2021

Bank of Ireland Group plc
Interim Report
(for the six months ended 30 June 2021)

Bank of Ireland

'We've had a strong first half of 2021 with much improved financial outcomes, while continuing to execute our strategy and drive economic recovery.'

Francesca McDonagh
Group Chief Executive

Inside this report

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www.bankofireland.com

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

Key performance highlights

H121 Performance

Profit before tax
€406m
(H120 loss: €822m)

Underlying[1] profit before tax
€465m
(H120 loss: €669m)

- Operating profit pre-impairment +72% vs H120.
- Total income[2] +14% vs H120, higher net interest income, business income and valuation items.
- Strong UK performance; operating contribution +52% from higher margins and lower cost.

Asset Quality

NPE Ratio
5.5%
(H220: 5.7%)

- Impairment charge of €1m reflecting improved economic outlook and minimal loan loss experience.
- NPE ratio reduced to 5.5%, supported by €0.3bn Irish mortgage securitisation.
- 99% of payments breaks now concluded with minimal impact on asset quality.

Transformation

Reduction in underlying operating expenses[3] vs H120
4%

- 7th straight reporting period of sustainable cost reductions.
- End-to-End customer journey programme delivering c.€60m in annualised cost savings.
- On-going progress in systems transformation with digital fulfilment now at 75%.

Capital

Regulatory CET1 ratio
15.3%
(31 December 2020: 14.9%)

Fully loaded CET1 ratio
14.1%
(31 December 2020: 13.4%)

- Strong capital position; fully loaded CET1 ratio 14.1%.
- Pre-impairment organic capital generation of 90bps H121 vs 45bps H120[4].
- Sufficient capital to execute proposed inorganic KBC and Davy opportunities.

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

[1] *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items of €59 million which are those items that the Group believes obscure the underlying performance trends in the business. For further details on the Group's non-core items see page 12.*
[2] *Operating income (net of insurance claims)*
[3] *Underlying costs include core Transformation Investment charges, exclude non-core costs of €80 million and levies and regulatory charges of €96 million. Including these items, total costs were €131 million or 11% lower than H120, the calculation of which is set out on page 143.*
[4] *Pre-impairment organic capital generation primarily consists of attributable profit excluding impairment and movements in regulatory deductions.*

Chief Executive's review

We've had a strong first half of 2021 with much improved financial outcomes, while continuing to execute our strategy and drive economic recovery.

Francesca McDonagh *Group Chief Executive*

We are seeing a recovery in the economies and markets in which we operate, notwithstanding the ongoing challenges presented by COVID-19. We have continued to support our customers, colleagues and communities as they start to emerge from this challenging period, all underpinned by the investment we've made in recent years in transforming our culture, systems and business model.

We have continued to deliver our strategic outcomes during 2021. We have reduced our costs for the seventh consecutive reporting period. The improved performance in our UK business reflects the strategic choices we are implementing. The ongoing investments we are making in our digital capabilities and services for our customers are reflected in the growing strength of our franchise in our core markets. We have also announced two proposed acquisitions, the completion of which will significantly strengthen our core franchise and reinforce our National Champion ambition.

Strong recovery in performance in first half of 2021

H121 has seen a strong recovery in our financial performance despite the continued impact of COVID-19 restrictions on business activity, particularly in Ireland. The Group has reported an underlying profit before tax of €465 million, supporting a c.70 basis point improvement in our fully loaded CET1 capital ratio. At the end of June 2021, the Group's regulatory CET1 ratio of 15.3% and fully loaded CET1 ratio of 14.1% remained strong.

Improving economic outlook

The outlook for the Irish and UK economies has strengthened since the start of the year, supported by the successful rollout of national vaccination programmes and the gradual lifting of restrictions. While the low interest rate environment continues to present challenges for banks, expectations for GDP and house prices have improved in both Ireland and the UK. The Irish economy has proven to be resilient despite restrictions on business activity and some initial disruption due to Brexit. Economic sentiment moved back above its pre-pandemic level in May; the COVID-19 adjusted unemployment rate has improved, and high frequency economic data suggest strong growth momentum following on from the first quarter's robust GDP outturn.

Purpose

The Group's purpose is to enable our customers, colleagues and communities to thrive.

Customers

To support economic recovery in the economies we operate in, €7.2 billion of new lending has been provided to our retail, business banking and corporate customers in H121. We are taking a leading role in enabling the ongoing growth in the Irish residential mortgage market. While maintaining both risk and pricing discipline, we have provided support to our customers through €1.0 billion of new mortgage lending in H121. We have also concluded over 99% of Payment Breaks offered since the onset of the pandemic, with 95% resuming normal loan repayments.

Building on the work of the Group's Financial Wellbeing Programme, we launched a national Financial Wellbeing campaign. The campaign encourages Irish people to talk more openly about their finances and highlights the Financial Wellbeing supports we have in place. This is a clear declaration of our intent to lead the Irish banking sector in the area of Financial Wellbeing. The response from the campaign has been overwhelmingly positive, with a 120% increase in completed financial health checks, while our customer Net Promoter Score improved strongly in April by +11 points following the March branch closure announcement.

Colleagues

Our colleagues' high level of agility and engagement underpinned the ongoing support of our customers. This is evidenced in the recent Irish Banking Culture Board surveys where colleagues' view that 'people get things done for the customer' has improved from 53% in 2018 to 75% in 2021.

While over 75% of our colleagues continue to work from home during lockdown, we have announced a new hybrid model to permanently facilitate flexible working. New mental health supports for colleagues have also been launched in 2021 including the 'power down and recharge' initiative. In addition, we are investing in the development of colleagues' digital skills to align with evolving customer behaviours, with 130 new specialist in-house digital engineering roles announced.

Communities

We are committed to supporting the communities where we live and work. The Begin Together programme, our 3-year, €4 million initiative launched in 2020, continued to fund charities, community groups and arts organisations in the first half of 2021. The Arts Fund, in conjunction with Business to Arts, opened for second round applications from artists and community groups coming together to frame their response to COVID-19.

We are a long-time sponsor of provincial rugby and continued to support the ambitions of the Irish provincial teams including navigating the challenges presented by COVID-19. In early 2021, we became a primary partner to the Football Association of Ireland's 'More Than A Club' programme, which enables clubs to devise and deliver important social programmes, particularly within disadvantaged communities. Our Money Smarts Challenge has gone from strength to strength. This programme aims to improve financial literacy among second level students in an engaging and interactive way with c.33% of Irish secondary schools participating.

Strategic progress

H121 has seen further progress on delivering on our strategy including:

- a reduction in costs; down 4% in H121 vs H120;
- new lending activity of €7.2 billion in H121, while maintaining commercial discipline on risk and pricing;
- continued progress in the UK: increasing our UK net interest margin by 29 basis points and reducing costs by 11% vs H120;
- enhancing our customers' digital journeys, supporting the continued increase in digital adoption, with 75% of product applications now fulfilled digitally;
- driving the economic recovery through accessible and responsible lending, increasing our Sustainable Finance Fund from €2 billion to €5 billion;
- agreeing the Davy[1] acquisition and agreeing a memorandum of understanding with KBC[1] on the acquisition of its performing loan assets and liabilities in Ireland, with negotiations being progressed; and
- maintaining strong capital ratios.

Digital banking

COVID-19 accelerated the trend towards greater digital engagement by our customers.

We are supporting this increased digital adoption by continuing to invest in customers' most frequent digital journeys. For example, the digital mortgage origination journey has improved to enable a seamless experience for customers from application to drawdown, improving customer experience and reducing operational risks and costs for the Group.

On our mobile app, the Group's largest 'branch' and product channel, we are continually enhancing functionality, with c.70 updates since the new app's launch in 2020, delivering a 25-point improvement in Customer Effort Scores in the past twelve months.

We will continue to invest in our customers' digital journeys as we transition to a digital relationship bank and enable our customers, colleagues and communities to thrive in an increasingly digital world.

Wealth and insurance

A key strategic priority of the Group is to materially grow our Wealth and Insurance business, supported by favourable demographic and economic trends. The business had a strong performance in H121, generating a 27% increase in operating contribution supported by an increase in new premium sales of 34% vs H120 (and 4% vs H119) and a positive investment market performance of €22 million. Wealth and Insurance income represented 37% of Group business income in H121.

We continue to see strong opportunities to leverage the Group's unique position in the Irish market as the only universal bancassurer, providing in-house product manufacturing and distribution. At the end of June 2021, the Wealth and Insurance business had c.€21 billion of assets under management and increased our penetration of the Bank customer base to 35%, up from 23% in 2017.

On 22 July, we announced the acquisition of Davy, Ireland's leading provider of wealth management and capital markets services, for an enterprise value of €440 million. The transaction is expected to impact CET1 capital by c.80 basis points, on completion in 2022 and will be financed through existing resources. The transaction is a strong strategic fit, strengthening the range of services available to the Group's wealth and corporate customers.

Costs

Our relentless focus on efficiency and strategic cost reduction has continued. Costs reduced for the seventh successive reporting period in H121 which supports our guidance for less than €1.65 billion for 2021. Earlier this year we announced a new target of a €1.5 billion operating cost base by 2023, the achievement of which would bring cumulative cost reductions since 2017 to greater than 20%.

Cost reductions of €35 million or 4% in H121 vs H120, have been broad-based across a range of staff and non-staff initiatives. The number of staff (full time equivalents) have reduced by 11% since June 2020 supported by the implementation of our voluntary redundancy programme announced in September 2020.

UK

Our retail business in the UK continued to deliver progress in H121, reflecting strategic decisions we have made to improve our UK performance.

In H121, net interest income was 12% higher than H120, supported by higher margins and reduced cost of deposits. Costs were 11% lower compared to H120 and lending balances are £0.9 billion lower from December 2020 as the business pivots to lower lending volumes with higher margins in line with our strategy. Consistent with this strategy, Bespoke new mortgage lending of £259 million increased c.170% in H121 compared to the same period in 2020. We are also progressing with the implementation of our Northern Ireland strategy with branch closures commencing in June.

To improve returns in the UK, our strategy will continue to focus on higher new lending margins, lower costs, a reduction in deposit costs and operating with a smaller balance sheet.

Responsible and Sustainable Business

We launched our Responsible and Sustainable Business strategy, 'Investing in Tomorrow' in March 2021. During 2021, we have continued to deliver under our three key pillars of:

- enabling current and future colleagues to thrive;
- enhancing Financial Wellbeing; and
- supporting the green transition.

In May, we launched our enhanced service to support international asylum seekers by providing access to banking products and interpretation services to enable these applicants to get the financial services they need. In June, we invited colleagues to register to become Global Chat Volunteers, a financial inclusion initiative using the multiculturalism and diversity of our workforce to enable us to talk to our customers in the language they are most comfortable with. To date we have had over 90 volunteers who can translate into 38 languages. We have also signed up to the 'Business in the Community' inclusive workplace pledge while 107 of our branches have been accredited with 'Age Friendly' training to protect the most vulnerable.

We are continuing to decarbonise our own operations, we issued €1.3 billion of green bonds in H121 and increased the Group's Sustainable Finance Fund to €5 billion to help fund the green transition and reflecting our expectation of a material increase in customer demand in the coming years. We remain on track to establish and publish science based targets by the end of 2022. The Group's progress has been recognised by Sustainalytics, with an improved rating from 22.4 to 20.4, placing the Group in the top 20% of banks worldwide.

[1] *Both the Davy and KBC acquisitions are subject to regulatory and competition authority approvals.*

Financial performance

The Group posted an underlying profit before tax of €465 million in H121 with total income 14% higher and operating profit pre-impairment 72% higher compared to the same period in 2020.

The Group's loan book increased by €0.6 billion during H121 (€1.0 billion lower on a constant currency basis). New lending of €7.2 billion and positive foreign exchange and other movements of €1.6 billion were largely offset by redemptions of €7.9 billion and the Group's €0.3 billion Irish mortgage non-performing exposure (NPE) transaction. UK deleveraging of €1 billion in the period is in line with strategy and this trend is expected to continue. New lending volumes in H121 were 12% higher than H120, when excluding revolving credit facility drawdowns, supported by activity across our core Retail Ireland, Retail UK and Corporate portfolios.

Net interest income of €1,080 million was 2% higher than the same period in 2020 and ahead of our expectations. The benefits of reduced liability costs and higher margins on new UK lending were partly offset by reduced yields on liquid assets and structural hedges. Liquid assets as a proportion of average interest earning assets increased to 32% in H121 compared to 25% in H120 primarily as a result of participation in the TLTRO. Net interest margin (NIM) was 1.90%, 10 basis points lower vs 2020. The Group's NIM reflects the positive impact from new lending margins and our strong commercial pricing discipline, more than offset by the impact of the Group's participation in the ECB's TLTRO III operation (c.10 basis point impact in H121), growth in liquid assets and lower structural hedge income.

Fees and other income arise from diversified business activities including wealth, bancassurance, foreign exchange and transactional banking fees. Business income of €283 million, including share of associates and joint ventures (JVs), was 8% higher vs H120, notwithstanding the impact of continued restrictions in H121. A gain of €34 million on valuation and other items was reported in H121.

Business income includes Wealth and Insurance income which increased 5% vs H120 due to higher new business and existing book income. Retail Ireland income reduced 2% from lower card fee income. Corporate and Markets fee income increased by 24% due to higher upfront fees. Share of associates and JV income continued to be impacted due to UK travel restrictions.

Delivery on transforming our culture, systems and business model continued to drive efficiencies across the Group.

Operating expenses (excluding levies and regulatory charges and impairment of intangible assets and goodwill) reduced by 4% compared to H120. Non-core charges of €59 million includes €69 million in restructuring programme costs.

A net credit impairment charge of €1 million on financial instruments in H121 compared to a charge of €937 million in H120.

This charge reflects: the impact on IFRS 9 models of Forward Looking Information from the Group's latest macro-economic outlook; a management adjustment related to the risk that longer-term credit supports may be required for customers affected by COVID-19; and actual loan loss experience in the period. The impairment performance in H121 was better than our expectations, reflecting the improved economic outlook in June 2021 compared to December 2020, combined with muted actual loan loss experience in the period. The Group's impairment coverage reduced slightly to 2.7%. Subject to no material change in the economic conditions or outlook, we expect the H221 impairment charge to be broadly similar to H121 and supported by the current stock of impairment loss allowance of €2.1 billion.

NPEs decreased by €0.1 billion to €4.4 billion, equating to an NPE ratio of 5.5% of gross customer loans compared to 5.7% at end-2020. This decrease reflects the Group's new flows into default which have been more than offset by the positive impacts of the Group's €0.3 billion NPE securitisation transaction backed by Irish mortgages and continuing to work with customers to agree sustainable solutions.

Our regulatory CET1 capital ratio of 15.3% and fully loaded CET1 capital ratio of 14.1% at June 2021 were significantly ahead of regulatory requirements. Improvement in the ratios from the end of 2020 reflected organic capital generation combined with the benefit from our NPE transaction and other movements, partly offset by the impact of transformation investment and lending. The Group's 15.3% regulatory CET1 capital ratio at June 2021 provides headroom of c.550 basis points to our 2021 regulatory requirements excluding P2G. The Group has sufficient capital resources to support execution of proposed acquisition opportunities. We expect end 2021 CET1 ratios to increase by c.30 to 50 basis points above June 2021 levels.

Outlook

In H121 we delivered improved financial performance with a reduction in NPEs and increase in our capital ratios. We have continued to make good progress with our organic strategic delivery. We are also continuing to progress the proposed Davy and KBC acquisitions, the completion of which would further enhance the Group's Irish franchise and support increased profitable growth.

While we remain grateful for the support we received, we have also welcomed the announcement by the Irish Department of Finance regarding the sell down of the State's 14% shareholding in the Group. We consider this a watershed moment in the normalisation of the state's relationship with the Group, and will make the Bank the first in Ireland to return to full private ownership. This is a positive a step for Irish taxpayers, the economy, and Bank of Ireland.

While uncertainties remain about the more enduring impacts of COVID-19 as economies reopen, the outlook has improved considerably compared to earlier in the year. We are investing in our digital capabilities and customer propositions, we are continuing to reduce costs, and we are making progress on our UK restructuring. We are committed to responsibly developing our long-term franchises, to serve our customers brilliantly and deliver sustainable returns to our shareholders.

Depending on progress on the acquisition opportunities, including regulatory clearances, we plan to provide an update on our strategy and outlook for 2022-24, including refreshed medium-term targets, in 2022.

Francesca McDonagh
Group Chief Executive

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 12.

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

The income statements are presented for the six months ended 30 June 2021 (H121) compared to the six months ended 30 June 2020 (H120). The balance sheets are presented for 30 June 2021 compared to 31 December 2020.

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

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

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

Summary consolidated income statement on an underlying basis

Profit before tax of €406 million was reported by the Group for H121 compared to a loss before tax of €822 million in H120.

Underlying profit before tax of €465 million is €1,134 million higher than the €669 million loss for H120 due mainly to a reduction of €936 million in net impairment losses on financial instruments and an increase of €159 million in net other income.

Operating profit before net impairment losses on financial instruments is €194 million higher than H120 reflecting an increase in operating income of €176 million and a reduction in operating expenses (before levies and regulatory charges and impairment of goodwill) of €35 million.

Operating income (net of insurance claims) has increased by €176 million compared to H120 due to an increase of:
- €17 million in **net interest income**, reflecting the benefit of lower liability costs partly offset by the impact of the lower interest rate environment on liquid asset yield and the structural hedge; and
- €159 million in **net other income**, due to positive unit-linked fund performance and positive interest rate movements in Wealth and Insurance, positive derivative related valuation adjustments, and higher fee income in Corporate and Markets[2].

	Table	6 months ended 30 June 2021 €m	*Restated[1]* 6 months ended 30 June 2020 €m
Net interest income	1	1,080	1,063
Net other income	2	318	159
Operating income (net of insurance claims)		**1,398**	**1,222**
Operating expenses (before levies and regulatory charges and impairment of goodwill)	3	(837)	(872)
Levies and regulatory charges	3	(96)	(70)
Impairment of goodwill	3	-	(9)
Operating profit before net impairment losses on financial instruments		**465**	**271**
Net impairment losses on financial instruments	4	(1)	(937)
Share of results of associates and joint ventures (after tax)		1	(3)
Underlying profit / (loss) before tax		**465**	**(669)**
Non-core items	5	(59)	(153)
Profit / (loss) before tax		**406**	**(822)**
Tax (charge) / credit		(65)	97
Profit / (loss) for the period		**341**	**(725)**

Operating expenses (before levies and regulatory charges and impairment of goodwill) are €35 million or 4% lower as the Group continued to focus on efficiency and strategic cost reduction while maintaining transformational investment in regulatory compliance, technology and business growth.

Levies and regulatory charges have increased by €26 million in H121 due to changes to the timing and recognition of levies and increases in certain levies including the Single Resolution Fund (SRF).

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. The restatement has resulted in a reduction of €16 million in net interest income and an increase of €16 million in net other income for H120. See note 36 for further information.*

[2] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

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

A further €149 million (H120: €109 million) was invested in the Group's Transformation Investment programme in H121. See page 10 for further information.

Net impairment losses on financial instruments of €1 million for H121 is €936 million lower than H120 and incorporates a number of offsetting impairment dynamics reflecting:

- impairment model updates incorporating the current macroeconomic outlook (c.€9 million net loss);
- low levels of net loss emergence associated with customer specific credit events (net c.€nil million); and
- movement in Group management adjustment (c.€8 million net gain).

The Group's **non-core charge** decreased by €94 million to €59 million for H121. The decrease is attributable to a one off impairment charge recognised on internally generated software in H120 of €136 million offset by an increase of €42 million in cost of restructuring in H121.

The **taxation** charge for H121 was €65 million, an effective statutory taxation rate of 16% (H120: taxation credit of €97 million and taxation rate of 12%). On an underlying basis, the effective taxation rate for H121 was 13 % (H120: 12%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses.

Net interest income

Net interest income of €1,080 million for H121 is €17 million higher than H120, primarily reflecting higher loan asset spread driven by lower cost of funds partly offset by the impact of the lower interest rate environment on liquid asset yield and the structural hedge.

The Group **net interest margin (NIM)** has decreased to 1.90% in H121 from 2.02% in H120. This reflects the Group's participation in the European Central Bank's (ECB's) targeted longer-term refinancing operation (TLTRO lll) in March 2021 (c.10 basis points impact in H121), growth of liquid asset volumes and lower structural hedge income partially offset by a positive impact from new lending margins and strong commercial pricing.

The gross customer yield has decreased by 15 basis points in H121, reflecting a lower interest rate environment and lower Retail Ireland volumes partly offset by the benefit of higher corporate lending volumes.

Deposit volumes with negative rates applied to them have remained stable at c.€8.5 billion at 30 June 2021 (€8.5 billion at 31 December 2020) with the expansion of customer deposits impacted by negative rates offset by attrition.

Average interest earning assets for H121 have increased by €9.0 billion compared to H120, primarily due to increased liquid assets arising from the Group's participation in the ECB's TLTRO lll in March 2021 and from higher RoI customer deposits.

Table: 1 Net interest income / net interest margin	6 months ended 30 June 2021 €m	*Restated*[1] 6 months ended 30 June 2020 €m	Change %
Net interest income	**1,080**	**1,063**	**2%**
Average interest earning assets (€bn)[2]			
Loans and advances to customers	78	79	(1%)
Other interest earning assets	37	27	37%
Total average interest earning assets	**115**	**106**	**8%**
Net interest margin	**1.90%**	**2.02%**	
Gross yield - customer lending[3]	3.04%	3.19%	
Gross yield - liquid assets[3]	(0.21%)	0.12%	
Average cost of funds - interest bearing liabilities and current accounts[3]	(0.12%)	(0.39%)	

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. The restatement has resulted in a reduction of €16 million in net interest income and a 1 basis point increase to the gross yield on customer lending. See note 36 for further information.*
[2] *Average interest earning assets at 30 June 2021 includes €306 million (31 December 2020: €325 million) of interest bearing assets carried at fair value through profit or loss.*
[3] *Gross yield and average cost of funds represent the interest income or expense on interest bearing items net of interest on derivatives in a hedge relationship with the relevant asset or liability. See pages 138 and 137 respectively for further information.*

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

Net other income

Business income of €282 million in H121 has increased by €16 million or 6%. Corporate and Markets[1] earned higher fee income, supported by increased customer activity. Wealth and Insurance business income increased by 5% due to higher new business income and improved experience profits on the existing book. Retail Ireland income reduced compared to H120 due to lower card fee income.

Other valuation items are a gain of €34 million in H121, compared to a loss of €109 million in H120. This largely reflects positive unit-linked fund performance in Wealth and Insurance, combined with positive variance in derivative related valuation adjustments.

Table: 2 Net other income	6 months ended 30 June 2021 €m	*Restated*[2] 6 months ended 30 June 2020 €m	Change %
Net other income	**318**	**159**	**100%**
Analysed as:			
Business income			
Retail Ireland	101	103	(2%)
Wealth and Insurance	105	100	5%
Retail UK	(2)	2	n/m
Corporate and Markets[1]	83	67	24%
Group Centre and other	(5)	(6)	17%
Total business income	**282**	**266**	**6%**
Other gains / (losses)			
Transfers from debt instruments at fair value through other comprehensive income reserve on asset disposal	1	3	(67%)
Net loss on disposal and revaluation of investments	-	(2)	100%
Gain on disposal and revaluation of investment properties	1	1	-
Total other gains	**2**	**2**	**-**
Other valuation items			
Financial instrument valuation adjustments (CVA, DVA, FVA)[3] and other	13	(19)	n/m
Wealth and Insurance	21	(90)	n/m
- Interest rate movements	*(1)*	*(53)*	*98%*
- Unit-linked investment variance	*22*	*(37)*	*n/m*
Total other valuation items	**34**	**(109)**	**n/m**

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. The restatement has resulted in an increase of €16 million in net other income for H120. See note 36 for further information.*
[3] *Credit Valuation Adjustment (CVA); Debit Valuation Adjustment (DVA); Funding Valuation Adjustment (FVA).*

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

Operating expenses

Table: 3 Operating expenses	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m	Change %
Staff costs (excluding pension costs)	341	361	(6%)
Pension costs	72	64	13%
- Retirement benefit costs (defined benefit plans)	*54*	*47*	*15%*
- Retirement benefit costs (defined contribution plans)	*18*	*17*	*6%*
Depreciation and amortisation	113	131	(14%)
Other costs	290	288	1%
Operating expenses (before Transformation Investment, levies and regulatory charges and impairment of goodwill)	**816**	**844**	**(3%)**
Transformation Investment charge	21	28	(25%)
Operating expenses (before levies and regulatory charge and impairment of goodwill)	**837**	**872**	**(4%)**
Levies and regulatory charges	96	70	37%
Impairment of goodwill	-	9	(100%)
Operating expenses	**933**	**951**	**(2%)**

Operating expenses (before levies and regulatory charges and impairment of goodwill) are €35 million or 4% lower than H120 as the Group continued to focus on efficiency and strategic cost reduction while maintaining transformational investment in regulatory compliance, technology and business growth.

Staff costs (excluding pension costs) of €341 million are €20 million lower than H120 reflecting lower average staff numbers, 9,643 in H121 compared to 10,383 in H120.

At 30 June 2021, the number of staff (full time equivalents) was 9,211 (H120: 10,341) a reduction of 1,130 which is predominantly due to employees who exited the Group under the enhanced voluntary redundancy scheme up to and including 30 June 2021. This scheme has led to a reduction in staff numbers of 1,019 or 10% since it commenced in September 2020 and 579 or 6% since December 2020

Depreciation and amortisation of €113 million for H121 is €18 million or 14% lower than H120 resulting from legacy technology investments reaching the end of their useful lives.

Other costs including technology, property, outsourced services and other non-staff costs are €2 million or 1% higher than H120.

Transformation Investment charge
A further €149 million (H120: €109 million) was invested in the Group's Transformation Investment programme in H121, of which €54 million is capitalised on the balance sheet (H120: €54 million), €21 million charged to operating expenses on the income statement (H120: €28 million) and €74 million recognised as non-core costs on the income statement (H120: €27 million).

Levies and regulatory charges
The Group has incurred levies and regulatory charges of €96 million in H121 (H120: €70 million), the increase is due to changes to the timing and recognition of levies and increases in certain levies including the SRF.

Impairment of goodwill
There was no impairment of goodwill in H121 compared to H120 where the Group recognised a write down of €9 million against Marshall Leasing Limited, a commercial leasing and fleet management company in the UK.

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

Net impairment losses on financial instruments

The Group recognised a net impairment loss of €1 million for H121, which is €936 million lower than the loss of €937 million in H120. Included in the impairment loss is €12 million on loans and advances to customers at amortised cost (H120: €888 million).

The net credit loss in H121 incorporates a number of offsetting impairment dynamics and reflects:
- impairment model updates incorporating the current macroeconomic outlook (c.€9 million net loss includes other financial instruments);
- low levels of loss emergence associated with customer specific credit events (net c.€nil million); and
- the application of a Group management adjustment which at 30 June 2021 reflects the potential risk that longer-term credit supports may be required for customers affected by COVID-19, offset by model updates that remove the requirement for other management adjustments applied at December 2020 (c.€8 million net gain).

Table: 4 Net impairment losses on financial instruments	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m	Change %
Net impairment losses on loans and advances to customers at amortised cost			
Residential mortgages	(61)	(153)	(60%)
- Retail Ireland	*(47)*	*(77)*	*(39%)*
- Retail UK	*(14)*	*(76)*	*(82%)*
Non-property SME and corporate	-	(365)	(100%)
- Republic of Ireland SME	*(18)*	*(133)*	*(86%)*
- UK SME	*(1)*	*(18)*	*(94%)*
- Corporate	*19*	*(214)*	*n/m*
Property and construction	15	(246)	n/m
- Investment	*2*	*(235)*	*n/m*
- Development	*13*	*(11)*	*n/m*
Consumer	34	(124)	n/m
Total net impairment losses on loans and advances to customers at amortised cost	**(12)**	**(888)**	**(99%)**
Net impairment gains/ (losses) on other financial instruments (excluding loans and advances to customers at amortised cost)[1]	**11**	**(49)**	**n/m**
Total net impairment losses on financial instruments	**(1)**	**(937)**	**(100%)**
Net impairment losses on loans and advances to customers at amortised cost (bps) (annualised)	(3)	(222)	

A H121 net impairment loss on the Retail Ireland mortgage portfolio of €47 million for H121, includes a net impairment loss of €15 million on Stage 3 (i.e. credit impaired) assets and is €30 million lower than the loss of €77 million in H120.

A H121 net impairment loss on the Retail UK mortgage portfolio of €14 million for H121, includes a net impairment loss of €13 million on Stage 3 assets and is €62 million lower than the loss of €76 million in H120.

The loss of €61 million in the Residential mortgages portfolio in H121 reflects the change in the macroeconomic outlook, observed resilience in the credit quality of customers not directly impacted by COVID-19, recognition of the potential risk that longer term credit supports may be required for customers impacted by COVID-19, as well as other impairment model parameter updates. Model updates for residential mortgages in H121 included a number of changes to the residential mortgage Loss Given Default (LGD) models resulting in a net increase in impairment loss allowance of c.€185 million (c.€148 million in Retail Ireland and c.€37 million in Retail UK), noting that the €50 million Group management adjustment for stage 3 residential mortgages previously applied at 31 December 2020 is no longer considered to be required. Details on the LGD model updates are outlined on page 29 of the Asset Quality section.

A H121 net €nil impairment on the non-property small and medium enterprise (SME) and corporate loan portfolio for H121, includes a net impairment loss of €12 million on Stage 3 and is €365 million lower than H120. The reduced charge in H121 reflects impairment reductions recognised for the change in the macroeconomic outlook, offset by a limited amount of case specific loss emergence primarily on defaulted cases in the Corporate portfolio, and impairments recognised for the potential risk that longer term credit supports may be required for SME customers in sectors most directly impacted by COVID-19.

A H121 net impairment gain of €15 million on the property and construction loan portfolio for H121 includes a net impairment gain of €6 million on Stage 3 assets and is €261 million favourable to the loss of €246 million in H120. The net gain primarily reflects impairment reductions recognised arising from the change in the macro-economic outlook, partly offset by limited levels of case specific loss emergence on defaulted assets.

A H121 net impairment gain of €34 million on the Consumer loans portfolio (€10 million in Retail Ireland and €24 million in Retail UK), includes a net impairment loss on Stage 3 assets of €9 million and is €158 million favourable to the loss of €124 million in H120. The net gain reflects the change in the macroeconomic outlook, partly offset by limited levels of case specific loss emergence on defaulted assets.

[1] *For H121, net impairment gain on other financial instruments (excluding loans and advances to customers at amortised cost) included €16 million gain (H120: €46 million loss) on loan commitments, €1 million gain (H120: €2 million loss) on guarantees and irrevocable letters of credit and €6 million loss (H120: €1 million loss) on other financial assets.*

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

Non-core items

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:

Table: 5 Non-core items	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m	Change %
Cost of restructuring programme	(69)	(27)	n/m
- Transformation Investment costs	*(74)*	*(27)*	*n/m*
- Other restructuring charges	*5*	*-*	*n/m*
Gross-up for policyholder tax in the Wealth and Insurance business	15	(4)	n/m
Investment return on Treasury shares held for policyholders	(6)	17	n/m
Customer redress charges	(5)	(7)	(29%)
Portfolio divestments	5	(5)	n/m
- Operating income	*11*	*19*	*(42%)*
- Operating expenses	*(6)*	*(24)*	*(75%)*
Gain on disposal / liquidation of business activities	1	9	(89%)
Impairment of internally generated computer software	-	(136)	(100%)
Total non-core items	**(59)**	**(153)**	**(61%)**

Cost of restructuring programme
During H121, the Group recognised a restructuring charge of €69 million (H120: €27 million), comprising of Transformation Investment programme costs of €74 million (H120: €27 million) and a gain of €5 million in other restructuring charges relating to the release of €3 million provision and reversal of €2 million impairment on property recognised in previous periods (H120: nil).

Transformation Investment programme costs of €74 million for H121 relate to:
- implementation of the Group's RoI property and branch strategy of €40 million (H120: €nil), of which €23 million relates to impairment of property and related assets);
- costs of €20 million (H120: €nil) relating to planning, scoping, and implementation of the strategic review of the Group's Northern Ireland and UK operations;
- reduction in employee numbers of €10 million (H120: €10 million), in respect of additional accepted applications under the Group's voluntary redundancy scheme;
- programme management costs of €4 million (H120: €16 million); and
- other costs were €nil (H120: €1 million).

Gross-up for policyholder tax in the Wealth and Insurance business
IFRS requires that the income statement be grossed up for the total tax payable by Wealth and Insurance, comprising both policyholder and shareholder tax. The tax gross-up relating to policyholder tax is included in non-core items. In H121 €15 million income was recognised compared to a €4 million charge in H120 due to higher investment returns.

Investment return on Treasury shares held for policyholders
Under International Financial Reporting Standards (IFRS), the Group income statement excludes the impact of the change in value of Bank of Ireland Group plc ('BOIG plc') shares held by Wealth and Insurance for policyholders. In H121, there was a loss of €6 million (H120: €17 million gain).

The period on period movement reflects a change in valuation during the period. At 30 June 2021, there were 3.6 million shares (31 December 2020 5.1 million shares) held for the benefit of policyholders.

Customer redress charges
The Group has set aside a further €4 million (H120: €7 million) provision to cover the additional redress and compensation costs for a small number of additional customers, operational costs associated with the length and nature of the review and estimated costs of closing out the Tracker Mortgage Examination review. In addition, a further €1 million was provided in respect of other customer redress (H120: €nil).

Portfolio divestments
Where the Group has made a strategic decision to exit an area of a business, the related income and expenses are treated as non-core. In H121, the Group recognised a net gain of €5 million of which €11 million represented operating income and €6 million represented operating expenses of the underlying businesses (H120: €5 million net loss of which €19 million was operating income and €24 million was operating expenses).

The income and costs associated with the following portfolios are recognised as non-core in H121:
- sale of UK Post Office ATM business which is due to commence in 2021 and is expected to be completed by early 2022;
- residual income and costs relating to the UK credit card portfolio which was sold in 2019 and migrated to the purchaser in October 2020; and
- Irish non-branch ATM business which has been held for sale since 2020.

Gain on disposal / liquidation of business activities
The Group recognised €1 million gain in H121 relating to the recycling of cumulative unrealised FX gains and losses through the income statement following the liquidation of foreign denominated subsidiaries (H120: €6 million). These gains were previously held in the FX reserve. In H120, the Group recognised a net gain of €3 million on the release of a provision related to the sale of the UK credit card portfolio.

Impairment of internally generated computer software
There was no impairment recognised on internally generated computer software in H121. (H120: €136 million as set out on page 53 of the Group's Annual Report for the year ended 31 December 2020).

Summary consolidated balance sheet

In H121, the Group's **loans and advances to customers (after impairment loss allowances)** of €77.2 billion are €0.6 billion higher than 31 December 2020. On a constant currency basis and excluding planned UK deleveraging (H121: €1.0 billion) and the successful NPE transaction (H121: €0.3 billion), the loan book grew by €0.3 billion in H121.

The Group's portfolio of **liquid assets** at 30 June 2021 of €45.5 billion has increased by €14.8 billion since 31 December 2020 primarily due to increased cash and balances at central banks, arising from TLTRO III borrowings of €10.8 billion and an increase in customer deposits.

The Group's **asset quality** is broadly in line with 31 December 2020. Although COVID-19 restrictions remained in place longer than expected, there was limited evidence to date of adverse impacts on NPEs. NPEs reduced by €0.1 billion to €4.4 billion, this represented 5.5% of gross loans at 30 June 2021. In June 2021, the Group completed the securitisation of a pool of €0.3 billion non-performing residential mortgages, with an associated €11 million impairment gain. For further information see note 18.

At 30 June 2021, overall Group **customer deposit** volumes of €90.6 billion are €2.0 billion higher than at 31 December 2020 due to growth in Retail Ireland of €3.4 billion driven by higher household and SME volumes, offset by a decrease in Retail UK and Corporate and Markets[5] volumes.

Wholesale funding balances of €20.4 billion are €11.6 billion higher than 31 December 2020 primarily due to TLTRO III borrowings of €10.8 billion, increased Bank of England (BoE) Term Funding Scheme with additional incentives for SMEs (TFSME) borrowings of €1.0 billion, senior debt issued €0.8 billion, partially offset by an ACS maturity of €0.8 billion. Total Monetary Authority borrowings at 30 June 2021 are €13.8 billion (31 December 2020: €1.9 billion).

Summary consolidated balance sheet	**Table**	**30 June 2021 €bn**	**31 December 2020 €bn**
Assets *(after impairment loss allowances)*			
Loans and advances to customers[1]	6	77	77
Liquid assets	7	46	31
Wealth and Insurance assets		22	20
Other assets	8	5	6
Total assets		**150**	**134**
Liabilities			
Customer deposits	9	91	89
Wealth and Insurance liabilities		22	20
Wholesale funding	10	20	9
Other liabilities	8	5	5
Subordinated liabilities		2	1
Total liabilities		**140**	**124**
Shareholders' equity		9	9
Other equity instruments - Additional tier 1		1	1
Total liabilities and shareholders' equity		**150**	**134**
Liquidity Coverage Ratio[2]		177%	153%
Net Stable Funding Ratio[3]		138%	138%
Loan to Deposit Ratio		85%	86%
Gross new lending volumes (€bn)		7.2	14.1
Average interest earning assets (€bn)		115	106
Return on Tangible Equity[4] (%)		9.1%	(4.9%)
Return on Tangible Equity[4] (adjusted) (%)		8.6%	(4.4%)
Common equity tier 1 ratio - fully loaded		14.1%	13.4%
Common equity tier 1 ratio - regulatory		15.3%	14.9%
Total capital ratio - regulatory		20.5%	19.2%

The net pension position is a surplus of €0.2 billion at 30 June 2021 (31 December 2020: €0.1 billion deficit) driven by a decrease in liabilities due to positive assumption changes in H121.

The Group's fully loaded common equity tier 1 (CET1) ratio increased by c.70 basis points during H121 to 14.1% and the regulatory CET1 ratio (net of CRD phasing) increased by c.40 basis points over the period to 15.3%. The fully loaded ratio increase of c.70 basis points is primarily due to **organic capital generation** (c.90 basis points), disposal of a RoI Mortgage NPE portfolio (c.15 basis points) and other net movements, including in the Group's defined benefit pension schemes (c.20 basis points) offset by risk weighted assets (RWA) growth (c.-25 basis points) and investment in the Group's transformation programmes (c.-30 basis points). For further information on capital see Capital Management on pages 33 to 36.

Further information on measures referred to in the OFR, including gross new lending, NPEs, wholesale funding and organic capital is found in Alternative performance measures on pages 137 to 144.

[1] *Includes €0.4 billion of loans and advances to customers at 30 June 2021 (31 December 2020: €0.4 billion) that are measured at fair value through profit or loss and are not subject to impairment under IFRS 9.*
[2] *The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.*
[3] *The Group's Net Stable Funding Ratio (NSFR) for 30 June 2021 is prepared on a regulatory group basis, in accordance with the EU Capital Requirement Regulations and Directive , as amended, which require the maintenance of a NSFR ratio greater than or equal to 100%, effective June 2021. Comparative NSFR, for 31 December 2020 is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document. For further information, see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.*
[4] *For basis of calculation of Return on Tangible Equity (ROTE), see page 141.*
[5] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

Summary consolidated balance sheet *(continued)*

Loans and advances to customers

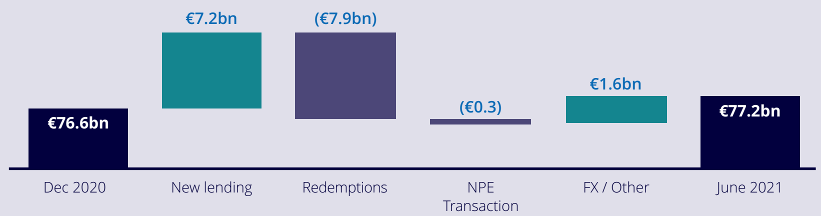
Table: 6	30 June 2021		31 December 2020	
Loans and advances to customers - Composition[1]	**€m**	**%**	**€m**	**%**
Residential mortgages	44,475	56%	44,742	57%
- Retail Ireland	*22,351*	*28%*	*22,942*	*29%*
- Retail UK	*22,124*	*28%*	*21,800*	*28%*
Non-property SME and corporate	20,338	26%	19,858	25%
- Republic of Ireland SME	*6,977*	*9%*	*7,073*	*9%*
- UK SME	*1,827*	*2%*	*1,790*	*2%*
- Corporate	*11,534*	*15%*	*10,995*	*14%*
Property and construction	8,947	11%	8,591	11%
- Investment	*7,864*	*10%*	*7,633*	*10%*
- Development	*1,083*	*1%*	*958*	*1%*
Consumer	5,227	7%	5,271	7%
Total loans and advances to customers at amortised cost	**78,987**	**100%**	**78,462**	**100%**
Less impairment loss allowance on loans and advances to customers at amortised cost	(2,131)		(2,242)	
Net loans and advances to customers at amortised cost	**76,856**		**76,220**	
Loans and advances to customers at fair value through profit or loss	360		361	
Total loans and advances to customers	**77,216**		**76,581**	
Credit-impaired loans	4,339		4,465	
NPEs	4,387		4,503	
NPE ratio[2]		5.5%		5.7%

The Group's **loans and advances to customers (after impairment loss allowances)** of €77.2 billion are €0.6 billion higher than 31 December 2020. On a constant currency basis and excluding planned UK deleveraging (H121: €1.0 billion) and the successful NPE transaction (H121: €0.3 billion), the loan book grew by €0.3 billion in H121.

In H121, the Group completed a transaction whereby it derecognised €0.3 billion of loans and advances to customers (after impairment loss allowance). The Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs through an unconsolidated special purpose vehicle Mulcair Securities No.2 Designated Activity Company (DAC), 'Mulcair 2'. See note 18 for further information.

Gross new lending performance of €6.5 billion (excluding €0.7 billion of Corporate Revolving Credit Facilities), is €0.7 billion or 12% higher than H120 demonstrating solid recovery in new lending across divisions.

Loan book increase of €0.6bn
Group loan book movement



Redemptions and repayments of €7.9 billion is €1.0 billion or 14% higher than H120, primarily due to planned deleveraging strategy in the UK.

The Group's IFRS 9 staging profile continues to reflect the impact of COVID-19 on the credit risk in the loan book. The application of updated FLI, individually assessed risk ratings and re-assessment for post-model adjustments resulted in a net €2.0 billion increase in stage 2 loans in the period (i.e. assets identified as having experience a significant increase in credit risk).

[1] *Includes €0.4 billion of loans and advances to customers at 30 June 2021 (31 December 2020: €0.4 billion) that are measured at fair value through profit or loss and not subject to impairment under IFRS 9.*
[2] *For basis of calculation of NPE ratio, see page 140.*

Summary consolidated balance sheet *(continued)*

Loans and advances to customers *(continued)*

During H121, the stock of impairment loss allowances decreased by €0.1 billion to €2.1 billion primarily due to impairment loss allowance utilisation of €0.2 billion, partly offset by the net impairment charge on loans and advances to customers of €12 million.

Group NPEs decreased by €0.1 billion or 2% to €4.4 billion at June 2021 and represent 5.5% of gross loans to customers. The NPE securitisation of €0.3 billion had an associated €11 million impairment gain in H121. The decrease was partly offset by the emergence of new defaults for case specific reasons primarily in the Corporate portfolio.

Further detail on NPEs and impairment loss allowances are provided in the Asset Quality section (pages 29 to 32).

Liquid assets *(after impairment loss allowance)*

The Group's portfolio of liquid assets at 30 June 2021 of €45.5 billion has increased by €14.8 billion since 31 December 2020 primarily due to increased cash and balances at central banks which arises from TLTRO III borrowings of €10.8 billion, higher customer deposit balances, additional Bank of England TFSME drawings and planned UK deleveraging.

Table: 7 **Liquid assets (after impairment loss allowance)**	**30 June 2021 €bn**	**31 December 2020 €bn**
Cash at banks	3	2
Cash and balances at central banks	25	11
- Central Bank of Ireland	*22*	*8*
- Bank of England	*3*	*3*
Government bonds	13	12
- Financial assets at FVOCI	*7*	*6*
- Debt securities at amortised cost	*6*	*6*
Covered bonds	3	4
Senior bank bonds and other	2	2
	46	**31**

Other assets and other liabilities

Fair value movements of derivative assets and derivative liabilities are impacted by changes in equity markets, interest rates, FX and maturity of transactions during H121.

The net pension position is a surplus of €0.2 billion at 30 June 2021 (31 December 2020: €0.1 billion deficit) driven by a decrease in liabilities due to positive assumption changes in H121.

Table: 8 **Other assets and other liabilities**	**30 June 2021 €bn**	**31 December 2020 €bn**
Other assets	5.2	5.8
- Derivative financial instruments	*1.6*	*2.2*
- Deferred tax asset	*1.1*	*1.2*
- Pension surplus (net)	*0.2*	*-*
- Other assets	*2.3*	*2.4*
Other liabilities	5.2	5.2
- Derivative financial instruments	*2.1*	*2.3*
- Notes in circulation	*1.1*	*1.1*
- Lease liabilities	*0.5*	*0.5*
- Pension deficit (net)	*-*	*0.1*
- Other liabilities	*1.5*	*1.2*

Summary consolidated balance sheet *(continued)*

Customer deposits

At 30 June 2021, Group customer deposits (including current accounts with credit balances) increased by €2.0 billion to €90.6 billion since 31 December 2020. Deposit growth in Retail Ireland of €3.4 billion was driven by higher household and SME volumes, whilst deposits in Corporate and Markets[1] decreased by €0.8 billion. Deposits in Retail UK decreased by £1.4 billion to £16.9 billion. On a headline basis, UK balances decreased by €0.8 billion to €19.7 billion due to sterling strengthening against the euro.

Table: 9 Customer deposits	30 June 2021 €bn	31 December 2020 €bn
Retail Ireland	62	59
- Current account credit balances	*38*	*36*
- Deposits	*24*	*23*
Retail UK	20	21
Retail UK (Stg£bn equivalent)	17	18
- UK Post Office	*10*	*12*
- Other Retail UK	*7*	*6*
Corporate and Markets[1]	9	9
Total customer deposits	**91**	**89**

Wholesale funding sources

Table: 10	30 June 2021		31 December 2020	
Wholesale funding sources	**€bn**	**%**	**€bn**	**%**
Secured funding	17	85%	6	67%
- Monetary Authority	*14*	*70%*	*2*	*22%*
- Covered bonds	*2*	*10%*	*3*	*34%*
- Securitisations	*1*	*5%*	*1*	*11%*
Unsecured funding	3	15%	3	33%
- Senior debt	*3*	*15%*	*3*	*33%*
Total wholesale funding	**20**	**100%**	**9**	**100%**
Wholesale market funding < 1 year to maturity	1	17%	2	29%
Wholesale market funding > 1 year to maturity	5	83%	5	71%
Monetary Authority funding > 1 year to maturity	14	100%	2	100%

Wholesale funding increased by €11.6 billion to €20.4 billion, primarily due to TLTRO III borrowings of €10.8 billion, increased Bank of England TFSME borrowings of €1.0 billion, senior debt issued €0.8 billion, partially offset by an ACS maturity of €0.8 billion.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

Divisional review

Retail Ireland

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

Highlights

Focus on Financial Wellbeing, with high profile campaigns resulting in increased customer engagement.

Continued investment in our customer digital journeys, aligning to the ongoing increase in digital adoption.

While operating income fell 5% predominately due to COVID-19, operating expenses fell by 8%.

Transform the Bank

- Aligning to the ongoing increase in customer digital adoption by continuing to invest in our customer digital journeys:
  - delivered c.70 customer updates since the launch of our mobile app, resulting in a 25 point improvement in Customer Effort Scores in the past twelve months;
  - digital mortgage journey delivers a seamless customer experience and reduces customer friction; and
  - introduced digital current account application, car / loan and leasing journeys and enhanced small business and agri lending online applications for business customers.
- Branch Network resizing preparations, including customer engagement, underway with 89 branches to close later this year.
- New banking arrangement with An Post set to launch in a number of pilot locations from the end of July 2021, with full rollout in advance of branch closures.

Serve customers brilliantly

Drive to support customers by raising awareness and improving their understanding of Financial Wellbeing, including:

- Fraud awareness campaign, highlighting cyber threats and dos and don'ts.
- The 'F-Word', a national Financial Wellbeing brand campaign which aims to encourage Irish people to talk more openly about their finances and highlight the Financial Wellbeing supports we have in place.
- The InvestED series of Webinars, helping customers to understand and consider their options for investing to earn returns.

Grow sustainable profits

Compared to 31 December 2020:

- Maintained a broadly stable loan book with strong new lending in H121 and increased new lending across all portfolios.

Compared to H120:

- Operating income for H121 was €32 million lower, primarily reflecting a reduction in credit balance income due to the low interest rate environment.
- Operating expenses are €27 million or 8% lower, due to continued emphasis on cost control.
- Net impairment losses reduced by €234 million, reflecting improved outlook in certain sectors since the onset of COVID-19.

Wealth and Insurance

Wealth and Insurance is a market leading life, pensions, investments and general insurance provider in Ireland. The Group is the only Irish owned bancassurer in the Irish market.

Highlights

Annual Premium Equivalent (APE) new business sales increase of 34% to €186 million with €98 million of single premium and €88 million of regular premium (H120: €61 million single premium and €78 million regular premium).

Transform the Bank

- Commercialising technology investment through delivery of pensions new business capability, switching automation, and top up capability.
- Increasing business volumes on the new pension platform MyPension365.
- Good progress continues across a range of initiatives that will enable sustainable, scalable and profitable growth.

Serve customers brilliantly

- New Ireland Assurance Company plc (NIAC) became a signatory for Principles for Responsible Investing, showing our commitment to invest customer funds responsibly and sustainably.
- Improved retention of customers driven by a strong engagement program and focus on Bank channel customers.
- Providing a range of investment funds as an option for better returns on customer savings.

Grow sustainable profits

Compared to H120:

- Underlying contribution before tax increased by €118 million, mainly due to strong investment return in comparison to H120.
- Operating income was €6 million higher reflecting an increase in new business and improved experience profits on the existing book.
- Operating expenses are €1 million or 1% lower than H120.
- Unit-linked fund prices increased, as markets performed strongly in H121. The favourable variance to assumed growth led to a positive investment return of €22 million (H120: €37 million negative investment return).
- Lower investment returns on non-linked and shareholder funds resulted in a €1 million loss compared to a €53 million loss in H120.

Further information on our divisional results on an underlying basis are on pages 21 and 22. Additional information on our alternative performance measures are on page 137.

Divisional review *(continued)*

Retail UK

Retail UK provides consumer and business banking in the UK and incorporates Northridge Finance, Marshall Leasing, the financial services partnerships with the UK Post Office, the AA and First Rate Exchange Services[1].

Highlights

Strong progress across a number of initiatives on journey to become a multi-niche bank in the UK.

Operating contribution before impairment losses rose 52% compared to H120 and the business continued to drive operating expenses down a further 11%.

Transform the Bank of Ireland

- Focus on niche mortgage segments, increasing new business margins. The Bespoke Mortgage proposition continues to grow with new lending of £259 million in H121 (up c.170% on H120).
- Simplified various deposit propositions offered to our customers.
- Announced outcome of strategic review of Retail Northern Ireland business, with closure of 15 branches from June 2021 to end 2021, with focus on smaller and modernised network.

Serve customers brilliantly

- Improvements in customer journeys with digital initiatives delivered. Launched a range of tutorial videos via ChatBot lite functionality to support customers in their application journey and further enhanced the online bereavement journey.
- Received four product Gold Ribbons across three products from Fairer Finance for customer experience.
- As at 30 June 2021 over 7,500 business customers are being supported by the Bounce Back Loan Scheme and Coronavirus Business Interruption Loan Scheme.

Grow sustainable profits

Compared to 31 December 2020:
- Loans and advances to customers (after impairment loss allowances) were £0.9 billion lower, reflecting a focus on enhanced value rather than volume, with a reduction in net volumes across all areas.
- Customer deposits were £1.4 billion lower reflecting further optimisation of the balance sheet and funding positions.

Compared to H120:
- Operating income was £27 million higher, due to improved margins in mortgages and personal lending, improved lending mix and lower deposit funding costs.
- Operating expenses are £15 million or 11% lower as a result of the continued focus on cost management while continuing to invest in transformation.
- Net impairment losses have reduced by £240 million reflecting the improved economic outlook.

Corporate and Markets[2]

Provides a range of lending and operating products to the Group's corporate customers, along with the provision of treasury services to all customer segments.

Highlights

Retained position as Ireland's number one corporate bank[3] and number one bank for the provision of banking services to international companies establishing in Ireland [4].

Corporate customer satisfaction (treasury services) of 96%[5].

€1 billion lending book growth.

Transform the Bank

- Progress achieved across a number of key customer-focused projects, including streamlining existing Know Your Customer / Anti-Money Laundering processes, interest rate benchmark reform and transaction reporting regulatory change.
- Corporate Banking won 8 awards at Finance Dublin's 2021 Deals of the Year.
- Supporting customers in their responsible and sustainable business ambitions, including successful launch of new Corporate Bank Environmental, Social and Governance Risk Lending Procedures.
- Sustainability linked mechanisms were included in over €360 million of gross lending facilities provided to customers in H121.

Serve customers brilliantly

- Staying close to customers and providing on-going supports during the challenging economic backdrop.
- Meeting customers' changing behaviours and expectations, accelerating the Group's pivot to a digital relationship bank. More than 60% of eligible customers now on-boarded to FXPay, the Group's online FX platform for businesses.
- Supporting the Bank's ambition to be the National Champion in Ireland approving, more than €260 million development funding in H121 to assist development of c.5,500 units (c.900 social housing units).

Grow sustainable profits

Compared to 31 December 2020:
- Loan book €1.0 billion higher reflecting strong lending activity in H121.

Compared to H120:
- Net interest income and business income was €35 million higher, driven by strong customer activity in H121.
- Net impairment losses have reduced by €440 million, reflecting improved outlook in certain sectors since the onset of COVID-19.

Further information on our divisional results on an underlying basis are on 23 and 24.
Additional information on our alternative performance measures are on page 137.

[1] *First Rate Exchange Services is a joint venture between Bank of Ireland UK and the UK Post Office.*
[2] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[3] *Based on corporate lending information sourced from publicly available annual reports for 2018, 2019 & 2020 for all Irish banks, Bank of Ireland analysis of its banking relationships with the top 500 companies from the 2020 Irish Times Top 1,000 companies list and Bank of Ireland analysis of its banking relationships with companies on the published listing of international companies setting up operations in RoI in 2020.*
[4] *Based on Bank of Ireland's analysis of its banking relationships with international companies who set up operations in RoI in 2020 (international company data sourced from the IDA year end results 2020).*
[5] *Based on over 300 email surveys sent out to Bank of Ireland corporate and institutional customers in RoI, with 126 responses. Survey conducted by Bank of Ireland Group Customer Insights and Research during April and May 2021.*

Divisional review *(continued)*

Group Centre

Group Centre incorporates the Group's central control functions[1], which establish and oversee policies, and which provide and manage processes and delivery platforms for the trading divisions.

Highlights

Our culture and people transformation journey continues with progress evident across our colleague Engagement, Wellbeing, Inclusion & Diversity, New Ways of Working and Learning Programmes.

Transform the Bank

- Our multi-year transformation programme continues to make progress with strong Digital Relationship Bank momentum, delivering a seamless omni-channel experience for mortgages.
- In H121, we launched Power Down and Recharge, our commitment to support colleagues achieve better balanced lives and a number of mental health supports.
- A further €149 million (H120: €109 million) was invested in our Transformation Investment programme during H121, of which €54 million is capitalised on the balance sheet (H120: €54 million), €21 million (H120: €28 million) is charged to operating expenses and €74 million (H120: €27 million) has been recognised as non-core, of which €21 million (H120: €27 million) is attributable to Group Centre.

Serve customers brilliantly

- The Begin Together Community Fund opened a bespoke funding round of €0.5 million for grants to help charities working to improve financial, physical and mental wellbeing. The Begin Together Fund for Colleagues made c.400 donations totalling over €0.2 million to causes that matter to our colleagues across the Group.
- Launched in Q1, our Responsible and Sustainable Business strategy supports the Green transition.

Grow sustainable profits

- Group Centre's income and costs comprise income from capital and other management activities; unallocated Group support costs; costs associated with the Irish Bank levy; along with contributions to the SRF, the Deposit Guarantee Scheme (DGS) and other levies.

Compared to H120:

- Net operating expense was €6 million lower, primarily due to gains on FX forwards compared to a prior year loss.
- Operating expenses[2] were €25 million higher and reflects higher pension costs, increased investment in strategic initiatives, along with costs associated with COVID-19, partially offset by cost reductions arising from reorganisation and rationalisation of business activities.
- Group Centre levies and regulatory charges were €26 million higher due to changes to the timing and recognition of levies and increases in certain levies, including the SRF.

Further information on our divisional results on an underlying basis are on page 24.
Additional information on our alternative performance measures are on page 137.

[1] *Group Centre comprises Group Technology and Customer Solutions, Group Finance, Group Risk, People Services, Group Strategy & Development and Group Internal Audit.*
[2] *Operating expenses before transformation charge and levies and regulatory charges.*

Divisional review *(continued)*
Financial results

The tables below and on subsequent pages provide further information on the financial performance of the Group's divisions during H121 as well as some key performance metrics. A business review for each division can be found on page 17 to 19 of the OFR. Information on the financial performance of the Group as a whole is on pages 7 to 16.

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

The Group has decided to apply the term 'underlying divisional contribution' to divisional results to more clearly reflect the fact that certain unallocated costs are presented in Group Centre, and are not reflected in the results of the other divisions. Comparative amounts for H120 have not been restated, as the measurement of divisional results is unchanged, with 'underlying divisional contribution' measured on the same basis as the previously presented 'underlying profit or loss by division'.

	30 June 2021 €m	*Restated*[1,2] 30 June 2020 €m
Underlying[3] divisional contribution		
Retail Ireland	180	(60)
Wealth and Insurance	54	(64)
Retail UK	159	(158)
Corporate and Markets[4]	396	(126)
Group Centre	(314)	(271)
Other reconciling items[5]	(10)	10
Group underlying profit / (loss) before tax	**465**	**(669)**
Non-core items	(59)	(153)
Profit / (loss) before tax	**406**	**(822)**
Per ordinary share		
Basic earnings per share[1] (€ cent)	28.2	(71.5)
Underlying earnings per share[2] (€ cent)	33.6	(59.7)
Tangible Net Asset Value per share[6] (€ cent)	789	797
Statutory cost income ratio[6] (%)	71%	91%
Underlying cost income ratio[6] (%)	61%	66%
Return on assets[6] (bps) (annualised)	46	(111)

Further information in relation to our divisional results which are prepared on an underlying basis is on pages 21 to 26.

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

1 *Earnings per share for H120 has been restated by increasing the loss per share by one cent from 70.5 cent per share to 71.5 cent per share. See note 17 for further information. The basis of calculation of basic earnings per share is also set out in note 17.*
2 *Underlying earnings per share for H120 has been restated by increasing the loss per share by 0.9 cent from 58.8 cent per share to 59.7 cent per share. The basis of calculation of underlying earnings per share is set out in alternative performance measures on page 144.*
3 *These financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 12 for further information.*
4 *Formerly Corporate and Treasury, renamed Corporate and Markets.*
5 *Other reconciling items represent inter-segment transactions which are eliminated on consolidation and the application of hedge accounting at Group level.*
6 *The basis of calculation of key metrics provided is set out in alternative performance measures on pages 137 to 144.*

Divisional review *(continued)*
Retail Ireland results

Retail Ireland Income statement	6 months ended 30 June 2021 €m	*Restated*[1] 6 months ended 30 June 2020 €m	Change %
Net interest income	451	485	(7%)
Net other income	102	100	2%
Operating income	**553**	**585**	**(5%)**
Operating expenses	(333)	(360)	(8%)
Operating contribution before net impairment losses on financial instruments	**220**	**225**	**(2%)**
Net impairment losses on financial instruments	(47)	(281)	(83%)
Share of results of associates and joint ventures (after tax)	7	(4)	n/m
Underlying contribution	**180**	**(60)**	**n/m**
Net impairment losses on financial instruments			
Loans and advances to customers at amortised cost	(50)	(268)	(81%)
- Residential mortgages	*(47)*	*(77)*	*(39%)*
- Non-property SME and corporate	*(18)*	*(133)*	*(86%)*
- Property and construction	*5*	*(33)*	*n/m*
- Consumer	*10*	*(25)*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[2]	3	(13)	n/m
Net impairment losses on financial instruments	**(47)**	**(281)**	**(83%)**

	30 June 2021 €bn	31 December 2020 €bn	Change %
Loans and advances to customers (net)	32.2	33.0	(2%)
Customer deposits	62.4	59.0	6%

Further information in relation to the performance of Retail Ireland is on page 17.

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. The restatement has resulted in an increase of €6 million in net interest income and a reduction of €6 million in net other income for H120. See note 36 for further information.*

[2] *At H121, net impairment losses on other financial instruments (excluding loans and advances to customers at amortised cost) included €3 million (H120: €13 million) on loan commitments.*

Divisional review *(continued)*
Wealth and Insurance results

Wealth and Insurance Income statement	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m	Change %
Net interest expense	(3)	(4)	(25%)
Net other income	105	100	5%
Operating income	**102**	**96**	**6%**
Operating expenses	(69)	(70)	(1%)
Operating contribution	**33**	**26**	**27%**
Interest rate movement	(1)	(53)	(98%)
Unit-linked investment variance	22	(37)	n/m
Underlying contribution	**54**	**(64)**	**n/m**

Wealth and Insurance Income statement (Market Consistent Embedded Value performance)	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m	Change %
New business profits	4	3	33%
Existing business profits	29	29	-
- Expected return	*28*	*27*	*4%*
- Assumption changes	*6*	*2*	*n/m*
- Experience variance	*(5)*	*-*	*n/m*
Interest payments	(3)	(3)	-
Operating profit	**30**	**29**	**3%**
Unit-linked investment variance	35	(58)	n/m
Interest rate movements	3	(57)	n/m
Underlying profit / (loss) before tax	**68**	**(86)**	**n/m**

Embedded value

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

Embedded value profit before tax of €68 million for H121 (H120: €86 million loss) was €154 million higher due to the impact of investment market movements on unit-linked fund performance (€35 million gain) and higher investment returns on non-linked and shareholder funds (€3 million gain compared to H120).

Wealth and Insurance Summary balance sheet (MCEV)	30 June 2021 €m	31 December 2020 €m
Net assets	515	500
Value of in Force asset	717	679
Less Tier 2 subordinated capital / debt	(164)	(162)
Less pension scheme deficit	(74)	(115)
Total embedded value	**994**	**902**

The table above summarises the overall balance sheet of Wealth and Insurance on an MCEV basis at 30 June 2021 compared to the value at 31 December 2020. The Value of in Force (ViF) asset represents the after tax value of future income from the existing book.

Further information in relation to the performance of Wealth and Insurance is on page 17.

Divisional review *(continued)*
Retail UK results

Retail UK Income statement	6 months ended 30 June 2021 £m	6 months ended 30 June 2020 £m	Change %
Net interest income	268	239	12%
Net other (expense) / income	(1)	1	n/m
Operating income	**267**	**240**	**11%**
Operating expenses (before impairment of goodwill)	(121)	(136)	(11%)
Impairment of goodwill	-	(8)	(100%)
Operating contribution before impairment losses on financial instruments	**146**	**96**	**52%**
Net impairment losses on financial instruments	(2)	(242)	(99%)
Share of results of associates and joint ventures (after tax)	(5)	1	n/m
Underlying contribution	**139**	**(145)**	**n/m**
Underlying contribution (€m equivalent)	**159**	**(158)**	**n/m**
Net impairment losses on financial instruments			
Loans and advances to customers at amortised cost	-	(240)	(100%)
- Residential mortgages	*(12)*	*(69)*	*(83%)*
- Non-property SME and corporate	*(1)*	*(16)*	*(94%)*
- Property and construction	*(8)*	*(66)*	*(88%)*
- Consumer	*21*	*(89)*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[1]	(2)	(2)	-
Net impairment losses on financial instruments	**(2)**	**(242)**	**(99%)**

	30 June 2021 £bn	31 December 2020 £bn	Change %
Loans and advances to customers (net)	23.6	24.5	(4%)
Customer deposits	16.9	18.3	(8%)

Further information in relation to the performance of Retail UK is on page 18.

[1] *At H121, net impairment losses on other financial instruments (excluding loans and advances to customers at amortised cost) included £2 million (H120: £2 million) on loan commitments.*

Divisional review *(continued)*
Corporate and Markets results

Corporate and Markets[1] Income statement	6 months ended 30 June 2021 €m	*Restated*[2] 6 months ended 30 June 2020 €m	Change %
Net interest income	325	307	6%
Net other income	103	48	n/m
Operating income	**428**	**355**	**21%**
- Net interest income and business income	*409*	*374*	*9%*
- Financial Instruments valuation adjustments	*18*	*(23)*	*n/m*
- Other debt instruments at FVOCI	*1*	*4*	*(75%)*
Operating expenses	(87)	(96)	(9%)
Operating contribution before impairment losses on financial instruments	**341**	**259**	**32%**
Net impairment gains / (losses) on financial instruments	55	(385)	n/m
Underlying contribution	**396**	**(126)**	**n/m**
Net impairment gains / (losses) on financial instruments			
Loans and advances to customers at amortised cost	40	(354)	n/m
- Non-property SME and corporate	*20*	*(214)*	*n/m*
- Property and construction	*20*	*(140)*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[3]	15	(31)	n/m
Net impairment gains / (losses) on financial instruments	**55**	**(385)**	**n/m**

	30 June 2021 €bn	31 December 2020 €bn	Change %
Loans and advances to customers (net)	17.4	16.4	6%
Euro liquid asset bond portfolio	16.1	15.4	5%
Customer deposits	8.5	9.3	(9%)

Further information in relation to the performance of Corporate and Markets is on page 18.

Group Centre results

Group Centre Income statement	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m	Change %
Net operating expense	(3)	(9)	(67%)
Operating expenses (before Transformation Investment and levies and regulatory charges)	(191)	(166)	15%
Transformation Investment charge	(21)	(28)	(25%)
Levies and regulatory charges	(93)	(67)	39%
Operating contribution before impairment (losses) / gains on financial instruments	**(308)**	**(270)**	**14%**
Net impairment losses on financial instruments[4]	(6)	(1)	n/m
Underlying contribution	**(314)**	**(271)**	**16%**

Further information in relation to the performance of Group Centre is on page 19.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. The restatement has resulted in a reduction of €20 million in net interest income and an increase of €20 million in net other income for H120. See note 36 for further information.*
[3] *At H121, net impairment losses on other financial instruments (excluding loans and advances to customers at amortised cost) included €14 million (H120: €31 million) on loan commitments and €1 million on guarantees and irrevocable letters of credit.*
[4] *For H121, net impairment losses on other financial instruments (excluding loans and advances to customers at amortised cost) included €6 million (H120: €1 million) on other financial assets.*

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

6 months ended 30 June 2021	Net interest income / (expense) €m	Net insurance premium income €m	Other income / (expense) €m	Total operating income / (expense) €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Total operating expenses €m	Operating profit / (loss) before net impairment (losses) on financial instruments €m	Net impairment (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Divisional underlying contribution[1]												
Retail Ireland	451	-	102	**553**	-	**553**	(333)	**220**	(47)	7	-	**180**
Wealth and Insurance	(3)	847	656	**1,500**	(1,377)	**123**	(69)	**54**	-	-	-	**54**
Retail UK	309	-	(1)	**308**	-	**308**	(140)	**168**	(3)	(6)	-	**159**
Corporate and Markets[2]	325	-	103	**428**	-	**428**	(87)	**341**	55	-	-	**396**
Group Centre	(2)	(1)	2	**(1)**	(2)	**(3)**	(305)	**(308)**	(6)	-	-	**(314)**
Other reconciling items	-	-	(11)	**(11)**	-	**(11)**	1	**(10)**	-	-	-	**(10)**
Group - underlying[1]	**1,080**	**846**	**851**	**2,777**	**(1,379)**	**1,398**	**(933)**	**465**	**(1)**	**1**	**-**	**465**
Total non-core items												
Cost of restructuring programme	-	-	-	**-**	-	**-**	(69)	**(69)**	-	-	-	**(69)**
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	15	**15**	-	**15**	-	**15**	-	-	-	**15**
Investment return on Treasury shares held for policyholders	-	-	(6)	**(6)**	-	**(6)**	-	**(6)**	-	-	-	**(6)**
Customer redress charges	-	-	-	**-**	-	**-**	(5)	**(5)**	-	-	-	**(5)**
Portfolio divestments	-	-	11	**11**	-	**11**	(6)	**5**	-	-	-	**5**
Gain on liquidation of business activities	-	-	-	**-**	-	**-**	-	**-**	-	-	1	**1**
Impairment of internally generated computer software	-	-	-	**-**	-	**-**	-	**-**	-	-	-	**-**
Group total profit before tax	**1,080**	**846**	**871**	**2,797**	**(1,379)**	**1,418**	**(1,013)**	**405**	**(1)**	**1**	**1**	**406**

[1] *Underlying performance excludes the impact of non-core items (see page 12).*
[2] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

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

Restated[1] 6 months ended 30 June 2020	Net interest income / (expense) €m	Net insurance premium income €m	Other income / (expense) €m	Total operating income / (expense) €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Total operating expenses €m	Operating profit / (loss) before net impairment (losses) on financial instruments €m	Net impairment (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Divisional underlying contribution[2]												
Retail Ireland	485	-	100	**585**	-	**585**	(360)	**225**	(281)	(4)	-	**(60)**
Wealth and Insurance	(4)	764	(521)	**239**	(233)	**6**	(70)	**(64)**	-	-	-	**(64)**
Retail UK	274	-	1	**275**	-	**275**	(164)	**111**	(270)	1	-	**(158)**
Corporate and Markets[3]	307	-	48	**355**	-	**355**	(96)	**259**	(385)	-	-	**(126)**
Group Centre	3	(1)	(8)	**(6)**	(3)	**(9)**	(261)	**(270)**	(1)	-	-	**(271)**
Other reconciling items	(2)	-	12	**10**	-	**10**	(-)	**10**	-	-	-	**10**
Group - underlying[2]	**1,063**	**763**	**(368)**	**1,458**	**(236)**	**1,222**	**(951)**	**271**	**(937)**	**(3)**	**-**	**(669)**
Total non-core items												
Cost of restructuring programme	-	-	-	**-**	-	**-**	(27)	**(27)**	-	-	-	**(27)**
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	(4)	**(4)**	-	**(4)**	-	**(4)**	-	-	-	**(4)**
Investment return on Treasury shares held for policyholders	-	-	17	**17**	-	**17**	-	**17**	-	-	-	**17**
Customer redress charges	(1)	-	-	**(1)**	-	**(1)**	(6)	**(7)**	-	-	-	**(7)**
Portfolio divestments	-	-	19	**19**	-	**19**	(24)	**(5)**	-	-	-	**(5)**
Gain on liquidation of business activities	-	-	-	**-**	-	**-**	-	**-**	-	-	9	**9**
Impairment of internally generated computer software	-	-	-	**-**	-	**-**	(136)	**(136)**	-	-	-	**(136)**
Group total loss before tax	**1,062**	**763**	**(336)**	**1,489**	**(236)**	**1,253**	**(1,144)**	**109**	**(937)**	**(3)**	**9**	**(822)**

[1] Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. The restatement has resulted in a reduction of €16 million in net interest income and an increase of €16 million in net other income. See note 36 for further information.

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

[3] Formerly Corporate and Treasury, renamed Corporate and Markets.

Principal risks and uncertainties

Principal risks and uncertainties facing the Group for the remaining six months of 2021 are listed below. This summary should not be regarded as a complete and comprehensive statement of all potential risks / uncertainties. Other factors not yet identified, or not currently material, may adversely affect the Group. The operating environment for European banks, including in Ireland, is clearly dynamic and changing and potential impacts on the Group's risk profile continue to be monitored.

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

i. macroeconomic conditions and geopolitical uncertainties, including tensions associated with global trade negotiations and taxation developments both domestically and internationally;
ii. business model appropriateness in our core markets of RoI and UK and the changing competitive landscape;
iii. the Group's multi-year transformation agenda;
iv. people risks which are impacted by transformation and also increased competition for talent in Ireland for certain capabilities, skills and experience, where the continuing impact of remuneration restrictions on the Group is a factor. In the short term, People risk is also influenced by changes to colleague wellbeing and capacity as a result of factors such as COVID-19 and the implementation of proposed acquisition opportunities;
v. evolving banking models with enhanced digital propositions and rapidly changing consumer and business behaviours;
vi. key benchmark interest rate reform;
vii. climate risks with emerging regulatory frameworks;
viii. the impact of COVID-19; and
ix. Brexit and risks arising from future changes in the trading relationship between the UK and EU which could impact the markets in which the Group operates. This would include potential impacts on pricing, partner appetite, customer confidence and credit demand, collateral values and customers' ability to meet their financial obligations and consequently the Group's financial performance, balance sheet, capital and dividend capacity.

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

The impact of COVID-19 extends across all other business and strategic risks. It has accelerated existing trends, with consumer activity switching rapidly to digital alternatives and new ways of working impacting customers and colleagues. Ongoing economic uncertainty driven by COVID-19 continues to impact customers and different sectors are likely to recover at differing scales and speeds.

Conduct risk is the risk that the Group and / or its staff conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes. It includes all Group customers and it also includes the risk the Group's wholesale market activities do not meet the necessary standards of integrity and the level of professionalism required or expected. Conduct risk arises from day-to-day execution of business processes, provision of sales and services, management of key stakeholder expectations and the various activities performed by staff, contractors and third party suppliers.

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

The deterioration in economic conditions due to COVID-19 has resulted in an elevated level of credit risk. The Group has enhanced management of credit risk associated with customers affected by the economic impacts of the pandemic and has dedicated structures in place focused on the management of customers in financial difficulty, including those who require short and long term support measures due to COVID-19.

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by, amongst other things, the maturity structure of loans and investments held by the Group, while cash outflows are driven by items such as the term maturity of debt issued by the Group and outflows from customer deposit accounts. The liquidity risk of the Group may also be impacted by COVID-19 events given the extent, duration and intensity of the pandemic which could result in a sudden withdrawal of deposits or the potential changes in customer behaviour. Funding Risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities. The Group funds an element of its sterling balance sheet in part from euro (via cross currency derivatives), which creates an exposure to the cost of this hedging.

Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits. This variation, arising from changing customer mortality, life expectancy, health or behavioural characteristics, may be short or long term in nature. Whilst there has been some increase in mortality and morbidity claims in 2021, there has been no material adverse impact from COVID-19 on the life insurance risk profile to date. High levels of reinsurance act as a significant mitigant if there were adverse mortality developments, together with the diversification effect of mortality and longevity risk.

Principal risks and uncertainties *(continued)*

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises as a direct or indirect consequence of the Group's normal business activities through the day-to-day execution of business processes, the functioning of its technologies and in the various activities performed by its staff, contractors and third party suppliers. This also includes the risks associated with major change and the failure to deliver on the Group's multi-year transformation agenda. It also arises from the risk of cybersecurity attacks which target financial institutions and corporates as well as governments and other institutions. The risk of these attacks remains material as their frequency, sophistication and severity continue to develop in an increasingly digital world. Operational risk also includes model risk which is the risk of adverse consequences from decisions based on incorrect or misused model outputs and reports.

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

Pension risk is the risk in the Group's defined benefit pension schemes that the assets are inadequate or fail to generate returns that are sufficient to meet the schemes' liabilities. This risk crystallises for the sponsor when a deficit emerges of a size which implies a material probability that the liabilities will not be met. The defined benefit pension schemes are subject to market fluctuations and these movements impact on the Group's capital position, particularly the Group's CET1 capital ratio, which amongst other things, could impact on the Group's dividend capacity.

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. Regulatory risk comprises regulatory compliance risk, corporate governance risk, regulatory change risk and financial crime risk. The regulatory landscape continues to evolve and the banking sector is subject to increasing scrutiny. This requires the Group to adapt to, and operate within, a dynamic and challenging environment, resulting in enhanced regulatory oversight arising from the COVID-19 pandemic.

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

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 RWAs, materially worse than expected financial performance and changes to minimum regulatory requirements.

The Group also faces other significant and emerging risks and further detail on risks facing the Group, including key mitigating considerations, may be found in the principal risks and uncertainties section on pages 135 to 145 of the Group's Annual Report for the year ended 31 December 2020.

Asset quality

Asset quality - Loans and advances to customers

The information below including referenced footnotes forms an integral part of the interim financial statements as described in the basis of preparation on page 48.

The Group's asset quality reporting methodology is as set out on pages 157 and 158 of the Group's 2020 Annual report.

In response to the COVID-19 pandemic and the imposition of social restrictions, the Group established a range of supports for personal and business customers in 2020, including credit-related supports such as payment breaks for impacted customers, working capital funding (including access to government supported schemes) and other concessions such as covenant waivers /amendments.

At 30 June 2021, there were c.91,000 cases (c.€10.3 billion exposure) for which the Group granted payment breaks during 2020. At 30 June 2021, 1% of these cases remained on an active payment break, 95% had returned to pre COVID-19 terms and 4% had been approved for additional supports (including forbearance).

Approach to measurement of impairment loss allowances

The Group's methodology for loan loss provisioning under IFRS 9 is set out on pages 163 to 167 of the Group's 2020 Annual report.

During H121, the Group's Expected Credit Losses (ECL) model framework was updated to reflect recent observed information.

In addition, the LGD component of the residential mortgages impairment models was reviewed in the period, including consideration of the rationale for the €50 million Group management adjustment to impairment loss allowance for stage 3 Irish residential mortgages applied at 31 December 2020, as well as other internal and external information available at the period end.

Following completion of this review a number of changes to the residential mortgage LGD models have been implemented including adjustments to LGD parameters (e.g. sales ratio; cash recoveries) for long-dated stage 3 assets in the RoI mortgage portfolio, and implementation of LGD floors in both the RoI and UK mortgage portfolios. The combined impact of these changes is a c.€185 million increase in impairment loss allowance, noting that the €50 million Group management adjustment for stage 3 residential mortgages applied at 31 December 2020 is no longer considered to be required following the changes to LGD models outlined above.

Total net impact of all model factor updates, including those outlined above, and the application of updated FLI for Group loans and advances to customers is a c.€30 million increase in impairment loss allowances.

The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments, including FLI are set out in note 2 on pages 49 to 55 of the consolidated financial statements

Composition and impairment

The table below summarises the composition, credit-impaired volumes and related impairment loss allowance of the Group's loans and advances to customers at amortised cost as at 30 June 2021.

30 June 2021 Total loans and advances to customers at amortised cost - Composition and impairment[1]	Advances (pre-impairment loss allowance) €m	Credit-impaired loans[2] €m	Credit-impaired loans as % of advances %	Impairment loss allowance on credit-impaired loans[3] €m	Impairment loss allowance as % of credit-impaired loans %
Residential mortgages	44,475	1,921	4.3%	378	20%
- Retail Ireland	*22,351*	*1,160*	*5.2%*	*318*	*27%*
- Retail UK	*22,124*	*761*	*3.4%*	*60*	*8%*
Non-property SME and corporate	20,338	1,169	5.7%	387	33%
- Republic of Ireland SME	*6,977*	*666*	*9.5%*	*237*	*36%*
- UK SME	*1,827*	*113*	*6.2%*	*32*	*28%*
- Corporate	*11,534*	*390*	*3.4%*	*118*	*30%*
Property and Construction	8,947	1,114	12.5%	449	40%
- Investment	*7,864*	*1,078*	*13.7%*	*432*	*40%*
- Development	*1,083*	*36*	*3.3%*	*17*	*47%*
Consumer	5,227	135	2.6%	76	56%
Total	**78,987**	**4,339**	**5.5%**	**1,290**	**30%**

[1] *Excludes €360 million of loans and advances to customers at 30 June 2021 that are measured at fair value through profit or loss and are not subject to impairment under IFRS 9.*
[2] *Credit-impaired loans include Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*
[3] *Includes impairment loss allowance on Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*

Asset quality *(continued)*

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

31 December 2020 **Total loans and advances to customers at amortised cost - Composition and impairment[1]**	**Advances (pre-impairment loss allowance) €m**	**Credit-impaired loans[2] €m**	**Credit-impaired loans as % of advances %**	**Impairment loss allowance on credit-impaired loans[3] €m**	**Impairment loss allowance as % of credit-impaired loans %**
Residential mortgages	44,742	2,197	4.9%	374	17%
- Retail Ireland	*22,942*	*1,509*	*6.6%*	*329*	*22%*
- Retail UK	*21,800*	*688*	*3.2%*	*45*	*7%*
Non-property SME and corporate	19,858	1,040	5.2%	429	41%
- Republic of Ireland SME	*7,073*	*672*	*9.5%*	*261*	*39%*
- UK SME	*1,790*	*114*	*6.4%*	*26*	*23%*
- Corporate	*10,995*	*254*	*2.3%*	*142*	*56%*
Property and Construction	8,591	1,083	12.6%	461	43%
- Investment	*7,633*	*1,049*	*13.7%*	*446*	*43%*
- Development	*958*	*34*	*3.5%*	*15*	*44%*
Consumer	5,271	145	2.8%	80	55%
Total	**78,462**	**4,465**	**5.7%**	**1,344**	**30%**

At 30 June 2021, loans and advances to customers (pre-impairment loss allowance) of €79.0 billion were €0.5 billion higher than 31 December 2020, reflecting the combined impacts of currency translation, utilisation of impairment loss allowances and net redemptions in the period.

Credit-impaired loans decreased to €4.3 billion or 5.5% of customer loans at 30 June 2021 from €4.5 billion or 5.7% at 31 December 2020. This decrease reflected resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty. Resolution strategies include the realisation of cash proceeds from property sales activity, securitisation of non-performing portfolios and, where appropriate, have given rise to utilisation of impairment loss allowance against loan amounts for which there is no reasonable expectation of recovery. The Group completed the securitisation of a pool of non-performing residential mortgages with a gross carrying value of €339 million in the period, with an associated €11 million impairment gain.

The decrease from resolution strategies was partly offset by the emergence of new defaults for case specific reasons primarily in the Corporate and Property and construction portfolios.

The application of updated FLI, individually assessed risk ratings and re-assessment for post-model adjustments resulted in net migration of €2.0 billion loans from Stage 1 to Stage 2 in the period (i.e. identified as having experienced a significant increase in credit risk). The impact of the net increase in stage 2 assets does not have a material impact on the Group's impairment loss allowance. This in part reflects the proportion of the Group's COVID-19 post-model management adjustment allocated to Stage 1 at 31 December 2020 (see page 228 of the Group's Annual Report for the year ended 31 December 2020).

The stock of impairment loss allowance on credit-impaired loans was €1.3 billion at 30 June 2021, marginally lower than the stock at 31 December 2020. The net decrease incorporates impairment loss allowance utilisation of €188 million, partly offset by the impact of the impairment loss on credit-impaired loans of €47 million.

The total impairment loss allowance as at 30 June 2021 includes a total Group management adjustment of €229 million (31 December 2020: €237 million), €225 million of which was recognised against loans and advances to customers, with the remaining €4 million recognised against other financial instruments. Details on the Group management adjustment are provided in note 2 on page 54.

Impairment loss allowance as a percentage of credit-impaired loans was 30% at 30 June 2021 which was unchanged from 31 December 2020.

While at a Group level impairment loss allowance cover for credit-impaired loans was stable compared to the same period in 2020, there was a decrease in impairment cover observed in the non-property SME and corporate and investment property portfolios reflecting case specific impairment assessments for some larger defaulted assets. This was offset by higher impairment cover for credit-impaired assets in other portfolios, particularly for Retail Ireland residential mortgages reflecting changes to the LGD models implemented in the period (as outlined on page 29 above).

[1] Excludes €361 million of loans and advances to customers at 31 December 2020 that are measured at fair value through profit or loss and are not subject to impairment under IFRS 9.
[2] Credit-impaired loans include Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.
[3] Includes loss allowance on Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.

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

The information below including referenced footnotes forms an integral part of the interim financial statements as described in the basis of preparation on page 48.

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

30 June 2021 Risk profile of loans and advances to customers - NPEs[1]	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired[2]	1,921	1,169	1,114	135	4,339
Not credit-impaired[3]	32	9	6	1	48
Total	**1,953**	**1,178**	**1,120**	**136**	**4,387**

31 December 2020 Risk profile of loans and advances to customers - NPEs[1]	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired[2]	2,197	1,040	1,083	145	4,465
Not credit-impaired[3]	7	19	12	-	38
Total	**2,204**	**1,059**	**1,095**	**145**	**4,503**

The information below including referenced footnotes is additional disclosure and it does not form an integral part of the interim financial statements as described in the basis of preparation on page 48.

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 2020: €0.1 billion).

NPEs decreased to €4.4 billion at 30 June 2021 from €4.5 billion at 31 December 2020. NPEs at 30 June 2021 comprise credit-impaired loans of €4.3 billion and other NPEs of €0.1 billion.

The movements in NPEs in the period are broadly consistent with the movements in credit-impaired loans as set out in the composition and impairment table above. At 30 June 2021, the Group's NPE impairment loss allowance cover ratio was 49% (31 December 2020: 50%).

Movements in NPEs in the period also includes the securitisation of a pool of non-performing residential mortgages with a gross carrying value of €339 million.

[1] *The above tables include NPEs relating to loans and advances to customers at amortised cost of €4,356 million (31 December 2021: €4,496 million) and loans and advances to customers measured at fair value through profit or loss of €31 million (31 December 2021: €7 million).*
[2] *Includes Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*
[3] *Not credit-impaired figures include forborne loans that had yet to satisfy exit criteria in line with European Banking Authority guidance to return to performing.*

Asset quality *(continued)*

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

The information below including referenced footnotes forms an integral part of the interim financial statements as described in the basis of preparation on page 48.

The table below summarises the composition, NPEs and related impairment loss allowance of the Group's loans and advances to customers at amortised cost at 30 June 2021.

30 June 2021 **Total loans and advances to customers Composition and impairment[1,2]**	**Advances (pre-impairment loss allowance) €m**	**NPEs €m**	**NPEs as % of advances %**	**Total impairment loss allowance €m**	**Total Impairment loss allowance as % of NPEs %**
Residential mortgages	44,475	1,922	4.3%	522	27%
- Retail Ireland	*22,351*	*1,159*	*5.2%*	*416*	*36%*
- Retail UK	*22,124*	*763*	*3.4%*	*106*	*14%*
Non-property SME and corporate	20,338	1,178	5.8%	858	73%
- Republic of Ireland SME	*6,977*	*686*	*9.8%*	*487*	*71%*
- UK SME	*1,827*	*119*	*6.5%*	*76*	*64%*
- Corporate	*11,534*	*373*	*3.2%*	*295*	*79%*
Property and Construction	8,947	1,120	12.5%	559	50%
- Investment	*7,864*	*1,084*	*13.8%*	*531*	*49%*
- Land and development	*1,083*	*36*	*3.3%*	*28*	*78%*
Consumer	5,227	136	2.6%	192	141%
Total	**78,987**	**4,356**	**5.5%**	**2,131**	**49%**

31 December 2020 **Total loans and advances to customers Composition and impairment[1,2]**	**Advances (pre-impairment loss allowance) €m**	**NPEs €m**	**NPEs as % of advances %**	**Total impairment loss allowance €m**	**Total Impairment loss allowance as % of NPEs %**
Residential mortgages	44,742	2,197	4.9%	479	22%
- Retail Ireland	*22,942*	*1,508*	*6.6%*	*393*	*26%*
- Retail UK	*21,800*	*689*	*3.2%*	*86*	*12%*
Non-property SME and corporate	19,858	1,059	5.3%	931	88%
- Republic of Ireland SME	*7,073*	*685*	*9.7%*	*501*	*73%*
- UK SME	*1,790*	*120*	*6.7%*	*72*	*60%*
- Corporate	*10,995*	*254*	*2.3%*	*358*	*141%*
Property and Construction	8,591	1,095	12.7%	596	54%
- Investment	*7,633*	*1,061*	*13.9%*	*556*	*52%*
- Development	*958*	*34*	*3.5%*	*40*	*118%*
Consumer	5,271	145	2.8%	236	163%
Total	**78,462**	**4,496**	**5.7%**	**2,242**	**50%**

The movements in NPEs in the year are broadly consistent with the movements in credit-impaired loans as set out on page 30. At 30 June 2021, the Group's NPE impairment loss allowance cover ratio was 49% (31 December 2020: 50%).

[1] *Includes Stage 3 and Purchased or originated credit-impaired assets which remain credit-impaired at the reporting date.*
[2] *Excludes €360 million of loans and advances to customers at 30 June 2021 (31 December 2020: €361 million) that are measured at fair value through profit or loss and are not subject to impairment under IFRS 9. The NPEs relating to these balances at 20 June 2021 of €31 million (31 December 2020: €7 million) are also excluded.*

Capital management

The information below including referenced footnotes is additional disclosure and it does not form an integral part of the interim financial statements as described in the basis of preparation on page 48.

CRD IV - 31 December 2020			CRD IV - 30 June 2021[1]	
Regulatory €m	Fully loaded €m		Regulatory €m	Fully loaded €m
		Capital Base		
9,621	9,621	Total equity	10,288	10,288
-	-	- less foreseeable dividend deduction[2]	-	-
(975)	(975)	- less AT1 Capital	(975)	(975)
8,646	**8,646**	**Total equity less foreseeable dividend deduction and equity instruments not qualifying as CET1**	**9,313**	**9,313**
(281)	**(1,230)**	**Regulatory adjustments being phased in / out under CRD IV**	**(460)**	**(1,239)**
(658)	*(1,101)*	*- Deferred tax assets[3]*	*(762)*	*(1,101)*
(56)	*(129)*	*- 10% / 15% threshold deduction*	*(83)*	*(138)*
433	*-*	*- IFRS 9 transitional adjustment*	385	-
(1,149)	**(999)**	**Other regulatory adjustments**	**(1,349)**	**(1,166)**
(111)	*-*	*- Expected loss deduction*	*(146)*	*-*
(478)	*(478)*	*- Intangible assets and goodwill*	*(481)*	*(481)*
(10)	*(10)*	*- Coupon expected on AT1 instrument*	*(10)*	*(10)*
26	*26*	*- Cash flow hedge reserve*	*30*	*30*
3	*3*	*- Own credit spread adjustment (net of tax)*	*9*	*9*
(5)	*(5)*	*- Securitisation deduction*	*(9)*	*(9)*
(131)	*(131)*	*- Pension asset deduction*	*(316)*	*(316)*
(443)	*(404)*	*- Other adjustments[4]*	*(426)*	*(389)*
7,216	**6,417**	**Common equity tier 1**	**7,504**	**6,908**
		AT1		
975	975	AT1 instruments (issued by parent entity)[5]	975	975
8.191	**7,392**	**Total tier 1 capital**	**8,479**	**7,883**
		Tier 2		
1,038	1,038	Tier 2 instruments (issued by Parent entity[5,6])	1,565	1,565
215	215	Instruments issued by subsidiaries that are given recognition in Tier 2 capital[5,6]	189	189
-	138	Provisions in excess of expected losses on defaulted assets	-	124
		Regulatory adjustments		
(160)	(160)	Other adjustments	(160)	(160)
1,093	**1,231**	**Total tier 2 capital**	**1,594**	**1,718**
9,284	**8,623**	**Total capital**	**10,073**	**9,601**
48.4	**48.0**	**Total risk weighted assets (€bn)**	**49.1**	**48.9**
		Capital ratios[7]		
14.9%	13.4%	Common equity tier 1	15.3%	14.1%
16.9%	15.4%	Tier 1	17.3%	16.1%
19.2%	18.0%	Total capital[6]	20.5%	19.6%
7.1%	6.4%	Leverage ratio	6.5%	6.0%

1 *Capital ratios as at 30 June 2021 have been presented including the benefit of the retained profit in the period. Under Article 26 (2) of the CRR, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the ECB, and such permission is being sought.*
2 *No foreseeable dividend (31 December 2020: nil) has been deducted as required under Article 2 of European Union Regulation No. 241/2014.*
3 *Deduction relates to deferred tax assets on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 70% in 2021, increasing annually at a rate of 10% thereafter.*
4 *Includes technical items such as non-qualifying Common equity tier 1 items, Prudential Valuation Adjustment, Calendar Provisioning and IFRS 9 addback adjustment to the deferred tax charge.*
5 *The parent entity refers to BOIG plc.*
6 *The calculation of the Group's total capital ratios at 30 June 2021 are stated after a prudent application of the requirements of Article 87 of Capital Requirements Regulation. As a result of the establishment of BOIG plc, and due to the requirements of Article 87 of the Capital Requirements Regulation, regulatory capital instruments issued by subsidiaries (i.e. The Governor and Company of the Bank of Ireland) cannot be recognised in full in the prudential consolidation.*
7 *The capital ratios are calculated using unrounded risk weighted asset amounts.*

Capital management *(continued)*

CRD IV - 31 December 2020 Regulatory €bn	CRD IV - 31 December 2020 Fully loaded €bn		CRD IV - 30 June 2021 Regulatory €bn	CRD IV - 30 June 2021 Fully loaded €bn
		Risk weighted assets (RWA)[1,2]		
38.0	37.8	Credit risk	38.9	38.8
0.8	0.8	Counterparty credit risk	0.9	0.9
0.8	0.8	Securitisation	0.7	0.7
0.6	0.6	Market risk	0.6	0.6
4.2	4.2	Operational risk	4.2	4.2
4.0	3.8	Other assets / 10% / 15% threshold deduction	3.8	3.7
48.4	**48.0**	**Total RWA**	**49.1**	**48.9**

Capital Requirements Directive IV
The ratios outlined in this section reflect the Group's interpretation of the Capital Requirements Directive IV (CRD IV) rules as published on 27 June 2013 and subsequent amendments, including EU Regulation 2019/876 (CRR II) and EU Directive 2019/878 (CRD V) published on 7 June 2019 and EU Regulation 2020/873 published on 26 June 2020 (COVID Quick Fix).

In line with the above regulations, the Group's regulatory capital ratios reflect the phased implementation of the DTAs (dependent on future profitability) deduction and the transitional implementation of IFRS 9. These items will be fully implemented in 2024 and 2025 respectively.

Regulatory Capital Developments
The CRD IV rules continue to evolve through amendments to current regulations, directives and the adoption of new technical standards. The key changes impacting capital ratios as at 30 June 2021 contained in CRR II, include a binding leverage requirement and the implementation of the standardised approach for Counterparty Credit Risk. These amendments did not have a material impact on the Group's capital ratios.

The revisions to the capital requirements for market risk, originally intended to apply in 2021 have been deferred until 2023.

The Basel Committee revisions to the Basel Framework focus on the standardised and internal ratings-based approaches to measuring credit risk. These include the introduction of an aggregate output floor to ensure banks' RWAs calculated via internal models are no lower than 72.5% of RWAs calculated under the standard approach. The revised standards which were originally due to take effect from 1 January 2022, are now deferred to 1 January 2023, with a phase-in period of five years for the aggregate output floor. The Group continues to monitor developments with any impact dependent on the implementation at EU level.

Capital Actions
On 11 May 2021, the Group issued a €500 million 10.25 year (callable at any time between 11 May 2026 and 11 August 2026) 'Green' Tier 2 capital instrument. The bond carries a coupon of 1.375%.

[1] *Risk weighted assets reflect the application of certain Central Bank of Ireland required Balance Sheet Assessment adjustments and the updated treatments of expected loss.*
[2] *Further details on risk weighted assets can be found in the Group's Pillar 3 disclosures which are available on the Group's website.*

Capital management *(continued)*

Pro forma CET1 Regulatory Capital Requirements	Set by	2019	2020	2021	2022
Pillar 1 - CET1	CRR	4.50%	4.50%	4.50%	4.50%
Pillar 2 Requirement	SSM	2.25%	1.27%	1.27%	1.27%
Capital Conservation Buffer	CRD	2.50%	2.50%	2.50%	2.50%
Countercyclical buffer					
Ireland (c.60% of RWA)	CBI	0.60%	-	-	-
UK (c.30% of RWA)	FPC (UK)	0.30%	-	-	-
US and other (c.10% of RWA)	Fed / Various	-	-	-	-
Other Systemically Important Institutions Buffer (from 1 July 2021)	CBI	0.50%	1.00%	1.50%	1.50%
Systemic Risk Buffer - Ireland	CBI	-	-	-	-
Pro forma Minimum CET1 Regulatory Requirements		**10.65%**	**9.27%**	**9.77%**	**9.77%**
Pillar 2 Guidance	**Not disclosed in line with regulatory preference**				

Capital requirements / buffers
The table above sets out the Group's CET1 capital requirements for 2021 and the authorities responsible for setting those requirements.

The Group is required to maintain a CET1 ratio of 9.27% on a regulatory basis at 30 June 2021, increasing to 9.77% from 1 July 2021. This includes a Pillar 1 Requirement of 4.5%, a CET1 Pillar 2 Requirement (P2R) of 1.27%, a Capital Conservation Buffer (CCB) of 2.5% and an Other Systemically Important Institutions (O-SII) Buffer of 1.0% (increasing to 1.5% from 1 July 2021). Pillar 2 Guidance (P2G) is not disclosed in accordance with regulatory preference.

Countercyclical Capital Buffers (CCyBs) are independently set in each country by the relevant designated authority. The Financial Policy Committee UK (FPC) and the CBI have reduced the UK and RoI CCyB rates to 0% until at least the end of 2022.

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

In light of the impact of COVID-19, the CBI have stated that it does not intend to begin a phase-in of the systemic risk buffer during 2021.

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

Minimum requirement for own funds and eligible liabilities
The Group's interim binding minimum requirement for own funds and eligible liabilities (MREL) requirements, to be met by 1 January 2022, are 24.95% on RWA basis and 7.59% on a leverage basis.

The MREL RWA requirement consists of a Single Resolution Board (SRB) target of 20.95% (based on the Group's capital requirements as at 30 June 2020) and the Group's expected Combined Buffer Requirement (CBR) of 4% on 1 January 2022 (comprising the Capital Conservation Buffer of 2.5% and an O-SII buffer of 1.5%).

The SRB target is subject to annual review; while the CBR is dynamic, updating as changes in capital requirements become effective. Therefore the Group's 2024 MREL requirement is expected to increase to c.28% (based on expected December 2021 regulatory capital requirements) as the SRB target is updated to reflect the phase-in of the O-SII buffer and the phase out of MREL adjustments.

The Group's MREL position at 30 June 2021 is 27.6% on an RWA basis and 10.4% on a leverage basis. The Group expects to maintain a buffer over its MREL requirements.

Risk weighted assets
Risk weighted assets (RWAs) on a regulatory basis, were €49.1 billion at 30 June 2021 (31 December 2020: €48.4 billion). The increase of €0.7 billion in RWA primarily reflects growth in the Group's corporate banking loan portfolio.

Regulatory ratio
The Group's regulatory CET1 ratio is 15.3% at 30 June 2021 (31 December 2020: 14.9%). The increase of c.40 basis points since 31 December 2020 is primarily due to the benefit of organic capital generation (c.75 basis points), disposal of a RoI Mortgage NPE portfolio (c.15 basis points) and other net movements, including in the Group's defined benefit pension schemes (c.20 basis points); offset by the impact of CRD phasing for 2021 (c.-25 basis points), RWA growth (-c.20 basis points) and investment in the Group's transformation programmes (c.-25 basis points).

Fully loaded ratio
The Group's fully loaded CET1 ratio is 14.1% at 30 June 2021 (31 December 2020: 13.4%). The increase of c.70 basis points since 31 December 2020 is primarily due to organic capital generation (c.90 basis points), disposal of a RoI Mortgage NPE portfolio (c.15 basis points) and other net movements, including in the Group's defined benefit pension scheme (c.20 basis points); offset by RWA growth (c.-25 basis points) and investment in the Group's transformation programmes (c.-30 basis points).

Capital management *(continued)*

Leverage ratio
The leverage ratio at 30 June 2021 is 6.5% on a CRD IV regulatory basis (31 December 2020: 7.1%) and 6.0% on a proforma fully loaded basis (31 December 2020: 6.4%).

A binding leverage requirement of 3% is applicable from 28 June 2021. The Group expects to remain well in excess of this requirement.

Distribution policy
In December 2020, the ECB published updated recommendations on distributions requesting banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021. Consistent with the ECB recommendation, the Group is not currently making a foreseeable dividend deduction for H121. On 23 July 2021, the ECB announced that it had repealed its recommendation from 30 September 2021.

The Group expects that distributions will recommence on a prudent and progressive basis. The distribution level and the rate of progression will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties and any impact from the evolving regulatory and accounting environments.

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

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

At 30 June 2021, own funds were in excess of the required minimum requirement.

Statement of Directors' responsibilities
for the six months ended 30 June 2021

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

In preparing the condensed set of financial statements included within the interim financial report, the Directors are required to:
- prepare and present the condensed set of financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Regulations and the Central Bank (Investment Market Conduct) Rules;
- ensure the condensed set of financial statements has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

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

We confirm that to the best of our knowledge:

1. the condensed set of consolidated financial statements included within the interim financial report of Bank of Ireland Group plc for the six months ended 30 June 2021 (the 'interim financial information') which comprises the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the related explanatory notes, have been presented and prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, the Transparency Regulations and the Central Bank (Investment Market Conduct) Rules.

2. The interim financial information presented, as required by the Transparency Regulations, includes:
   a. an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of consolidated financial statements;
   b. a description of the principal risks and uncertainties for the remaining six months of the financial year;
   c. related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and
   d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first 6 months of the current financial year.

Signed on behalf of the Board by
2 August 2021

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

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

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

Introduction

We have been engaged by the Bank of Ireland Group plc (the 'Group') to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2021 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 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 financial report for the six months ended 30 June 2021 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, as amended ('Transparency Regulations'), and the Central Bank (Investment Market Conduct) Rules.

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 Transparency Regulations and the Central Bank (Investment Market Conduct) Rules. 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 EU. The Directors are responsible for ensuring that the condensed set of consolidated financial statements included in this interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

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

Scope of review

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

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

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

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

KPMG

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

2 August 2021

Consolidated interim financial statements and notes *(unaudited)*

Consolidated condensed income statement

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

	Note	6 months ended 30 June 2021 €m	*Restated*[1,2] 6 months ended 30 June 2020 €m
Interest income calculated using the effective interest method	4	1,151	1,203
Other interest income	4	198	194
Interest income		**1,349**	**1,397**
Interest expense	5	(269)	(335)
Net interest income		**1,080**	**1,062**
Net insurance premium income	6	846	763
Fee and commission income	7	217	217
Fee and commission expense	7	(90)	(85)
Net trading income / (expense)	8	61	(20)
Life assurance investment income, gains and losses	9	614	(470)
Other leasing income	10	32	31
Other leasing expense	10	(25)	(26)
Other operating income	11	62	17
Total operating income		**2,797**	**1,489**
Insurance contract liabilities and claims paid	12	(1,379)	(236)
Total operating income, net of insurance claims		**1,418**	**1,253**
Total operating expenses		(944)	(1,117)
- Other operating expenses	13	*(944)*	*(972)*
- Impairment of intangible assets	21	*-*	*(136)*
- Impairment of goodwill	21	*-*	*(9)*
Cost of restructuring programme	14	(69)	(27)
Operating profit before impairment losses on financial instruments		**405**	**109**
Net impairment losses on financial instruments	15	(1)	(937)
Operating profit / (loss)		**404**	**(828)**
Share of results of associates and joint ventures (after tax)		1	(3)
Gain on liquidation of business activities		1	9
Profit / (loss) before tax		**406**	**(822)**
Taxation (charge) / credit	16	(65)	97
Profit / (loss) for the period		**341**	**(725)**
Attributable to shareholders		337	(757)
Attributable to non-controlling interests		4	32
Profit / (loss) for the period		**341**	**(725)**
Earnings per ordinary share[2]	17	28.2c	(71.5c)
Diluted earnings per ordinary share[2]	17	28.2c	(71.5c)

[1] Comparative figures have been restated to reflect (i) the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments (see note 36) and (ii) the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (see notes 1 and 36).

[2] Earnings per share and diluted earnings per share for H120 have been restated by increasing the loss per share by one cent from 70.5 cent per share to 71.5 cent per share. See note 17 for further information.

Consolidated condensed statement of comprehensive income

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

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Profit / (loss) for the period	**341**	**(725)**
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	(29)	(41)
- Cash flow hedge reserve, net of tax	(4)	11
- Foreign exchange reserve	113	(169)
Total items that may be reclassified to profit or loss in subsequent periods	**80**	**(199)**
Items that will not be reclassified to profit or loss in subsequent periods		
- Remeasurement of the net defined benefit pension asset / (liability), net of tax	285	562
- Net change in liability credit reserve	(5)	15
Total items that will not be reclassified to profit or loss in subsequent periods	**280**	**577**
Other comprehensive income for the period, net of tax	**360**	**378**
Total comprehensive income for the period, net of tax	**701**	**(347)**
Total comprehensive income attributable to equity shareholders	697	(379)
Total comprehensive income attributable to non-controlling interests	4	32
Total comprehensive income for the period, net of tax	**701**	**(347)**

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

Consolidated condensed balance sheet
(as at 30 June 2021) (unaudited)

	Note	30 June 2021 €m	31 December 2020 €m
Assets			
Cash and balances at central banks		25,070	10,953
Items in the course of collection from other banks		169	166
Trading securities		52	-
Derivative financial instruments		1,631	2,217
Other financial assets at FVTPL		18,680	17,392
Loans and advances to banks		2,802	2,453
Debt securities at amortised cost		6,260	6,266
Financial Assets at FVOCI		11,292	10,942
Assets classified as held for sale		4	5
Loans and advances to customers	18	77,216	76,581
Interest in associates		50	54
Interest in joint ventures		51	54
Intangible assets and goodwill	21	797	751
Investment properties		827	843
Property, plant and equipment		846	889
Current tax assets		30	42
Deferred tax assets	22	1,132	1,165
Other assets		2,632	2,819
Retirement benefit assets	29	391	162
Total assets		**149,932**	**133,754**
Equity and liabilities			
Deposits from banks	23	13,218	2,388
Customer accounts	24	90,604	88,637
Items in the course of transmission to other banks		427	216
Derivative financial instruments		2,079	2,257
Debt securities in issue	25	7,262	6,367
Liabilities to customers under investment contracts		6,325	5,892
Insurance contract liabilities		14,314	13,479
Other liabilities		2,376	2,234
Lease liabilities		474	498
Current tax liabilities		39	12
Provisions	26	224	268
Loss allowance provision on loan commitments and financial guarantees	28	83	99
Deferred tax liabilities		78	64
Retirement benefit obligations	29	182	288
Subordinated liabilities	30	1,959	1,434
Total liabilities		**139,644**	**124,133**
Equity			
Share capital		1,079	1,079
Share premium account		456	456
Retained earnings		7,890	7,337
Other reserves		(150)	(260)
Own shares held for the benefit of life assurance policyholders		(21)	(25)
Shareholders' equity		**9,254**	**8,587**
Other equity instruments - Additional Tier 1		966	966
Total equity excluding non-controlling interests		**10,220**	**9,553**
Non-controlling interests		68	68
Total equity		**10,288**	**9,621**
Total equity and liabilities		**149,932**	**133,754**

Consolidated condensed statement of changes in equity
(for the six months ended 30 June 2021) (unaudited)

	Share capital €m	Share premium account €m	Retained earnings €m	Other reserves: Debt instruments at FVOCI reserve €m	Other reserves: Cash flow hedge reserve €m	Other reserves: Liability credit reserve €m	Other reserves: Foreign exchange reserve €m	Other reserves: Capital reserve €m	Other reserves: Merger reserve €m	Other reserves: Revaluation reserve €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2021	**1,079**	**456**	**7,337**	**163**	**(26)**	**(1)**	**(877)**	**437**	**17**	**27**	**(25)**	**8,587**	**966**	**68**	**9,621**
Profit for the period	-	-	337	-	-	-	-	-	-	-	-	337	-	4	341
Other comprehensive income	-	-	285	(29)	(4)	(5)	113	-	-	-	-	360	-	-	360
Total comprehensive income for the period	**-**	**-**	**622**	**(29)**	**(4)**	**(5)**	**113**	**-**	**-**	**-**	**-**	**697**	**-**	**4**	**701**
Transactions with owners															
Contributions by and distributions to owners of the Group															
- Distribution paid on other equity instruments - AT1 coupon	-	-	(34)	-	-	-	-	-	-	-	-	(34)	-	-	(34)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	4	4	-	-	4
- Dividends paid to NCI - preference stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)
- Redemption of NCI - AT1 securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the period, net of expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**(34)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**(30)**	**-**	**(4)**	**(34)**
Transfer from retained earnings to capital reserve	-	-	(35)	-	-	-	-	35	-	-	-	-	-	-	-
Balance at 30 June 2021	**1,079**	**456**	**7,890**	**134**	**(30)**	**(6)**	**(764)**	**472**	**17**	**27**	**(21)**	**9,254**	**966**	**68**	**10,288**

Consolidated condensed statement of changes in equity

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

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

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

				Other reserves											
	Share capital €m	Share premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Liability credit reserve €m	Foreign exchange reserve €m	Capital reserve €m	Merger reserve €m	Revaluation reserve €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2020	**1,079**	**456**	**8,180**	**158**	**(14)**	**(3)**	**(703)**	**451**	**17**	**34**	**(30)**	**9,625**	**-**	**808**	**10,433**
Loss for the year	-	-	(742)	-	-	-	-	-	-	-	-	(742)	-	35	(707)
Other comprehensive income for the year	-	-	(80)	5	(12)	2	(174)	-	-	(7)	-	(266)	-	-	(266)
Total comprehensive income for the year	**-**	**-**	**(822)**	**5**	**(12)**	**2**	**(174)**	**-**	**-**	**(7)**	**-**	**(1,008)**	**-**	**35**	**(973)**
Transactions with owners															
Contributions by and distributions to owners of the Group															
- AT1 securities issued during the period, net of expenses	-	-	-	-	-	-	-	-	-	-	-	-	966	-	966
- Redemption of NCI - AT1 securities	-	-	(10)	-	-	-	-	-	-	-	-	(10)	-	(740)	(750)
- Distribution paid to NCI - AT1 coupon	-	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
- Distribution on other equity instruments - AT1 coupon	-	-	(25)	-	-	-	-	-	-	-	-	(25)	-	-	(25)
- Dividends paid to NCI - preference stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	5	5	-	-	5
Total transactions with owners	**-**	**-**	**(35)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**(30)**	**966**	**(775)**	**161**
Transfer from capital reserve to retained earnings	-	-	14	-	-	-	-	(14)	-	-	-	-	-	-	-
Balance at 31 December 2020	**1,079**	**456**	**7,337**	**163**	**(26)**	**(1)**	**(877)**	**437**	**17**	**27**	**(25)**	**8,587**	**966**	**68**	**9,621**

Consolidated condensed cash flow statement

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

	Note	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Cash flows from operating activities			
Profit / (loss) before tax		406	(822)
Share of results of associates and joint ventures		(1)	3
Gain on disposal / liquidation of business activities		(1)	(9)
Impairment of intangible assets and goodwill		-	145
Depreciation and amortisation	10,13	126	145
Net impairment losses on financial instruments, excluding cash recoveries	15	15	959
Impairment of property, plant and equipment	14	23	-
Reversal of impairment on property	14	(2)	-
Revaluation of investment property		21	40
Interest expense on subordinated liabilities		37	38
Interest expense on lease liabilities		6	7
Charge for pension and similar obligations		52	47
Net change in accruals and interest payable		(18)	(45)
Net change in prepayments and interest receivable		43	43
Charge for provisions	26	41	18
Net change in operating expenses accrued		65	37
Non-cash and other items		42	24
Cash flows from operating activities before changes in operating assets and liabilities		**855**	**630**
Net change in items in the course of collection from other banks		208	215
Net change in trading securities		(52)	(29)
Net change in derivative financial instruments		629	(649)
Net change in other financial assets at fair value through profit or loss		(1,284)	845
Net change in loans and advances to banks		(22)	(1,168)
Net change in loans and advances to customers		697	(215)
Net change in other assets		153	(204)
Net change in deposits from banks		10,729	(38)
Net change in customer accounts		1,017	4,111
Net change in debt securities in issue		878	(1,261)
Net change in liabilities to customers under investment contracts		433	(436)
Net change in insurance contract liabilities		835	(222)
Net change in other operating liabilities		(128)	(98)
Net cash flow from operating assets and liabilities		**14,093**	**851**
Net cash flow from operating activities before tax		**14,948**	**1,481**
Tax paid		(11)	(13)
Net cash flow from operating activities		**14,937**	**1,468**
Investing activities (section a below)		(737)	(1,683)
Financing activities (section b below)		417	(396)
Effect of exchange translation and other adjustments		(174)	198
Net change in cash and cash equivalents		**14,443**	**(413)**
Opening cash and cash equivalents		13,265	11,326
Closing cash and cash equivalents		**27,708**	**10,913**

Consolidated condensed cash flow statement *(continued)*
(for the six months ended 30 June 2021) (unaudited)

	Note	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
(a) Investing activities			
Additions to financial assets at FVOCI		(1,339)	(1,858)
Disposals / redemptions of financial assets at FVOCI		793	1,108
Additions to debt securities at amortised cost		(215)	(859)
Disposals / redemptions of debt securities at amortised cost		152	60
Additions to property, plant and equipment, intangible assets and investment property		(152)	(143)
Disposal of property, plant and equipment, intangible assets and investment property		13	9
Net change in interest in associates		11	-
Cash flows from investing activities		**(737)**	**(1,683)**
(b) Financing activities			
Net proceeds from the issue of subordinated liabilities	30	498	-
Distribution on other equity instruments - AT1 coupon		(34)	-
Repayment of subordinated liabilities		-	(208)
Interest paid on subordinated liabilities		(14)	(35)
Interest paid on lease liability		(6)	(7)
Payment of lease liability		(23)	(33)
Net proceeds from the issue of other equity instruments		-	669
Redemption of NCI - AT1 securities		-	(750)
Distribution to NCI - AT1 coupons		-	(28)
Dividend paid to NCI - AT1 coupons - preference stock		(4)	(4)
Cash flows from financing activities		**417**	**(396)**

Notes to the consolidated financial statements *(unaudited)*

1 Group accounting policies

Basis of preparation

The interim financial statements of the Bank of Ireland Group plc (the 'Company' or 'BOIG plc') and its subsidiaries (collectively the 'Group' or 'BOIG plc Group') for the six months ended 30 June 2021 (H121) 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 2020, 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 2020 were approved by the Board of Directors on 26 February 2021, 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 21 July 2021.

Interim financial statements

The interim financial statements comprise the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed balance sheet, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the notes to the consolidated interim financial statements on pages 48 to 109. The interim financial statements include the information that is described as being an integral part of the interim financial statements contained in the Asset quality section on pages 29 to 32 of the Operating financial review (OFR). The interim financial statements also include the tables in Other information - Supplementary asset quality and forbearance disclosures on pages 110 to 133 described as being an integral part of the interim financial statements.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the interim financial statements for H121 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 economic outlook in the Group's core markets, and the ongoing challenges and continued impact of Covid-19. 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 207 to 222 of the Group's Annual Report for the year ended 31 December 2020, except for the application of amendments to standards, as set out below as of 1 January 2021.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)

The Interest Rate Benchmark Reform - Phase 2 amendments deal with issues affecting financial reporting during the implementation of the benchmark rate (BMR) reform. The amendments provide practical expedients related to accounting for changes in the basis for determining contractual cash flows of financial instruments and lease contracts, arising as a direct consequence of the BMR reform. The amendments also provide additional temporary exceptions from applying specific hedge accounting requirements of IAS 39 and IFRS 9 to hedge accounting relationships, which will generally allow hedging accounting relationships directly affected by the BMR reform to continue.

The key amendments adopted by the Group are as follows:

Changes in the basis for determining contractual cashflows

On transition to an alternative BMR, changes in the basis of determining the contractual cash flows of a financial instrument are treated in the same way as changes to market rates for a floating rate instrument by updating the effective interest rate, without the recognition of a modification gain or loss. This practical expedient is only applied where:

- the change to the contractual cash flows is necessary as a direct consequence of the BMR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Where additional changes to the basis for determining the contractual cash flows of a financial instrument are made at the same time as changes required by the BMR reform, the Group first applies the practical expedient noted above to the changes arising as a direct consequence of the BMR reform, and then applies its existing policy to account for the additional modifications.

Hedge accounting changes

The Group may apply the following reliefs where changes are made to hedge relationships as a result of the BMR reform:

- amending the formal hedge designations and documentation to reflect one or more of specified changes required by the BMR reform, without discontinuing those hedge accounting relationships;

1 Group accounting policies *(continued)*

- when performing retrospective hedge effectiveness assessment for hedge accounting relationships where hedge designations are amended as a direct result of the BMR reform, electing on the amendment date to reset the cumulative fair value changes of the hedging instrument and the hedged item to zero;
- when the description of the hedged item is amended to reference the alternative BMR, the amount accumulated in the cash flow hedge reserve in equity is deemed to be based on the alternative BMR on which the hedged future cash flows are determined; and
- when designating an alternative BMR as a non-contractually specified risk component, an alternative BMR that is not separately identifiable is deemed to have met that requirement at the date of designation only if it is reasonably expected that the alternative BMR will be separately identifiable within a period of 24 months from the date the alternative BMR is designated as a risk component.

These amendments do not have a significant impact on the Group during H121. See note 35 for further information.

Voluntary change in accounting policy on the presentation of interest income and expense on derivatives designated as hedging instruments

The Group has voluntarily changed its accounting policy for the presentation of interest income and expense on derivatives designated as hedges of financial assets and liabilities.

In prior periods, interest on the hedging derivatives was presented on the same line as the interest income or expense on the hedged item. Interest on the hedging derivatives was presented as interest income where the hedged item was an asset, and as interest expense where the hedged item was a liability.

To provide reliable and more relevant information on the impact of hedge accounting on the Group's performance, the Group has adopted an amended accounting policy in 2021, such that:

- Interest income or expense on derivatives designated as hedging instruments continues to be presented in net interest income, in line with the underlying hedged asset or liability.
- For macro fair value hedges of financial liabilities and macro fair value hedges and cash flow hedges of financial assets, the Group aggregates the interest income or expense on the assets or liabilities with the interest income or expense on the related derivatives designated as hedging instruments. Where the resulting total is an expense, the amount is presented as interest expense on the assets or liabilities. Where the resulting total is income, it is presented as interest income on the assets or liabilities.
- For micro fair value hedges of financial assets or liabilities, the Group aggregates, for each hedged asset or liability separately, the interest income or expense on the asset or liability with the interest income or expense on the related derivative or derivatives designated as hedging instruments. Where the resulting total for an asset or liability is an expense, the amount is presented as interest expense on the asset or liability. Where the resulting total is income, it is presented as interest income on the asset or liability.

The Group believes this revised accounting policy provides reliable and more relevant information on the Group's interest income and expense, and in particular the impact of hedge accounting.

This change in accounting policy has been accounted for retrospectively as required under IAS 8, and the comparative period has been restated to reflect this change. The effect of this change is explained further in notes 4, 5 and 36.

Impact of new accounting standards not yet effective

Information about the impact of new accounting standards that are not effective for the current reporting period are set out on pages 221 and 222 of the Group's Annual Report for the year ended 31 December 2020.

The Group's IFRS 17 implementation programme has focused on interpreting the requirements of the standard and developing systems and data requirements to enable IFRS 17 readiness. Development of methodologies and accounting policies is well progressed, supported by appropriate external advisors. The work required to scope and assess changes required to the reporting data, administration and other systems is broadly complete and the build phase of the development is underway.

The Group is not yet in a position to reasonably estimate the impact of IFRS 17 on the Group's financial statements.

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

2 Critical accounting estimates and judgements

The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets, liabilities, income and expense. Other than as set out below, there have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2020, as set out on pages 222 to 231 of the Group's Annual Report for the year ended 31 December 2020.

(a) Impairment loss allowance on financial assets

The Group's credit risk methodologies are set out on pages 161 to 167 of the Group's Annual Report for the year ended 31 December 2020.

Changes in estimates

Forward Looking Information

FLI refers to probability-weighted future macroeconomic scenarios approved semi-annually by the Executive Risk

2 Critical accounting estimates and judgements *(continued)*

Committee (formerly the Group Risk Policy Committee) and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 30 June 2021, comprising of a central scenario, an upside scenario, and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for years beyond the forecast period for property forecasts. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The Group's FLI methodology is set out on page 167 of the Group's Annual Report for the year ended 31 December 2020.

The central FLI scenario for the period ending 30 June 2021 is based on internal and external information and management judgement and follows the same process as used in prior periods.

In the reporting periods pre COVID-19, the upside and downside scenarios were generated using a simulation model that used historical volatilities and correlations for key macroeconomic variables to generate a distribution around the central forecast.

However, due to the unprecedented nature of the COVID-19 economic shock, statistical techniques are less reliable and the Group employed an amended approach for the selection of the upside and downside FLI scenarios since H120.

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

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

The narrative-driven scenarios were assessed relative to the simulated distribution. The model derived probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The final weightings were also informed by other qualitative factors and expert judgment.

The table below shows the mean average forecast values for the key macroeconomic variables under each scenario for the forecast period 2021 to 2025, together with the scenario weightings for both the RoI and the UK.

	Republic of Ireland				United Kingdom			
			Downside				Downside	
	Central scenario	Upside scenario	Scenario 1	Scenario 2	Central scenario	Upside scenario	Scenario 1	Scenario 2
Scenario probability weighting	45%	20%	25%	10%	45%	20%	25%	10%
GDP Growth[1]	3.7%	4.4%	3.0%	2.0%	3.3%	3.9%	2.6%	1.6%
GNP Growth[1]	3.7%	4.4%	3.0%	2.0%	n/a	n/a	n/a	n/a
Unemployment rate[2]	6.5%	5.3%	8.2%	10.1%	5.0%	4.2%	6.3%	8.1%
Residential property price growth[3]	1.8%	2.6%	(0.6%)	(2.6%)	2.0%	3.2%	(0.6%)	(4.4%)
Commercial property price growth[3]	(0.3%)	1.1%	(1.4%)	(4.5%)	0.1%	1.4%	(1.4%)	(4.6%)

[1] *Gross Domestic Product (GDP) and Gross National Product (GNP) - annual growth rate.*

[2] *Average yearly rate - the unemployment metric for RoI has been changed for 2021. In 2020, the unemployment rate used was inclusive of individuals on the Pandemic Unemployment Payment scheme (PUP). To take account of other government labour market interventions and to align with pre COVID-19 reporting periods, the International Labour Organisation (ILO) unemployment measure for RoI has been adopted for 2021.*

[3] *Year-end figures.*

2 Critical accounting estimates and judgements *(continued)*

The tables below sets out the forecast values for 2021 and 2022 and the average forecast values for the period 2023 to 2025 for the key macroeconomic variables which underpin the above mean average values.

	Republic of Ireland			United Kingdom		
30 June 2021	**2021**	**2022**	**2023-2025**	**2021**	**2022**	**2023-2025**
Central scenario - 45% weighting						
GDP Growth[1]	4.7%	4.9%	3.0%	5.4%	5.5%	1.8%
GNP Growth[1]	6.1%	4.7%	2.6%	n/a	n/a	n/a
Unemployment rate[2]	8.0%	7.4%	5.6%	5.6%	5.6%	4.6%
Residential property price growth[3]	3.0%	2.0%	1.3%	4.0%	1.0%	1.7%
Commercial property price growth[3]	(5.5%)	(0.5%)	1.5%	(4.0%)	0.0%	1.5%
Upside scenario - 20% weighting						
GDP Growth[1]	6.3%	5.9%	3.2%	7.5%	6.2%	1.9%
GNP Growth[1]	7.7%	5.7%	2.8%	n/a	n/a	n/a
Unemployment rate[2]	7.2%	5.8%	4.4%	5.0%	4.7%	3.8%
Residential property price growth[3]	5.0%	3.0%	1.7%	6.0%	3.0%	2.3%
Commercial property price growth[3]	(2.5%)	0.5%	2.5%	(1.5%)	1.0%	2.5%
Downside scenario 1 - 25% weighting						
GDP Growth[1]	3.2%	3.0%	2.9%	4.4%	3.6%	1.6%
GNP Growth[1]	4.6%	2.8%	2.5%	n/a	n/a	n/a
Unemployment rate[2]	8.8%	9.1%	7.7%	6.2%	7.0%	6.1%
Residential property price growth[3]	0.0%	(2.0%)	(0.3%)	1.0%	(3.0%)	(0.3%)
Commercial property price growth[3]	(7.0%)	(3.0%)	1.0%	(6.5%)	(3.0%)	0.8%
Downside scenario 2 - 10% weighting						
GDP Growth[1]	1.9%	0.8%	2.5%	2.8%	1.5%	1.2%
GNP Growth[1]	2.9%	0.6%	2.1%	n/a	n/a	n/a
Unemployment rate[2]	10.0%	11.0%	9.8%	7.3%	8.8%	8.2%
Residential property price growth[3]	(3.0%)	(5.0%)	(1.7%)	(4.0%)	(8.0%)	(3.3%)
Commercial property price growth[3]	(10.0%)	(8.5%)	(1.3%)	(8.5%)	(8.0%)	(2.2%)

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

Central scenario

The COVID-19 pandemic took a heavy toll on the Irish and UK economies in 2020. Though the resilience of Ireland's exporting pharma-chemicals and information, communications and technology sectors saw GDP increase last year, this masked an unprecedented contraction in many domestic sectors; while the UK experienced a record decline in GDP. COVID-19 containment measures weighed on both economies in the early months of 2021, as did some difficulties with new post-Brexit trading arrangements. While the terms of the EU-UK trade agreement reached late last year are less favourable than if the UK had remained a member of the EU, a no deal Brexit has been avoided and public health restrictions started to be eased during the spring as virus cases came down and vaccinations increased.

This scenario sees firms trading on the basis of the new EU-UK relationship and assumes that ongoing vaccination programmes allow for a further lifting of restrictions over the course of the summer, along the lines set out by the Irish and UK authorities in their respective roadmaps, and an unwinding of pandemic-related government supports later this year. GDP expands in 2021-2022 as both economies re-open and consumers and businesses resume spending and reduce savings. Growth continues, albeit at a more moderate pace, over the rest of the forecast horizon and the unemployment rate declines in both Ireland and the UK.

Upside scenario

Firms trade on the basis of the new EU-UK agreement but with vaccination programmes and the lifting of public health restrictions running a little ahead of schedule, which allows for a slightly earlier unwinding of pandemic-related government supports, and vaccines proving very effective against virus mutations, the upside scenario sees the Irish and UK economies benefitting from stronger consumer and business momentum and expanding robustly in 2021 and 2022. GDP growth continues over the remainder of the forecast horizon and unemployment in the two countries settles at a low rate.

[1] Gross Domestic Product (GDP) and Gross National Product (GNP) - annual growth rate.
[2] Average yearly rate - the unemployment metric for RoI has been changed for 2021. In 2020, the unemployment rate used was inclusive of individuals on the Pandemic Unemployment Payment scheme (PUP). To take account of other government labour market interventions and to align with pre COVID-19 reporting periods, the International Labour Organisation (ILO) unemployment measure for RoI has been adopted for 2021.
[3] Year-end figures.

2 Critical accounting estimates and judgements *(continued)*

Downside scenario 1

This scenario also sees firms trading on the basis of the new EU-UK agreement and vaccination programmes progressing, but vaccines prove less effective against virus mutations, leading to a re-imposition of some public health restrictions in the second half of 2021 that persist throughout 2022. These serve to dampen the recovery in GDP this year and next, and while pandemic-related government supports are extended, cautious consumer behaviour and increasing business failures keep the unemployment rate high for longer.

Downside scenario 2

Downside 2 has the Irish and UK economies in recession in H221 amid an escalation of post-Brexit trade frictions and a re-imposition of public health measures as vaccines struggle to cope with virus mutations. Restrictions remain in place throughout 2022 and even though pandemic-related government supports are extended, rising public debt levels raise concerns about their sustainability. This adds to uncertainty and triggers a tightening of financing conditions which further dampen economic activity and property market sentiment, and along with heightened consumer caution and widespread business failures mean the unemployment rate stays elevated in both countries out the forecast horizon.

Property price growth, all scenarios

In the central scenario, following a strong rebound and positive outturn in 2020, continued pent up demand against constrained supply support further growth in residential property prices in Ireland and the UK in 2021 abating in 2022 but remaining marginally positive throughout the forecast period. Commercial property prices are expected to remain negative in 2021 following significant falls in 2020 primarily as a result of continued weakness in retail and emerging risk in office but stabilising in 2022 with modest recovery over the remainder of the forecast period.

In the downside scenarios, residential prices in 2021 and 2022 are incrementally more negatively impacted relative to the central scenario and this persists until 2024 in downside 1 and remains negative for the full period in downside 2. Downside 1 produces a trough point with average residential prices expected to reduce by between 3% and 4% in Ireland and the UK respectively whilst for downside 2 this is expected to be between 13% and 22% for Ireland and the UK respectively. Similarly, commercial prices see additional negativity in 2021 and 2022. In downside 2 this negativity persists until 2024 in Ireland and 2025 in the UK. Downside 1 produces a trough point with average commercial prices expected to reduce by between 10% and 9.5% for Ireland and the UK respectively and for downside 2 this is expected to be 23.5% for both markets.

In the upside residential prices are materially more positive relative to the central scenario in 2021 in both markets and remain marginally more positive over the full forecast period.

The quantum of impairment loss allowance is impacted by the application of four probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 30 June 2021, excluding post model Group management adjustments to impairment loss allowances, was increased by virtue of applying multiple scenarios rather than only a central scenario.

30 June 2021	**Additional impairment loss allowance**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
Impact of applying multiple scenarios rather than only central scenario	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**
Residential mortgages	2	6%	16	45%	11	3%	29	6%
- Retail Ireland	*-*	*(4%)*	*11*	*43%*	*8*	*3%*	*19*	*5%*
- Retail UK	*2*	*16%*	*5*	*49%*	*3*	*6%*	*10*	*11%*
Non-property SME and corporate	-	-	29	12%	1	-	30	4%
Property and construction	-	(6%)	13	18%	6	1%	19	4%
Consumer	3	4%	1	6%	-	-	4	2%
Total	**5**	**2%**	**59**	**16%**	**18**	**1%**	**82**	**4%**

2 Critical accounting estimates and judgements *(continued)*

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

30 June 2021 Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios[1]	Multiple scenarios Impairment loss allowance €m	Central scenario Impairment loss allowance €m	Central scenario Impact %	Upside scenario Impairment loss allowance €m	Upside scenario Impact %	Downside scenario 1 Impairment loss allowance €m	Downside scenario 1 Impact %	Downside scenario 2 Impairment loss allowance €m	Downside scenario 2 Impact %
Residential mortgages	461	(29)	(6%)	(55)	(12%)	118	26%	257	56%
- Retail Ireland	*370*	*(19)*	*(5%)*	*(37)*	*(10%)*	*58*	*16%*	*119*	*32%*
- Retail UK	*91*	*(10)*	*(11%)*	*(18)*	*(20%)*	*60*	*66%*	*138*	*152%*
Non property SME and corporate	735	(30)	(4%)	(102)	(14%)	65	9%	251	34%
Property and construction	541	(19)	(4%)	(51)	(9%)	32	6%	125	23%
Consumer	169	(4)	(2%)	(14)	(8%)	8	5%	29	17%
Total	**1,906**	**(82)**	**(4%)**	**(222)**	**(12%)**	**223**	**12%**	**662**	**35%**

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

30 June 2021 Impact of an immediate change in residential property prices compared to a central scenario impairment loss allowances	Impairment loss allowance - central scenario €m	Residential property price reduction of 10% Impact €m	Residential property price reduction of 10% Impact %	Residential property price reduction of 5% Impact €m	Residential property price reduction of 5% Impact %	Residential property price increase of 5% Impact €m	Residential property price increase of 5% Impact %	Residential property price increase of 10% Impact €m	Residential property price increase of 10% Impact %
Residential mortgages	432	44	10%	20	5%	(18)	(4%)	(33)	(8%)
- Retail Ireland	*351*	*30*	*9%*	*14*	*4%*	*(13)*	*(4%)*	*(24)*	*(7%)*
- Retail UK	*81*	*14*	*17%*	*6*	*7%*	*(5)*	*(6%)*	*(9)*	*(11%)*

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 30 June 2021 to Stage 2 would increase the Group's impairment loss allowance by c.€19 million excluding Group management adjustments.

Management Judgement in Impairment Measurement

Management judgement has been incorporated into the Group's impairment measurement process for H121. Management judgement can be described with reference to:

- management judgement in impairment model parameters; and
- post-model Group management adjustments to impairment loss allowance and staging classification.

Management judgement in impairment model parameters

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

In order for the Group's impairment loss allowance as at 30 June 2021 to reflect an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, management judgement is required to adjust certain impairment model parameters (i.e. PD rate estimates, and residential mortgage prepayment rates). The Group has

[1] *The scenarios outlined in the table are based on the FLI weightings outlined on page 50.*

2 Critical accounting estimates and judgements *(continued)*

assessed reasonable and supportable information available both internally and externally to inform its approach for management judgement applied to impairment model parameters.

Where initial PD estimates from impairment models were considered to be unreasonable when benchmarked against recently observed default rates and / or pre COVID-19 expectations, management judgement was utilised to select appropriate PDs for the central scenario, with the adjusted PDs selected on a consistent basis with the approach adopted for the year ending 31 December 2020. Corresponding PDs in the upside and downside scenarios were derived from the central scenario taking into account the severity of the respective scenarios.

Once the PDs incorporating management judgement were applied, the standard ECL calculation was followed within the existing credit methodologies (which include the control framework).

The ECL model framework was also updated in the period to reflect changes to the LGD component of the residential mortgages impairment models (as outlined on page 29 in the asset quality section of the OFR) and other model factor updates to reflect recent observed information. The changes to the LGD component of the residential mortgages impairment models, results in an increase in impairment loss allowance of c.€185 million, noting that the €50 million Group management adjustment for stage 3 residential mortgages is no longer considered to be required (as outlined below).

Post-model Group management adjustment

To ensure that the measurement of impairment reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, the need for a 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 2021, the Group's stock of impairment loss allowance of €2.1 billion includes a c.€229 million COVID-19 post-model Group management adjustment. Further details are outlined below.

COVID-19 Group management adjustment

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

While the vast majority of payment breaks have expired prior to the reporting date the Group's view is that modelled impairment losses at 30 June 2021 may not fully capture expected COVID-19 related credit losses as ongoing government supports in particular may be masking increased credit risk for certain cohorts of customers.

As a result, a total post-model management adjustment of c.€229 million was applied. €61 million of the total adjustment is related to RoI and UK residential mortgages, a further €127 million relates to the RoI and UK SME portfolios, €23 million is related to the Consumer portfolio and €18 million relates to property and construction. The total post model adjustment comprises a c.€5 million reduction in Stage 1 impairment loss allowance and a c.€234 million increase in Stage 2 impairment loss allowance. €225 million of the post model management adjustment is applied to loans and advances to customers, with the remaining €4 million applied to other financial instruments (i.e. off balance sheet commitments).

Individual assessments for corporate cases and relationship managed business banking cases, which received COVID-19 concessions have been completed. In addition, sector-level COVID-19 risk assessments for the business banking portfolios were completed informed by the prevalence of payment breaks, macro-prudential sector risk classifications, and management judgement. In line with the position at 31 December 2020, certain sectors (e.g. hospitality and entertainment) were identified to be highly impacted where the risk was not considered to be adequately captured in the modelled PD estimates. Furthermore, all customers who availed of a second payment break, or who exhibit other risk indicators (e.g. poor payment performance post expiry of a single payment break) were also identified as highly impacted.

Similarly the mortgage, consumer and asset finance portfolios were reviewed to identify highly impacted customers, with reference to the outputs of the IFRS 9 impairment models, combined with other available data sources including a customer vulnerability assessment and management judgement. The vulnerability assessments were informed by data on loans that availed of payment breaks during 2020 (particularly customers who availed of a second payment break) with cross reference to other credit characteristics (e.g. employment type; employment status; employment sector; IFRS 9 staging status).

The post model Group management adjustment includes the application of a staging adjustment whereby highly impacted customers, as referenced above, that impairment models classify as stage 1 are classified as Stage 2 with a lifetime impairment loss allowance applied. The impact of this staging adjustment is a c.€4.4 billion increase in Stage 2 volumes and a c.€78 million increase in impairment loss allowances (€32 million of which relates to residential mortgages; €40 million to RoI SME; €2 million to property and construction; and €4 million to UK SME).

Given the level at which the management adjustment review was performed for consumer and asset finance portfolios, the Group did not reclassify any exposures into a different stage than that initially identified by the impairment models for these portfolios. The Group's management adjustment includes a €27 million impairment loss allowance in Stage 1 for these portfolios and is broadly equivalent to the impact from a transfer of c.€0.2 billion of Stage 1 assets into Stage 2.

Group management adjustment for late breaking events

A post-model management adjustment to the Group's impairment loss allowance of €24 million was recognised as at 31 December 2020 to reflect the impact on macroeconomic scenarios of an acceleration in the incidence of COVID-19 and related announcements on increased social restrictions in the Group's key markets in late December 2020. At 30 June 2021 this adjustment is not considered to be required, noting the Group's impairment models have been updated for FLI which fully reflects information available at the reporting date.

2 Critical accounting estimates and judgements *(continued)*

Stage 3 Group management adjustment for residential mortgages
The impairment loss allowance for residential mortgages at 31 December 2020 included a management adjustment of €50 million for the Retail Ireland portfolio which primarily reflected the concentration of Stage 3 assets which were longer in default, where utilisation of alternative recovery strategies to achieve realisation may have required higher impairment coverage on disposal. Following the enhancements to the LGD component of the residential mortgages impairment models referenced above, this adjustment is no longer required.

(b) TLTRO III
In March 2021, the Group secured funding of €10.8 billion from the European Central Bank (ECB) under the third series of Targeted Longer Term Refinancing Operations (TLTRO III), which provides funding to banks at interest rates which can be as low as 50 basis points below the average interest rate on the ECB's deposit facility over the period to 23 June 2022. The estimates involved in measuring interest income and amortised cost of the TLTRO III funding are set in note 4 Interest Income.

3 Operating segments

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

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

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

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

Corporate and Markets[1]
Corporate and Markets incorporates the Group's corporate banking, wholesale financial markets, specialised acquisition finance and large transaction property lending businesses, across the RoI, UK and internationally, with offices in Ireland, the UK, the US, Germany, France and Spain.

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

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

Basis of preparation of segmental information
The analysis of results by operating segment is based on the information used by the chief operating decision maker to allocate resources and assess performance. The Group Chief Executive Officer (CEO) and Group Chief Financial Officer (Group CFO) are considered to be the chief operating decision maker for the Group. The Group's operating segments reflect its organisational and management structures. The CEO and Group 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.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

3 Operating segments *(continued)*

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 or expense, life assurance investment income gains and losses, other operating income, other leasing income and share of results of associates and joint ventures.

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

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

6 months ended 30 June 2021	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	Group €m
Net interest income	**451**	**(3)**	**309**	**325**	**(2)**	**-**	**1,080**
Other income, net of insurance claims	102	126	(1)	103	(1)	(11)	318
Total operating income, net of insurance claims	**553**	**123**	**308**	**428**	**(3)**	**(11)**	**1,398**
Other operating expenses	(303)	(65)	(131)	(81)	(240)	-	(820)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(303)*	*(64)*	*(129)*	*(81)*	*(126)*	-	*(703)*
- Transformation Investment charge	-	-	-	-	*(21)*	-	*(21)*
- Levies and regulatory charges	-	*(1)*	*(2)*	-	*(93)*	-	*(96)*
Depreciation and amortisation	(30)	(4)	(9)	(6)	(65)	1	(113)
Impairment of goodwill	-	-	-	-	-	-	-
Total operating expenses	**(333)**	**(69)**	**(140)**	**(87)**	**(305)**	**1**	**(933)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**220**	**54**	**168**	**341**	**(308)**	**(10)**	**465**
Net impairment losses on financial instruments	(47)	-	(3)	55	(6)	-	(1)
Share of results of associates and joint ventures	7	-	(6)	-	-	-	1
Underlying profit / (loss) before tax	**180**	**54**	**159**	**396**	**(314)**	**(10)**	**465**

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

[1] Formerly Corporate and Treasury, renamed Corporate and Markets.
[2] Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.

3 Operating segments *(continued)*

Restated[1] **6 months ended** **30 June 2020**	**Retail Ireland €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Markets[2] €m**	**Group Centre €m**	**Other reconciling items[3] €m**	**Group €m**
Net interest income	**485**	**(4)**	**274**	**307**	**3**	**(2)**	**1,063**
Other income, net of insurance claims	100	10	1	48	(12)	12	159
Total operating income, net of insurance claims	**585**	**6**	**275**	**355**	**(9)**	**10**	**1,222**
Other operating expenses	(326)	(66)	(134)	(90)	(195)	-	(811)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(326)*	*(65)*	*(132)*	*(90)*	*(100)*	-	*(713)*
- Transformation Investment charge	-	-	-	-	*(28)*	-	*(28)*
- Levies and regulatory charges	-	*(1)*	*(2)*	-	*(67)*	-	*(70)*
Depreciation and amortisation	(34)	(4)	(21)	(6)	(66)	-	(131)
Impairment of goodwill	-	-	(9)	-	-	-	(9)
Total operating expenses	**(360)**	**(70)**	**(164)**	**(96)**	**(261)**	**-**	**(951)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**225**	**(64)**	**111**	**259**	**(270)**	**10**	**271**
Net impairment losses on financial instruments	(281)	-	(270)	(385)	(1)	-	(937)
Share of results of associates and joint ventures	(4)	-	1	-	-	-	(3)
Underlying (loss) / profit before tax	**(60)**	**(64)**	**(158)**	**(126)**	**(271)**	**10**	**(669)**

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

30 June 2021 **Analysis by operating segment**	**Retail Ireland €m**	**Wealth and Insurance €m**	**Retail UK €m**	**Corporate and Markets[2] €m**	**Group Centre €m**	**Other reconciling items[3] €m**	**Group €m**
Investment in associates and joint ventures	**50**	**-**	**51**	**-**	**-**	**-**	**101**
External asset[4]	33,065	21,986	32,828	37,639	24,418	(4)	149,932
Inter segment assets	81,637	479	985	97,735	27,002	(207,838)	-
Total assets	**114,702**	**22,465**	**33,813**	**135,374**	**51,420**	**(207,842)**	**149,932**
External liabilities	63,943	21,362	24,536	23,213	6,594	(4)	139,644
Inter segment liabilities	45,613	257	6,862	114,474	40,655	(207,861)	-
Total liabilities	**109,556**	**21,619**	**31,398**	**137,687**	**47,249**	**(207,865)**	**139,644**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 36 for additional information.*
[2] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[3] *Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.*
[4] *External asset balances are inclusive of investments in associates and joint ventures.*

3 Operating segments *(continued)*

31 December 2020 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	Group €m
Investment in associates and joint ventures	**54**	**-**	**54**	**-**	**-**	**-**	**108**
External assets[3]	33,933	20,666	32,688	36,107	10,375	(15)	133,754
Inter segment assets	73,281	486	879	97,490	23,804	(195,940)	-
Total assets	**107,214**	**21,152**	**33,567**	**133,597**	**34,179**	**(195,955)**	**133,754**
External liabilities	61,256	20,132	24,158	13,359	5,234	(6)	124,133
Inter segment liabilities	44,026	255	7,151	119,689	24,848	(195,969)	-
Total liabilities	**105,282**	**20,387**	**31,309**	**133,048**	**30,082**	**(195,975)**	**124,133**

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

Restated[4] 6 months ended 30 June 2020 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	Group €m
External revenue	**628**	**296**	**578**	**450**	**18**	**(38)**	**1,932**
Inter segment revenues	264	(24)	(65)	285	95	(555)	-
Revenue before claims paid	**892**	**272**	**513**	**735**	**113**	**(593)**	**1,932**
Insurance contract liabilities and claims paid	-	(233)	-	-	(3)	-	(236)
Revenue	**892**	**39**	**513**	**735**	**110**	**(593)**	**1,696**
Interest expense	**(31)**	**-**	**(108)**	**(133)**	**(85)**	**22**	**(335)**
Capital expenditure	**49**	**9**	**23**	**60**	**2**	**-**	**143**

1 *Formerly Corporate and Treasury, renamed Corporate and Markets.*
2 *Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.*
3 *External asset balances are inclusive of investments in associates and joint ventures.*
4 *Comparative figures have been restated to reflect (i) the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments (see note 36) and (ii) the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (see notes 1 and 36).*

4 Interest income

	6 months ended 30 June 2021 €m	Restated[1,2] 6 months ended 30 June 2020 €m
Financial assets measured at amortised cost		
Loans and advances to customers	1,033	1,107
Loans and advances to banks	2	8
Debt securities at amortised cost	3	5
Interest income on financial assets measured at amortised cost	**1,038**	**1,120**
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income	11	20
Interest income on financial assets at fair value through other comprehensive income	**11**	**20**
Negative interest on financial liabilities		
Customer accounts	83	62
Deposits from banks	17	1
Debt securities in issue	2	-
Negative interest on financial liabilities	**102**	**63**
Interest income calculated using the effective interest method	**1,151**	**1,203**
Other interest income		
Finance leases and hire purchase receivables	81	89
Loans and advances to customers at FVTPL	9	9
Other financial assets at FVTPL	-	1
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	108	95
Other interest income	**198**	**194**
Interest income	**1,349**	**1,397**

Interest income on loans and advances to customers in H121 is shown net of a charge of €nil (H120: €1 million) related to redress arising from the Tracker Mortgage Examination Review.

In H121, €48 million of interest was recognised on credit-impaired loans and advances to customers (H120: €52 million).

In H121, €48 million of interest income was received on credit-impaired loans and advances to customers (H120: €57 million).

In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of TLTRO III, which provides funding to banks at interest rates which can be as low as 50 basis points below the average interest rate on the ECB's deposit facility over the period to 23 June 2022, with the actual rate dependent on whether the Group equals or exceeds benchmark net lending targets. In determining the effective interest rate of this financial liability at initial recognition, and its amortised cost at 30 June 2021, the Group has not assumed that its eligible net lending during the additional special reference period (1 October 2020 to 31 December 2021) will equal or exceeds its benchmark net lending.

The Group will consider at future reporting dates, until repayment of the funding, whether to revise its estimate of the contractual cash flows. If the Group concluded at 31 December 2021 that its eligible net lending during the additional special reference period was equal to or exceeded its benchmark net lending, the amortised cost of the liability would be reduced by up to c.€50 million at that date, with a corresponding increase to interest income recognised in H221.

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

Interest income on customer accounts of €83 million (H120: €62 million) comprises interest income of €30 million resulting from negative effective interest rates (H120: €10 million) and interest income on customer accounts of €53 million (H120: €52 million) arising on related derivatives which are in a hedge relationship.

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 36 for additional information.*

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments. See notes 1 and 36 for additional information.*

5 Interest expense

	6 months ended 30 June 2021 €m	Restated[1,2] 6 months ended 30 June 2020 €m
Financial liabilities measured at amortised cost		
Customer accounts	43	100
Debt securities in issue	31	51
Subordinated liabilities	31	34
Lease liabilities	6	7
Deposits from banks	1	6
Interest expense on financial liabilities measured at amortised cost	**112**	**198**
Negative interest on financial assets		
Debt securities at amortised cost	10	4
Debt securities at FVOCI	18	9
Loans and advances to banks	26	3
Negative interest on financial assets	**54**	**16**
Interest expense calculated using effective interest rate method	**166**	**214**
Other interest expense		
Customer accounts at FVTPL	1	3
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	102	118
Other interest expense	**103**	**121**
Interest expense	**269**	**335**

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

Interest expense of €10 million on debt securities at amortised cost (H120: €4 million) comprises interest income of €11 million (H120: €11 million) recognised net of interest expense on related derivatives which are in a hedge relationship of €21 million (H120: €15 million).

Interest expense of €18 million on debt securities at FVOCI (H120: €9 million) comprises interest income of €16 million (H120: €18 million) recognised net of interest expense on related derivatives which are in a hedge relationship of €34 million (H120: €27 million).

6 Net insurance premium income

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Gross premiums written	957	833
Ceded reinsurance premiums	(109)	(67)
Net premium written	**848**	**766**
Change in provision for unearned premiums	(2)	(3)
Net insurance premium income	**846**	**763**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 36 for additional information.*

[2] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments. See notes 1 and 36 for additional information.*

7 Fee and commission income and expense

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

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

Expense
Fee and commission expense of €90 million (H120: €85 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

8 Net trading income / (expense)

	6 months ended 30 June 2021 €m	*Restated*[2] 6 months ended 30 June 2020 €m
Financial liabilities designated at fair value	(77)	90
Related derivatives held for trading	77	(93)
	-	**(3)**
Net income / (expense) from financial instruments mandatorily measured at fair value through profit or loss[3]		
Other financial instruments held for trading	47	(2)
Securities and non-trading debt[4]	13	(4)
Loans and advances	1	(7)
	61	**(16)**
Net fair value hedge ineffectiveness	-	(4)
Net trading income / (expense)	**61**	**(20)**

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 36 for additional information.*
[3] *Net income / (expense) from financial instruments mandatorily measured at FVTPL includes dividend income from equities. It also includes realised and unrealised gains and losses.*
[4] *Securities and non-trading debt mandatorily measured at FVTPL are reported in the balance sheet under the caption 'Other financial assets at FVTPL'. The income from assurance investments which also comprises 'Other financial assets at FVTPL' is reported in note 9 'Life assurance investment income, gains and losses'.*

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

Net trading income / (expense) includes the gains and losses on financial instruments mandatorily measured at fair value through profit or loss (FVTPL) and those designated at FVTPL (other than unit-linked life assurance assets and investment contract liabilities). It includes the fair value movement on these instruments and the realised gains and losses arising on their purchase or sale. It also includes the interest income receivable and expense payable on financial instruments held for trading and €7 million of a net gain arising from foreign exchange (H120: net gain €7 million).

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

Net fair value hedge ineffectiveness reflects a gain from hedged items of €83 million (H120: net loss of €39 million) offsetting a net loss from hedging instruments of €83 million (H120: net gain of €35 million).

The total hedging ineffectiveness on cash flow hedges reflected in the income statement for H121 amounted to €nil (H120: €nil).

9 Life assurance investment income, gains and losses

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Gains / (losses) on other financial assets held on behalf of Wealth and Insurance policyholders	608	(448)
Gains / (losses) on investment property held on behalf of Wealth and Insurance policyholders	6	(22)
Life assurance investment income, gains and (losses)	**614**	**(470)**

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 gains of €614 million in H121 is consistent with favourable investment market performance (H120: losses of €470 million). Movement in insurance contract liabilities (note 12) is consistent with the higher investment returns in the period.

10 Other leasing income and expense

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Other leasing income	32	31
Other leasing expense	(25)	(26)
Net other leasing income	**7**	**5**

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

Other leasing income includes: €18 million of operating lease income (H120: €18 million), €12 million arising from the sale of leased assets (H120: €10 million), and €2 million relating to other income (H120: €3 million).

Other leasing expense includes depreciation of €13 million related to rental vehicles (H120: €14 million) and other disposal costs of €12 million (H120: €12 million).

11 Other operating income

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Movement in Value of in Force asset	36	(27)
Other insurance income	22	31
Dividend income	3	1
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	(2)	7
Transfer from debt instruments at FVOCI reserve on asset disposal	1	3
Other income	2	2
Other operating income	**62**	**17**

12 Insurance contract liabilities and claims paid

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Claims paid		
Policy surrenders	413	415
Death and critical illness claims	94	87
Annuity payments	56	45
Other claims	28	23
Gross claims paid	**591**	**570**
Recovered from reinsurers	(69)	(58)
Net claims paid	**522**	**512**
Change in insurance contract liabilities		
Change in gross liabilities	835	(222)
Change in reinsured liabilities	22	(54)
Net change in insurance contract liabilities	**857**	**(276)**
Insurance contract liabilities and claims paid	**1,379**	**236**

13 Other operating expenses

Administrative expenses and staff costs	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Staff costs excluding restructuring and Transformation Investment staff costs	419	430
Amortisation of intangible assets (note 21)	77	83
Levies and regulatory charges	96	70
Transformation Investment charge	21	28
Depreciation of property, plant and equipment	36	48
Other administrative expenses excluding cost of restructuring programme	295	313
Total	**944**	**972**
Total staff costs are analysed as follows:		
Wages and salaries	305	327
Retirement benefit costs (defined benefit plans)	54	47
Social security costs	36	38
Retirement benefit costs (defined contribution plans)	18	17
Other staff expenses	6	1
Staff costs excluding restructuring and Transformation Investment staff costs	**419**	**430**
Additional restructuring and Transformation Investment staff costs		
Included in cost of restructuring programme (note 14)	10	10
Included in Transformation Investment charge	4	2
Total staff costs recognised in the income statement	**433**	**442**

The Group has incurred levies and regulatory charges of €96 million in H121 (H120: €70 million) due to changes to the timing and recognition of levies and increases in certain levies including the SRF.

Transformation Investment income statement charge of €21 million (H120: €28 million) includes €nil (H120: €12 million) for associated application and infrastructure costs.

In H121, there was €25 million depreciation of Right of Use (RoU) assets under IFRS 16 included within depreciation of property, plant and equipment (H120: €34 million).

During H121 the Group incurred a charge of €4 million (H120: €6 million) in other administrative expenses relating to the Tracker Mortgage Examination Review.

Staff numbers

At 30 June 2021, the number of staff (full time equivalents) was 9,211 (30 June 2020: 10,341) which excludes employees who exited the Group under the Voluntary Redundancy Scheme up to and including 30 June 2021. During H121, the average number of staff (full time equivalents) was 9,643 (H120: 10,383).

14 Cost of restructuring programme

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Transformation Investment costs	74	27
- Property-related costs	*40*	-
- UK Strategic review costs	*20*	-
- Staff costs (note 13)	*10*	*10*
- Programme management costs	*4*	*16*
- Other related costs	-	*1*
Other restructuring gains	(5)	-
Total	**69**	**27**

14 Cost of restructuring programme *(continued)*

During H121, the Group recognised a restructuring charge of €69 million (H120: €27 million), comprising Transformation Investment programme costs of €74 million (H120: €27 million) and a gain of €5 million in other restructuring charges relating to the release of €3 million provision and reversal of €2 million impairment on property recognised in previous periods (H120: €nil).

Transformation Investment programme costs of €74 million for H121 relate to implementation of the Group's RoI property and branch strategy of €40 million (H120: €nil), of which €23 million relates to impairment of property and related assets; costs of €20 million (H120: €nil) relating to planning, scoping, and implementation of the strategic review of the Group's Northern Ireland and UK operations; reduction in employee numbers of €10 million (H120: €10 million), in respect of the Group's voluntary redundancy scheme; programme management costs of €4 million (H120: €16 million); and other costs of €nil (H120: €1 million).

15 Net impairment losses on financial instruments

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Loans and advances to customers	(12)	(888)
- Movement in impairment loss allowances (note 18)	*(26)*	*(910)*
- Cash recoveries	*14*	*22*
Loan commitments	16	(46)
Guarantees and irrevocable letters of credit	1	(2)
Other financial assets	(6)	(1)
Net impairment losses on financial instruments	**(1)**	**(937)**

Loans and advances to customers at amortised cost

Net impairment losses

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

Net impairment losses on loans and advances to customers - composition	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Residential mortgages	(61)	(153)
- Retail Ireland	*(47)*	*(77)*
- Retail UK	*(14)*	*(76)*
Non-property SME and corporate	-	(365)
- Republic of Ireland SME	*(18)*	*(133)*
- UK SME	*(1)*	*(18)*
- Corporate	*19*	*(214)*
Property and construction	15	(246)
- Investment	*2*	*(235)*
- Development	*13*	*(11)*
Consumer	34	(124)
Total	**(12)**	**(888)**

In June 2021, the Group completed a transaction whereby it derecognised €301 million of loans and advances to customers (after impairment loss allowance). 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 certain conditions are met. As this transaction satisfied these conditions, the cash flows have been included in the impairment calculation. As a result, net impairment losses on financial instruments includes a net impairment gain of €11 million arising on this transaction. See note 18 for further information.

16 Taxation

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Current tax		
Irish Corporation Tax		
- Current period	17	3
Foreign tax		
- Current period	37	15
- Adjustments in respect of prior periods	1	3
Current tax charge	**55**	**21**
Deferred tax		
Current period profits / (losses)	22	(76)
Adjustments in respect of prior periods	(6)	(2)
Origination and reversal of temporary differences	16	(21)
Impact of UK corporation tax rate change on deferred tax (note 22)	(14)	(9)
Reassessment of value of tax losses carried forward	(8)	(10)
Deferred tax charge / (credit)	**10**	**(118)**
Total taxation charge / (credit)	**65**	**(97)**

The taxation charge for the period is €65 million with an effective statutory taxation rate of 16% (H120: taxation credit of €97 million and taxation rate of 12%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses.

Reconciliation of tax on the profits / (losses) before taxation at the standard Irish corporation tax rate to actual tax charge/ (credit)	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Profits / (losses) before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2020: 12.5%)	51	(103)
Effects of:		
Foreign earnings subject to different rates of tax	26	12
Reassessment of value of tax losses carried forward	(8)	(10)
Impact of UK corporation tax rate change on deferred tax (note 22)	(14)	(9)
Current period UK losses not valued for deferred tax	-	8
Adjustments in respect of prior year	(5)	1
Share of results of associates and joint ventures shown post tax in the income statement	1	-
Other adjustments for tax purposes	14	4
Taxation charge / (credit)	**65**	**(97)**

16 Taxation *(continued)*

	6 months ended 30 June 2021			6 months ended 30 June 2020		
	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	(32)	4	(28)	(43)	5	(38)
Transfer to income statement						
- Asset disposal	(1)	-	(1)	(3)	-	(3)
Net change in debt instruments at FVOCI reserve	**(33)**	**4**	**(29)**	**(46)**	**5**	**(41)**
Remeasurement of the net defined benefit pension asset / (liability)	**338**	**(53)**	**285**	**662**	**(100)**	**562**
Cash flow hedge reserve						
Changes in fair value	(633)	82	(551)	447	(58)	389
Transfer to income statement	625	(78)	547	(430)	52	(378)
Net change in cash flow hedge reserve	**(8)**	**4**	**(4)**	**17**	**(6)**	**11**
Net change in foreign exchange reserve	**113**	**-**	**113**	**(169)**	**-**	**(169)**
Liability credit reserve						
Changes in fair value of liabilities designated at FVTPL due to own credit risk	(6)	1	(5)	19	(4)	15
Other comprehensive income for the period	**404**	**(44)**	**360**	**483**	**(105)**	**378**

17 Earnings per share

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

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

Comparative basic and diluted earnings per share have been restated by increasing the loss per share by one cent from 70.5 cent per share to 71.5 cent per share. The increased loss per share arises from an increase of €10 million in the loss attributable to ordinary shareholders from €757 million to €767 million, which was omitted in the H120 earnings per share calculation. The increase in loss attributable to ordinary shareholders relates to AT1 securities issued by the Bank in 2015 with a par value of €750 million which were redeemed at par on their initial call date, in June 2020. The carrying value of these securities was €740 million, presented as NCI. On redemption at par value of €750 million, NCI related to these securities was reduced by €740 million, to €nil, and the excess of €10 million was deducted from retained earnings and is attributable to ordinary shareholders.

	6 months ended 30 June 2021 €m	*Restated* 6 months ended 30 June 2020 €m
Basic and diluted earnings per share		
Profit / (loss) attributable to shareholders	337	(757)
Additional tier 1 coupon	(34)	-
Redemption of NCI - AT1 securities	-	(10)
Profit / (loss) attributable to ordinary shareholders	**303**	**(767)**
	Shares (millions)	**Shares (millions)**
Weighted average number of shares in issue excluding Treasury shares	1,075	1,073
Basic and diluted earnings per share (cent)	28.2c	(71.5c)

18 Loans and advances to customers

Loans and advances to customers includes cash collateral of €76 million (31 December 2020: €5 million) placed with derivative counterparties in relation to net derivative liability positions.

Of loans and advances to customers at FVTPL at 30 June 2021, €235 million (31 December 2020: €239 million) represent the Life Loan mortgage product, which was offered by the Group until November 2010. The cash flows of the Life Loans are not considered to consist solely of payments of principal and interest, and as such are classified at FVTPL. The remaining €125 million (31 December 2020: €122 million) of loans and advances to customers at FVTPL relate to syndicated corporate facilities. As the Group's objective is to realise cash flows through the sale of these assets, they are classified as loans and advances to customers at FVTPL.

Included within loans and advances to customers is €410 million (31 December 2020: €328 million) of lending in relation to the UK government-backed Bounce Back Loan and Coronavirus Business Interruption schemes.

In June 2021, the Group completed a transaction whereby it derecognised €301 million of loans and advances to customers (after impairment loss allowance) as follows:

- the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs through an unconsolidated special purpose vehicle named Mulcair 2. The portfolio had a gross carrying value of €339 million (before ECL allowance) and a net carrying value of €301 million (after ECL allowance);
- the Group has transferred the beneficial interest in the loans to Mulcair 2 which in turn has issued notes backed by these loans. The Group have retained 5% of the risks, rewards and cash flows in Mulcair 2 by way of a Vertical Risk Retention Loan which is held in debt securities at amortised cost;
- the residential mortgage assets have been derecognised from the balance sheet; and
- the Group has recognised an impairment gain of €11 million relating to the disposal of these loans which has been reported through net impairment losses on financial instruments, see note 15.

	30 June 2021 €m	31 December 2020 €m
Loans and advances to customers at amortised cost	75,392	74,870
Finance leases and hire purchase receivables	3,595	3,592
	78,987	**78,462**
Less allowance for impairment charges on loans and advances to customers	(2,131)	(2,242)
Loans and advances to customers at amortised cost	**76,856**	**76,220**
Loans and advances to customers at FVTPL[1]	360	361
Total loans and advances to customers	**77,216**	**76,581**

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

30 June 2021 **Gross carrying amount at amortised cost (before impairment loss allowance)**	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	37,734	11,383	2,814	4,937	56,868
Stage 2 - Lifetime ECL (not credit-impaired)	4,819	7,786	5,019	155	17,779
Stage 3 - Lifetime ECL (credit-impaired)	1,920	1,156	1,051	135	4,262
Purchased / originated credit-impaired	2	13	63	-	78
Gross carrying amount at 30 June 2021	**44,475**	**20,338**	**8,947**	**5,227**	**78,987**

30 June 2021 **Impairment loss allowance**	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	27	70	4	90	191
Stage 2 - Lifetime ECL (not credit-impaired)	117	401	106	26	650
Stage 3 - Lifetime ECL (credit-impaired)	378	387	430	76	1,271
Purchased / originated credit-impaired	-	-	19	-	19
Impairment loss allowance at 30 June 2021	**522**	**858**	**559**	**192**	**2,131**

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

18 Loans and advances to customers *(continued)*

31 December 2020 Gross carrying amount at amortised cost (before impairment loss allowance)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	40,016	10,637	2,639	4,961	58,253
Stage 2 - Lifetime ECL (not credit-impaired)	2,528	8,181	4,869	165	15,743
Stage 3 - Lifetime ECL (credit-impaired)	2,196	1,014	1,021	145	4,376
Purchased / originated credit-impaired	2	26	62	-	90
Gross carrying amount at 31 December 2020	**44,742**	**19,858**	**8,591**	**5,271**	**78,462**

31 December 2020 Impairment loss allowance	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	74	134	9	129	346
Stage 2 - Lifetime ECL (not credit-impaired)	31	368	126	27	552
Stage 3 - Lifetime ECL (credit-impaired)	374	416	442	80	1,312
Purchased / originated credit-impaired	-	13	19	-	32
Impairment loss allowance at 31 December 2020	**479**	**931**	**596**	**236**	**2,242**

The following tables show the changes in gross carrying amount and impairment loss allowances of loans and advances to customers at amortised cost for H121 and for the year ended 31 December 2020. The tables are prepared based on a combination of aggregation of monthly movements for material term loan portfolios (i.e. incorporating all movements a loan in these portfolios has made during the period) and full period movements for revolving-type facilities and less material (primarily Consumer) portfolios.

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a significant increase in credit risk or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in the credit risk section of the Risk Management Report on page 164 of the Group's Annual Report for the year ended 31 December 2020, with updates for 2021 outlined in the asset quality section of the OFR on pages 29 to 32.

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

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

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

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

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

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

18 Loans and advances to customers *(continued)*

30 June 2021 Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit impaired) €m	Stage 2 - Lifetime ECL (not credit impaired) €m	Stage 3 - Lifetime ECL (credit impaired) €m	Purchased / originated credit impaired [1] €m	Total gross carrying amount €m
Opening balance 1 January 2021	**58,253**	**15,743**	**4,376**	**90**	**78,462**
Total net transfers	(4,030)	3,475	555	-	-
- to 12-month ECL (not credit-impaired)	*3,528*	*(3,522)*	*(6)*	-	-
- to lifetime ECL (not credit-impaired)	*(7,338)*	*7,570*	*(232)*	-	-
- to lifetime ECL (credit-impaired)	*(220)*	*(573)*	*793*	-	-
Net changes in exposure	1,318	(1,696)	(572)	1	(949)
Impairment loss allowances utilised	-	-	(172)	(16)	(188)
Exchange adjustments	1,323	252	75	3	1,653
Measurement reclassification and other movements	4	5	-	-	9
Gross carrying amount at 30 June 2021	**56,868**	**17,779**	**4,262**	**78**	**78,987**

30 June 2021 Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired [1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**346**	**552**	**1,312**	**32**	**2,242**
Total net transfers	(17)	(15)	32	-	-
- to 12-month ECL (not credit-impaired)	*71*	*(69)*	*(2)*	-	-
- to lifetime ECL (not credit-impaired)	*(85)*	*109*	*(24)*	-	-
- to lifetime ECL (credit-impaired)	*(3)*	*(55)*	*58*	-	-
Net impairment losses / (gains) in income statement	(143)	107	60	2	26
- Remeasurement	*(75)*	*81*	*47*	*2*	*55*
- Net changes in exposure	*9*	*(56)*	*(89)*	-	*(136)*
- ECL model parameter changes	*(77)*	*82*	*102*	-	*107*
Impairment loss allowances utilised	-	-	(172)	(16)	(188)
Exchange adjustments	5	5	14	1	25
Measurement reclassification and other movements	-	1	25	-	26
Impairment loss allowance at 30 June 2021	**191**	**650**	**1,271**	**19**	**2,131**
Impairment coverage at 30 June 2021 (%)	**0.34%**	**3.66%**	**29.82%**	**24.36%**	**2.70%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during H121 includes €66 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 30 June 2021, Purchased or originated credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*
[2] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

18 Loans and advances to customers *(continued)*

Total gross loans and advances to customers increased during the period by €0.5 billion from €78.5 billion as at 31 December 2020 to €79.0 billion as at 30 June 2021.

Stage 1 loans have decreased by €1.4 billion primarily reflecting the impact of net transfers to other risk stages offset by net new lending and positive foreign exchange movements. Total net transfers to other risk stages of €4.0 billion reflect the continuing impact of COVID-19 on asset quality across all portfolios. Transfers to Stage 2 also include the c.€3.8 billion impact of a post model staging adjustment whereby customers identified as highly impacted by COVID-19, that impairment models classify as Stage 1 are classified as Stage 2. This results in a material migration of loans from Stage 1 to Stage 2.

ILAs on Stage 1 loans have decreased by €155 million resulting in a decrease in coverage on Stage 1 loans from 0.59% at 31 December 2020 to 0.34% at 30 June 2021. ECL model parameter changes, which includes the impact of FLI / impairment model parameter updates and the staging adjustment noted above, resulted in a reduction of €77 million during H121 with re-measurements contributing a decrease of €75 million. Re-measurements include the impact of a reduction in the proportion of the Group's COVID-19 post-model management adjustment applied to Stage 1 loans.

Stage 2 loans have increased by €2.0 billion with net transfers from other stages of €3.5 billion and foreign exchange movements of €0.3 billion offset by net repayments of €1.7 billion. Net transfers to Stage 2 are primarily in the Residential Mortgages portfolio (€2.5 billion) reflecting the application of the post model staging adjustment to that portfolio at 30 June 2021. Transfers into Stage 2 in the Non-property SME and corporate (€0.5 billion) and Property and construction portfolios (€0.4 billion) reflect a combination of the evolution of FLI / impairment model parameter updates, sector level staging assessments, the post model staging adjustment and case specific credit events.

Coverage on Stage 2 loans has increased from 3.51% at 31 December 2020 to 3.66% at 30 June 2021. ECL model parameter changes resulted in an increase of €82 million, of which €70 million relates to the Residential Mortgages portfolio reflecting the ILA impact of the post model staging adjustment and changes to the LGD component of the residential mortgages impairment models. Stage 2 ILAs increased by €81 million due to re-measurement primarily reflecting an increase in the proportion of the Group's Covid-19 post-model management adjustment allocated to Stage 2 in line with the increase in Stage 2 volumes due to the post model staging adjustment. This is offset by the positive re-measurement noted in Stage 1 above, resulting in no material overall impact on the Group's impairment charge in H121.

Stage 3 loans have decreased by €0.1 billion with the key drivers being the impact of net reductions in exposures of €0.6 billion (including the €0.3bn securitisation of RoI Mortgages NPEs) and the utilisation of impairment loss allowances of €0.2 billion, offset by a net transfer in from other stages of €0.6 billion. The net transfer in from other stages reflects the emergence of new defaults for case specific reasons primarily in the Corporate and Property and construction portfolios, partly offset by ongoing resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

Stage 3 ILAs have decreased by €41 million primarily due to the utilisation of ILAs of €172 million and the impact of net reductions in exposure of €89 million across all portfolios. These were offset by ECL model parameter changes of €102 million and re-measurement of €47 million. The increase in ILA due to ECL model parameter changes is primarily driven by the Residential Mortgages portfolio and reflects the impact of changes to the LGD component of the residential mortgages impairment models. Re-measurement relates mainly to case specific loss emergence on a small number of defaulted cases in the Corporate Banking portfolio offset by the release of the €50 million Group management adjustment for stage 3 residential mortgages previously applied which is no longer considered to be required following the changes to LGD models noted above.

Cover on Stage 3 loans has remained broadly in line at 29.82% (31 December 2020: 29.98%). There was a decrease in impairment cover observed in the non-property SME and corporate and investment property portfolios reflecting case specific impairment assessments for some larger defaulted assets. This was offset by higher impairment cover for credit-impaired assets in other portfolios, particularly for residential mortgages reflecting the changes to the LGD models.

18 Loans and advances to customers *(continued)*

31 December 2020 Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit impaired) €m	Stage 2 - Lifetime ECL (not credit impaired) €m	Stage 3 - Lifetime ECL (credit impaired) €m	Purchased / originated credit impaired [1] €m	Total gross carrying amount €m
Opening balance 1 January 2020	**71,778**	**5,571**	**3,099**	**95**	**80,543**
Total net transfers	(13,909)	11,867	2,042	-	-
- to 12-month ECL (not credit-impaired)	*4,139*	*(4,076)*	*(63)*	-	-
- to lifetime ECL (not credit-impaired)	*(17,512)*	*18,036*	*(524)*	-	-
- to lifetime ECL (credit-impaired)	*(536)*	*(2,093)*	*2,629*	-	-
Net changes in exposure	2,149	(1,457)	(528)	(1)	163
Impairment loss allowances utilised	-	-	(173)	-	(173)
Exchange adjustments	(1,849)	(234)	(65)	(4)	(2,152)
Measurement reclassification and other movements	84	(4)	1	-	81
Gross carrying amount at 31 December 2020	**58,253**	**15,743**	**4,376**	**90**	**78,462**

31 December 2020 Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired [1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**142**	**188**	**976**	**2**	**1,308**
Total net transfers	(3)	(58)	61	-	-
- to 12-month ECL (not credit-impaired)	*110*	*(101)*	*(9)*	-	-
- to lifetime ECL (not credit-impaired)	*(101)*	*161*	*(60)*	-	-
- to lifetime ECL (credit-impaired)	*(12)*	*(118)*	*130*	-	-
Net impairment losses / (gains) in income statement	212	424	433	30	1,099
- Remeasurement	*116*	*165*	*602*	*30*	*913*
- Net changes in exposure	*(1)*	*(63)*	*(131)*	-	*(195)*
- ECL model parameter changes	*97*	*322*	*(38)*	-	*381*
Impairment loss allowances utilised	-	-	(173)	-	(173)
Exchange adjustments	(4)	(2)	(9)	-	(15)
Measurement reclassification and other movements	(1)	-	24	-	23
Impairment loss allowance at 31 December 2020	**346**	**552**	**1,312**	**32**	**2,242**
Impairment coverage at 31 December 2020 (%)	**0.59%**	**3.51%**	**29.98%**	**35.56%**	**2.86%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2020 included €78 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] At 31 December 2020, Purchased or originated credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.
[2] The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.

18 Loans and advances to customers *(continued)*

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

Residential Mortgages

30 June 2021 **Residential mortgages - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2021	**40,016**	**2,528**	**2,196**	**2**	**44,742**
Total net transfers	(2,658)	2,501	157	-	-
- to 12-month ECL (not credit-impaired)	*1,366*	*(1,366)*	*-*	-	-
- to lifetime ECL (not credit-impaired)	*(3,884)*	*4,034*	*(150)*	-	-
- to lifetime ECL (credit-impaired)	*(140)*	*(167)*	*307*	-	-
Net changes in exposure	(606)	(240)	(434)	-	(1,280)
Impairment loss allowances utilised	-	-	(32)	-	(32)
Exchange adjustments	980	30	33	-	1,043
Measurement reclassification and other movements	2	-	-	-	2
Gross carrying amount at 30 June 2021	**37,734**	**4,819**	**1,920**	**2**	**44,475**

30 June 2021 **Residential mortgages - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1,2] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**74**	**31**	**374**	**-**	**479**
Total net transfers	2	2	(4)	-	-
- to 12-month ECL (not credit-impaired)	*15*	*(15)*	*-*	-	-
- to lifetime ECL (not credit-impaired)	*(13)*	*22*	*(9)*	-	-
- to lifetime ECL (credit-impaired)	*-*	*(5)*	*5*	-	-
Net impairment losses / (gains) in income statement	(50)	83	33	-	66
- Remeasurement	*(38)*	*14*	*(44)*	-	*(68)*
- Net changes in exposure	*(8)*	*(1)*	*(18)*	-	*(27)*
- ECL model parameter changes	*(4)*	*70*	*95*	-	*161*
Impairment loss allowances utilised	-	-	(32)	-	(32)
Exchange adjustments	1	1	3	-	5
Measurement reclassification and other movements	-	-	4	-	4
Impairment loss allowance at 30 June 2021	**27**	**117**	**378**	**-**	**522**
Impairment coverage at 30 June 2021 (%)	**0.07%**	**2.43%**	**19.69%**	**0.00%**	**1.17%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during H121 includes €4 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 30 June 2021, Purchased or originated credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*
[2] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil .*

18 Loans and advances to customers *(continued)*

31 December 2020 Residential mortgages - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total gross carrying amount €m
Opening balance 1 January 2020	**42,898**	**1,677**	**1,693**	**3**	**46,271**
Total net transfers	(1,788)	1,050	738	-	-
- to 12-month ECL (not credit-impaired)	*1,827*	*(1,787)*	*(40)*	-	-
- to lifetime ECL (not credit-impaired)	*(3,330)*	*3,657*	*(327)*	-	-
- to lifetime ECL (credit-impaired)	*(285)*	*(820)*	*1,105*	-	-
Net changes in exposure	78	(168)	(190)	(1)	(281)
Impairment loss allowances utilised	-	-	(20)	-	(20)
Exchange adjustments	(1,190)	(31)	(25)	-	(1,246)
Measurement reclassification and other movements	18	-	-	-	18
Gross carrying amount at 31 December 2020	**40,016**	**2,528**	**2,196**	**2**	**44,742**

31 December 2020 Residential mortgages - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**16**	**36**	**380**	**-**	**432**
Total net transfers	34	(36)	2	-	-
- to 12-month ECL (not credit-impaired)	*45*	*(42)*	*(3)*	-	-
- to lifetime ECL (not credit-impaired)	*(10)*	*38*	*(28)*	-	-
- to lifetime ECL (credit-impaired)	*(1)*	*(32)*	*33*	-	-
Net impairment losses / (gains) in income statement	25	32	3	-	60
- Remeasurement	*13*	*28*	*52*	-	*93*
- Net changes in exposure	*(4)*	-	*(16)*	-	*(20)*
- ECL model parameter changes	*16*	*4*	*(33)*	-	*(13)*
Impairment loss allowances utilised	-	-	(20)	-	(20)
Exchange adjustments	(1)	(1)	(2)	-	(4)
Measurement reclassification and other movements	-	-	11	-	11
Impairment loss allowance at 31 December 2020	**74**	**31**	**374**	**-**	**479**
Impairment Coverage at 31 December 2020 (%)	**0.18%**	**1.23%**	**17.03%**	**-**	**1.07%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2020 included €16 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *At 31 December 2020, Purchased or originated credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*
[2] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.*

18 Loans and advances to customers *(continued)*

Non-property SME and corporate

30 June 2021 **Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total gross carrying amount €m**
Opening balance 1 January 2021	**10,637**	**8,181**	**1,014**	**26**	**19,858**
Total net transfers	(792)	520	272	-	-
- to 12-month ECL (not credit-impaired)	*1,409*	*(1,404)*	*(5)*	-	-
- to lifetime ECL (not credit-impaired)	*(2,140)*	*2,198*	*(58)*	-	-
- to lifetime ECL (credit-impaired)	*(61)*	*(274)*	*335*	-	-
Net changes in exposure	1,296	(1,079)	(71)	2	148
Impairment loss allowances utilised	-	-	(73)	(16)	(89)
Exchange adjustments	166	147	12	1	326
Measurement reclassification and other movements	76	17	2	-	95
Gross carrying amount at 30 June 2021	**11,383**	**7,786**	**1,156**	**13**	**20,338**

30 June 2021 **Non-property SME and corporate - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**134**	**368**	**416**	**13**	**931**
Total net transfers	(22)	5	17	-	-
- to 12-month ECL (not credit-impaired)	*44*	*(42)*	*(2)*	-	-
- to lifetime ECL (not credit-impaired)	*(64)*	*73*	*(9)*	-	-
- to lifetime ECL (credit-impaired)	*(2)*	*(26)*	*28*	-	-
Net impairment losses / (gains) in income statement	(42)	25	18	3	4
- Remeasurement	*(23)*	*44*	*28*	*3*	*52*
- Net changes in exposure	*14*	*(43)*	*(16)*	-	*(45)*
- ECL model parameter changes	*(33)*	*24*	*6*	-	*(3)*
Impairment loss allowances utilised	-	-	(73)	(16)	(89)
Exchange adjustments	-	2	2	-	4
Measurement reclassification and other movements	-	1	7	-	8
Impairment loss allowance at 30 June 2021	**70**	**401**	**387**	**-**	**858**
Impairment Coverage at 30 June 2021 (%)	**0.61%**	**5.15%**	**33.48%**	**0.00%**	**4.22%**

Impairment loss allowances utilised on Non-property SME and corporate during H121 includes €35 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

18 Loans and advances to customers *(continued)*

31 December 2020 Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2020	**17,474**	**2,175**	**757**	**27**	**20,433**
Total net transfers	(7,786)	7,196	590	-	-
- to 12-month ECL (not credit-impaired)	*1,393*	*(1,377)*	*(16)*	-	-
- to lifetime ECL (not credit-impaired)	*(9,020)*	*9,132*	*(112)*	-	-
- to lifetime ECL (credit-impaired)	*(159)*	*(559)*	*718*	-	-
Net changes in exposure	1,277	(1,045)	(222)	-	10
Impairment loss allowances utilised	-	-	(89)	-	(89)
Exchange adjustments	(389)	(143)	(23)	(1)	(556)
Measurement reclassification and other movements	61	(2)	1	-	60
Gross carrying amount at 31 December 2020	**10,637**	**8,181**	**1,014**	**26**	**19,858**

31 December 2020 Non-property SME and corporate - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**56**	**78**	**353**	**-**	**487**
Total net transfers	(38)	13	25	-	-
- to 12-month ECL (not credit-impaired)	*38*	*(35)*	*(3)*	-	-
- to lifetime ECL (not credit-impaired)	*(72)*	*92*	*(20)*	-	-
- to lifetime ECL (credit-impaired)	*(4)*	*(44)*	*48*	-	-
Net impairment losses / (gains) in income statement	117	277	126	13	533
- Remeasurement	*100*	*91*	*214*	*13*	*418*
- Net changes in exposure	*(27)*	*(38)*	*(87)*	-	*(152)*
- ECL model parameter changes	*44*	*224*	*(1)*	-	*267*
Impairment loss allowances utilised	-	-	(89)	-	(89)
Exchange adjustments	-	-	(2)	-	(2)
Measurement reclassification and other movements	(1)	-	3	-	2
Impairment loss allowance at 31 December 2020	**134**	**368**	**416**	**13**	**931**
Impairment Coverage at 31 December 2020 (%)	**1.26%**	**4.50%**	**41.03%**	**50.00%**	**4.69%**

Impairment loss allowances utilised on Non-property SME and corporate during 2020 included €11 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.*

18 Loans and advances to customers *(continued)*

Property and construction

30 June 2021 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**2,639**	**4,869**	**1,021**	**62**	**8,591**
Total net transfers	(531)	431	100	-	-
- to 12-month ECL (not credit-impaired)	*692*	*(692)*	*-*	*-*	*-*
- to lifetime ECL (not credit-impaired)	*(1,221)*	*1,237*	*(16)*	*-*	*-*
- to lifetime ECL (credit-impaired)	*(2)*	*(114)*	*116*	*-*	*-*
Net changes in exposure	749	(339)	(54)	(1)	355
Impairment loss allowances utilised	-	-	(41)	-	(41)
Exchange adjustments	30	70	27	2	129
Measurement reclassification and other movements	(73)	(12)	(2)	-	(87)
Gross carrying amount at 30 June 2021	**2,814**	**5,019**	**1,051**	**63**	**8,947**

30 June 2021 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**9**	**126**	**442**	**19**	**596**
Total net transfers	1	(17)	16	-	-
- to 12-month ECL (not credit-impaired)	*6*	*(6)*	*-*	*-*	*-*
- to lifetime ECL (not credit-impaired)	*(5)*	*7*	*(2)*	*-*	*-*
- to lifetime ECL (credit-impaired)	*-*	*(18)*	*18*	*-*	*-*
Net impairment losses / (gains) in income statement	(6)	(4)	(2)	(1)	(13)
- Remeasurement	*(3)*	*12*	*46*	*(1)*	*54*
- Net changes in exposure	*4*	*(6)*	*(50)*	*-*	*(52)*
- ECL model parameter changes	*(7)*	*(10)*	*2*	*-*	*(15)*
Impairment loss allowances utilised	-	-	(41)	-	(41)
Exchange adjustments	-	1	7	1	9
Measurement reclassification and other movements	-	-	8	-	8
Impairment loss allowance at 30 June 2021	**4**	**106**	**430**	**19**	**559**
Impairment Coverage at 30 June 2021 (%)	**0.14%**	**2.11%**	**40.91%**	**30.16%**	**6.25%**

Impairment loss allowances utilised on Property and construction during H121 includes €5 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

18 Loans and advances to customers *(continued)*

31 December 2020 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2020	**5,985**	**1,513**	**549**	**65**	**8,112**
Total net transfers	(4,158)	3,541	617	-	-
- to 12-month ECL (not credit-impaired)	*769*	*(769)*	*-*	*-*	*-*
- to lifetime ECL (not credit-impaired)	*(4,895)*	*4,963*	*(68)*	*-*	*-*
- to lifetime ECL (credit-impaired)	*(32)*	*(653)*	*685*	*-*	*-*
Net changes in exposure	896	(128)	(104)	-	664
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	(90)	(55)	(15)	(3)	(163)
Measurement reclassification and other movements	6	(2)	-	-	4
Gross carrying amount at 31 December 2020	**2,639**	**4,869**	**1,021**	**62**	**8,591**

31 December 2020 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**6**	**42**	**180**	**2**	**230**
Total net transfers	(1)	(22)	23	-	-
- to 12-month ECL (not credit-impaired)	*10*	*(10)*	*-*	*-*	*-*
- to lifetime ECL (not credit-impaired)	*(11)*	*17*	*(6)*	*-*	*-*
- to lifetime ECL (credit-impaired)	*-*	*(29)*	*29*	*-*	*-*
Net impairment losses / (gains) in income statement	4	106	262	17	389
- Remeasurement	*-*	*16*	*282*	*17*	*315*
- Net changes in exposure	*2*	*(5)*	*(21)*	*-*	*(24)*
- ECL model parameter changes	*2*	*95*	*1*	*-*	*98*
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	-	-	(3)	-	(3)
Measurement reclassification and other movements	-	-	6	-	6
Impairment loss allowance at 31 December 2020	**9**	**126**	**442**	**19**	**596**
Impairment Coverage at 31 December 2020 (%)	**0.34%**	**2.59%**	**43.29%**	**30.65%**	**6.94%**

Impairment loss allowances utilised on Property and construction during 2020 included €20 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.*

18 Loans and advances to customers *(continued)*

Consumer

30 June 2021 Consumer - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**4,961**	**165**	**145**	**-**	**5,271**
Total net transfers	(49)	23	26	-	-
- to 12-month ECL (not credit-impaired)	*61*	*(60)*	*(1)*	-	-
- to lifetime ECL (not credit-impaired)	*(93)*	*101*	*(8)*	-	-
- to lifetime ECL (credit-impaired)	*(17)*	*(18)*	*35*	-	-
Net changes in exposure	(121)	(38)	(13)	-	(172)
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	147	5	3	-	155
Measurement reclassification and other movements	(1)	-	-	-	(1)
Gross carrying amount at 30 June 2021	**4,937**	**155**	**135**	**-**	**5,227**

30 June 2021 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**129**	**27**	**80**	**-**	**236**
Total net transfers	2	(5)	3	-	-
- to 12-month ECL (not credit-impaired)	*6*	*(6)*	-	-	-
- to lifetime ECL (not credit-impaired)	*(3)*	*7*	*(4)*	-	-
- to lifetime ECL (credit-impaired)	*(1)*	*(6)*	*7*	-	-
Net impairment losses / (gains) in income statement	(45)	3	11	-	(31)
- Remeasurement	*(11)*	*11*	*17*	-	*17*
- Net changes in exposure	*(1)*	*(6)*	*(5)*	-	*(12)*
- ECL model parameter changes	*(33)*	*(2)*	*(1)*	-	*(36)*
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	4	1	2	-	7
Measurement reclassification and other movements	-	-	6	-	6
Impairment loss allowance at 30 June 2021	**90**	**26**	**76**	**-**	**192**
Impairment Coverage at 30 June 2021 (%)	**1.82%**	**16.77%**	**56.30%**	**0.00%**	**3.67%**

Impairment loss allowances utilised on Consumer during H121 includes €22 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during H121 is €nil.*

18 Loans and advances to customers *(continued)*

31 December 2020 **Consumer - Gross carrying amount (before impairment loss allowance) including held for sale**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**5,421**	**206**	**100**	**-**	**5,727**
Total net transfers	(177)	80	97	-	-
- to 12-month ECL (not credit-impaired)	*150*	*(143)*	*(7)*	-	-
- to lifetime ECL (not credit-impaired)	*(267)*	*284*	*(17)*	-	-
- to lifetime ECL (credit-impaired)	*(60)*	*(61)*	*121*	-	-
Net changes in exposure	(102)	(116)	(12)	-	(230)
Impairment loss allowances utilised	-	-	(38)	-	(38)
Exchange adjustments	(180)	(5)	(2)	-	(187)
Measurement reclassification and other movements	(1)	-	-	-	(1)
Gross carrying amount at 31 December 2020	**4,961**	**165**	**145**	**-**	**5,271**

31 December 2020 **Consumer - Impairment loss allowance including held for sale**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2020	**64**	**32**	**63**	**-**	**159**
Total net transfers	2	(13)	11	-	-
- to 12-month ECL (not credit-impaired)	*17*	*(14)*	*(3)*	-	-
- to lifetime ECL (not credit-impaired)	*(8)*	*14*	*(6)*	-	-
- to lifetime ECL (credit-impaired)	*(7)*	*(13)*	*20*	-	-
Net impairment losses / (gains) in income statement	66	9	42	-	117
- Remeasurement	*3*	*30*	*54*	-	*87*
- Net changes in exposure	*28*	*(20)*	*(7)*	-	*1*
- ECL model parameter changes	*35*	*(1)*	*(5)*	-	*29*
Impairment loss allowances utilised	-	-	(38)	-	(38)
Exchange adjustments	(3)	(1)	(2)	-	(6)
Measurement reclassification and other movements	-	-	4	-	4
Impairment loss allowance at 31 December 2020	**129**	**27**	**80**	**-**	**236**
Impairment Coverage at 31 December 2020 (%)	**2.60%**	**16.36%**	**55.17%**	**-**	**4.48%**

Impairment loss allowances utilised on Consumer during 2020 included €31 million of contractual amounts outstanding that were still subject to enforcement activity.

[1] *The total amount of undiscounted ECLs at initial recognition on financial assets that were initially Purchased or originated credit-impaired during 2020 was €nil.*

19 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the Group's credit risk methodologies are set out on pages 161 to 167 of the Group's Annual Report for the year ended 31 December 2020, with updates for 2021 outlined in the OFR on pages 29 to 32.

In addition to credit risk, the primary risks affecting the Group through its use of financial instruments are: funding and liquidity risk, market risk and life insurance risk. The Group's approach to the management of these risks, together with its approach to Capital management, are set out in the Risk Management Report included on pages 154 to 189 of the Group's Annual Report for the year ended 31 December 2020.

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

Internal credit risk ratings

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

Financial assets

Composition and risk profile

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

30 June 2021 **Financial assets exposure by stage (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	56,868	17,779	4,262	78	78,987
Loans and advances to banks	2,482	1	-	-	2,483
Debt securities	6,244	19	-	-	6,263
Other financial assets	25,248	-	-	-	25,248
Total financial assets measured at amortised cost	**90,842**	**17,799**	**4,262**	**78**	**112,981**
Debt instruments at FVOCI	11,292	-	-	-	11,292
Total	**102,134**	**17,799**	**4,262**	**78**	**124,273**

30 June 2021 **Impairment loss allowance on financial assets**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	191	650	1,271	19	2,131
Loans and advances to banks	1	-	-	-	1
Debt securities	1	2	-	-	3
Other financial assets	9	-	-	-	9
Total financial assets measured at amortised cost	**202**	**652**	**1,271**	**19**	**2,144**
Debt instruments at FVOCI	3	-	-	-	3
Total	**205**	**652**	**1,271**	**19**	**2,147**

[1] *At 30 June 2021, Purchased or originated credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

19 Credit risk exposures *(continued)*

Loans and advances to customers in the table below and on the preceding page excludes €360 million (31 December 2020: €361 million) of loans mandatorily at FVTPL at 30 June 2021 which are not subject to impairment under IFRS 9 and are therefore excluded from the following impairment related tables (note 18).

At 30 June 2021, other financial assets (before impairment loss allowance) includes: cash and balances at central banks of €25,079 million (31 December 2020: €10,957 million) and items in the course of collection from other banks of €169 million (31 December 2020: €166 million).

The tables below and on the preceding page exclude loan commitments, guarantees and letters of credit of €15,923 million at 30 June 2021 (31 December 2020: €15,897 million) that are subject to impairment (note 28).

31 December 2020 **Financial assets exposure by stage (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	58,253	15,743	4,376	90	78,462
Loans and advances to banks	2,227	-	-	-	2,227
Debt securities	6,258	11	-	-	6,269
Other financial assets	11,123	-	-	-	11,123
Total financial assets measured at amortised cost	**77,861**	**15,754**	**4,376**	**90**	**98,081**
Debt instruments at FVOCI	10,942	-	-	-	10,942
Total	**88,803**	**15,754**	**4,376**	**90**	**109,023**

31 December 2020 **Impairment loss allowance on financial assets**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	346	552	1,312	32	2,242
Loans and advances to banks	1	-	-	-	1
Debt securities	1	2	-	-	3
Other financial assets	4	-	-	-	4
Total financial assets measured at amortised cost	**352**	**554**	**1,312**	**32**	**2,250**
Debt instruments at FVOCI	3	-	-	-	3
Total	**355**	**554**	**1,312**	**32**	**2,253**

[1] *At 31 December 2020, Purchased or originated credit-impaired assets included €1 million of assets with an impairment loss allowance of €nil, which while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

19 Credit risk exposures *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

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

Loans and advances to customers Composition and risk profile (before impairment loss allowance)[1]	30 June 2021 Not credit-impaired €m	30 June 2021 Credit-impaired €m	30 June 2021 Total €m	30 June 2021 Total %	31 December 2020 Not credit-impaired €m	31 December 2020 Credit-impaired €m	31 December 2020 Total €m	31 December 2020 Total %
Residential mortgages	42,553	1,920	44,473	56%	42,544	2,196	44,740	57%
- Retail Ireland	*21,190*	*1,159*	*22,349*	*28%*	*21,432*	*1,508*	*22,940*	*29%*
- Retail UK	*21,363*	*761*	*22,124*	*28%*	*21,112*	*688*	*21,800*	*28%*
Non-property SME and corporate	19,169	1,156	20,325	26%	18,818	1,014	19,832	25%
- Republic of Ireland SME	*6,311*	*666*	*6,977*	*9%*	*6,401*	*672*	*7,073*	*9%*
- UK SME	*1,714*	*113*	*1,827*	*2%*	*1,676*	*114*	*1,790*	*2%*
- Corporate	*11,144*	*377*	*11,521*	*15%*	*10,741*	*228*	*10,969*	*14%*
Property and construction	7,833	1,051	8,884	11%	7,508	1,021	8,529	11%
- Investment	*6,786*	*1,015*	*7,801*	*10%*	*6,584*	*987*	*7,571*	*10%*
- Development	*1,047*	*36*	*1,083*	*1%*	*924*	*34*	*958*	*1%*
Consumer	5,092	135	5,227	7%	5,126	145	5,271	7%
Total	**74,647**	**4,262**	**78,909**	**100%**	**73,996**	**4,376**	**78,372**	**100%**
Impairment loss allowance on loans and advances to customers	**841**	**1,271**	**2,112**	**3%**	**898**	**1,312**	**2,210**	**3%**

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 2021 Not credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	Stage 1 Loans €m	Stage 1 Loans as % of total advances %	Stage 1 Impairment loss allowance €m	Stage 1 Impairment loss allowance as % of loans %	Stage 2 Loans €m	Stage 2 Loans as % of total advances %	Stage 2 Impairment loss allowance €m	Stage 2 Impairment loss allowance as % of loans %
Residential mortgages	37,734	48%	27	0.07%	4,819	6%	117	2.43%
- Retail Ireland	*18,003*	*23%*	*11*	*0.06%*	*3,187*	*4%*	*87*	*2.73%*
- Retail UK	*19,731*	*25%*	*16*	*0.08%*	*1,632*	*2%*	*30*	*1.84%*
Non-property SME and corporate	11,383	14%	70	0.61%	7,786	10%	401	5.15%
- Republic of Ireland SME	*3,449*	*4%*	*34*	*0.99%*	*2,862*	*4%*	*216*	*7.55%*
- UK SME	*1,072*	*1%*	*6*	*0.56%*	*642*	*1%*	*38*	*5.92%*
- Corporate	*6,862*	*9%*	*30*	*0.44%*	*4,282*	*5%*	*147*	*3.43%*
Property and construction	2,814	4%	4	0.14%	5,019	7%	106	2.11%
- Investment	*2,221*	*3%*	*3*	*0.14%*	*4,565*	*6%*	*96*	*2.10%*
- Development	*593*	*1%*	*1*	*0.17%*	*454*	*1%*	*10*	*2.20%*
Consumer	4,937	6%	90	1.82%	155	-	26	16.77%
Total	**56,868**	**72%**	**191**	**0.34%**	**17,779**	**23%**	**650**	**3.66%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €78 million (31 December 2020: €90 million), €1 million (31 December 2020: €1 million) of which were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

19 Credit risk exposures *(continued)*

31 December 2020 Not credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	Stage 1 Loans €m	Loans as % of total advances %	Impairment loss allowance €m	Impairment loss allowance as % of loans %	Stage 2 Loans €m	Loans as % of total advances %	Impairment loss allowance €m	Impairment loss allowance as % of loans %
Residential mortgages	40,016	51%	74	0.18%	2,528	3%	31	1.23%
- Retail Ireland	*19,552*	*25%*	*44*	*0.23%*	*1,880*	*2%*	*20*	*1.06%*
- Retail UK	*20,464*	*26%*	*30*	*0.15%*	*648*	*1%*	*11*	*1.70%*
Non-property SME and corporate	10,637	14%	134	1.26%	8,181	11%	368	4.50%
- Republic of Ireland SME	*4,155*	*5%*	*96*	*2.31%*	*2,246*	*3%*	*144*	*6.41%*
- UK SME	*1,064*	*1%*	*9*	*0.85%*	*612*	*1%*	*37*	*6.05%*
- Corporate	*5,418*	*8%*	*29*	*0.54%*	*5,323*	*7%*	*187*	*3.51%*
Property and construction	2,639	3%	9	0.34%	4,869	6%	126	2.59%
- Investment	*2,357*	*3%*	*7*	*0.30%*	*4,227*	*5%*	*103*	*2.44%*
- Development	*282*	*-*	*2*	*0.71%*	*642*	*1%*	*23*	*3.58%*
Consumer	4,961	6%	129	2.60%	165	-	27	16.36%
Total	**58,253**	**74%**	**346**	**0.59%**	**15,743**	**20%**	**552**	**3.51%**

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

30 June 2021 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages €m	%	Non-property SME and corporate €m	%	Property and construction €m	%	Consumer €m	%	Total €m	%
Stage 1										
1-4	5,322	13%	2,233	12%	595	8%	7	-	8,157	11%
5-7	27,638	65%	2,282	12%	2,071	26%	441	9%	32,432	43%
8-9	3,742	9%	5,851	30%	132	2%	2,935	58%	12,660	17%
10-11	1,032	2%	1,017	5%	16	-	1,554	30%	3,619	5%
Total Stage 1	**37,734**	**89%**	**11,383**	**59%**	**2,814**	**36%**	**4,937**	**97%**	**56,868**	**76%**
Stage 2										
1-4	123	-	365	2%	85	1%	-	-	573	1%
5-7	2,886	7%	1,466	8%	3,513	45%	1	-	7,866	11%
8-9	779	2%	2,264	12%	885	11%	14	-	3,942	5%
10-11	1,031	2%	3,691	19%	536	7%	140	3%	5,398	7%
Total Stage 2	**4,819**	**11%**	**7,786**	**41%**	**5,019**	**64%**	**155**	**3%**	**17,779**	**24%**
Not credit-impaired										
1-4	5,445	13%	2,598	14%	680	9%	7	-	8,730	12%
5-7	30,524	72%	3,748	20%	5,584	71%	442	9%	40,298	54%
8-9	4,521	11%	8,115	42%	1,017	13%	2,949	58%	16,602	22%
10-11	2,063	4%	4,708	24%	552	7%	1,694	33%	9,017	12%
Total not credit-impaired	**42,553**	**100%**	**19,169**	**100%**	**7,833**	**100%**	**5,092**	**100%**	**74,647**	**100%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €78 million (31 December 2020: €90 million), €1 million (31 December 2020: €1 million) of which were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

19 Credit risk exposures *(continued)*

31 December 2020 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages €m	Residential mortgages %	Non-property SME and corporate €m	Non-property SME and corporate %	Property and construction €m	Property and construction %	Consumer €m	Consumer %	Total €m	Total %
Stage 1										
1-4	1,819	4%	1,351	7%	-	-	1	-	3,171	4%
5-7	20,287	48%	2,290	12%	2,198	29%	325	6%	25,100	34%
8-9	13,952	33%	4,824	26%	375	5%	2,803	55%	21,954	30%
10-11	3,958	9%	2,172	12%	66	1%	1,832	36%	8,028	11%
Total Stage 1	**40,016**	**94%**	**10,637**	**57%**	**2,639**	**35%**	**4,961**	**97%**	**58,253**	**79%**
Stage 2										
1-4	-	-	48	-	-	-	-	-	48	-
5-7	266	1%	2,040	11%	1,933	26%	-	-	4,239	6%
8-9	946	2%	1,953	10%	1,994	27%	23	-	4,916	7%
10-11	1,316	3%	4,140	22%	942	12%	142	3%	6,540	8%
Total Stage 2	**2,528**	**6%**	**8,181**	**43%**	**4,869**	**65%**	**165**	**3%**	**15,743**	**21%**
Not credit-impaired										
1-4	1,819	4%	1,399	7%	-	-	1	-	3,219	4%
5-7	20,553	49%	4,330	23%	4,131	55%	325	6%	29,339	40%
8-9	14,898	35%	6,777	36%	2,369	32%	2,826	55%	26,870	37%
10-11	5,274	12%	6,312	34%	1,008	13%	1,974	39%	14,568	19%
Total not credit-impaired	**42,544**	**100%**	**18,818**	**100%**	**7,508**	**100%**	**5,126**	**100%**	**73,996**	**100%**

Asset quality - credit-impaired

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

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

Credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	30 June 2021 Credit-impaired loans €m	30 June 2021 Credit-impaired loans as % of total advances %	30 June 2021 Impairment loss allowance €m	30 June 2021 Impairment loss allowance as % of loans %	31 December 2020 Credit-impaired loans €m	31 December 2020 Credit-impaired loans as % of total advances %	31 December 2020 Impairment loss allowance €m	31 December 2020 Impairment loss allowance as % of loans %
Residential mortgages	1,920	2%	378	20%	2,196	3%	374	17%
- Retail Ireland	*1,159*	*1%*	*318*	*27%*	*1,508*	*2%*	*329*	*22%*
- Retail UK	*761*	*1%*	*60*	*8%*	*688*	*1%*	*45*	*7%*
Non-property SME and corporate	1,156	1%	387	33%	1,014	1%	416	41%
- Republic of Ireland SME	*666*	*1%*	*237*	*36%*	*672*	*1%*	*261*	*39%*
- UK SME	*113*	*-*	*32*	*28%*	*114*	*-*	*26*	*23%*
- Corporate	*377*	*-*	*118*	*31%*	*228*	*-*	*129*	*57%*
Property and construction	1,051	1%	430	41%	1,021	1%	442	43%
- Investment	*1,015*	*1%*	*413*	*41%*	*987*	*1%*	*427*	*43%*
- Development	*36*	*-*	*17*	*47%*	*34*	*-*	*15*	*44%*
Consumer	135	-	76	56%	145	-	80	55%
Total credit-impaired	**4,262**	**4%**	**1,271**	**30%**	**4,376**	**5%**	**1,312**	**30%**

[1] *Excluded from the table above are Purchased or originated credit-impaired assets of €78 million (31 December 2020: €90 million), €1 million (31 December 2020: €1 million) of which were no longer credit-impaired at the reporting date. These assets will remain classified as Purchased or originated credit-impaired until derecognition.*

19 Credit risk exposures *(continued)*

Geographical and industry analysis of loans and advances to customers

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

30 June 2021	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
Geographical[1] / industry analysis	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**
Personal	**24,347**	**25,355**	**-**	**49,702**	**473**	**241**	**-**	**714**
- Residential mortgages	*22,351*	*22,124*	*-*	*44,475*	*416*	*106*	*-*	*522*
- Other consumer lending	*1,996*	*3,231*	*-*	*5,227*	*57*	*135*	*-*	*192*
Property and construction	**7,797**	**1,150**	**-**	**8,947**	**276**	**283**	**-**	**559**
- Investment	*6,761*	*1,103*	*-*	*7,864*	*259*	*272*	*-*	*531*
- Development	*1,036*	*47*	*-*	*1,083*	*17*	*11*	*-*	*28*
Non-property SME & corporate[3,4]	**16,381**	**2,947**	**1,010**	**20,338**	**717**	**98**	**43**	**858**
- Manufacturing	*3,111*	*747*	*175*	*4,033*	*77*	*20*	*5*	*102*
- Administrative and support service activities	*1,882*	*469*	*154*	*2,505*	*92*	*11*	*11*	*114*
- Wholesale and retail trade	*2,147*	*273*	*23*	*2,443*	*82*	*6*	*-*	*88*
- Accommodation and food service activities	*1,511*	*110*	*149*	*1,770*	*90*	*7*	*5*	*102*
- Agriculture, forestry and fishing	*1,465*	*208*	*20*	*1,693*	*60*	*6*	*-*	*66*
- Human health services and social work activities	*1,142*	*239*	*78*	*1,459*	*44*	*16*	*8*	*68*
- Financial and insurance activities	*827*	*152*	*-*	*979*	*10*	*4*	*-*	*14*
- Transport and storage	*885*	*65*	*23*	*973*	*71*	*1*	*5*	*77*
- Other services	*688*	*128*	*100*	*916*	*56*	*5*	*4*	*65*
- Real estate activities	*445*	*125*	*55*	*625*	*53*	*11*	*-*	*64*
- Professional, scientific and technical activities	*532*	*46*	*22*	*600*	*14*	*2*	*-*	*16*
- Arts, entertainment and recreation	*429*	*43*	*40*	*512*	*34*	*3*	*4*	*41*
- Education	*283*	*67*	*89*	*439*	*4*	*1*	*1*	*6*
- Other sectors	*1,034*	*275*	*82*	*1,391*	*30*	*5*	*-*	*35*
Total	**48,525**	**29,452**	**1,010**	**78,987**	**1,466**	**622**	**43**	**2,131**
Analysed by stage:								
Stage 1	*31,563*	*24,744*	*561*	*56,868*	*90*	*97*	*4*	*191*
Stage 2	*14,327*	*3,140*	*312*	*17,779*	513	126	11	650
Stage 3	2,620	1,505	137	4,262	863	380	28	1,271
Purchased / originated credit-impaired	15	63	-	78	-	19	-	19
Total	**48,525**	**29,452**	**1,010**	**78,987**	**1,466**	**622**	**43**	**2,131**

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

19 Credit risk exposures *(continued)*

31 December 2020	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
Geographical[1] / industry analysis	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**
Personal	**24,933**	**25,080**	**-**	**50,013**	**464**	**251**	**-**	**715**
- Residential mortgages	*22,942*	*21,800*	*-*	*44,742*	*393*	*86*	*-*	*479*
- Other consumer lending	*1,991*	*3,280*	*-*	*5,271*	*71*	*165*	*-*	*236*
Property and construction	**7,379**	**1,212**	**-**	**8,591**	**317**	**279**	**-**	**596**
- Investment	*6,477*	*1,156*	*-*	*7,633*	*287*	*269*	*-*	*556*
- Development	*902*	*56*	*-*	*958*	*30*	*10*	*-*	*40*
Non-property SME & corporate[3,4]	**16,292**	**2,383**	**1,183**	**19,858**	**798**	**99**	**34**	**931**
- Manufacturing	*3,101*	*341*	*458*	*3,900*	*98*	*16*	*16*	*130*
- Administrative and support service activities	*1,913*	*324*	*199*	*2,436*	*113*	*13*	*6*	*132*
- Wholesale and retail trade	*2,022*	*291*	*36*	*2,349*	*118*	*9*	*-*	*127*
- Accommodation and food service activities	*1,542*	*144*	*35*	*1,721*	*84*	*6*	*1*	*91*
- Agriculture, forestry and fishing	*1,460*	*211*	*-*	*1,671*	*63*	*4*	*-*	*67*
- Human health services and social work activities	*1,196*	*211*	*113*	*1,520*	*52*	*22*	*1*	*75*
- Transport and storage	*855*	*88*	*51*	*994*	*63*	*4*	*2*	*69*
- Other services	*717*	*58*	*145*	*920*	*58*	*3*	*5*	*66*
- Professional, scientific and technical activities	*600*	*37*	*69*	*706*	*19*	*1*	*1*	*21*
- Financial and insurance activities	*619*	*76*	*1*	*696*	*15*	*1*	*-*	*16*
- Real estate activities	*414*	*173*	*-*	*587*	*47*	*10*	*-*	*57*
- Arts, entertainment and recreation	*462*	*56*	*11*	*529*	*30*	*7*	*1*	*38*
- Education	*294*	*78*	*39*	*411*	*8*	*-*	*1*	*9*
- Other sectors	*1,097*	*295*	*26*	*1,418*	*30*	*3*	*-*	*33*
Total	**48,604**	**28,675**	**1,183**	**78,462**	**1,579**	**629**	**34**	**2,242**
Analysed by stage:								
Stage 1	32,404	25,095	754	58,253	200	139	7	346
Stage 2	13,320	2,015	408	15,743	438	93	21	552
Stage 3	2,851	1,504	21	4,376	928	378	6	1,312
Purchased / originated credit-impaired	29	61	-	90	13	19	-	32
Total	**48,604**	**28,675**	**1,183**	**78,462**	**1,579**	**629**	**34**	**2,242**

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

19 Credit risk exposures *(continued)*

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

30 June 2021	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
Sectoral analysis by stage	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI[1] €m**	**Total €m**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI[1] €m**	**Total €m**
Personal										
Residential mortgages	37,734	4,819	1,920	2	44,475	27	117	378	-	522
Other consumer	4,937	155	135	-	5,227	90	26	76	-	192
- Motor lending UK	*1,750*	*47*	*30*	*-*	*1,827*	*8*	*3*	*13*	*-*	*24*
- Loans UK	*1,314*	*47*	*42*	*-*	*1,403*	*61*	*18*	*32*	*-*	*111*
- Motor lending RoI	*783*	*-*	*19*	*-*	*802*	*7*	*-*	*7*	*-*	*14*
- Loans RoI	*688*	*54*	*30*	*-*	*772*	*12*	*4*	*17*	*-*	*33*
- Credit cards - RoI	*402*	*7*	*14*	*-*	*423*	*2*	*1*	*7*	*-*	*10*
	42,671	**4,974**	**2,055**	**2**	**49,702**	**117**	**143**	**454**	**-**	**714**
Property and construction	**2,814**	**5,019**	**1,051**	**63**	**8,947**	**4**	**106**	**430**	**19**	**559**
- Investment	*2,221*	*4,565*	*1,015*	*63*	*7,864*	*3*	*96*	*413*	*19*	*531*
- Development	*593*	*454*	*36*	*-*	*1,083*	*1*	*10*	*17*	*-*	*28*
Non-property SME & corporate[2,3]	**11,383**	**7,786**	**1,156**	**13**	**20,338**	**70**	**401**	**387**	**-**	**858**
- Manufacturing	*2,529*	*1,414*	*90*	*-*	*4,033*	*15*	*58*	*29*	*-*	*102*
- Administrative and support service activities	*1,365*	*1,020*	*107*	*13*	*2,505*	*9*	*61*	*44*	*-*	*114*
- Wholesale and retail trade	*1,671*	*660*	*112*	*-*	*2,443*	*9*	*33*	*46*	*-*	*88*
- Accommodation and food service activities	*234*	*1,315*	*221*	*-*	*1,770*	*1*	*55*	*46*	*-*	*102*
- Agriculture, forestry and fishing	*1,214*	*352*	*127*	*-*	*1,693*	*13*	*19*	*34*	*-*	*66*
- Human health services and social work activities	*627*	*799*	*33*	*-*	*1,459*	*4*	*54*	*10*	*-*	*68*
- Financial and insurance activities	*812*	*150*	*17*	*-*	*979*	*3*	*5*	*6*	*-*	*14*
- Transport and storage	*351*	*486*	*136*	*-*	*973*	*2*	*20*	*55*	*-*	*77*
- Other services	*540*	*265*	*111*	*-*	*916*	*3*	*11*	*51*	*-*	*65*
- Real estate activities	*187*	*357*	*81*	*-*	*625*	*1*	*29*	*34*	*-*	*64*
- Professional, scientific and technical activities	*404*	*180*	*16*	*-*	*600*	*3*	*8*	*5*	*-*	*16*
- Arts, entertainment and recreation	*81*	*379*	*52*	*-*	*512*	*-*	*27*	*14*	*-*	*41*
- Education	*374*	*63*	*2*	*-*	*439*	*2*	*3*	*1*	*-*	*6*
- Other sectors	*994*	*346*	*51*	*-*	*1,391*	*5*	*18*	*12*	*-*	*35*
Total	**56,868**	**17,779**	**4,262**	**78**	**78,987**	**191**	**650**	**1,271**	**19**	**2,131**

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

19 Credit risk exposures *(continued)*

31 December 2020	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
Sectoral analysis by stage	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI[1] €m**	**Total €m**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI[1] €m**	**Total €m**
Personal										
Residential mortgages	40,016	2,528	2,196	2	44,742	74	31	374	-	479
Other consumer	4,961	165	145	-	5,271	129	27	80	-	236
- Motor lending UK	*1,798*	*71*	*31*	*-*	*1,900*	*10*	*5*	*13*	*-*	*28*
- Loans UK	*1,295*	*43*	*42*	*-*	*1,380*	*90*	*17*	*32*	*-*	*139*
- Motor lending RoI	*751*	*-*	*22*	*-*	*773*	*8*	*-*	*8*	*-*	*16*
- Loans RoI	*678*	*42*	*33*	*-*	*753*	*18*	*4*	*17*	*-*	*39*
- Credit cards - RoI	*439*	*9*	*17*	*-*	*465*	*3*	*1*	*10*	*-*	*14*
	44,977	**2,693**	**2,341**	**2**	**50,013**	**203**	**58**	**454**	**-**	**715**
Property and construction	**2,639**	**4,869**	**1,021**	**62**	**8,591**	**9**	**126**	**442**	**19**	**596**
- Investment	*2,357*	*4,227*	*987*	*62*	*7,633*	*7*	*103*	*427*	*19*	*556*
- Development	*282*	*642*	*34*	*-*	*958*	*2*	*23*	*15*	*-*	*40*
Non-property SME & corporate[2,3]	**10,637**	**8,181**	**1,014**	**26**	**19,858**	**134**	**368**	**416**	**13**	**931**
- Manufacturing	*2,076*	*1,742*	*82*	*-*	*3,900*	*19*	*75*	*36*	*-*	*130*
- Administrative and support service activities	*1,388*	*926*	*96*	*26*	*2,436*	*25*	*39*	*55*	*13*	*132*
- Wholesale and retail trade	*1,520*	*688*	*141*	*-*	*2,349*	*19*	*31*	*77*	*-*	*127*
- Accommodation and food service activities	*236*	*1,354*	*131*	*-*	*1,721*	*5*	*46*	*40*	*-*	*91*
- Agriculture, forestry and fishing	*1,187*	*352*	*132*	*-*	*1,671*	*16*	*16*	*35*	*-*	*67*
- Human health services and social work activities	*727*	*760*	*33*	*-*	*1,520*	*10*	*55*	*10*	*-*	*75*
- Transport and storage	*436*	*489*	*69*	*-*	*994*	*4*	*23*	*42*	*-*	*69*
- Other services	*431*	*370*	*119*	*-*	*920*	*3*	*15*	*48*	*-*	*66*
- Professional, scientific and technical activities	*475*	*216*	*15*	*-*	*706*	*7*	*9*	*5*	*-*	*21*
- Financial and insurance activities	*588*	*85*	*23*	*-*	*696*	*4*	*5*	*7*	*-*	*16*
- Real estate activities	*308*	*190*	*89*	*-*	*587*	*12*	*10*	*35*	*-*	*57*
- Arts, entertainment and recreation	*78*	*389*	*62*	*-*	*529*	*1*	*20*	*17*	*-*	*38*
- Education	*311*	*99*	*1*	*-*	*411*	*2*	*6*	*1*	*-*	*9*
- Other sectors	*876*	*521*	*21*	*-*	*1,418*	*7*	*18*	*8*	*-*	*33*
Total	**58,253**	**15,743**	**4,376**	**90**	**78,462**	**346**	**552**	**1,312**	**32**	**2,242**

[1] *Purchased or originated credit-impaired (POCI).*

[2] *The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities.*

[3] *Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.*

19 Credit risk exposures *(continued)*

Asset quality - other financial assets

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

Debt instruments at FVOCI Asset quality	30 June 2021						31 December 2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	10,483	93%	-	-	10,483	93%	10,265	94%	-	-	10,265	94%
5-7	809	7%	-	-	809	7%	677	6%	-	-	677	6%
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**11,292**	**100%**	**-**	**-**	**11,292**	**100%**	**10,942**	**100%**	**-**	**-**	**10,942**	**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 2021						31 December 2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	6,244	100%	19	100%	6,263	100%	6,258	100%	1	9%	6,259	100%
5-7	-	-	-	-	-	-	-	-	1	9%	1	-
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	9	82%	9	-
Total	**6,244**	**100%**	**19**	**100%**	**6,263**	**100%**	**6,258**	**100%**	**11**	**100%**	**6,269**	**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 2021						31 December 2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,462	99%	-	-	2,462	99%	2,162	97%	-	-	2,162	97%
5-7	2	-	-	-	2	-	7	-	-	-	7	-
8-9	18	1%	1	100%	19	1%	58	3%	-	-	58	3%
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,482**	**100%**	**1**	**100%**	**2,483**	**100%**	**2,227**	**100%**	**-**	**-**	**2,227**	**100%**

19 Credit risk exposures *(continued)*

Asset quality: Other financial instruments

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

Other financial instruments with ratings equivalent to:	30 June 2021		31 December 2020	
	€m	%	€m	%
AAA to AA-	5,211	53%	4,984	50%
A+ to A-	2,212	23%	2,677	26%
BBB+ to BBB-	1,805	18%	1,841	18%
BB+ to BB-	161	2%	193	2%
B+ to B-	402	4%	441	4%
Lower than B-	18	-	7	-
Total	**9,809**	**100%**	**10,143**	**100%**

20 Modified financial assets

	30 June 2021 €m	31 December 2020 €m
Financial assets modified during the period		
Amortised cost before modification	1,008	1,157
Net modification gains / losses (net of impairment losses impact)	(1)	7
Financial assets modified since initial recognition		
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month expected credit losses during the period	580	309

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

This table excludes loans subject to COVID-19 payment breaks. COVID-19 payment breaks are disclosed separately in the Supplementary asset quality section on page 130, and include €193 million (31 December 2020: €902 million) of assets which were granted a COVID-19 payment break, while they had an impairment loss allowance measured at an amount equal to lifetime ECL.

21 Intangible assets and goodwill

	30 June 2021					31 December 2020				
	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**	**2,219**	**180**	**2,504**	**36**	**72**	**2,003**	**211**	**2,322**
Additions	-	-	120	-	120	-	-	229	-	229
Disposals / write-offs	-	-	-	-	-	-	-	-	(24)	(24)
Exchange Adjustments	1	1	12	6	20	(2)	(1)	(13)	(7)	(23)
At end of period	**35**	**72**	**2,351**	**186**	**2,644**	**34**	**71**	**2,219**	**180**	**2,504**
Amortisation and impairment										
At 1 January	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**	**-**	**(72)**	**(1,243)**	**(169)**	**(1,484)**
Disposals / write-offs	-	-	-	-	-	-	-	-	24	24
Impairment	-	-	-	-	-	(9)	-	(139)	-	(148)
Amortisation charge for the period	-	-	(70)	(7)	(77)	-	-	(150)	(14)	(164)
Exchange adjustments	-	(1)	(10)	(6)	(17)	-	1	10	8	19
At end of period	**(9)**	**(72)**	**(1,602)**	**(164)**	**(1,847)**	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**
Net book value	**26**	**-**	**749**	**22**	**797**	**25**	**-**	**697**	**29**	**751**

Impairment review – Goodwill
At 30 June 2021, goodwill on the Group's balance sheet is €26 million and relates solely to the acquisition of MLL, a car commercial leasing and fleet management company in the UK.

As set out in note 32 of the Group's Annual Report for the year ended 31 December 2020, goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

During 2020, the impact of COVID-19 was an indicator that the goodwill related to MLL may have been impaired. At 30 June 2020, following an impairment assessment it was concluded that an impairment charge of €9 million was required. Following the annual impairment assessment at 31 December 2020, management concluded that no additional impairment was required. In H121, no indicators of impairment have been identified to warrant a further impairment assessment.

Computer software internally generated
The category 'computer software internally generated' includes the Transformation Investment asset with a carrying value of €333 million (2020: €295 million). This asset reflects investment in technical infrastructure, applications and software licences. The increase in the carrying value of this asset primarily reflects the continued investment in the Transformation programme during H121. €248 million (2020: €216 million) of the Transformation Investment asset is an amortising asset, with amortisation periods normally ranging from five to ten years and with the majority being amortised over a period of ten years. At 30 June 2021, the remaining amortisation period for these assets ranges between 1 and 10 years. The remaining €85 million (2020: €79 million) represents assets under construction on which amortisation will commence once the assets are available for use.

Impairment review - computer software internally generated
During H121, the Group reviewed its internally generated computer software for any indicators of impairment and concluded that no impairment is required (31 December 2020: €139 million).

Impairment review – other externally purchased intangible assets
Other externally purchased intangible assets have been reviewed for any indication that impairment may have occurred and concluded that no impairment is required (31 December 2020: €nil).

22 Deferred tax

The deferred tax asset (DTA) of €1,132 million (31 December 2020: €1,165 million) includes an amount of €1,152 million (31 December 2020: €1,157 million) in respect of operating losses which are available to shelter future profits from tax, of which €1,120 million relates to Irish tax losses carried forward by The Governor and Company of the Bank of Ireland (the 'Bank'), €27 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the Bank, and €5 million relates to US tax losses carried forward by the US branch of the Bank.

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

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

Positive factors which have been considered include:
- with the exception of 2020 and the years of the financial crisis, the Group has a sustained history of Irish operating profits and a large market share and it is considered likely that the Group's Irish activities will be profitable into the future;
- the absence of any expiry dates for Irish and UK tax losses; and
- external forecasts for Ireland and the UK which indicate a return to growth and improved employment levels in 2021.

The Group also considered negative evidence and the inherent uncertainties in any long term financial assumptions and projections, including:
- the absolute level of DTAs compared to the Group's equity;
- the quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised;
- the challenge of projecting over a long period, taking account of the level of competition and a lower-for longer interest rate environment; and
- accelerated transformation of banking business models.

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

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

Based on the Group's projections, the DTA in respect of tax losses is estimated to be recovered in full by the end of 2039 (31 December 2020: 2039).

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

Notwithstanding the absence of any expiry date for trading losses in the UK, but acknowledging that profits forecasts become increasingly uncertain as the forecast period extends into the future, the Group has determined that, at 30 June 2021, the recognition of DTAs in respect of tax losses of Bank of Ireland (UK) plc and the UK branch of the Bank will continue to be limited by reference to the amount of losses that are expected to be utilised within a 10 year period of projected profits. This 10 year timescale is supported by forecast taxable profits and takes into account the Group's long-term financial and strategic plans and reflects the period over which the Group believes it can conclude that it is probable that future UK taxable profits will be available.

The DTA relating to trading losses of Bank of Ireland (UK) plc has been reassessed and increased by €8 million in H121 (31 December 2020: reduction of €21 million), excluding the impact of the increase in the standard rate of UK Corporation Tax outlined below.

The UK Finance Bill, which was granted Royal Assent and enacted during H121, increases the standard rate of UK Corporation Tax from 19% to 25% on 1 April 2023. This increase was enacted by the end of the period and the effect has been to increase the DTA at 30 June 2021 by €14 million.

23 Deposits from banks

Deposits from banks include cash collateral of €0.1 billion at 30 June 2021 (31 December 2020: €0.2 billion) received from derivative counterparties in relation to net derivative asset positions.

	30 June 2021 €m	31 December 2020 €m
Monetary Authority secured funding	12,854	1,928
Other deposits from banks	364	460
Deposits from banks	**13,218**	**2,388**

	30 June 2021					31 December 2020				
Monetary Authority secured funding	TLTRO III €m	TFSME €m	TFS €m	ILTR €m	Total €m	TLTRO €m	TFSME €m	TFS €m	ILTR €m	Total €m
Deposits from banks	9,850	2,680	324	-	12,854	-	1,446	476	6	1,928
Debt Securities in issue (note 25)	900	-	-	-	900	-	-	-	-	-
Total	**10,750**	**2,680**	**324**	**-**	**13,754**	-	**1,446**	**476**	**6**	**1,928**

In March 2021, the Group secured funding from the ECB under TLTRO lll. The earliest the Group can repay these drawings is March 2022, in line with the terms and conditions of the TLTRO lll facility.

Negative interest on the TLTRO lll is recognised in interest income. The rate of interest on the TLTRO lll may vary depending on the achievement of certain lending targets (note 4).

Drawings under the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) from the Bank of England (BoE) will be repaid in April 2025.

Drawings under the Term Funding Scheme (TFS) from the BoE will be repaid by February 2022.

Drawings under the Indexed Long Term Repo (ILTR) funding from the BoE were repaid in early February 2021.

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

24 Customer accounts

The carrying amount of the customer accounts designated at FVTPL at 30 June 2021 was €494 million, €4 million higher than the contractual amount due at maturity of €490 million (31 December 2020: the carrying amount was €703 million, €2 million higher than the contractual amount due at maturity of €701 million).

At 30 June 2021, the Group's largest 20 customer deposits amounted to 4% (31 December 2020: 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 €nil (31 December 2020: €118 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

	30 June 2021 €m	31 December 2020 €m
Current accounts	48,150	45,240
Demand deposits	28,346	27,169
Term deposits and other products	13,614	15,525
Customer accounts at amortised cost	**90,110**	**87,934**
Term deposits at FVTPL	494	703
Total customer accounts	**90,604**	**88,637**

Movement in own credit risk on deposits at FVTPL	30 June 2021 €m	31 December 2020 €m
Balance at 1 January	(2)	-
Recognised in OCI	5	(2)
Balance at end of the period	**3**	**(2)**

25 Debt securities in issue

The carrying amount of the debt securities in issue designated at FVTPL at 30 June 2021 was €311 million, €30 million higher than the contractual amount due at maturity of €281 million (31 December 2020: the carrying amount was €348 million, €36 million higher than the contractual amount due at maturity of €312 million).

	30 June 2021 €m	31 December 2020 €m
Bonds and medium term notes	5,389	5,344
Monetary Authorities secured funding (note 23)	900	-
Other debt securities in issue	662	675
Debt securities in issue at amortised cost	**6,951**	**6,019**
Debt securities in issue at FVTPL	311	348
Total debt securities in issue	**7,262**	**6,367**

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

	30 June 2021 €m	31 December 2020 €m
Balance at 1 January	6,367	8,809
Issued during the period	1,709	84
Redemptions	(775)	(2,413)
Repurchases	(11)	-
Other movements[1]	(28)	(113)
Balance at end of the period	**7,262**	**6,367**

Movement in own credit risk on debt securities in issue at FVTPL	30 June 2021 €m	31 December 2020 €m
Balance at 1 January	3	3
Recognised in OCI	1	-
Balance at end of the period	**4**	**3**

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

26 Provisions

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

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

At 30 June 2021 the restructuring provision amounted to €89 million (31 December 2020: €148 million). The decrease is mainly attributed to the net utilisation of €60 million provision in relation to the Voluntary Redundancy Programme.

At 30 June 2021, the Group held a provision of €72 million (31 December 2020: €74 million) in respect of the ongoing industry wide Tracker Mortgage Examination. The provision represents the Group's best estimate of the redress and compensation to be paid to impacted customers and the costs to be incurred by the Group in connection with the examination.

For H121, the Group has set aside a further €4 million provision to cover the additional redress and compensation costs for a small number of additional customers, operational costs associated with the length and nature of the review and estimated costs of closing out the Tracker Mortgage Examination review. Since 31 December 2020, €6 million of the provision has been utilised covering redress, compensation and related cost.

	30 June 2021 €m	31 December 2020 €m
Balance at 1 January	268	143
Exchange adjustment	2	(2)
Charge to income statement	41	256
Utilised during the period	(83)	(121)
Unused amounts reversed during the period	(4)	(8)
Balance at end of the period	**224**	**268**

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

For additional information and details on the key judgement items within the provisions, see notes 2 and 44 of the Group's Annual Report for the year ended 31 December 2020.

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 €83 million (31 December 2020: €99 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 28.

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.

	30 June 2021 €m	31 December 2020 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	489	468
Acceptances and endorsements	6	4
Other contingent liabilities	228	244
	723	**716**
Loan commitments		
Documentary credits and short-term trade related transactions	36	48
Undrawn formal standby facilities, credit lines and other commitments to lend:	15,398	15,381
- revocable or irrevocable with original maturity of 1 year or less	*8,437*	*10,048*
- irrevocable with original maturity of over 1 year	*6,961*	*5,333*
	15,434	**15,429**

28 Loss allowance provision on loan commitments and financial guarantees

	30 June 2021		31 December 2020	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 27)	15,434	79	15,429	94
Guarantees and irrevocable letters of credit (note 27)	489	4	468	5
	15,923	**83**	**15,897**	**99**

The loss allowance on loan commitments is presented as a provision in the balance sheet 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 2021, the Group held an impairment loss allowance of €83 million (31 December 2020: €99 million) on loan commitments and financial guarantees, of which €29 million (31 December 2020: €36 million) are classified as Stage 1, €52 million (31 December 2020: €62 million) as Stage 2 and €2 million (31 December 2020: €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.

At 30 June 2021, credit-impaired loan commitments are €109 million (31 December 2020: €94 million) while credit-impaired guarantees and irrevocable letters of credit are €13 million (31 December 2020: €17 million).

30 June 2021	Loan commitments						Guarantees and irrevocable letters of credit					
Loan commitments and financial guarantees - Contract amount[1]	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,938	38%	206	10%	5,144	34%	107	30%	1	1%	108	23%
5-7	5,312	40%	1,122	53%	6,434	42%	186	52%	65	54%	251	53%
8-9	2,803	21%	409	20%	3,212	21%	62	18%	34	28%	96	20%
10-11	173	1%	362	17%	535	3%	-	-	21	17%	21	4%
Total	**13,226**	**100%**	**2,099**	**100%**	**15,325**	**100%**	**355**	**100%**	**121**	**100%**	**476**	**100%**

31 December 2020	Loan commitments						Guarantees and irrevocable letters of credit					
Loan commitments and financial guarantees - Contract amount[1]	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,147	33%	48	2%	4,195	27%	97	32%	-	-	97	21%
5-7	5,378	42%	1,495	56%	6,873	45%	151	50%	53	35%	204	45%
8-9	3,005	24%	562	21%	3,567	23%	42	14%	56	38%	98	22%
10-11	147	1%	553	21%	700	5%	12	4%	40	27%	52	12%
Total	**12,677**	**100%**	**2,658**	**100%**	**15,335**	**100%**	**302**	**100%**	**149**	**100%**	**451**	**100%**

[1] *Excludes the contractual amounts of both loan commitments and financial guarantees classified as Stage 3.*

29 Retirement benefit obligations

The net IAS 19 pension surplus at 30 June 2021 was €209 million (31 December 2020: net deficit €126 million). This is shown on the balance sheet as a retirement benefit asset of €391 million (31 December 2020: €162 million) and a retirement benefit obligation of €182 million (31 December 2020: €288 million).

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

Financial assumptions	30 June 2021 % p.a.	31 December 2020 % p.a.
Irish schemes		
Discount rate	1.25	0.80
Inflation rate	1.45	1.15
UK schemes		
Discount rate	2.00	1.55
Consumer Price Inflation	2.60	2.30
Retail Price Inflation	3.20	2.90

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	Increase / (decrease) 30 June 2021 €m	Increase / (decrease) 31 December 2020 €m
RoI schemes		
Discount rate		
- Increase of 0.25%	(345)	(371)
- Decrease of 0.25%	370	399
Inflation rate		
- Increase of 0.10%	92	99
- Decrease of 0.10%	(90)	(97)
UK schemes		
Discount rate		
- Increase of 0.25%	(81)	(85)
- Decrease of 0.25%	89	91
RPI inflation		
- Increase of 0.10%	21	22
- Decrease of 0.10%	(21)	(22)

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	Increase / (decrease) 30 June 2021 €m	Increase / (decrease) 31 December 2020 €m
Sensitivity of plan assets to movements in global equity markets with allowance for other correlated diversified asset classes		
- Increase of 5.00%	132	121
- Decrease of 5.00%	(132)	(121)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
- Increase of 0.25%	(339)	(380)
- Decrease of 0.25%	355	402
Sensitivity of liability-matching assets to a 10bps movement in inflation rates		
- Increase of 0.10%	91	99
- Decrease of 0.10%	(89)	(97)

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

	6 months ended 30 June 2021 €m	6 months ended 30 June 2020 €m
Present value of obligation gain	332	481
Fair value of plan assets gain	6	181
Total gain	**338**	**662**

30 Subordinated liabilities

The principal terms and conditions of all subordinated liabilities, with the exception of €500 million Tier 2 capital issued in May 2021, are set out in note 48 of the Group's Annual Report for the year ended 31 December 2020.

	30 June 2021 €m	31 December 2020 €m
€500 million 1.375% Fixed Rate Reset Callable Subordinated Notes 2031	498	-
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	428	418
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	351	337
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes 2029	299	299
€250 million 10% Fixed Rate Subordinated Notes 2022	257	260
Undated loan capital	126	120
Total subordinated liabilities	**1,959**	**1,434**

On 11 May 2021, the Group issued a €500 million 10.25 year (callable at any time between 11 May 2026 and 11 August 2026) 'Green' Tier 2 capital instrument. The bond carries a coupon of 1.375%.

This instrument is loss absorbing at the point of non-viability under the EU (Bank Recovery and Resolution) Regulations 2015, as amended and Noteholders acknowledge that the notes may be subject to the exercise of Irish statutory loss absorption powers by the relevant resolution authority. Redemption in whole but not in part is at the option of the Group upon (i) regulatory reasons (capital event), or (ii) tax reasons (additional amounts payable on the notes). Any redemption before the maturity date is subject to such approval by the Competent Authority, namely ECB or SRB as may be required by the CRR and / or such other laws and regulations which are applicable to the Group.

31 Cash and cash equivalents

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

Cash and cash equivalents comprise cash in hand and balances with central banks and banks which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

The Group is required to hold an average balance with the Central Bank over the published ECB reserve maintenance (six weeks) periods in order to meet its minimum reserve requirement, which at 30 June 2021 was €774 million (31 December 2020: €749 million).

The Group's cash and cash equivalents at 30 June 2021 increased by €14.4 billion since 31 December 2020 primarily due to the Group drawing down €10.8 billion of TLTRO III borrowing in March 2021 (note 23).

There has been no significant change in the impairment loss allowance on cash and balances at central banks during the year. The composition of cash and balances at central banks by stage is included in other financial assets set out in note 19 on page 81.

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

	30 June 2021 €m	31 December 2020 €m
Cash and balances at central banks	25,079	10,957
Less impairment loss allowance on cash and balances at central banks	(9)	(4)
Cash and balances at central banks net of impairment loss allowance	**25,070**	**10,953**
Loans and advances to banks (with an original maturity of less than 3 months)	2,638	2,312
Cash and cash equivalents at amortised cost	**27,708**	**13,265**

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

	30 June 2021 €m	31 December 2020 €m
Republic of Ireland (Central Bank of Ireland)	21,797	7,918
United Kingdom (Bank of England)	2,884	2,463
United States (Federal Reserve)	9	101
Other (cash holdings)	380	471
Total	**25,070**	**10,953**

32 Summary of relations with the State

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

Further details of the Group's relations with the State are set out in note 55 of the Group's Annual Report for the year ended 31 December 2020.

While there have been no material transactions involving ordinary shares held by the State during H121, a statement from the Minister for Finance in June 2021 announced the appointment of a financial advisor to effect a measured and orderly sell down of shares in the Group on behalf of the Minister.

There have been no changes with respect to guarantee schemes or the Irish bank levy during H121.

Through its participation in the Strategic Banking Corporation of Ireland's (SBCI) Support Loan Schemes (the 'Schemes') the Group benefits from an 80% Government guarantee related to amounts advanced under the Schemes. To date c.€437 million has been advanced under the Schemes (31 December 2020: c.€300 million).

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 2021 and 31 December 2020 in respect of these transactions, which are considered individually significant (either quantitatively or qualitatively), are set out in the following table.

32 Summary of relations with the State *(continued)*

	30 June 2021 €m	31 December 2020 €m
Assets		
Unguaranteed senior bonds issued by AIB	97	151
Bonds issued by the State	7,974	7,880
Derivative financial assets	54	27
Liabilities		
Customer Accounts		
State (including agencies & entities under its control or joint control)	590	726

33 Liquidity risk and profile

The following tables summarise the maturity profile of the Group's non-derivative financial liabilities (excluding those arising from insurance and investment contracts in the Wealth and Insurance division) at 30 June 2021 and 31 December 2020, 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 €6,325 million and €14,314 million respectively (31 December 2020: €5,892 million and €13,479 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

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

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

30 June 2021 Group's Non Derivative financial liabilities Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	112	252	-	-	-	364
Monetary Authorities secured funding	-	117	210	13,263	-	13,590
Customer accounts	81,256	5,118	2,845	1,069	172	90,460
Debt securities in issue	-	37	1,255	3,653	1,800	6,745
Subordinated liabilities	-	21	51	486	1,833	2,391
Lease liabilities	-	15	45	218	324	602
Contingent liabilities	410	42	69	193	9	723
Commitments	14,678	46	654	56	-	15,434
Short positions in trading securities	-	20	-	-	-	20
Total	**96,456**	**5,668**	**5,129**	**18,938**	**4,138**	**130,329**

31 December 2020 Group's Non Derivative financial liabilities Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	97	363	-	-	-	460
Monetary Authorities secured funding	-	117	280	1,550	-	1,947
Customer accounts	77,555	6,049	3,224	1,432	52	88,312
Debt securities in issue	-	776	104	4,831	1,017	6,728
Subordinated liabilities	-	8	61	451	1,253	1,773
Lease liabilities	-	15	43	213	347	618
Contingent liabilities	454	12	62	169	19	716
Commitments	14,403	25	956	45	-	15,429
Short positions in trading securities	-	-	-	-	-	-
Total	**92,509**	**7,365**	**4,730**	**8,691**	**2,688**	**115,983**

34 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 321 to 323 of the Group's Annual Report for the year ended 31 December 2020. At 30 June 2021, there have been no significant changes to those methods, assumptions, processes or the Group's policy for assessing transfers between the different levels of the fair value hierarchy.

Sensitivity of level 3 valuations

Derivative financial instruments

Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit spread grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives as at 30 June 2021 is immaterial. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

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

Other financial assets at FVTPL

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

Loans and advances to customers held at fair value

These consist of assets mandatorily measured at FVTPL, of which €235 million are 'Life loan mortgage products'. Unlike a standard mortgage product, borrowers do not make any periodic repayments and the outstanding loan balance increases through the life of the loan as interest due is capitalised. The mortgage is typically repaid out of the proceeds of the sale of the property. These assets are valued using DCF models which incorporate unobservable inputs (level 3) inputs such as discount on market rates and collateral charges. Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. €125 million of loans and advances to customers held at fair value relate to syndicated corporate facilities. These assets are valued by applying a discount based on a secondary market loan index and the Group's ECL models (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Interest in associates

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

Customer accounts

Customer accounts designated at FVTPL consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The Group incorporates the effect of changes in its own credit spreads when valuing these instruments. The Group sources own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads are not available. Where the impact of unobservable inputs is material to the valuation of a customer account, that account is categorised as level 3 on the fair value hierarchy. A small number of customer accounts are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to those unobservable inputs.

Fair value on offsetting positions

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

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

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

	30 June 2021				31 December 2020			
	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	52	-	-	52	-	-	-	-
Derivative financial instruments	5	1,607	19	1,631	-	2,210	7	2,217
Other financial assets at FVTPL	18,044	328	308	18,680	16,757	483	152	17,392
Loans and advances to banks at FVTPL	-	320	-	320	-	227	-	227
Financial assets at FVOCI	11,292	-	-	11,292	10,942	-	-	10,942
Loans and advances to customers at FVTPL	-	-	360	360	-	-	361	361
Interest in associates	-	-	50	50	-	-	54	54
	29,393	**2,255**	**737**	**32,385**	**27,699**	**2,920**	**574**	**31,193**
Financial liabilities held at fair value								
Customer accounts	-	494	-	494	-	698	5	703
Derivative financial instruments	3	2,063	13	2,079	-	2,249	8	2,257
Debt securities in issue	-	311	-	311	-	348	-	348
Liabilities to customers under investment contracts	-	6,325	-	6,325	-	5,892	-	5,892
Insurance contracts liabilities	-	14,314	-	14,314	-	13,479	-	13,479
Short positions in trading securities	20	-	-	20	-	-	-	-
	23	**23,507**	**13**	**23,543**	**-**	**22,666**	**13**	**22,679**

Movements in level 3 financial assets **30 June 2021**	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 2021	**361**	**152**	**7**	**54**	**574**
Exchange adjustment	-	-	-	-	-
Total gains or losses in:					
Profit or loss					
- Interest income	9	-	-	-	9
- Net trading income / (expense)	1	12	4	-	17
- Life assurance investment income & gains	-	2	-	-	2
- Share of results of associates	-	-	-	7	7
Additions	182	-	-	5	187
Disposals	(180)	(5)	(1)	(16)	(202)
Redemptions	(13)	-	-	-	(13)
Transfers out of level 3					
- from level 3 to level 2	-	-	-	-	-
Transfers into level 3					
- from level 1 to level 3	-	75	-	-	75
- from level 2 to level 3	-	72	9	-	81
Closing balance 30 June 2021	**360**	**308**	**19**	**50**	**737**
Total unrealised gains / (losses) for the period included in profit or loss for level 3 financial assets at the end of the reporting period	7	5	3	1	16
- Net trading income / (expense)	*1*	*3*	*3*	*-*	*7*
- Life assurance investment income & gains	*-*	*2*	*-*	*-*	*2*
- Share of results of associates	*-*	*-*	*-*	*1*	*1*
- Interest Income	*6*	*-*	*-*	*-*	*6*

The transfer from level 1 and level 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and 2.

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

Movement in level 3 financial assets 31 December 2020	Loans and advances to customers €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Total €m
Opening balance 1 January 2020	**252**	**136**	**3**	**56**	**447**
Exchange adjustment	-	(1)	-	-	(1)
Total gains or losses in:					
Profit or loss					
- Interest income	18	-	-	-	18
- Net trading income / (expense)	(1)	(13)	9	-	(5)
- Share of results of associates	-	-	-	(3)	(3)
- Life assurance investment income & gains	-	2	-	-	2
Additions	224	7	-	5	236
Disposals	(108)	(23)	-	(4)	(135)
Redemptions	(24)	(2)	-	-	(26)
Transfers out of level 3					
- from level 3 to level 2	-	(33)	(9)	-	(42)
Transfers into level 3					
- from level 2 to level 3	-	79	4	-	83
Closing balance 31 December 2020	**361**	**152**	**7**	**54**	**574**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**10**	**(11)**	**3**	**(3)**	**(1)**
- Net trading income / (expense)	*-*	*(13)*	*3*	*-*	*(10)*
- Life assurance investment income and gains	*-*	*2*	*-*	*-*	*2*
- Share of results of associates	*-*	*-*	*-*	*(3)*	*(3)*
- Interest income	*10*	*-*	*-*	*-*	*10*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2020. The transfer from level 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and 2.

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

Movements in level 3 financial liabilities	30 June 2021				31 December 2020			
	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Total €m	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Total €m
Opening balance 1 January	**5**	**8**	**-**	**13**	**14**	**4**	**2**	**20**
Total gains or losses in:								
Profit or loss								
- Net trading (income) / expense	2	6	-	8	(2)	15	(1)	12
Additions	-	-	-	-	6	-	-	6
Disposals	-	-	-	-	-	(1)	-	(1)
Redemptions	-	-	-	-	-	-	(1)	(1)
Transfers out of level 3								
- from level 3 to level 2	(7)	(1)	-	(8)	(13)	(10)	-	(23)
Transfers into level 3								
- from level 2 to level 3	-	-	-	-	-	-	-	-
Closing balance	**-**	**13**	**-**	**13**	**5**	**8**	**-**	**13**
Total unrealised gains / (losses) for the period included in profit or loss for level 3 financial liabilities at the end of the reporting period								
Net trading (income) / expense	-	13	-	13	(2)	8	-	6

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.

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

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

Level 3 financial assets	Valuation technique	Unobservable input	Fair value 30 Jun 2021 €m	Fair value 31 Dec 2020 €m	Range 30 Jun 2021 %	Range 31 Dec 2020 %
Loans and advances to customers	Discounted cash flow	Discount on market rate[1]	235	239	2.75% - 4.50%	2.75% - 4.50%
		Collateral charges			1.00% - 5.30%	3.00% - 5.80%
	Par value less discount	Discount	125	122	0.0% - 3.3%	0.0% - 3.3%
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate[1]	308	152	15%	15%
	Equity Value less discount	Discount			0% - 50%	0% - 50%
	Market comparable property transactions[2]	Yields			2.85% - 7.24%	2.86% - 7.01%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[3]	19	7	0.0% - 1.8%	0.0% - 1.8%
Interest in associates[4]	Market comparable companies	Price of recent investment Earnings multiple[5] Revenue multiple[5]	50	54	-	-

Level 3 financial liabilities	Valuation technique	Unobservable input	Fair value 30 Jun 2021 €m	Fair value 31 Dec 2020 €m	Range 30 Jun 2021 %	Range 31 Dec 2020 %
Customer accounts	Discounted cash flow Option pricing model	Own credit spread[3]	-	5	-	0.6% - 0.7%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[3]	13	8	0%- 1.8%	0% - 1.8%

1 *The discount rate represents a range of discount rates that market participants would use in valuing these investments.*
2 *These assets represent holdings in real estate property funds.*
3 *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*
4 *Given the wide range of diverse investments and the correspondingly large differences in prices, the Group does not disclose the ranges as it believes it would not provide meaningful information without a full list of the underlying investments, which would be impractical.*
5 *The Group's multiples represent multiples that market participants would use in valuing these investments.*

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

The carrying amount and the fair value of the Group's financial assets and liabilities which are carried at amortised cost are set out in the table below.

	30 June 2021		31 December 2020	
Non-trading financial instruments	**Carrying amount €m**	**Fair values €m**	**Carrying amount €m**	**Fair values €m**
Assets				
Loans and advances to banks	2,482	2,482	2,226	2,226
Loans and advances to customers	76,856	74,729	76,220	74,050
Debt securities at amortised cost	6,260	6,315	6,266	6,348
Liabilities				
Customer accounts	90,110	90,140	87,934	87,983
Debt securities in issue	6,951	7,056	6,019	6,056
Subordinated liabilities	1,959	2,055	1,434	1,513
Deposits from banks	13,218	13,218	2,388	2,388

35 Interest rate benchmark reform

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

At 30 June 2021, GBP London Interbank Offered Rate (LIBOR), USD LIBOR, and Euro Overnight Index Average (EONIA) represented the most significant interbank offered rate benchmarks subject to reform to which the Group is exposed. In line with regulatory guidance and now established market practice it is generally expected that Sterling Overnight Index Average (SONIA) will replace GBP LIBOR, Secured Overnight Financing Rate (SOFR) will replace USD LIBOR and Euro Short term rate (€STR) will replace EONIA. The majority of the GBP LIBOR exposures held with small and medium sized enterprises however, are expected to transition to alternative market acceptable replacement benchmark rates such as the Bank of England base lending rate.

On 5 March 2021, the Financial Conduct Authority (FCA) formally announced the cessation timeline for all LIBOR settings subject to the BMR reform and as a result of that announcement the International Swaps and Derivative Association (ISDA) and Bloomberg confirmed that the spread adjustment published by Bloomberg was fixed on that date for all the LIBOR settings. The cessation date for Euro, GBP, Swiss Franc (CHF) and Japanese Yen (JPY) LIBOR is 31 December 2021 while the cessation date for USD LIBOR is 30 June 2023. The FCA announcement had no material impact on the Group during H121.

As Euro Interbank Offered Rate (EURIBOR) was reformed during 2019 and currently complies with the EU Benchmarks Regulation under a new hybrid methodology, the Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future. Therefore, the Group does not consider EURIBOR to be directly affected by the BMR reform as at 30 June 2021.

A formal Group wide Benchmark Reform Programme is progressing to plan so as to manage the orderly transition to new regulatory compliant benchmarks.

Transition progress

Transition plans have been developed for all impacted customers and products. These include alternative and replacement rate options with supporting customer outreach and communication plans. Systems and processes have been developed to support the transition with a focus on GBP products so as to complete in line with the regulatory expectations and prior to the GBP LIBOR cessation at end of 2021.

Since 1 April 2021, the Group ceased originating or issuing products using GBP LIBOR consistent with guidance from the UK Working Group on Sterling Risk-Free Reference Rates. Subject to sufficient liquidity, the Group expects to cease originating or issuing new USD LIBOR products by the end of 2021.

Nature and extent of risks to which the Group is exposed as a result of the transition

The BMR reform exposes the Group to various risks, which are being managed through the Benchmark Reform Programme.

The material risks identified include:

- **Conduct and litigation risk:** This is the risk that unfavourable customer outcomes are brought about as a direct result of inappropriate or negligent conduct on the part of the Group, in connection with the BMR transition.
- **Operational risk:** The Benchmark Programme encompasses a number of business products and functions. There are a number of implementation challenges arising from transition due to the nature of the alternative BMRs, including technology, operations, client communication, giving rise to additional operational risks.
- **Financial risk:** There is a risk to the Group and its clients that markets are disrupted due to the BMR reform. This could give rise to financial losses should the Group be unable to operate effectively in financial markets.

35 Interest rate benchmark reform *(continued)*

- **Income statement volatility risk:** There is a risk that if contracts subject to reform are transitioned at different times, to different benchmarks or using differing conventions, it could cause valuation differences and increase hedge accounting ineffectiveness, resulting in volatility to the income statement.
- **Basis market risk:** Emergence of new basis risk exposures during the transition, lack of direct equivalent liquid instruments to hedge or fund alternative benchmark rates, different conventions across financial instruments or transition timing mismatches could increase basis risk.

The risks identified above are not expected to result in material changes to the Group's risk management strategy. The key mitigating considerations include:
- a formal Group wide Benchmark Reform Programme is progressing to plan so as to manage the orderly transition to new regulatory compliant benchmarks;
- the Group Asset and Liability Committee (ALCO) provides oversight to the programme, and updates are provided to the Regulatory bodies (the Joint Supervisory Team and that Prudential Regulation Authority);
- the Group will adhere to the ISDA 2020 Interbank offered rate fallback protocol, where applicable, to support the smooth transition of derivative products; and
- transition plans have been developed for all impacted customers and products, and these plans have been subject to review and approval through the Group's Risk Management Framework.

The table below shows the principal values of the Group's non-derivative exposures that are subject to the BMR Reform as at 30 June 2021, with contractual maturities after 30 June 2023 for USD LIBOR and 31 December 2021 for all other exposures:

	GBP LIBOR €m	USD LIBOR €m	Other[1] €m	Total €m
Non-derivative financial assets				
Other financial assets at FVTPL	47	-	-	47
Debt securities at amortised cost	9	3	-	12
Loans and advances to customers	4,790	2,807	23	7,620
Total non-derivative financial assets	**4,846**	**2,810**	**23**	**7,679**
Non-derivative financial liabilities				
Debt securities in issue	-	225	-	225
Total non-derivative financial liabilities	**-**	**225**	**-**	**225**
Off balance sheet exposures				
Undrawn loan commitments[2]	2,109	631	14	2,754
Total off-balance sheet exposures	**2,109**	**631**	**14**	**2,754**

The Group has contracts subject to the BMR reform in respect of its cash collateral balances across some of its Credit Support Annex agreements that reference EONIA. These cash collateral balances have not been included in the above table due to the short dated nature of the balances.

The table below shows the notional amounts of the derivative exposures that are subject to the BMR Reform as at 30 June 2021, with contractual maturities after 30 June 2023 for USD LIBOR and 31 December 2021 for all other exposures:

	GBP LIBOR €m	USD LIBOR €m	EONIA €m	Total €m
Derivative financial assets				
Interest rate swaps	6,248	1,195	1,860	9,303
OTC Interest rate options	341	900	-	1,241
Total derivative financial assets	**6,589**	**2,095**	**1,860**	**10,544**
Derivative financial liabilities				
Interest rate swaps	6,296	655	1,796	8,747
Cross currency interest rate swaps	5	-	-	5
OTC Interest rate options	287	151	-	438
Total derivative financial liabilities	**6,588**	**806**	**1,796**	**9,190**

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

36 Impact of voluntary changes in interest income and expense accounting policy

As outlined in the Group accounting policies note 1, 'Voluntary change in accounting policy' on page 208 of the Group's Annual Report for the year ended 31 December 2020, the Group voluntarily changed its accounting policy during 2020 for the presentation of interest income and interest expense on certain financial instruments.

As further outlined in the Group accounting policies note 1, 'Voluntary change in accounting policy' on page 48, the Group voluntarily changed its accounting policy during 2021 for the presentation of interest income and interest expense on derivatives designated as hedging instruments.

The changes in accounting policy were accounted for retrospectively as required under IAS 8, and the comparative period has been restated to reflect this change. The effect of these changes on the current and prior period is explained in the table below.

Consolidated income statement (selected lines)[1]	6 months ended 30 June 2021 Before change in accounting policy in 2021 €m	Impact of change in accounting policy in 2021 €m	Total €m	6 months ended 30 June 2020 Published €m	Impact of change in accounting policy in 2020 €m	Impact of change in accounting policy in 2021 €m	Restatement of earnings per share[2] €m	June 2020 restated total €m
Interest income calculated using the effective interest method	1,070	81	1,151	1,138	-	65	-	1,203
Other interest income	198	-	198	89	105	-	-	194
Interest income	**1,268**	**81**	**1,349**	**1,227**	**105**	**65**	**-**	**1,397**
Interest expense	(188)	(81)	(269)	(149)	(121)	(65)	-	(335)
Net interest income	**1,080**	**-**	**1,080**	**1,078**	**(16)**	**-**	**-**	**1,062**
Net trading income / (expense)	61	-	61	(36)	16	-	-	(20)
Total operating income	**2,797**	**-**	**2,797**	**1,489**	**-**	**-**	**-**	**1,489**
Profit / (loss) before tax	**406**	**-**	**406**	**(822)**	-	**-**	**-**	**(822)**
Profit / (loss) for the period	**341**	**-**	**341**	**(725)**	-	**-**	**-**	**(725)**
Earnings per share[2]	28.2c	-	28.2c	(70.5c)	-	-	(1.0c)	(71.5c)
Diluted earnings per ordinary share[2]	28.2c	-	28.2c	(70.5c)	-	-	(1.0c)	(71.5c)

37 Post balance sheet events

The Group announced on 22 July 2021 that it had reached an agreement to acquire J&E Davy ('Davy'), Ireland's leading provider of wealth management and capital markets services, for an enterprise value of €440 million, subject to certain customary adjustments including capital at completion (the 'Enterprise Value'). 25% of the Enterprise Value will be paid two years after completion subject to Davy shareholders meeting a number of agreed criteria. The balance will be paid as cash consideration on completion, which is expected in 2022. In addition, further payments of up to €40 million will be payable from 2025, contingent on future business model performance.

Davy also announced on 22 July 2021 that it is selling Davy Global Fund Management (DGFM) and its shareholding in Rize ETF to separate third parties. As a result, Davy is expected to have a significant excess cash position at completion over and above that which is required to run the business. The Group will also pay for such excess cash, due to be finalised at completion, which will be largely comprised of the proceeds of these disposals, currently estimated to be c.€125 million.

Completion of the acquisition is conditional on the satisfaction of customary conditions including approval by the Central Bank of Ireland and the Competition and Consumer Protection Commission.

38 Approval of interim report

The Board of Directors approved the Interim Report on 2 August 2021.

[1] *The note only includes the selected lines which have been impacted by the change in accounting policy.*
[2] *As outlined in note 17, earnings per share and diluted earnings per share for H120 have been restated by increasing the loss per share by one cent from 70.5 cent per share to 71.5 cent per share.*

Other information

Supplementary asset quality and forbearance disclosures

The tables below (except for tables 3a on pages 122 and 114 and 3a-(i) on page 114 in Other information - Supplementary asset quality and forbearance disclosures on pages 131 to 133 form an integral part of the interim financial statements as described in the basis of preparation on page 48. All other information in Other information - Supplementary asset quality and forbearance disclosures is additional information and does not form part of the interim financial statements.

Retail Ireland mortgages

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

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

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

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

Unless otherwise indicated, excluded from the following tables are €0.2 billion of loans and advances to customers mandatorily held at FVTPL at 30 June 2021 (31 December 2020: €0.2 billion) which are not subject to impairment under IFRS 9 (note 18).

Book composition

Loan volumes

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

The following tables reflect the Retail Ireland mortgages at amortised cost at 30 June 2021 and 31 December 2020.

Table: 1a **Retail Ireland mortgages - Volumes (before impairment loss allowance) by interest rate type[1]**	**30 June 2021**		**31 December 2020**	
	€m	**%**	**€m**	**%**
Tracker	7,269	33%	7,911	34%
Variable rates	2,502	11%	2,856	12%
Fixed rates	12,580	56%	12,175	54%
Total Retail Ireland mortgages	**22,351**	**100%**	**22,942**	**100%**

[1] The above table excludes undrawn loan commitments relating to Retail Ireland mortgages of €1,193 million at 30 June 2021 (31 December 2020: €1,056 million) that are subject to impairment under IFRS 9.

Book composition *(continued)*

Loan volumes *(continued)*

Table: 1b **30 June 2021** **Retail Ireland mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Subtotal (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased or originated credit-impaired[2] €m**	**Total €m**
Owner occupied mortgages	16,750	2,828	19,578	787	2	20,367
Buy to let mortgages	1,253	359	1,612	372	-	1,984
Total Retail Ireland mortgages	**18,003**	**3,187**	**21,190**	**1,159**	**2**	**22,351**

Table: 1b **31 December 2020** **Retail Ireland mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Subtotal (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased or originated credit-impaired[2] €m**	**Total €m**
Owner occupied mortgages	17,943	1,732	19,675	1,026	2	20,703
Buy to let mortgages	1,609	148	1,757	482	-	2,239
Total Retail Ireland mortgages	**19,552**	**1,880**	**21,432**	**1,508**	**2**	**22,942**

At 30 June 2021, Retail Ireland mortgages were €22.4 billion (31 December 2020: €22.9 billion), a decrease of €0.5 billion or 2%, of which €0.3 billion relates to the securitisation of non-performing mortgages. There was a €0.6 billion decrease in the tracker portfolio, a €0.4 billion decrease in the variable rate portfolio and an increase of €0.4 billion in the fixed rate portfolio. This increase in the fixed rate portfolio reflects the strong take up of fixed interest rate mortgages by both existing and new customers. The movement in the book size reflects a combination of factors including new mortgage lending, principal repayments and resolution activity.

The proportion of the Retail Ireland mortgage portfolio on a 'full principal and interest'[3] repayment basis at 30 June 2021 was 98% (31 December 2020: 97%) with the balance of 2% on an 'interest only'[4] repayment basis (31 December 2020: 3%). Of the Owner occupied mortgages of €20.4 billion, 99% were on a 'full principal and interest' repayment basis (31 December 2020: 98%), while 93% of the buy to let (BTL) mortgages of €2.0 billion were on a 'full principal and interest' repayment basis (31 December 2020: 91%). It is the Group's policy to revert all loans to a 'full principal and interest' basis on expiry of the 'interest only' period.

[1] The above tables exclude undrawn loan commitments relating to Retail Ireland mortgages of €1,193 million at 30 June 2021 (31 December 2020: €1,056 million) that are subject to impairment under IFRS 9.

[2] At 30 June 2021, POCI loans included €2 million (31 December 2020: €2 million) of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date. These loans will remain classified as POCI loans until derecognition.

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

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

Book composition *(continued)*

Origination profile

Table: 2	30 June 2021				31 December 2020			
	Total Retail Ireland mortgage loan book		Non-performing exposures		Total Retail Ireland mortgage loan book		Non-performing exposures	
Origination[1] of Retail Ireland mortgage loan book (before impairment loss allowance)	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]
2000 and before	98	3,681	18	486	115	4,055	24	605
2001	88	2,611	11	174	103	3,270	14	281
2002	196	4,502	28	310	224	4,810	36	400
2003	411	6,966	50	512	464	7,488	65	712
2004	776	10,118	85	714	872	10,766	115	1,005
2005	1,361	13,769	169	1,013	1,512	14,683	219	1,442
2006	2,153	18,206	279	1,490	2,389	19,675	377	2,250
2007	1,930	15,621	231	1,239	2,151	16,699	320	1,862
2008	1,395	11,344	148	793	1,541	12,093	201	1,200
2009	748	6,717	47	346	822	7,107	60	488
2010	553	4,663	14	108	604	4,872	14	126
2011	496	4,270	8	58	540	4,486	8	64
2012	436	3,883	6	46	476	4,051	6	40
2013	407	3,454	4	33	445	3,589	4	29
2014	646	4,783	5	39	693	4,997	4	31
2015	904	7,998	10	124	974	8,457	10	139
2016	1,072	7,619	23	180	1,140	7,911	19	170
2017	1,515	8,136	9	66	1,622	8,498	6	49
2018	1,968	9,312	5	29	2,080	9,648	3	16
2019	2,050	9,423	7	30	2,122	9,601	3	18
2020	2,044	9,040	2	9	2,053	9,148	-	4
2021	1,104	4,262	-	1	-	-	-	-
Total	**22,351**	**170,378**	**1,159**	**7,800**	**22,942**	**175,904**	**1,508**	**10,931**

The table illustrates that at 30 June 2021, €2.9 billion or 13% of the Retail Ireland mortgage loan book originated before 2006, €5.5 billion or 25% between 2006 and 2008 and €13.9 billion or 62% in the years since 2008. At 30 June 2021, total non-performing exposures were €1.2 billion (31 December 2020: €1.5 billion) or 5% of the Retail Ireland mortgage loan book (31 December 2020: 7%), of which, €0.7 billion or 3% originated between 2006 and 2008. There has been a decrease in total NPEs in 2021 reflecting the securitisation of €0.3 billion of NPEs and effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis and mortgage resolution activity, supported by improving economic conditions.

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

Book composition *(continued)*

Arrears profile

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

Mortgage arrears Greater than 90 days past due	**June 2021 %**	**March 2021 %**	**December 2020 %**	**June 2020 %**
Number of accounts				
Retail Ireland[1] Owner occupied mortgages	1.8%	1.9%	1.9%	1.9%
Industry[2] Owner occupied (number of accounts)	n/a	6.1%	6.2%	6.6%
Retail Ireland[1] Buy to let mortgages	4.3%	4.2%	4.1%	3.9%
Industry[2] Buy to let (number of accounts)	n/a	15.1%	15.4%	16.0%
Value				
Retail Ireland[1] Owner occupied mortgages	2.3%	2.3%	2.3%	2.4%
Industr[2]y Owner occupied (value)	n/a	8.7%	8.9%	9.4%
Retail Ireland[1] Buy to let mortgages	11.5%	10.8%	10.4%	9.9%
Industry[2] Buy to let (value)	n/a	22.7%	23.0%	23.6%

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

Mortgage arrears 720 days past due	**June 2021 %**	**March 2021 %**	**December 2020 %**	**June 2020 %**
Number of accounts				
Retail Ireland[1] Owner occupied mortgages	1.0%	1.0%	1.0%	1.0%
Industry[2] Owner occupied (number of accounts)	n/a	4.0%	4.1%	4.3%
Retail Ireland[1] Buy to let mortgages	2.6%	2.4%	2.3%	2.2%
Industry[2] Buy to let (number of accounts)	n/a	11.6%	11.7%	12.2%
Value				
Retail Ireland[1] Owner occupied mortgages	1.5%	1.5%	1.5%	1.5%
Industr[2]y Owner occupied (value)	n/a	6.4%	6.5%	6.9%
Retail Ireland[1] Buy to let mortgages	8.2%	7.4%	7.1%	6.7%
Industry[2] Buy to let (value)	n/a	18.6%	18.5%	19.2%

The latest information published by the CBI is for the quarter ended 31 March 2021.

This information indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in arrears (greater than 90 days past due) consistently remains significantly below the industry average for both Owner occupied (31% of industry average) and BTL (28% of industry average) mortgages. At 31 March 2021, 1.9% and 4.2% of Bank of Ireland's Retail Ireland Owner occupied and BTL mortgages respectively (by number of accounts) were greater than '90 days past due' compared to 6.1%[2] and 15.1%[2] respectively for the industry.

This information also indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in arrears greater than 720 days past due consistently remains significantly below the industry average for both Owner occupied (25% of industry average) and BTL (21% of industry average) mortgages. At 31 March 2021, 1.0% and 2.4% of Bank of Ireland's Retail Ireland Owner occupied and BTL mortgages respectively (by number of accounts) were greater than 720 days past due compared to 4.0%[2] and 11.6%[2] respectively for the industry.

[1] *The tables above include €0.2 billion of loans mandatorily held at FVTPL at 30 June 2021 (31 December 2020: €0.2 billion) which are not subject to impairment under IFRS 9.*
[2] *Industry source: CBI Mortgage Arrears Statistics Report, March 2021 - adjusted to exclude Bank of Ireland.*

Book composition *(continued)*

Loan to value profiles - total loans

Table: 3b	Owner occupied			Buy to let			Total		
30 June 2021 **Loan to value ratio of total Retail Ireland mortgages[1]**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	7,550	198	7,748	939	46	985	8,489	244	8,733
51% to 70%	6,223	155	6,378	451	53	504	6,674	208	6,882
71% to 80%	3,038	73	3,111	73	18	91	3,111	91	3,202
81% to 90%	2,604	75	2,679	75	57	132	2,679	132	2,811
91% to 100%	110	51	161	20	20	40	130	71	201
Subtotal	**19,525**	**552**	**20,077**	**1,558**	**194**	**1,752**	**21,083**	**746**	**21,829**
101% to 120%	25	82	107	24	29	53	49	111	160
121% to 150%	17	51	68	9	32	41	26	83	109
Greater than 151%	11	102	113	21	117	138	32	219	251
Subtotal	**53**	**235**	**288**	**54**	**178**	**232**	**107**	**413**	**520**
Total	**19,578**	**787**	**20,365**	**1,612**	**372**	**1,984**	**21,190**	**1,159**	**22,349**
Retail Ireland mortgages weighted average LTV[2]									
Stock of Retail Ireland mortgages at period end			57%			62%			58%
New Retail Ireland mortgages during the period			75%			55%			74%

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

Property values are determined by reference to the property valuations held, indexed to the Central Statistics Office (CSO) Residential Property Price Index (RPPI). The indexed LTV profile of the Retail Ireland mortgage loan book contained in the table on the preceding page is based on the CSO RPPI at April 2021.

The CSO RPPI for April 2021 reported that average national residential property prices were 14.3% below peak (2020: 17.2% below peak), with Dublin residential prices and outside of Dublin residential prices 19.6% and 16.8% below peak respectively (2020: 22.3% and 19.6% below peak respectively). In the 4 months to April 2021, residential property prices at a national level Increased by 2.2%.

At 30 June 2021, €21.8 billion or 98% of Retail Ireland mortgages were classified as being in positive equity, 99% for owner occupied mortgages and 88% for BTL mortgages.

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

Book composition *(continued)*

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

Table: 3b	**Owner occupied**			**Buy to let**			**Total**		
31 December 2020 **Loan to value (LTV) ratio of total Retail Ireland mortgages[1]**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	7,165	231	7,396	916	55	971	8,081	286	8,367
51% to 70%	6,218	194	6,412	546	67	613	6,764	261	7,025
71% to 80%	2,993	96	3,089	97	32	129	3,090	128	3,218
81% to 90%	2,920	107	3,027	106	72	178	3,026	179	3,205
91% to 100%	307	78	385	24	31	55	331	109	440
Subtotal	**19,603**	**706**	**20,309**	**1,689**	**257**	**1,946**	**21,292**	**963**	**22,255**
101% to 120%	33	116	149	30	51	81	63	167	230
121% to 150%	21	78	99	15	39	54	36	117	153
Greater than 150%	18	126	144	23	135	158	41	261	302
Subtotal	**72**	**320**	**392**	**68**	**225**	**293**	**140**	**545**	**685**
Total	**19,675**	**1,026**	**20,701**	**1,757**	**482**	**2,239**	**21,432**	**1,508**	**22,940**
Retail Ireland mortgages weighted average LTV[2]									
Stock of Retail Ireland mortgages at period end			59%			66%			60%
New Retail Ireland mortgages during the period			75%			57%			75%

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

Book composition *(continued)*

Risk profile

The table below provides an analysis of the Retail Ireland mortgages at amortised cost by IFRS 9 twelve-month PD grade.

Table: 3c	30 June 2021						31 December 2020					
	Owner occupied		Buy to let		Total		Owner occupied		Buy to let		Total	
Risk profile of Retail Ireland mortgage loan book (before impairment loss allowance) - PD Grade[1]	Performing €m	Non-performing €m	Performing €m	Non-performing €m	Performing €m	Non-performing €m	Performing €m	Non-performing €m	Performing €m	Non-performing €m	Performing €m	Non-performing €m
Not credit-impaired												
Stage 1												
1-4	3,373	-	27	-	3,400	-	160	-	9	-	169	-
5-7	12,453	-	848	-	13,301	-	5,535	-	348	-	5,883	-
8-9	724	-	264	-	988	-	9,768	-	689	-	10,457	-
10-11	200	-	114	-	314	-	2,480	-	563	-	3,043	-
Total Stage 1	**16,750**	**-**	**1,253**	**-**	**18,003**	**-**	**17,943**	**-**	**1,609**	**-**	**19,552**	**-**
Stage 2												
1-4	87	-	1	-	88	-	-	-	-	-	-	-
5-7	1,905	-	97	-	2,002	-	88	-	1	-	89	-
8-9	401	-	78	-	479	-	812	-	7	-	819	-
10-11	435	-	183	-	618	-	832	-	140	-	972	-
Total Stage 2	**2,828**	**-**	**359**	**-**	**3,187**	**-**	**1,732**	**-**	**148**	**-**	**1,880**	**-**
Not credit-impaired (Stage 1 & Stage 2)												
1-4	3,460	-	28	-	3,488	-	160	-	9	-	169	-
5-7	14,358	-	945	-	15,303	-	5,623	-	349	-	5,972	-
8-9	1,125	-	342	-	1,467	-	10,580	-	696	-	11,276	-
10-11	635	-	297	-	932	-	3,312	-	703	-	4,015	-
Subtotal - not credit-impaired	**19,578**	**-**	**1,612**	**-**	**21,190**	**-**	**19,675**	**-**	**1,757**	**-**	**21,432**	**-**
Credit-impaired (Stage 3)												
12	-	787	-	372	-	1,159	-	1,026	-	482	-	1,508
Subtotal - credit-impaired	**-**	**787**	**-**	**372**	**-**	**1,159**	**-**	**1,026**	**-**	**482**	**-**	**1,508**
Total	**19,578**	**787**	**1,612**	**372**	**21,190**	**1,159**	**19,675**	**1,026**	**1,757**	**482**	**21,432**	**1,508**

[1] *Excluded from the above table are POCI loans of €2 million, €1 million of which were no longer credit-impaired at the reporting date. These loans will remain classified as POCI loans until derecognition.*

Asset quality

Composition and impairment

The table below summarises the composition of NPEs and impairment loss allowance for the Retail Ireland mortgage portfolio.

Table: 4 30 June 2021 Retail Ireland mortgages[1]	Advances (before impairment loss allowance) €m	Non-performing exposures €m	Non-performing exposures as % of advances %	Impairment loss allowance €m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Owner occupied mortgages	16,750	-	-	9	-	-
Buy to let mortgages	1,253	-	-	2	-	-
Total	**18,003**	**-**	**-**	**11**	**-**	**-**
Stage 2 not credit-impaired						
Owner occupied mortgages	2,828	-	-	69	-	2%
Buy to let mortgages	359	-	-	18	-	5%
Total	**3,187**	**-**	**-**	**87**	**-**	**3%**
Stage 3 credit-impaired						
Owner occupied mortgages	787	787	100%	176	22%	22%
Buy to let mortgages	372	372	100%	142	38%	38%
Total	**1,159**	**1,159**	**100%**	**318**	**27%**	**27%**
Total						
Owner occupied mortgages	20,365	787	4%	254	32%	1%
Buy to let mortgages	1,984	372	19%	162	44%	8%
Total	**22,349**	**1,159**	**5%**	**416**	**36%**	**2%**

Total NPEs at 30 June 2021 of €1.2 billion were €0.3 billion lower than at 31 December 2020 with Owner occupied NPEs decreasing from €1.0 billion at 31 December 2020 to €0.8 billion at 30 June 2021 and BTL NPEs decreasing to €0.4 billion (31 December 2020 €0.5 billion).

The reduction in NPEs reflects the recent securitisation of €0.3 billion of NPEs in addition to the effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis, mortgage resolution activity and improving economic conditions.

[1] *Excluded from the above table are POCI loans of €2 million, €1 million of which were no longer credit-impaired at the reporting date. These loans will remain classified as POCI loans until derecognition.'*

Asset quality *(continued)*

Composition and impairment *(continued)*

Table: 4 31 December 2020 Retail Ireland mortgages[1]	Advances (before impairment loss allowance) €m	Non-performing exposures €m	Non-performing exposures as % of advances %	Impairment loss allowance €m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Owner occupied mortgages	17,943	-	-	35	-	-
Buy to let mortgages	1,609	-	-	9	-	1%
Total	**19,552**	**-**	**-**	**44**	**-**	**-**
Stage 2 not credit-impaired						
Owner occupied mortgages	1,732	-	-	15	-	1%
Buy to let mortgages	148	-	-	5	-	3%
Total	**1,880**	**-**	**-**	**20**	**-**	**1%**
Stage 3 credit-impaired						
Owner occupied mortgages	1,026	1,026	100%	192	19%	19%
Buy to let mortgages	482	482	100%	137	28%	28%
Total	**1,508**	**1,508**	**100%**	**329**	**22%**	**22%**
Total						
Owner occupied mortgages	20,701	1,026	5%	242	24%	1%
Buy to let mortgages	2,239	482	22%	151	31%	7%
Total	**22,940**	**1,508**	**7%**	**393**	**26%**	**2%**

[1] *Excluded from the above table are POCI loans of €2 million, €1 million of which were no longer credit-impaired at the reporting date. These loans will remain classified as POCI loans until derecognition.*

Retail UK mortgages

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

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

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

Lending criteria for the Retail UK mortgage portfolio include:
- repayment capacity of the borrower;
- LTV limits;
- LTI limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

Loan volumes

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

Table: 1a Retail UK mortgages - Volumes (before impairment loss allowance) by interest rate type[1]	30 June 2021 £m	30 June 2021 %	31 December 2020 £m	31 December 2020 %
Tracker	4,844	26%	5,098	26%
Variable rates	2,010	11%	2,060	11%
Fixed rates	12,130	63%	12,441	63%
Total Retail UK mortgages	**18,984**	**100%**	**19,599**	**100%**

At 30 June 2021, Retail UK mortgages were £19.0 billion (31 December 2020: £19.6 billion). The decrease of £0.6 billion or 3.1% reflects new business generation offset by redemptions in the book.

New mortgage business continues to be sourced through the Group's relationship with the UK Post Office, through distribution arrangements with other selected strategic partners and the Group's branch network in NI.

Tracker mortgages were £4.8 billion or 26% of the Retail UK mortgages compared to £5.1 billion or 26% at 31 December 2020, a decrease of £0.3 billion. Variable rate mortgages were £2.0 billion or 11% of the Retail UK mortgages compared to £2.1 billion or 11% at 31 December 2020, a decrease of £0.1 billion.

Fixed rate mortgages were £12.1 billion or 63% of the Retail UK mortgages compared to £12.4 billion or 63% at 31 December 2020, a decrease of £0.3 billion.

[1] *The above table excludes loan commitments relating to Retail UK mortgages of £561 million at 30 June 2021 (31 December 2020: £860 million) that are subject to impairment.*

Book composition *(continued)*

Loan volumes *(continued)*

Table: 1b

30 June 2021 Retail UK mortgages - Volumes (before impairment loss allowance) by product type[1]	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Subtotal (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased or originated credit-impaired £m	Total £m
Standard mortgages	9,730	816	10,546	240	-	10,786
Buy to let mortgages	6,310	411	6,721	176	-	6,897
Self certified mortgages	890	175	1,065	236	-	1,301
Total Retail UK mortgages	**16,930**	**1,402**	**18,332**	**652**	**-**	**18,984**

Table: 1b

31 December 2020 Retail UK mortgages - Volumes (before impairment loss allowance) by product type[1]	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Subtotal (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased or originated credit-impaired £m	Total £m
Standard mortgages	10,511	270	10,781	226	-	11,007
Buy to let mortgages	6,775	251	7,026	170	-	7,196
Self certified mortgages	1,111	62	1,173	223	-	1,396
Total Retail UK mortgages	**18,397**	**583**	**18,980**	**619**	**-**	**19,599**

[1] *The above tables exclude loan commitments relating to Retail UK mortgages of £561 million at 30 June 2021 (31 December 2021: £860 million) that are subject to impairment.*

Book composition *(continued)*

Origination profile

Table: 2	30 June 2021				31 December 2020			
	Total Retail UK mortgage loan book		Non-performing exposures		Total Retail UK mortgage loan book		Non-performing exposures	
Origination[1] of Retail UK mortgage loan book (before impairment loss allowance)	Balance £m	Number of accounts[2]	Balance £m	Number of accounts[2]	Balance £m	Number of accounts[2]	Balance £m	Number of accounts[2]
2000 and before	66	2,170	10	215	75	2,438	9	211
2001	63	1,120	6	72	72	1,284	5	62
2002	86	1,386	4	51	95	1,496	5	53
2003	208	2,690	20	176	225	2,879	19	181
2004	254	3,115	25	219	269	3,290	24	222
2005	741	7,509	71	600	793	7,971	69	580
2006	1,108	10,762	103	814	1,178	11,473	92	737
2007	1,758	16,269	141	1,134	1,859	17,193	137	1,079
2008	2,442	21,834	183	1,358	2,573	22,999	179	1,331
2009	219	2,381	10	93	234	2,514	11	107
2010	148	1,536	5	44	165	1,673	5	37
2011	95	999	3	30	108	1,104	2	23
2012	94	927	2	19	107	1,023	2	17
2013	120	1,104	2	14	139	1,231	1	9
2014	252	2,252	7	35	296	2,551	6	34
2015	535	4,358	6	50	615	4,894	7	47
2016	739	5,723	8	57	903	6,791	7	45
2017	1,423	11,285	14	104	1,653	12,780	12	90
2018	1,759	14,207	13	103	1,994	15,776	12	90
2019	2,622	18,877	14	92	3,258	23,203	12	63
2020	2,932	17,033	4	34	2,988	17,230	3	26
2021	1,320	5,523	1	4	-	-	-	-
Total	**18,984**	**153,060**	**652**	**5,318**	**19,599**	**161,793**	**619**	**5,044**

The table above illustrates that at 30 June 2021, £1.4 billion or 7% of the Retail UK mortgage loan book originated before 2006, £5.3 billion or 28% between 2006 and 2008 and £12.3 billion or 65% in the years since.

Non-performing Retail UK mortgages were £0.7 billion or 3.4% (31 December 2020: £0.6 billion or 3.2%) of the Retail UK mortgage loan book at 30 June 2021, of which £0.4 billion or 2.2% were originated between 2006 and 2008 (31 December 2020: £0.4 billion or 2.1%).

As the portfolio continues to grow, the proportion of accounts origination prior to 2015 reduced from 42% to 40%.

Arrears profile

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

Mortgage arrears Greater than 90 days past due	30 June 2021 %	31 December 2020 %	30 June 2020 %
Number of accounts			
Standard mortgages	0.85%	0.85%	0.85%
Buy to let mortgages	0.92%	0.94%	0.91%
Self certified mortgages	4.54%	4.78%	4.30%
Value			
Standard mortgages	0.66%	0.69%	0.72%
Buy to let mortgages	0.90%	0.94%	0.94%
Self certified mortgages	5.69%	5.90%	5.36%

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

Book composition *(continued)*

Loan to value profiles - total loans

Table: 3b 30 June 2021 Loan to value (LTV) ratio of total Retail UK mortgages	Standard Not credit-impaired £m	Standard Credit-impaired £m	Buy to let Not credit-impaired £m	Buy to let Credit-impaired £m	Self certified Not credit-impaired £m	Self certified Credit-impaired £m	Total Not credit-impaired £m	Total Credit-impaired £m	Total Total £m
Less than 50%	2,578	74	2,805	65	522	72	5,905	211	6,116
51% to 70%	3,470	93	3,363	79	440	113	7,273	285	7,558
71% to 80%	2,877	38	513	25	82	29	3,472	92	3,564
81% to 90%	1,530	21	34	5	14	11	1,578	37	1,615
91% to 100%	76	5	4	2	3	5	83	12	95
Subtotal	**10,531**	**231**	**6,719**	**176**	**1,061**	**230**	**18,311**	**637**	**18,948**
101% to 120%	11	6	2	-	2	3	15	9	24
121% to 150%	4	2	-	-	2	1	6	3	9
Greater than 150%	-	1	-	-	-	2	-	3	3
Subtotal	**15**	**9**	**2**	**-**	**4**	**6**	**21**	**15**	**36**
Total	**10,546**	**240**	**6,721**	**176**	**1,065**	**236**	**18,332**	**652**	**18,984**
Retail UK mortgages weighted average LTV[1]									
Stock of Retail UK mortgages at period end	62%	60%	52%	56%	50%	59%	58%	59%	58%
New Retail UK mortgages during the period	76%	85%	66%	57%	29%	-	74%	75%	74%

The table above sets out the weighted average indexed LTV for the total Retail UK mortgage loan book, which was 58% at 30 June 2021. The weighted average LTV for new residential mortgages written during 2021 was 74%, 76% for Standard mortgages and 66% for BTL mortgages.

At 30 June 2021, £18.9 billion or 99.8% of the Retail UK mortgage book was in positive equity (31 December 2020: £19.5 billion or 99.7%), comprising £10.8 billion or 99.8% of Standard mortgages (31 December 2020: £11.0 billion or 99.7%), £6.9 billion or 100% of BTL mortgages (31 December 2020: £7.2 billion or 99.9%) and £1.3 billion or 99.2% of Self certified mortgages (31 December 2020: £1.4 billion or 99.1%).

This slight improvement reflects the upward movement in house prices in the H121 with annual house price growth of 13% on average across the UK in June 2021, with significant regional variances, together with capital reductions and principal repayments.

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

Book composition *(continued)*

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

The table below provides an analysis of Retail UK mortgages at amortised cost by IFRS 9 twelve-month PD grade, as at 31 December 2020.

Table: 3b

31 December 2020	Standard		Buy to let		Self certified		Total		
Loan to value (LTV) ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,342	64	2,492	52	493	54	5,327	170	5,497
51% to 70%	3,202	83	3,587	69	508	104	7,297	256	7,553
71% to 80%	2,565	32	791	33	113	32	3,469	97	3,566
81% to 90%	2,559	27	142	11	46	21	2,747	59	2,806
91% to 100%	89	11	9	4	7	5	105	20	125
Subtotal	**10,757**	**217**	**7,021**	**169**	**1,167**	**216**	**18,945**	**602**	**19,547**
101% to 120%	13	5	4	1	3	4	20	10	30
121% to 150%	10	2	1	-	3	2	14	4	18
Greater than 150%	1	2	-	-	-	1	1	3	4
Subtotal	**24**	**9**	**5**	**1**	**6**	**7**	**35**	**17**	**52**
Total	**10,781**	**226**	**7,026**	**170**	**1,173**	**223**	**18,980**	**619**	**19,599**
Weighted average LTV[1]									
Stock of Retail UK mortgages at year end	65%	63%	55%	59%	53%	62%	60%	62%	60%
New Retail UK mortgages during the year	75%	71%	58%	54%	51%	-	72%	66%	72%

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

Book composition *(continued)*

Risk profile

The table below provides an analysis of the Retail UK mortgages at amortised cost by IFRS 9 twelve-month PD grade.

Table: 3c 30 June 2021 Risk profile of Retail UK mortgage loan book (before impairment loss allowance) PD Grade	Standard Performing £m	 Non-performing £m	Buy to let Performing £m	 Non-performing £m	Self certified Performing £m	 Non-performing £m	Total Performing £m	 Non-performing £m
Not credit-impaired								
Stage 1								
1-4	1,425	-	169	-	9	-	1,603	-
5-7	8,223	-	3,655	-	438	-	12,316	-
8-9	29	-	2,001	-	352	-	2,382	-
10-11	53	-	485	-	91	-	629	-
Total Stage 1	**9,730**	**-**	**6,310**	**-**	**890**	**-**	**16,930**	**-**
Stage 2								
1-4	29	-	-	-	-	-	29	-
5-7	674	-	57	-	63	-	794	-
8-9	19	-	160	-	59	-	238	-
10-11	94	-	194	-	53	-	341	-
Total Stage 2	**816**	**-**	**411**	**-**	**175**	**-**	**1,402**	**-**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	1,454	-	169	-	9	-	1,632	-
5-7	8,897	-	3,712	-	501	-	13,110	-
8-9	48	-	2,161	-	411	-	2,620	-
10-11	147	-	679	-	144	-	970	-
Subtotal - not credit-impaired	**10,546**	**-**	**6,721**	**-**	**1,065**	**-**	**18,332**	**-**
Credit-impaired (Stage 3)								
12	-	240	-	176	-	236	-	652
Subtotal - credit-impaired	**-**	**240**	**-**	**176**	**-**	**236**	**-**	**652**
Total	**10,546**	**240**	**6,721**	**176**	**1,065**	**236**	**18,332**	**652**

The not credit-impaired PD grading reduced from £18,980 million at 31 December 2020 to £18,332 million (3.4%) which reflects the improved credit quality of the book.

Book composition *(continued)*

Risk profile *(continued)*

Table: 3c

31 December 2020 Risk profile of Retail UK mortgage loan book (before impairment loss allowance) PD Grade	Standard		Buy to let		Self certified		Total	
	Performing £m	Non-performing £m	Performing £m	Non-performing £m	Performing £m	Non-performing £m	Performing £m	Non-performing £m
Not credit-impaired								
Stage 1								
1-4	1,490	-	105	-	9	-	1,604	-
5-7	8,533	-	3,795	-	523	-	12,851	-
8-9	401	-	2,275	-	444	-	3,120	-
10-11	87	-	600	-	135	-	822	-
Total Stage 1	**10,511**	**-**	**6,775**	**-**	**1,111**	**-**	**18,397**	**-**
Stage 2								
1-4	-	-	-	-	-	-	-	-
5-7	122	-	22	-	11	-	155	-
8-9	23	-	78	-	9	-	110	-
10-11	125	-	151	-	42	-	318	-
Total Stage 2	**270**	**-**	**251**	**-**	**62**	**-**	**583**	**-**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	1,490	-	105	-	9	-	1,604	-
5-7	8,655	-	3,817	-	534	-	13,006	-
8-9	424	-	2,353	-	453	-	3,230	-
10-11	212	-	751	-	177	-	1,140	-
Subtotal - not credit-impaired	**10,781**	**-**	**7,026**	**-**	**1,173**	**-**	**18,980**	**-**
Credit-impaired (Stage 3)								
12	-	226	-	170	-	223	-	619
Subtotal - credit-impaired	**-**	**226**	**-**	**170**	**-**	**223**	**-**	**619**
Total	**10,781**	**226**	**7,026**	**170**	**1,173**	**223**	**18,980**	**619**

Asset quality

Composition and impairment

The table below summarises the composition of NPEs and impairment loss allowance for the Retail UK mortgage portfolio.

Table: 4 30 June 2021 Retail UK mortgages	Advances (before impairment loss allowance) £m	Non-performing exposures £m	Non-performing exposures as % of advances %	Impairment loss allowance £m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired,						
Standard mortgages	9,730	-	-	3	-	-
Buy to let mortgages	6,310	-	-	8	-	-
Self certified mortgages	890	-	-	1	-	-
Total	**16,930**	**-**	**-**	**12**	**-**	**-**
Stage 2 not credit-impaired						
Standard mortgages	816	-	-	8	-	(1%)
Buy to let mortgages	411	-	-	13	-	(3%)
Self certified mortgages	175	-	-	5	-	(3%)
Total	**1,402**	**-**	**-**	**26**	**-**	**(2%)**
Stage 3 credit-impaired						
Standard mortgages	240	240	100%	19	(8%)	(8%)
Buy to let mortgages	176	176	100%	18	(10%)	(10%)
Self certified mortgages	236	236	100%	16	(7%)	(7%))
Total	**652**	**652**	**100%**	**53**	**(8%)**	**(8%)**
Total						
Standard mortgages	10,786	240	2%	30	(13%)	-
Buy to let mortgages	6,897	176	3%	39	(22%)	(1%)
Self certified mortgages	1,301	236	18%	22	(9%)	(2%)
Total	**18,984**	**652**	**3%**	**91**	**(14%)**	**-**

Total NPEs of £652 million were £33 million higher than at 31 December 2020. Owner occupied (Standard and Self Certified mortgages) NPEs of £476 million were £27 million higher than at 31 December 2020. BTL NPEs of £176 million were £6 million higher than at 31 December 2020.

Asset quality *(continued)*

Composition and impairment *(continued)*

The table below summarises the composition of NPEs and impairment loss allowance for the Retail UK mortgage portfolio.

Table: 4 31 December 2020 Retail UK mortgages	Advances (before impairment loss allowance) £m	Non-performing exposures £m	Non-performing exposures as % of advances %	Impairment loss allowance £m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Standard mortgages	10,511	-	-	9	-	-
Buy to let mortgages	6,775	-	-	15	-	-
Self certified mortgages	1,111	-	-	3	-	-
Total	**18,397**	**-**	**-**	**27**	**-**	**-**
Stage 2 not credit-impaired						
Standard mortgages	270	-	-	3	-	(1%)
Buy to let mortgages	251	-	-	6	-	(2%)
Self certified mortgages	62	-	-	1	-	(2%)
Total	**583**	**-**	**-**	**10**	**-**	**(2%)**
Stage 3 credit-impaired						
Standard mortgages	226	226	100%	13	(6%)	(6%)
Buy to let mortgages	170	170	100%	17	(10%)	(10%)
Self certified mortgages	223	223	100%	10	(4%)	(4%)
Total	**619**	**619**	**100%**	**40**	**(6%)**	**(6%)**
Total						
Standard mortgages	11,007	226	2%	25	(11%)	-
Buy to let mortgages	7,196	170	2%	38	(22%)	(1%)
Self certified mortgages	1,396	223	16%	14	(6%)	(1%)
Total	**19,599**	**619**	**3%**	**77**	**(12%)**	**-**

Supplementary COVID-19 disclosures

Composition of COVID-19 payment breaks

The following tables analyse the number and value of customer accounts where a payment break was availed of, as a result of COVID-19. The analysis does not include cases where a customer cancelled their COVID-19 payment break or where the account was derecognised prior to the reporting date. Information is presented on an aggregate basis at the date a payment break was granted for accounts remaining on the books at 30 June 2021, in addition to an analysis of accounts still subject to a payment break as at 30 June 2021.

30 June 2021 **Analysis of all COVID-19 payment breaks granted**	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts granted a payment break	38,956	15,537	1,007	35,044	90,544
Total gross carrying amount of loans granted a payment break[1] (€m)	5,868	3,265	722	462	10,317
Total impairment loss allowance on loans granted a payment break[1] (€m)	108	178	61	25	372

31 December 2020 **Analysis of all COVID-19 payment breaks granted**	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts granted a payment break	41,684	18,180	1,178	38,628	99,670
Total gross carrying amount of loans granted a payment break[1] (€m)	6,209	3,624	783	486	11,102
Total impairment loss allowance on loans granted a payment break[1] (€m)	73	180	63	28	344

30 June 2021 **Analysis of loans and advances to customers subject to a COVID-19 payment break at balance sheet date**	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts subject to a payment break	156	24	-	323	503
Percentage of customer loan accounts[2]	-	-	-	-	-
Total gross carrying amount of loans subject to a payment break[3] (€m)	26	169	-	4	199
Total impairment loss allowance on loans subject to a payment break[3] (€m)	1	2	-	-	3

31 December 2020 **Analysis of loans and advances to customers subject to a COVID-19 payment break**	**Residential mortgages**	**Non-property SME and corporate**	**Property and construction**	**Consumer**	**Total**
Total number of accounts subject to a payment break	2,055	391	27	3,324	5,797
Percentage of customer loan accounts[2]	1%	-	1%	-	-
Total gross carrying amount of loans subject to a payment break[4] (€m)	348	829	32	38	1,247
Total impairment loss allowance on loans subject to a payment break[4] (€m)	3	20	1	3	27

[1] *The gross carrying amount and impairment loss allowance on loans granted a payment break relate to balances as at the date the payment break was granted.*
[2] *The number of accounts does not equate to the number of customers.*
[3] *The gross carrying amount and impairment loss allowance on loans subject to a payment break, relate to balances as at 30 June 2021.*
[4] *The gross carrying amount and impairment loss allowance on loans subject to a payment break, relate to balances as at 31 December 2020.*

Composition of COVID-19 payment breaks *(continued)*

30 June 2021 **Risk profile of loans and advances to customers subject to a COVID-19 payment break**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - Not Credit Impaired	1	1	-	4	6
Stage 2 - Not Credit Impaired	19	168	-	-	187
Stage 3 - Credit Impaired	6	-	-	-	6
Purchased / originated credit-impaired	-	-	-	-	-
Total	**26**	**169**	**-**	**4**	**199**

31 December 2020 **Risk profile of loans and advances to customers subject to a COVID-19 payment break**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - Not Credit Impaired	259	52	1	33	345
Stage 2 - Not Credit Impaired	33	772	29	3	837
Stage 3 - Credit Impaired	56	5	2	2	65
Purchased / originated credit-impaired	-	-	-	-	-
Total	**348**	**829**	**32**	**38**	**1,247**

Group forbearance disclosures

Risk profile of forborne loans and advances to customers

The Group's total risk profile of loans and advances to customers at amortised cost at 30 June 2021 of €79.0 billion is available in note 19 on page 81. Exposures are before impairment loss allowance.

Table: 1 30 June 2021 Loans and advances to customers at amortised cost - Composition	Stage 1 (not credit-impaired) €m	Stage 2 (not credit-impaired) €m	Stage 3 (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Non-forborne loans and advances to customers					
Residential mortgages	37,732	4,411	942	1	43,086
- Retail Ireland	*18,002*	*2,865*	*329*	*1*	*21,197*
- Retail UK	*19,730*	*1,546*	*613*	*-*	*21,889*
Non-property SME and corporate	11,383	5,611	303	-	17,297
- Republic of Ireland SME	*3,449*	*2,432*	*228*	*-*	*6,109*
- UK SME	*1,072*	*538*	*49*	*-*	*1,659*
- Corporate	*6,862*	*2,641*	*26*	*-*	*9,529*
Property and construction	2,814	4,078	51	-	6,943
- Investment	*2,221*	*3,732*	*45*	*-*	*5,998*
- Development	*593*	*346*	*6*	*-*	*945*
Consumer	4,937	154	129	-	5,220
Total non-forborne loans and advances to customers	**56,866**	**14,254**	**1,425**	**1**	**72,546**
Forborne loans and advances to customers					
Residential mortgages	2	408	978	1	1,389
- Retail Ireland	*1*	*322*	*830*	*1*	*1,154*
- Retail UK	*1*	*86*	*148*	*-*	*235*
Non-property SME and corporate	-	2,175	853	13	3,041
- Republic of Ireland SME	*-*	*430*	*438*	*-*	*868*
- UK SME	*-*	*104*	*64*	*-*	*168*
- Corporate	*-*	*1,641*	*351*	*13*	*2,005*
Property and construction	-	941	1,000	63	2,004
- Investment	*-*	*833*	*970*	*63*	*1,866*
- Development	*-*	*108*	*30*	*-*	*138*
Consumer	-	1	6	-	7
Total forborne loans and advances to customers	**2**	**3,525**	**2,837**	**77**	**6,441**

[1] At 30 June 2021, forborne POCI loans included €1 million of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date. These loans will remain classified as POCI loans until derecognition.

Group forbearance disclosures *(continued)*

Risk profile of forborne loans and advances to customers *(continued)*

Table: 1

31 December 2020 **Loans and advances to customers at amortised cost - Composition**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	40,008	2,062	920	1	42,991
- Retail Ireland	*19,544*	*1,501*	*366*	*1*	*21,412*
- Retail UK	*20,464*	*561*	*554*	*-*	*21,579*
Non-property SME and corporate	10,637	6,565	300	-	17,502
- Republic of Ireland SME	*4,155*	*1,848*	*243*	*-*	*6,246*
- UK SME	*1,064*	*520*	*57*	*-*	*1,641*
- Corporate	*5,418*	*4,197*	*-*	*-*	*9,615*
Property and construction	2,639	4,521	44	1	7,205
- Investment	*2,357*	*3,886*	*36*	*1*	*6,280*
- Development	*282*	*635*	*8*	*-*	*925*
Consumer	4,961	164	138	-	5,263
Total non-forborne loans and advances to customers	**58,245**	**13,312**	**1,402**	**2**	**72,961**
Forborne loans and advances to customers					
Residential mortgages	8	466	1,276	1	1,751
- Retail Ireland	*8*	*379*	*1,142*	*1*	*1,530*
- Retail UK	*-*	*87*	*134*	*-*	*221*
Non-property SME and corporate	-	1,616	714	26	2,356
- Republic of Ireland SME	*-*	*398*	*429*	*-*	*827*
- UK SME	*-*	*92*	*57*	*-*	*149*
- Corporate	*-*	*1,126*	*228*	*26*	*1,380*
Property and construction	-	348	977	61	1,386
- Investment	*-*	*341*	*951*	*61*	*1,353*
- Development	*-*	*7*	*26*	*-*	*33*
Consumer	-	1	7	-	8
Total forborne loans and advances to customers	**8**	**2,431**	**2,974**	**88**	**5,501**

[1] *At 31 December 2020, forborne POCI loans included €1 million of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date. These loans will remain classified as POCI loans until derecognition.*

Group forbearance disclosures *(continued)*

Risk profile of non-performing exposures

Table: 2 30 June 2021 Risk profile of loans and advances to customers at amortised cost - non-performing exposures[1]	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	911	303	50	129	1,393
Not credit-impaired	31	-	6	1	38
Total non-forborne loans and advances to customers	**942**	**303**	**56**	**130**	**1,431**
Forborne loans and advances to customers					
Credit-impaired	979	866	1,064	6	2,915
Not credit-impaired	1	9	-	-	10
Total forborne loans and advances to customers	**980**	**875**	**1,064**	**6**	**2,925**

Table: 2 31 December 2020 Risk profile of loans and advances to customers at amortised cost - non-performing exposures[1]	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Credit-impaired	912	300	44	138	1,394
Not credit-impaired	7	13	6	-	26
Total non-forborne loans and advances to customers	**919**	**313**	**50**	**138**	**1,420**
Forborne loans and advances to customers					
Credit-impaired	1,278	740	1,039	7	3,064
Not credit-impaired	-	6	6	-	12
Total forborne loans and advances to customers	**1,278**	**746**	**1,045**	**7**	**3,076**

[1] *Table 2 excludes loans at FVTPL and includes POCI.*

Consolidated average balance sheet and interest rates

The following table shows the average balances and interest rates of interest earning assets and interest bearing liabilities for H121 and for the year ended 31 December 2020. The calculations of average balances can be based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on a product margin basis, with funding and interest exposure managed centrally. The explanation of the underlying business trends in the Group's NIM, after adjusting for the impact of IFRS income classifications, is outlined on page 8.

	30 June 2021			31 December 2020		
	Average Balance[1] €m	Interest[2,3,4] €m	Rate %	Average Balance[1] €m	Interest[2,3,4] €m	Rate %
Assets						
Loans and advances to banks	19,186	(24)	(0.25%)	11,250	-	-
Loans and advances to customers[5,6]	78,111	1,176	3.04%	78,187	2,448	3.13%
Debt securities at amortised cost and financial assets at FVOCI	17,581	(14)	(0.16%)	16,318	12	0.07%
Total interest earning assets	**114,878**	**1,138**	**2.00%**	**105,755**	**2,460**	**2.33%**
Non interest earning assets	26,549	-	-	25,499	-	-
Total assets	**141,427**	**1,138**	**1.62%**	**131,254**	**2,460**	**1.87%**
Liabilities and shareholders' equity						
Deposits from banks	8,254	(16)	(0.39%)	2,429	8	0.33%
Customer accounts	41,534	31	0.15%	43,463	158	0.36%
Debt securities in issue	6,400	29	0.91%	7,265	84	1.16%
Subordinated liabilities	1,542	31	4.05%	1,446	63	4.36%
Lease liabilities	441	6	2.74%	525	14	2.67%
Total interest bearing liabilities	**58,171**	**81**	**0.28%**	**55,128**	**327**	**0.59%**
Current accounts	47,120	(17)	(0.07%)	41,697	(21)	(0.05%)
Total interest bearing liabilities and current accounts	**105,291**	**64**	**0.12%**	**96,825**	**306**	**0.32%**
Other interest expense	-	-	-	-	5	-
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	-	(6)	-	-	34	-
Non interest bearing liabilities	26,189	-	-	24,263	-	-
Shareholders' equity and non-controlling interests	9,947	-	-	10,166	-	-
Total liabilities and shareholders' equity	**141,427**	**58**	**0.08%**	**131,254**	**345**	**0.26%**
Euro and sterling reference rates (average)						
ECB base rate			-			-
3 month Euribor rate			(0.54%)			(0.40%)
Bank of England base rate			0.10%			0.23%
3 month Libor rate			0.07%			0.21%

Loans and advances to banks includes cash and balances at central banks.

1 *Average balances are presented on an underlying basis excluding non-core items, see page 12 for further details.*
2 *Positive interest on assets represents net interest income with negative interest on assets representing net interest expense. Positive interest on liabilities represents net interest expense with negative interest on liabilities representing net interest income.*
3 *Represents underlying interest income or underlying interest expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. For H121, a charge of €nil (year ended 31 December 2020: €26 million) to interest income relating to customer redress charges are excluded as non-core items.*
4 *Interest expense of €54 million (31 December 2020: €17 million) arising from assets subject to negative effective interest rates has been reclassified to interest income, whereas in the consolidated income statement it is presented as interest expense. Interest income of €102 million (31 December 2020: €64 million) arising from liabilities subject to positive effective interest rates has been reclassified to interest expense, whereas in the consolidated income statement it is presented as interest income.*
5 *Average loans and advances to customers volumes include balances held at FVTPL and are presented net of Stage 3 impairment loss allowances.*
6 *The Group has availed of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. In order that yields on products are presented on a consistent basis period on period and are not impacted by the resulting change in hedge accounting designations; net interest flows of €53 million (31 December 2020: €104 million; 30 June 2020: €52 million) on all derivatives designated as fair value hedges of current accounts continue to be presented together with gross interest income on 'Loans and advances to customers' and is not included in 'Customer accounts'.*

Forward looking statement

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

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

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

Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 27 and also the discussion of risk in the Group's Annual Report for the year ended 31 December 2020.

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.

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Rates of exchange

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

	30 June 2021		30 June 2020		31 December 2020	
	Average	Closing	Average	Closing	Average	Closing
€ / Stg£	0.8680	0.8581	0.8746	0.9124	0.8897	0.8990
€ / US$	1.2053	1.1884	1.1020	1.198	1.1422	1.2271

Credit ratings

	30 June 2021	31 December 2020
Ireland - Senior debt		
Standard & Poor's	AA- (Stable)	AA- (Stable)
Moody's	A2 (Stable)	A2 (Stable)
Fitch	A+ (Stable)	A+ (Stable)
BOIG plc - Senior debt		
Standard & Poor's	BBB- (Negative)	BBB- (Negative)
Moody's	Baa2 (Stable)	Baa2 (Stable)
Fitch	BBB (Negative)	BBB (Negative)
The Governor and Company of the Bank of Ireland - Senior debt		
Standard & Poor's	A- (Negative)	A- (Negative)
Moody's	A2 (Stable)	A2 (Stable)
Fitch	BBB+ (Negative)	BBB+ (Negative)

Stock exchange listings

Bank of Ireland Group plc is a public limited company incorporated in Ireland in 2016 with registration number 593672. Its ordinary shares, of nominal value €1.00 per share, have a primary listing on the Irish Stock Exchange t/a Euronext Dublin and a premium listing on the London Stock Exchange.

Alternative performance measures

This section contains further information related to certain measures referred to in the key performance highlights and the OFR.

The OFR is prepared using IFRS and non-IFRS measures to analyse the Group's performance, providing period on period comparability. These performance measures are consistent with those presented to the Board and Group Executive Committee and include alternative performance measures as set out below. These performance measures may not be uniformly defined by all companies and accordingly they may not be directly comparable with similarly titled measures and disclosures by other companies. These measures should be considered in conjunction with IFRS measures as set out in the consolidated financial statements from page 39.

'Annual Premium Equivalent' (APE) is a common metric used by insurance companies. The approach taken by insurance companies is to take 100% of regular premiums, being the annual premiums received for a policy, and 10% of single premiums. This assumes that an average life insurance policy lasts 10 years and therefore taking 10% of single premiums annualises the single lump sum payment received over the 10 year duration.

Average cost of funds represents the underlying interest expense recognised on interest bearing liabilities, net of interest on derivatives which are in a hedge relationship with the relevant liability. See pages 8 and 134 for further information.

Calculation	Source	30 June 2021 €m	*Restated*[1] 30 June 2020 €m
Interest expense	Income statement	269	335
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 5	(102)	(118)
Include negative interest on financial liabilities	Note 4	(102)	(64)
Exclude negative interest on financial assets	Note 5	(54)	(17)
Exclude impact of FV hedges of current accounts	Average balance sheet footnote	53	52
Underlying interest expense		**64**	**188**
Average interest bearing liabilities	Average balance sheet	105,291	97,370
Average cost of funds % (annualised)		**(0.12%)**	**(0.39%)**

Business income is net other income before other gains and other valuation items. See page 9 for further details.

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

Growth in customer accounts on a constant currency basis
The Group calculates growth in customer accounts on a constant currency basis. For this calculation the Group applies the prior period end rate in both periods so that the impact of movements in FX rates is eliminated.

Calculation	Source	30 June 2021 €m	31 December 2020 €m
Customer accounts	Balance sheet	90,604	88,637
Impact of foreign exchange movements		(994)	-
Customer accounts on a constant currency basis		**89,610**	**88,637**
Growth in customer accounts		**973**	

[1] Comparative figures have been restated to reflect (i) the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments (see note 36) and (ii) the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (see note 1).

Alternative performance measures *(continued)*

Growth in new lending on a constant currency basis

The Group calculates growth in new lending on a constant currency basis. For this calculation the Group applies the current period average in period interest rate to Retail UK lending flows in both periods so that the impact of movements in FX rates is eliminated.

Calculation	Source	30 June 2021 €m	30 June 2020 €m
New lending in the period	Balance sheet (OFR)	7,224	7,111
Impact of foreign exchange movements		(4)	(8)
New lending on a constant currency basis		**7,220**	**7,103**
Growth in new lending (%)		**1.65%**	

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

Gross yield represents the underlying interest income recognised on interest earning assets, net of interest on derivatives which are in a hedge relationship with the relevant asset. See pages 8 and 134 for further information.

Calculation	Source	30 June 2021 €m	*Restated*[1] 30 June 2020 €m
Interest income	Income statement	1,349	1,397
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 4	(108)	(95)
Exclude negative interest on financial liabilities	Note 4	(102)	(64)
Include negative interest on financial assets	Note 5	(54)	(17)
Include impact of FV hedges of current accounts	Average balance sheet footnote	53	52
Exclude customer redress charges	Note 4	-	1
Underlying interest income		**1,138**	**1,274**
Average interest earning assets	Average balance sheet	114,878	105,882
Average gross yield % (annualised)		**2.00%**	**2.42%**

Gross yield - customer lending

Calculation	Source	30 June 2021 €m	*Restated*[1] 30 June 2020 €m
Interest income on loans and advances to customers	Note 4	1,042	1,116
Interest income on finance leases and hire purchase receivables	Note 4	81	89
Include impact of FV hedges of current accounts	Average balance sheet	53	52
Exclude customer redress charges	Note 4	-	1
Underlying interest income on customer lending		**1,176**	**1,258**
Average customer lending assets	Average balance sheet	78,111	79,365
Average gross yield on customer lending % (annualised)		**3.04%**	**3.19%**

[1] *Comparative figures have been restated to reflect (i) the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments (see note 36) and (ii) the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (see note 1).*

Alternative performance measures *(continued)*

Gross yield - liquid assets

Calculation	Source	30 June 2021 €m	*Restated*[1] 30 June 2020 €m
Include negative interest on financial assets	Note 5	(54)	(17)
Interest income on debt securities at FVOCI	Note 4	11	20
Interest income on debt securities at amortised cost	Note 4	3	5
Interest income on loans and advances to banks	Note 4	2	8
Underlying interest income on liquid assets		**(38)**	**16**
Loans and advances to banks	Average balance sheet	19,186	10,704
Debt securities at amortised cost and financial assets at FVOCI and FVTPL.	Average balance sheet	17,581	15,813
Average interest earning liquid assets		**36,767**	**26,517**
Average gross yield on liquid assets % (annualised)		**(0.21%)**	**0.12%**

Liquid assets are comprised of cash and balances at central banks, loans and advances to banks, debt securities at amortised cost, financial assets at FVOCI and certain financial assets at FVTPL (excluding balances in Wealth and Insurance). See page 15 for further details.

Liquid asset spread is calculated as gross yield on interest bearing liquid assets less the average cost of funds. See page 8 for further detail.

Loan asset spread is calculated as gross yield on loans and advances to customers less the average cost of funds. See page 8 for further detail.

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

Calculation	Source	30 June 2021 €m	31 December 2020 €m
Loans and advances to customers	Balance sheet	77,216	76,581
Customer accounts	Balance sheet	90,604	88,637
Loan to deposit ratio %		**85%**	**86%**

Net impairment losses on loans and advances to customers at amortised cost (bps) is the net impairment loss on loans and advances to customers at amortised cost divided by average gross loans and advances to customers at amortised cost.

Calculation	Source	30 June 2021 €m	30 June 2020 €m
Net impairment losses on loans & advances to customers at amortised cost	Impairment (OFR)	(12)	(888)
Average gross loans and advances to customers		79,424	80,319
Net Impairment losses on loans and advances to customers at amortised cost (bps) (annualised)		**(3)**	**(222)**

[1] Comparative figures have been restated to reflect (i) the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments (see note 36) and (ii) the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (see note 1).

Alternative performance measures *(continued)*

Net interest margin (NIM) is stated on an underlying basis. See page 8 for further details.

Calculation	Source	30 June 2021 €m	*Restated[1]* 30 June 2020 €m
Net interest income	Income statement	1,080	1,062
Exclude customer redress charges	Note 4	-	1
Underlying net interest income		**1,080**	**1,063**
Average interest earning assets	Average balance sheet	114,878	105,882
Net interest margin % (annualised)		**1.90%**	**2.02%**

Net new lending volumes represent loans and advances to customers drawn down during the period (including revolving credit facility activity) and portfolio acquisitions, net of repayments and redemptions.

'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, and / or loans where the borrower is greater than or equal to 90 days past due and the arrears amount is material; and
(ii) **other loans** meeting NPE criteria as aligned with regulatory requirements.

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

Calculation	Source	30 June 2021 €m	31 December 2020 €m
Non-performing exposures	Asset quality (OFR)	4,387	4,503
Loans and advances to customers at amortised cost	Note 18	78,987	78,462
Loans and advances to customers at FVTPL	Note 18	360	361
Total loans and advances to customers		**79,347**	**78,823**
NPE ratio %		**5.5%**	**5.7%**

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

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

Calculation	Source	30 June 2021 €m	30 June 2020 €m
Profit / (loss) for the period	Income statement	341	(725)
Total assets	Balance Sheet	149,932	131,615
Return on assets (bps) (annualised)		**46**	**(111)**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2020 for the presentation of interest income and expense on certain financial instruments. See note 36 for additional information.*

Alternative performance measures *(continued)*

Return on Tangible Equity (ROTE) is calculated as being profit attributable to ordinary shareholders less non-core items (net of tax) divided by average shareholders' equity less average intangible assets and goodwill.

Return on Tangible Equity (adjusted) is calculated by adjusting the ROTE to exclude other gains and other valuation items (net of tax). The average shareholders tangible equity is adjusted to a maximum CET1 ratio of 13%.

	Reported		Adjusted	
	30 June 2021 €m	31 December 2020 €m	30 June 2021 €m	31 December 2020 €m
Profit / (loss) for the period attributable to shareholders	337	(742)	337	(742)
Non-core items including tax	58	363	58	363
Distribution on other equity instruments - AT1 coupon	(34)	(25)	(34)	(25)
Other gains and other valuation items, net of tax	-	-	(32)	48
Redemption of NCI - AT1 securities	-	(10)	-	(10)
Adjusted profit / (loss) after tax	**361**	**(414)**	**329**	**(366)**
Annualised adjusted (loss) / profit after tax	**735**	**(414)**	**671**	**(366)**
Shareholders' equity	**9,254**	**8,587**	**9,254**	**8,587**
Intangible assets and goodwill	(797)	(751)	(797)	(751)
Shareholders' tangible equity	**8,457**	**7,836**	**8,457**	**7,836**
Average shareholders' tangible equity	**8,091**	**8,481**	**8,091**	**8,481**
Adjustment for CET1 ratio at 13%	-	-	(282)	(144)
Adjusted average shareholders tangible equity	**8,091**	**8,481**	**7,809**	**8,337**
Return on Tangible Equity	**9.1%**	**(4.9%)**	**8.6%**	**(4.4%)**

Statutory cost income ratio is calculated as other operating expenses and cost of restructuring divided by total operating income, net of insurance claims.

Calculation	Source	30 June 2021 €m	30 June 2020 €m
Other operating expenses	Income statement	944	972
Cost of restructuring programme	Income statement	69	27
Impairment of intangible assets	Income statement	-	136
Impairment of goodwill	Income statement	-	9
Costs		**1,013**	**1,144**
Operating income, net of insurance claims	Income statement	1,418	1,253
Total operating income		**1,418**	**1,253**
Statutory cost / income ratio %		**71%**	**91%**

Alternative performance measures *(continued)*

Sustainable earnings is calculated as profit / loss for the period attributable to shareholders adjusted for non-core items, other gains and other valuation items and impairment.

Tangible Net Asset Value (TNAV) per share is calculated as shareholder equity less intangible assets and goodwill divided by the number of ordinary shares in issue, adjusted for treasury shares held for the benefit of life assurance policyholder at the period end.

Calculation	Source	30 June 2021 €m	30 June 2020 €m
Shareholders' equity	Balance sheet	9,254	9,231
Less - intangible assets	Note 21	(771)	(695)
Less - goodwill	Note 21	(26)	(25)
Adjust for own shares held for the benefit of life assurance policyholders	Balance sheet	21	35
Tangible net asset value		**8,478**	**8,546**
Number of ordinary shares in issue		1,079	1,079
Treasury shares held for the benefit of life assurance policyholders		(4)	(7)
		1,075	**1,072**
Tangible net asset value per share (cent)		**789**	**797**

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 12 for further information.

Alternative performance measures *(continued)*

Underlying cost income ratio is calculated on an underlying basis (excluding non-core items), as operating expenses excluding levies and regulatory charges divided by operating income (net of insurance claims), excluding other gains and other valuation items.

Calculation	Source	30 June 2021 €m	30 June 2020 €m
Other operating expenses	Income statement	944	972
Impairment of intangible assets	Income Statement	-	136
Cost of restructuring programme	Income statement	69	27
Impairment of goodwill	Income Statement	-	9
		1,013	**1,144**
Exclude:			
- levies and regulatory charges	Note 13	(96)	(70)
- cost of restructuring programme	Non-core items (OFR)	(69)	(27)
- portfolio divestments	Non-core items (OFR)	(6)	(24)
- customer redress charges	Non-core items (OFR)	(5)	(6)
- impairment of intangible assets	Non-core items (OFR)	-	(136)
- impairment of goodwill	Note 21	-	(9)
Underlying costs		**837**	**872**
Operating income net of insurance claims	Income statement	1,418	1,253
Exclude:			
- unit-linked investment variance - Wealth and Insurance	Other income (OFR)	(22)	37
- gross up of policyholder tax in the Wealth and Insurance business	Non-core items (OFR)	(15)	4
- financial instrument valuation adjustments (CVA, DVA, FVA) and other	Other income (OFR)	(13)	19
- portfolio divestments	Non-core items (OFR)	(11)	(19)
- investment return on treasury shares held for policyholders	Non-core items (OFR)	6	(17)
- interest rate movements - Wealth and Insurance	Other income (OFR)	1	53
- gain on disposal and revaluation of investments properties	Other income (OFR)	(1)	(1)
- transfers from reserves on asset disposal	Note 11	(1)	(3)
- net gain on disposal and revaluation of investments	Other income (OFR)	-	2
- customer redress charges	Non-core items (OFR)	-	1
Underlying income		**1,362**	**1,329**
Underlying cost / income ratio %		**61%**	**66%**

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

The Group has decided to apply the term 'underlying divisional contribution' to divisional results to more clearly reflect the fact that certain unallocated costs are presented in Group Centre, and are not reflected in the results of the other divisions. Comparative amounts for H120 have not been restated, as the measurement of divisional results is unchanged, with 'underlying divisional contribution' measured on the same basis as the previously presented 'underlying profit or loss by division'.

Alternative performance measures *(continued)*

Underlying earnings per share is calculated as profit / (loss) attributable to shareholders adjusted for non-core items, divided by the weighted average number of ordinary shares in issue, adjusted for average Treasury shares held for the benefit of life assurance policyholders.

Calculation	Source	30 June 2021 €m	*Restated*[1] 30 June 2020 €m
Profit / (loss) attributable to shareholders	Income statement	337	(757)
Non-core items, including tax	Non-core items (OFR)	58	126
Distribution on other equity instruments - AT1 securities	Note 17	(34)	-
Redemption of NCI - AT1 securities		-	(10)
Underlying profit / (loss) attributable to shareholders		**361**	**(641)**
Weighted average number of ordinary shares in issue		1,079	1,079
Average Treasury shares held for the benefit of life assurance policyholders		(4)	(6)
Weighted average number of shares in issue excluding treasury shares	Note 17	**1,075**	**1,073**
Underlying earnings per share (cent)		**33.6**	**(59.7)**

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

For any abbreviations used in this document please refer to the abbreviations listing on pages 380 and 381 of the Group's Annual Report for the year ended 31 December 2020.

[1] *Underlying earnings per share for H120 have been restated by increasing the loss per share by 0.9 cent from 58.8 cent per share to 59.7 cent per share. See note 36 for further information.*

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