1,068**	**278**	**2,633**

27 Financial risk management *(continued)*

The following tables summarise the maturity profile of the Bank's financial liabilities (excluding those arising on derivative financial instruments) at 31 December 2020 and 2019 based on contractual undiscounted repayment obligations. The Bank does not manage liquidity risk on the basis of contractual maturity. Instead the Bank manages liquidity risk based on expected cash flows.

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 table below.

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

Bank 2020 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	64	3,002	150	874	394	4,484
Monetary Authorities secured funding	-	6	-	-	-	6
Customer accounts	62,885	4,939	986	953	304	70,067
Debt securities in issue	-	-	83	3,175	108	3,366
Subordinated liabilities	-	9	61	453	1,210	1,733
Lease liabilities	-	14	41	205	341	601
Dividend payable to parent	27	-	-	-	-	27
Contingent liabilities	425	12	62	101	19	619
Commitments	12,877	-	-	-	-	12,877
Total	**76,278**	**7,982**	**1,383**	**5,761**	**2,376**	**93,780**

Bank 2019 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	63	3,127	458	352	441	4,441
Monetary Authorities secured funding	-	-	-	-	-	-
Customer accounts	55,254	5,470	1,835	1,168	465	64,192
Debt securities in issue	-	-	423	2,021	684	3,128
Subordinated liabilities	-	239	62	489	1,320	2,110
Lease liabilities	-	19	55	200	391	665
Dividend payable to parent	627	-	-	-	-	627
Contingent liabilities	408	17	109	49	15	598
Commitments	11,606	-	-	-	-	11,606
Total	**67,958**	**8,872**	**2,942**	**4,279**	**3,316**	**87,367**

27 Financial risk management *(continued)*

The following tables summarise the maturity profile of the Bank's derivative liabilities. The Bank manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

Bank 2020 Derivative financial instruments	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	2,254	2,808	3,466	86	8,614
Gross settled derivative liabilities - inflows	-	(2,252)	(2,814)	(3,396)	(82)	(8,544)
Gross settled derivative liabilities - net flows	**-**	**2**	**(6)**	**70**	**4**	**70**
Net settled derivative liabilities	-	116	293	916	263	1,588
Total derivatives held with hedging intent	**-**	**118**	**287**	**986**	**267**	**1,658**
Derivative liabilities held with trading intent	625	-	-	-	-	625
Total derivative cash flows	**625**	**118**	**287**	**986**	**267**	**2,283**

Bank 2019 Derivative financial instruments	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	3,329	5,095	4,309	-	12,733
Gross settled derivative liabilities - inflows	-	(3,286)	(4,833)	(4,078)	-	(12,197)
Gross settled derivative liabilities - net flows	**-**	**43**	**262**	**231**	**-**	**536**
Net settled derivative liabilities	-	91	263	832	273	1,459
Total derivatives held with hedging intent	**-**	**134**	**525**	**1,063**	**273**	**1,995**
Derivative liabilities held with trading intent	626	-	-	-	-	626
Total derivative cash flows	**626**	**134**	**525**	**1,063**	**273**	**2,621**

Market risk *(Group only)*

Definition and background

Market risk is the risk of loss arising from movements in interest rates, FX rates or other market prices. Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk-taking. The Group recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of shareholder value and the achievement of the Group's strategic objectives.

Risk management, measurement and reporting

The management of market risk in the Group is governed by the Group's Risk Appetite Statement and by the Group Policy on Market Risk, both of which are approved by the Court. These are supplemented by a range of ALCO approved limits and controls. The Group has an established governance structure for market risk that involves the Court, its risk committees (CRC and GRPC), and ALCO, which has primary responsibility for the oversight of market risk in the Group.

The Court monitors adherence to market risk appetite through the monthly Court Risk Report.

Group Market & Liquidity Risk (GM&LR) provides second-line oversight of the Group's exposure to market risk, ensuring that the Group correctly identifies and assesses the market risks to which it is exposed. GM&LR is a part of the Group Risk Function reporting to the Group CRO.

It is Group policy to minimise exposure to market risk, subject to defined limits for discretionary risk. Nonetheless, certain structural market risks remain and, in some cases, are difficult to eliminate fully. In addition, the Group bears economic exposure to adverse movements in the credit spreads of bonds held as liquid assets, or held as matching assets in the NIAC. The latter is the predominant economic exposure arising on the NIAC fixed interest portfolio.

Market risks that arise are transferred to and managed by Bank of Ireland Global Markets (BoIGM), the treasury execution arm of the Group. These market risks are hedged by (BoIGM as a matter of course with the external market or, in the case of a small quantum of the risks concerned, are run as short-term discretionary risk positions subject to policy and limits. Discretionary risk-taking is confined to interest rate, FX and traded credit risk.

27 Financial risk management *(continued)*

Similarly, market risks in the Group's life assurance business, NIAC, are managed within defined tolerances. However, certain residual risks are inherent in this business, notably exposure to credit spreads on assets held to match policyholder liabilities, and indirect exposure to equity markets through changes in the discounted value of fees applied to equity assets held by policyholders in insurance contracts. This is outlined in greater detail below.

Balance sheet linkage

The table below classifies the balance sheet in terms of Banking Book, Trading Book (as defined above) and Insurance assets and liabilities. The principal risk factors which drive changes in earnings or value in relation to each line item are also outlined. Trading Book assets and liabilities were a small proportion of the balance sheet at 31 December 2020 and this is representative of the position throughout the year. Interest rates are the most significant risk factor.

Market risk linkage to the balance sheet 2020	Total €m	Trading €m	Non-trading €m	Insurance €m	Primary Risk Sensitivity
Assets					
Cash and balances at central banks	10,953	-	10,953	-	Interest Rate
Derivative financial instruments	2,217	1,429	788	-	Interest Rate, FX, Credit Spread
Trading and other financial assets at FVTPL	17,417	-	180	17,237	Interest Rate, FX, Credit Spread
Loans and advances to banks	2,453	-	2,226	227	Interest Rate
Loans and advances to customers	76,581	-	76,581	-	Interest Rate
Debt securities at amortised cost	6,266	-	6,266	-	Interest Rate
Financial assets at FVOCI	10,942	-	10,942	-	Interest Rate, FX, Credit Spread
ViF asset	615	-	-	615	Equity
Other assets	6,342	-	3,760	2,582	Interest Rate
Total assets	**133,786**	**1,429**	**111,696**	**20,661**	
Liabilities					
Deposits from banks	2,388	-	2,388	-	Interest Rate
Customer deposits	88,718	-	88,718	-	Interest Rate
Derivative financial instruments	2,257	1,626	631	-	Interest Rate, FX, Credit Spread
Debt securities in issue	6,972	-	6,972	-	Interest Rate
Liabilities arising from insurance and investment contracts	19,371	-	-	19,371	Interest Rate, FX, Credit Spread, Equity
Loss allowance provision on loan commitments and financial guarantees	99	-	99	-	Interest Rate
Lease liabilities	498	-	498	-	Interest Rate, FX
Other liabilities	3,117	-	2,420	697	Interest Rate, FX
Subordinated liabilities	1,436	-	1,436	-	Interest Rate
Total liabilities	**124,856**	**1,626**	**103,162**	**20,068**	

Discretionary market risk

Discretionary risk is a risk that is carried in the expectation of gain from near-term movements in liquid financial markets. BoIGM is the sole Group business unit permitted to run discretionary market risk.

Discretionary risk can be taken by leaving naturally arising retail or wholesale generated risks unhedged for a period (discretionary IRRBB) or by taking proprietary positions in the market (Trading Book risk). In conformity with the CRR, customer derivatives are booked in the Trading Book and can be a source of trading risk if not fully closed out.

Discretionary risk taking was paused, at the instruction of management, during the peak and in the immediate aftermath of the COVID-19 related market volatility. Discretionary risk taking resumed for the remainder of the year once market volatility and liquidity levels returned to acceptable levels.

Discretionary market risk is subject to strict controls which set out the markets and instruments in which risk can be assumed, the types of positions which can be taken and the limits which must be complied with. BoIGM's discretionary market risk is confined to interest rate risk (including inflation exposure), FX risk and credit spread exposure to sovereigns, banks and credit default swap (CDS) indices. A limit on discretionary risk and a high-level stop loss are set in the Risk Appetite Statement approved by the Court. These are supplemented by an ALCO approved framework of limits and controls, based on VaR (see below), scenario stress tests and sensitivities. The Group does not seek to generate a material proportion of its earnings through discretionary risk-taking and it has a low tolerance for earnings volatility arising from this activity which is reflected in policy, limits and other controls applied.

The Group employs a VaR approach to measure, and set limits on, discretionary market risk whether taken in the Banking Book (discretionary IRRBB risk) or pro-actively assumed in the Trading Book. The Group utilises a monte-carlo simulation model approach for the calculation of the interest rate risk component and a parametric VaR approach for the FX, inflation and credit risk components at a 99% (two tailed) confidence level, using a one day holding period and based on one year of historic data. The volatilities and correlations which are used to generate VaR

27 Financial risk management *(continued)*

numbers are estimated using the exponentially weighted moving average (EWMA) approach which gives more weight to recent data and responds quickly to changes in market volatility. VaR is backtested and reported on a daily basis with all exceptions subject to review and explanation.

For the nature of risks assumed by the Group, VaR remains a reliable basis of risk measurement, supplemented by stress testing.

The Group uses VaR to allocate capital to discretionary risk in its ICAAP but uses the standardised approach (TSA) for Pillar 1 Trading Book capital.

The Group recognises that VaR is subject to certain inherent limitations and therefore VaR limits are supplemented by scenario-based stress tests. These are particularly important in periods of low market volatility when VaR numbers can understate the risks of loss from large adverse market moves. Position limits and 'stop losses' are also a central element of the control environment.

The table below shows total VaR at 31 December 2020 was €0.5 million (2019: €0.5 million). Total VaR is the sum of overall interest rate, FX and traded credit VaR. Overall Interest Rate VaR is a correlated measure of trading book interest rate and discretionary Interest Rate Risk in The Banking Book (IRRBB).

Group and Bank Total VaR	**2020 €m**	**2019 €m**
Total	0.5	0.5

The Group's peak, average and end-period VaR numbers for the Trading Book by risk class and discretionary IRRBB are shown in the 'VaR' table below for 31 December 2020 and 2019.

Total VaR	**2020 €m**	**2019 €m**
Discretionary IRRBB		
Peak	1.2	0.8
Average	0.3	0.3
End period	0.1	0.2
Trading book interest rate VaR		
Peak	0.9	1.6
Average	0.5	0.6
End period	0.3	0.3
Foreign exchange VaR		
Peak	0.8	1.2
Average	0.4	0.4
End period	-	0.1
Traded credit risk VaR		
Peak	0.5	0.7
Average	0.2	0.3
End period	-	0.1

Structural and other risks
Notwithstanding the overriding objective of running minimal levels of market risk, certain structural market risks remain and are managed centrally as part of the Group's asset and liability management process.

The structural FX positions at 31 December 2020 and the preceding year end were as follows:

Group Structural FX position	**2020 €m**	**2019 €m**
Sterling - net asset position	2,156	2,394
US dollar - net asset position	366	426
Total structural FX position	**2,522**	**2,820**

Use of derivatives in the management of market risk
The activities set out above involve, in many instances, transactions in a range of derivative instruments. The Group makes extensive use of derivatives to hedge its balance sheet, service its customer needs and, to a lesser extent, assume discretionary risk. The Group's participation in derivatives markets is subject to policy approved by the ALCO. The Group makes a clear distinction between derivatives which must be transacted on a perfectly hedged basis and those whose risks can be managed within broader interest rate or FX books.

Discretionary market risk can only be assumed in clearly defined categories of derivatives which are traded in well-established liquid markets, supported by industry standard conventions and documentation and valued in accordance with generally accepted methods.

The approach to hedging and managing market risk is governed by policies explicitly designed to ensure that all hedging activities are risk reducing. Interest rate risk arising on customer lending and term deposit-taking is centralised by way of internal hedging transactions with BoIGM. This exposure is, in turn, substantially eliminated by BoIGM through external hedges.

Structural risk is managed by way of selective and strategic hedging initiatives which are executed under ALCO's authority.

Policy requires that, where behavioural optionality hedging relies on assumptions about uncertain customer behaviour and where material, it is subject to limits or other controls.

Life insurance risk *(Group only)*

Definition
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 behaviour characteristics, may be short or long term in nature. The sub-categories of life insurance risk such as mortality, longevity and persistency risk each relate to different sources of loss which arise as a result of writing life insurance business.

27 Financial risk management *(continued)*

Risk management
Life insurance risk is underwritten and managed by NIAC, a wholly owned subsidiary of the Group. The management of insurance risk is the responsibility of the board of NIAC which is delegated through internal governance structures. Aggregate life insurance risk exposure and exposure to the sub-categories of life insurance risk are monitored through a suite of management reporting metrics.

The risks that arise as a result of writing life insurance business are also managed by a number of governance fora as well as senior management. The minimum standards required when managing these risks are set out in a suite of NIAC board approved policies.

The Group transfers some life insurance risk to reinsurance companies who then meet an agreed share of the claims that arise on a book of business in return for a premium. This creates a credit exposure to these reinsurance companies which is managed within the NIAC risk management framework with responsibilities delegated through the Reinsurance Risk Policy. A review of the panel of reinsurers that may be used and the structure of reinsurance arrangements is carried out at least annually. Senior members of the management team with actuarial and underwriting expertise contribute to the effective oversight of this risk.

Risk measurement
Risk experience is monitored regularly with actual claims experience being compared to the underlying risk assumptions. The results of this analysis are used to inform management of the appropriateness of those assumptions for use in pricing, capital management and new product design.

Exposure to life insurance risk is measured by means of sensitivity and scenario testing. Risk capital is calculated for each individual risk type by stressing the best estimate assumptions of future experience by extreme, but plausible, factors. The stress factors are pre-defined by regulation and are set at a level with an expected frequency of occurrence of one year in every 200.

NIAC also carries out an ORSA annually which is overseen by the NIAC board. Within the ORSA, NIAC's risk profile is considered, both quantitatively and qualitatively, in a holistic manner with potential areas of risk identified along with conclusions in respect of how those risks will be mitigated. Further details can be found in note 37.

Risk mitigation
NIAC mitigates the potential impact of insurance risk through a number of measures. Capital is held against exposure to life insurance risk. Exposure to risk is also managed and controlled by the use of medical and financial underwriting, risk mitigating contract design features and reinsurance, as detailed in risk management policies.

Risk reporting
An update on the status of life insurance risk is included in the Court Risk Report on a quarterly basis. NIAC's ORSA report in respect of the NIAC annual assessment is also presented to the GRPC on an annual basis.

Capital management

Capital management objectives and policies
The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy and at all times to comply with regulatory capital requirements. It seeks to minimise refinancing risk by managing the maturity profile of non-equity capital whilst the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. The capital adequacy requirements set by the regulatory authorities and economic capital based on internal models are used by the Group as the basis for its capital management. The Group seeks to maintain sufficient capital to ensure that these requirements are met.

The current status of capital adequacy, including risk dashboards and risk appetite compliance, is reported to Senior Executives and the Court through the Court Risk Report on a monthly basis.

Group **Capital resources**	**2020** **€m**	**2019** **€m**
Stockholders' equity	7,953	9,011
Other equity instruments	975	740
Non-controlling interests - equity	2	2
Total equity	**8,930**	**9,753**
Undated subordinated loan capital	120	127
Dated subordinated loan capital	1,316	1,566
Total capital resources	**10,366**	**11,446**

28 Modified financial assets

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

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Financial assets modified during the year				
Amortised cost before modification	1,157	387	1,003	282
Net modification gains (i.e. net of impairment losses impact)	7	-	-	-
Financial assets modified since initial recognition				
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month ECL during the year	309	608	123	328

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

This table excludes loans subject to COVID-19 payment breaks. COVID-19 payment breaks are disclosed separately in the Credit risk exposures note, and include €899 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.

29 Shares in Group undertakings

The Bank's Shares in Group Undertakings are reviewed if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of each investment to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount. In 2020, COVID-19 resulted in challenging market and economic conditions and materially impacted the Bank's financial performance and outlook. As a result, an impairment review of the Bank's investment in Bank of Ireland (UK) plc was carried out. This review resulted in an impairment charge of €0.4 billion recognised in 2020 (2019: €nil).

The recoverable amount of an asset is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the asset. The calculation of the recoverable amount for each cash generating unit is based upon a VIU calculation that discounts expected pre-tax cash flows at a rate appropriate to the cash generating unit. The determination of both requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance. The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. The VIU of Bank of Ireland (UK) plc was calculated as €1.4 billion which was lower than the carrying value. Accordingly an impairment of €0.4 billion was recognised by the Bank.

The recoverable amount calculations performed for the significant amount of shares in Group undertakings are sensitive to changes in the following key assumptions:

Cash flow forecasts

Cash flow forecasts are based on internal management information for a period of up to five years, after which a long-term growth rate appropriate for the business is applied (see 'growth rates'). The initial five years' cash flows are consistent with approved plans for each business.

Growth rates

Growth rates beyond five years are determined by reference to long-term economic growth rates. A growth rate of 2% is used in the calculation of the VIU and cash flows have been projected forward for a period of 30 years.

29 Shares in Group undertakings *(continued)*

Discount rate
The discount rate used is the pre-tax weighted average cost of capital for Bank of Ireland (UK) plc of 11%. The equivalent post-tax rate is 9.0%.

The forecast cash flows reflect management's view of future business prospects. The sensitivity of the VIU of Bank of Ireland (UK) plc to changes in the post-tax cash flows, growth rate and discount rate assumptions has been assessed in the review. See note 2 Critical accounting estimates and judgements on pages 111 and 112 for further information.

Bank	2020 €m	2019 €m
At beginning of year	4,256	4,161
Impairment of investment	(409)	-
Exchange adjustments	(107)	95
Repayment of investment	(75)	-
At end of year	**3,665**	**4,256**
Group undertakings		
of which:		
- Credit Institutions	3,027	3,543
- Others	638	713
	3,665	**4,256**

30 Interest in associates

The Group has availed of the venture capital exemption in accounting for its interests in associates. In line with the accounting policy set out on page 94, these interests have been designated at initial recognition at FVTPL. Changes in the fair value of these interests are included in the share of results of associates (after tax) line on the income statement.

In presenting details of the associates of the Group, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Group will annex a full listing of associates to its annual return to the Companies Registration Office.

Group	2020 €m	2019 €m
At beginning of year	56	53
Increase in investments	5	8
Decrease in investments	(4)	(10)
Share of results after tax (note 17)	(3)	5
At end of year	**54**	**56**

31 Interest in joint ventures

Group	2020 €m	2019 €m
At beginning of year	76	69
Dividends received	(16)	(31)
Exchange adjustments	(5)	4
Share of results after tax (note 17)	(1)	34
- First Rate Exchange Services	*(1)*	*34*
At end of year	**54**	**76**

For further information on joint ventures refer to note 56 Interests in other entities.

32 Intangible assets and goodwill

Group	2020					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	-	-	229	-	229	-	-	223	-	223
Disposals / write-offs	-	-	-	(24)	(24)	-	-	-	-	-
Exchange adjustments	(2)	(1)	(13)	(7)	(23)	2	1	12	7	22
At 31 December	**34**	**71**	**2,219**	**180**	**2,504**	**36**	**72**	**2,003**	**211**	**2,322**
Amortisation and impairment	**-**	**(72)**	**(1,243)**	**(169)**	**(1,484)**	**-**	**(71)**	**(1,060)**	**(144)**	**(1,275)**
Disposals / write-offs	-	-	-	24	24	-	-	-	-	-
Impairment	(9)	-	(139)	-	(148)	-	-	-	-	-
Amortisation charge for the year (note 13)	-	-	(150)	(14)	(164)	-	-	(173)	(20)	(193)
Exchange adjustments	-	1	10	8	19	-	(1)	(10)	(5)	(16)
At 31 December	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**	**-**	**(72)**	**(1,243)**	**(169)**	**(1,484)**
Net book value	**25**	**-**	**697**	**29**	**751**	**36**	**-**	**760**	**42**	**838**

The category 'computer software internally generated' includes the Transformation Investment asset with a carrying value of €295 million (2019: €331 million). This asset reflects investment in technical infrastructure, applications and software licences. The reduction in carrying value of this asset is primarily due to impairment, partially offset by additions, during the year ended 31 December 2020. See 'impairment review – computer software internally generated' section below for further information. €216 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. The remaining €79 million (2019: €158 million) represents assets under construction on which amortisation will commence once the assets are available for use.

Impairment review - computer software internally generated

During 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 €139 million has been recognised (2019: €nil), of which €127 million relates to the Transformation Investment Asset and €12 million relates to other internally generated computer software. This charge is presented separately on the Group consolidated income statement.

32 Intangible assets and goodwill *(continued)*

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 no impairment identified in the year ended 31 December 2020 (2019: €nil).

Goodwill
Goodwill was recognised on the acquisition of MLL, a car commercial leasing and fleet management company in the UK.

Impairment testing of goodwill
Goodwill is allocated to cash generating units (CGU) at a level which represents the smallest identifiable group of assets that generate largely independent cash flows.

The calculation of the recoverable amount of goodwill for each of these CGU is based upon a VIU calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the CGU. The determination of both requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance.

The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a growth factor appropriate for the business is applied. Initial cash flows are based on performance in the twelve month period ended 31 December 2020 and the next four years' cash flows are consistent with approved plans for each business.

Growth rates
Growth rates beyond five years are determined by reference to local economic growth, inflation projections or long term bond yields. The assumed long term growth rate for MLL is 0%.

Discount rate
The discount rate applied to MLL is the pre-tax weighted average cost of capital for the Group increased to include a risk premium to reflect the specific risk profile of the CGU to the extent that such risk is not already reflected in the forecast cash flows. A rate of 12% has been used in the model.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. The Directors consider that reasonably possible changes in key assumptions used to determine the recoverable amount of MLL would not result in an impairment of goodwill which is different to the amount recognised as at December 2020.

Impairment Review - Goodwill
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 of an asset is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the asset. An impairment review was carried out during the year 2020 which resulted in a write down of the carrying value of goodwill to its recoverable amount, which is based on value-in-use.

The Group's forecast was revised during the year as a result of the impact of COVID-19. This created an additional uncertainty to the longer term shape of the motor vehicle financing sector, in addition to pre-existing concerns regarding combustion engines, alternative fuels and changing customer behaviours. It is currently unknown to what extent COVID-19 may lead to, for example, a longer term shift to remote working on a larger scale, and what impact this may have on the car market. Management have factored this additional uncertainty into the cash flow projections used for the impairment 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. An impairment loss recognised for goodwill is not reversed in subsequent periods, even if it was recognised in an interim period of the same financial year.

32 Intangible assets and goodwill *(continued)*

Bank	2020				2019			
	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost								
At 1 January	**49**	**1,848**	**109**	**2,006**	**49**	**1,637**	**106**	**1,792**
Additions	-	213	-	213	-	202	-	202
Disposals / write-offs	-	-	(24)	(24)	-	-	-	-
Exchange adjustments	-	(11)	(1)	(12)	-	9	3	12
At 31 December	**49**	**2,050**	**84**	**2,183**	**49**	**1,848**	**109**	**2,006**
Accumulated amortisation								
At 1 January	**(49)**	**(1,126)**	**(87)**	**(1,262)**	**(49)**	**(950)**	**(72)**	**(1,071)**
Disposals / write-offs	-	-	24	24	-	-	-	-
Impairment	-	(139)	-	(139)	-	-	-	-
Amortisation charge for the year	-	(143)	(7)	(150)	-	(169)	(12)	(181)
Exchange adjustments	-	8	1	9	-	(7)	(3)	(10)
At 31 December	**(49)**	**(1,400)**	**(69)**	**(1,518)**	**(49)**	**(1,126)**	**(87)**	**(1,262)**
Net book value	**-**	**650**	**15**	**665**	**-**	**722**	**22**	**744**

Impairment review - intangible assets
Intangible assets have been reviewed for any indication that impairment may have occurred. Where any such indication exists impairment has been measured by comparing the carrying value of the intangible asset to its recoverable amount.

An impairment charge of €139 million has been recognised (2019: €nil), of which €127 million relates to the Transformation Investment Asset and €12 million relates to other internally generated computer software. This charge is presented separately on the Bank income statement in line with the relevant IAS requirements.

33 Investment properties

At 31 December 2020, the Group held investment property of €843 million (2019: €999 million) on behalf of Wealth and Insurance policyholders.

Investment properties are carried at fair value as determined by external qualified Property Surveyors (the 'Surveyors') appropriate to the properties held. The Surveyors arrive at their opinion of fair value by using their professional judgement in applying comparable current trends in the property market such as rental yields in the retail, office and industrial property sectors, to both the existing rental income stream and also to the future ERV. Other inputs taken into consideration include occupancy forecasts, rent free periods that may need to be granted to new incoming tenants, capital expenditure and fees. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

In the early part of the year, COVID-19 impacted the property market, causing the number of transactions to decline. As a response, surveyors attached less weight to previous market evidence and, as reported in June all valuations at 30 June 2020 were prepared on a 'material valuation uncertainty' basis. Since then, such uncertainty has been removed for all investment properties with the exception of retail properties located in the Republic of Ireland (€101 million of investment properties portfolio).

Therefore, to ensure transparency, the Surveyors have attached less weight to previous market evidence for comparison purposes such that valuations of these retail properties to a 'material valuation uncertainty' clause in line with the RICS (Royal Institute Chartered Surveyors) Valuation – Global Standards. All other investment properties were not subject to the material valuation uncertainty clause.

Group	2020 €m	2019 €m
At beginning of year	999	1,037
Revaluation	(77)	(3)
Disposals	(71)	(39)
Exchange adjustment	(8)	14
Reclassifications	-	(21)
Additions	-	11
At end of year	**843**	**999**

In 2020 rental income from investment property amounted to €52 million (2019: €52 million). Expenses directly attributable to investment properties generating rental income was €8 million (2019: €6 million).

In 2019, the Group reclassified €21 million from investment properties to property, plant and equipment. There were no such reclassifications for the year ended 31 December 2020.

34 Property, plant and equipment

Group	Freehold land & buildings & long leaseholds (FV)		Adaptations (at cost)		Computer & other equipment (at cost)				Right of Use assets, excluding investment property			
2020	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	Payments on accounts & assets in the course of construction (at cost) €m	Total owned assets €m	Buildings €m	Computer & other equipment €m	Total right of use assets €m	Total property plant and equipment €m
Cost or valuation at 1 January 2020	**181**	**15**	**165**	**6**	**269**	**145**	**21**	**802**	**547**	**78**	**625**	**1,427**
Additions	-	-	1	-	2	39	12	54	1	49	50	104
Disposals/ write offs	-	-	(14)	-	(7)	(46)	-	(67)	(4)	(54)	(58)	(125)
Revaluation recognised in OCI	(8)	(1)	-	-	-	-	-	(9)	-	-	-	(9)
Revaluation recognised in income statement (note 13)	(4)	-	-	-	-	-	-	(4)	-	-	-	(4)
Reclassifications	(6)	6	7	-	(4)	-	(16)	(13)	(1)	-	(1)	(14)
Adjustment of lease liability	-	-	-	-	-	-	-	-	(30)	(18)	(48)	(48)
Exchange adjustments	(2)	(1)	(1)	-	(4)	(8)	-	(16)	(3)	(1)	(4)	(20)
As at 31 December 2020	**161**	**19**	**158**	**6**	**256**	**130**	**17**	**747**	**510**	**54**	**564**	**1,311**
Accumulated depreciation at 1 January 2020	**-**	**-**	**(102)**	**(2)**	**(200)**	**(31)**	**-**	**(335)**	**(43)**	**(40)**	**(83)**	**(418)**
Charge for the year (note 10,13)	-	-	(9)	-	(18)	(27)	-	(54)	(41)	(22)	(63)	(117)
Impairment for the year	-	-	-	-	-	-	-	-	(6)	-	(6)	(6)
Reversal of previously recognised impairment	-	-	-	-	3	-	-	3	-	-	-	3
Disposals / write-offs	-	-	9	-	6	25	-	40	4	54	58	98
Reclassifications	-	-	-	-	9	-	-	9	-	-	-	9
Exchange adjustments	-	-	1	-	5	2	-	8	1	-	1	9
As at 31 December 2020	**-**	**-**	**(101)**	**(2)**	**(195)**	**(31)**	**-**	**(329)**	**(85)**	**(8)**	**(93)**	**(422)**
Net book value at 31 December 2020	**161**	**19**	**57**	**4**	**61**	**99**	**17**	**418**	**425**	**46**	**471**	**889**

At 31 December 2020, property, plant and equipment held at fair value was €180 million (2019: €196 million). A revaluation of Group property was carried out as at 31 December 2020 by an independent external valuer. A total revaluation deficit of €13 million has been recognised as a reversal of previously held revaluation surplus in OCI of €9 million with the remaining €4 million recognised as part of operating expenses. The historical cost of property, plant and equipment held at fair value was €75 million (2019: €78 million). The net book value of property, plant and equipment held at cost less accumulated depreciation and impairment (excluding RoU assets) was €238 million (2019: €271 million) and RoU assets was €471 million (2019: €542 million).

At 31 December 2020, €5 million of computer & other equipment held for own use was transferred to assets classified as held for sale, see note 25 for further details. At 31 December 2020, the €48 million adjustment of lease liability was incurred due to the early termination of leases.

34 Property, plant and equipment *(continued)*

Group	Freehold land & buildings & long leaseholds (FV)		Adaptations (at cost)		Computer & other equipment (at cost)		Payments on accounts & assets in the course of construction (at cost)	Total owned assets	Right of Use assets, excluding investment property		Total right of use assets	Total property plant and equipment
2019	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	€m	€m	Buildings €m	Computer & other equipment €m	€m	€m
Cost or valuation at 1 January 2020	**156**	**14**	**158**	**6**	**260**	**126**	**13**	**733**	**555**	**78**	**633**	**1,366**
Additions	-	-	-	-	1	53	27	81	1	2	3	84
Disposals / write offs	-	-	(5)	-	(4)	(40)	-	(49)	-	(1)	(1)	(50)
Revaluation recognised in OCI	2	1	-	-	-	-	-	3	-	-	-	3
Reclassifications	21	-	10	-	9	-	(19)	21	(5)	-	(5)	16
Adjustment of lease liability	-	-	-	-	-	-	-	-	(4)	(1)	(5)	(5)
Exchange adjustments	2	-	2	-	3	6	-	13	-	-	-	13
Revaluation recognised in income statement	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	**181**	**15**	**165**	**6**	**269**	**145**	**21**	**802**	**547**	**78**	**625**	**1,427**
Accumulated depreciation at 1 January 2019	**-**	**-**	**(94)**	**(2)**	**(181)**	**(23)**	**-**	**(300)**	**-**	**(12)**	**(12)**	**(312)**
Charge for the year (notes 10,13)	-	-	(11)	-	(16)	(28)	-	(55)	(40)	(29)	(69)	(124)
Impairment (note 14)	-	-	-	-	(2)	-	-	(2)	(2)	-	(2)	(4)
Disposals / write-offs	-	-	4	-	2	21	-	27	-	1	1	28
Exchange adjustments	-	-	(1)	-	(3)	(1)	-	(5)	(1)	-	(1)	(6)
Reversal of previously recognised impairment	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	**-**	**-**	**(102)**	**(2)**	**(200)**	**(31)**	**-**	**(335)**	**(43)**	**(40)**	**(83)**	**(418)**
Net Book Value at 31 December 2019	**181**	**15**	**63**	**4**	**69**	**114**	**21**	**467**	**504**	**38**	**542**	**1,009**

34 Property, plant and equipment *(continued)*

Future capital expenditure
This table shows future capital expenditure in relation to both property, plant and equipment and intangible assets.

Future capital expenditure	2020 €m	2019 €m
Contracted but not provided for in the financial statements	167	10
Authorised by the Directors but not contracted	12	236

Group as lessor
Computer and other equipment of which subject to an operating lease, relates to the business activities of MLL. MLL enters into non-cancellable operating leases, as lessor, through its car and commercial leasing activities. The terms of the leases vary but the majority of the leases typically run for a non-cancellable period of two to four years through which MLL is exposed to residual value risk on the vehicles leased.

MLL ensures that residual value risk is effectively managed to minimise exposure. The residual values used mirror those utilised in the creation of the original client contract. Residual values for MLL's fleet of vehicles are benchmarked against industry standards using third party valuation tools. The residual values for the entire portfolio are reassessed using an independent vehicle valuation estimate on a regular basis throughout the life of the underlying contracts to determine if impairment is required. The process of realising asset values at the end of lease contracts is effectively managed to maximise net sale proceeds. MLL received operating lease income of €35 million in 2020 (2019: €35 million) (note 10).

The Group has also entered into a small number of operating leases and operating sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements. The Group received operating lease income on these leases of €2 million in 2020 (2019: €1 million).

The table sets out the future undiscounted operating lease payments receivable.

Operating lease receivables	2020 €m	2019 €m
Not later than 1 year	23	27
1 to 2 years	17	18
2 to 3 years	6	9
3 to 4 years	2	3
4 to 5 year	1	1
Later than 5 years	3	-
Total operating lease receivables	**52**	**58**

34 Property, plant and equipment *(continued)*

Bank	Freehold land & buildings & long leaseholds (FV)		Adaptations (at cost)		Computer & other equipment (at cost)				Right of Use assets, excluding investment property			
2020	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	Payments on accounts & assets in the course of construction (at cost) €m	Total owned assets €m	Buildings €m	Computer & other equipment €m	Total right of use assets €m	Total property plant and equipment €m
Cost or valuation												
at 1 January 2020	**133**	**10**	**163**	**6**	**267**	**-**	**21**	**600**	**534**	**78**	**612**	**1,212**
Additions	-	-	1	-	2	-	12	15	1	49	50	65
Disposals / write offs	-	-	(14)	-	(7)	-	-	(21)	(4)	(54)	(58)	(79)
Revaluation recognised in OCI	(8)	(1)	-	-	-	-	-	(9)	-	-	-	(9)
Revaluation recognised in income statement	(4)	-	-	-	-	-	-	(4)	-	-	-	(4)
Reclassifications	(3)	3	7	-	(5)	-	(16)	(14)	(1)	-	(1)	(15)
Adjustment of lease liability	-	-	-	-	-	-	-	-	(27)	(18)	(45)	(45)
Exchange adjustments	-	-	(1)	-	(5)	-	-	(6)	(1)	(1)	(2)	(8)
As at 31 December 2020	**118**	**12**	**156**	**6**	**252**	**-**	**17**	**561**	**502**	**54**	**556**	**1,117**
Accumulated depreciation												
at 1 January 2020	**-**	**-**	**(101)**	**(2)**	**(197)**	**-**	**-**	**(300)**	**(40)**	**(40)**	**(80)**	**(380)**
Charge for the year	-	-	(9)	-	(16)	-	-	(25)	(38)	(22)	(60)	(85)
Impairment for the year	-	-	-	-	-	-	-	-	(3)	-	(3)	(3)
Reversal of previously recognised impairment	-	-	-	-	3	-	-	3	-	-	-	3
Disposals / write-offs	-	-	9	-	6	-	-	15	4	54	58	73
Reclassifications	-	-	-	-	9	-	-	9	-	-	-	9
Exchange adjustments	-	-	1	-	4	-	-	5	-	-	-	5
As at 31 December 2020	**-**	**-**	**(100)**	**(2)**	**(191)**	**-**	**-**	**(293)**	**(77)**	**(8)**	**(85)**	**(378)**
Net book value at 31 December 2020	**118**	**12**	**56**	**4**	**61**	**-**	**17**	**268**	**425**	**46**	**471**	**739**

At 31 December 2020, property, plant and equipment held at fair value was €130 million (2019: €143 million). A revaluation of Group property was carried out as at 31 December 2020 by an independent external valuer. The historical cost of property, plant and equipment held at fair value was €50 million (2019: €51 million). The net book value of property, plant and equipment held at cost less accumulated depreciation and impairment (excluding RoU assets) was €138 million (2019: €157 million) and RoU assets was €471 million (2019: €532 million).

At 31 December 2020, €5 million of computer & other equipment held for own use was transferred to assets classified as held for sale, see note 25 for further details. At 31 December 2020, the €45 million adjustment of lease liability was incurred due to the early termination of leases.

34 Property, plant and equipment *(continued)*

Bank	Freehold land & buildings & long leaseholds (FV)		Adaptations (at cost)		Computer & other equipment (at cost)		Payments on accounts & assets in the course of construction (at cost)	Total owned assets	Right of Use assets, excluding investment property		Total right of use assets	Total property plant and equipment
2019	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	€m	€m	Buildings €m	Computer & other equipment €m	€m	€m
Cost or valuation												
at 1 January 2019	**131**	**10**	**155**	**6**	**257**	**-**	**13**	**572**	**530**	**78**	**608**	**1,180**
Exchange adjustments	1	-	2	-	4	-	-	7	-	-	-	7
Additions	-	-	-	-	1	-	27	28	2	2	4	32
Disposals / write offs	-	-	(4)	-	(4)	-	-	(8)	-	(1)	(1)	(9)
Revaluation recognised in OCI	1	-	-	-	-	-	-	1	-	-	-	1
Reclassifications	-	-	10	-	9	-	(19)	-	(1)	-	(1)	(1)
Adjustment of lease liability	-	-	-	-	-	-	-	-	3	(1)	2	2
Revaluation recognised in income statement	-	-	-	-	-	-	-	-	-	-	-	
As at 31 December 2019	**133**	**10**	**163**	**6**	**267**	**-**	**21**	**600**	**534**	**78**	**612**	**1,212**
Accumulated depreciation												
at 1 January 2019	**-**	**-**	**(95)**	**(2)**	**(176)**	**-**	**-**	**(273)**	**-**	**(12)**	**(12)**	**(285)**
Exchange adjustments	-	-	(1)	-	(4)	-	-	(5)	(1)	-	(1)	(6)
Impairment	-	-	-	-	(2)	-	-	(2)	(1)	-	(1)	(3)
Disposals / write-offs	-	-	4	-	3	-	-	7	-	1	1	8
Charge for the year	-	-	(9)	-	(18)	-	-	(27)	(38)	(29)	(67)	(94)
Reversal of previously recognised impairment	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	**-**	**-**	**(101)**	**(2)**	**(197)**	**-**	**-**	**(300)**	**(40)**	**(40)**	**(80)**	**(380)**
Net book value at 31 December 2019	**133**	**10**	**62**	**4**	**70**	**-**	**21**	**300**	**494**	**38**	**532**	**832**

34 Property, plant and equipment *(continued)*

Future capital expenditure
This table shows future capital expenditure in relation to both property, plant and equipment and intangible assets.

Future capital expenditure	2020 €m	2019 €m
Contracted but not provided for in the financial statements	165	7
Authorised by the Directors but not contracted	10	227

Bank as lessor
The Bank has also entered into a small number of sub-leases as lessor which represent properties and components of properties surplus to the Bank's own requirements. The table sets out the future undiscounted operating lease payments receivable.

Operating lease receivables	2020 €m	2019 €m
Not later than 1 year	1	1
1 to 2 years	1	1
2 to 3 years	1	1
3 to 4 years	1	1
4 to 5 year	-	-
Later than 5 years	1	-
Total operating lease receivables	**5**	**4**

35 Deferred tax

The DTA of €1,165 million (31 December 2019: €1,088 million) includes an amount of €1,157 million (31 December 2019: €1,089 million) in respect of operating losses which are available to shelter future profits from tax, of which €1,133 million relates to Irish tax losses carried forward by the Bank, €18 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the bank, and €6 million relates to US tax losses carried forward by the US branch of the Bank.

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

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

The key judgements and estimates applied in the recognition of DTAs on unused tax losses are set out in Critical Accounting Estimates and Judgements (note 2).

Net DTAs at 31 December 2020 of €1.1 billion (2019: €1.0 billion) are expected to be recovered after more than one year.

Deferred tax liabilities have not been recognised for tax that may be payable if distributable reserves of certain overseas subsidiaries and joint ventures were remitted to Ireland as the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Distributable reserves for overseas subsidiaries and joint ventures totalled €1.2 billion at 31 December 2020 (2019: €1.5 billion).

The Group has not recognised a DTA of €194 million (2019: €136 million) in respect of temporary differences, unused tax losses and tax credits of which €43 million (2019: €47 million) relates to US tax losses which are subject to a 20 year life and are scheduled to expire unused in the period 2026-2029 due to an annual limitation of use. The balance relates to UK tax losses which have no expiry date but are currently not projected to be recovered within 10 years.

35 Deferred tax *(continued)*

Group 2020	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December Net €m	Balance at 31 December Deferred tax assets €m	Balance at 31 December Deferred tax liabilities €m
Unutilised tax losses	1,089	68	-	-	1,157	1,157	-
Pensions and other post retirement benefits	14	(16)	7	-	5	5	-
Assets used in the business[1]	30	6	-	-	36	36	-
Impact of adopting IFRS 9	18	(3)	-	-	15	15	-
Cash flow hedge reserve	5	-	(3)	(1)	1	1	-
Other temporary differences - assets	26	22	-	(10)	38	38	-
Wealth & Insurance - different basis of accounting	(59)	8	-	-	(51)	-	(51)
Debt instruments at FVOCI	(23)	-	(1)	-	(24)	-	(24)
Property revaluation surplus	(21)	1	2	-	(18)	-	(18)
Liability credit reserve	1	-	-	-	1	1	-
Other temporary differences - liabilities	(64)	5	-	-	(59)	-	(59)
Tax assets / (liabilities) before set-off	**1,016**	**91**	**5**	**(11)**	**1,101**	**1,253**	**(152)**
Set-off of tax					**-**	**(88)**	**88**
Net tax assets / (liabilities)					**1,101**	**1,165**	**(64)**

Group 2019	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December Net €m	Balance at 31 December Deferred tax assets €m	Balance at 31 December Deferred tax liabilities €m
Unutilised tax losses	1,162	(73)	-	-	1,089	1,089	-
Pensions and other post retirement benefits	28	(9)	(5)	-	14	14	-
Assets used in the business[1]	26	4	-	-	30	30	-
Impact of adopting IFRS 9	19	(1)	-	-	18	18	-
Cash flow hedge reserve	11	-	(6)	-	5	5	-
Other temporary differences - assets	21	(5)	-	10	26	26	-
Wealth & Insurance - different basis of accounting	(35)	(24)	-	-	(59)	-	(59)
Debt instruments at FVOCI	(20)	1	(4)	-	(23)	-	(23)
Property revaluation surplus	(20)	(1)	-	-	(21)	-	(21)
Liability credit reserve	(6)	3	4	-	1	1	-
Other temporary differences - liabilities	(63)	(1)	-	-	(64)	-	(64)
Tax assets / (liabilities) before set-off	**1,123**	**(106)**	**(11)**	**10**	**1,016**	**1,183**	**(167)**
Set-off of tax					**-**	**(95)**	**95**
Net tax assets / (liabilities)					**1,016**	**1,088**	**(72)**

[1] *Formerly Accelerated capital allowance used by the Group.*

35 Deferred tax *(continued)*

Bank 2020	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December Net €m	Deferred tax assets €m	Deferred tax liabilities €m
Unutilised tax losses	1,054	86	-	-	1,140	1,140	-
Pensions and other post retirement benefits	-	(13)	6	-	(7)	-	(7)
Assets used in the business[1]	20	5	0	-	25	25	-
Impact of adopting IFRS 9	10	(3)	0	-	7	7	-
Cash flow hedge reserve	13	-	4	-	17	17	-
Other temporary differences - assets	14	19	-	(7)	26	26	-
Debt instruments at FVOCI	(23)	1	(1)	-	(23)	-	(23)
Property revaluation surplus	(19)	1	2	-	(16)	-	(16)
Liability Credit Reserve	1	(0)	(-)	-	1	1	-
Other temporary differences - liabilities	(15)	(5)	-	-	(20)	-	(20)
Tax assets / (liabilities) before set-off	**1,055**	**91**	**11**	**(7)**	**1,150**	**1,216**	**(66)**
Set-off of tax					**-**	**(66)**	**66**
Net tax assets / (liabilities)					**1,150**	**1,150**	**-**

Bank 2019	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December Net €m	Deferred tax assets €m	Deferred tax liabilities €m
Unutilised tax losses	1,082	(28)	-	-	1,054	1,054	-
Pensions and other post retirement benefits	15	(7)	(8)	-	-	-	-
Assets used in the business[1]	17	3	-	-	20	20	-
Impact of adopting IFRS 9	12	(2)	-	-	10	10	-
Cash flow hedge reserve	10	-	3	-	13	13	-
Other temporary differences - assets	12	(3)	-	5	14	14	-
Debt instruments at FVOCI	(19)	-	(4)	-	(23)	-	(23)
Property revaluation surplus	(19)	-	-	-	(19)	-	(19)
Liability Credit Reserve	(6)	3	4	-	1	1	-
Other temporary differences - liabilities	(14)	(1)	-	-	(15)	-	(15)
Tax assets / (liabilities) before set-off	**1,090**	**(35)**	**(5)**	**5**	**1,055**	**1,112**	**(57)**
Set-off of tax					**-**	**(57)**	**57**
Net tax assets / (liabilities)					**1,055**	**1,055**	**-**

[1] *Formerly Accelerated capital allowance used by the Bank.*

36 Other assets

	Group		Bank	
	2020 €m	**2019 €m**	**2020 €m**	**2019 €m**
Reinsurance asset	1,352	1,108	-	-
ViF asset (note 37)	615	631	-	-
Sundry and other debtors	434	349	95	91
Interest receivable[1]	259	280	231	249
Accounts receivable and prepayments	87	88	65	53
Trade receivables and contract assets	79	45	71	34
Other assets	**2,826**	**2,501**	**462**	**427**
Trade receivables and contract assets				
Trade receivables	76	40	68	29
Contract assets	3	5	3	5
Less: impairment loss allowance on trade receivables and contract assets	-	-	-	-
Total trade receivable and contract assets	**79**	**45**	**71**	**34**
Other assets are analysed as follows:				
Within 1 year	817	726	429	408
After 1 year	2,009	1,775	33	19
	2,826	**2,501**	**462**	**427**
The movement in the reinsurance asset is noted below:				
At beginning of year	1,108	942	-	-
New business	209	108	-	-
Changes in business	35	58	-	-
At end of year	**1,352**	**1,108**	**-**	**-**

For the purpose of disclosure of credit risk exposures, the reinsurance asset is included within other financial instruments of €10.1 billion (2019: €9.2 billion) in note 27 on page 201.

[1] *Interest receivable is subject to impairment under IFRS 9; the impairment loss allowance on interest receivable is presented in the balance sheet along with the financial asset to which it relates.*

37 Life assurance business

The Group recognises the ViF life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. The ViF asset, which is presented gross of attributable tax, represents the present value of future profits, less an allowance for the cost of required capital, expected to arise from insurance contracts written by the reporting date. It is determined by projecting the future surpluses and other cash flows attributable to the shareholder arising from these contracts and discounting using risk free interest rates as specified under the Solvency II directive.

The process used in determining the key economic and experience assumptions is as follows:

Interest rates and unit growth rate
Interest rates and unit-growth rates are based on a range of duration specific rates determined by a risk free yield curve. This yield curve is provided by the EIOPA.

The Group's Life Assurance business has also been received regulatory approval to use the Volatility Adjustment (VA). The VA is an addition to the risk-free curve under the Solvency II regulations which is designed to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. It is based on a risk corrected spread on the assets in a reference portfolio.

Shareholder tax rate
The current rate of corporation tax is assumed to be maintained over the term of the business. Deferred tax has been allowed for on future surpluses attributable to shareholders estimated to arise from insurance contracts.

Mortality and morbidity
The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant market data.

Persistency rate
Persistency rates refer to the rate of policy termination for insurance policies. Best estimate policy lapse rate assumptions are set with regard to the Group's actual experience and other relevant market data.

Group Value of in Force asset	2020 €m	2019 €m
At beginning of year	631	571
Income statement movement in Value of in Force asset (gross of tax)	(16)	60
At end of year	**615**	**631**

Group Sensitivities: impact on annual profit before tax	2020 €m	2019 €m
1% increase in interest rates and unit growth rates	(12)	(19)
1% decrease in interest rates and unit growth rates	(2)	3
10% improvement in mortality	23	22
10% improvement in longevity[1]	(39)	(37)
10% improvement in morbidity	13	12
10% deterioration in persistency	(14)	(16)
10% increase in equity and property markets	35	35
5% improvement in maintenance expenses	22	19
0.5% widening in bond spreads[2]	(63)	(61)

Maintenance expenses
Allowance is made for future policy costs and expense inflation explicitly.

Sensitivities
This table indicates the standalone impact of changes in the key assumptions on profit.

While this table shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

[1] *Impact on Annuity book of business.*
[2] *Includes impact of Volatility Adjustment.*

38 Deposits from banks

	Group		Bank	
	2020 €m	**2019 €m**	**2020 €m**	**2019 €m**
Monetary Authority secured funding	1,928	1,736	6	-
Deposits from banks	460	443	4,329	4,526
Deposits from banks	**2,388**	**2,179**	**4,335**	**4,526**
Amounts include:				
Due to Group undertakings	65	-	3,918	4,166

Deposits from banks include cash collateral of €0.2 billion (2019: €0.2 billion) received from derivative counterparties in relation to net derivative asset positions (note 20) (Bank 2020: €0.2 billion, 2019: €0.2 billion).

Group	**2020**				**2019**			
Monetary Authority secured funding	**TFSME €m**	**TFS €m**	**ILTR €m**	**Total €m**	**TFSME €m**	**TFS €m**	**ILTR €m**	**Total €m**
Deposits from banks	1,446	476	6	1,928	-	1,501	235	1,736
Total	**1,446**	**476**	**6**	**1,928**	**-**	**1,501**	**235**	**1,736**

Bank	**2020**				**2019**			
Monetary Authority secured funding	**TFSME €m**	**TFS €m**	**ILTR €m**	**Total €m**	**TFSME €m**	**TFS €m**	**ILTR €m**	**Total €m**
Deposits from banks	-	-	6	6	-	-	-	-
Total	**-**	**-**	**6**	**6**	**-**	**-**	**-**	**-**

During 2020, the Group secured funding under the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) from the Bank of England (BoE), which will be repaid in November 2024.

Drawings under the Term Funding Scheme (TFS) from the BoE will be repaid between February 2021 and February 2022.

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

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

39 Customer accounts

	Group		Bank	
	2020 €m	**2019 €m**	**2020 €m**	**2019 €m**
Current accounts	45,321	37,426	43,018	36,752
Demand deposits	27,169	27,736	18,557	17,045
Term deposits and other products	15,525	17,951	7,741	9,074
Customer accounts at amortised cost	**88,015**	**83,113**	**69,316**	**62,871**
Term deposits at FVTPL	703	930	1,103	1,546
Total customer accounts	**88,718**	**84,043**	**70,419**	**64,417**
Amounts include:				
Due to BOIG plc	81	75	81	75
Due to associates and joint ventures	44	3	n/a	n/a
Due to Group undertakings	n/a	n/a	1,990	2,793

The movement in own credit risk related to the Group's customer accounts designated at FVTPL for the year is shown below.

There were no amounts (2019: €nil) presented in OCI relating to liabilities that the Group designated at FVTPL which were derecognised during the year.

The carrying amount of the customer accounts designated at FVTPL as at 31 December 2020 is €2 million higher than the contractual amount due at maturity (2019: equivalent) (Bank 2020: €1 million higher, 2019: equivalent). This is set out in note 57.

At 31 December 2020, the Group's largest 20 customer deposits amounted to 4% (2019: 4%) of customer accounts. Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products. Information on the contractual maturities of customer accounts is on page 210 in the Financial Risk Management note.

Term deposits and other products 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 liquidity risk and profile note (page 209).

Term deposits and other products include €118 million (2019: €35 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

Under the European Communities (Deposit Guarantee Scheme) Regulations 2015, eligible deposits of up to €100,000 per depositor per credit institution are covered. Eligible deposits includes credit balances in current accounts, demand deposit accounts and term deposit accounts. The scheme is administered by the CBI and is funded by the credit institutions covered by the scheme.

On 24 November 2015, the EC released a proposal, European Deposit Insurance Scheme (EDIS), designed to achieve a common European deposit protection scheme by 2024. Under the current proposal, when fully implemented, the EDIS would completely replace the national schemes and be the sole insurance scheme for deposits in the euro-area banks.

Bail-in is a key resolution tool provided for in the BRRD. The bail-in tool enables a resolution authority to write down the value of certain liabilities or convert them into equity, to the extent necessary to absorb losses and recapitalise an institution. It also introduces 'depositor preference', where shareholders' equity and other unsecured creditors (including senior bondholders) will have to be fully written down before losses are imposed on preferred depositors. The bail-in rules allow in exceptional circumstances for the exclusion or partial exclusion of certain liabilities (with a key focus being eligible deposits) from the application of the write down or conversion powers. The EU (Bank Recovery and Resolution) Regulations 2015, which transposed the BRRD into Irish Law, provides that covered deposits (i.e. eligible deposits up to €100,000) are excluded from the scope of this bail-in tool.

In addition to the deposits covered by these Regulations, certain other Group deposits are covered by the deposit protection schemes in other jurisdictions, chiefly the UK FSCS (in respect of eligible deposits with Bank of Ireland (UK) plc).

	Group		Bank	
Movement in own credit risk on deposits at FVTPL	**2020 €m**	**2019 €m**	**2020 €m**	**2019 €m**
Balance at beginning of the year	-	(18)	3	(14)
Recognised in other comprehensive income	(2)	18	(2)	17
Balance at end of the year	**(2)**	**-**	**1**	**3**

40 Debt securities in issue

There were no repurchases or derecognition of debt securities in issue held at FVTPL in the year. In 2019, the Group repurchased and derecognised debt securities in issue held at FVTPL 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 31 December 2020 was €36 million higher than the contractual amount due at maturity (2019: €35 million higher). The carrying amount in Bank was €2 million higher in 2020 (2019: €2 million higher). This is set out in note 57 on pages 269 and 270.

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Bonds and medium term notes	5,949	6,892	3,168	2,865
Other debt securities in issue	675	1,559	-	-
Debt securities in issue at amortised cost	**6,624**	**8,451**	**3,168**	**2,865**
Debt securities in issue at fair value through profit or loss	348	364	46	48
Total debt securities in issue	**6,972**	**8,815**	**3,214**	**2,913**
Amounts include:				
Due to BOIG plc	3,087	2,441	3,087	2,441

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

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Opening balance	8,815	8,907	2,913	2,763
Issued during the year	644	1,935	642	1,256
Redemptions	(2,414)	(1,938)	(364)	(1,016)
Repurchases	-	(194)	-	(112)
Other movements[1]	(73)	105	23	22
Closing balance	**6,972**	**8,815**	**3,214**	**2,913**

	Group		Bank	
Movement in own credit risk on debt securities in issue at FVTPL	2020 €m	2019 €m	2020 €m	2019 €m
Balance at beginning of the year	3	(10)	3	(10)
Transferred to retained earnings	-	9	-	9
Recognised in other comprehensive income	-	4	-	4
Balance at end of the year	**3**	**3**	**3**	**3**

[1] *Other movements primarily relates 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.*

41 Liabilities to customers under investment and insurance contracts

Wealth and Insurance writes the following life assurance contracts that contain insurance risk:

Non-unit linked life assurance contracts
These contracts provide the policyholder with insurance in the event of death, critical illness or permanent disability (principally mortality and morbidity risk).

Non-unit linked annuity contracts
These contracts provide the policyholder with an income until death (principally longevity and market risk).

Unit linked insurance contracts
These contracts include both policies primarily providing life assurance protection and policies providing investment but with a level of insurance risk deemed to be significant (principally mortality and market risk).

Insurance contract liabilities, which consist of both unit linked and non-unit linked liabilities, are calculated based on recognised actuarial methods with due regard to the applicable actuarial principles recognised in the European framework for the prudential and financial monitoring of direct life assurance business.

Unit linked liabilities reflect the value of the underlying funds in which the policyholder is invested. Non-unit linked liabilities are calculated using a gross premium method of valuation.

The key assumptions used in the valuation of insurance contract liabilities are:

Interest rate:
The interest rates used are based on risk free rates published by EIOPA in line with the Solvency II Directive.

Mortality and morbidity:
The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.

Maintenance expenses:
Allowance is made for future policy costs and expense inflation explicitly.

Options and guarantees
The Group has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit linked without investment guarantees. Where investment guarantees do exist they are either hedged with an outside party or matched through appropriate investment assets.

Uncertainties associated with insurance contract cash flows and risk management activities
For life assurance contracts where death is the insured risk, the most significant factors that could adversely affect the frequency and severity of claims are the incidence of disease and general changes in lifestyle. Where the insured risk is longevity, advances in medical care is the key factor that increases longevity. The Group manages its exposures to insurance risks through a combination of applying strict underwriting criteria, asset and liability matching, transferring risk to reinsurers and the establishment of insurance contract liabilities.

Group **Investment contract liabilities**	**2020** **€m**	**2019** **€m**
Liabilities to customers under investment contracts, at fair value	**5,892**	**5,890**

The movement in gross life insurance contract liabilities can be analysed as follows:

Group **Insurance contract liabilities**	**2020** **€m**	**2019** **€m**
At beginning of year	12,694	11,003
New business	1,632	1,524
Changes in existing business	(847)	167
At end of year	**13,479**	**12,694**

Credit risk
Reinsurance programmes are in place to restrict the amount of exposure on any single life. The Group uses a panel of highly rated reinsurance companies to diversify credit risk.

Capital management and available resources
The Solvency II framework came into full effect from 1 January 2016 and introduced new capital, risk management, governance and reporting requirements for all European insurance entities. Under Solvency II, insurance entities are required to hold technical provisions to meet liabilities to policyholders using best estimate assumptions plus a risk margin. In addition, entities are required to hold a risk based Solvency Capital Requirement (SCR) which is calculated by considering the capital required to withstand a number of shock scenarios.

As part of the disclosure requirements, the Group's life assurance entity, NIAC, annually publishes a public document called the Solvency and Financial Condition Report setting out more detail on its solvency and capital management.

42 Other liabilities

	Group		Bank	
	2020 €m	**2019 €m**	**2020 €m**	**2019 €m**
Notes in circulation	1,090	1,261	-	-
Sundry creditors	290	322	42	62
Accrued interest payable	134	199	45	66
Dividend payable to parent	27	627	27	627
Accruals and deferred income	24	52	1	2
Other	706	582	265	254
Other liabilities	**2,271**	**3,043**	**380**	**1,011**
Other liabilities are analysed as follows:				
Within 1 year	2,252	3,027	372	997
After 1 year	19	16	8	14
	2,271	**3,043**	**380**	**1,011**

43 Leasing

Group as lessee
The principal contracts where the Group is a lessee under IFRS 16 are in relation to property leases and computer equipment. Further qualitative information on the nature of the leases is set out in the Group accounting policies (note 1) and the undiscounted contractual maturity of total lease liabilities is set out on page 210.

Total cash outflows on leases amounted to €90 million in 2020 (2019: €95 million).

Amounts recognised in the balance sheet and income statement
The carrying amount of the Group's RoU assets and the movements during 2020 are set out in note 34.

The carrying amount of the lease liabilities and the movements during 2020 is set out in the tables below.

Group as lessor
Accounting for lessors is outlined in the Group accounting policies (note 1). The Group is engaged in finance lease and operating lease activities.

Finance leasing activity and a maturity analysis of the Group's net investment in finance leases are included within Loans and advances to customers (note 26) along with a gross to net reconciliation of the investment in finance leases. Associated income on finance leases is included in Interest income (note 4). Operating leases where the Group is a lessor primarily relate to the business activities of MLL. Further detail on the nature of the company's leasing activities, risks and risk management is outlined in note 34.

In addition, the Group has also entered into a small number of operating leases and operating sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements.

A maturity analysis of undiscounted operating lease receivables set out on an annual basis is included in note 34 Income and expense associated with the Group's operating lease activities is included in note 10.

43 Leasing *(continued)*

Balance sheet liabilities	Group 2020 €m	Group 2019 €m	Bank 2020 €m	Bank 2019 €m
As at 1 January	**565**	**637**	**551**	**610**
Payment of lease liability and interest	(76)	(84)	(72)	(79)
Interest expense (note 5)	14	15	14	15
Lease liability adjustment	(56)	(5)	(56)	-
Additions	50	3	54	4
Other	1	(1)	-	1
As at 31 December	**498**	**565**	**491**	**551**

Group Summary of amounts recognised in the income statement under IFRS 16 'Leases'	2020 €m	2019 €m
Amounts recognised in interest expense (note 5)		
Interest expense on lease liabilities	14	15
Amounts recognised in interest income (note 4)		
Finance lease interest	171	175
Amounts recognised in other operating expense (note 13)		
Depreciation of RoU assets in property, plant and equipment	63	69
Variable lease expenses[1]	8	8
Short-term lease expenses	1	3
	72	**80**
Amounts recognised in cost of restructuring (note 14)		
Impairment of RoU assets	6	2

44 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.

[1] *Variable lease payments on RoU assets relate to computer equipment that has a varying cost dependant on usage with the contracts on which the payments arise maturing within two years.*

44 Provisions *(continued)*

Group	2020				2019			
	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
Opening balance as at 1 January 2020	**46**	**-**	**97**	**143**	**16**	**1**	**61**	**78**
Exchange adjustment	(2)	-	-	(2)	-	-	3	3
Charge to income statement	212	-	44	256	73	(1)	78	150
Utilised during the year	(100)	-	(21)	(121)	(39)	-	(40)	(79)
Unused amounts reversed during the year	(8)	-	-	(8)	(4)	-	(5)	(9)
As at 31 December 2020	**148**	**-**	**120**	**268**	**46**	**-**	**97**	**143**

Of the €148 million (2019: €46 million) closing provision for restructuring, €132 million relates to the Voluntary Redundancy Programme (2019: €10 million related to staff exits), €9 million relates to a provision for building exit costs on vacated property in line with the Group's property strategy, €5 million relates to the disposal of the UK credit cards portfolio and €2 million relates to other costs (2019: €2 million).

Group	2020				2019			
Expected utilisation	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
Less than 1 year	134	-	117	251	44	-	90	134
1 to 2 years	6	-	1	7	1	-	4	5
2 to 5 years	8	-	1	9	-	-	2	2
5 to 10 years	-	-	1	1	1	-	1	2
Total	**148**	**-**	**120**	**268**	**46**	**-**	**97**	**143**

Bank	2020				2019			
	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
Opening balance as at 1 January 2020	**12**	**-**	**34**	**46**	**16**	**1**	**15**	**32**
Exchange adjustment	-	-	-	-	-	-	-	-
Charge to income statement	185	-	30	215	28	-	32	59
Utilised during the year	(74)	-	(8)	(82)	(32)	(1)	(10)	(42)
Unused amounts reversed during the year	(1)	-	-	(1)	-	-	(3)	(3)
As at 31 December 2020	**122**	**-**	**56**	**178**	**12**	**-**	**34**	**46**

Of the €122 million (2019: €12 million) closing provision for restructuring, €112 million relates to the Voluntary Redundancy Programme (2019: €10 million related to staff exits), €9 million relates to a provision for building exit costs on vacated property in line with the Group's property strategy, and €1 million relates to other costs (2019: €2 million).

44 Provisions *(continued)*

Bank	2020				2019			
Expected utilisation	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
Less than 1 year	110	-	53	163	11	-	27	38
1 to 2 years	5	-	1	6	1	-	4	5
2 to 5 years	7	-	1	8	-	-	2	2
5 to 10 years	-	-	1	1	-	-	1	1
Total	**122**	**-**	**56**	**178**	**12**	**-**	**34**	**46**

At 31 December 2020, the Group held a provision of €74 million (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.

In 2020, the Group has set aside a further €14 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, €15 million of the provision has been utilised covering redress, compensation and related cost.

While the redress and compensation element of the provision is largely known, there are still a number of uncertainties as to the eventual total cost of the examination and in particular, the administrative sanctions proceedings. Management has therefore exercised judgement to determine the appropriate provision in respect of certain key items in addition to the core elements of the redress and compensation to be paid to customers. These key judgemental items principally comprise the following:
- **programme costs:** in determining the provision in respect of the examination, management has had to consider a range of costs associated with bringing the examination to an ultimate conclusion. This includes costs associated with various oversight and governance processes, in particular any potential fine relating to the conclusion of the ongoing CBI administrative sanctions proceedings and the running of the appeals panel, tax liabilities that the Bank will settle on behalf of customers, data system costs and tracing agents.
- **appeals:** customers can pursue certain other options in respect of the determination as to whether they are impacted and the quantum of redress and compensation offered by the Group including lodging appeals to an independent appeals panel in the 12 months after receiving their letter offering redress and compensation. In arriving at the provision, management has made estimates of the level of appeals and the associated costs of processing and settling such appeals.

At 31 December 2020 the Group has recognised a separate customer redress provision of €25 million. The provision arises from the introduction of a new Bank Cost of Funds interest rate replacing the old Cost of Funds / EURIBOR basis in respect of certain cohorts of its business customers in November 2011. The implementation was limited to certain business customers and personal consumers were excluded. In 2013, the Group's Irish Private Banking business introduced a similar Private Banking cost of funds interest rate.

During 2020 a review of the implementation of these interest rates was carried out by the Group. The review identified that a cohort of customers incorrectly had these interest rates applied to their accounts. To date based on the business assessment of the required remediation; the Group has made a total remediation provision of €25 million in orders to cover the identified remediation and related costs. This will result in a €22 million charge to net interest income and €3 million charges to operating expenses.

In July 2019, the Group disposed of its UK credit card portfolio and recognised a net loss on disposal of €21 million. The net loss on disposal included a charge for a provision of €39 million related to the costs of migration and other costs associated with the disposal (see note 18).

In October 2020, the migration of the portfolio concluded and consequently the provision was adjusted to reflect the actual costs and timing of migration. This has resulted in a release of €8 million from the provision which is reflected as an adjustment to the loss on disposal during the year. As at 31 December 2020, the provision is €5 million (2019: €39 million) which is included in the restructuring provision and is based upon management's current estimates of the residual activities associated with migration.

45 Contingent liabilities and commitments

	Group		Bank	
	2020 €m	2019 €m	2020 €m	2019 €m
Contingent liabilities				
Guarantees and irrevocable letters of credit	468	428	448	404
Acceptances and endorsements	4	5	4	5
Other contingent liabilities	244	267	167	189
	716	**700**	**619**	**598**
Commitments				
Documentary credits and short-term trade related transactions	48	46	48	46
Undrawn formal standby facilities, credit lines and other commitments to lend:				
- revocable or irrevocable with original maturity of 1 year or less	10,048	9,315	7,548	6,753
- irrevocable with original maturity of over 1 year	5,333	4,882	5,282	4,807
	15,429	**14,243**	**12,878**	**11,606**

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 €99 million (Bank: €91 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 46 (Group 2019: €30 million, Bank 2019: €28 million). Provisions on all other contingent liabilities are shown in note 44.

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

An **acceptance** is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. **Endorsements** are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

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

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. Whilst the length of time that has elapsed suggests a diminishing risk, it is still 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.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Included within total commitments is an amount of €105 million of undrawn loan commitments to the Group's joint ventures (2019: €22 million).

46 Loss allowance provision on loan commitments and financial guarantees

Group	2020		2019	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 45)	15,429	94	14,243	29
Guarantees and irrevocable letters of credit (note 45)	468	5	428	1
	15,897	**99**	**14,671**	**30**

Bank	2020		2019	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 45)	12,878	84	11,606	23
Guarantees and irrevocable letters of credit (note 45)	448	7	404	5
	13,326	**91**	**12,010**	**28**

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

At 31 December 2020, the Group held a loss allowance provision of €99 million (2019: €30 million) on loan commitments and financial guarantees, of which €36 million (2019: €18 million) are classified as Stage 1, €62 million (2019: €10 million) as Stage 2 and €1 million (2019: €2 million) as Stage 3.

At 31 December 2020, the Bank held a loss allowance provision of €91 million (2019: €28 million) on loan commitments and financial guarantees, of which €30 million (2019: €18 million) are classified as Stage 1, €60 million (2019: €9 million) as Stage 2 and €1 million (2019: €1 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 31 December 2020, the Group's credit-impaired loan commitments are €94 million (2019: €50 million) while credit-impaired guarantees and irrevocable letters of credit are €17 million (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.

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

46 Loss allowance provision on loan commitments and financial guarantees *(continued)*

Group 2019 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	6,097	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%**

At 31 December 2020, the Bank's credit-impaired loan commitments are €74 million (2019: €36 million) while credit-impaired guarantees and irrevocable letters of credit are €16 million (2019: €8 million).

Bank 2020 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	3,797	37%	47	2%	3,844	30%	97	33%	-	-	97	23%
5-7	3,620	35%	1,435	57%	5,055	39%	144	49%	48	35%	192	44%
8-9	2,773	27%	517	21%	3,290	26%	41	14%	50	36%	91	21%
10-11	124	1%	491	20%	615	5%	12	4%	40	29%	52	12%
Total	**10,314**	**100%**	**2,490**	**100%**	**12,804**	**100%**	**294**	**100%**	**138**	**100%**	**432**	**100%**

Bank 2019 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,092	46%	210	36%	5,302	46%	87	23%	2	8%	89	23%
5-7	3,886	35%	179	31%	4,065	35%	266	72%	1	4%	267	67%
8-9	1,850	17%	110	19%	1,960	17%	14	4%	6	23%	20	5%
10-11	161	2%	82	14%	243	2%	3	1%	17	65%	20	5%
Total	**10,989**	**100%**	**581**	**100%**	**11,570**	**100%**	**370**	**100%**	**26**	**100%**	**396**	**100%**

47 Retirement benefit obligations

The Group and Bank sponsor a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement the Group has been advised by independent actuaries, which in the case of the majority of the Group's schemes is Willis Towers Watson.

The most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pensions Fund (BSPF) which accounts for c.74% of the total liabilities across all Group sponsored defined benefit schemes (79% of the total liabilities across all of the Bank defined benefit schemes) at 31 December 2020. The BSPF and all of the Group's other RoI and UK defined benefit schemes were closed to new members during 2007, and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in late 2014 and a new defined contribution scheme, RetireWell, was introduced for new entrants to the Group from that date.

Retirement benefits under the BSPF and a majority of the other defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date.

Regulatory Framework

The Group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the BSPF are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation. These responsibilities include ensuring that contributions are received, investing the scheme assets and making arrangements to pay the benefits. Plan assets are held in trusts and are governed by local regulations and practice in each country.

In order to assess the level of contributions required, triennial valuations are carried out with plan obligations generally measured using prudent assumptions and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

The BSPF is also subject to an annual valuation under the Irish Pensions Authority Minimum Funding Standard (MFS). The MFS valuation is designed to assess whether the scheme has sufficient funds to provide a minimum level of benefits in a wind-up scenario. If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS by a specified future point in time.

The responsibilities of the Trustees, and the regulatory framework, are broadly similar for the Group's other defined benefit schemes and take account of pension regulations in each specific jurisdiction. The Group works closely with the Trustees of each scheme to manage the plans.

The nature of the relationship between the Group and the Trustees is governed by local regulations and practice in each country and by the respective legal documents underpinning each plan.

Plan details

The following table sets out details of the membership of the BSPF.

BSPF plan details at last valuation date (31 December 2019)	Number of members	Proportion of funding liability
Active members	4,535	31.9%
Deferred members	8,077	26.4%
Pensioner members	4,646	41.7%
Total	**17,258**	**100.0%**

Actuarial Valuation of the BSPF

The last formal valuation of BSPF was carried out as at 31 December 2018.

The triennial valuation disclosed the fair value of the scheme assets represented 97% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions.

As a result of the valuation discussions with the Trustees, the Group agreed to pay €19.4 million per annum in contributions over the three years to the next triennial valuation date, plus a contribution to the annual scheme expenses. The total of these payments equated to the remaining committed contributions arising from the 2013 Group Pensions Review.

In respect of future service, the actuary recommended an employer contribution of €59.5 million per annum over the period to the next valuation (decreased from €63.6 million at the last valuation).

The next formal triennial valuation of the BSPF will be carried out during 2022 based on the position at 31 December 2021.

The actuarial valuations are available for inspection by members but are not available for public inspection.

Negative past service cost

A negative past service cost of €26 million was recognised in one of the Group's schemes during 2020: in addition, negative past service cost of €16 million arising from the Group's restructuring programme was recognised across a number of schemes.

Financial and Demographic assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension plans, as detailed below, are set by the Directors after consultation with independent actuaries.

47 Retirement benefit obligations *(continued)*

Discount rates are determined in consultation with the Group's independent actuary, with reference to market yields at the reporting date on high quality corporate bonds (AA rated or equivalent) issued in the relevant currency, with a term corresponding to the term of the benefit payments.

During 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 Group also implemented the refinement to the Group's euro discount rate methodology. This reflects a change in the way Bloomberg (WTW's source of data on the bond universes) classifies information about fixed interest bonds. The euro and UK discount rates determined using this approach were 0.80% and 1.55% respectively. The euro and UK discount rates under the previous approach would have been 0.50% and 1.40% respectively, which, if used, would have increased the net pension deficit by c.€530 million at 31 December 2020.

The assumption for RoI price inflation is set by reference to the long-term expectation for eurozone inflation as implied by the difference between eurozone fixed interest and index-linked bonds. The assumptions for UK price inflation are determined with reference to the Group's independent actuary's standard cash flow matching inflation assumption methodology, except for UK Consumer Price Index (CPI) inflation, which is set by reference to Retail Price Index (RPI) inflation, with an adjustment applied, as there are insufficient CPI-linked bonds from which to derive an assumption.

The salary assumption takes into account inflation, promotion and current employment markets relevant to the Group. Other financial assumptions are reviewed in line with changing market conditions to determine best estimate assumptions. Demographic assumptions are reviewed periodically in line with the actual experience of the Group's schemes.

The significant financial assumptions used in measuring the Group's and Bank's defined benefit liabilities and assets under IAS 19 are set out in the table opposite.

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

Financial assumptions	2020 % p.a.	2019 % p.a.
Irish schemes		
Discount rate	0.80	1.30
Inflation rate	1.15	1.25
Rate of general increase in salaries[1]	1.65	1.75
Rate of increase in pensions in payment[1]	0.65	0.73
Rate of increase to deferred pensions	1.15	1.25
UK schemes		
Discount rate	1.55	2.10
Consumer Price Inflation	2.30	1.95
Retail Price Inflation	2.90	2.95
Rate of general increase in salaries[1]	3.40	3.45
Rate of increase in pensions in payment[1]	1.90	2.04
Rate of increase to deferred pensions	2.30	1.95

Mortality assumptions

The mortality assumptions adopted for Irish pension arrangements reflect both a base table and projected table developed from various Society of Actuaries in Ireland mortality investigations that are considered a best fit for the Group's and Bank's expected future mortality experience.

Mortality assumptions	2020 years	2019 years
Longevity at age 70 for current pensioners		
Males	18.1	18.0
Females	19.5	19.4
Longevity at age 60 for active members currently aged 60 years		
Males	27.6	27.5
Females	29.3	29.2
Longevity at age 60 for active members currently aged 40 years		
Males	29.9	29.8
Females	31.4	31.3

[1] *Weighted average increase across all Group schemes in the relevant jurisdiction*

47 Retirement benefit obligations *(continued)*

Amounts recognised in financial statements

The table below outlines where the Group's and Bank's defined benefit plans are recognised in the financial statements:

Group	2020			2019		
	Irish Pension Plans €m	UK Pension Plans[1] €m	Total €m	Irish Pension Plans €m	UK Pension Plans[1] €m	Total €m
Income statement credit / (charge)						
Other operating expenses	(50)	(16)	(66)	(88)	(15)	(103)
Cost of restructuring programme	11	5	16	1	1	2
Statement of OCI						
Impact of remeasurement	(108)	21	(87)	54	(10)	44
Balance sheet obligations	**(203)**	**77**	**(126)**	**(171)**	**32**	**(139)**
This is shown on the balance sheet as:						
Retirement benefit obligation			(288)			(268)
Retirement benefit asset			162			129
Total net liability			**(126)**			**(139)**

Bank	2020			2019		
	Irish Pension Plans €m	UK Pension Plans[1] €m	Total €m	Irish Pension Plans €m	UK Pension Plans[1] €m	Total €m
Balance sheet obligations	**(88)**	**66**	**(22)**	**(45)**	**22**	**(23)**
This is shown on the balance sheet as:						
Retirement benefit obligation			(173)			(142)
Retirement benefit asset			151			119
Total net liability			**(22)**			**(23)**

[1] *The UK Pension Plans include a portion of the Bank of Ireland Staff Pension Fund which relates to UK members.*

47 Retirement benefit obligations *(continued)*

The movement in the net defined benefit obligation over the year in respect of the Group's defined benefit plans is as follows:

Group	**2020**			**2019**		
	Present value of obligation €m	**Fair value of plan assets €m**	**Surplus/ (deficit) of plans €m**	**Present value of obligation €m**	**Fair value of plan assets €m**	**Surplus/ (deficit) of plans €m**
At 1 January	**(8,495)**	**8,356**	**(139)**	**(7,475)**	**7,247**	**(228)**
Cost of restructuring programme						
- Negative past service cost	16	-	16	2	-	2
Other operating expenses	(194)	128	(66)	(238)	135	(103)
- Current service cost	*(100)*	*-*	*(100)*	*(100)*	*-*	*(100)*
- Negative past service cost	*26*	*-*	*26*	*-*	*-*	*-*
- Interest (expense) / income	*(120)*	*128*	*8*	*(138)*	*135*	*(3)*
- Impact of settlements	*-*	*-*	*-*	*-*	*-*	*-*
Return on plan assets not included in income statement	-	690	690	-	1,032	1,032
Change in demographic assumptions	(7)	-	(7)	1	-	1
Change in financial assumptions	(811)	-	(811)	(1,035)	-	(1,035)
Experience gains	19	-	19	65	-	65
Employer contributions	-	150	150	-	146	146
- Deficit reducing[1]	*-*	*57*	*57*	*-*	*51*	*51*
- Other	*-*	*93*	*93*	*-*	*95*	*95*
Employee contributions	(9)	9	-	(9)	9	-
Benefit payments	336	(336)	-	275	(275)	-
Changes in exchange rates	98	(76)	22	(81)	62	(19)
At 31 December	**(9,047)**	**8,921**	**(126)**	**(8,495)**	**8,356**	**(139)**
The above amounts are recognised in the financial statements as follows: (charge) / credit						
Other operating expenses	(194)	128	(66)	(238)	135	(103)
Cost of restructuring programme	16	-	16	2	-	2
Total amount recognised in income statement	**(178)**	**128**	**(50)**	**(236)**	**135**	**(101)**
Changes in financial assumptions	(811)	-	(811)	(1,035)	-	(1,035)
Return on plan assets not included in income statement	-	690	690	-	1,032	1,032
Change in demographic assumptions	(7)	-	(7)	1	-	1
Changes in exchange rates	98	(76)	22	(81)	62	(19)
Experience gains	19	-	19	65	-	65
Total remeasurements in OCI	**(701)**	**614**	**(87)**	**(1,050)**	**1,094**	**44**
Total past service cost comprises						
Cost of restructuring programme	16	-	16	2	-	2
Other operating expenses	26	-	26	-	-	-
Total	**42**	**-**	**42**	**2**	**-**	**2**

[1] *Deficit-reducing contributions consist principally of additional contributions related to the Group's Pensions Reviews.*

47 Retirement benefit obligations *(continued)*

The movement in the net defined benefit obligation over the year in respect of the Bank's defined benefit plans is as follows:

Bank	2020			2019		
	Present value of obligation €m	Fair value of plan assets €m	Surplus / (deficit) of plans €m	Present value of obligation €m	Fair value of plan assets €m	Surplus / (deficit) of plans €m
At 1 January	**(7,976)**	**7,953**	**(23)**	**(7,019)**	**6,886**	**(133)**
Cost of restructuring programme						
- Negative past service cost	12	-	12	2	-	2
Other operating expenses	(204)	122	(82)	(219)	127	(92)
- Current service cost	*(91)*	-	*(91)*	*(91)*	-	*(91)*
- Negative past service cost	-	-	-	-	-	-
- Interest (expense) / income	*(113)*	*122*	*9*	*(128)*	*127*	*(1)*
- Impact of settlements	-	-	-	-	-	-
Return on plan assets not included in income statement	-	649	649	-	1,008	1,008
Change in demographic assumptions	(7)	-	(7)	(1)	-	(1)
Change in financial assumptions	(758)	-	(758)	(966)	-	(966)
Experience gains / (losses)	22	-	22	50	-	50
Employer contributions	-	144	144	-	128	128
- Deficit-reducing[1]	-	*56*	*56*	-	39	39
- Other	-	*88*	*88*	-	89	89
Employee contributions	(8)	8	-	(8)	8	-
Benefit payments	320	(320)	-	263	(263)	-
Changes in exchange rates	93	(72)	21	(78)	59	(19)
At 31 December	**(8,506)**	**8,484**	**(22)**	**(7,976)**	**7,953**	**(23)**
The above amounts are recognised in the financial statements as follows: (charge) / credit						
Other operating expenses	(204)	122	(82)	(219)	127	(92)
Cost of restructuring programme	12	-	12	2	-	2
Total amount recognised in income statement	**(192)**	**122**	**(70)**	**(217)**	**127**	**(90)**
Changes in financial assumptions	(758)	-	(758)	(966)	-	(966)
Return on plan assets not included in income statement	-	649	649	-	1,008	1,008
Change in demographic assumptions	(7)	-	(7)	(1)	-	(1)
Changes in exchange rates	93	(72)	21	(78)	59	(19)
Experience gains / (losses)	22	-	22	50	-	50
Total remeasurements in other comprehensive income	**(650)**	**577**	**(73)**	**(995)**	**1,067**	**72**
Total past service cost comprises						
Cost of restructuring programme	12	-	12	2	-	2
Other operating expenses	-	-	-	-	-	-
Total	**12**	**-**	**12**	**2**	**-**	**2**

[1] *Deficit-reducing contributions are additional contributions related to the Group's Pensions Reviews.*

47 Retirement benefit obligations *(continued)*

The retirement benefit schemes' assets in Group and the Bank include BOIG plc shares amounting to €3 million (2019: €5 million) and one property occupied by Group companies to the value of €36 million (2019: €40 million).

	Group		Bank	
Asset breakdown	**2020 €m**	**2019 €m**	**2020 €m**	**2019 €m**
Liability Driven Investment (unquoted)	3,384	3,119	3,298	3,061
Corporate bonds (quoted)	1,070	561	1,053	491
Equities (quoted)	916	1,005	730	843
Property (unquoted)	898	810	872	781
Cash and other (quoted)	751	835	652	776
Private equities (unquoted)	425	402	425	402
Government bonds (quoted)	366	308	347	288
Senior secured loans (unquoted)	298	310	298	310
Hedge funds (unquoted)	275	300	275	300
Property and infrastructure (quoted)	271	428	271	428
Reinsurance (unquoted)	267	278	263	273
Total fair value of assets	**8,921**	**8,356**	**8,484**	**7,953**

Sensitivity of defined benefit obligation to key assumptions

The following tables set out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible.

	Group		Bank	
Impact on defined benefit obligations	**Impact on defined benefit obligation Increase / (decrease) 2020 €m**	**Impact on defined benefit obligation Increase / (decrease) 2019 €m**	**Impact on defined benefit obligation Increase / (decrease) 2020 €m**	**Impact on defined benefit obligation Increase / (decrease) 2019 €m**
RoI schemes				
Discount rate				
- Increase of 0.25%	(371)	(337)	(344)	(312)
- Decrease of 0.25%	399	363	371	336
Inflation rate				
- Increase of 0.10%	99	96	94	89
- Decrease of 0.10%	(97)	(94)	(92)	(87)
Salary growth				
- Increase of 0.10%	33	33	29	30
- Decrease of 0.10%	(32)	(33)	(28)	(29)
Life expectancy				
- Increase of 1 year	250	218	236	203
- Decrease of 1 year	(248)	(216)	(233)	(202)

47 Retirement benefit obligations *(continued)*

	Group		Bank	
Impact on defined benefit obligations	**Impact on defined benefit obligation increase / (decrease) 2020 €m**	**Impact on defined benefit obligation increase / (decrease) 2019 €m**	**Impact on defined benefit obligation increase / (decrease) 2020 €m**	**Impact on defined benefit obligation increase / (decrease) 2019 €m**
UK schemes				
Discount rate				
- Increase of 0.25%	(85)	(83)	(81)	(80)
- Decrease of 0.25%	91	90	88	86
RPI inflation				
- Increase of 0.10%	22	24	21	23
- Decrease of 0.10%	(22)	(21)	(21)	(20)
Salary growth				
- Increase of 0.10%	5	5	4	5
- Decrease of 0.10%	(4)	(5)	(4)	(5)
Life expectancy				
- Increase of 1 year	59	54	57	52
- Decrease of 1 year	(58)	(53)	(56)	(51)

While the defined benefit obligation sensitivity tables above shows the estimated impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Some of the reasonably possible changes in defined benefit obligation assumptions may have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

	Group		Bank	
Impact on plan assets	**Impact on plan assets increase / (decrease) 2020 €m**	**Impact on plan assets increase / (decrease) 2019 €m**	**Impact on plan assets increase / (decrease) 2020 €m**	**Impact on plan assets increase / (decrease) 2019 €m**
All schemes				
Sensitivity of plan assets to a movement in global equity markets with allowance for other correlated diversified asset classes				
- Increase of 5.00%	121	102	111	93
- Decrease of 5.00%	(121)	(102)	(111)	(93)
Sensitivity of liability-matching assets to a 25bps movement in interest rates				
- Increase of 0.25%	(380)	(325)	(370)	(311)
- Decrease of 0.25%	402	344	391	330
Sensitivity of liability-matching assets to a 10bps movement in inflation rates				
- Increase of 0.10%	99	82	97	80
- Decrease of 0.10%	(97)	(80)	(95)	(78)

The table above sets out the estimated sensitivity of plan assets to changes in equity markets, interest rates and inflation rates. The sensitivity analysis is prepared by the independent actuaries calculating the defined benefit obligation under the alternative assumptions and the fair value of plan assets using alternative asset prices.

47 Retirement benefit obligations *(continued)*

Future cash flows
The plans' liabilities represent a long-term obligation and most of the payments due under the plans will occur several decades into the future.

The duration or average term to payment for the benefits due, weighted by liability for both the Group and Bank, is c.22 years for the Irish plans and c.20 years for the UK plans.

Expected employer contributions for 2021 are €123 million for the Group and €116 million for the Bank in respect of future service. This excludes any additional deficit-reducing contributions. The remaining committed contributions arising from the 2013 Pension Review of €38 million were paid before the end of 2020 in line with Trustee and employee agreements. Expected employee contributions for 2021 are €8 million for the Group and €7 million for the Bank.

Risks and risk management
The Group's defined benefit pension plans have a number of areas of risk.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Changes in bond yields, interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. As part of its risk management, the largest Group sponsored pension scheme, the BSPF has invested 45% of its assets in a Liability Driven Investment (LDI) approach to help manage its interest rate and inflation risk.

The key areas of risk, and the ways in which the Group has sought to manage them, are set out below:

Asset volatility
The defined benefit pension plans hold a proportion of their assets in equities and other return-seeking assets. The returns on such assets tend to be volatile. For the purposes of the triennial valuation, the defined benefit liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio.

For measurement of the obligation in the financial statements under IAS 19, however, the defined benefit obligation is calculated using a discount rate set with reference to high-quality corporate bond yields.

The movement in the asset portfolio is not fully correlated with the movement in the two liability measures and this means that the funding level is likely to be volatile in the short-term, potentially resulting in short-term cash requirements and an increase in the net defined benefit deficit recorded on the balance sheet.

In order to limit the volatility in asset returns, the schemes' assets are well-diversified by investing in a range of asset classes, including listed equity, private equity, hedge funds, infrastructure, reinsurance, property, government bonds and corporate bonds.

The investment in bonds is discussed further below.

Changes in bond yields
The LDI approach invests in cash, government bonds, interest rate and inflation swaps, and other financial derivatives to create a portfolio which is both inflation-linked and of significantly longer duration than possible in the physical bond market. It also provides a closer match to the expected timing of cash flow / pension payments. The portfolio broadly hedges against movements in long-term interest rates although it only hedges a portion of the BSPF's interest rate risks. Furthermore, the portfolio does not hedge against changes in the credit spread on corporate bonds used to derive the accounting liabilities.

However, the investment in corporate and government bonds offers a further degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is further reduced.

Inflation risk
The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plans against high inflation and the 2013 Group Pensions Review changes have further limited this exposure. The LDI portfolio broadly hedges against movements in inflation expectations although it only hedges a portion of the BSPF's inflation risks.

Furthermore, the portfolio does not protect against differences between expectations for eurozone average inflation and the fund's Irish inflation exposure.

Life expectancy
The majority of the plans' obligations are to provide a pension for the life of the member, which means that increases in life expectancy will result in an increase in the plans' liabilities.

Investment decisions are the responsibility of the Trustees and the Group supports the efficient management of risk including through the appointment of a Group Pensions Chief Investment Officer. The role of Group Pensions Chief Investment Officer is to advise and support the Trustees of the Group sponsored pension schemes in the design, implementation and management of investment strategy to meet the various scheme liabilities. The duties include, but are not limited to, the identification and management of risks such as the risk of insufficient asset returns, changing interest rates, inflation, FX risk, counterparty exposures, geographical risk, asset concentration risk, liquidity risk, regulatory risk, manager risk and longevity risk.

48 Subordinated liabilities

		Group		Bank	
	Note	2020 €m	2019 €m	2020 €m	2019 €m
Undated loan capital					
The Governor and Company of the Bank of Ireland					
Stg£75 million 13⅜% Perpetual Subordinated Bonds	(a)	84	89	84	89
Bristol & West plc					
Stg£32.6 million 8⅛% Non-Cumulative Preference Shares	(b)	36	38	-	-
		120	**127**	**84**	**89**
Dated loan capital					
The Governor and Company of the Bank of Ireland					
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	(c)	418	446	418	446
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	(c)	338	352	338	352
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes 2029	(d)	300	296	300	296
€250 million 10% Fixed Rate Subordinated Notes 2022	(e)	260	263	260	263
€1,002 million 10% Fixed Rate Subordinated Notes 2020	(f)	-	207	-	207
Stg£197 million 10% Fixed Rate Subordinated Notes 2020	(f)	-	2	-	2
		1,316	**1,566**	**1,316**	**1,566**
Total subordinated liabilities		**1,436**	**1,693**	**1,400**	**1,655**
of which:					
Due to BOIG plc		1,056	1,094	1,056	1,094

Subordinated liabilities in issue at 31 December 2020

Undated loan capital

The principal terms and conditions of the subordinated liabilities which were in issue by the Group and the Bank in 2020 are set out below:

(a) The 13³/8% Perpetual Subordinated Bonds were revalued as part of the fair value adjustments on the acquisition by Bristol & West plc of the business of Bristol & West Building Society in July 1997. The Bank became the issuer of these bonds in 2007 in connection with the transfer of the business of Bristol & West plc to the Bank.

(b) These preference shares, which are non-redeemable, non-equity shares, rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc. Holders of the preference shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. This preference dividend will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Acts.

On 1 October 2007 in connection with the transfer of the business of Bristol & West plc to the Bank, the Bank entered into a Guarantee and Capital Maintenance Commitment (the Guarantee) with respect to the preference shares. Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of business would be protected. Under the Guarantee, the Bank agreed, subject to certain conditions, to (i) contribute capital to Bristol & West plc to the extent required to ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends on the preference shares and to the extent required, repay the preference share capital and (ii) guarantee Bristol & West plc's obligations to make repayment of the dividends and preference share capital.

The Guarantee contains provisions to the effect that the rights of the Bank's creditors under the Guarantee are subordinated to (i) unsubordinated creditors and debtors of the Bank and (ii) subordinated creditors of the Bank other than those whose claims rank, or are expressed to rank, pari passu or junior to the payments under the Guarantee.

Dated loan capital

Dated loan capital instruments, which includes bonds and notes, constitute unsecured obligations of the Bank subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

48 Subordinated liabilities *(continued)*

The table on the previous page provides a description of the dated loan capital, including:
- the currency of the issue;
- if the issue is fixed, floating or a combination of both; and
- maturity.

All of the dated notes in issue in 2020 were issued under the Bank's Euro Note Programme.

(c) Fixed rate reset callable subordinated notes issued to Bank of Ireland Group plc
On 19 September 2017, the Bank completed a dual tranche issuance of Stg£300 million and US$500 million 10 year (callable at the end of year five) Tier 2 capital instruments to its parent company, BOIG plc. The sterling bond has a coupon of 3.425% and the US dollar bond has a coupon of 4.425%.

(d) On 14 October 2019, the Bank issued a €300 million 10 year (callable at the end of year five) Tier 2 capital instrument to its parent company, BOIG plc. The bond carries a coupon of 2.775%.

(e) €250 million 10% Subordinated Notes 2022
On 18 December 2012, the Bank issued ten year fixed rate notes with a coupon rate of 10% and a maturity date of December 2022. The notes rank pari passu with all other dated Bank subordinated debt.

(f) €1,002 million 10% Fixed Rate Subordinated Notes 2020 and Stg£197 million 10% Fixed Rate Subordinated Notes 2020
During the year ended 31 December 2020, the €1,002 million 10% fixed rate subordinated notes and £197 million 10% fixed rate subordinated notes matured and were repaid.

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

49 Capital stock

Ordinary Stock
At 31 December 2020 and 2019, all of the Bank's 32,363,275,074 units of ordinary stock of nominal value of €0.05 each were held by BOIG plc.

All units of ordinary stock carry the same voting rights.

There were no outstanding options on units of ordinary stock under employee schemes as at 31 December 2020 or 2019.

Preference stock - Stg£1 each and €1.27 each
As at 31 December 2020 and 2019, 1,876,090 units of sterling preference stock and 3,026,598 units of euro preference stock were in issue.

The preference stock is non-redeemable. The holders of preference stock are entitled to receive at the discretion of the Bank a non-cumulative preferential dividend, which in the case of the sterling preference stock is payable in sterling, in a gross amount of Stg£1.2625 per unit per annum and in the case of euro preference stock is payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on 20 February and 20 August in each year.

On a winding up of, or other return of capital, by the Bank (other than on a redemption of stock of any class in the capital of the

Group and Bank Authorised	**2020**	**2019**
Eur€	**€m**	**€m**
90 billion units of ordinary stock of €0.05 each	4,500	4,500
228 billion units of deferred stock of €0.01 each	2,280	2,280
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
3.5 billion units of non-cumulative 2009 Preference Stock of €0.01 each	35	35
Stg£	**£m**	**£m**
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	**$m**
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

49 Capital stock *(continued)*

Bank) the holders of preference stock will be entitled to receive an amount equal to the amount paid up or credited as paid up on each unit of the preference stock held (including the premium) out of the surplus assets available for distribution to the Bank's members. Subject to the Bank's Bye-Laws, the preference stockholders may also be entitled to receive a sum in respect of dividends payable.

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances. Such circumstances did not arise during 2020 and consequently the preference stockholders were not entitled to vote at the AGC held on 19 May 2020.

Group and Bank Allotted and fully paid	2020	2019
Eur€	**€m**	**€m**
32.363 billion units of ordinary stock of €0.05 each (2019: 32.363 billion units)	1,618	1,618
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
	1,625	**1,625**

50 Other equity instruments - Additional tier 1

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

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

In May and September 2020, the Bank issued AT1 securities with a par value of €675 million and €300 million respectively at an issue price of 100%. 100% of the securities are held by BOIG.

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

- the securities constitute direct, unsecured, unguaranteed and subordinated obligations of the Bank, rank behind Tier 2 instruments and preference shareholders and in priority to ordinary shareholders;
- the securities have no fixed redemption date, and the security holders will have no right to require the Bank to redeem or purchase the securities at any time;
- the Bank may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities at any time from and including the first call date (19 May 2025 for the €675 million issue and 1 September 2025 for the €300 million issue) to and including the first reset date (19 November 2025 for the €675 million issue and 1 March 2026 for the €300 million issue), or semi-annually on any interest payment date thereafter;

	2020 €m	2019 €m
Balance at 1 January	740	740
Repayment of AT1 securities	(740)	-
AT1 securities issued during the period	975	-
Balance at the end of the period	**975**	**740**

- the €675 million securities bear a fixed rate of interest of 7.75% until the first reset date (19 November 2025), while the €300 million securities bear a fixed rate of interest of 6.30% until the first reset date (1 March 2026). After the initial reset date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;
- the Bank may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date;
- the securities will be written down and any accrued unpaid interest will be cancelled if the Bank's CET 1 ratio falls below 7%; and
- subsequent to any write-down event the Bank may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

51 Cash and cash equivalents

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

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

The Group is required to hold an average balance with the Central Bank over the published ECB reserve maintenance (six weeks) periods in order to meet its minimum reserve requirement, which at 31 December 2020 was €749 million (2019: €681 million).

Cash and cash equivalents for the Group in 2020 increased by €1,939 million during the year despite a decrease of €265 million due to the effect of foreign currency exchange translation (2019: increased by €2,977 million, including an increase of €250 million due to the effect of foreign currency translation).

There has been no significant change in the impairment loss allowance on cash and balances at central banks during the year. The composition of cash and balances at central banks by stage is included in other financial assets set out in note 27 on page 171.

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

	2020 €m	2019 €m
Cash and balances at central banks	10,957	8,327
Less impairment loss allowance on cash and balances at central banks	(4)	(2)
Cash and balances at central banks net of impairment loss allowance	**10,953**	**8,325**
Loans and advances to banks (with an original maturity of less than 3 months)	2,312	3,001
Cash and cash equivalents at amortised cost	**13,265**	**11,326**

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

	2020 €m	2019 €m
Republic of Ireland (Central Bank of Ireland)	7,918	5,096
United Kingdom (Bank of England)	2,463	2,526
United States (Federal Reserve)	101	264
Other (cash holdings)	471	439
Total	**10,953**	**8,325**

52 Changes in liabilities arising from financing activities

Group **2020**	**Subordinated liabilities €m**	**Interest on subordinated liabilities €m**	**Lease liabilities €m**	**Interest on lease liabilities €m**	**Dividend payable €m**
At beginning of year	1,693	52	565	-	627
Cash flows	(208)	(65)	(62)	(14)	(600)
- Proceeds from issue of subordinated liabilities	-	-	-	-	-
- Repayment of subordinated liabilities	*(208)*	-	-	-	-
- Interest paid on subordinated liabilities	-	*(65)*	-	-	-
- Payment of lease liability	-	-	*(62)*	-	-
- Interest paid on lease liabilities	-	-	-	*(14)*	-
- Dividend on ordinary stock paid in cash	-	-	-	-	*(600)*
Non-cash changes	(49)	77	(5)	14	-
- Charge to income statement	-	*77*	-	*14*	-
- Exchange adjustments	*(64)*	-	*(3)*	-	-
- Lease liability adjustment	-	-	*(56)*	-	-
- Additions to lease liabilities	-	-	*50*	-	-
- Fair value hedge adjustments	*14*	-	-	-	-
- Other movements	*1*	-	*4*	-	-
At end of year	**1,436**	**64**	**498**	**-**	**27**

52 Changes in liabilities arising from financing activities *(continued)*

Group 2019	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m	Dividend payable €m
At beginning of year	2,107	53	637	-	800
Cash flows	(450)	(109)	(69)	(15)	(173)
- Proceeds from issue of subordinated liabilities	*300*	-	-	-	-
- Repayment of subordinated liabilities	*(750)*	-	-	-	-
- Interest paid on subordinated liabilities	-	*(109)*	-	-	-
- Payment of lease liability	-	-	*(69)*	-	-
- Interest paid on lease liabilities	-	-	-	*(15)*	-
- Partial remittance of dividend payable to Parent	-	-	-	-	*(173)*
Non-cash changes	36	108	(3)	15	-
- Charge to income statement	-	*108*	-	*15*	-
- Exchange adjustments	*32*	-	*(1)*	-	-
- Lease liability adjustment	-	-	*(5)*	-	-
- Additions to lease liabilities	-	-	*3*	-	-
- Fair value hedge adjustments	*3*	-	-	-	-
- Other movements	*1*	-	-	-	-
At end of year	**1,693**	**52**	**565**	**-**	**627**

This table above sets out the changes in liabilities arising from financing activities between cash and non-cash items. For more information on subordinated liabilities, see note 48. Interest accrued on subordinated liabilities is included within other liabilities. For more information on lease liabilities, see note 43.

53 Related party transactions

Related parties in the Group include the parent company, BOIG plc, subsidiary undertakings, associated undertakings, joint arrangements, post-employment benefits, the State, KMP and connected parties. A number of banking transactions are entered into between the Bank and its subsidiaries and parent in the normal course of business. These include extending secured and unsecured loans, investing in debt securities issued by subsidiaries, taking of deposits and undertaking foreign currency transactions.

(a) Bank of Ireland (UK) plc

The Bank guarantees amounts owing by the Bank of Ireland (UK) plc to the BoE.

(b) Associates, joint ventures and joint operations

The Group provides to and receives from its associates, joint ventures and joint operations, certain banking and financial services, which are not material to the Group, on similar terms to third party transactions. These include loans, deposits and foreign currency transactions. The amounts outstanding during 2020 are set out in notes 30 and 31.

(c) Pension funds

The Group provides a range of normal banking and financial services, which are not material to the Group, to various pension funds operated by the Group for the benefit of its employees (principally to the BSPF), which are conducted on similar terms to third party transactions. Details on the Group's contributions to the pension funds are set out in note 47.

The Group occupies one property owned by the BSPF. At 31 December 2020, the total value of this property was €36 million (2019: €40 million). In 2020, the rental income paid to BSPF was €2 million (2019: €2 million).

At 31 December 2020, BSPF assets included BOIG plc shares amounting to €3 million (2019: €5 million).

(d) Transactions 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.

Details of individually or collectively significant transactions with the State and entities under its control or joint control are set out in note 54.

(e) Transactions with Directors and Key Management Personnel

(i) Loans to Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Acts disclosures, Directors means the Court of Directors and any past Directors who were Directors during the relevant period and Directors of the parent company, BOIG plc. Directors' emoluments are set out in the Remuneration Report on page 131 of the BOIG plc Group Annual Report 2020.

Where no amount is shown in the tables below, this indicates either a credit balance, a balance of €nil, or a balance of less than €500. The value of arrangements at the beginning and end of the financial year as stated below in accordance with Section 307 of the Companies Act 2014, expressed as a percentage of the net assets of the Group at the beginning and end of the financial year, is less than 1%.

53 Related party transactions *(continued)*

Group Companies Acts disclosure Loans	Balance as at 1 January 2020[1] €'000	Balance as at 31 December 2020[1] €'000	Aggregate maximum amount outstanding during the year ended 31 December 2020[2] €'000	Repayments during the year ended 31 December 2020[3] €'000
Directors at 31 December 2020				
E Bourke				
Credit card total	6	6	5	-
Current account total	-	-	-	-
Total	**6**	**6**	**5**	**-**
P Kennedy				
Credit card total	5	2	12	-
Current account total	-	-	-	-
Total	**5**	**2**	**12**	**-**
F McDonagh				
Mortgage total	953	926	952	56
Credit card total	2	4	4	-
Total	**955**	**930**	**956**	**56**
F Muldoon				
Mortgage total	82	50	82	35
Credit card total	7	6	7	-
Current account total	-	-	-	-
Total	**89**	**56**	**89**	**35**
E Fitzpatrick				
Loan total	20	15	40	26
Total	**20**	**15**	**40**	**26**
M Greene				
Mortgage total	24	17	23	7
Total	**24**	**17**	**23**	**7**
P Mulvihill				
Credit card total	-	-	-	-
Current account total	-	-	-	-
Total	**-**	**-**	**-**	**-**

M O Grady, P Haren, G Andrews, R Goulding, I Buchanan and S Pateman had no loans from the Group in 2020. No advances were made during the year. No amounts were waived during 2020.

None of the loans were credit impaired as at 31 December 2020 or at 31 December 2019. There is no interest which having fallen due on the above loans has not been paid in 2020 (2019: €nil).

All Directors have other transactions with the Bank. The nature of these transactions includes investments, pension funds, deposits, general insurance, life assurance and current accounts with credit balances. The relevant balances on these accounts are included in the aggregate figure for deposits on page 261.

Other than as indicated, all loans to Directors are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected with the Group and of similar financial standing and do not involve more than normal risk of collectability.

[1] *Balances include principal and interest.*
[2] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*
[3] *Repayments include principal and interest; Revolving Credit Facilities are not included.*

53 Related party transactions *(continued)*

Group Companies Acts disclosure Loans	Balance as at 1 January 2019[1] €'000	Balance as at 31 December 2019[1] €'000	Aggregate maximum amount outstanding during the year ended 31 December 2019[2] €'000	Repayments during the year ended 31 December 2019[3] €'000
Directors at 31 December 2019				
E Bourke				
Credit card total	3	6	5	-
Current account total	-	-	-	-
Total	**3**	**6**	**5**	**-**
P Kennedy				
Credit card total	2	5	5	-
Current account total	-	-	-	-
Total	**2**	**5**	**5**	**-**
F McDonagh				
Mortgage total	981	953	980	56
Credit card total	-	2	4	-
Total	**981**	**955**	**984**	**56**
F Muldoon				
Mortgage total	103	82	103	24
Credit card total	4	7	8	-
Current account total	-	-	-	-
Total	**107**	**89**	**111**	**24**
E Fitzpatrick				
Loan total	28	20	28	8
Total	**28**	**20**	**28**	**8**
M Greene				
Mortgage total	29	24	29	7
Total	**29**	**24**	**29**	**7**
P Mulvihill				
Credit card total	-	-	-	-
Current account total	-	-	-	-
Total	**-**	**-**	**-**	**-**
Directors no longer in service at 31 December 2019				
A Keating				
Credit card total[4]	2	5	12	-
Total	**2**	**5**	**12**	**-**

[1] *Balances include principal and interest.*
[2] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*
[3] *Repayments include principal and interest; Revolving Credit Facilities are not included.*
[4] *On terms, including interest rates and collateral, similar to those available to staff generally.*

53 Related party transactions *(continued)*

(ii) Loans to connected persons on favourable terms

Group 2020 Loans to connected persons[1] on favourable terms[2]	Balance as at 31 December 2020[3] €'000	Maximum amounts outstanding during 2020[4] €'000	Number of persons as at 31 December 2020	Maximum number of persons during 2020
E Bourke	1	4	2	2

Group 2019 Loans to connected persons[1] on favourable terms[2]	Balance as at 31 December 2019[3] €'000	Maximum amounts outstanding during 2019[4] €'000	Number of persons as at 31 December 2019	Maximum number of persons during 2019
E Bourke	2	6	2	2

(iii) Loans to connected persons - Central Bank licence condition disclosures

Under its banking licence, the Bank is required to disclose in its annual audited financial statements details of:

- the aggregate amount of lending to all connected persons, as defined in Section 220 of the Companies Act 2014; and
- the aggregate maximum amount outstanding during the year for which those financial statements are being prepared.

Disclosure is subject to certain de minimis exemptions and to exemptions for loans relating to principal private residences where the total of such loans to an individual connected person does not exceed €1 million.

The following information is presented in accordance with this licence condition.

Group 2020 Connected persons[1] of the following Directors	Balance as at 31 December 2020[3] €'000	Maximum amounts outstanding during 2020[4] €'000	Number of persons as at 31 December 2020	Maximum number of persons during 2020
Persons connected to P Kennedy	2,150	2,259	1	1

Group 2019 Connected persons[1] of the following Directors	Balance as at 31 December 2019[3] €'000	Maximum amounts outstanding during 2019[4] €'000	Number of persons as at 31 December 2019	Maximum number of persons during 2019
Persons connected to P Kennedy	2,256	3,531	1	1
Persons connected to E Bourke[5]	-	355	2	2

[1] *Connected persons of Directors are defined by Section 220 of the Companies Act 2014.*
[2] *On terms, including interest rates and collateral, similar to those available to staff generally.*
[3] *Balance includes principal and interest.*
[4] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*
[5] *All loans to person connected to E Bourke were below disclosure thresholds.*

53 Related party transactions *(continued)*

(iv) Key management personnel - loans and deposits (IAS 24)
For the purposes of IAS 24 'Related party disclosures', the Group has 24 KMP (2019: 30) which comprise the Directors, the members of the GEC and any past KMP who was a KMP during the relevant period. In addition to Executive Directors, the GEC comprises the Group Secretary, Chief of Staff and Head of Group Corporate Affairs, Chief Executive Markets and Treasury[1], Chief Executive - Retail (UK), Chief Marketing Officer, Chief People Officer, Chief Executive - Corporate Banking, Chief Executive - Retail Ireland, Group CRO, Chief Operating Officer, Chief Strategy Officer. KMP, including Directors, hold products with Group companies in the ordinary course of business.

Other than as indicated, all loans to NEDs are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons, and do not involve more than the normal risk of collectability. Loans to KMP other than NEDs are made on terms similar to those available to staff generally and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding, in respect of all loans, quasi-loans and credit transactions between the Bank and its KMP, as defined above, together with members of their close families and entities influenced by them are shown in the following table.

Group **2020** **IAS 24 Disclosures** **Key management personnel**	**Balance as at 1 January 2020[2,3] €'000**	**Balance as at 31 December 2020[2] €'000**	**Maximum amounts outstanding during 2020[4] €'000**	**Total number of relevant KMP as at 1 January 2020**	**Total number of relevant KMP as at 31 December 2020**
Loans	3,381	3,139	3,515	21	17
Deposits	6,736	14,060	20,111	27	23

Group **2019** **IAS 24 Disclosures** **Key management personnel**	**Balance as at 1 January 2019[2,3] €'000**	**Balance as at 31 December 2019[2] €'000**	**Maximum amounts outstanding during 2019[4] €'000**	**Total number of relevant KMP as at 1 January 2019**	**Total number of relevant KMP as at 31 December 2019**
Loans	4,635	3,381	3,963	21	21
Deposits	11,479	6,736	11,027	28	27

KMP have other protection products with the Bank. The nature of these products includes mortgage protection, life assurance and critical illness cover. It also includes general insurance products which are underwritten by a number of external insurance companies and for which the Bank acts as an intermediary only. None of these products has any encashment value at 31 December 2020 or 31 December 2019.

Included in the above IAS 24 loan disclosure figures are loans to KMP and close family members of KMP on preferential staff rates, amounting to €5,003 (2019: €24,938).

None of the loans were credit-impaired at 31 December 2020 or at 31 December 2019. There was no interest which having fallen due on the above loans has not been paid (2019: €nil).

There are no guarantees entered into by the Bank in favour of KMP of the Bank and no guarantees in favour of the Bank have been entered into by the KMP of the Bank.

(v) Compensation of KMP
Details of compensation paid to KMP are provided below:

Group **Remuneration**	**2020 €'000**	**2019 €'000**
Salaries and other short-term benefits[5]	9,431	8,275
Post employment benefits[6]	766	796
Termination benefits[7]	536	596
Total	**10,733**	
Number of KMP	24	30

[1] *Left Group 31 December 2020.*
[2] *Balance includes principal and interest.*
[3] *The opening balance includes balances and transactions with key management personnel who retired during 2019 and are not related parties during 2020. Therefore these key management personnel are not included in the maximum amounts outstanding.*
[4] *These figures include credit card exposures at the maximum statement balance. In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €25,000 (2019: €25,400). The maximum amount outstanding was calculated using the maximum balance on each account. The highest maximum outstanding liability for any member of key management personnel, close family and entities influenced by them did not exceed €1 million during 2020 (2019: €3.5 million). In some cases with investment type products (i.e. funds based products, life assurance and other policies) the maximum balance amounts were not available, in which case the greater of the balance at the start of the year and the balance at the end of the year has been included as the maximum balance amount. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.*
[5] *Comprises gross salary, Employer Pay Related Social Insurance contributions, fees, cash in lieu of pension, car allowance and other short-term benefits paid in the year.*
[6] *This comprises Employer contributions paid to pension funds.*
[7] *These include, inter alia, contractual payments due in lieu of notice periods.*

53 Related party transactions *(continued)*

(vi) Directors' remuneration
Details of Directors' remuneration are provided in this table. No other fees or bonuses were paid to Directors during 2020 (2019: €nil). No stock options were granted or exercised during 2020 (2019: €nil).

The NEDs fees are paid by or receivable from BOIG plc.

Group	**2020 €'000**	**2019 €'000**
Fees	815	673
Other emoluments	1,962	1,976
Post employment benefits[1]		
- Defined benefit plans	-	53
- Defined contribution plans	50	8
Total Directors' remuneration	**2,827**	**2,710**

54 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.

A relationship framework between the Minister for Finance and the Bank has been in place since 30 March 2012. The purpose of this framework is to provide the basis on which the relationship shall be governed. This framework is available on the Department of Finance website.

(a) Guarantee schemes
Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009
Although the Group no longer has any guaranteed liabilities under the Eligible Liabilities Guarantee (ELG) Scheme, the ELG Scheme shall continue to exist until terminated by the Minister for Finance. Pending that termination, the Bank, BoIMB and Bank of Ireland (UK) plc continue to be bound by the terms of the ELG Scheme including the provision of certain covenants and an indemnity for the costs of the ELG Scheme in favour of the Minister pursuant to the Scheme documents of the ELG Scheme. No fees were payable in respect of the year ended 2020 (2019: €nil)

European Communities Deposit Guarantee Schemes Regulations 2015
Details of the deposits protected by these schemes are set out in note 39.

Strategic Banking Corporation of Ireland scheme
Through its participation in the Strategic Banking Corporation of Ireland (SBCI) Support loan Schemes (the 'Scheme') the Group benefits from an 80% Government guarantee related to amounts advanced under the Schemes. As at 31 December 2020, c.€300 million has been advanced across the following individual Schemes: Future Growth Loan Scheme (€185 million), Brexit / COVID-19 Working Capital Loan Scheme (€71 million) and the COVID-19 Credit Guarantee Scheme (€46 million), which is a government scheme operated through the SBCI Scheme whereby an 80% government guarantee is attached to loans.

(b) National Asset Management Agency Investment DAC
The Group, through its wholly owned subsidiary NIAC, held 17 million B shares in National Asset Management Agency Investment DAC (NAMAID), corresponding to one third of the 51 million B shares issued by NAMAID, acquired at a cost of €17 million. NAMAID also issued 49 million A shares to NAMA. As a result the Group held 17% of the total ordinary Share capital of NAMAID.

NAMAID is a holding company and its subsidiaries include the entities to which NAMA Participating Institutions transferred eligible bank assets and which issued the NAMA senior bonds and NAMA subordinated debt as consideration for those assets. The A shares and B shares generally rank equally, except as otherwise provided in the Articles of Association of NAMAID. As holder of the A shares, NAMA has veto rights in relation to: the declaration of dividends; the appointment or removal of Directors; the exercise of voting rights in respect of any subsidiary of NAMAID and the appointment of a Chairman. A holder of the B shares may not sell the shares without the consent of NAMA.

The shareholders' agreement referenced a call option that entitled NAMAID to purchase the B Shares in the Company.

NAMAID exercised this call option and the Group received €19 million on 26 May 2020.

The shareholders' agreement was terminated on that day. On a winding up the return on the B shares was capped at 110% of the amount invested.

A discretionary non-cumulative dividend on the capital invested was paid on an annual basis and was limited to the yield on ten year State bonds. Total dividends of €5 million were received by the Group over the life of the investment.

[1] *The amounts shown relate to post employment benefits accrued for one Director during 2020 (2019: one).*

54 Summary of relations with the State *(continued)*

(c) Other transactions with the State and entities under its control or joint control

In addition to the matters set out 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. This includes transactions with AIB, Permanent TSB Group Holdings plc, Government departments, local authorities, county councils, embassies and the NTMA which are all considered to be 'controlled' by the Government. These transactions include the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks. The amounts outstanding at 31 December 2020 and 2019 in respect of these transactions, which are considered individually significant, are set out below.

NAMA redeemed all of its remaining subordinated bonds in full with a nominal value of €70 million at par during the year ended 31 December 2020 (2019: €nil).

(d) Irish Bank Levy

The Finance Act (No 2) 2013 introduced a bank levy on certain financial institutions, including the Group. An income statement charge is recognised annually on the date on which all of the criteria set out in the legislation are met. The annual levy paid by the Group in October 2020 was €35 million (October 2019: €35 million) which was based on 170% of each financial institution's Deposit Interest Retention Tax (DIRT) payments made in 2017. The Finance Act 2020, enacted in December 2020, revised the basis on which the levy would be calculated for 2021 to be based on 308% of the DIRT payments made in 2019.

Group	2020 €m	2019 €m
Assets		
Unguaranteed senior bonds issued by AIB	151	196
Unguaranteed subordinated bonds issued by AIB	-	11
NAMA subordinated bonds (note 21)	-	73
Bonds issued by the State	7,595	5,790
Other financial assets at fair value through the profit and loss		
Bonds issued by the State	285	263
Loans and advances to banks		
AIB	3	3
Liabilities		
Customer Accounts		
State (including agencies & entities under its control or joint control)	726	932
Debt securities in issue		
State (including agencies & entities under its control or joint control)	25	25

55 Principal undertakings

The Parent company of the Group is The Governor and Company of the Bank of Ireland (the 'Bank').

The principal Group undertakings for 2020 were:

Group Name	Principal activity	Registered office	Country of incorporation	Statutory year end
Bank of Ireland (UK) plc[1]	Retail financial services	Bow Bells House, 1 Bread Street, London, EC4M 9BE	England and Wales	31 December
New Ireland Assurance Company plc	Life assurance business	5-9 Frederick Street South, Dublin 2	Ireland	31 December
Bank of Ireland Mortgage Bank[1]	Mortgage lending and mortgage covered securities	40 Mespil Road, Dublin 4	Ireland	31 December
First Rate Exchange Services Limited[2]	Foreign exchange	Great West House, Great West Road, Brentford, London, TW8 9DF	England and Wales	31 March
N.I.I.B. Group Limited	Personal finance and leasing	1 Donegall Square South, Belfast, BT1 5LR	Northern Ireland	31 December

All the Group undertakings are included in the consolidated financial statements. Unless stated otherwise, the Group owns 100% of the equity of the principal Group undertakings and 100% of the voting shares of all these undertakings.

In presenting details of the principal subsidiary undertakings, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Bank will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

Bank of Ireland Mortgage Bank

BoIMB's principal activities are the issuance of Irish Residential mortgages and mortgage covered securities in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007. BoIMB asset covered securities may be purchased by the Bank and other members of the Group or third parties.

In 2020, the total amount outstanding in respect of mortgage covered securities issued was €6.1 billion (2019: €7.4 billion).

In 2020, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €12.6 billion (2019: €11.5 billion).

BoIMB issues other debt securities under BoIMB's obligation to the CBI within the terms of the Special Mortgage Backed Promissory Note programme. At 31 December 2020, BoIMB had no such debt securities in issue (2019: €nil).

[1] *Direct subsidiary of The Governor and Company of the Bank of Ireland.*
[2] *This entity is a subsidiary of First Rate Exchange Services Holdings Limited, a joint venture with the UK Post Office, in which the Group holds 50% of the equity of the business.*

56 Interests in other entities

(a) General

The Group holds ordinary shares and voting rights in a significant number of entities. Management has assessed its involvement in all such entities in accordance with the definitions and guidance in:
- IFRS 10 'Consolidated financial statements';
- IFRS 11 'Joint arrangements';
- IAS 28 'Investments in associates and joint ventures'; and
- IFRS 12 'Disclosure of interests in other entities'.

See Group accounting policies on page 94.

(b) Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

Regulated banking and insurance subsidiaries are required to maintain minimum regulatory liquidity and solvency ratios and are subject to other regulatory restrictions that may impact on transactions between these subsidiaries and the Company, including on the subsidiaries' ability to make distributions.

Certain transactions between Bank of Ireland (UK) plc and the Bank are subject to regulatory limits and approvals agreed with the PRA. Total assets of Bank of Ireland (UK) plc at 31 December 2020 were €29.4 billion (2019: €31.7 billion) and liabilities were €27.4 billion (2019: €29.3 billion).

The activities of BoIMB are subject to the Asset Covered Securities Act 2001 to 2007 which imposes certain restrictions over the assets of BoIMB. Total assets of BoIMB at 31 December 2020 were €20.3 billion (2019: €19.8 billion) and liabilities were €18.7 billion (2019: €18.3 billion).

The Group's life assurance entity, NIAC, is required to hold shareholder equity that exceeds a solvency capital requirement: (see note 41 for details). In addition, the Group's Isle of Man insurance entity is required to hold shareholder equity that exceeds the solvency requirements specified by the Isle of Man Financial Services Authority.

Under Section 357 (1)(b) of the Companies Act 2014, the Bank has given an irrevocable guarantee to meet the liabilities, commitments and contingent liabilities entered into by certain Group undertakings. At 31 December 2020, the commitments of these undertakings amounted to €105 million (2019: €62 million).

(c) Consolidated structured entities

In the case of structured entities, in considering whether it controls the investee, the Group applies judgement around whether it has the ability to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. The Group generally considers it has control over the investee in the following situations:
- securitisation vehicles whose purpose is to finance specific loans and advances to customers; or
- defeasance companies set up to facilitate big-ticket leasing transactions.

In each case the Group generally considers that it has power over the entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, even though the Group normally owns less than half of the voting rights of those entities.

The Group does not consider it controls an investee when:
- the Group's only involvement in the arrangement is to administer transactions, for which the Group receives a fixed fee, on the basis that the Group is acting as an agent for the investors; or
- an entity is in the process of being liquidated, on the basis that the entity is controlled by the liquidator.

In the case of some venture capital investments, in considering whether it controls the investee the Group applies judgement around whether it has the ability to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. The Group may hold 50% or more of the voting power of an entity, but has been considered to have significant influence, rather than control of the entity because the Group is not involved in directing the relevant activities of the entity and does not have the right to remove the manager of the entity.

The Group holds interests in a number of structured entities (Brunel Residential Mortgage Securitisation No. 1 plc and Bowbell No 2 plc) whose purpose is to acquire mortgage loans and other financial assets and issue mortgage backed securities. Brunel Residential Mortgage Securitisation No. 1 plc redeemed all of its outstanding debt securities in July 2020. Bowbell No 2 plc issued new debt securities in June 2019. All of the assets and liabilities of these entities are restricted. Total assets amounted to €1.6 billion (2019: €3.5 billion) and liabilities amounted to €1.6 billion (2019: €3.5 billion), Brunel Residential Mortgage Securitisation redemption being the main driver for the decrease in the year.

In 2016, the Group entered into a CDS transaction transferring a portion of the credit risk on a reference portfolio of performing Irish SME and corporate exposures to Grattan Securities DAC (Grattan). The Group delivered notice of its intention to call the transaction in December 2019 and the transaction was terminated in January 2020.

During 2017, the Group entered into a further CDS transaction transferring a portion of the credit risk on a reference portfolio of performing leveraged acquisition finance exposures to Mespil Securities DAC (Mespil). During 2019, the Group transferred an additional portion of the credit risk on the portfolio to Mespil.

In 2019, the Group entered into a credit protection deed (CPD) transaction transferring a portion of the credit risk on a reference portfolio of performing loans originated by the Group's Corporate Banking team to Vale Securities Finance DAC (Vale).

No assets or liabilities were transferred to Grattan, Mespil or Vale as part of the transactions. Grattan, Mespil and Vale each cash collateralised their exposure under the respective transactions through the issue of credit linked notes to third party investors. The protection provided by Grattan matured in 2020, while that provided by Mespil matures in 2025 and by Vale in 2029.

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support. In 2020 and 2019 the Group did not provide financial or other support, nor does it expect or intend to do so.

56 Interests in other entities *(continued)*

All of these entities are consolidated in the Group's financial statements.

(d) Treatment of changes in control of a subsidiary during the reporting period

From time to time, the Group may wind up a wholly owned company. During this process, the Group voluntarily appoints a liquidator to manage the winding up of relevant entities. Upon appointment of the liquidator, the Group is considered to have lost control of the companies and accounts for this loss of control as a disposal. In accordance with IAS 21, the Group must reclassify net cumulative FX gains / losses relating to these companies from the FX reserve to the income statement. In 2020, €5 million of a gain was transferred (2019: €4 million loss) (note 18).

(e) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control i.e. contractually agreed sharing of control of an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control. These arrangements are identified by reference to the power sharing agreements, ensuring that unanimous consent of all parties is a requirement. Where the arrangement has been structured through a separate vehicle, the Group has accounted for it as a joint venture.

The table below shows the Group's principal joint arrangements for the year ended 31 December 2020.

All joint ventures investments are unquoted and are measured using the equity method of accounting. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group; nor is there any unrecognised share of losses either for 2020 or cumulatively in respect of these entities. Other than disclosed in note 45, the Group does not have any further commitments or contingent liabilities in respect of these entities other than its investment to date.

Joint arrangement	Holding	Classification	Country of operation	Nature of activities
First Rate Exchange Services Holdings Limited	50%	Joint venture	UK	Sale of financial products through the UK Post Office relationship
Enterprise 2000 Fund Limited	50%	Joint venture	Ireland	Investment in venture capital companies

(f) Associates

An associated undertaking is an entity for which the Group has significant influence, but not control, over the entity's operating and financial policy decisions. If the Group holds 20% or more of the voting power of an entity, it is presumed that the Group has significant influence, unless it could be clearly demonstrated that this was not the case. There are no such cases where the Group holds 20% or more of the voting power of an entity, and is not considered to have significant influence over that entity.

The Group holds a number of investments in associates, none of which is individually material. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group; nor is there any unrecognised share of losses either for 2020 or cumulatively in respect of these entities. The Group does not have any contingent liabilities in respect of these entities other than its investment to date.

(g) Unconsolidated structured entities

Unconsolidated collective investment vehicles

The company holds investments in unconsolidated structured entities arising from investments in collective investment undertakings, carried at fair value of €11,108 million (2019: €10,176 million). The value included in assets held to cover unit linked policyholder liabilities is €10,889 million (2019: €10,029 million) and €219 million (2019: €147 million) is held for non-unit linked liabilities (note 21). At 31 December 2020, the total asset value of these unconsolidated structured entities, including the portion in which the Group has no interest, was €47.1 billion (2019: €56.7 billion).

The Group's maximum exposure to loss is equal to the carrying value of the investment. However, the Group's investments in these entities are primarily held to match policyholder liabilities in the Group's life assurance business and the majority of the risk from a change in the value of the Group's investment is matched by a change in policyholder liabilities. The collective investment vehicles are primarily financed by investments from investors in the vehicles.

During the year the Group has not provided any non-contractual financial or other support to these entities and has no current intention of providing any financial or other support. The Group does not sponsor any of these unconsolidated structured entities.

Mulcair Securities DAC

In April 2019, the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs, through an unconsolidated special purpose vehicle, Mulcair Securities DAC (Mulcair). The portfolio transferred had a gross carrying value of €370 million (before ECL allowance) and a net carrying value of €326 million (after ECL allowance). The Group transferred the beneficial interest in the loans to Mulcair which in turn issued notes backed by these loans. The Group considers that it sponsors this company as it continues to be involved with it as Servicer of the transferred

56 Interests in other entities *(continued)*

assets and as it is in receipt of income from the provision of these services. At 31 December 2020, the current volume of the loans under management is €310 million.

The Group holds 5% of each class of notes issued by Mulcair as a retained issuance; these notes are held as debt securities at amortised cost with the exception of notes with a nominal value of €1 million which are held as at FVTPL.

Mulcair is not consolidated but the associated income in relation to the services provided to the company is recognised in the Group's financial statements as follows:

	2020 €m	2019 €m
Trading income	-	1
Fee and commission income	1	1
Total income related to Mulcair	**1**	**2**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2020 €m	2019 €m
Debt securities at amortised cost	14	15
Other financial assets held at fair value through profit or loss	2	2
Total carrying value of assets held related to Mulcair	**16**	**17**

The Group's maximum exposure to loss in respect of Mulcair is equal to the carrying value of the retained issuance which is €16 million at 31 December 2020 (2019: €17 million). There are no contractual arrangements that require the Group to provide financial support to Mulcair.

Investment companies

The Group has incorporated certain entities to provide investment opportunities to clients in international commercial properties. The Group considers that it sponsors these entities where it continues to be involved in the entity or if it is in receipt of income from the entity during the year. At 31 December 2020, there were three entities (2019: three). At 31 December 2020, the total gross asset value of these entities was €1.4 million (2019: €16 million).

With regard to the above unconsolidated structured entities, they are infrastructure fund managers whose principal activity is managing property investments. In 2020 and 2019, the Group did not receive asset management fees from these entities.

The structured entities are not consolidated; the associated fee and commission income in relation to these entities was €nil for 2020 (2019: €nil). The carrying amount of assets and liabilities in relation to these entities in the Group's financial statements is €nil (2019: €nil).

The Group's maximum exposure to loss in respect of these unconsolidated entities is €nil (2019: €nil).

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support.

(h) Coterminous year end dates

The Group consolidates certain entities where the entity does not have the same year end reporting date as the Group. This is to ensure the reporting dates of these Group entities are kept consistent with the principal legal agreements used to engage in their core business.

Assets, liabilities and results of all Group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial year.

57 Measurement basis of financial assets and financial liabilities

Group 2020	At fair value through profit or loss Mandatorily €m	 Designated €m	Debt instruments at fair value through other comprehensive income €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	-	-	-	10,953	-	-	10,953
Items in the course of collection from other banks	-	-	-	166	-	-	166
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	1,427	-	-	-	790	-	2,217
Other financial assets at FVTPL	17,417	-	-	-	-	-	17,417
Loans and advances to banks	227	-	-	2,226	-	-	2,453
Debt securities at amortised cost	-	-	-	6,266	-	-	6,266
Financial assets at FVOCI	-	-	10,942	-	-	-	10,942
Asset classified as held for sale	5	-	-	-	-	-	5
Loans and advances to customers	361	-	-	76,220	-	-	76,581
Interest in associates	-	54	-	-	-	-	54
Other financial assets	-	-	-	259	-	-	259
Total financial assets	**19,437**	**54**	**10,942**	**96,090**	**790**	**-**	**127,313**
Financial liabilities							
Deposits from banks	-	-	-	2,388	-	-	2,388
Customer accounts	-	703	-	88,015	-	-	88,718
Items in the course of transmission to other banks	-	-	-	216	-	-	216
Derivative financial instruments	1,520	-	-	-	737	-	2,257
Debt securities in issue	-	348	-	6,624	-	-	6,972
Liabilities to customers under investment contracts	-	5,892	-	-	-	-	5,892
Insurance contract liabilities	-	-	-	-	-	13,479	13,479
Other financial liabilities	-	-	-	2,271	-	-	2,271
Short positions in trading securities	-	-	-	-	-	-	-
Lease liabilities	-	-	-	498	-	-	498
Loss allowance provision on loan commitments and financial guarantees	-	-	-	99	-	-	99
Subordinated liabilities	-	-	-	1,436	-	-	1,436
Total financial liabilities	**1,520**	**6,943**	**-**	**101,547**	**737**	**13,479**	**124,226**

57 Measurement basis of financial assets and financial liabilities *(continued)*

Group 2019	At fair value through profit or loss Mandatorily €m	 Designated €m	Debt instruments at fair value through other comprehensive income €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	-	-	-	8,325	-	-	8,325
Items in the course of collection from other banks	-	-	-	223	-	-	223
Trading securities	32	-	-	-	-	-	32
Derivative financial instruments	1,398	-	-	-	601	-	1,999
Other financial assets at FVTPL	16,484	-	-	-	-	-	16,484
Loans and advances to banks	306	-	-	3,022	-	-	3,328
Debt securities at amortised cost	-	-	-	4,511	-	-	4,511
Financial assets at FVOCI	-	-	10,797	-	-	-	10,797
Asset classified as held for sale	-	-	-	-	-	-	-
Loans and advances to customers	252	-	-	79,235	-	-	79,487
Interest in associates	-	56	-	-	-	-	56
Other financial assets	-	-	-	280	-	-	280
Total financial assets	**18,472**	**56**	**10,797**	**95,596**	**601**	**-**	**125,522**
Financial liabilities							
Deposits from banks	-	-	-	2,179	-	-	2,179
Customer accounts	-	930	-	83,113	-	-	84,043
Items in the course of transmission to other banks	-	-	-	219	-	-	219
Derivative financial instruments	1,566	-	-	-	912	-	2,478
Debt securities in issue	-	364	-	8,451	-	-	8,815
Liabilities to customers under investment contracts	-	5,890	-	-	-	-	5,890
Insurance contract liabilities	-	-	-	-	-	12,694	12,694
Other financial liabilities	-	-	-	3,043	-	-	3,043
Short positions in trading securities	-	-	-	-	-	-	-
Lease liabilities	-	-	-	565	-	-	565
Loss allowance provision on loan commitments and financial guarantees	-	-	-	30	-	-	30
Subordinated liabilities	-	-	-	1,693	-	-	1,693
Total financial liabilities	**1,566**	**7,184**	**-**	**99,293**	**912**	**12,694**	**121,649**

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

Group	2020 Fair values €m	 Contractual amount due on maturity €m	2019 Fair values €m	 Contractual amount due on maturity €m
Customer accounts	703	701	930	930
Liabilities to customers under investment contracts	5,892	5,892	5,890	5,890
Debt securities in issue	348	312	364	329
Financial liabilities designated at fair value through profit or loss	**6,943**	**6,905**	**7,184**	**7,149**

57 Measurement basis of financial assets and financial liabilities *(continued)*

Bank 2020	At fair value through profit or loss Mandatorily €m	 Designated €m	Debt instruments at fair value through other comprehensive income €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	-	-	-	8,672	-	-	8,672
Items in the course of collection from other banks	-	-	-	43	-	-	43
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	1,712	-	-	-	654	-	2,366
Other financial assets at FVTPL	430	-	-	-	-	-	430
Loans and advances to banks	-	-	-	15,864	-	-	15,864
Debt securities at amortised cost	-	-	-	8,422	-	-	8,422
Financial assets at FVOCI	-	-	10,942	-	-	-	10,942
Asset classified as held for sale	5	-	-	-	-	-	5
Loans and advances to customers	283	-	-	36,635	-	-	36,918
Other financial assets	-	-	-	231	-	-	231
Total financial assets	**2,430**	**-**	**10,942**	**69,867**	**654**	**-**	**83,893**
Financial liabilities							
Deposits from banks	-	-	-	4,335	-	-	4,335
Customer accounts	-	1,103	-	69,316	-	-	70,419
Items in the course of transmission to other banks	-	-	-	141	-	-	141
Derivative financial instruments	1,782	-	-	-	625	-	2,407
Debt securities in issue	-	46	-	3,168	-	-	3,214
Other financial liabilities	-	-	-	380	-	-	380
Lease liabilities	-	-	-	491	-	-	491
Loss allowance provision on loan commitments and financial guarantees	-	-	-	91	-	-	91
Subordinated liabilities	-	-	-	1,400	-	-	1,400
Total financial liabilities	**1,782**	**1,149**	**-**	**79,322**	**625**	**-**	**82,878**

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

Bank	2020 Fair values €m	 Contractual amount due on maturity €m	2019 Fair values €m	 Contractual amount due on maturity €m
Customer accounts	1,103	1,102	1,546	1,546
Liabilities to customers under investment contracts	-	-	-	-
Debt securities in issue	46	44	48	46
Financial liabilities designated at fair value through profit or loss	**1,149**	**1,146**	**1,594**	**1,592**

57 Measurement basis of financial assets and financial liabilities *(continued)*

Bank 2019	At fair value through profit or loss Mandatorily €m	 Designated €m	Debt instruments at fair value through other comprehensive income €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	-	-	-	5,817	-	-	5,817
Items in the course of collection from other banks	-	-	-	54	-	-	54
Trading securities	32	-	-	-	-	-	32
Derivative financial instruments	1,610	-	-	-	456	-	2,066
Other financial assets at FVTPL	517	-	-	-	-	-	517
Loans and advances to banks	1	-	-	14,276	-	-	14,277
Debt securities at amortised cost	-	-	-	6,675	-	-	6,675
Financial assets at FVOCI	-	-	10,797	-	-	-	10,797
Loans and advances to customers	166	-	-	38,417	-	-	38,583
Other financial assets	-	-	-	249	-	-	249
Total financial assets	**2,326**	**-**	**10,797**	**65,488**	**456**	**-**	**79,067**
Financial liabilities							
Deposits from banks	-	-	-	4,526	-	-	4,526
Customer accounts	-	1,546	-	62,871	-	-	64,417
Items in the course of transmission to other banks	-	-	-	108	-	-	108
Derivative financial instruments	1,755	-	-	-	865	-	2,620
Debt securities in issue	-	48	-	2,865	-	-	2,913
Other financial liabilities	-	-	-	1,011	-	-	1,011
Lease liabilities	-	-	-	551	-	-	551
Loss allowance provision on loan commitments and financial guarantees	-	-	-	28	-	-	28
Subordinated liabilities	-	-	-	1,655	-	-	1,655
Total financial liabilities	**1,755**	**1,594**	**-**	**73,615**	**865**	**-**	**77,829**

58 Fair values of assets and liabilities

Fair value of assets and liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include DCF models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or of recent arm’s length market transactions. These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1
Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable inputs for the asset or liability.

Transfers between different levels are assessed at the end of all reporting periods.

(a) Financial assets and financial liabilities recognised and subsequently measured at fair value

All financial instruments are initially recognised at fair value. The Group subsequently measures the following instruments at FVTPL or at FVOCI: trading securities, other financial assets and financial liabilities designated at FVTPL, derivatives, loans and advances to customers held at fair value, loans and advances to banks held at fair value, financial assets held at FVOCI, customer accounts held at fair value and debt securities in issue held at fair value.

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

A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below. For fair value measurements categorised within level 3 of the fair value hierarchy, the valuation policies and procedures are developed by the management of the relevant business unit. The valuation process is documented before being reviewed and approved by senior management to ensure that the valuation method is consistent with market practice, that the output is reasonable and that the methodology is consistent both across the Group and compared to prior reporting periods.

Loans and advances to customers held at fair value
These consist of assets mandatorily measured at FVTPL, of which €239 million are 'Life loan mortgage products'. Unlike a standard mortgage product, borrowers do not make any periodic repayments and the outstanding loan balance increases through the life of the loan as interest due is capitalised. The mortgage is typically repaid out of the proceeds of the sale of the property. These assets are valued using DCF models which incorporate unobservable inputs (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. €122 million of loans and advances to customers held at fair value relate to syndicated corporate facilities. These assets are valued by applying a discount based on a secondary market loan index and the Group's ECL models (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Loans and advances to banks held at fair value
These consist of assets mandatorily measured at FVTPL, and include assets managed on a fair value basis by the life assurance business and those assets that do not meet the requirements in order to be measured at FVOCI or amortised cost.

The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Financial assets at fair value through other comprehensive income
Financial assets at FVOCI predominantly consist of government bonds and listed debt securities. For these assets where an active market exists, fair value has been determined directly from observable market prices (level 1 inputs) or yields through a recognised pricing source or an independent broker, price-provider or investment bank (level 2 inputs).

Financial assets and financial liabilities held for trading
These instruments are valued using observable market prices (level 1 inputs), directly from a recognised pricing source or an independent broker or investment bank.

Derivative financial instruments
The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of DCF and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, FX rates, equity prices and counterparty credit (level 2 inputs). The base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk, own credit and/or funding costs.

The fair values of the Group's derivative financial liabilities reflect the impact of changes in own credit spreads derived from observable market data (debit valuation adjustment (DVA)). The impact of the cost of funding derivative positions is also taken into account in determining the fair value of derivative financial instruments (funding valuation adjustment (FVA)). The funding cost is derived from observable market data; however the model may perform numerical procedures in the pricing such as interpolation when market data input values do not directly correspond to the exact parameters of the trade. Both methodologies are considered to use level 2 inputs.

Credit valuation adjustment (CVA) represents an estimate of the adjustment to fair value that market participants would make to incorporate the counterparty credit risk inherent in derivative exposures. Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives as at 31 December 2020 is immaterial. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

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

Other financial assets at fair value through profit or loss
These consist of assets mandatorily at FVTPL, which are predominantly held for the benefit of unit linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have readily available prices. Substantially all of these assets are valued using valuation techniques which use observable market data i.e. level 1 or level 2 inputs. A small number of assets have been valued using DCF models and discounted equity value method, which incorporate unobservable inputs (level 3). Certain private equity funds, which predominantly invest in properties, are valued with reference to the underlying property value which in itself incorporate unobservable inputs (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Interest in associates
Investments in associates, which are venture capital investments, are accounted for at FVTPL and are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of various

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

inputs such as DCF analysis and comparison with the earnings multiples of listed comparative companies amongst others. Although the valuation of unquoted equity instruments is subjective by nature, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time. As the inputs are unobservable, the valuation is deemed to be based on level 3 inputs. Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Customer accounts

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

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

Liabilities to customers under insurance and investment contracts

In line with the accounting policy set out on page 100, the fair value of liabilities to customers under both insurance and investment unit linked contracts is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the reporting date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Debt securities in issue

Debt securities in issue with a fair value of €348 million (2019: €364 million) are measured at FVTPL, in order to reduce an accounting mismatch which would otherwise arise from hedging derivatives. Their fair value is typically based on valuation techniques incorporating observable market data. The Group incorporates the effect of changes in its own credit spread when valuing these instruments. The Group sources own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads are not available. Where the impact of unobservable inputs is material to the valuation of a debt security in issue, that issuance is categorised as level 3 on the fair value hierarchy.

A small number of the debt securities in issue are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these debt securities in issue would not have a significant impact.

(b) Financial assets and liabilities held at amortised cost

For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placings which are held at amortised cost is their carrying amount. The estimated fair value of fixed interest bearing placements which are held at amortised cost is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers held at amortised cost

The fair value of both fixed and variable rate loans and advances to customers held at amortised cost is estimated using valuation techniques which include the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the reporting date and estimates of market participants' expectations of credit losses over the life of the loans (level 3 inputs).

Debt securities at amortised cost

For debt securities at amortised cost for which an active market exists, fair value has been determined directly from observable market prices (level 1 inputs). Debt securities at amortised cost consist mainly of government bonds, asset backed securities and other debt securities.

Deposits from banks and customer accounts

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. For the estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices, a DCF model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 2 and level 3 inputs).

Debt securities in issue and subordinated liabilities

The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). For those notes where quoted market prices are not available, a DCF model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 2 and level 3 inputs).

(c) 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

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

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.

(d) Fair value of non-financial assets

Investment properties

Investment properties are carried at fair value as determined by external qualified property surveyors (the 'Surveyors') appropriate to the properties held. The Surveyors arrive at their opinion of fair value by using their professional judgement in applying comparable current trends in the property market such as rental yields in the retail, office and industrial property sectors, to both the existing rental income stream and also to the future estimate of rental income (ERV). Other inputs taken into consideration include occupancy forecasts, rent free periods that may need to be granted to new incoming tenants, capital expenditure and fees. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

In the early part of the year, COVID-19 impacted the property market, causing the number of transactions to decline. As a response, Surveyors attached less weight to previous market evidence, and all valuations were prepared on a 'material valuation uncertainty' basis. Since then, and as at 31 December 2020, such uncertainty has been removed for all investment properties with the exception of retail properties located in the Republic of Ireland (€101 million of investment properties).

Therefore, to ensure transparency, the Surveyors attached less weight to previous market evidence for comparison purposes such that valuations of these retail properties are subject to a 'material valuation uncertainty' clause in line with the RICS (Royal Institute of Chartered Surveyors) Valuation – Global Standards. All other investment properties were not subject to the material valuation uncertainty clause.

Property

A revaluation of Group property was carried out as at 31 December 2020. All freehold and long leasehold commercial properties were valued by Lisney Ltd (or its partner, Sanderson Weatherall) as external valuers, with the exception of some select properties which were valued internally by the Group's qualified surveyors. The valuations have been carried out in accordance with the RICS Valuation – Global Standards. The Surveyors arrive at their valuation by using their professional judgement in applying market comparable methods of valuation such as the utilisation of comparable market rental values and rental yields. Other considerations taken into account include the individual property profile, lot size, layout and presentation of accommodation. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

As the Irish property market continues to be affected by COVID-19 uncertainty, valuations of retail branches located in the Republic of Ireland (€87 million) are subject to a 'material valuation uncertainty' clause, in line with the RICS Valuation - Global Standards. All other properties were not subject to the material valuation uncertainty clause.

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

The following tables set out the level of the fair value hierarchy for assets and liabilities held at fair value. Information is also given for items carried at amortised cost where the fair value is disclosed.

Group	2020				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	-	-	-	-	32	-	-	32
Derivative financial instruments	-	2,210	7	2,217	-	1,996	3	1,999
Other financial assets at FVTPL	16,782	483	152	17,417	15,755	593	136	16,484
Loans and advances to banks	-	227	-	227	-	306	-	306
Financial assets at FVOCI	10,942	-	-	10,942	10,797	-	-	10,797
Loans and advances to customers	-	-	361	361	-	-	252	252
Interest in associates	-	-	54	54	-	-	56	56
Non-financial assets held at fair value								
Investment property	-	-	843	843	-	-	999	999
Property held at fair value	-	-	180	180	-	-	196	196
	27,724	**2,920**	**1,597**	**32,241**	**26,584**	**2,895**	**1,642**	**31,121**
Financial liabilities held at fair value								
Customer accounts	-	698	5	703	-	916	14	930
Derivative financial instruments	-	2,249	8	2,257	-	2,474	4	2,478
Debt securities in issue	-	348	-	348	-	362	2	364
Liabilities to customers under investment contracts	-	5,892	-	5,892	-	5,890	-	5,890
Insurance contract liabilities	-	13,479	-	13,479	-	12,694	-	12,694
	-	**22,666**	**13**	**22,679**	**-**	**22,336**	**20**	**22,356**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	1	2,225	-	2,226	2	3,020	-	3,022
Debt securities at amortised cost	6,318	21	9	6,348	4,496	29	11	4,536
Loans and advances to customers	-	-	74,050	74,050	-	-	76,487	76,487
Fair value of financial liabilities held at amortised cost								
Deposits from banks	-	2,388	-	2,388	-	2,179	-	2,179
Customer accounts	-	88,064	-	88,064	-	83,138	-	83,138
Debt securities in issue	2,790	3,272	498	6,560	4,409	3.279	718	8.406
Subordinated liabilities	49	1,358	106	1,513	51	1,650	107	1,808

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

Group **Movements in level 3 assets** **2020**	**Loans advances customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Investment property €m**	**Property held at fair value €m**	**Total €m**
Opening Balance	**252**	**136**	**3**	**56**	**999**	**196**	**1,642**
Exchange Adjustment	-	(1)	-	-	(8)	(3)	(12)
Total gains or losses in:							
Profit or loss							
- Interest income	18	-	-	-	-	-	18
- Net trading income / (expense)	(1)	(13)	9	-	-	-	(5)
- Revaluation	-	-	-	-	(77)	(4)	(81)
- Share of results of associates	-	-	-	(3)	-	-	(3)
- Life assurance investment income and gains	-	2	-	-	-	-	2
Other comprehensive income							
Other comprehensive income	-	-	-	-	-	(9)	(9)
Additions	224	7	-	5	-	-	236
Disposals	(108)	(23)	-	(4)	(71)	-	(206)
Redemptions	(24)	(2)	-	-	-	-	(26)
Reclassifications	-	-	-	-	-	-	-
Transfers out of level 3							
- from level 3 to level 2	-	(33)	(9)	-	-	-	(42)
Transfers into level 3							
- from level 2 to level 3	-	79	4	-	-	-	83
Closing balance	**361**	**152**	**7**	**54**	**843**	**180**	**1,597**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**10**	**(11)**	**3**	**(3)**	**(85)**	**-**	**(86)**
- Net trading income / (expense)	*10*	*(13)*	*3*	*-*	*-*	*-*	*-*
- Life assurance investment income and gains	*-*	*2*	*-*	*-*	*(62)*	*-*	*(60)*
- Share of results of associates	*-*	*-*	*-*	*(3)*	*-*	*-*	*(3)*
- Other operating income	*-*	*-*	*-*	*-*	*(23)*	*-*	*(23)*

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

There were no transfers between level 1 and level 2.

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

Group Movements in level 3 assets *Restated*[1] 2019	Loans advances customers €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Investment property €m	Property held at fair value €m	Total €m
Opening Balance	**261**	**123**	**18**	**53**	**1,037**	**170**	**1,662**
Exchange Adjustment	-	-	1	-	14	2	17
Total gains or losses in:							
Profit or loss							
- Interest income	13	-	-	-	-	-	13
- Net trading income / (expense)	(2)	42	7	-	-	-	47
- Reversal of impairment charges	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	(3)	-	(3)
- Impairment gains / (losses) on financial instruments	-	-	-	-	-	-	-
- Share of results of associates	-	-	-	5	-	-	5
- Life assurance investment income and gains	-	-	-	-	-	-	-
- Other operating income	-	-	-	-	-	-	-
- Gain on disposal of assets held for sale	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	3	3
Additions	6	11	-	8	11	-	36
Disposals	-	(10)	(7)	(10)	(39)	-	(66)
Redemptions	(26)	(9)	-	-	-	-	(35)
Reclassifications	-	-	-	-	(21)	21	-
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	**252**	**136**	**3**	**56**	**999**	**196**	**1,642**
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	10	-	58
- Net trading income / (expense)	*10*	*33*	-	-	-	-	*43*
- Life assurance investment income and gains	-	-	-	-	*7*	-	*7*
- Share of results of associates	-	-	-	*5*	-	-	*5*
- Other operating income	-	-	-	-	*3*	-	*3*

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

There were no transfers between level 1 and level 2.

[1] *As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.*

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

Group	2020				2019			
Movements in level 3 liabilities	**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	**14**	**4**	**2**	**20**	**27**	**7**	**2**	**36**
Exchange adjustments					-	-	-	-
Total gains or losses in:								
Profit or loss								
- Net trading (income) / expense	(2)	15	(1)	12	5	-	-	5
Other comprehensive income	-	-	-	-	-	-	-	-
Additions	6	-	-	6	23	-	-	23
Disposals	-	(1)	-	(1)	-	(3)	-	(3)
Redemptions and maturities	-	-	(1)	(1)	-	-	-	-
Transfers out of level 3 - from level 3 to level 2	(13)	(10)	-	(23)	(41)	-	-	(41)
Transfers into level 3 - from level 2 to level 3	-	-	-	-	-	-	-	-
Closing balance	**5**	**8**	**-**	**13**	**14**	**4**	**2**	**20**
Total unrealised (gains) / losses for the year included in profit or loss for level 3 liabilities at the end of the year								
Net trading (income) / expense	2	(8)	-	(6)	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 or from level 2 to level 3.

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

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

Level 3 assets	Valuation technique	Unobservable input	Fair value 2020 €m	Fair value 2019 €m	Range 2020 %	Range 2019 %
Loans and advances to customers	Discounted cash flow	Discount on market rate[1] Collateral charges	239	246	2.75%-4.50% 3.00%-5.80%	2.75%-4.50% 0.50%-5.80%
	Par value less discount	Discount	122	6	0.0%-3.3%	0.0%
Other financial assets at fair value through profit or loss	Discounted cash flow Equity Value less discount Market comparable property transactions[2]	Discount rate[1] Discount Yields	152	136	15% 0-50% 2.86%-7.01%	15% 0%-50% 2.99% - 6.62%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[3]	7	3	0%-1.8%	0.0%-0.3%
Interest in associates[4]	Market comparable companies	Price of recent investment Earnings multiple[5] Revenue multiple[5]	54	56	-	-
Investment property	Market comparable property transactions	Yields	843	999	2.86% – 7.01%	2.99% - 6.62%
Property held at fair value	Market comparable property transactions	Yields	180	196	5.25% – 12.50%	4.75% – 12.50%

Level 3 liabilities	Valuation technique	Unobservable input	Fair value 2020 €m	Fair value 2019 €m	Range 2020 %	Range 2019 %
Customer accounts	Discounted cash flow Option pricing model	Own credit spread[3]	5	14	0.6%-0.7%	0.6%-0.9%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[3]	8	4	0.0% - 1.8%	0.0%-0.3%
Debt securities in issue	Discounted cash flow	Own credit spread[3]	-	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] *These assets represent holdings in real estate property funds.*
[3] *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*
[4] *Given the wide range of diverse investments and the correspondingly large differences in prices, the Group does not disclose the ranges as it believes it would not provide meaningful information without a full list of the underlying investments, which would be impractical.*
[5] *The Group's multiples represent multiples that market participants would use in valuing these investments.*

Note: 100 basis points = 1%

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

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

Group	2020		2019	
Financial instruments	Carrying amount €m	Fair values €m	Carrying amount €m	Fair values €m
Assets				
Loans and advances to banks	2,226	2,226	3,022	3,022
Debt securities at amortised cost	6,266	6,348	4,511	4,536
Loans and advances to customers (including assets held for sale)	76,220	74,050	79,235	76,487
Liabilities				
Deposits from banks	2,388	2,388	2,179	2,179
Customer accounts	88,015	88,064	83,113	83,138
Debt securities in issue	6,624	6,560	8,451	8,406
Subordinated liabilities	1,436	1,513	1,693	1,808

Bank	2020				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	-	-	-	-	32	-	-	32
Derivative financial instruments	-	2,357	9	2,366	-	2,062	4	2,066
Other financial assets at FVTPL	-	383	47	430	-	426	91	517
Loans and advances to banks	-	-	-	-	-	1	-	1
Financial assets at FVOCI	10,942	-	-	10,942	10,797	-	-	10,797
Loans and advances to customers	-	-	283	283	-	-	166	166
Non-financial assets held at fair value								
Property held at fair value	-	-	130	130	-	-	143	143
	10,942	**2,740**	**469**	**14,151**	**10,829**	**2,489**	**404**	**13,722**
Financial liabilities held at fair value								
Customer accounts	-	1,098	5	1,103	-	1,532	14	1,546
Derivative financial instruments	-	2,349	58	2,407	-	2,576	44	2,620
Debt securities in issue	-	46	-	46	-	46	2	48
	-	**3,493**	**63**	**3,556**	**-**	**4,154**	**60**	**4,214**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	-	15,864	-	15,864	-	14,276	-	14,276
Debt securities at amortised cost	5,290	3,212	-	8,502	3,490	3,212	-	6,702
Loans and advances to customers	-	-	35,584	35,584	-	-	37,336	37,336
Fair value of financial liabilities held at amortised cost								
Deposits from banks	-	4,335	-	4,335	-	4,526	-	4,526
Customer accounts	-	69,320	-	69,320	-	62,870	-	62,870
Debt securities in issue	33	3,084	-	3,117	397	2,441		2,838
Subordinated liabilities	-	1,358	106	1,464	-	1,650	107	1,757

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

Bank **Movements in level 3 assets** **2020**	**Loans advances customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Property held at fair value €m**	**Total €m**
Opening balance	**166**	**91**	**4**	**143**	**404**
Exchange Adjustment	-	(1)	-	(1)	(2)
Total gains or losses in:					
Profit or loss					
- Interest income	12	-	-	-	12
- Net trading income / (expense)	-	(11)	10	-	(1)
- Revaluation	-	-	-	(4)	(4)
- Share of results of associates	-	-	-	-	-
- Life assurance investment income and gains	-	-	-	-	-
Other comprehensive income	-	-	-	(8)	(8)
Additions	225	1	-	-	226
Disposals	(108)	(3)	-	-	(111)
Redemptions	(12)	3	-	-	(9)
Reclassifications	-	-	-	-	-
Transfers out of level 3					
- from level 3 to level 2	-	(33)	(9)	-	(42)
Transfers into level 3					
- from level 2 to level 3	-	-	4	-	4
Closing balance	**283**	**47**	**9**	**130**	**469**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year					
Net trading income / (expense)	-	(11)	4	-	(7)

The transfer from level 3 to level 2 arose as a result of unobservable inputs becoming less significant to the fair value measurement of these assets.

There were no transfers between level 1 and level 2.

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

Bank **Movements in level 3 assets** *Restated*[1] **2019**	**Loans advances customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Property held at fair value €m**	**Total €m**
Opening balance	**160**	**46**	**19**	**141**	**366**
Exchange Adjustment	-	-	1	1	2
Total gains or losses in:					
Profit or loss					
- Interest income	7	-	-	-	7
- Net trading income / (expense)	-	35	8	-	43
- Reversal of impairment charges	-	-	-	-	-
Other comprehensive income	-	-	-	1	1
Additions	6	10	-	-	16
Disposals	-	-	(8)	-	(8)
Redemptions	(7)	-	-	-	(7)
Reclassifications	-	-	-	-	-
Transfers out of level 3					
- from level 3 to level 2	-	-	(16)	-	(16)
Transfers into level 3					
- from level 2 to level 3	-	-	-	-	-
Closing balance	**166**	**91**	**4**	**143**	**404**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year					
Net trading income / (expense)	-	32	1	-	33

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

There were no transfers between level 1 and level 2.

[1] *As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.*

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

Bank	**2020**				*Restated[1]* **2019**			
Movements in level 3 liabilities	**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	**14**	**44**	**2**	**60**	**27**	**26**	**2**	**55**
Exchange adjustments	-	4	-	4	-	-	-	-
Total gains or losses in:								
Profit or loss								
- Interest expense	-	7	-	7	-	8	-	8
- Net trading (income) / expense	(2)	15	(1)	12	5	26	-	31
Other comprehensive income	-	-	-	-	-	-	-	-
Additions	6	-	-	6	23	-	-	23
Disposals	-	-	-	-	-	(4)	-	(4)
Redemptions and maturities	-	-	(1)	(1)	-	(9)	-	(9)
Transfers out of level 3								
- from level 3 to level 2	(13)	(12)	-	(25)	(41)	(3)	-	(44)
Transfers in to level 3								
- from level 2 to level 3	-	-	-	-	-	-	-	-
Closing balance	**5**	**58**	**-**	**63**	**14**	**44**	**2**	**60**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 liabilities at the end of the year								
Net trading income / (expense)	2	(8)	-	(6)	1	(36)	-	(35)

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

There were no transfers between level 1 and level 2.

[1] *As outlined in the Group accounting policies on page 88, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy for the presentation of interest income and expense on certain financial instruments. See note 61 for additional information.*

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

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

Bank			Fair value		Range	
Level 3 assets	**Valuation technique**	**Unobservable input**	**2020 €m**	**2019 €m**	**2020 %**	**2019 %**
Loans and advances to customers	Par value less discount	Discount	283	166	0.0%-3.3%	0.0%
	Discounted cash flow	Discount rate[1]	47	91	15%	15%
	Equity Value less discount	Discount			0%-50%	0%-50%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[2]	9	4	0.0%-1.8%	0.0%-0.3%
Property held at fair value	Market comparable property transactions	Yields	130	143	5.25% – 12.50%	4.75% – 12.50%

Bank			Fair value		Range	
Level 3 liabilities	**Valuation technique**	**Unobservable input**	**2020 €m**	**2019 €m**	**2020 %**	**2019 %**
Customer accounts	Discounted cash flow Option pricing model	Own credit spread[2]	5	14	0.6%-0.7%	0.6%-0.9%
Derivative financial instruments	Discounted cash flow	Forecast central bank rates	58	44	0.0%-0.1%	0.0%-0.5%
	Option pricing model	Counterparty credit spread[2]			0.0%-1.8%	0.0%-0.3%
	CDS pricing model				1%-6%	1%-20%
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.*

Note: 100 basis points = 1%

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

Bank Financial instruments	2020 Carrying amount €m	2020 Fair values €m	2019 Carrying amount €m	2019 Fair values €m
Assets				
Loans and advances to banks	15,864	15,864	14,276	14,276
Debt securities at amortised cost	8,422	8,502	6,675	6,702
Loans and advances to customers	36,635	35,584	38,417	37,336
Liabilities				
Deposits from banks	4,335	4,335	4,526	4,526
Customer accounts	69,316	69,320	62,871	62,870
Debt securities in issue	3,168	3,117	2,865	2,838
Subordinated liabilities	1,400	1,464	1,655	1,757

59 Transferred financial assets

Group	Carrying amount of transferred assets €m	Carrying amount of associated liabilities[1] €m	Fair value of transferred assets €m	Fair value of associated liabilities[1] €m	Net fair value position €m
2020					
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	-	-	-	-	-
Residential mortgages book[3] (Bowbell II SPE)	256	235	262	236	26
Sale and repurchase / similar products[4]					
Debt securities at amortised cost	98	100	99	100	(1)
Financial assets at FVOCI	24	23	24	23	1
2019					
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	486	547	448	535	(87)
Residential mortgages book[3] (Bowbell II SPE)	402	361	411	363	48
Sale and repurchase / similar products[4]					
Debt securities at amortised cost	18	18	18	18	-
Financial assets at FVOCI	17	17	17	17	-

The Group has transferred certain financial assets that are not derecognised from the Group's balance sheet. Such arrangements are securitisations and sale or repurchase agreements. The Group is exposed to substantially all risks and rewards including credit and market risk associated with the transferred assets.

The Group has not entered into any agreements on the sale of assets that entail the Group's continuing involvement in derecognised financial assets other than assets transferred to Mulcair Securities (note 56).

[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by securitisation special purpose entity, held by other Group entities.*
[2] *Brunel Residential Mortgage Securitisation No. 1 plc redeemed all of its outstanding debt securities in July 2020.*
[3] *For each securitisation the relevant loan book / pool is ring-fenced whereby the cash flows associated with these assets can only be used to repay the related notes holders plus associated issuance fees / costs.*
[4] *Assets sold or transferred subject to repurchase agreements or similar products are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate. The difference between the original sale price of the bonds and the repurchase price is the repo rate.*

59 Transferred financial assets *(continued)*

Bank	Carrying amount of transferred assets €m	Carrying amount of associated liabilities[1] €m	Fair value of transferred assets €m	Fair value of associated liabilities[1] €m	Net fair value position €m
2020					
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	-	-	-	-	-
Sale and repurchase / similar products					
Debt securities at amortised cost	98	100	99	100	(1)
Financial assets at FVOCI	24	23	24	23	1
2019					
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[3]	486	547	448	535	(87)
Sale and repurchase / similar products					
Debt securities at amortised cost	18	18	18	18	-
Financial assets at FVOCI	17	17	17	17	-

The Bank has transferred certain financial assets that are not derecognised from the Bank's balance sheet. Such arrangements are securitisations and sale or repurchase agreements. The Bank is exposed to substantially all risks and rewards including credit and market risk associated with the transferred assets.

The Bank has not entered into any agreements on the sale of assets that entail the Bank's continuing involvement in derecognised financial assets other than assets transferred to Mulcair Securities (note 56).

[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by securitisation special purpose entity, held by other Group entities.*
[2] *Brunel Residential Mortgage Securitisation No. 1 plc redeemed all of its outstanding debt securities in July 2020.*
[3] *For each securitisation the relevant loan book / pool is ring-fenced whereby the cash flows associated with these assets can only be used to repay the related notes holders plus associated issuance fees / costs.*

60 Offsetting financial assets and liabilities

The following tables set out the effect or potential effect of netting arrangements on the Group and Bank's financial positions. This includes the effect or potential effect of rights of set-off associated with the Group and Bank's recognised financial assets and recognised financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are set off in accordance with paragraph 42 of IAS 32.

Group				Related amounts not set off in the balance sheet		
Assets	Gross amounts of recognised financial assets €m	Gross amounts of recognised financial liabilities set off in the balance sheet €m	Net amounts of financial assets presented in the balance sheet €m	Financial[1] instruments €m	Cash[2] collateral received €m	Net amount €m
2020						
Derivative financial assets	2,206	-	2,206	(1,667)	(156)	383
Loans and advances to customers	239	(239)	-	-	-	-
Total	**2,445**	**(239)**	**2,206**	**(1,667)**	**(156)**	**383**
2019						
Derivative financial assets	1,994	-	1,994	(1,550)	(155)	289
Loans and advances to customers	313	(313)	-	-	-	-
Total	**2,307**	**(313)**	**1,994**	**(1,550)**	**(155)**	**289**

Bank				Related amounts not set off in the balance sheet			
Assets	Gross amounts of recognised financial assets €m	Gross amounts of recognised financial liabilities set off in the balance sheet €m	Net amounts of financial assets presented in the balance sheet €m	Financial[1] instruments €m	Cash[2] collateral received €m	Deposits by banks[3] €m	Net amount €m
2020							
Derivative financial assets	2,206	-	2,206	(1,667)	(156)	-	383
Loans and advances to banks[3]	2,638	-	2,638	-	-	(340)	2,298
Loans and advances to customers	137	(137)	-	-	-	-	-
Total	**4,981**	**(137)**	**4,844**	**(1,667)**	**(156)**	**(340)**	**2,681**
2019							
Derivative financial assets	1,963	-	1,963	(1,550)	(124)	-	289
Loans and advances to banks[3]	2,328	-	2,328	-	-	(649)	1,679
Loans and advances to customers	313	(313)	-	-	-	-	-
Total	**4,604**	**(313)**	**4,291**	**(1,550)**	**(124)**	**(649)**	**1,968**

[1] *Amounts of €1,667 million represent recognised derivatives assets at fair value that do not meet the offsetting criteria (2019: €1,550 million).*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported within deposits from banks (note 38).*
[3] *Loans and advances to banks of €2,638 million (2019: €2,328 million) and deposits by banks of €340 million (2019: €649 million) represent balances with a subsidiary undertaking, Bank of Ireland (UK) plc.*

60 Offsetting financial assets and liabilities *(continued)*

The following financial liabilities are subject to offsetting, enforceable master netting arrangements.

Group Liabilities	Gross amounts of recognised financial liabilities €m	Gross amounts of recognised financial assets set off in the balance sheet €m	Net amounts of financial liabilities presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[1] instruments €m	Related amounts not set off in the balance sheet: Cash[2] collateral pledged €m	Net amount €m
2020						
Derivative financial liabilities	2,251	-	2,251	(1,667)	(314)	270
Customer deposits	239	(239)	-	-	-	-
Total	**2,490**	**(239)**	**2,251**	**(1,667)**	**(314)**	**270**
2019						
Derivative financial liabilities	2,469	-	2,469	(1,550)	(821)	98
Customer deposits	313	(313)	-	-	-	-
Total	**2,782**	**(313)**	**2,469**	**(1,550)**	**(821)**	**98**

Bank Liabilities	Gross amounts of recognised financial liabilities €m	Gross amounts of recognised financial assets set off in the balance sheet €m	Net amounts of financial liabilities presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[1] instruments €m	Related amounts not set off in the balance sheet: Cash[2] collateral pledged €m	Related amounts not set off in the balance sheet: Loans and advances to banks[3] €m	Net amount €m
2020							
Derivative financial liabilities	2,251	-	2,251	(1,667)	(314)	-	270
Deposits by banks[3]	340	-	340	-	-	(2,638)	(2,298)
Customer deposits	137	(137)	-	-	-	-	-
Total	**2,728**	**(137)**	**2,591**	**(1,667)**	**(314)**	**(2,638)**	**(2,028)**
2019							
Derivative financial liabilities	2,469	-	2,469	(1,550)	(821)	-	98
Deposits by banks[3]	649	-	649	-	-	(2,328)	(1,679)
Customer deposits	313	(313)	-	-	-	-	-
Total	**3,431**	**(313)**	**3,118**	**(1,550)**	**(821)**	**(2,328)**	**(1,581)**

The 'Financial Instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements such as an ISDA Master agreement. The agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis: however each party to the master netting agreement has the option to settle all such amounts on a net basis in the event of default of the other party.

[1] *Amounts of €1,667 million represent recognised derivatives liabilities at fair value that do not meet the offsetting criteria (2019: €1,550 million).*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset.*
[3] *Loans and advances to banks of €2,638 million (2019: €2,328 million) and deposits by banks of €340 million (2019: €649 million) represent balances with a subsidiary undertaking, Bank of Ireland (UK) plc.*

61 Impact of voluntary change in interest income and expense accounting policy

As outlined in the Group accounting policies note 1, 'Voluntary change in accounting policy' on page 88, the Group has voluntarily changed its accounting policy for the presentation of interest income and interest expense on certain financial instruments.

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

Impact of the restatement on the relevant financial statement line items:

	2020			2019		
Consolidated income statement (selected lines)[1]	**Before change in accounting policy €m**	**Impact of change in accounting policy €m**	**Total €m**	**Published €m**	**Impact of change in accounting policy €m**	**Total €m**
Interest income calculated using the effective interest method	2,183	-	2,183	2,350	-	2,350
Other interest income	171	216	387	175	233	408
Interest income	**2,354**	**216**	**2,570**	**2,525**	**233**	**2,758**
Interest expense	(262)	(236)	(498)	(377)	(216)	(593)
Net interest income	**2,092**	**(20)**	**2,072**	**2,148**	**17**	**2,165**
Net trading income	6	20	26	138	(17)	121
Total operating income	**4,318**	**-**	**4,318**	**5,550**	**-**	**5,550**
(Loss) / profit before tax	**(776)**	**-**	**(776)**	**639**	**-**	**639**
(Loss) / profit for the year	**(721)**	**-**	**(721)**	**443**	**-**	**443**

62 Other

(a) The Bank financial statements are prepared in accordance with Section 290 (1) of the Companies Act 2014.

(b) The Bank is domiciled in Ireland.

(c) The Bank is a corporation established in Ireland in 1783 under Royal Charter, with registration number of C-1.

(d) The Bank's immediate and ultimate holding undertaking, BOIG plc, includes the Bank in its consolidated financial statements. The consolidated financial statements of the BOIG plc Group are prepared in accordance with IFRS, are available to the public and may be obtained from the Bank of Ireland Head Office, Mespil Road, Dublin 4.

(e) As at 31 December 2020, the Bank has provided a guarantee under Section 357 of the Companies Act, 2014 for the following companies:

Bank of Ireland Commercial Finance Limited, Bank of Ireland Finance Limited, Bank of Ireland Insurance Management Services Limited, Bank of Ireland Insurance Services Limited, Bank of Ireland International Finance Designated Activity Company, Bank of Ireland Leasing Limited, Bank of Ireland Life Holdings Limited, Bank of Ireland Nominee 1 Limited, Bank of Ireland Nominee 3 Limited, Bank of Ireland Pensions Trust Unlimited Company, Bank of Ireland Unit Managers Limited, BIAM Holdings Unlimited Company, BOI Capital Holdings Limited, BOI-IF Services No 10 Company Unlimited Company, BOI-IF Services No 5 Company Unlimited Company, Bushfield Leasing Limited, C and I (Division) Holdings Unlimited Company, Edendork Leasing Limited, Hibernian Bank Limited, Hill Wilson Secretarial Limited, IBI Property Nominees Limited, Lansdowne Leasing Unlimited Company, Leopardstown Offices Management Company Limited by Guarantee, Nerling Limited, Nestland Limited, New Ireland Financial Services Limited, New Ireland Investment Managers Limited, Professional Audit Services Limited, Scribe Holdings Limited, The Investment Bank of Ireland Limited, The National Bank of Ireland Limited, Tockhill Unlimited Company, Trustcase Limited, Tustin Limited, Bank of Ireland Insurance & Investments Limited[2], Bank of Ireland Treasury and International Banking Limited[2], Bank of Ireland Trust Services Limited[2], Central Pensions Administration Limited[2], Centurion Card Services Limited[2].

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

62 Other *(continued)*

(f) The Bank entered into a framework agreement on 22 September 2014 with the CBI under which the Bank may issue special mortgage-backed euro promissory notes to the CBI as security for Eurosystem credit operations. These obligations are secured by way of a deed of floating charge over all the Bank's right, title, interest and benefit, present and future in and to certain RoI mortgages and related loans forming part of a mortgage pool and the benefit of all related security. The deed of floating charge contains a provision whereby during the subsistence of the security constituted thereby, otherwise than with the prior written consent of the CBI, the Bank shall:
   (i) not create or attempt to create or permit to arise or subsist any encumbrance on or over the property charged thereunder or any part thereof; or
   (ii) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the property charged thereunder or any part thereof or redeem, agree to redeem or accept repayment in whole or in part of any loan or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

(g) The Bank entered into a framework agreement in respect of Eurosystem Operations secured over collateral pool assets (the 'Pooling Agreement') with the CBI, together with a related Deed of Charge (the 'Pooling Deed of Charge'), on 15 May 2014. Pursuant to the Pooling Agreement, the Bank may participate in Eurosystem Operations (as defined therein) which, inter alia, provides for access to the Eurosystem's main refinancing operations. The Pooling Agreement and the Pooling Deed of Charge replaced the master repurchase agreement previously entered into by the Bank to access the main refinancing operations. As more fully described in the Pooling Deed of Charge, the Bank's obligations pursuant to the Pooling Agreement are secured by way of:
   (i) a first fixed charge over the Bank's right, title, interest and benefit, present and future in and to eligible assets (as identified as such by the CBI) which comprise present and future rights, title, interest, claims and benefits of the Bank at that time in and to, or in connection with, a collateral account (the 'Collateral Account') and eligible assets which stand to the credit of the Collateral Account (together, the 'Collateral Account Assets'); and
   (ii) a floating charge over the Bank's right, title, interest and benefit, present and future in and to other eligible assets of the Bank.

   The Pooling Deed of Charge provides that the Bank may not, save with the prior written consent of the CBI or as permitted by the Pooling Agreement, until its obligations under the Pooling Agreement have been discharged in full:
   (i) receive, withdraw, redeem or otherwise transfer or deal with the Collateral Account Assets;
   (ii) assign, transfer or otherwise dispose of all or any of its rights, title, interest or benefit in or to the Collateral Account Assets;
   (iii) give any instructions in respect of the Collateral Account Assets;
   (iv) create or attempt to create or permit to arise or subsist any encumbrance on or over the property charged under the Pooling Deed of Charge;
   (v) sell, transfer, lend or otherwise dispose of or deal in the assets subject to the fixed charge under the Pooling Deed of Charge or any part thereof or, in each case, attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time; and
   (vi) otherwise than in the ordinary course of business (and provided that (A) no event of default or event that, with the giving of notice or the lapse of time or both, would constitute an event of default, has occurred, (B) the floating charge has not crystallised without being reconverted into, and continuing in effect as, a floating charge), sell, transfer, lend or otherwise dispose of or deal in the assets subject to the floating charge under the Pooling Deed of Charge or any part thereof, or redeem, agree to redeem or accept repayment in whole or in part of any credit claim subject to the floating charge, or enforce or release any related security or, in each case, attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

(h) Bank income statement:
   In accordance with Section 304 of Companies Act 2014, the Bank is availing of the exemption to not present its individual income statement to the AGC and from filing it with the Registrar of Companies. The Bank's loss after tax for the year ended 31 December 2020 determined in accordance with FRS 101 is €902 million (2019: €565 million profit).

(i) BOI Capital Funding (No 1) LP, BOI Capital Funding (No 2) LP, BOI Capital Funding (No 3) LP and BOI Capital Funding (No 4) LP, which are funding vehicles for the Group, have been included in the results of the Group using acquisition accounting on the basis that the Bank controls these entities. The general partner of these companies is BOI GP No 1 Limited, a wholly owned subsidiary of the Bank.

   The Group avails of the exemption provided under Regulation 7 of The Partnerships (Accounts) Regulations 2008 of the UK. Under this exemption, the financial statements of the Limited Partnerships which BOI GP No 1 Limited manages are not required to be filed as appended to the annual financial statements of BOI GP No 1 Limited as the Limited Partnerships are consolidated within the financial statements of the Group.

63 Post balance sheet events

On 20 January 2021, the Board recommended the closure of 103 branches across the island of Ireland. 82 branches are freehold properties owned by the Group and are held at fair value of c.€17 million at 31 December 2020. 21 branches are leasehold properties with a carrying value of c.€13 million at 31 December 2020.

64 Approval of financial statements

The Court of Directors approved the Consolidated and Bank financial statements on 26 February 2021.

Other Information

Contents

Forward looking statement

This document contains forward-looking statements with respect to certain of The Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries' (collectively the 'Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, LDR, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, macroeconomic conditions, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, UK, European and other regulators and 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.

Such risks and uncertainties include, but are not limited to, those as set out in the 'Principal Risks and Uncertainties' (pages 10 to 20).

Nothing in this document should be considered to be a forecast of future profitability or financial position 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

Other disclosures

1. On 15 February 2008 a first floating charge (the Floating Charge) was placed in favour of the CBI over all The Governor and Company of the Bank of Ireland's right, title, interest and benefit, present and future, in and to (i) the balances now or at any time standing to the credit of The Governor and Company of the Bank of Ireland's account held as a TARGET 2 participant with the CBI; and (ii) certain segregated securities listed in an Eligible Securities Schedule kept by the Bank for purposes of participating in TARGET 2 ((i) and (ii) together the Charged Property) where TARGET 2 is a real time gross settlement system for payments in euro with settlement in central bank money.

   This Floating Charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBI, the Bank shall:

   (a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the Charged Property or any part thereof; or

   (b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the Charged Property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

   On 14 September 2018, The Governor and Company of the Bank of Ireland entered into an Agreement in respect of Continued Participation in Target 2 Ireland with the CBI to restate and modify the terms and conditions applicable to the Bank's existing participation in TARGET 2 with effect from 14 September 2018. This Agreement provided that The Governor and Company of the Bank of Ireland would continue to participate in TARGET 2 in accordance with the Agreement and the TARGET 2 Ireland terms and conditions as published on the CBI's website and that the Floating Charge would continue in full force and effect with respect to such continued and amended participation in TARGET 2.

Alternative performance measures

This section contains further information related to certain measures referred to in the Business Review.

The Business Review is prepared using IFRS and non-IFRS measures to analyse the Group's performance, providing comparability year on year. These performance measures are consistent with those presented to the Court 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 76.

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

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

Forborne collateral realisation loans that are not greater than 90 days past due and / or impaired consist of loans (primarily residential mortgages) where forbearance is in place and where future reliance on the realisation of collateral is expected, for the repayment in full of the relevant borrower loan. Such arrangements will include Split Mortgages and certain 'Interest Only' / 'Interest Only plus' arrangements.

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

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

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

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

Non-performing exposures: These are:
(i) **credit-impaired loans** (which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, including FCR cases, and loans where the borrower is greater than 90 days past due and the arrears amount is material; and); and
(ii) **other / probationary loans** that have yet to satisfy exit criteria in line with EBA guidance to return to performing.

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

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

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

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 5 for further information.

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

The Group has decided to apply the term 'underlying divisional contribution' to divisional results to more clearly reflect the fact that certain unallocated costs are presented in Group Centre, and are not reflected in the results of the other divisions. Comparative amounts for 2019 have not been restated, as the measurement of divisional results is unchanged, with 'underlying divisional contribution' measured on the same basis as the previously presented 'underlying profit or loss by division'.

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

Abbreviations

AA	Automobile Association
AGC	Annual General Court
AGM	Annual General Meeting
AIB	Allied Irish Banks Group plc and subsidiaries
ALCO	Group Asset & Liability Committee
AT1	Additional tier 1
ATM	Automated Teller Machine
Bank	The Governor and Company of the Bank of Ireland
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
BOIG plc	Bank of Ireland Group plc
BoIGM	Bank of Ireland Global Markets
BoIMB	Bank of Ireland Mortgage Bank
bps	Basis points
BRRD	Bank Recovery and Resolution Directive
BSPF	Bank of Ireland Staff Pensions Fund
BTL	Buy to let
CAC	Court Audit Committee
CBI	Central Bank of Ireland
CDEAs	Cleared Derivatives Execution Agreements
CDS	Credit default swap
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFO	Chief Financial Officer
CGU	Cash generating units
CPI	Consumer Price Index
CR	Credit Review
CRC	Court Remuneration Committee
CRD	Capital Requirements Directive (EU)
CRMF	Conduct Risk Management Framework
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAs	Credit Support Annexes
CSO	Central Statistics Office
CVA	Credit Valuation Adjustment
DAC	Designated Activity Company
DCF	Discounted Cash Flow
DGS	Deposit Guarantee Scheme
DIRT	Deposit Interest Retention Tax
DTA	Deferred tax asset
EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit losses
EDIS	European Deposit Insurance Scheme
EIOPA	European Insurance and Occupational Pensions Authority
ELG	Eligible Liabilities Guarantee
EMIR	European Market Infrastructure Regulation
ESB	Electricity Supply Board
ESMA	European Securities and Markets Authority
EU	European Union
EURIBOR	Euro Inter Bank Offered Rate
FCA	Financial Conduct Authority
FCR	Forborne collateral realisation
FIRB	Foundation Internal Rating Based
FLI	Forward looking information
FRES	First Rate Exchange Services Limited
FRESH	First Rate Exchange Services Holdings Limited
FRS	Financial Reporting Standards
FSCS	Financial Services Compensation Scheme
FVA	Funding Valuation Adjustment
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX	Foreign exchange
GAC	Group Audit Committee
GB	Great Britain
GEC	Group Executive Committee
GIA	Group Internal Audit
GM&LR	Group Market and Liquidity Risk
GRPC	Group Risk Policy Committee
GTOC	Group Transformation Oversight Committee
HMRC	HM Revenue & Customs
IAASA	Irish Auditing Accounting Supervisory Authority
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Inter Bank Offered Rate
IBR	Incremental borrowing rate
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILTR	Indexed Long Term Repo
IPO	Initial Public Offering
IRB	Internal Rating Based
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivative Association
IVU	Independent Valuation Unit
KMP	Key management personnel
KPIs	Key performance indicators
LDI	Liability Driven Investment
LDR	Loan to deposit ratio
LGD	Loss Given Default
LIBOR	London Inter Bank Offered Rate
LME	Liability management exercise
LTV	Loan to Value
MCEV	Market Consistent Embedded Value
MFS	Minimum Funding Standard
MLL	Marshall Leasing Limited
MREL	Minimum Requirement for own Funds and Eligible Liabilities
MRT	Material Risk Taker
NAMA	National Asset Management Agency
NAMAID	National Asset Management Agency

Abbreviations *(continued)*

	Investment DAC
NED	Non-Executive Director
NI	Northern Ireland
NIAC	New Ireland Assurance Company plc
NPEs	Non-performing exposures
NTMA	National Treasury Management Agency
OCI	Other Comprehensive Income
ORSA	Own Risk and Solvency Assessment
OTC	Over the Counter
PD	Probability of Default
POCI	Purchased or Originated Credit-impaired financial asset
PRA	Prudential Regulation Authority
PRC	Portfolio Review Committee
RAROC	Risk Adjusted Return on Capital
RCF	Revolving Credit Facility
RCSA	Risk and Control Self Assessment
RMC	Risk Measurement Committee
RoI	Republic of Ireland
RoU	Right of Use
RoW	Rest of World
RPI	Retail Price Index
RPPI	Residential Property Price Index
RSB	Responsible and Sustainable Business
RWAs	Risk weighted assets
S&P	Standard and Poor's
SCR	Solvency Capital Requirement
SID	Senior Independent Director
SME	Small and Medium Enterprise
SPE	Special purpose entity
SRB	Single Resolution Board
SRF	Single Resolution Fund
SSM	Single Supervisory Mechanism
TFS	Term Funding Scheme
TLTRO	Targeted Longer Term Refinancing Operation
TtC	Through-the-Cycle
UK	United Kingdom
UN	United Nations
US	United States
VA	Volatility Adjustment
VaR	Value at Risk
ViF	Value of in Force
VIU	Value in Use