The Governor and Company of the Bank of Ireland

Interim Report for the six months ended 30 June 2019

Enabling our customers, colleagues and communities to thrive

Bank of Ireland

Bank of Ireland

The Governor and Company of the Bank of Ireland

Interim Report

for the six months ended 30 June 2019

Contents

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

View this report online

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

www.bankofireland.com

Business review

Operating and financial review *(incorporating risk management)*

Basis of presentation

This operating and financial review (OFR) is presented on an underlying basis. For an explanation of underlying see page 4.

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

The income statements are presented for the six months ended 30 June 2019 compared to the six months ended 30 June 2018. The balance sheets are presented for 30 June 2019 compared to 31 December 2018.

Principal rates of exchange used in the preparation of the Interim Financial Statements are set out on page 70.

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

Further information on measures referred to in the OFR is found in Alternative performance measures on page 71.

Group income statement

	Table	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Net interest income		1,066	1,076
Net other income		342	322
Operating income (net of insurance claims)		**1,408**	**1,398**
Operating expenses (before levies and regulatory charges)		(902)	(933)
Levies and regulatory charges		(73)	(67)
Operating profit before net impairment (losses) / gains on financial instruments		**433**	**398**
Net impairment (losses) / gains on financial instruments		(79)	81
Share of results of associates and joint ventures (after tax)		20	21
Underlying profit before tax		**374**	**500**
Non-core items	1	(61)	(46)
Profit before tax		**313**	**454**
Tax charge		(89)	(77)
Profit for the period		**224**	**377**

Profit before tax of €313 million for the six months ended 30 June 2019 is €141 million lower than the same period in 2018.

Operating profit before net impairment (losses) / gains for the six months ended 30 June 2019 is €35 million higher than the same period in 2018 reflecting a growth in operating income (net of insurance claims) of €10 million and lower operating expenses of €25 million.

Net impairment losses for the period are €79 million whereas in the same period in 2018 the Group benefitted from a net impairment gain of €81 million. This movement is the key driver of underlying profit before tax decreasing from €500 million to €374 million.

Operating income (net of insurance claims) has increased by €10 million compared to the same period in 2018 primarily due to:

- **net interest income** of €1,066 million for 30 June 2019 being €10 million lower than the same period in 2018, primarily reflecting the repositioning of the UK cards portfolio as non-core in 2019 due to classification as held for sale; and
- a **net other income** increase of €20 million which largely reflects the positive impact on valuation items of market movements.

Operating expenses (before levies and regulatory charges) of €902 million are €31 million or 3% lower than the same period in 2018. The Group continues to focus on reducing its operational costs while absorbing increased cost from wage inflation and depreciation arising from technology investment.

Our transformation programme continues to make progress and a further €138 million was invested in this programme in the first six months of 2019, of which €54 million is capitalised on the balance sheet (six months ended 30 June 2018: €39 million), with an income statement charge of €63 million (six months ended 30 June 2018: €51 million) and €21 million (six months ended 30 June 2018: €51 million) recognised through non-core items.

Net impairment losses on financial instruments of €79 million for the six months ended 30 June 2019 compared to a net impairment gain of €81 million for the same period in 2018. The net impairment loss was in line with expectations and reflects the impact of impairment losses on a small number of large corporate exposures, more normalised outcomes from the ongoing resolution of Non-Performing Exposures (NPEs) (including credit impaired loans), increased coverage on Retail Ireland mortgage NPEs and it reflects the growth in UK personal lending. While Brexit uncertainty resulted in muted demand for credit, it had no material impact on credit quality.

The Group increased its **Non-core charge** by €15 million to €61 million for the period. The non-core charge for the six months ended 30 June 2019 primarily reflects customer redress charges of €62 million and restructuring costs of €27 million, partially offset by income of €22 million relating to gross-up for policyholder tax in the Wealth and Insurance business.

Group income statement *(continued)*

The **taxation charge** for the Group is €89 million for the six months ended 30 June 2019 with an effective taxation rate on a statutory basis of 28% (six months ended 30 June 2018: €77 million and 17%, respectively). The increased rate is primarily due to the tax impact of the gross-up for policyholder tax in the Wealth and Insurance business. On an underlying basis, the effective taxation rate for the six months ended 30 June 2019 is 19% (six months ended 30 June 2018: 17%). The effective tax rate is influenced by changes in the geographic mix of profits and losses.

Non-core items

Table: 1 **Non-core items**	**6 months ended 30 June 2019 €m**	**6 months ended 30 June 2018 €m**	**Change %**
Customer redress charges	(62)	-	n/m
Cost of restructuring programme	(27)	(51)	47%
- Transformation Investment costs	*(21)*	*(51)*	59%
- Other restructuring charges	*(6)*	-	n/m
Gross-up for policyholder tax in the Wealth and Insurance business	22	(2)	n/m
UK portfolio divestments	8	-	n/m
- Operating income	*29*	-	n/m
- Operating expenses	*(23)*	-	n/m
- Impairment gains on other financial instruments	*2*	-	n/m
Loss on liquidation of business activities	(3)	-	n/m
Investment return on treasury shares held for policyholders	1	-	n/m
Gain on disposal of property	-	7	n/m
Total non-core items	**(61)**	**(46)**	**(33%)**

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:

Customer redress charges
The Group has set aside a further €55 million provision in respect of the Tracker Mortgage Examination to cover the additional redress and compensation costs for a number of customers, operational costs associated with the length and nature of the review and costs of closing out the Tracker Mortgage Examination review. In addition a further €7 million has been provided in respect of other customer redress.

Cost of restructuring programme
During the six months ended 30 June 2019, the Group recognised a charge of €27 million. Transformation Investment costs of €21 million primarily relate to a reduction in employee numbers (€17 million), programme management costs (€2 million) and costs related to the implementation of the Group's property strategy (€2 million). Other restructuring charges of €6 million primarily relate to costs associated with UK portfolio divestments. A restructuring charge of €51 million was incurred in the same period in 2018, primarily related to changes in employee numbers.

Gross-up for policyholder tax in the Wealth and Insurance business
Accounting standards require that the income statement be grossed up in respect of the total tax payable by Wealth and Insurance, comprising both policyholder and shareholder tax. The tax gross-up relating to policyholder tax is included within non-core items. During the six months ended 30 June 2019, the Group recognised a credit of €22 million (six months ended 30 June 2018: €2 million charge). The period on period movement is mainly due to favourable investment market performance in 2019.

UK 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. As a result, during the six months ended 30 June 2019, €29 million of operating income, €23 million of operating costs and €2 million of impairment gains on other financial instruments from the UK portfolio that are in the process of being divested has been recognised as non-core (30 June 2018: €nil).

Loss on liquidation of business activities
During the six months ended 30 June 2019, a loss of €3 million was recognised relating to the recycling of cumulative unrealised foreign exchange (FX) gains and losses through the income statement following the liquidation of subsidiaries in the UK. There was no such gain / loss in the same period of 2018.

Investment return on treasury shares held for policyholders
Under accounting standards, the Group income statement excludes the impact of the change in value of Bank of Ireland Group plc ('BOIG plc') shares held by Wealth and Insurance for policyholders. In the six months ended 30 June 2019, there was a gain of €1 million (30 June 2018: €nil). At 30 June 2019, there were 3.7 million shares (31 December 2018: 3.3 million shares) held by Wealth and Insurance for policyholders.

Group balance sheet *(incorporating liquidity and funding)*

Summary consolidated balance sheet	30 June 2019 €bn	31 December 2018 €bn
Assets *(after impairment loss allowances)*		
Loans and advances to customers (including held for sale)[1,2]	78	77
Liquid assets	23	25
Wealth and Insurance assets	18	17
Other assets	7	5
Total assets	**126**	**124**
Liabilities		
Customer deposits	80	79
Wholesale funding	10	11
Wealth and Insurance liabilities	18	17
Other liabilities	8	6
Subordinated liabilities	1	2
Total liabilities	**117**	**115**
Stockholders' equity	8	8
Non-controlling interests - Other equity instruments	1	1
Total liabilities and stockholders' equity	**126**	**124**
Credit-impaired loans and advances to customers	3.8	4.5
Non-performing exposures	4.2	5.0
Non-performing exposures ratio	5.3%	6.3%
Liquidity Coverage Ratio[3]	134%	136%
Net Stable Funding Ratio[4]	128%	130%
Loan to Deposit Ratio	97%	97%

During the six months ended 30 June 2019, the Group's **loans and advances to customers (after impairment loss allowances)** and including loans and advances to customers classified as held for sale increased to €78.0 billion from €77.0 billion as at 31 December 2018. Gross new lending €7.7 billion is largely in line with the same period in 2018.

The Group's **asset quality** continues to improve. **Non-Performing Exposures (NPEs)** reduced by €0.8 billion to €4.2 billion for the six months ended 30 June 2019, and represented 5.3% of gross loans at 30 June 2019.

At 30 June 2019, overall Group **customer deposit** volumes are €1.3 billion higher than at 31 December 2018. The main driver of this movement was a €1.3 billion growth in Retail Ireland, reflecting strong economic activity which was principally in credit balances due to the low interest rate environment, along with an increase in Corporate and Treasury of €0.2 billion. This was partially offset by a decrease in the Retail UK Division. The Loan to Deposit Ratio (LDR) at 30 June 2019 is 97% (31 December 2018: 97%).

Wholesale funding balances are €1.1 billion lower than 31 December 2018 primarily due to an Asset Covered Securities maturity and part repayment of Monetary Authority borrowings. Total Monetary Authority borrowings at 30 June 2019 are €1.9 billion compared to €2.7 billion at 31 December 2018.

The defined benefit (DB) pension deficit has increased by c.€0.1 billion since 31 December 2018. The primary drivers of the movement in the pension deficit were the net negative impact of assumption changes, partially offset by positive asset returns and experience changes.

The balance sheet remains strong with the Group generating **strong organic capital**. The Group's fully loaded Common equity tier 1 (CET 1) ratio increased by c.20 basis points during the six months ended 30 June 2019 to 13.6% and the regulatory CET 1 ratio decreased by c.10 basis points to 14.9%. The decrease of c.10 basis points is primarily due to organic capital generation (c.90 basis points) and the impact of the disposal of NPEs (c.30 basis points) offset by RWA growth (c.-30 basis points), the impact of CRD phasing for 2019 and IFRS 16 impacts (c.-50 basis points), investment in the Group's transformation programmes (c.-25 basis points), an accrual for a proposed dividend (c.-20 basis points) and other net movements (c.-5 basis points).

Further information on measures referred to in the OFR, including gross new lending, NPE's, wholesale funding and organic capital is found in Alternative performance measures on page 71.

[1] *Includes €0.3 billion of loans and advances to customers at 30 June 2019 (31 December 2018: €0.3 billion) that are measured at fair value through profit or loss (FVTPL) and are therefore not subject to impairment under IFRS 9.*
[2] *Includes €0.6 billion of loans and advances to customers classified as held for sale at 30 June 2019 (31 December 2018: €0.6 billion).*
[3] *The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.*
[4] *The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.*

Group balance sheet *(incorporating liquidity and funding) (continued)*

Capital

CRD IV - 31 December 2018			CRD IV - 30 June 2019[1]	
Regulatory %	Fully loaded %		Regulatory %	Fully loaded %
		Capital ratios		
15.0%	13.4%	Common equity tier 1	14.9%	13.6%
16.0%	14.4%	Tier 1	16.1%	14.8%
18.8%	17.2%	Total capital	18.0%	16.7%
7.0%	6.3%	Leverage ratio	7.2%	6.6%

Fully loaded ratio[1]
BOIG plc Group's fully loaded CET 1 ratio is estimated at 13.6% at 30 June 2019 (31 December 2018: 13.4%).

Leverage ratio[1]
BOIG plc Group's leverage ratio for the six months ended 30 June 2019 is 7.2% on a Capital Requirements Directive (CRD) IV regulatory basis (31 December 2018: 7.0%) and 6.6% on a pro-forma fully loaded basis (31 December 2018: 6.3%).

[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 2018, available on the Group's website.*

Divisional review
Income statement - operating segments

6 months ended 30 June 2019	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	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	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Retail Ireland	497	-	137	634	-	634	(374)	260	(1)	4	-	263
Wealth and Insurance	(4)	700	911	1,607	(1,456)	151	(67)	84	-	-	-	84
Retail UK	287	-	(7)	280	-	280	(168)	112	(36)	16	-	92
Corporate and Treasury	291	-	55	346	-	346	(96)	250	(43)	-	-	207
Group Centre	(5)	(2)	8	1	(4)	(3)	(273)	(276)	1	-	-	(275)
Other reconciling items	3	-	-	3	-	3	2	5	-	-	-	5
BOIG Group plc - underlying[1]	**1,069**	**698**	**1,104**	**2,871**	**(1,460)**	**1,411**	**(976)**	**435**	**(79)**	**20**	**-**	**376**
Less:												
Attributable to BOIG plc	(3)	-	-	(3)	-	(3)	1	(2)	-	-	-	(2)
Group underlying[1]	**1,066**	**698**	**1,104**	**2,868**	**(1,460)**	**1,408**	**(975)**	**433**	**(79)**	**20**	**-**	**374**
Total non-core items												
Customer redress charges	(5)	-	-	(5)	-	(5)	(57)	(62)	-	-	-	(62)
Cost of restructuring programme	-	-	-	-	-	-	(27)	(27)	-	-	-	(27)
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	22	22	-	22	-	22	-	-	-	22
Gain on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	(3)	(3)
UK portfolio divestments	13	-	16	29	-	29	(23)	6	2	-	-	8
Investment return on treasury shares held for policyholders	-	-	1	1	-	1	-	1	-	-	-	1
Group total	**1,074**	**698**	**1,143**	**2,915**	**(1,460)**	**1,455**	**(1,082)**	**373**	**(77)**	**20**	**(3)**	**313**

[1] *Underlying performance excludes the impact of non-core items (see page 4).*

Divisional review *(continued)*

Income statement - operating segments *(continued)*

6 months ended 30 June 2018	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	Operating expenses €m	Operating profit / (loss) before net impairment gains / (losses) on financial instruments €m	Net impairment gains / (losses) on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Retail Ireland	500	-	138	**638**	-	**638**	(398)	**240**	101	4	-	**345**
Wealth and Insurance	(5)	702	41	**738**	(639)	**99**	(65)	**34**	-	-	-	**34**
Retail UK	307	-	3	**310**	-	**310**	(205)	**105**	(9)	17	-	**113**
Corporate and Treasury	266	-	76	**342**	-	**342**	(98)	**244**	(11)	-	-	**233**
Group Centre	7	2	11	**20**	(2)	**18**	(235)	**(217)**	-	-	-	**(217)**
Other reconciling items	1	-	(10)	**(9)**	-	**(9)**	1	**(8)**	-	-	-	**(8)**
BOIG Group plc - underlying[1]	**1,076**	**704**	**259**	**2,039**	**(641)**	**1,398**	**(1,000)**	**398**	**81**	**21**	**-**	**500**
Less:												
Attributable to BOIG plc	-	-	-	-	-		-	-	-	-	-	-
Group underlying[1]	**1,076**	**704**	**259**	**2,039**	**(641)**	**1,398**	**(1,000)**	**398**	**81**	**21**	**-**	**500**
Total non-core items												
- Cost of restructuring programme	-	-	-	**-**	-	**-**	(51)	**(51)**	-	-	-	**(51)**
- Gain on disposal of property	-	-	-	**-**	-	**-**	-	**-**	-	-	7	**7**
- Gross-up for policyholder tax in the Wealth and Insurance business	-	-	(2)	**(2)**	-	**(2)**	-	**(2)**	-	-	-	**(2)**
Group total	**1,076**	**704**	**257**	**2,037**	**(641)**	**1,396**	**(1,051)**	**345**	**81**	**21**	**7**	**454**

[1] *Underlying performance excludes the impact of non-core items (see page 4).*

Principal Risks and Uncertainties

Principal risks and uncertainties facing the Group for the remaining six months of 2019 are listed below. This summary should not be regarded as a complete and comprehensive statement of all potential risks / uncertainties. Other factors not yet identified, or not currently material, may adversely affect the Group.

Business and strategic risk is the risk arising from changes in external factors (such as the macroeconomic environment, customer behaviour and competitive landscape) that impact the demand for and / or profitability of products and services and / or future strategy. This risk includes the risk that the Group does not make appropriate strategic decisions, does not successfully execute these decisions, or that strategic decisions do not have the intended effect. It also includes risks relating to i) business model appropriateness; ii) the Group's multi-year transformation programme; iii) people risks, which are impacted by transformation and also by ongoing market competitiveness and remuneration restrictions; and iv) Brexit risks.

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

Ongoing uncertainty following the UK vote to exit the European Union (EU), relating to the nature and impact of withdrawal, could impact the markets in which the Group operates including pricing, partner appetite, customer confidence and credit demand, collateral values and customers' ability to meet their financial obligations and consequently the Group's financial performance, balance sheet, capital and dividend capacity. 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 International Accounting Standard (IAS) 19 defined benefit pension deficit, and FX rate volatility, which can impact the translation of the Group's UK net assets and profits.

Certain key benchmark interest rates (such as Euribor, Libor, Eonia) are being significantly reformed. A Group-wide Benchmark Reform Programme has been mobilised to manage the Group transition to new regulatory compliant benchmarks.

Conduct risk is the risk that the Group, and / or its staff, conducts business in an inappropriate or negligent manner that leads to adverse customer outcomes. The Group manages the following key conduct risks:

- the risk of not delivering fair outcomes to customers;
- the risk of the design and development of products and services that do not continue to be suitable over the lifetime of the product and do not respond to changing customer needs; and
- the risk of staff not meeting set standards of behaviour that has a material negative outcome for stakeholders.

Ongoing focus on conduct risk is expected to continue in the second half of the year as the Group delivers on its Culture strategy.

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes, but is not limited to, default risk, concentration risk, country risk, migration risk and collateral risk. Credit risk arises from loans and advances to customers. It also arises from the financial transactions the Group enters into with financial institutions, sovereigns and state institutions. The Group has in place a range of initiatives to manage challenged and vulnerable credit risk and the continued reduction in the Group's NPEs portfolio is dependent on its ability to restructure / resolve these loans. The pace of reduction is materially dependent on the continuation of favourable or benign economic conditions in our main markets and effective and efficient regulatory, insolvency and foreclosure processes.

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. 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.

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 life expectancy, health or behaviour characteristics, may be short or long term in nature.

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 includes discretionary risk-taking.

Operational risk reflect risks which may result in financial loss, disruption of services to customers, and damage to our reputation, including the availability, resilience and security of our core IT systems and the potential for failings in our customer processes. It includes the risks associated with the current important stage of the Group's multi-year investment programme to replace our core banking platforms as well as the risk of cybersecurity attacks which target financial institutions and corporates as well as governments and other institutions. The risk of these attacks remains material as their frequency, sophistication and severity continue to develop in an increasingly digital world.

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

Regulatory risk is the risk of failure by the Group to meet new or existing regulatory and / or legislative requirements and deadlines or to embed regulatory requirements into processes. Underpinned by strong engagement with regulatory stakeholders, regulatory risk comprises regulatory compliance risk, corporate governance risk, regulatory change risk and financial crime risk. The regulatory landscape continues to evolve and the banking sector is subject to increasing scrutiny. This requires the Group to adapt to, and operate within, a dynamic and challenging environment. In

Principal Risks and Uncertainties *(continued)*

addition, uncertainty surrounding the outcome of disputes, legal proceedings and regulatory investigations (e.g. the Tracker Mortgage Examination), as well as potential adverse judgements in litigation or regulatory proceedings remains a risk.

Reputation risk is the risk to earnings or franchise value arising from an adverse perception of the Group's image on the part of customers, suppliers, counterparties, shareholders, investors, staff, legislators, regulators or partners. The Group's reputation may also be affected by matters that affect the wider banking and financial services industry.

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

The Group also faces other significant and emerging risks and further detail on risks facing the Group, including key mitigating considerations, may be found in the principal risks and uncertainties section on pages 9 to 15 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

Responsibility statement

for the six months ended 30 June 2019

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

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

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year (see page 9);
- details of any related parties' transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2019; and
- details of any changes to related parties' transactions described in The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018 that could have a material effect on the financial position or performance of the Group in the six months ended 30 June 2019.

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

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

Signed on behalf of the Court by
26 July 2019

Patrick Kennedy	***Patrick Haren***	***Francesca McDonagh***
Governor	*Deputy Governor*	*Group Chief Executive*

Executive Directors: Francesca McDonagh (Group Chief Executive), Andrew Keating (Group Chief Financial Officer).
Non-Executive Directors: Patrick Kennedy (Governor), Patrick Haren (Deputy Governor), Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Richard Goulding, Fiona Muldoon, Patrick Mulvihill, Steve Pateman.

Independent review report
to the members of The Governor and Company of the Bank of Ireland

Introduction
We have been engaged by The Governor and Company of the Bank of Ireland (the 'Bank') to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2019 which comprises the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's (FRC's) International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

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

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

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

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

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

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

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

26 July 2019

Consolidated interim financial statements and notes *(unaudited)*

Consolidated condensed income statement
(for the six months ended 30 June 2019) (unaudited)

	Note	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Interest income calculated using the effective interest method	4	1,181	1,188
Interest income on finance leases and hire purchase receivables	4	84	78
Interest income		**1,265**	**1,266**
Interest expense	5	(191)	(190)
Net interest income		**1,074**	**1,076**
Net insurance premium income	6	698	704
Fee and commission income	7	254	263
Fee and commission expense	7	(103)	(105)
Net trading income	8	78	29
Life assurance investment income, gains and losses	9	848	28
Other leasing income	10	27	24
Other leasing expense	10	(22)	(20)
Other operating income	11	61	38
Total operating income		**2,915**	**2,037**
Insurance contract liabilities and claims paid	12	(1,460)	(641)
Total operating income, net of insurance claims		**1,455**	**1,396**
Other operating expenses	13	(1,055)	(1,000)
Cost of restructuring programme	14	(27)	(51)
Operating profit before impairment (losses) / gains on financial instruments		**373**	**345**
Net impairment (losses) / gains on financial instruments	15	(77)	81
Operating profit		**296**	**426**
Share of results of associates and joint ventures (after tax)		20	21
Gain on disposal of asset held for sale		-	7
Loss on liquidation of business activities		(3)	-
Profit before tax		**313**	**454**
Taxation charge	16	(89)	(77)
Profit for the period		**224**	**377**
Attributable to stockholders		224	377
Attributable to non-controlling interests		-	-
Profit for the period		**224**	**377**

Consolidated condensed statement of comprehensive income

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

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Profit for the period	**224**	**377**
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss in subsequent periods		
- Debt instruments at fair value through other comprehensive income, net of tax	48	(58)
- Cash flow hedge reserve, net of tax	8	(37)
- Foreign exchange reserve	(2)	19
Total items that may be reclassified to profit or loss in subsequent periods	**54**	**(76)**
Items that will not be reclassified to profit or loss in subsequent periods		
- Remeasurement of the net defined benefit pension liability, net of tax	(61)	159
- Net change in liability credit reserve	-	11
Total items that will not be reclassified to profit or loss in subsequent periods	**(61)**	**170**
Other comprehensive income for the period, net of tax	**(7)**	**94**
Total comprehensive income for the period, net of tax	**217**	**471**
Total comprehensive income attributable to equity stockholders	217	471
Total comprehensive income attributable to non-controlling interests	-	-
Total comprehensive income for the period, net of tax	**217**	**471**

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

Consolidated condensed balance sheet
(as at 30 June 2019) (unaudited)

	Note	30 June 2019 €m	31 December 2018 €m
Assets			
Cash and balances at central banks		3,281	6,033
Items in the course of collection from other banks		240	259
Trading securities		178	29
Derivative financial instruments		2,367	1,724
Other financial assets at FVTPL		15,625	14,160
Loans and advances to banks		3,423	2,625
Debt securities at amortised cost		4,621	3,928
Financial assets at FVOCI		11,792	12,048
Assets classified as held for sale	17	582	602
Loans and advances to customers	18	77,400	76,363
Interest in associates		52	53
Interest in joint ventures		84	69
Intangible assets and goodwill	21	811	802
Investment properties		999	1,037
Property, plant and equipment		1,020	438
Current tax assets		21	33
Deferred tax assets	22	1,146	1,165
Other assets		2,319	2,282
Retirement benefit assets	29	50	46
Total assets		**126,011**	**123,696**
Equity and liabilities			
Deposits from banks	23	2,471	2,482
Customer accounts	24	80,278	78,971
Items in the course of transmission to other banks		516	268
Derivative financial instruments		2,312	1,819
Debt securities in issue	25	7,802	8,907
Liabilities to customers under investment contracts		5,693	5,239
Insurance contract liabilities		12,019	11,003
Other liabilities		3,002	3,262
Lease liabilities		599	-
Current tax liabilities		22	11
Provisions	26	110	84
Loss allowance provision on loan commitments and financial guarantees	28	26	29
Deferred tax liabilities	22	63	42
Retirement benefit obligations	29	341	274
Subordinated liabilities	30	1,372	2,107
Total liabilities		**116,626**	**114,498**
Equity			
Capital stock		1,625	1,625
Stock premium account		571	571
Retained earnings		5,610	5,542
Other reserves		837	718
Stockholders' equity		**8,643**	**8,456**
Other equity instruments		740	740
Total equity excluding non-controlling interests		**9,383**	**9,196**
Non-controlling interests		2	2
Total equity		**9,385**	**9,198**
Total equity and liabilities		**126,011**	**123,696**

Consolidated condensed statement of changes in equity

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

				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Opening balance 1 January 2019	**1,625**	**571**	**5,542**	**133**	**(10)**	**24**	**(833)**	**1,373**	**31**	**8,456**	**740**	**2**	**9,198**
Profit for the period	-	-	224	-	-	-	-	-	-	224	-	-	224
Other comprehensive income	-	-	(61)	48	8	-	(2)	-	-	(7)	-	-	(7)
Total comprehensive income for the period	**-**	**-**	**163**	**48**	**8**	**-**	**(2)**	**-**	**-**	**217**	**-**	**-**	**217**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- Dividends on preference equity instruments paid in cash	-	-	(3)	-	-	-	-	-	-	(3)	-	-	(3)
- Distribution on other equity instruments - Additional tier 1 coupon	-	-	(28)	-	-	-	-	-	-	(28)	-	-	(28)
Total transactions with owners	**-**	**-**	**(31)**	**-**	**-**	**-**	**-**	**-**	**-**	**(31)**	**-**	**-**	**(31)**
Transfer to capital reserve from retained earnings	-	-	(65)	-	-	-	-	65	-	-	-	-	-
Other movements	-	-	1	-	-	-	-	-	-	1	-	-	1
Balance at 30 June 2019	**1,625**	**571**	**5,610**	**181**	**(2)**	**24**	**(835)**	**1,438**	**31**	**8,643**	**740**	**2**	**9,385**

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

(for the six months ended 30 June 2018) (unaudited)

				Other reserves									
	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Revaluation reserve €m	Attributable to equity holders of parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2018	**1,625**	**571**	**4,747**	**272**	**41**	**(13)**	**(843)**	**1,410**	**35**	**7,845**	**740**	**2**	**8,587**
Profit for the period	-	-	377	-	-	-	-	-	-	377	-	-	377
Other comprehensive income	-	-	159	(58)	(37)	11	19	-	-	94	-	-	94
Total comprehensive income for the period	**-**	**-**	**536**	**(58)**	**(37)**	**11**	**19**	**-**	**-**	**471**	**-**	**-**	**471**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- Dividends on preference equity instruments paid in cash	-	-	(3)	-	-	-	-	-	-	(3)	-	-	(3)
- Distribution on other equity instruments - Additional tier 1 coupon, net of tax	-	-	(24)	-	-	-	-	-	-	(24)	-	-	(24)
Total transactions with owners	**-**	**-**	**(27)**	**-**	**-**	**-**	**-**	**-**	**-**	**(27)**	**-**	**-**	**(27)**
Transfer from capital reserve to retained earnings	-	-	16	-	-	-	-	(16)	-	-	-	-	-
Transfer from revaluation reserve to retained earnings	-	-	9	-	-	-	-	-	(9)	-	-	-	-
Other movements	-	-	3	-	-	-		-	-	3	-	-	3
Balance at 30 June 2018	**1,625**	**571**	**5,284**	**214**	**4**	**(2)**	**(824)**	**1,394**	**26**	**8,292**	**740**	**2**	**9,034**

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

(for the year ended 31 December 2018)

	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[1] €m	Attributable to equity holders of parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2018	**1,625**	**571**	**4,747**	**272**	**41**	**(13)**	**(843)**	**1,410**	**35**	**7,845**	**740**	**2**	**8,587**
Profit for the period	-	-	674	-	-	-	-	-	-	674	-	-	674
Other comprehensive income	-	-	129	(139)	(51)	37	10	-	5[1]	(9)	-	-	(9)[1]
Total comprehensive income for the period	**-**	**-**	**803**	**(139)**	**(51)**	**37**	**10**	**-**	**5[1]**	**665**	**-**	**-**	**665[1]**
Transactions with owners													
Contributions by and distributions to owners of the Group													
- Dividends on preference equity instruments paid in cash	-	-	(7)	-	-	-	-	-	-	(7)	-	-	(7)
- Distribution on other equity instruments - Additional tier 1 coupon, net of tax	-	-	(48)	-	-	-	-	-	-	(48)	-	-	(48)
Total transactions with owners	**-**	**-**	**(55)**	**-**	**-**	**-**	**-**	**-**	**-**	**(55)**	**-**	**-**	**(55)**
Transfer from capital reserve to retained earnings	-	-	37	-	-	-	-	(37)	-	-	-	-	-
Transfer from revaluation reserve to retained earnings	-	-	9	-	-	-	-	-	(9)	-	-	-	-
Other movements	-	-	1	-	-	-		-	-	1	-	-	1
Balance at 31 December 2018	**1,625**	**571**	**5,542**	**133**	**(10)**	**24**	**(833)**	**1,373**	**31**	**8,456**	**740**	**2**	**9,198**

[1] *The change in revaluation reserve in other comprehensive income has been increased by €10 million from a charge of €5 million to a gain of €5 million. Other comprehensive income has increased by €10 million to €9 million (expense) from €19 million (expense) and total comprehensive income has been increased by €10 million to €665 million from €655 million.*

Consolidated condensed cash flow statement

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

	Note	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Cash flows from operating activities			
Profit before tax		313	454
Share of results of associates and joint ventures		(20)	(21)
Loss on disposal / liquidation of business activities		3	-
Gain on disposal of asset held for resale		-	(7)
Depreciation and amortisation	10,13	163	113
Net impairment losses / (gains) on financial instruments, excluding cash recoveries	15	94	(81)
Revaluation of investment property		9	(8)
Interest expense on subordinated liabilities		57	58
Interest expense on lease liabilities		6	-
Charge for pension and similar obligations	13	49	59
Net change in accruals and interest payable		(41)	(41)
Net change in prepayments and interest receivable		51	(15)
Charge for provisions	26	77	42
Net change in operating expenses accrued		57	23
Non-cash and other items		44	43
Cash flows from operating activities before changes in operating assets and liabilities		**862**	**619**
Net cash flow from operating assets and liabilities		(1,729)	(813)
Net cash flow from operating activities before tax		**(867)**	**(194)**
Tax paid		(16)	(14)
Net cash flow from operating activities		**(883)**	**(208)**
Investing activities (section a below)		(219)	(2,063)
Financing activities (section b below)		(893)	(87)
Effect of exchange translation and other adjustments		28	2
Net change in cash and cash equivalents		**(1,967)**	**(2,356)**
Opening cash and cash equivalents		8,349	10,201
Closing cash and cash equivalents		**6,382**	**7,845**
(a) Investing activities			
Additions to financial assets at FVOCI		(805)	(2,226)
Disposals / redemptions of financial assets at FVOCI		1,247	1,000
Additions to debt securities at amortised cost		(705)	(931)
Disposals / redemptions of debt securities at amortised cost		144	259
Additions to property, plant and equipment, intangible assets and investment property		(144)	(183)
Disposal of property, plant and equipment, intangible assets and investment property		38	7
Net change in interest in associates		6	11
Cash flows from investing activities		**(219)**	**(2,063)**
(b) Financing activities			
Repayment of subordinated liabilities		(750)	-
Interest paid on subordinated liabilities		(67)	(57)
Interest paid on lease liability		(6)	-
Payment of lease liability		(39)	-
Distribution paid on other equity instruments - Additional tier 1 coupon		(28)	(27)
Dividend paid on other preference equity interests		(3)	(3)
Cash flows from financing activities		**(893)**	**(87)**

Notes to the consolidated interim financial statements *(unaudited)*

1 Group accounting policies

Basis of preparation
The interim financial statements of The Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries (collectively the 'Group') for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union. These interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the European Union (Credit Institutions: Financial Statements) Regulations 2015.

Statutory financial statements
These interim financial statements do not comprise statutory financial statements within the meaning of the Companies Act 2014. The statutory financial statements for the year ended 31 December 2018 were approved by the Court of Directors on 22 February 2019, contained an unqualified audit report and did not include a reference to any matters to which the statutory auditor drew attention by way of emphasis. The statutory financial statements were filed with the Companies Registration Office on 27 May 2019.

Interim financial statements
The interim financial statements comprise the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the notes to the consolidated interim financial statements on pages 21 to 69.

Going concern
The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the interim financial statements for the six months ended 30 June 2019 is a period of twelve months from the date of approval of these interim financial statements (the 'period of assessment').

In making this assessment, the Directors considered the Group's business, profitability projections, funding and capital plans, together with a range of other factors such as the outlook for the Irish economy, along with ongoing developments in EU economies. The matters of primary consideration by the Directors are set out below:

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

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

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

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

Accounting policies
The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 67 to 83 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018, except for the application of IFRS 16 'Leases' and amendments to other standards as set out below, as of 1 January 2019.

IFRS 16 'Leases'
IFRS 16 'Leases' replaces IAS 17 'Leases' and related interpretations. It addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that all operating leases are accounted for on balance sheet for lessees. The accounting for lessors has not materially changed.

As permitted under IFRS 16, the Group has elected to apply the standard under the modified retrospective application rather than full retrospective application. Under the modified retrospective application, the Group as a lessee has not restated comparative information, instead recognising the cumulative effect of initially applying the standard as an adjustment to retained earnings (€nil effect).

As permitted, the Group has availed of the following exemptions:
- short-term leases (lease term of 12 months or less);
- leases for which the underlying asset is of low value; and
- for certain computer equipment where the Group is lessee, it has elected not to separate the non-lease components and accounts for lease and non-lease components as a single lease.

The Group recognises the lease payments associated with those leases as an expense on a straight line basis over the lease term.

The principal impact on the Group is in relation to property leases that the Group, as the lessee, previously classified as operating leases under IAS 17. These include primarily branches and office premises. The commercial leases typically run for an original period of 25 to 35 years (from inception) with five-yearly rent reviews. The majority of the rent reviews are on an upwards only basis. Some leases also include break options. The Group has recognised a lease liability for leases previously classified as operating leases, measured at the present value of the remaining lease payments discounted using the Group's incremental borrowing rate (IBR). The Group has recognised a Right of Use (RoU) asset equal to the lease liability, adjusted by the amounts of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately prior to date of initial application.

In addition the Group relied on its assessment of whether leases were onerous immediately before the date of initial application.

1 Group accounting policies *(continued)*

Consequently the Group adjusted the RoU asset by the amount of any such provision for onerous leases recognised in the balance sheet immediately prior to date of initial application.

The Group leases a number of items of computer equipment which were previously classified as finance leases under IAS 17. For these leases, the initial carrying amounts of RoU asset and lease liability at 1 January 2019 were determined to be the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The Group reassessed contracts that were not identified as leases under IAS 17. As a result of this assessment service contracts for computer equipment were deemed to meet the definition of a lease under IFRS 16 resulting in the recognition of a lease liability and RoU asset.

The effect of adoption of IFRS 16 is explained further in note 34.

The Group's accounting policy for leases has been updated for the application of IFRS 16 as follows:

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 RoU asset and lease liability at the lease commencement date.

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'.

RoU assets which do not meet the definition of investment properties 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 if the interest rate implicit in the lease is not readily determinable. Generally, the Group uses its incremental borrowing rate 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.

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.

A Group company is the lessor
The accounting policies applicable to a Group company as a lessor are not different to those under IAS 17. Therefore the accounting policies set out on page 77 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018 are still applicable. However, 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. 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.

Annual improvements 2015-2017 – Amendment to IAS 12 'Income Taxes'
This amendment clarifies that the income tax consequences of dividends on a financial instrument classified as equity should be recognised according to where the previous transactions or events that generated distributable profits were recognised. As a result at 30 June 2019, the Group has recognised the income tax effect of the AT1 dividend within the income statement. Comparatives have not been restated, as the impact was not material.

IFRIC 23 'Uncertainty over income tax treatments'
IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The introduction of IFRIC 23 has no impact on the Group's financial statements. The Group's approach to accounting for uncertain tax positions heretofore has embodied the clarifications outlined in IFRIC 23. In particular, 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.

Amendment to IAS 19 'Plan Amendment, Curtailment or Settlement'
This amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus,

1 Group accounting policies *(continued)*

even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment does not have a significant impact on the Group at 30 June 2019.

The following amendments to standards had no impact on the Group:

Amendments to IAS 28 'Investments in associates'
This narrow scope amendment clarifies that a long term interest in an associate or joint venture to which the equity method is not applied should be accounted for in the first instance under IFRS 9.

Annual improvements 2015-2017 - These amendments include minor changes to the following standards:

- IFRS 3 'Business combinations' - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 'Joint arrangements' - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 23 'Borrowing costs' – a company treats as part of general borrowings, any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

2 Critical accounting estimates and judgements

The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets and liabilities, income and expense. There have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2018, as set out on pages 83 to 86 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018 with the exception of the following:

IFRS 16 'Leases': Judgement in determining the lease term of contracts with extension or break options
The Group determines 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 (break option), if it is reasonably certain not to be exercised.

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.

IFRS 16 'Leases': Judgement in determining the Incremental Borrowing Rate
The Group uses the incremental borrowing rate (IBR) at the lease commencement to calculate the present value of lease payments. The Group derives the IBR from its internal Funds Transfer Pricing mechanism, as adjusted to reflect the cost of wholesale funding for a similar term, with a similar security and in a similar economic environment to the right-of-use asset. The weighted average incremental borrowing rate applied to lease liabilities recognised on the balance sheet at the date of initial recognition was 2.7%.

Impairment loss allowance on financial assets
The Group's credit risk methodologies are as set out on pages 151 to 156 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

Forward Looking Information (FLI)
FLI refers to probability-weighted future macroeconomic scenarios approved semi-annually by the Group Risk Policy Committee (GRPC) and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group generally uses three Republic of Ireland (RoI) FLI scenarios and three UK FLI scenarios, being a central scenario, an upside scenario and a downside scenario, all extending over a five year forecast period.

In each case the central scenario is based on internal and external information and management judgement. The Group keeps under review the need for FLI for other economies. Further detail on the Group's FLI model is set out on page 155 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

The table on the following page shows the mean average forecast values for some of the key macroeconomic variables under each scenario for the forecast period 2019 to 2023 together with the associated percentiles and probability weightings.

2 Critical accounting estimates and judgements *(continued)*

	Republic of Ireland			United Kingdom		
	Downside	Central	Upside	Downside	Central	Upside
Percentile	85th	50th	15th	85th	50th	15th
Scenario probability weighting	30%	39%	31%	29%	40%	31%
GDP growth	1.6%	3.0%	5.5%	0.5%	1.5%	1.8%
GNP growth	1.1%	2.7%	5.2%	n/a	n/a	n/a
Unemployment rate	6.5%	5.1%	4.3%	5.1%	4.2%	4.2%
Residential property price growth	(3.0%)	2.1%	8.0%	(2.1%)	0.4%	4.9%
Commercial property price growth	(7.6%)	1.2%	7.7%	(5.7%)	(0.2%)	0.7%

The quantum of impairment loss allowance is impacted by the application of three probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance, excluding Group management adjustments, at 30 June 2019 was increased by virtue of applying multiple scenarios rather than only a central scenario.

Impact of applying multiple scenarios rather than only a central scenario	Additional impairment loss allowance		Additional impairment loss allowance on stage 1 and 2 financial instruments	
	Impact €m	% Impact	Impact €m	% Impact
Residential Mortgages	7	2%	5	13%
Non-property SME and Corporate	7	1%	7	6%
Property and construction	5	2%	5	11%
Consumer	2	1%	2	3%
Total	**21**	**1%**	**19**	**7%**

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 upside and downside future macroeconomic scenarios respectively:

Impact of applying only an upside or downside scenario rather than applying multiple probability-weighted scenarios	Impact of applying a 100% weighting to the upside scenario		Impact of applying a 100% weighting to the downside scenario	
	€m	%	€m	%
Residential Mortgages	(122)	(29%)	166	40%
Non-property SME and Corporate	(37)	(6%)	56	10%
Property and construction	(26)	(8%)	49	15%
Consumer	(12)	(8%)	17	10%
Total	**(197)**	**(13%)**	**288**	**19%**

Group management adjustment

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

At 30 June 2019, the impairment loss allowance for Residential Mortgages of €509 million includes a management adjustment of €92 million which is unchanged from 31 December 2018.

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 265 branches, phone contact centre, c.1,600 self-serve devices, and online, smartphone and tablet banking applications. Retail Ireland offers a broad range of financial products and services including current accounts, savings, mortgages, credit cards, motor finance and loans to personal and business banking customers and is managed through a number of business units, namely Distribution Channels, Customer Segments and Propositions, Products (including Bank of Ireland Mortgage Bank (BoIMB)) and Business Banking (including Bank of Ireland Finance).

Wealth and Insurance
Wealth and Insurance includes the Group's life assurance subsidiary New Ireland Assurance Company plc (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 and car insurance cover through its agency with insurance providers.

Retail UK
The Retail UK division incorporates the financial services partnership and foreign exchange joint venture with the UK Post Office, the financial services partnership with the Automobile Association (AA), the UK residential mortgage business, the Group's branch network in Northern Ireland (NI), the Group's business banking business in NI and the Northridge Finance motor and asset finance, vehicle leasing and fleet management business. The Group also has a business banking business in Great Britain (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 (C&T)
C&T 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 United States (US), Germany, France and Spain.

Group Centre
Group Centre comprises Group Technology and Customer Solutions (formerly Group Manufacturing), Group Finance, Group Risk, Group Internal Audit, Group Marketing and Group Human Resources. These Group central functions establish and oversee policies and provide and manage certain processes and delivery platforms for the divisions.

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

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

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

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

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

External revenue comprises interest income, net insurance premium income, fee and commission income, net trading income, 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 excludes:
- customer redress charges;
- cost of restructuring programme;
- gross-up for policyholder tax in the Wealth and Insurance business;
- UK portfolio divestments;
- loss on liquidation of business activities;
- investment return on treasury shares held for policyholders; and
- gain on disposal of property.

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

3 Operating segments *(continued)*

6 months ended 30 June 2019	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	BOIG Group plc €m	BOIG plc €m	Group €m
Net interest income	**497**	**(4)**	**287**	**291**	**(5)**	**3**	**1,069**	**(3)**	**1,066**
Other income, net of insurance claims	137	155	(7)	55	2	-	342	-	342
Total operating income, net of insurance claims	**634**	**151**	**280**	**346**	**(3)**	**3**	**1,411**	**(3)**	**1,408**
Other operating expenses	(336)	(64)	(145)	(89)	(195)	2	(827)	1	(826)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(336)*	*(64)*	*(142)*	*(89)*	*(62)*	*2*	*(691)*	*1*	*(690)*
- Transformation Investment charge	*-*	*-*	*-*	*-*	*(63)*	*-*	*(63)*	*-*	*(63)*
- Levies and regulatory charges	*-*	*-*	*(3)*	*-*	*(70)*	*-*	*(73)*	*-*	*(73)*
Depreciation and amortisation	(38)	(3)	(23)	(7)	(78)	-	(149)	-	(149)
Total operating expenses	**(374)**	**(67)**	**(168)**	**(96)**	**(273)**	**2**	**(976)**	**1**	**(975)**
Underlying operating profit / (loss) before impairment charges on financial assets	**260**	**84**	**112**	**250**	**(276)**	**5**	**435**	**(2)**	**433**
Net impairment gains / (losses) on financial instruments	(1)	-	(36)	(43)	1	-	(79)	-	(79)
Share of results of associates and joint ventures	4	-	16	-	-	-	20	-	20
Underlying profit / (loss) before tax	**263**	**84**	**92**	**207**	**(275)**	**5**	**376**	**(2)**	**374**

Reconciliation of underlying profit before tax to profit before tax	**Group €m**
Underlying profit before tax	374
Customer redress charges	(62)
Cost of restructuring programme	(27)
Gross-up for policyholder tax in the Wealth and Insurance business	22
UK portfolio divestments	8
Loss on disposal / liquidation of business activities	(3)
Investment return on treasury shares held for policyholders	1
Profit before tax	**313**

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

3 Operating segments *(continued)*

6 months ended 30 June 2018	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	BOIG Group plc €m	BOIG plc €m	Group €m
Net interest income	500	(5)	307	266	7	1	1,076	-	1,076
Other income, net of insurance claims	138	104	3	76	11	(10)	322	-	322
Total operating income, net of insurance claims	**638**	**99**	**310**	**342**	**18**	**(9)**	**1,398**	**-**	**1,398**
Other operating expenses	(369)	(62)	(189)	(92)	(188)	1	(899)	-	(899)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(369)*	*(61)*	*(187)*	*(92)*	*(73)*	*1*	*(781)*	*-*	*(781)*
- Transformation Investment charge	*-*	*-*	*-*	*-*	*(51)*	*-*	*(51)*	*-*	*(51)*
- Levies and regulatory charges	*-*	*(1)*	*(2)*	*-*	*(64)*	*-*	*(67)*	*-*	*(67)*
Depreciation and amortisation	(29)	(3)	(16)	(6)	(47)	-	(101)	-	(101)
Total operating expenses	**(398)**	**(65)**	**(205)**	**(98)**	**(235)**	**1**	**(1,000)**	**-**	**(1,000)**
Underlying operating profit / (loss) before impairment charges on financial assets	**240**	**34**	**105**	**244**	**(217)**	**(8)**	**398**	**-**	**398**
Net impairment gains / (losses) on financial instruments	101	-	(9)	(11)	-	-	81	-	81
Share of results of associates and joint ventures	4	-	17	-	-	-	21	-	21
Underlying profit / (loss) before tax	**345**	**34**	**113**	**233**	**(217)**	**(8)**	**500**	**-**	**500**

Included in underlying profit before tax of Retail UK for the period ended 30 June 2018 is an underlying profit before tax of €10 million, comprising operating income of €36 million, impairment gains on financial instruments of €4 million and operating expenses of €30 million relating to portfolios from which the Group has made a strategic decision to exit. For the period ended 30 June 2019, income and expense from the portfolios has been excluded from underlying profit before tax of Retail UK and presented within the reconciliation table on page 26 as 'UK portfolio divestments'.

Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	500
Cost of restructuring programme	(51)
Gain on disposal of property	7
Gross-up for policyholder tax in the Wealth and Insurance business	(2)
Profit before tax	**454**

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

3 Operating segments *(continued)*

30 June 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	**52**	**-**	**84**	**-**	**-**	**-**	**136**
External assets[1]	35,133	18,562	33,632	35,193	3,465	(3)	125,982
Inter segment assets	66,734	751	2,261	80,912	21,982	(172,640)	-
Total assets	**101,867**	**19,313**	**35,893**	**116,105**	**25,447**	**(172,643)**	**125,982**
Other Bank assets							29
Group assets							**126,011**
External liabilities[1]	53,386	18,277	25,851	14,531	3,872	-	115,917
Inter segment liabilities	46,545	291	7,361	100,746	17,693	(172,636)	-
Total liabilities	**99,931**	**18,568**	**33,212**	**115,277**	**21,565**	**(172,636)**	**115,917**
Other Bank liabilities							709
Group liabilities							**116,626**

31 December 2018 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	**53**	**-**	**69**	**-**	**-**	**-**	**122**
External assets	35,507	17,062	33,755	32,643	4,705	(3)	123,669
Inter segment assets	63,747	727	2,580	86,609	25,316	(178,979)	-
Total assets	**99,254**	**17,789**	**36,335**	**119,252**	**30,021**	**(178,982)**	**123,669**
Other Bank assets							27
Group assets							**123,696**
External liabilities	52,124	16,830	26,236	14,243	4,180	5	113,618
Inter segment liabilities	44,936	257	7,486	103,958	22,334	(178,971)	-
Total liabilities	**97,060**	**17,087**	**33,722**	**118,201**	**26,514**	**(178,966)**	**113,618**
Other Bank liabilities							880
Group liabilities							**114,498**

[1] *As outlined in note 1, the Group has applied IFRS 16 'Leases' at 1 January 2019, which requires the recognition of RoU assets and lease liabilities. These assets and liabilities are included in all of the operating segments as at 30 June 2019.*

3 Operating segments *(continued)*

6 months ended 30 June 2019 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
External revenue	**687**	**1,613**	**602**	**357**	**8**	**(16)**	**3,251**
Inter segment revenues	228	49	(23)	165	123	(542)	-
Revenue before claims paid	**915**	**1,662**	**579**	**522**	**131**	**(558)**	**3,251**
Insurance contract liabilities and claims paid	-	(1,456)	-	-	(4)	-	(1,460)
Revenue	**915**	**206**	**579**	**522**	**127**	**(558)**	**1,791**
Interest expense	**(41)**	**-**	**(116)**	**62**	**(97)**	**1**	**(191)**
Capital expenditure	**12**	**9**	**27**	**-**	**96**	**-**	**144**

6 months ended 30 June 2018 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
External revenue	**693**	**783**	**534**	**337**	**32**	**1**	**2,380**
Inter segment revenues	241	(9)	29	203	110	(574)	-
Revenue before claims paid	**934**	**774**	**563**	**540**	**142**	**(573)**	**2,380**
Insurance contract liabilities and claims paid	-	(641)	-	-	-	-	(641)
Revenue	**934**	**133**	**563**	**540**	**142**	**(573)**	**1,739**
Interest expense	**(47)**	**-**	**(95)**	**30**	**(82)**	**4**	**190**
Capital expenditure	**1**	**3**	**37**	**3**	**74**	**-**	**118**

4 Interest income

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

Interest income on loans and advances to customers for the six months ended 30 June 2019 is shown net of a charge of €5 million (six months ended 30 June 2018: €nil) related to redress arising from the Tracker Mortgage Examination review.

For the six months ended 30 June 2019, €40 million of interest was recognised on credit-impaired loans and advances to customers at the period end (six months ended 30 June 2018: €52 million).

For the six months ended 30 June 2019, €42 million of interest income was received on credit-impaired loans and advances to customers at the period end (six months ended 30 June 2018: €55 million).

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Financial assets measured at amortised cost		
Loans and advances to customers	1,134	1,134
Loans and advances to banks	15	13
Debt securities at amortised cost	6	6
Interest income on financial assets measured at amortised cost	**1,155**	**1,153**
Debt securities at FVOCI	16	23
	1,171	**1,176**
Negative interest on financial liabilities	10	12
Interest income calculated using the effective interest method	**1,181**	**1,188**
Interest income on finance leases and hire purchase receivables	84	78
Interest income	**1,265**	**1,266**

5 Interest expense

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Customer accounts	71	85
Debt securities in issue	52	41
Subordinated liabilities	50	49
Deposits from banks	9	8
Lease liabilities	6	-
Interest expense from financial liabilities measured at amortised cost	**188**	**183**
Negative interest on financial assets	3	7
Interest expense	**191**	**190**

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

6 Net insurance premium income

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Premiums written	768	779
Ceded reinsurance premiums	(68)	(73)
Net premium written	**700**	**706**
Change in provision for unearned premiums	(2)	(2)
Net insurance premium income	**698**	**704**

7 Fee and commission income and expense

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

6 months ended 30 June 2018 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Group €m
Retail banking customer fees	136	-	54	21	-	211
Credit related fees	5	-	3	10	-	18
Insurance commissions	-	6	1	-	-	7
Asset management fees	-	2	-	-	-	2
Brokerage fees	1	-	1	-	-	2
Other	5	3	2	13	-	23
Fee and commission income	**147**	**11**	**61**	**44**	**-**	**263**

Expense

Fee and commission expense of €103 million (six months ended 30 June 2018: €105 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

8 Net trading income

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Financial liabilities designated at fair value	(104)	-
Related derivatives held for trading	101	(9)
	(3)	**(9)**
Net income from financial instruments mandatorily measured at fair value through profit or loss[1]		
- Loans and advances	6	7
- Equities[2]	26	13
- Securities and non-trading debt	6	15
- Other financial instruments held for trading	45	4
	80	**30**
Net fair value hedge ineffectiveness	(2)	(1)
Net trading income	**78**	**29**

Net trading income includes the gains and losses on financial instruments held for trading and those designated at fair value through profit or loss (other than unit-linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €10 million (six months ended 30 June 2018: charge of €4 million) of a net gain arising from foreign exchange.

Net fair value hedge ineffectiveness reflects a net charge from hedged items of €13 million (six months ended 30 June 2018: charge of €51 million) offsetting a net gain from hedging instruments of €11 million (six months ended 30 June 2018: gain of €50 million).

9 Life assurance investment income, gains and losses

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Gains on other financial assets held on behalf of Wealth and Insurance policyholders	825	5
Gains on investment property held on behalf of Wealth and Insurance policyholders	23	23
Life assurance investment income, gains and losses	**848**	**28**

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 and gains of €848 million for the six months ended 30 June 2019 is consistent with favourable investment market performance. Movement in insurance contract liabilities (note 12) is consistent with the higher investment returns in the period.

[1] 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.

[2] 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 FVTPL'. The income from life assurance investments which also comprise 'Other financial assets at FVTPL' is reported in note 9 'Life assurance investment income, gains and losses'.

10 Other leasing income and expense

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Other leasing income	27	24
Other leasing expense	(22)	(20)
Net other leasing income	**5**	**4**

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 €7 million arising from the sale of leased assets (six months ended 30 June 2018: €7 million). Other leasing expense includes depreciation of €14 million related to rental vehicles (six months ended 30 June 2018: €12 million).

11 Other operating income

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Movement in Value of in Force asset	30	4
Other insurance income	26	27
Transfer from debt instruments at FVOCI reserve on asset disposal	1	2
Dividend income	1	1
Other income	3	4
Other operating income	**61**	**38**

12 Insurance contract liabilities and claims paid

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Claims paid		
Policy surrenders	444	436
Death and critical illness claims	86	85
Annuity payments	45	39
Other claims	25	19
Gross claims paid	**600**	**579**
Recovered from reinsurers	(58)	(52)
Net claims paid	**542**	**527**
Change in insurance contract liabilities		
Change in gross liabilities	1,015	133
Change in reinsured liabilities	(97)	(19)
Net change in insurance contract liabilities	**918**	**114**
Insurance contract liabilities and claims paid	**1,460**	**641**

13 Other operating expenses

Administrative expenses and staff costs	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Staff costs excluding restructuring and Transformation Investment staff costs	419	442
Amortisation of intangible assets (note 21)	96	83
Levies and regulatory charges	73	67
Transformation Investment charge	63	51
Depreciation of property, plant and equipment	53	18
Lease expenses - short-term leases	2	-
Other administrative expenses excluding cost of restructuring programme	349	339
Total	**1,055**	**1,000**
Total staff costs are analysed as follows:		
Wages and salaries	310	329
Retirement benefit costs (defined benefit plans)	49	59
Social security costs	37	38
Retirement benefit costs (defined contribution plans)	15	14
Other staff expenses	8	2
Staff costs excluding restructuring and Transformation Investment staff costs	**419**	**442**
Additional restructuring and Transformation Investment staff costs:		
Included in cost of restructuring programme (note 14)	17	45
Included in Transformation Investment charge	11	7
Total staff costs recognised in the income statement	**447**	**494**

The Group has incurred levies and regulatory charges of €73 million in the six months ended 30 June 2019 (six months ended 30 June 2018: €67 million). The higher charge is driven by an increase in certain levies including the Financial Services and Pensions Ombudsman Levy and the European Central Bank (ECB) supervisory fees.

Transformation Investment income statement charge of €63 million (six months ended 30 June 2018: €51 million) includes €15 million for associated application and infrastructure costs.

From 1 January 2019, the Group adopted IFRS 16 ‘Leases’. In the six months ended 30 June 2019, there was €40 million depreciation of RoU assets under IFRS 16 included within depreciation of property, plant and equipment and a charge of €2 million under the short-term lease exemption.

In the six months ended 30 June 2018, other administrative expenses included an amount of €29 million relating to operating lease expenses under IAS 17 and €15 million relating to expenses on service contracts classified as leases under IFRS 16 from 1 January 2019. The effect of adoption of IFRS 16 is further explained in note 34.

During the six months ended 30 June 2019, the Group incurred a charge of €50 million (six months ended 30 June 2018: €nil) in other administrative expenses relating to the Tracker Mortgage Examination review.

Staff numbers
At 30 June 2019, the number of staff (full time equivalents) was 10,405 (30 June 2018: 10,660). During the six months ended 30 June 2019, the average number of staff (full time equivalents) was 10,368 (six months ended 30 June 2018: 10,752).

14 Cost of restructuring programme

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Transformation Investment costs	21	51
- Staff costs (note 13)	*17*	*45*
- Property related costs	*2*	*-*
- Programme management costs	*2*	*6*
Other restructuring charges	6	-
Total	**27**	**51**

During 2019, the Group recognised a charge of €27 million (30 June 2018: €51 million) of which €21 million (30 June 2018: €51 million) relates to Transformation Investment costs and €6 million (30 June 2018: €nil) relates to other restructuring charges.

15 Net impairment losses / (gains) on financial instruments

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Loans and advances to customers	81	(72)
- Movement in impairment loss allowance / impairment provision (note 18)	*98*	*(39)*
- Cash recoveries	*(17)*	*(33)*
Loan commitments	(3)	(8)
Guarantees and irrevocable letters of credit	-	(1)
Other financial assets	(1)	-
Net impairment losses / (gains) on financial instruments	**77**	**(81)**

Loans and advances to customers at amortised cost

Net impairment losses / (gains)

The Group's net impairment losses / (gains) on loans and advances to customers at amortised cost is set out in the table below.

Net impairment losses / (gains) on loans and advances to customers - composition	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Residential mortgages	31	(31)
- Retail Ireland	*25*	*(24)*
- Retail UK	*6*	*(7)*
Non-property SME and corporate	37	(44)
- Republic of Ireland SME	*(3)*	*(46)*
- UK SME	*(3)*	*(10)*
- Corporate	*43*	*12*
Property and construction	(11)	(2)
- Investment	*(8)*	*1*
- Land and development	*(3)*	*(3)*
Consumer	24	5
Total	**81**	**(72)**

15 Net impairment losses / (gains) on financial instruments *(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 the six months ended 30 June 2019, net impairment losses / (gains) on financial instruments includes an impairment gain of €5 million arising on the disposal of a portfolio of residential mortgages as outlined in note 18. The portfolio met the conditions set out above and at the time the expected net sale proceeds, including costs of sale, were included in the IFRS 9 Expected Credit Losses (ECL) calculation.

16 Taxation

The effective taxation rate on a statutory profit basis for the six months ended 30 June 2019 is 28% (six months ended 30 June 2018: 17%). The increased rate is primarily due to the tax impact of the gross-up for policyholder tax in the Wealth and Insurance business (see note 3).

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

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Current tax		
Irish Corporation Tax		
- Current period	23	11
- Adjustments in respect of prior periods	-	1
Foreign tax		
- Current period	27	33
- Adjustments in respect of prior periods	(2)	(1)
	48	**44**
Deferred tax		
Current period profits	21	46
Origination and reversal of temporary differences	16	(12)
Adjustments in respect of prior periods	4	(1)
	41	**33**
Taxation charge	**89**	**77**

	6 months ended 30 June 2019			6 months ended 30 June 2018		
	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	55	(6)	49	(64)	8	(56)
Transfer to income statement						
- Asset disposal	(1)	-	(1)	(2)	-	(2)
Net change in debt instruments at FVOCI reserve	**54**	**(6)**	**48**	**(66)**	**8**	**(58)**
Remeasurement of the net defined benefit pension liability	**(72)**	**11**	**(61)**	**197**	**(38)**	**159**
Cash flow hedge reserve						
Changes in fair value	(27)	(2)	(29)	(39)	6	(33)
Transfer to income statement	42	(5)	37	(4)	-	(4)
Net change in cash flow hedge reserve	**15**	**(7)**	**8**	**(43)**	**6**	**(37)**
Net change in foreign exchange reserve	**(2)**	**-**	**(2)**	**19**	**-**	**19**
Liability credit reserve						
Changes in fair value of liabilities designated at fair value through profit or loss due to own credit risk	-	-	-	13	(2)	11
Other comprehensive income for the period	**(5)**	**(2)**	**(7)**	**120**	**(26)**	**94**

17 Assets classified as held for sale

Following a strategic review carried out in 2018, Retail UK began the process of disposing of its UK credit card loan portfolio. As a result, these assets in the amount of €580 million, net of impairment loss allowance, have been reclassified from loans and advances to customers together with €2 million of related interest receivable reclassified from other assets to assets classified as held for sale. The assets continue to be measured at amortised cost net of the related impairment loss allowance using the effective interest rate method at 30 June 2019. The disposal was completed in July 2019 as outlined in note 35.

	30 June 2019 €m	31 December 2018 €m
UK credit card portfolio	582	602
Total	**582**	**602**

18 Loans and advances to customers

Loans and advances to customers includes cash collateral of €25 million (31 December 2018: €57 million) placed with derivative counterparties in relation to net derivative liability positions.

Loans and advances to customers at FVTPL represent the Life Loan mortgage product, which was offered by the Group until November 2010. The cash flows of the Life Loans are not considered to consist solely of payments of principal and interest, and as such are classified at FVTPL.

On 18 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 DAC ('Mulcair Securities'). The portfolio had a gross carrying value of €370 million (before ECL allowance) and a net carrying value of €326 million (after ECL allowance).

The Group has transferred the beneficial interest in the loans to Mulcair Securities which in turn has issued notes backed by these loans. The Group holds 5% of each class of notes issued by Mulcair Securities as a retained issuance; these notes are held as debt securities at amortised cost with the exception of notes with a nominal value of €2 million which are held at FVTPL.

In accordance with IFRS 9 the residential mortgage assets have been derecognised from the balance sheet.

The Group has recognised an impairment gain of €5 million relating to the disposal of these loans which has been reported through net impairment losses / (gains) on financial instruments, as required by IFRS 9, see note 15.

On 21 June 2019, the Group purchased a €265 million portfolio of commercial loans predominantly in the Republic of Ireland.

The Group's portfolios of loans and advances to customers at amortised cost at 30 June 2019 are classified as follows:

	30 June 2019 €m	31 December 2018 €m
Loans and advances to customers at amortised cost	74,929	74,428
Finance leases and hire purchase receivables	3,770	3,372
	78,699	77,800
Less allowance for impairment charges on loans and advances to customers	(1,555)	(1,698)
Loans and advances to customers at amortised cost	**77,144**	**76,102**
Loans and advances to customers at fair value through profit or loss[1]	256	261
Total loans and advances to customers	**77,400**	**76,363**

	30 June 2019			31 December 2018		
	Gross carrying amount at amortised cost €m	Impairment loss allowance €m	Total loans and advances to customers at amortised cost €m	Gross carrying amount at amortised cost €m	Impairment loss allowance €m	Total loans and advances to customers at amortised cost €m
Loans and advances to customers at amortised cost	78,699	(1,555)	77,144	77,800	(1,698)	76,102
Loans and advances to customers classified as held for sale (note 17)	606	(26)	580	630	(30)	600
Total	**79,305**	**(1,581)**	**77,724**	**78,430**	**(1,728)**	**76,702**

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

18 Loans and advances to customers *(continued)*

The following tables show the gross carrying amount, the movement in the gross carrying amount, impairment loss allowances and movement in impairment loss allowance subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost for the six months ended 30 June 2019 and for the year ended 31 December 2018.

30 June 2019 **Gross carrying amount at amortised cost (before impairment loss allowance) including held for sale**	**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)	41,137	17,352	6,471	5,353	70,313
Stage 2 - Lifetime ECL (not credit impaired)	1,695	1,924	1,306	230	5,155
Stage 3 - Lifetime ECL (credit impaired)	2,002	978	649	118	3,747
Purchased / originated credit-impaired	3	25	62	-	90
Gross carrying amount at 30 June 2019	**44,837**	**20,279**	**8,488**	**5,701**	**79,305**

31 December 2018 **Gross carrying amount at amortised cost (before impairment loss allowance) including held for sale**	**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)	41,096	16,547	6,343	4,816	68,802
Stage 2 - Lifetime ECL (not credit impaired)	1,873	1,850	1,102	250	5,075
Stage 3 - Lifetime ECL (credit impaired)	2,465	1,067	843	108	4,483
Purchased / originated credit-impaired	3	1	66	-	70
Gross carrying amount at 31 December 2018	**45,437**	**19,465**	**8,354**	**5,174**	**78,430**

30 June 2019 **Gross carrying amount (before impairment loss allowance) including held for sale**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Opening balance 1 January 2019	**45,437**	**19,465**	**8,354**	**5,174**	**78,430**
Net changes in exposure	(495)	857	209	566	1,137
Impairment loss allowances utilised[1]	(65)	(103)	(78)	(19)	(265)
Exchange adjustments	(49)	(4)	(1)	(20)	(74)
Measurement reclassification and other movements	9	64	4	-	77
Gross carrying amount at 30 June 2019	**44,837**	**20,279**	**8,488**	**5,701**	**79,305**

31 December 2018 **Gross carrying amount (before impairment loss allowance) including held for sale**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Opening balance 1 January 2018	**46,365**	**18,623**	**8,724**	**4,318**	**78,030**
Net changes in exposure	(685)	1,148	(28)	910	1,345
Impairment loss allowances utilised[1]	(76)	(329)	(350)	(35)	(790)
Exchange adjustments	(177)	2	(9)	(26)	(210)
Measurement reclassification and other movements	10	21	17	7	55
Gross carrying amount at 31 December 2018	**45,437**	**19,465**	**8,354**	**5,174**	**78,430**

[1] *Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2019 includes €146 million (31 December 2018: €352 million) of contractual amounts outstanding that are still subject to enforcement activity.*

18 Loans and advances to customers *(continued)*

30 June 2019 **Impairment loss allowance including held for sale**	**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	53	6	53	128
Stage 2 - Lifetime ECL (not credit impaired)	31	72	41	35	179
Stage 3 - Lifetime ECL (credit impaired)	462	451	282	79	1,274
Purchased / originated credit-impaired	-	-	-	-	-
Impairment loss allowance at 30 June 2019	**509**	**576**	**329**	**167**	**1,581**

31 December 2018 **Impairment loss allowance including held for sale**	**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)	14	50	4	52	120
Stage 2 - Lifetime ECL (not credit impaired)	31	74	38	33	176
Stage 3 - Lifetime ECL (credit impaired)	492	501	369	70	1,432
Purchased / originated credit-impaired	-	-	-	-	-
Impairment loss allowance at 31 December 2018	**537**	**625**	**411**	**155**	**1,728**

30 June 2019 **Impairment loss allowance including held for sale**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Opening balance 1 January 2019	537	625	411	155	1,728
Net impairment losses / (gains) in income statement	33	43	(6)	28	98
- Re-measurement	*16*	*64*	*33*	*32*	*145*
- Net changes in exposure	*(26)*	*(21)*	*(45)*	*5*	*(87)*
- ECL model parameter and / or methodology changes	*43*	*-*	*6*	*(9)*	*40*
Impairment loss allowance utilised	(65)	(103)	(79)	(18)	(265)
Exchange adjustments	-	-	-	(1)	(1)
Other movements	4	11	3	3	21
Impairment loss allowance at 30 June 2019	**509**	**576**	**329**	**167**	**1,581**

31 December 2018 **Impairment loss allowance including held for sale**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Opening balance 1 January 2018	642	935	735	138	2,450
Net impairment losses / (gains) in income statement	(40)	7	(4)	50	13
- Re-measurement	*(45)*	*82*	*49*	*45*	*131*
- Net changes in exposure	*(33)*	*(78)*	*(57)*	*20*	*(148)*
- ECL model parameter and / or methodology changes	*38*	*3*	*4*	*(15)*	*30*
Impairment loss allowance utilised	(76)	(329)	(350)	(35)	(790)
Exchange adjustments	(1)	-	(1)	-	(2)
Other movements	12	12	31	2	57
Impairment loss allowance at 31 December 2018	**537**	**625**	**411**	**155**	**1,728**

19 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the credit risk methodologies are set out on pages 151 to 156 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

In addition to credit risk, the primary risks affecting the Group through its use of financial instruments are: funding and liquidity risk, market risk and life insurance risk. The Group's approach to the management of these risks, together with its approach to Capital management, are set out in the financial risk management note included on pages 128 to 165 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

The table below illustrates the relationship between the Group's internal credit risk rating grades and Probability of Default (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+
5-7	0.26% ≤ PD < 1.45%	BBB, BBB-, BB+, BB
8-9	1.45% ≤ PD < 3.60%	BB-, B+
10-11	3.60% ≤ PD < 100%	B, Below B
12 (credit-impaired)	100%	n/a

Financial assets

Composition and risk profile

The tables below summarise the composition and risk profile of the Group's financial assets subject to impairment including loans and advances to customer held for sale at 30 June 2019 and 31 December 2018.

30 June 2019 **Financial assets exposure by stage (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 €m**
Financial assets measured at amortised cost					
Loans and advances to customers	70,313	5,155	3,747	90	79,305
Loans and advances to banks	3,094	5	-	-	3,099
Debt securities	4,622	-	-	-	4,622
Other financial assets	3,522	-	-	-	3,522
Total financial assets measured at amortised cost	**81,551**	**5,160**	**3,747**	**90**	**90,548**
Debt instruments at FVOCI	11,792	-	-	-	11,792
Total	**93,343**	**5,160**	**3,747**	**90**	**102,340**

31 December 2018 **Financial assets exposure by stage (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 €m**
Financial assets measured at amortised cost					
Loans and advances to customers	68,802	5,075	4,483	70	78,430
Loans and advances to banks	2,302	6	-	-	2,308
Debt securities	3,929	-	-	-	3,929
Other financial assets	6,294	-	-	-	6,294
Total financial assets measured at amortised cost	**81,327**	**5,081**	**4,483**	**70**	**90,961**
Debt instruments at FVOCI	12,048	-	-	-	12,048
Total	**93,375**	**5,081**	**4,483**	**70**	**103,009**

[1] *At 30 June 2019, Purchased or Originated Credit Impaired assets included €64 million (31 December 2018: €68 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.*

19 Credit risk exposures *(continued)*

At 30 June 2019, Purchased or Originated Credit Impaired assets included €64 million (31 December 2018: €68 million) of assets 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.

Loans and advances to customers excludes €256 million (31 December 2018: €261 million) of loans mandatorily at fair value through profit or loss at 30 June 2019 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (note 18).

At 30 June 2019, other financial assets (before impairment loss allowance) includes: cash and balances at central banks of €3,282 million (31 December 2018: €6,035 million) and items in the course of collection from other banks of €240 million (31 December 2018: €259 million).

The tables on the preceding page exclude loan commitments, guarantees and letters of credit of €15,852 million at 30 June 2019 (31 December 2018: €15,505 million) that are subject to impairment (note 28).

Impairment loss allowance
The impairment loss allowance on financial assets is set out in the tables below.

30 June 2019 Impairment loss allowance on financial assets 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 €m
Financial assets measured at amortised cost					
Loans and advances to customers	128	179	1,274	-	1,581
Loans and advances to banks	1	-	-	-	1
Debt securities	1	-	-	-	1
Other financial assets	1	-	-	-	1
Total financial assets measured at amortised cost	**131**	**179**	**1,274**	**-**	**1,584**
Debt instruments at FVOCI	3	-	-	-	3
Total	**134**	**179**	**1,274**	**-**	**1,587**

31 December 2018 Impairment loss allowance on financial assets 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 €m
Financial assets measured at amortised cost					
Loans and advances to customers	120	176	1,432	-	1,728
Loans and advances to banks	1	-	-	-	1
Debt securities	1	-	-	-	1
Other financial assets	2	-	-	-	2
Total financial assets measured at amortised cost	**124**	**176**	**1,432**	**-**	**1,732**
Debt instruments at FVOCI	3	-	-	-	3
Total	**127**	**176**	**1,432**	**-**	**1,735**

[1] *At 30 June 2019, Purchased or Originated Credit Impaired assets included €64 million (31 December 2018: €68 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.*

19 Credit risk exposures *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

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

Loans and advances to customers including held for sale Composition and risk profile (before impairment loss allowance)[1]	30 June 2019 Not credit-impaired €m	30 June 2019 Credit-impaired €m	30 June 2019 Total €m	30 June 2019 Total %	31 December 2018 Not credit-impaired €m	31 December 2018 Credit-impaired €m	31 December 2018 Total €m	31 December 2018 Total %
Residential mortgages	42,832	2,002	44,834	56%	42,969	2,465	45,434	58%
- Retail Ireland	*21,610*	*1,565*	*23,175*	*29%*	*21,688*	*2,025*	*23,713*	*30%*
- Retail UK	*21,222*	*437*	*21,659*	*27%*	*21,281*	*440*	*21,721*	*28%*
Non-property SME and corporate	19,276	978	20,254	26%	18,397	1,067	19,464	25%
- Republic of Ireland SME	*6,879*	*613*	*7,492*	*10%*	*6,871*	*729*	*7,600*	*10%*
- UK SME	*1,525*	*105*	*1,630*	*2%*	*1,491*	*79*	*1,570*	*2%*
- Corporate	*10,872*	*260*	*11,132*	*14%*	*10,035*	*259*	*10,294*	*13%*
Property and construction	7,777	649	8,426	11%	7,445	843	8,288	11%
- Investment	*7,015*	*605*	*7,620*	*10%*	*6,892*	*760*	*7,652*	*10%*
- Land and development	*762*	*44*	*806*	*1%*	*553*	*83*	*636*	*1%*
Consumer	5,583	118	5,701	7%	5,066	108	5,174	6%
Total	**75,468**	**3,747**	**79,215**	**100%**	**73,877**	**4,483**	**78,360**	**100%**
Impairment loss allowance on loans and advances to customers	**307**	**1,274**	**1,581**	**2%**	**296**	**1,432**	**1,728**	**2%**

[1] *Excluded from the table above are Purchased or Originated Credit Impaired assets of €90 million (31 December 2018: €70 million), €64 million (31 December 2018: €68 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination.*

19 Credit risk exposures *(continued)*

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

30 June 2019	Stage 1				Stage 2			
Not credit-impaired loans and advances to customers including held for sale 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	41,137	52%	16	0.04%	1,695	2%	31	1.83%
- Retail Ireland	*20,462*	*26%*	*6*	*0.03%*	*1,148*	*1%*	*16*	*1.39%*
- Retail UK	*20,675*	*26%*	*10*	*0.05%*	*547*	*1%*	*15*	*2.74%*
Non-property SME and corporate	17,352	22%	53	0.31%	1,924	2%	72	3.74%
- Republic of Ireland SME	*5,961*	*7%*	*30*	*0.50%*	*918*	*1%*	*36*	*3.92%*
- UK SME	*1,323*	*2%*	*3*	*0.23%*	*202*	*-*	*9*	*4.46%*
- Corporate	*10,068*	*13%*	*20*	*0.20%*	*804*	*1%*	*27*	*3.36%*
Property and construction	6,471	8%	6	0.09%	1,306	2%	41	3.14%
- Investment	*5,745*	*7%*	*5*	*0.09%*	*1,270*	*2%*	*40*	*3.15%*
- Land and development	*726*	*1%*	*1*	*0.14%*	*36*	*-*	*1*	*2.78%*
Consumer	5,353	7%	53	0.99%	230	-	35	15.22%
Total	**70,313**	**89%**	**128**	**0.18%**	**5,155**	**6%**	**179**	**3.47%**

31 December 2018	Stage 1				Stage 2			
Not credit-impaired loans and advances to customers including held for sale 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	41,096	52%	14	0.03%	1,873	2%	31	1.66%
- Retail Ireland	*20,403*	*26%*	*5*	*0.02%*	*1,285*	*1%*	*15*	*1.17%*
- Retail UK	*20,693*	*26%*	*9*	*0.04%*	*588*	*1%*	*16*	*2.72%*
Non-property SME and corporate	16,547	22%	50	0.30%	1,850	2%	74	4.00%
- Republic of Ireland SME	*5,890*	*8%*	*29*	*0.49%*	*981*	*1%*	*43*	*4.38%*
- UK SME	*1,232*	*2%*	*3*	*0.24%*	*259*	*-*	*11*	*4.25%*
- Corporate	*9,425*	*12%*	*18*	*0.19%*	*610*	*1%*	*20*	*3.28%*
Property and construction	6,343	8%	4	0.06%	1,102	1%	38	3.45%
- Investment	*5,820*	*7%*	*4*	*0.07%*	*1,072*	*1%*	*38*	*3.54%*
- Land and development	*523*	*1%*	*-*	*0.00%*	*30*	*-*	*-*	*-*
Consumer	4,816	6%	52	1.08%	250	-	33	13.20%
Total	**68,802**	**88%**	**120**	**0.17%**	**5,075**	**5%**	**176**	**3.47%**

19 Credit risk exposures *(continued)*

The tables below provide analysis of the asset quality of loans and advances to customers at amortised cost that are not credit-impaired based on mapping the IFRS 9 twelve month PD of each loan to a PD grade based on the table provided on page 40.

30 June 2019 Not credit-impaired loans and advances to customers including held for sale 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	18,592	43%	5,765	29%	4,501	58%	144	3%	29,002	38%
5-7	20,068	47%	7,121	37%	1,891	24%	2,720	48%	31,800	43%
8-9	1,732	4%	3,998	21%	62	1%	1,379	25%	7,171	10%
10-11	745	1%	468	2%	17	-	1,110	20%	2,340	3%
Total stage 1	**41,137**	**95%**	**17,352**	**89%**	**6,471**	**83%**	**5,353**	**96%**	**70,313**	**94%**
Stage 2										
1-4	79	-	130	1%	91	1%	-	-	300	-
5-7	233	1%	511	3%	878	12%	5	-	1,627	2%
8-9	274	1%	577	3%	183	2%	38	1%	1,072	1%
10-11	1,109	3%	706	4%	154	2%	187	3%	2,156	3%
Total stage 2	**1,695**	**5%**	**1,924**	**11%**	**1,306**	**17%**	**230**	**4%**	**5,155**	**6%**
Not credit-impaired										
1-4	18,671	43%	5,895	30%	4,592	59%	144	3%	29,302	38%
5-7	20,301	48%	7,632	40%	2,769	36%	2,725	48%	33,427	45%
8-9	2,006	5%	4,575	24%	245	3%	1,417	26%	8,243	11%
10-11	1,854	4%	1,174	6%	171	2%	1,297	23%	4,496	6%
Total not credit-impaired	**42,832**	**100%**	**19,276**	**100%**	**7,777**	**100%**	**5,583**	**100%**	**75,468**	**100%**

31 December 2018 Not credit-impaired loans and advances to customers including held for sale 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	22,622	52%	5,421	30%	5,244	70%	84	2%	33,371	45%
5-7	16,185	38%	6,505	35%	1,038	14%	2,208	44%	25,936	35%
8-9	1,535	4%	4,076	22%	56	1%	1,590	31%	7,257	10%
10-11	754	2%	545	3%	5	-	934	18%	2,238	3%
Total stage 1	**41,096**	**96%**	**16,547**	**90%**	**6,343**	**85%**	**4,816**	**95%**	**68,802**	**93%**
Stage 2										
1-4	96	-	191	1%	69	1%	-	-	356	1%
5-7	227	-	356	2%	696	10%	7	-	1,286	2%
8-9	377	1%	521	3%	157	2%	22	1%	1,077	1%
10-11	1,173	3%	782	4%	180	2%	221	4%	2,356	3%
Total stage 2	**1,873**	**4%**	**1,850**	**10%**	**1,102**	**15%**	**250**	**5%**	**5,075**	**7%**
Not credit-impaired										
1-4	22,718	52%	5,612	31%	5,313	71%	84	2%	33,727	46%
5-7	16,412	38%	6,861	37%	1,734	24%	2,215	44%	27,222	37%
8-9	1,912	5%	4,597	25%	213	3%	1,612	32%	8,334	11%
10-11	1,927	5%	1,327	7%	185	2%	1,155	22%	4,594	6%
Total not credit-impaired	**42,969**	**100%**	**18,397**	**100%**	**7,445**	**100%**	**5,066**	**100%**	**73,877**	**100%**

[1] *Excluded from the tables above are Purchased or Originated Credit Impaired loans of €64 million (31 December 2018: €68 million) with impairment loss allowances of €nil, which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination.*

19 Credit risk exposures *(continued)*

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

Credit-impaired loans and advances to customers including held for sale Composition and impairment loss allowance	30 June 2019 Credit-impaired loans €m	30 June 2019 Credit-impaired loans as % of total advances %	30 June 2019 Impairment loss allowance €m	30 June 2019 Impairment loss allowance as % of loans %	31 December 2018 Credit-impaired loans €m	31 December 2018 Credit-impaired loans as % of total advances %	31 December 2018 Impairment loss allowance €m	31 December 2018 Impairment loss allowance as % of loans %
Residential mortgages	2,002	3%	462	23%	2,465	3%	492	20%
- Retail Ireland	*1,565*	*2%*	*412*	*26%*	*2,025*	*2%*	*444*	*22%*
- Retail UK	*437*	*1%*	*50*	*11%*	*440*	*1%*	*48*	*11%*
Non-property SME and corporate	978	1%	451	46%	1,067	1%	501	47%
- Republic of Ireland SME	*613*	*1%*	*288*	*47%*	*729*	*1%*	*340*	*47%*
- UK SME	*105*	*-*	*34*	*32%*	*79*	*-*	*37*	*47%*
- Corporate	*260*	*-*	*129*	*50%*	*259*	*-*	*124*	*48%*
Property and construction	649	1%	282	43%	843	1%	369	44%
- Investment	*605*	*1%*	*254*	*42%*	*760*	*1%*	*321*	*42%*
- Land and development	*44*	*-*	*28*	*64%*	*83*	*-*	*48*	*58%*
Consumer	118	-	79	67%	108	-	70	65%
Total credit-impaired	**3,747**	**5%**	**1,274**	**34%**	**4,483**	**5%**	**1,432**	**32%**

All loans and advances to customers that are greater than 90 days past due are classified as being credit-impaired. All credit-impaired loans and advances to customers are risk rated PD grade 12.

NPEs

The tables below provide an analysis of loans and advances to customers that are non-performing by asset classification and includes loans classified as held for sale.

30 June 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	2,003	1,003	649	118	3,773
Not credit-impaired[1]	242	106	64	2	414
Total	**2,245**	**1,109**	**713**	**120**	**4,187**

31 December 2018 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	2,466	1,068	843	108	4,485
Not credit-impaired[1]	277	144	75	3	499
Total	**2,743**	**1,212**	**918**	**111**	**4,984**

In addition to the NPEs on loans and advances to customers shown above, the Group has total non-performing off-balance sheet exposures amounting to €0.1 billion (31 December 2018: €0.1 billion).

[1] *Other / probationary loans, including forborne loans that have yet to satisfy exit criteria in line with European Banking Authority (EBA) guidance to return to performing.*

19 Credit risk exposures *(continued)*

Geographical and industry analysis of loans and advances to customers

The following table provides a geographical and industry breakdown of total loans including loans held for sale (before impairment loss allowances).

	30 June 2019				31 December 2018			
Geographical / industry analysis[1]	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW €m**	**Total €m**
Personal	25,352	25,186	-	50,538	25,875	24,736	-	50,611
- Residential mortgages	*23,178*	*21,659*	-	*44,837*	*23,716*	*21,721*	-	*45,437*
- Other consumer lending	*2,174*	*3,527*	-	*5,701*	*2,159*	*3,015*	-	*5,174*
Property and construction	7,305	1,183	-	8,488	7,099	1,255	-	8,354
- Investment	*6,563*	*1,119*	-	*7,682*	*6,518*	*1,200*	-	*7,718*
- Land and development	*742*	*64*	-	*806*	*581*	*55*	-	*636*
Business and other services	6,829	1,423	478	8,730	6,191	1,487	413	8,091
Manufacturing	4,167	354	548	5,069	3,935	415	458	4,808
Distribution	2,202	188	77	2,467	2,234	195	51	2,480
Agriculture	1,672	226	-	1,898	1,653	233	-	1,886
Transport	950	112	58	1,120	891	129	61	1,081
Financial	475	43	23	541	498	59	22	579
Energy	398	56	-	454	467	58	15	540
Total	**49,350**	**28,771**	**1,184**	**79,305**	**48,843**	**28,567**	**1,020**	**78,430**

[1] *The geographical breakdown is primarily based on the location of the business unit where the asset is booked.*

19 Credit risk exposures *(continued)*

Loan to value profiles
The tables below set out the weighted average indexed loan to value (LTV) for the total Retail Ireland mortgage loan book.

Property values are determined by reference to the property valuations held, indexed to the RPPI CSO. The indexed LTV profile of the Retail Ireland mortgage loan book contained in the table below is based on the RPPI CSO at April 2019.

	Owner occupied			Buy to let			Total		
30 June 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%	7,083	155	7,238	987	39	1,026	8,070	194	8,264
51% to 70%	6,511	153	6,664	737	49	786	7,248	202	7,450
71% to 80%	2,852	89	2,941	206	38	244	3,058	127	3,185
81% to 90%	2,171	96	2,267	180	110	290	2,351	206	2,557
91% to 100%	600	83	683	48	52	100	648	135	783
Subtotal	**19,217**	**576**	**19,793**	**2,158**	**288**	**2,446**	**21,375**	**864**	**22,239**
101% to 120%	87	129	216	47	80	127	134	209	343
121% to 150%	24	94	118	19	64	83	43	158	201
Greater than 151%	28	144	172	30	190	220	58	334	392
Subtotal	**139**	**367**	**506**	**96**	**334**	**430**	**235**	**701**	**936**
Total	**19,356**	**943**	**20,299**	**2,254**	**622**	**2,876**	**21,610**	**1,565**	**23,175**
Weighted average LTV[3]:									
Stock of Retail Ireland mortgages at period end			59%			72%			61%
New Retail Ireland mortgages during the period			75%			54%			74%

	Owner occupied			Buy to let			Total		
31 December 2018 **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	154	7,319	1,016	54	1,070	8,181	208	8,389
51% to 70%	6,660	168	6,828	797	86	883	7,457	254	7,711
71% to 80%	2,761	100	2,861	229	71	300	2,990	171	3,161
81% to 90%	1,986	105	2,091	205	195	400	2,191	300	2,491
91% to 100%	550	102	652	60	96	156	610	198	808
Subtotal	**19,122**	**629**	**19,751**	**2,307**	**502**	**2,809**	**21,429**	**1,131**	**22,560**
101% to 120%	108	143	251	47	138	185	155	281	436
121% to 150%	30	100	130	20	107	127	50	207	257
Greater than 151%	22	143	165	32	263	295	54	406	460
Subtotal	**160**	**386**	**546**	**99**	**508**	**607**	**259**	**894**	**1,153**
Total	**19,282**	**1,015**	**20,297**	**2,406**	**1,010**	**3,416**	**21,688**	**2,025**	**23,713**
Weighted average LTV[3]:									
Stock of Retail Ireland mortgages at year end			59%			76%			61%
New Retail Ireland mortgages during the year			72%			51%			71%

[1] *Excluded from the above tables are Purchased or Originated Credit Impaired loans of €3 million (31 December 2018: €3 million), €2 million (31 December 2018: €2 million) of which were no longer credit-impaired at 30 June 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 tables are €0.3 billion (31 December 2018: €0.3 billion) of loans mandatorily held at FVTPL at 30 June 2019 which are not subject to impairment under IFRS 9 and are thereby excluded from impairment related tables (see note 18).*

[3] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

19 Credit risk exposures *(continued)*

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

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

30 June 2019	Standard		Buy to let		Self certified		Total		
Loan to value ratio of total Retail UK mortgages	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Total £m
Less than 50%	2,156	33	2,157	23	513	30	4,826	86	4,912
51% to 70%	3,173	42	3,469	42	640	57	7,282	141	7,423
71% to 80%	2,071	22	1,170	21	199	28	3,440	71	3,511
81% to 90%	2,270	17	407	17	117	17	2,794	51	2,845
91% to 100%	565	12	30	6	20	7	615	25	640
Subtotal	**10,235**	**126**	**7,233**	**109**	**1,489**	**139**	**18,957**	**374**	**19,331**
101% to 120%	28	4	8	1	7	4	43	9	52
121% to 150%	16	3	1	-	5	2	22	5	27
Greater than 150%	5	3	-	-	-	1	5	4	9
Subtotal	**49**	**10**	**9**	**1**	**12**	**7**	**70**	**18**	**88**
Total	**10,284**	**136**	**7,242**	**110**	**1,501**	**146**	**19,027**	**392**	**19,419**
Weighted average LTV[1]:									
Stock of Retail UK mortgages at the period[1]	66%	68%	58%	65%	57%	67%	62%	67%	62%
New Retail UK mortgages during the period[1]	77%		64%		n/a		74%		74%

31 December 2018	Standard		Buy to let		Self certified		Total		
Loan to value ratio of total Retail UK mortgages	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Total £m
Less than 50%	2,125	33	2,192	24	525	30	4,842	87	4,929
51% to 70%	3,210	44	3,464	38	677	56	7,351	138	7,489
71% to 80%	1,896	21	1,174	20	221	29	3,291	70	3,361
81% to 90%	2,096	14	456	19	128	19	2,680	52	2,732
91% to 100%	698	14	59	6	29	8	786	28	814
Subtotal	**10,025**	**126**	**7,345**	**107**	**1,580**	**142**	**18,950**	**375**	**19,325**
101% to 120%	39	5	9	2	7	5	55	12	67
121% to 150%	20	2	2	-	6	1	28	3	31
Greater than 150%	5	3	-	1	1	1	6	5	11
Subtotal	**64**	**10**	**11**	**3**	**14**	**7**	**89**	**20**	**109**
Total	**10,089**	**136**	**7,356**	**110**	**1,594**	**149**	**19,039**	**395**	**19,434**
Weighted average LTV[1]:									
Stock of Retail UK mortgages at year end[1]	66%	67%	58%	66%	58%	67%	62%	67%	62%
New Retail UK mortgages during year[1]	76%	-	60%	-	n/a	-	72%	-	72%

[1] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

19 Credit risk exposures *(continued)*

Risk profile of forborne loans and advances to customers
The Group's total risk profile of loans and advances to customers at amortised cost at 30 June 2019 of €79.3 billion is available in note 18 on page 38. Exposures are before impairment loss allowance.

30 June 2019 **Loans and advances to customers at amortised cost - Composition**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	41,128	775	658	2	42,563
- Retail Ireland	*20,456*	*352*	*317*	*2*	*21,127*
- Retail UK	*20,672*	*423*	*341*	*-*	*21,436*
Non-property SME and corporate	17,351	935	242	25	18,553
- Republic of Ireland SME	*5,960*	*455*	*197*	*1*	*6,613*
- UK SME	*1,323*	*165*	*32*	*-*	*1,520*
- Corporate	*10,068*	*315*	*13*	*24*	*10,420*
Property and construction	6,471	471	21	62	7,025
- Investment	*5,745*	*461*	*20*	*62*	*6,288*
- Land and development	*726*	*10*	*1*	*-*	*737*
Consumer	5,353	226	103	-	5,682
Total non-forborne loans and advances to customers	**70,303**	**2,407**	**1,024**	**89**	**73,823**
Forborne loans and advances to customers					
Residential mortgages	9	920	1,344	1	2,274
- Retail Ireland	*6*	*796*	*1,248*	*1*	*2,051*
- Retail UK	*3*	*124*	*96*	*-*	*223*
Non-property SME and corporate	1	989	736	-	1,726
- Republic of Ireland SME	*1*	*463*	*416*	*-*	*880*
- UK SME	*-*	*37*	*73*	*-*	*110*
- Corporate	*-*	*489*	*247*	*-*	*736*
Property and construction	-	835	628	-	1,463
- Investment	*-*	*809*	*585*	*-*	*1,394*
- Land and development	*-*	*26*	*43*	*-*	*69*
Consumer	-	4	15	-	19
Total forborne loans and advances to customers	**10**	**2,748**	**2,723**	**1**	**5,482**

[1] *At 30 June 2019, 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.*

19 Credit risk exposures *(continued)*

31 December 2018 **Loans and advances to customers at amortised cost - Composition**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	41,088	828	675	1	42,592
- Retail Ireland	*20,396*	*363*	*336*	*1*	*21,096*
- Retail UK	*20,692*	*465*	*339*	*-*	*21,496*
Non-property SME and corporate	16,543	975	296	1	17,815
- Republic of Ireland SME	*5,886*	*517*	*208*	*1*	*6,612*
- UK SME	*1,232*	*203*	*20*	*-*	*1,455*
- Corporate	*9,425*	*255*	*68*	*-*	*9,748*
Property and construction	6,330	239	45	66	6,680
- Investment	*5,808*	*236*	*26*	*66*	*6,136*
- Land and development	*522*	*3*	*19*	*-*	*544*
Consumer	4,816	244	89	-	5,149
Total non-forborne loans and advances to customers	**68,777**	**2,286**	**1,105**	**68**	**72,236**
Forborne loans and advances to customers					
Residential mortgages	8	1,045	1,790	2	2,845
- Retail Ireland	*7*	*922*	*1,689*	*2*	*2,620*
- Retail UK	*1*	*123*	*101*	*-*	*225*
Non-property SME and corporate	4	875	771	-	1,650
- Republic of Ireland SME	*4*	*464*	*521*	*-*	*989*
- UK SME	*-*	*56*	*59*	*-*	*115*
- Corporate	*-*	*355*	*191*	*-*	*546*
Property and construction	13	863	798	-	1,674
- Investment	*12*	*836*	*734*	*-*	*1,582*
- Land and development	*1*	*27*	*64*	*-*	*92*
Consumer	-	6	19	-	25
Total forborne loans and advances to customers	**25**	**2,789**	**3,378**	**2**	**6,194**

[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.*

19 Credit risk exposures *(continued)*

30 June 2019 **Risk profile of loans and advances to customers at amortised cost - non-performing exposures**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Credit-impaired	658	267	21	103	1,049
Not credit-impaired	25	3	6	2	36
Total non-forborne loans and advances to customers	**683**	**270**	**27**	**105**	**1,085**
Forborne loans and advances to customers					
Credit-impaired	1,345	736	628	15	2,724
Not credit-impaired	217	103	58	-	378
Total forborne loans and advances to customers	**1,562**	**839**	**686**	**15**	**3,102**

31 December 2018 **Risk profile of loans and advances to customers at amortised cost - non-performing exposures**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Credit-impaired	676	297	45	89	1,107
Not credit-impaired	28	16	13	3	60
Total non-forborne loans and advances to customers	**704**	**313**	**58**	**92**	**1,167**
Forborne loans and advances to customers					
Credit-impaired	1,790	771	798	19	3,378
Not credit-impaired	249	128	62	-	439
Total forborne loans and advances to customers	**2,039**	**899**	**860**	**19**	**3,817**

19 Credit risk exposures *(continued)*

Asset quality

The table below summarises the asset quality of debt instruments at fair value through other comprehensive income (FVOCI) by IFRS 9 twelve month PD grade.

Debt instruments at FVOCI Asset quality	30 June 2019						31 December 2018					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	10,908	93%	-	-	10,908	93%	11,115	92%	-	-	11,115	92%
5-7	884	7%	-	-	884	7%	933	8%	-	-	933	8%
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**11,792**	**100%**	**-**	**-**	**11,792**	**100%**	**12,048**	**100%**	**-**	**-**	**12,048**	**100%**

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

Debt securities at amortised cost (before impairment loss allowance) Asset quality	30 June 2019						31 December 2018					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,608	100%	-	-	4,608	100%	3,917	100%	-	-	3,917	100%
5-7	3	-	-	-	3	-	12	-	-	-	12	-
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	11	-	-	-	11	-	-	-	-	-	-	-
Total	**4,622**	**100%**	**-**	**-**	**4,622**	**100%**	**3,929**	**100%**	**-**	**-**	**3,929**	**100%**

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

Loans and advances to banks at amortised cost (before impairment loss allowance) Asset quality	30 June 2019						31 December 2018					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	3,006	97%	-	-	3,006	97%	2,244	97%	-	-	2,244	97%
5-7	3	-	5	100%	8	-	1	-	-	-	1	-
8-9	85	3%	-	-	85	3%	57	3%	6	100%	63	3%
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,094**	**100%**	**5**	**100%**	**3,099**	**100%**	**2,302**	**100%**	**6**	**100%**	**2,308**	**100%**

19 Credit risk exposures *(continued)*

Other financial instruments with ratings equivalent to:	30 June 2019 €m	30 June 2019 %	31 December 2018 €m	31 December 2018 %
AAA to AA-	3,968	43%	3,693	46%
A+ to A-	3,641	39%	2,773	34%
BBB+ to BBB-	1,094	12%	1,077	13%
BB+ to BB-	243	3%	203	3%
B+ to B-	326	3%	313	4%
Lower than B-	10	-	23	-
Total	**9,282**	**100%**	**8,082**	**100%**

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

20 Modified financial assets

	6 months ended 30 June 2019 €m	Year ended 31 December 2018 €m
Financial assets modified during the period		
Amortised cost before modification	258	923
Net modification gains (i.e. net of impairment gains impact)	-	6
Financial assets modified since initial recognition		
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month expected credit losses during the period	398	894

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

21 Intangible assets and goodwill

	30 June 2019					31 December 2018				
	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost										
At 1 January	**34**	**71**	**1,768**	**204**	**2,077**	**31**	**71**	**1,560**	**208**	**1,870**
Additions	-	-	105	-	105	-	-	207	-	207
Disposals / write-offs	-	-	-	-	-	-	-	-	(1)	(1)
Reclassifications	-	-	-	-	-	3	-	-	(3)	-
Exchange adjustments	-	-	(1)	-	(1)	-	-	1	-	1
At end of period	**34**	**71**	**1,872**	**204**	**2,181**	**34**	**71**	**1,768**	**204**	**2,077**
Accumulated amortisation										
At 1 January	**-**	**(71)**	**(1,060)**	**(144)**	**(1,275)**	**-**	**(70)**	**(893)**	**(128)**	**(1,091)**
Disposals / write-offs	-	-	-	-	-	-	(1)	-	2	1
Impairment	-	-	-	-	-	-	-	(6)	-	(6)
Amortisation charge for the period (note 13)	-	-	(86)	(10)	(96)	-	-	(158)	(20)	(178)
Exchange adjustments	-	-	-	1	1	-	-	(3)	2	(1)
At end of period	**-**	**(71)**	**(1,146)**	**(153)**	**(1,370)**	**-**	**(71)**	**(1,060)**	**(144)**	**(1,275)**
Net book value	**34**	**-**	**726**	**51**	**811**	**34**	**-**	**708**	**60**	**802**

The category computer software internally generated includes the Transformation Investment asset with a carrying value of €296 million (31 December 2018: €253 million). This asset reflects investment in software licences, applications and technical infrastructure. €184 million (31 December 2018: €183 million) of this is an amortising asset with amortisation periods ranging from 3 to 10 years with the majority being amortised over 10 years. The remaining €112 million (31 December 2018: €70 million) represents assets under construction on which amortisation will commence once the assets are put into use.

22 Deferred tax

The deferred tax asset of €1,146 million (31 December 2018: €1,165 million) shown on the balance sheet is after netting by jurisdiction (€1,248 million before netting by jurisdiction (31 December 2018: €1,267 million)). This includes an amount of €1,138 million at 30 June 2019 (31 December 2018: €1,162 million) in respect of operating losses which are available to relieve future profits from tax. Of these losses approximately €1.0 billion relates to Irish tax losses carried forward by The Governor and Company of the Bank of Ireland and €0.1 billion relates to UK tax losses carried forward by Bank of Ireland (UK) plc.

The recognition of a deferred tax asset requires the Directors to be satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred tax assets can be utilised to the extent they have not already reversed.

The Group's projections of future taxable profits incorporate estimates and assumptions on economic factors such as employment levels and interest rates as well as other measures such as loan volumes, margins, costs and impairment losses. The Group projections are based on the current business plan. The Group assumes long-term growth in profitability thereafter.

Based on the Group's projections, the deferred tax asset, in respect of tax losses, is estimated to be recovered in full by the end of 2030 (31 December 2018: 2030).

The use of alternative assumptions representing reasonably possible alternative outcomes would not impact the recognition of the Group's deferred tax assets, although they could increase or decrease the recovery period. If the projected rate of growth of taxable profits was increased or decreased by two percentage points, the Group estimates that this would respectively decrease or increase the recovery period by one year.

The deferred tax liabilities at 30 June 2019 were €63 million (31 December 2018: €42 million).

23 Deposits from banks

Deposits from banks include cash collateral of €272 million at 30 June 2019 (31 December 2018: €217 million) received from derivative counterparties in relation to net derivative asset positions.

	30 June 2019 €m	31 December 2018 €m
Monetary Authority secured funding	1,647	2,037
Deposits from banks	767	445
Securities sold under agreement to repurchase - private market repos	57	-
Deposits from banks	**2,471**	**2,482**

	30 June 2019				31 December 2018			
Monetary Authority secured funding	TLTRO €m	TFS €m	ILTR €m	Total €m	TLTRO €m	TFS €m	ILTR €m	Total €m
Deposits from banks	-	1,424	223	1,647	386	1,427	224	2,037
Debt securities in issue (note 25)	251	-	-	251	617	-	-	617
Total	**251**	**1,424**	**223**	**1,898**	**1,003**	**1,427**	**224**	**2,654**

The Group's secured funding from the ECB comprises drawings under Targeted Longer Term Refinancing Operation (TLTRO). Borrowings of €750 million were repaid during the six months ended 30 June 2019 and the remainder will be repaid by March 2021, in line with the terms and conditions of the TLTRO facility.

Drawings under the Term Funding Scheme (TFS) from the BoE will be repaid between October 2020 and February 2022.

Index Long Term Repo (ILTR) funding from the Bank of England (BoE) has a maturity of less than one year with a rolling facility.

The Group's Monetary Authority funding is secured by financial assets at fair value through other comprehensive income and loans and advances to customers.

24 Customer accounts

The movement in own credit risk related to the Group's customer accounts designated at fair value through profit and loss for the period is shown below.

There were no amounts presented in other comprehensive income relating to liabilities that the Group designated at fair value through profit and loss which were derecognised during the period.

The carrying amount of the customer accounts designated as at fair value through profit or loss at 30 June 2019 was €20 million lower than the contractual amount due at maturity (31 December 2018: €31 million lower).

At 30 June 2019, the Group's largest 20 customer deposits amounted to 4% (31 December 2018: 4%) of customer accounts on a connected counterparty basis. Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products.

Term deposits and other products include €29 million (31 December 2018: €67 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

	30 June 2019 €m	31 December 2018 €m
Current accounts	34,699	33,199
Demand deposits	26,775	26,828
Term deposits and other products	17,851	18,057
Customer accounts at amortised cost	**79,325**	**78,084**
Term deposits at fair value through profit or loss	953	887
Total customer accounts	**80,278**	**78,971**

Movement in own credit risk on deposits at FVTPL	30 June 2019 €m	31 December 2018 €m
Balance at beginning of the period	(18)	12
Recognised in other comprehensive income	(3)	(30)
Balance at end of the period	**(21)**	**(18)**

25 Debt securities in issue

	30 June 2019 €m	31 December 2018 €m
Bonds and medium term notes	5,750	6,795
Monetary Authorities secured funding (note 23)	251	617
Other debt securities in issue	1,318	973
Debt securities in issue at amortised cost	**7,319**	**8,385**
Debt securities in issue at FVTPL	483	522
Total debt securities in issue	**7,802**	**8,907**

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

	30 June 2019 €m	31 December 2018 €m
Balance at beginning of the period	8,907	8,390
Issued during the period	392	2,056
Redemptions	(1,601)	(1,501)
Repurchases	-	(42)
Other movements	104	4
Balance at end of the period	**7,802**	**8,907**

Other movements primarily relates to the changes in fair value in instruments carried at fair value and the value of fair value hedging adjustments in respect of instruments carried at amortised cost.

There were no amounts presented in other comprehensive income relating to liabilities that the Group designated at fair value through profit and loss which were derecognised during the period.

The carrying amount of the debt securities in issue designated at fair value through profit and loss at 30 June 2019 was €44 million higher than the contractual amount due at maturity (31 December 2018: €19 million higher).

Movement in own credit risk on debt securities in issue at FVTPL	30 June 2019 €m	31 December 2018 €m
Balance at beginning of the period	(10)	3
Recognised in OCI	3	(13)
Balance at end of the period	**(7)**	**(10)**

26 Provisions

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

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

At 31 December 2018, the Group held a provision of €42 million in respect of the ongoing industry wide Tracker Mortgage Examination. The provision represented 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.

The Group has set aside a further €55 million provision to cover the additional redress and compensation costs for a number of customers, operational costs associated with the length and nature of the review and costs of closing out the Tracker Mortgage Examination review.

Considerable progress has been made in 2019 in contacting and remediating remaining impacted customers. Since 31 December 2018 €18 million of the provision has been utilised covering redress, compensation and related costs leaving a residual provision of €79 million at 30 June 2019.

	30 June 2019 €m	31 December 2018 €m
Opening balance	84	205
Impact of adopting IFRS 16 on 1 January 2019 (note 34)	(6)	-
	78	**205**
Utilised during the period	(41)	(193)
Charge to income statement	77	94
Unused amounts reversed during the period	(4)	(22)
Balance at end of the period	**110**	**84**

While the Tracker Mortgage review by the Central Bank of Ireland has concluded, the enforcement phase is ongoing and therefore there are still a number of uncertainties as to the final cost of the programme for the Group.

For additional information and details on the key judgement items within the provision, see note 46 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

27 Contingent liabilities and commitments

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

Loss allowance provisions of €26 million (31 December 2018: €29 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 28. Provisions on all other commitments are included in note 26.

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

In February 2019, the Group received a letter before claim from investors in Eclipse film finance schemes asserting various claims in connection with the design promotion and operation of such schemes. The Group's involvement in these schemes was limited to the provision of commercial finance. The Group was not the designer, promoter or operator in respect of any of the schemes. The claims asserted are at a very early stage and the matter is ongoing. Based on the facts currently known, it is not practicable to predict the outcome of these claims as alleged, including the timing or possible aggregate impact.

	30 June 2019 €m	31 December 2018 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	385	354
Acceptances and endorsements	6	6
Other contingent liabilities	215	247
	606	**607**
Loan commitments		
Documentary credits and short-term trade related transactions	47	59
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- revocable or irrevocable with original maturity of 1 year or less	11,390	11,569
- irrevocable with original maturity of over 1 year	4,030	3,523
	15,467	**15,151**

28 Loss allowance provision on loan commitments and financial guarantees

	30 June 2019		31 December 2018	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 27)	15,467	25	15,151	28
Guarantees and irrevocable letters of credit (note 27)	385	1	354	1
	15,852	**26**	**15,505**	**29**

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 on financial assets. To the extent a facility includes both a loan and an undrawn commitment; it is only the impairment attributable to the undrawn commitment that is presented in the above table. The impairment loss allowance attributable to the loan is shown as part of the financial asset to which the loan commitment relates.

At 30 June 2019, the Group held an impairment loss allowance of €26 million on loan commitments and financial guarantees, of which €18 million are classified as stage 1, €7 million as stage 2 and €1 million as stage 3.

The following tables summarise the asset quality of loan commitments and financial guarantees by IFRS 9 twelve month PD grade which are not credit-impaired. Credit-impaired loan commitments are €49 million while credit-impaired guarantees and irrevocable letters of credit are €8 million for the six months ended 30 June 2019.

30 June 2019	**Loan commitments**						**Guarantees and irrevocable letters of credit**					
Loan commitments and financial guarantees - Contract amount	**Stage 1**		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
PD Grade												
1-4	6,646	44%	64	19%	6,710	43%	263	74%	-	-	263	70%
5-7	6,553	44%	96	29%	6,649	43%	69	20%	2	9%	71	19%
8-9	1,679	11%	108	32%	1,787	12%	19	5%	5	22%	24	6%
10-11	205	1%	67	20%	272	2%	3	1%	16	69%	19	5%
Total	**15,083**	**100%**	**335**	**100%**	**15,418**	**100%**	**354**	**100%**	**23**	**100%**	**377**	**100%**

31 December 2018	**Loan commitments**						**Guarantees and irrevocable letters of credit**					
Loan commitments and financial guarantees - Contract amount	**Stage 1**		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
PD Grade												
1-4	7,034	48%	187	42%	7,221	48%	81	27%	19	44%	100	29%
5-7	5,539	38%	39	9%	5,578	37%	198	65%	3	7%	201	58%
8-9	1,888	13%	122	27%	2,010	13%	19	6%	4	9%	23	7%
10-11	184	1%	97	22%	281	2%	5	2%	17	40%	22	6%
Total	**14,645**	**100%**	**445**	**100%**	**15,090**	**100%**	**303**	**100%**	**43**	**100%**	**346**	**100%**

29 Retirement benefit obligations

The net IAS 19 pension deficit at 30 June 2019 was €291 million (31 December 2018: €228 million). This is shown on the balance sheet as a retirement benefit obligation of €341 million (31 December 2018: €274 million) and a retirement benefit asset of €50 million (31 December 2018: €46 million).

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

Financial assumptions	30 June 2019 % p.a.	31 December 2018 % p.a.
Irish schemes		
Discount rate	1.30	2.00
Inflation Rate	1.05	1.35
UK schemes		
Discount Rate	2.35	2.95
Consumer Price Inflation	2.20	2.20
Retail Price Inflation	3.20	3.20

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

Impact on defined benefit obligation	Impact on defined benefit obligation Increase / (decrease) 30 June 2019 €m	Impact on defined benefit obligation Increase / (decrease) 31 December 2018 €m
RoI schemes		
Discount rate		
- Increase of 0.25%	(329)	(288)
- Decrease of 0.25%	353	310
Inflation rate		
- Increase of 0.10%	92	80
- Decrease of 0.10%	(87)	(70)
UK schemes		
Discount rate		
- Increase of 0.25%	(78)	(67)
- Decrease of 0.25%	83	72
RPI inflation		
- Increase of 0.10%	22	19
- Decrease of 0.10%	(19)	(17)

29 Retirement benefit obligations *(continued)*

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

Impact on plan assets - all schemes	Impact on plan assets increase / (decrease) 30 June 2019 €m	Impact on plan assets increase / (decrease) 31 December 2018 €m
Sensitivity of plan assets to movements in global equity markets with allowance for other correlated diversified asset classes		
- Increase of 5.00%	97	90
- Decrease of 5.00%	(97)	(90)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
- Increase of 0.25%	(305)	(264)
- Decrease of 0.25%	323	280
Sensitivity of liability-matching assets to a 10bps movement in inflation rates		
- Increase of 0.10%	77	71
- Decrease of 0.10%	(76)	(70)

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

	6 months ended 30 June 2019 €m	6 months ended 30 June 2018 €m
Present value of obligation (loss) / gain	(786)	109
Fair value of plan assets gain	714	88
Total (loss) / gain	**(72)**	**197**

30 Subordinated liabilities

The principal terms and conditions of all subordinated liabilities are set out in note 49 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

	30 June 2019 €m	31 December 2018 €m
€750 million 4.25% Fixed Rate Subordinated Notes 2024	-	753
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	439	423
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	333	330
€250 million 10% Fixed Rate Subordinated Notes 2022	266	264
€1,002 million 10% Fixed Rate Subordinated Notes 2020	211	214
Undated loan capital	121	121
Stg£197 million 10% Fixed Rate Subordinated Notes 2020	2	2
Total subordinated liabilities	**1,372**	**2,107**

€750 million 2024 subordinated debt was redeemed at par on the first available call date of 11 June 2019.

31 Summary of relations with the State

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

Further details of the Group's relations with the State are set out in note 56 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

There has been no material change, significant events or transactions with the State with respect to ordinary shares, guarantee schemes or the Irish bank levy during the six months ended 30 June 2019.

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

The amounts outstanding at 30 June 2019 and 31 December 2018 in respect of these transactions, which are considered individually significant, are set out in this table.

The Group did not dispose of any NAMA subordinated bonds during the period (year ended 31 December 2018: €211 million).

	30 June 2019 €m	31 December 2018 €m
Assets		
Unguaranteed senior bonds issued by AIB	213	232
Unguaranteed subordinated bonds issued by AIB	11	15
NAMA subordinated bonds	73	76
Bonds issued by the State	6,041	5,472
Other financial assets at fair value through profit or loss		
Bonds issued by the State	255	245
Loans and advances to banks		
AIB	26	17
Liabilities		
Customer Accounts		
State (including agencies & entities under its control or joint control)	936	1,070
Debt securities in issue		
State (including agencies & entities under its control or joint control)	145	134

32 Liquidity risk and profile

The following tables summarise the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in the Wealth and Insurance division) at 30 June 2019 and 31 December 2018 based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,693 million and €12,019 million respectively (31 December 2018: €5,239 million and €11,003 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

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

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

30 June 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	82	745	-	-	-	827
Monetary Authorities secured funding	-	3	234	1,688	-	1,925
Customer accounts	66,334	6,004	5,107	2,410	184	80,039
Debt securities in issue	-	85	1,440	3,910	2,792	8,227
Subordinated liabilities	-	21	273	488	1,024	1,806
Contingent liabilities	360	52	99	86	9	606
Lease liabilities	-	20	59	232	432	743
Commitments	14,244	56	1,102	65	-	15,467
Dividend payable to parent	627	-	-	-	-	627
Total	**81,647**	**6,986**	**8,314**	**8,879**	**4,441**	**110,267**

32 Liquidity risk and profile *(continued)*

31 December 2018 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	78	367	-	-	-	445
Monetary Authorities secured funding	-	254	234	2,197	-	2,685
Customer accounts	65,369	6,207	4,306	2,919	215	79,016
Debt securities in issue	-	1,234	158	5,238	2,370	9,000
Subordinated liabilities	-	31	88	844	1,810	2,773
Contingent liabilities	364	49	70	109	15	607
Commitments	14,206	36	852	57	-	15,151
Dividend payable to parent	800	-	-	-	-	800
Total	**80,817**	**8,178**	**5,708**	**11,364**	**4,410**	**110,477**

33 Fair values of assets and liabilities

A definition of fair value and the fair value hierarchy, along with a description of the methods, assumptions and processes used to calculate fair values of assets and liabilities is set out on pages 209 to 212 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018. At 30 June 2019, there has been no significant change to those methods, assumptions, processes or the Group's policy for assessing transfers between the different levels of the fair value hierarchy.

Sensitivity of level 3 valuations

Derivative financial instruments

Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives would be to decrease their fair value by up to €2 million with a corresponding impact on the income statement. 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 FVTPL

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

Loan and advances to customers held at fair value

These assets are valued incorporating unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these loans and advances to customers would not have a significant impact.

Interest in associates

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

Customer accounts

A small number of customer accounts are valued using 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.

Debt securities in issue

A small number of the debt securities in issue are valued using 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.

Fair value on offsetting positions

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

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

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

	30 June 2019				31 December 2018			
	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	178	-	-	178	29	-	-	29
Derivative financial instruments	-	2,359	8	2,367	1	1,705	18	1,724
Loans and advances to customers	-	-	256	256	-	-	261	261
Loans and advances to banks	-	325	-	325	-	318	-	318
Other financial assets at FVTPL	15,028	459	138	15,625	13,559	478	123	14,160
Financial assets at FVOCI	11,783	9	-	11,792	11,996	52	-	12,048
Interest in associates	-	-	52	52	-	-	53	53
	26,989	**3,152**	**454**	**30,595**	**25,585**	**2,553**	**455**	**28,593**
Financial liabilities held at fair value								
Customer accounts	-	944	9	953	-	860	27	887
Derivative financial instruments	1	2,304	7	2,312	2	1,810	7	1,819
Liabilities to customers under investment contracts	-	5,693	-	5,693	-	5,239	-	5,239
Insurance contract liabilities	-	12,019	-	12,019	-	11,003	-	11,003
Debt securities in issue	-	481	2	483	-	520	2	522
Short positions in trading securities	4	-	-	4	16	-	-	16
	5	**21,441**	**18**	**21,464**	**18**	**19,432**	**36**	**19,486**

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

Movements in level 3 financial assets **30 June 2019**	**Loans and advances to customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Total €m**
Opening balance 1 January 2019	**261**	**123**	**18**	**53**	**455**
Total gains or losses in:					
Profit or loss					
- Net trading income	7	32	5	-	44
- Share of results of associates	-	-	-	5	5
Other comprehensive income					
Additions	-	1	-	3	4
Disposals	-	(9)	(8)	(9)	(26)
Redemptions	(12)	(9)	-	-	(21)
Transfers out of level 3					
- from level 3 to level 2	-	-	(8)	-	(8)
Transfers into level 3					
- from level 2 to level 3	-	-	1	-	1
Closing balance 30 June 2019	**256**	**138**	**8**	**52**	**454**
Total gains / (losses) for the period included in profit or loss for level 3 financial assets at the end of the reporting period	**6**	**24**	**1**	**5**	**36**
- Net trading income / (expense)	*6*	*24*	*1*	*-*	*31*
- Share of results of associates	*-*	*-*	*-*	*5*	*5*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 30 June 2019 which were unavailable at 31 December 2018.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to the fair value measurement of these assets.

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

Movements in level 3 financial assets **31 December 2018**	**Loans and advances to customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Total €m**
Opening balance 1 January 2018	**269**	**139**	**44**	**59**	**511**
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	14	14	(4)	-	24
- Share of results of associates	-	-	-	4	4
- Other operating income	-	2	-	-	2
Other comprehensive income					
Additions	-	2	-	5	7
Disposals	-	(22)	-	(15)	(37)
Redemptions	(22)	(12)	-	-	(34)
Transfers out of level 3					
- from level 3 to level 2	-	-	(27)	-	(27)
Transfers into level 3					
- from level 2 to level 3	-	-	5	-	5
Closing balance 31 December 2018	**261**	**123**	**18**	**53**	**455**
Total gains / (losses) for the year included in profit or loss for level 3 financial assets at the end of the reporting year	**15**	**15**	**(4)**	**4**	**30**
- Net trading income / (expense)	*15*	*14*	*(4)*	*-*	*25*
- Other operating income	*-*	*1*	*-*	*-*	*1*
- Share of results of associates	*-*	*-*	*-*	*4*	*4*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2018 which were unavailable at 31 December 2017.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to the fair value measurement of these assets.

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

Movements in level 3 financial liabilities	30 June 2019				31 December 2018			
	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	**27**	**7**	**2**	**36**	**3**	**1**	**2**	**6**
Total gains or losses in:								
Profit or loss								
- Net trading income / (expense)	-	2	-	2	(2)	9	-	7
Other comprehensive income	(2)	-	-	(2)	(1)	-	-	(1)
Additions	22	-	-	22	30	-	-	30
Disposals	-	(1)	-	(1)	-	-	-	-
Transfers out of level 3								
- from level 3 to level 2	(38)	(1)	-	(39)	(3)	(6)	-	(9)
Transfers into level 3								
- from level 2 to level 3	-	-	-	-	-	3	-	3
Closing balance	**9**	**7**	**2**	**18**	**27**	**7**	**2**	**36**
Total gains / (losses) for the period included in profit or loss for level 3 financial liabilities at the end of the reporting period	**2**	**(2)**	**-**	**-**	**1**	**(6)**	**-**	**(5)**
- Net trading income	*2*	*(2)*	*-*	*-*	*1*	*(6)*	*-*	*(5)*

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.

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

Level 3 financial assets	Valuation technique	Unobservable input	Fair value 30 Jun 2019 €m	Fair value 31 Dec 2018 €m	Range 30 Jun 2019 %	Range 31 Dec 2018 %
Loans and advances to customers	Discounted cash flow	Discount on market rate[1]	256	261	2.75%-4.50%	2.75%-4.50%
		Collateral charges			1.50%-5.65%	1.50%-7.50%
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate[1]	138	123	Third party pricing	Third party pricing
	Equity Value less discount	Discount			0%-50%	0%-50%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[2]	8	18	0%-4%	0%-4%
Interest in associates	Market comparable companies	Price of recent investment Earnings multiple[3] Revenue multiple[3]	52	53	Third party pricing	Third party pricing

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

Note: 100 basis points = 1%

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

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

Level 3 financial liabilities	Valuation technique	Unobservable input	Fair value 30 Jun 2019 €m	Fair value 31 Dec 2018 €m	Range 30 Jun 2019 %	Range 31 Dec 2018 %
Customer accounts	Discounted cash flow Option pricing model	Own credit spread[1]	9	27	0%-4%	0%-4%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[1]	7	7	0%-4%	0%-4%
Debt securities in issue	Discounted cash flow	Own credit spread[1]	2	2	0%-0.5%	0%-0.5%

	30 June 2019		31 December 2018	
	Carrying amount €m	Fair values €m	Carrying amount €m	Fair values €m
Assets				
Loans and advances to banks	3,098	3,098	2,307	2,307
Loans and advances to customers (including assets held for sale)	77,724	74,784	76,102	73,220
Debt securities at amortised cost	4,621	4,646	3,928	3,913
Liabilities				
Deposits from banks	2,471	2,471	2,482	2,482
Customer accounts	79,325	79,341	78,084	78,089
Debt securities in issue	7,319	7,346	8,385	8,346
Subordinated liabilities	1,372	1,449	2,107	2,149

[1] *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*

Note: 100 basis points = 1%

34 Impact of adopting new accounting standard IFRS 16 'Leases'

As outlined in the Group accounting policies note on page 21, from 1 January 2019, the Group adopted IFRS 16 'Leases'. On transition to IFRS 16, the Group recognised Right of Use (RoU) assets and lease liabilities by adjusting the opening balances of the relevant assets and liabilities on the balance sheet, with no adjustment required to opening retained earnings. The impact on transition is summarised below:

	€m
Operating lease commitments as at 31 December 2018	**680**
Less	
Value added tax included in operating lease commitments as at 31 December 2018	(42)
Operating lease commitments as at 31 December 2018 excluding value added tax	**638**
Weighted average incremental borrowing rate as at 1 January 2019	*2.7%*
Discounted operating lease commitments as at 1 January 2019 excluding value added tax under IFRS 16	**528**
Less	
Commitments relating to contracts outside the scope of IFRS 16	(15)
Add	
Commitments relating to leases previously classified as finance leases	4
Service contracts not previously classified as leases under IAS 17	62
Commitments in optional extension periods not recognised as at 31 December 2018	58
Lease liabilities as at 1 January 2019	**637**

	Carrying amount under IAS 17 as at 31 December 2018[1] €m	Impact of new accounting standard €m	Carrying amount under IFRS 16 as at 1 January 2019 €m
Assets			
Property, plant and equipment	438	617	1,055
Other assets	2,282	(17)	2,265
Liabilities			
Lease liabilities	-	637	637
Other liabilities	3,262	(31)	3,231
Provisions	84	(6)	78

Amounts recognised in the balance sheet and income statement

Set out below are the carrying amounts of the Group's RoU assets and lease liabilities and the movements during the period:

	RoU assets			
Balance sheet under IFRS 16	**Buildings €m**	**Computer and other equipment[1] €m**	**Total €m**	**Lease liabilities €m**
As at 1 January 2019	555	66	621	637
Payments	-	-	-	(45)
Interest expense (note 5)	-	-	-	6
Remeasurement of lease liabilities	3	-	3	3
Additions	-	2	2	2
Depreciation expense	(23)	(17)	(40)	-
Exchange adjustments	(2)	(1)	(3)	(4)
As at 30 June 2019	**533**	**50**	**583**	**599**

The Group recognised rent expense from short-term leases of €2 million for the six months ended 30 June 2019.

[1] *Includes €4 million of finance lease assets as at 31 December 2018 reclassified as RoU assets under IFRS 16 on 1 January 2019.*

34 Impact of adopting new accounting standard IFRS 16 'Leases' *(continued)*

Summary of amounts recognised in the income statement under IFRS 16 compared to equivalent amounts under IAS 17	**6 months ended 30 June 2019 €m**	**6 months ended 30 June 2018 €m**
Amounts recognised in interest expense		
Interest expense on lease liabilities	6	-
Amounts recognised in other operating expenses		
Depreciation of RoU assets in property, plant and equipment	40	-
Depreciation of Finance lease assets in property, plant and equipment	-	2
Operating lease payments	-	29
Short-term lease expenses	2	-
Expenses on service contracts classified as leases under IFRS 16	-	15
	42	**46**
Total	**48**	**46**

35 Post balance sheet events

On 8 July 2019, the Bank announced it issued €600 million of senior unsecured debt with a maturity of five years and which is callable after 4 years at the discretion of the Bank.

On 11 July 2019, the Group sold its Bank of Ireland UK consumer credit cards portfolio consisting of the Post Office, the AA and the Bank of Ireland branded consumer credit cards to CCP Credit Master Lux S.à r.l. and CSCP III Master Lux S.à r.l. which are special purpose investment vehicles advised by affiliates of Centerbridge Partners Europe LLP and Jaja Finance Limited ('Jaja'). At 30 June 2019 the portfolio had a gross balance sheet value of €598 million and a net book value of €573 million included in the 'assets classified as held for sale'. The Group envisages a small loss on this transaction which includes the cost of migration of the portfolio and the costs of servicing until that migration is completed.

36 Approval of interim report

The Court of Directors approved the Interim Report on 26 July 2019.

Other Information

Forward looking statement

This document contains forward-looking statements with respect to certain of The Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries' (collectively the 'Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators and plans and objectives for future operations. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 9 also the discussion of risk in The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

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

Rates of exchange

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

	30 June 2019		30 June 2018		31 December 2018	
	Average	**Closing**	**Average**	**Closing**	**Average**	**Closing**
€ / US$	1.1298	1.1380	1.2104	1.1658	1.1810	1.1450
€ / Stg£	0.8736	0.8966	0.8798	0.8861	0.8847	0.8945

Credit ratings

	30 June 2019	**31 December 2018**
Ireland - Senior debt		
Standard & Poor's	A+ (Stable)	A+ (Stable)
Moody's	A2 (Stable)	A2 (Stable)
Fitch	A+ (Stable)	A+ (Stable)
The Governor and Company of the Bank of Ireland - Senior debt		
Standard & Poor's	BBB+ (Positive)	BBB+ (Positive)
Moody's	A3 (Positive)[1]	A3 (Positive)
Fitch	BBB (Positive)	BBB (Positive)

[1] *Moody's upgraded its rating on the Bank's senior debt to A2 from A3 (outlook revised to stable from positive) on 11 July 2019.*

Alternative performance measures

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

Business income is net other income after IFRS income classifications before other gains and other valuation items.

Constant currency: To enable a better understanding of performance, certain variances are calculated on a constant currency basis by adjusting for the impact of movements in exchange rates during the period as follows:

- for balance sheet items, by reference to the closing rate at the end of the current and prior period ends; and
- for items relating to the income statement, by reference to the current and prior period average rates.

'Forborne collateral realisation' loans (FCRs): Loans (primarily residential mortgages) which meet both of the following criteria: (i) not greater than 90 days past due; and (ii) forbearance is in place and future reliance on the realisation of collateral is expected for the repayment in full of the loan when such reliance was not originally envisaged. Such loans are considered credit-impaired and 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' (NPEs): These are:

(i) **credit-impaired loans** (which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, 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.

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

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

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

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

For any abbreviations used in this document please refer to the abbreviations listing on page 247 of The Governor and Company of the Bank of Ireland's Annual Report for the year ended 31 December 2018.

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