2019

Bank of Ireland Group plc
Annual Report

Bank of Ireland

Bank of Ireland

Annual Report 2019

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

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

Inside this report

View this report online

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

www.bankofireland.com

The Group's forward looking statement can be found on page 330.

Strategic Report

2019 key performance highlights

Financial Performance

Profit before tax
€645m
(2018: €835m)

Underlying[1] profit before tax
€758m
(2018: €935m)

- Stable net interest income; net interest margin of 2.14% *(2018: 2.20%)*
- Costs reduced by €67m (4%)
- NPE ratio reduced by 190bps to 4.4% *(2018: 6.3%)*

Growth

Net new lending growth
€2.0bn
(2018: €1.3bn)

- New lending up 3% to €16.5bn *(2018: €15.9bn)*
- Irish mortgage market share of 24%; increased SME market share
- 11% income growth in Wealth and Insurance

Transformation

Reduction in underlying operating expenses[2]
(before levies & regulatory charges)
4%/€67m
(2018: <3%/€48m)

- Cost reduction delivered in each of the last four reporting periods
- UK strategy making progress on 'invest in, improve and reposition' strategy
- New digital platforms launched

Capital

CET1 ratio
13.8%
(2018: 13.4%)

- Organic capital generation of 170bps
- Unlocked additional 40bps through capital initiatives
- Dividend increased by 9% to 17.5c per share (€189m) from 16c per share (€173m) in 2018

60%
employee engagement score
(increase of 5% since 2018)

56:44
male / female appointment to management and leadership positions

40%
reduction in carbon emissions intensity (on 2011 baseline)

c.€11m
invested in learning and development for colleagues

>100k
children participated in Financial Wellbeing programme

€1bn
Sustainable Finance Fund launched

Further information on measures referred to in our 2019 key performance highlights is found in Alternative performance measures on page 331.

[1] *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business.*
[2] *Underlying operating expenses exclude levies and regulatory charges and non-core items. Including these items total costs were €13 million or 1% higher than 2018.*

Chairman's review

The Group has continued to deliver on its growth and efficiency strategy. With attractive market positions and the ongoing commitment of colleagues across the Group, the Board is confident that Bank of Ireland remains well placed to address ongoing challenges and deliver value for our shareholders.

Patrick Kennedy *Chairman*

I am pleased to report that over the past year the Group has continued to deliver on the growth and efficiency strategy laid out at our Investor Day in 2018. Our loan books and Wealth and Insurance business have grown, our cost[1] base has reduced, and our transformation programme has made further progress. However, we also face headwinds in our primary markets, most notably a lower-for-longer interest rate environment. In addition, heightened competition in the United Kingdom (UK) mortgage market, increases in regulatory capital requirements, and political change, including the ongoing uncertainties related to the UK's decision to leave the European Union (EU), all present business challenges. These headwinds are impacting the timeframe for delivery of some of our Investor Day targets; however, I remain confident we have the right strategy to deliver sustainable value for our shareholders.

Strategy

Our ambition is to be the National Champion Bank in Ireland, with UK and selective international diversification. To deliver on this ambition, we have outlined a clear strategy to transform the Bank, serve customers brilliantly and grow sustainable profits.

Last year, I wrote of the imperative for the financial services sector to adapt and develop to meet rapidly changing customer expectations. This remains as critical now as it was then. To this end, we have continued to make significant investments to transform Bank of Ireland, including our culture, our systems and our business model, and to enhance services to our customers.

The Group's culture continues to strengthen, with colleague engagement improving again during 2019. We have made progress in modernising our systems, putting strong foundations in place across all our technology layers while improving efficiency and customer experience. We have also continued to transform the business model to create a leaner, simplified and more agile organisation. These investments and enhancements leverage our strong customer relationships to offer the right products and services at the right time. The rollout of the Group's new Mobile App and Wealth and Insurance digital platforms are important milestones.

We are also investing in our UK and international businesses. In the UK, we extended our long-term financial services partnership with the Post Office and exited credit cards, unprofitable Automated Teller Machines (ATMs) and current accounts. These actions are consistent with the imperative to improve returns in our UK business.

The Group's operating and financial performance, combined with continued organic capital generation, has contributed to a robust capital position in 2019. I am pleased to announce a proposed dividend to shareholders in respect of 2019 of 17.5 cent per share, an increase of 9% on last year's level. This demonstrates continued progress in line with our policy to increase dividends on a prudent and progressive basis, and over time, build towards a payout ratio of around 50% of sustainable earnings.

Purpose

Our purpose is to enable our customers, colleagues and communities to thrive. To achieve this purpose, we must ensure that

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an appropriate corporate culture is embedded across the organisation, and that we conduct our business responsibly and ethically at all times.

We are demonstrating our commitment and heightened focus on all aspects of the Responsible and Sustainable Business (RSB) agenda. In 2019 the Group became a signatory to the United Nations (UN) Principles for Responsible Banking, which is aligned with the Paris Climate Agreement 2015. We are also a supporter of the Task Force on Climate-related Financial Disclosure (TCFD).

We launched Ireland's first Financial Wellbeing Programme, which underscores our commitment to do more to support the households and businesses that bank with us. The Group also advanced a number of green initiatives including our €1 billion Sustainable Finance Fund and continued progress on our Low Carbon Pledge.

We have realigned our governance structure to ensure that RSB is a key focus across all activities within the Group. The role of the Group Nomination and Governance Committee (GN&GC) has been expanded to oversee our RSB strategy.

Board

We are committed to ensuring that we have the right balance of skills and experience within the Board, including diversity across all its dimensions.

During 2019 Andrew Keating stepped down as Group Chief Financial Officer (CFO) and Executive Director of the Group after seven years during which he demonstrated a successful track record of financial leadership. He established a strong finance function and was a key member of the Board and Group Executive team that saw Bank of Ireland repay fully all State aid, return the Group to sustainable profitability and resume dividend payments to our shareholders. We wish him well.

Myles O'Grady was announced as incoming Group CFO and Executive Director in October. Myles joined the Group earlier in the year as Director of Commercial Partnering and is a leading finance professional with 30 years' experience. He previously held senior roles across retail, business and investment banking, both in Ireland and internationally.

Eileen Fitzpatrick joined the Board in May. She brings extensive capital markets and public sector experience to the Group, having held a number of senior roles in both the asset management and stockbroking industries, and more recently was Head of New ERA at the National Treasury Management Agency (NTMA).

In December, Michele Greene was appointed to the Board, having been nominated by the Minister for Finance. Her experience as managing director of Digital Banking and director of Strategic Development at Virgin Money will further enhance the Board's experience in the areas of change and digital and technology innovation.

Remuneration

Staff turnover across the Group remains at reasonable levels. However, competition for talent in key prudential areas, such as risk, finance and compliance, has intensified as a consequence of the substantial increase in the presence of international financial services organisations in Ireland. This challenge is accentuated by the impact of the remuneration restrictions under which the Group and some of its competitors operate. We are concerned about potential risks that could open up in the Irish banking sector as a result. This disadvantage is most keenly felt by investors in Bank of Ireland, as the only institution to have repaid fully the investment of the Irish taxpayer at the time of the financial crisis.

The Group's goal is to operate a remuneration policy, including variable remuneration, consistent with European Banking Authority (EBA) guidelines. These guidelines have been significantly extended to be much stricter than what operated in the past and enable much better alignment of the interests of all stakeholders (including in the delivery of regulatory and customer service objectives), with a much clearer emphasis on risk management and long-term sustainability.

Outlook

While the operating backdrop remains subject to political and economic developments, the progress delivered in 2019 in terms of lending, business income and efficiency is a testament to our strategic plan. The actions we are taking in response to this macro-financial backdrop demonstrate the flexible and responsive leadership by Francesca and her Executive team. With attractive market positions and the ongoing commitment of colleagues across the Group, the Board is confident that Bank of Ireland remains well placed to address ongoing challenges and deliver value for our shareholders.

Patrick Kennedy

Patrick Kennedy
Chairman

Chief Executive's review

We continued to deliver on our strategic priorities throughout 2019.

Francesca McDonagh *Group Chief Executive*

I am pleased to report that we have made good progress in delivering on our strategic priorities. For the second successive year, we have grown our loan book, expanded our Wealth and Insurance business, reduced our cost[1] base and lowered our non-performing exposures (NPEs). We grew our capital base during 2019 and are reporting an underlying profit before tax of €758 million for the period.

While Brexit related uncertainties persisted throughout 2019, the Irish economy has continued to expand. The economic fundamentals in our core home market remain supportive. Irish Gross Domestic Product (GDP) growth is expected to be 5.8% in 2019 while unemployment is at a low level. The UK economy remained resilient with moderate GDP growth and unemployment at a multi-decade low.

Strategic ambition

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

18 months on from our Investor Day in June 2018, we have continued to make good progress in delivering on our strategy. In particular we are:

- supporting home building and home buying in Ireland;
- growing our loan book while maintaining commercial discipline on risk and pricing;
- growing our Wealth and Insurance business;
- improving efficiency and reducing our costs;
- benefitting from the investment in transformation of our culture, systems and business model;
- making demonstrable progress on the execution of our strategy in the UK to increase returns; and
- strongly generating organic capital with an increasing dividend.

How changing environment impacts our targets

Since Investor Day, the environment in which we operate has changed materially and is more challenging. Most notably from a financial returns perspective, there has been a change in interest rate expectations with interest rates now expected to remain at the current historically low levels for a number of years. Other factors include the prolonged period of uncertainty with respect to Brexit, which continues to influence the pace of credit formation in Ireland in both the mortgage and Small and Medium Enterprise (SME) markets, the heightened competitive environment in the UK mortgage market, and increased regulatory capital requirements. These external headwinds are impacting the timeframe for delivery of some of our Investor Day targets.

While we are implementing actions which will partly mitigate these challenges, we recognise that returns are also influenced by market conditions. We are therefore revising our targeted return on tangible equity (RoTE) for 2021 to c.8% (from in excess of 10%). We continue to target a return on tangible equity of in excess of 10% over the longer term.

We are creating a leaner, simplified and more agile organisation. The Group's relentless focus on cost management has seen costs reduce during each of the past four reporting periods. Reflecting this strong momentum we are lowering our cost target by €50 million to €1.65 billion in

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2021. We will do this while continuing to invest in our people and infrastructure.

Systems transformation

Our systems transformation is supporting growth, improving customer experience and driving efficiencies. We are already seeing the benefits of these investments. In 2019, we migrated debit cards to a new, more resilient platform, and we have modernised our payments infrastructure. We have also launched new Wealth and Insurance digital platforms, and the rollout to customers of our new Mobile App commences in Q1 2020.

Systems transformation, which requires the integration of our core systems with payments infrastructure and real-time digital customer interactions, is a complex process and must be managed carefully. The external landscape is evolving with technologies such as cloud and Application Programming Interfaces (APIs) positively impacting the way retail banks manage IT change. The business and regulatory landscapes have also evolved significantly while the pace of customer digital adoption and changing expectations has accelerated.

Our programme has responded appropriately and dynamically to these developments. We have invested in upgrading our legacy technology to meet new regulations. To support the rapid acceleration in digital transactions by our customers, we have invested in our payments infrastructure and card technology, and the resilience and security of our technology estate. We have also adopted a more modular approach for specific solutions, taking advantage of latest technologies to increase the pace of deployment for new digital services to our customers.

While the transformation of our systems will continue beyond 2021, we are committed to remaining within the guided transformation investment spend of €1.4 billion equating to an average of 50 to 60 basis points of Common equity tier 1 (CET1) capital annually until 2021. We expect that investment in transformation beyond 2021 will be at a lower level.

UK strategy

While it remains a challenging market, we remain committed to the UK and continue to make progress on our strategy to increase returns by investing in, improving and repositioning all parts of our portfolios. We have increased our market share and grown lending in our consumer and Northridge businesses and launched our new ‘Bespoke’ mortgage proposition while maintaining commercial discipline on risk and pricing. We are reducing our UK cost base by simplifying our business model, including the sale of our UK credit card portfolio and exit from current accounts and unprofitable ATMs. We have also extended the Group’s partnership with the Post Office, further enhancing the alignment of both parties to drive benefits.

As we expect the competitive market backdrop to persist, the achievement of our target returns of high single digits will now be beyond 2021. It is a strategic imperative to improve returns in our UK business.

Capital

Our capital position remains robust with strong organic generation of capital. The regulatory capital framework continues to evolve. In December 2019 the Bank of England (BoE) announced an increase in the UK countercyclical capital buffer (CCyB) resulting in a 30 basis points increase in the Group’s regulatory requirements from December 2020. Reflecting this change we are increasing the Group’s target CET1 ratio to in excess of 13.5% (from in excess of 13.0%) on a regulatory basis and on a fully loaded basis at the end of the Other Systematically Important Institutions (O-SII) phase-in period in 2021.

Our dividend policy remains unchanged; to increase on a prudent and progressive basis and, over time, build towards a payout ratio of around 50% of sustainable earnings.

Financial performance

The Group generated an underlying profit before tax of €758 million in 2019. Underlying operating profit before net impairment losses increased by 10%.

The Group’s loan book increased by €2.5 billion during 2019 (€0.8 billion on a constant currency basis). Net lending growth of €2.0 billion and the acquisition of a portfolio of loans, was partially offset by NPE securitisation and sale transactions and the disposal of the Group’s UK credit card portfolio. Total new lending volumes in 2019 were €16.5 billion, 3% higher than 2018 on a constant currency basis.

Our market share in new mortgage lending in Ireland was 24% in 2019. Strong positive momentum in market share of mortgage applications during the second half of 2019 provides a good pipeline for new mortgage lending in 2020. We remain the leading corporate and business bank in Ireland, with growing SME market share. We have €1 billion of facilities approved to support the delivery of c.9,000 new homes and 2,000 student accommodation units across Ireland.

Net interest income (NII) of €2.15 billion was in line with 2018. Net interest margin (NIM) was 2.14%, in line with our expectations. The Group’s NIM reflects the positive impact from new lending margins and our strong commercial pricing discipline, offset by the sale of our UK credit card portfolio, competitive pressure in the UK mortgage market and growth in liquid assets. We expect full year 2020 NIM to be c.2.05%, primarily driven by the impact of the low rate environment on our structural hedge portfolio and further growth in liquid assets. 2020 NII is expected to be broadly in line with 2019.

Fees and other income arise from diversified business activities including wealth, bancassurance, foreign exchange (FX) and transactional banking fees. This includes business income of €666 million which, after excluding the impact of non-core income relating to UK credit cards and ATMs, is 6% higher than for the same period in 2018. Our Wealth and Insurance business was a key driver of this growth where operating income increased by 11%, annual premium equivalent (APE) new business sales were up 11%, Life market share grew 2% to 22%, and penetration of the bank customer base increased from 26% in 2018 to 32% in 2019.

We are transforming our culture, systems and business model, delivering efficiencies across the Group. Operating expenses (excluding levies and regulatory charges) reduced to €1,785 million in 2019, a decrease of 4% compared to 2018. A 6% gross reduction in costs, driven by simplifying our organisation, sourcing strategically and improved ways of working, created capacity to absorb higher depreciation and targeted investment in our people and infrastructure. Non-core charges of €113 million include amounts relating to our customer redress programme (the Tracker Mortgage Examination) together with restructuring charges related to our cost reduction programmes.

Asset quality has remained strong in 2019 with improvements in particular across loan portfolios with elevated levels of NPEs. Our NPEs reduced by €1.5 billion to €3.5 billion, equating to an NPE ratio of 4.4% of gross customer loans. This reduction reflects working closely with customers to agree sustainable solutions (€0.9 billion), and NPE securitisation and sale transactions (€0.6 billion).

A net impairment charge of €215 million in 2019 compared to a net impairment gain of €42 million in 2018. This primarily reflects a more normalised level of impairments and also losses on a small number of large exposures during 2019. Absent a deterioration in the economic environment or outlook, we expect the impairment charge to be at the upper end of a range of 20 to 30 basis points per annum during 2020 to 2021.

Our fully loaded CET1 capital ratio at December 2019 was 13.8%. The Group generated 170 basis points of organic capital in 2019. In addition, the Group unlocked 40 basis points of capital from the securitisation of non-performing Irish mortgages and the sale of the UK credit card portfolio. We continue to strategically optimise, invest and allocate capital to support investments in loan book growth, transformation, regulatory capital demands and distributions to our shareholders.

Our dividend policy remains unchanged. A dividend of 17.5 cent per share or €189 million, a 9% increase on 2018, is proposed in respect of full year 2019.

Customers, Colleagues and Communities

Our customers are at the heart of everything we do. We have been listening and responding to their preferences by meeting their financial requirements through easy, simple and accessible processes aligned to their digital expectations. We continued to invest in our digital channels, branch network and contact centres in 2019. We launched our new brand strategy and supported and partnered with our customers in preparation for Brexit with the launch of a €2 billion Brexit fund and dedicated FX facilities.

During 2019, we introduced Ireland's first Financial Wellbeing programme, designed to help customers to better understand, plan and improve their finances and inspire financial wellbeing in Ireland. The programme includes an online Financial Wellbeing Centre, a Financial Wellbeing Lab, and Financial Health Checks for Personal and Business customers. Other Financial Wellbeing initiatives include:

- a Youth programme focused on the delivery of financial literacy to schools, as well as third level campuses nationwide;
- a Seniors programme, with a series of seminars and supports delivered by the newly appointed Financial Wellbeing Coaches;
- roll out of a LifeGoals advisory service and a new Digital Investment self-service tool; and
- launch of a Vulnerable Customer Unit (VCU) to provide banking support to customers facing challenging circumstances.

We launched our new People Strategy which is aligned to our purpose, values and strategic priorities. A positive shift in culture is evident across the organisation, and engagement by colleagues has increased by 10% to 60% in the past two years. We are focused on attracting and retaining talent, ensuring the Group retains a bench strength of skills and expertise, enabling senior management development. A key inclusion and diversity target is to achieve a 50:50 gender balance for management and leadership appointments by end 2021. For 2019, females represented 44% of all senior appointments.

Conducting our business in a responsible and sustainable way is fundamental to achieving our purpose of enabling our customers, colleagues and communities to thrive. In October 2019, on behalf of the Group, I signed the UN Principles for Responsible Banking. While we recognise there is more to do in the banking sector, these pledges are key steps in our RSB agenda and signify our commitment as Ireland's leading bank, to support the global drive to address climate risks and be a responsible business partner for our customers, communities and colleagues. We have also enhanced our governance structure to provide more Board and senior management ownership and oversight for our RSB agenda. During 2019 we launched our €1 billion Sustainable Finance Fund and in doing so became the first bank in Ireland to offer a 'Green' mortgage. The aim of our Sustainable Finance Fund is to support homeowners and businesses across Ireland on their low carbon journey through encouraging and rewarding energy-efficient homes, retrofitting of older properties, and SME and agriculture investment in energy efficiency.

Sustainable returns

2019 has been a year of further growth in lending, increased business income and improved efficiency. We have made good progress in the transformation of our culture, systems and business model and in delivering on our UK strategy. We have strongly generated organic capital and improved the asset quality of our loan portfolios.

We are mindful of the risks, challenges and uncertainties relating to the global economy, interest rates and Brexit. We are targeting growing RoTE from 6.8% in 2019 to c.8% by 2021, driven by business growth and further cost reductions partially offset by the impact of the lower interest rate environment. Longer term we will continue to target a RoTE of in excess of 10%. We will continue to responsibly develop our profitable, long term franchises and to serve our customers brilliantly in a way that delivers attractive, sustainable returns to our shareholders.

Francesca McDonagh
Group Chief Executive

Kai Restaurant owner **David Murphy** with Bank of Ireland Eyre Square business advisor Angela Maguire.

Our purpose and values

Bank of Ireland has a clearly articulated purpose underpinned by four key values, supporting our ambition to be the National Champion Bank in Ireland.

Our purpose

Enabling our customers, colleagues and communities to thrive

Bank of Ireland's purpose is to enable our customers, colleagues and communities to thrive.

Customers are at the heart of our business and always come first.

Colleagues keep our organisation working, by innovating and adapting to meet our customers' needs.

Communities are where we live and work - and include groups such as our shareholders, regulators, governments and partners - at both a local and a global level.

Our values

Our purpose is supported by four key values which guide us in everything we say and do.

Customer focused

We understand our customers well. We listen to them to ensure they feel valued, and use our insights to consider how best to serve their needs. We take appropriate actions to deliver solutions to meet customers' changing requirements.

One Group, One Team

We know we work smarter when we come together behind our common purpose. We learn from each other and share ideas to expand our thinking. We build an open, trusting and supportive environment, and foster diversity of thought, ideas and experiences to spark creativity and innovation.

Agile

We embrace change with an open mind and a can-do attitude. We respond quickly and proactively seek different perspectives. We challenge ourselves to look for new and simplified ways to efficiently deliver the best solutions for our customers.

Accountable

We are empowered to take ownership and trusted to do the right thing to support our customers, colleagues and communities. We lead by example and challenge ourselves and each other to do our best work at all times. We learn from our mistakes and celebrate our successes together.

Our ambition

To be the National Champion Bank in Ireland with UK and selective international diversification

National Champions are recognised as consumer champions, drivers of economic growth with strong market shares, employers of choice, and have strong brand positions. As we work to deliver this ambition, we continue to transform the Bank of Ireland experience for our customers, colleagues and communities.

Throughout 2019, we have introduced a range of measures designed to make it easier for our customers to bank with us. We have invested in our colleagues. And we have started to transform our brand, unveiling significant initiatives that - in line with our purpose - will enable our customers, colleagues and communities to thrive.

To achieve our ambition we have set three strategic priorities - to transform the bank, serve customers brilliantly, and grow sustainable profits. Our strategy to 2021 is anchored in these goals and is underpinned by clear financial targets.

Our strategy

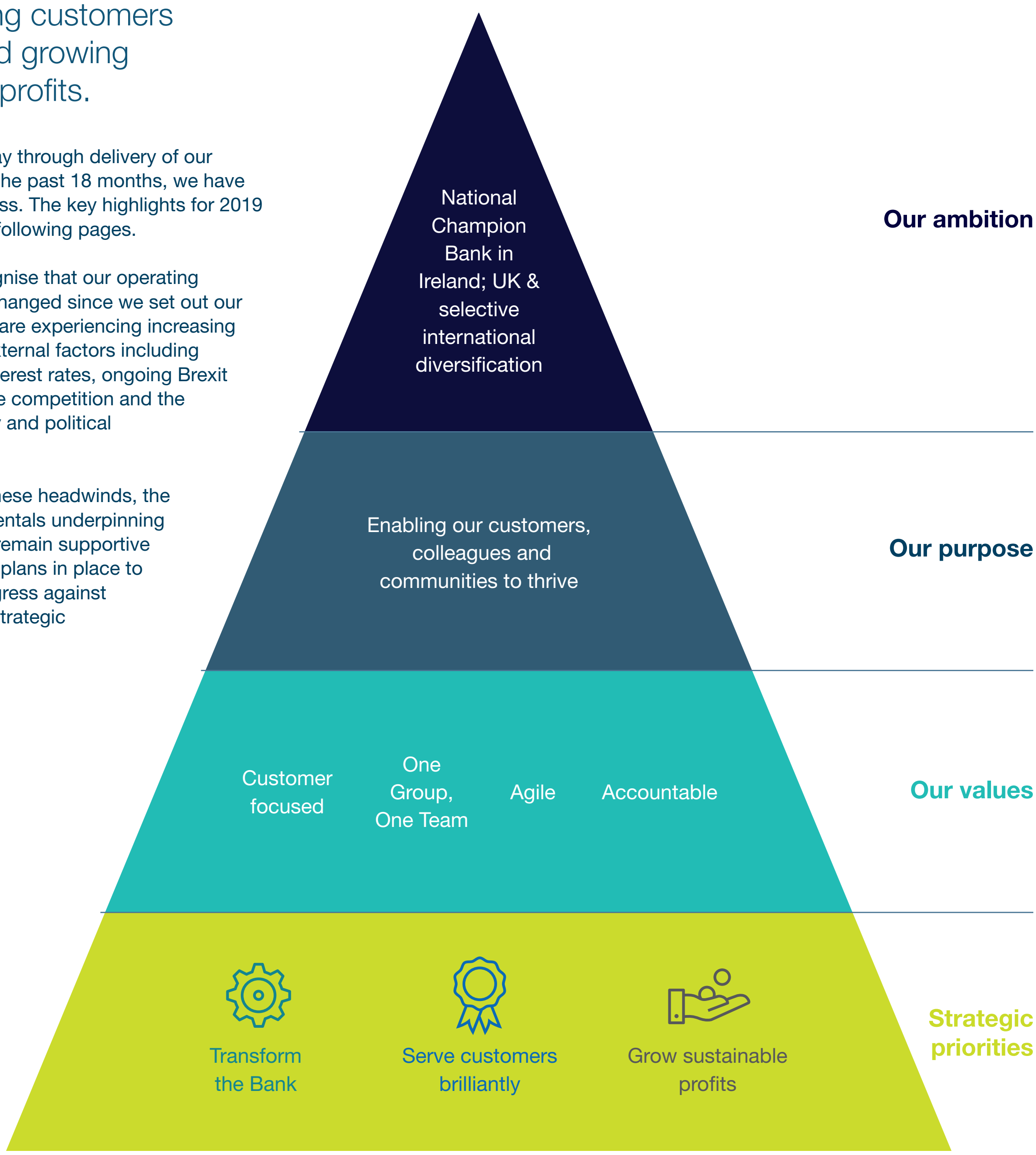
To transform the Bank, to serve customers brilliantly and to grow sustainable profits.

At our Investor Day in June 2018, we set out our strategic plan to 2021. Our three strategic priorities are transforming the Bank, serving customers brilliantly and growing sustainable profits.

We are now midway through delivery of our strategy and over the past 18 months, we have made good progress. The key highlights for 2019 are set out on the following pages.

However, we recognise that our operating environment has changed since we set out our strategic plan. We are experiencing increasing challenges from external factors including lower for longer interest rates, ongoing Brexit uncertainty, intense competition and the evolving regulatory and political environment.

Notwithstanding these headwinds, the economic fundamentals underpinning our strategic plan remain supportive and we have clear plans in place to deliver further progress against each of our three strategic priorities.



Our strategy
Transform the Bank

We are transforming our culture, systems and business model to enable our customers, colleagues and communities to thrive.

Culture

We are on a multi-year culture transformation journey. Strengthening our culture will contribute to positive customer outcomes, long-term customer relationships, growth in sustainable revenue and improved staff engagement and talent acquisition.

Target outcomes

- Improved customer centricity.
- Best-in-class employee engagement.
- All management and leadership appointments to represent a 50:50 gender ratio by end 2021.

2019 highlights

- We continued to embed a customer focused culture throughout the Group with the establishment of an executive Culture Steering Committee and ongoing participation in the Irish Banking Culture Board.
- Our colleague engagement score at 60% continues to improve, up 10% since we started measuring two years ago.
- The Group's Culture Embedding Index, which measures the awareness, understanding, belief and demonstration of our purpose and values was 66% in October 2019, up 11% from the previous survey in 2018.
- In 2019, the Group's gender ratio of management and leadership appointments was 56:44 male / female. We are further investing in dedicated programmes to build gender balanced talent and accelerate future female leaders.
- We held our inaugural Group Recognition Awards in March 2019 acknowledging exemplary colleague behaviour aligned to our purpose and values.
- The Group won the inaugural Diversity and Inclusion Award at the 2019 Business & Finance Awards.

Systems

We are making a significant investment to transform our technology. This investment is critical to support our business growth, as well as improving efficiency and enhancing service to our customers.

Target outcomes

- Improved customer experience.
- Simplification of products and processes.
- Excellence in digitisation and robotics.
- Transforming our technology.

2019 highlights

- Our new Mobile App went live with a colleague pilot underway.
- Completed the largest customer migration in the Group's history with over two million customers transferred to a new more resilient IT platform for debit card and ATM transactions.
- We launched our Digital Investment Platform and Insurance Wallet.
- Harnessing robotics, we increased the degree of automation of over 100 business processes, improving customer experience and reducing operational risk and costs.
- Continued investment in the development of key customer data and security platforms, enhancing data management, meeting regulatory requirements and reducing operational risk.

Business model

We are committed to optimising our business model and ensuring our organisation is efficient and effective. We are simplifying our structures, making our teams more effective and improving our management of third-party providers. This will help us to become leaner, more agile and ever closer to our customers.

Target outcomes

- A more simplified and customer centric organisation.
- Effective and sustainable sourcing arrangements.

2019 highlights

- Significant progress made in simplifying our organisational structure to create a leaner more agile business that is closer to our customers, with our end state structure now 97% complete.
- We achieved a €11 million[1] or 2% reduction in staff costs from 2018, while continuing to invest in our customer facing businesses and building internal capability in key areas such as IT change delivery and analytics.
- We have successfully rolled out flexible ways of working across the Group, with 3,500 colleagues now working in agile workspaces, facilitating a 27% reduction in the office space occupied over the last two years, including the exit of two Dublin city centre properties in 2019.
- We have simplified the process for first time buyer mortgages improving customer experience by accepting over 70% of documents in digital form (up from 40% previously).

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Our strategy
Serve customers brilliantly

We are committed to building a customer focused organisation that invests in improving service and digital capabilities, while also getting the basics right. We listen to customers and respond to their feedback. We are investing in our brand to help our customers know what we stand for and how we bring value into their lives.

John Finn and Bank of Ireland Oranmore branch manager Helen Keane at John's dairy farm in Oranmore, Co Galway.

Embedding voice of customer in our businesses

Customers are the heart of our business. The way customers bank and the products and services which they expect are changing and evolving faster than ever. We are committed to supporting our customers' needs and financial wellbeing by offering customer centric propositions and services to enable our customers to thrive.

Target outcomes

- Significant improvement in customer satisfaction and advocacy.
- Serving customers during their key life moments.
- Customer centricity at the heart of our culture.

2019 highlights

- Our customer effort score, which measures ease of service experience, continues to improve at +49, up from +36 at the start of 2019.
- We introduced Ireland's first Financial Wellbeing programme to help customers improve their financial literacy, capability and confidence, offering youth, seniors, vulnerable customers and business customers financial wellbeing supports.
- We are supporting and partnering with customers in preparation for Brexit which includes a €2 billion Brexit fund, enhanced FX facilities and hosting Brexit briefings across Ireland with c.1,400 customers attending.
- We launched a Treasury Academy in partnership with Trinity Business School which was attended by more than 120 businesses in 2019.
- Our Brilliant Basics initiative is putting customers' needs at the heart of planning and decision making, with over 5,000 suggestions received since its launch in 2018 and c.50% which have the broadest customer impact actioned to date.
- In the Republic of Ireland (RoI) customer complaints fell by 29% from 2018, reflecting ongoing investment in improved customer service.

Investing in digital and physical channels

We are investing in all channels to improve customer experience and service. We are re-designing and digitising high-priority journeys, upgrading service in our branches and contact centres, reallocating colleagues to customer facing roles and upgrading advisory service through colleague training and development.

Target outcomes

- Great customer experience and increased digitally enabled customer journeys.
- Build the API foundation for Open Banking.

2019 highlights

- Our transactional customer experience score combined across all channels has increased by 40% in 2019.
- We continued to improve our customer experience with an investment of €20 million in our branch network in 2019, optimised resourcing in our contact centres and enabled customer improvements in our digital channels with over six million digital form users, up 40% from 2018.
- Over 60% of personal loan applications are now made via mobile phone.
- Over one million customer logins have been recorded to our new digital application tracker which facilitates real-time order tracking, initially for personal loans customers.
- Our new digital personal current account page speed is now three times faster for mobile users.
- We launched our new Life Advice digital investment tool enabling customers to improve their Financial Wellbeing and plan for the future with 900 customers registered since its launch in December 2019.
- We have expanded our Open Banking APIs enabling us to innovate and serve our customers in new ways.

New brand strategy

We have identified our brand purpose and drivers, putting the customer at the heart of everything we do. We are repositioning our brand to bring our purpose to life in a way that differentiates us and offers real value to our customers, colleagues and communities. This new positioning will bring all constituent parts of the business together and will be reflected in new advertising and sponsorship assets. Our creative brand position will sustain us over the next three to five years.

Target outcomes

- Number one Bank brand in Ireland.

2019 highlights

- We launched our new brand strategy 'Begin' in early 2019 and awareness of Bank of Ireland communications grew significantly over the year.
- In November 2019, we re-certified to the Business Working Responsibly Mark; an independently audited standard for sustainability in Ireland.
- We launched a Sustainable Finance Fund, which offers €1 billion in Green Loans at reduced rates for energy-efficient properties.
- The Group signed the UN Principles for Responsible Banking in October 2019.
- We continued to support all of our communities, through sponsoring all four provincial rugby teams and the Emerald Warriors, Ireland's leading LGBT+ rugby club.
- During Bank of Ireland's 2019 National Enterprise Week, the Group hosted a national programme of 26 events attended by over 1,600 small business and agriculture customers.
- Bank of Ireland sponsored the National Enterprise Town Awards (NETA) for the fourth year running, with 117 entries and 80 towns competing.

Our strategy
Grow sustainable profits

We are focused on delivering sustainable returns for our shareholders. This is based on business growth in our key markets to expand lending, grow fee income and increase revenue sustainability. At the same time, we are reducing our costs each year as we drive efficiency and streamline our business. Our UK business is being reshaped to increase returns and reduce costs.

Business growth

Creating growth in our Irish business will increase lending volumes, interest income and fee income. We are allocating capital and resources to become the leading supporter of home building and home buying in Ireland, and to grow our wealth management and insurance business. As Ireland's leading retail and commercial bank and the only bancassurer in the market, we are building on our strengths, supported by strong fundamentals - in particular the demand for housing and supportive demographic changes as called out in Ireland 2040, the National Planning Framework.

Target outcomes

- To become the National Champion Bank in Ireland with UK and selective international diversification.
- To be the leading supporter of home building and home buying in Ireland.
- Building our Wealth and Insurance business.
- Measured and commercially disciplined loan book growth.

2019 highlights

- Underlying[1] profit before tax of €758 million.
- Net lending growth of €2 billion with gross new lending volumes of €16.5 billion, 3% higher than 2018.
- Market share in new mortgage lending in Ireland of 24%.
- We have €1 billion of facilities approved to support the delivery of c.9,000 new homes and 2,000 student accomodation units across Ireland.
- We grew our market share of lending to SMEs with strong performances in Manufacturing, Agriculture, Retail Convenience and Healthcare.
- Ireland's number one Corporate Bank with net lending growth of €1 billion.
- We have leveraged our position as Ireland's only bancassurer increasing the penetration of Wealth and Insurance products to our banking customer base to 32% and growth in operating income of 11% in 2019.
- Organic capital generation of 170 basis points, enabling investment in loan book growth, transformation and dividends.
- Continued reduction in NPEs to 4.4% of gross loans - the first Irish bank to get below 5%.

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

Continued cost reduction

We expect our costs to reduce every year between now and 2021, delivering a total cost base of €1.65 billion.

Target outcomes

- Reduction of costs from €1.9 billion in 2017 to €1.65 billion in 2021.
- Reduction in costs every year to 2021.
- Underlying cost income ratio of c.50% over longer timeframe.

2019 highlights

- Sustained momentum on journey to become a more efficient organisation, with year on year cost reduction of 4% or €67 million (before levies and regulatory charges).
- Total costs of €1,785 million in 2019, down from €1,900 million in 2017. Gross cost savings of c.€215 million achieved by simplifying the organisation, strategic sourcing and improved ways of working have created capacity for c.€100 million to absorb higher depreciation and targeted investment, over the same period, in transformation and our people.
- Underlying cost income ratio reduced by 2% versus prior year.
- Announced a more ambitious cost target for 2021 cost base of €1.65 billion, down from prior target of c.€1.7 billion.

Reshaping the UK business

We are committed to the UK market where our focus is on increasing returns. We are investing in businesses that are generating profitable returns, improving returns in businesses with potential and repositioning other businesses including exit from the credit card business and wind down of legacy branch assets.

Target outcomes

- Improving returns.
- Lower cost of funding, acquisition and servicing.
- New propositions targeting under-served customer segments.
- Reviewing those portfolios and products where returns are below expectations.

2019 highlights

- We extended our longer-term financial services partnership with the UK Post Office.
- Reduced UK costs by £64 million from 2018, improving UK cost income ratio from 65% to 60%.
- Disposed of UK credit card portfolio in July 2019 and optimised the ATM estate.
- Launched new higher margin bespoke mortgage products, with drawdowns of £225 million during the year.
- Northridge new business lending exceeded £1.3 billion (+26% on 2018), primarily reflecting increased sales across its established intermediary distribution combined with new relationships during the year.
- The Group's inaugural UK wholesale funding transaction raised £350 million in long-term secured term funding.

Divisional review

Our business model

Bank of Ireland Group is one of the largest financial services groups in Ireland, with total assets of €132 billion at 31 December 2019. We provide a broad range of banking and other financial services. We are organised into four trading segments and one support division to effectively serve our customers.

Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on pages 41 to 57.

Retail Ireland

Serving consumer and SME customers across a broad range of segments and sectors. Delivering financial products, services and propositions tailored to meet their needs through branch, phone and digital banking channels. Operating as one of Ireland's largest lenders with €5.8 billion lent to the Irish economy in 2019.

Wealth and Insurance

A leading provider of life, pensions, general insurance, investment and savings products in the Irish market. The Group is the only bancassurer in Ireland operating through New Ireland with its history of over 100 years and encompasses Private Banking and Bank of Ireland Insurance Services.

Retail UK

Distributes consumer products via own brand and partnerships with trusted brands (Post Office and the Automobile Association (AA)) and operates a universal bank in Northern Ireland (NI) as well as strong niche businesses in attractive segments, which include asset finance under the Northridge Finance and Marshall Leasing Limited (MLL) brands and FX via First Rate Exchange Services Limited (FRES).

Corporate & Treasury

Ireland's number one Corporate Bank[1] and leading treasury service provider incorporates the Group's corporate banking, wholesale financial markets, specialised acquisition finance and large-transaction property lending business across the RoI, UK and internationally with offices in the United States (US), Germany, France and Spain. Holds market leading positions in chosen sectors, including corporate banking, commercial real estate, foreign direct investment and treasury.

Group Centre

Group Centre comprises the Group's central control functions, which establish governance and oversee policies, and provide and manage processes and delivery platforms for the trading divisions.

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

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.

€468m
Underlying profit before tax

€5.8bn
Gross new lending

(€263m)
Net new lending

€31m
Reduction in operating costs

Mary Carrick at Mary's Fish Shop in Ballybrit, Co Galway.

Transform the Bank

- Digital personal current account application via mobile launched. Average time to submit is six minutes with account details received same day.
- Launch of digital car loan applications integrated within car sales websites.
- Digital applications for loans and credit cards grew by 20% in 2019. Customers can digitally track the progress of their application in real time.
- Improved customer experience, reduced risk and increased efficiency through robotics automation of approximately eight million common customer tasks - (up 40% on 2018).
- Mobile devices continue to be the digital channel of preference, with >75% of all visits now happening this way.
- A further 58 branches refurbished as part of our Branch Investment programme in 2019.
- On-boarding of mortgage brokers accelerated during 2019. Further expansion of the channel is planned for 2020.

Serve customers brilliantly

- Improved customer service experience, through our Brilliant Basics programme, where frontline colleagues identify continuous improvement initiatives.
- As a result, our Customer Effort Score (measuring service experience across channels) is up from +36 to +49 and we have seen a 29% decrease in complaints in 2019.
- Launched Ireland's first Financial Wellbeing programme. Over 100,000 visits to the online Financial Wellbeing Centre to date.
- Expanded our Youth Financial Literacy Programme, making it available to over 500 secondary and 3,000 primary schools.
- Market leading, customer-centric Life Goals financial planning tool launched.
- Established a Vulnerable Customer Unit, supporting advocacy groups and frontline colleagues to meet the needs of vulnerable customers.
- Enhanced Bereavement Support journey, with a 'tell us once' approach and online access to advice, forms and a document upload facility.

Grow sustainable profits

- Underlying profit before tax of €468 million in 2019 is 28% lower than 2018, primarily due to a higher impairment charge in 2019.
- Both net interest income of €990 million and net other income of €268 million are broadly in line with 2018.
- Operating expenses of €745 million are 4% lower than 2018 due to continued emphasis on cost reductions.
- Net impairment losses of €50 million are €207 million higher than 2018 which reflects the combination of updated impairment model parameters (including updated forward looking information and refreshed cure rates) and the impact of the disposal / securitisation of non-performing portfolios in the year.
- Loans and advances to customers (after impairment loss allowances) at 31 December 2019 of €33.8 billion were €0.9 billion lower than 2018. This decrease includes the derecognition of €0.6 billion following the securitisation and sale of a portfolio of non-performing Irish mortgages, offset by an acquisition of a €0.2 billion portfolio of commercial loans in 2019. The pace of redemptions exceeded that of lending growth in 2019 resulting in a net lending decrease of €0.3 billion.
- Customer deposits of €51.9 billion at 31 December 2019 were €4.2 billion higher than 2018 primarily due to increases in current account credit balances on the back of a strong economy.

Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 52.

Further information on measures referred to in our business segments is found in Alternative performance measures on page 331.

Divisional review
Wealth and Insurance

Wealth and Insurance is a long established, market leading, life and pension and general insurance provider in Ireland. The Group is the only bancassurer in the Irish market.

€169m
Underlying profit before tax

€345m / +14%
Life & pensions new business APE

22%
Market share

Transform the Bank

- Ongoing investment to digitise Wealth and Insurance platforms, delivering a modern and successful business which is accessible through multiple media.
- Continued roll out of Ireland's first life assurance digital advice platform.
- Development of the digital insurance wallet allowing customers to manage their general insurance needs in one place.
- First phase of broker online connectivity rolled out enabling digital connection with brokers for key products.

Serve customers brilliantly

- Improved customer offerings across a range of products including critical illness and savings options.
- Enhanced customer journeys with the digital advice platform allowing customers to receive regulated financial advice and providing customer self-service capabilities.
- The online broker connectivity solution allows brokers to pre-populate New Ireland online application forms for new and existing business using the brokers own client data.

Grow sustainable profits

- Underlying profit before tax was €169 million in 2019 (2018: €67 million). The increase year on year reflects strong overall business performance allied with the positive performance of investment markets in 2019.
- APE new business sales in the Life business was €345 million in 2019, an increase of €44 million, 14% up on 2018. All sales channels recorded year on year sales growth with bank channel sales 29% higher than 2018 driven by strong life investment sales and an increased customer penetration rate of 32%.
- APE new business sales consisted of €158 million of new single premium business and €187 million of new regular premium business with strong growth in particular across pension business.
- Operating profit of €134 million for the year-ended 31 December 2019 was €20 million or 18% higher than 2018.
- Operating income of €269 million in 2019 was €28 million higher than 2018 mainly reflecting strong overall business performance and the benefit of assumption changes.
- Operating expenses of €135 million in 2019 were €8 million higher than 2018.
- Unit-linked fund prices increased by 12.6% in aggregate during 2019, heavily driven by growth in global equity markets. The positive variance relative to assumed growth led to a positive investment return of €30 million (2018: adverse investment variance of €27 million).
- Interest rates at 31 December 2019 were lower than those at the end of 2018 while the spread on corporate bonds also narrowed. The overall impact of the change in yields resulted in a €5 million gain in 2019 (2018: €20 million loss).

Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 53.

Further information on measures referred to in our business segments is found in Alternative performance measures on page 331.

Divisional review
Retail UK

Retail UK provides consumer banking in Great Britain (GB) and universal banking in Northern Ireland. Retail UK incorporates Northridge Finance, the financial services partnerships with the UK Post Office, the AA and our FX joint venture (FRES).

£152m
Underlying profit before tax

£64m
Reduction in operating costs

£5.9bn
Gross new lending

£442m
Net new lending

Transform the Bank

In transforming the Bank, Retail UK is focused on increasing returns by investing, improving and repositioning its efforts.

Investing in:
- Enhanced digital offering across product lines including improved payment functionality.
- Strategic IT capability to deliver enhanced customer propositions such as online mortgage product switching.
- Enhanced distribution of personal lending in NI.

Improving:
- The Post Office partnership contract has now been extended.
- Cost of funds effectively managed by optimising funding mix and management of deposit pricing.
- Focus on cost reduction, whilst investing in strategic initiatives, technology and regulatory compliance.

Repositioning:
- Sale of UK credit card portfolio completed and migration is underway.
- Optimising the ATM estate.
- Continued deleverage of legacy portfolios.

Serve customers brilliantly

- Progressing enhanced mortgage strategy and new bespoke products developed for the professional segment.
- Increased NI branch staff and opening hours to meet customer demand.
- Increased focus on complaint management and resolution with complaints per 1,000 reducing from 1.73 to 1.10 over the course of 2019.
- Also established a dedicated bereavement team.

Grow sustainable profits

- Underlying profit before tax of £152 million in 2019 (2018: £161 million) which excludes the performance of the consumer credit card and ATM portfolios which are treated as non-core activities in 2019.
- Net interest income of £494 million has decreased by £33 million. Excluding the impact of credit cards in 2018 (£25 million), which is classified as non-core in 2019, net interest income decreased by £8 million. This was primarily due to competitive pressures in the mortgage market, partially offset by growth in the asset finance and personal lending volumes.
- Operating expenses of £288 million are £64 million lower, primarily as a result of repositioning the credit card and ATM portfolios as non-core in 2019 and the remainder is due to continued focus on cost management.
- Impairment losses of £71 million have increased by £5 million compared to 2018, primarily due to new lending growth in consumer lending.
- Loans and advances to customers (after impairment loss allowances) of £24.8 billion were £0.4 billion higher than 31 December 2018. This reflects an overall increase in net consumer lending of £1.3 billion, which includes Northridge, personal lending and mortgages offset by the disposal of the credit card portfolio (£0.6 billion) and net repayments in commercial lending (£0.3 billion).
- Customer deposits of £19.1 billion at 31 December 2019 were £0.7 billion lower than 31 December 2018.
- In June 2019, £350 million of term funding was raised through a successful securitisation of prime UK residential mortgage loans.

Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 54.

Further information on measures referred to in our business segments is found in Alternative performance measures on page 331.

Divisional review
Corporate and Treasury

Corporate and Treasury is Ireland's number one Corporate Bank and leading treasury service provider.

€455m
Underlying profit before tax

€4.0bn
Gross new lending

€1.0bn
Net new lending

€16.4bn
Loans & advances to customers

Transform the Bank

- Increased adoption of dedicated FX digital platform with number of customers using FXPay up 32% and number of transactions up 33% across all customer segments in 2019.
- Successfully concluded two Credit Risk Transfer (CRT) transactions reducing credit risk exposure through a risk sharing structure whereby the investors assume the credit risk for potential credit losses on certain loans.
- Supported the Group in reducing its NPE ratio below 5%, by concluding two transactions involving loans predominantly secured on buy to let (BTL) investment properties.

Serve customers brilliantly

- Retained its position as Ireland's #1 Corporate Bank.
- Maintained its position as a leading domestic lender to Irish real estate market and is supporting the Group's position as a National Champion in house building.
- Allocated €1.5 billion for development lending - commercial and residential. This includes €800 million that will deliver 7,100 new homes and 2,000 student accommodation units in RoI.
- Completed the first Irish Public Private Partnership for Social Housing which facilitated the building of 534 housing units in the Greater Dublin region.
- Continued to selectively expand our customer offering e.g. subscription finance in the UK, selective re-entry into the US property market and a new mezzanine finance offering.
- Acquisition Finance opened an office in Madrid to support its private equity relationships who transact in the Spanish market.
- Continued to support customers against the backdrop of uncertain market conditions which included extensive Brexit communications.
- Unsecured FX facility for customers impacted by Brexit and to support businesses trading internationally increased to €50 million (2018: €20 million).
- Continued investment in customer proposition and experience improvements, including simplifying account opening and documentation, as well as enhancing the ability for customers to 'self-serve'.
- Launch of Bank of Ireland's Financial Wellbeing programme for businesses with initiatives such as the Bank of Ireland Treasury Academy in partnership with Trinity Business School.

Grow sustainable profits

- Underlying profit before tax of €455 million in 2019, a decrease of €31 million compared to 2018.
- Business net interest and other income of €758 million is €52 million higher than 2018, predominantly driven by increased lending activity.
- Financial instruments valuation adjustments are a charge of €27 million in 2019, a decrease of €34 million. The 2019 result is due to less favourable market moves on derivative valuations when compared to 2018.
- Net impairment losses on financial instruments of €82 million is €41 million higher than 2018 and reflects losses on a small number of large exposures.
- Loans and advances to customers at 31 December 2019 of €16.4 billion are €1.4 billion higher than 31 December 2018, of which net lending was €1 billion, with €0.2 billion of acquisitions and intra group transfers and €0.2 billion FX related.
- The euro liquid asset bond portfolio of €14 billion at 31 December 2019 has decreased by €0.6 billion compared to 31 December 2018.

Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 55.

Further information on measures referred to in our business segments is found in Alternative performance measures on page 331.

Divisional review
Group Centre

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

Grow sustainable profits

- Group Centre's income and costs comprise income from capital and other management activities, unallocated Group support costs and the costs associated with the Irish Bank Levy along with contributions to the Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) and other industry levies.
- Negative operating income of €5 million in 2019, represents a decrease of €29 million from 2018. This variance was primarily due to a gain on disposal of National Asset Management Agency (NAMA) subordinated debt in 2018, which did not reoccur in 2019 and interest expense on leases arising from the adoption of International Financial Reporting Standards (IFRS) 16 in 2019.
- Operating expenses (before Transformation Investment and levies and regulatory charges) of €281 million in 2019 were €27 million higher than 2018. The increase is reflective of increased investment costs in strategic initiatives, including higher amortisation charges arising from technology and infrastructure, restructuring and further consolidation of business activities, along with costs associated with compliance and meeting regulatory expectations.
- Our transformation programme continues to make good progress and a further €263 million was invested in this programme during 2019, of which €100 million is capitalised on the balance sheet (31 December 2018: €100 million), with an income statement charge of €108 million (2018: €113 million) and €55 million recognised through non-core items (2018: €93 million).
- Total Transformation Investment costs recognised through non-core items were €55 million for the Group, of which €54 million was recognised through Group Centre. €30 million reflects a reduction in employee numbers, €21 million relates to programme management costs and other costs were €3 million.
- Group Centre levies and regulatory charges were €111 million in 2019, €14 million higher than 2018.

Further information in relation to our divisional results which are prepared on an underlying basis is found in the Financial Review on page 55.

Responsible and sustainable business

At Bank of Ireland, behaving in a responsible and sustainable way is fundamental to achieving our purpose of enabling our customers, colleagues and communities to thrive. We are committed to addressing the key challenges facing society today and became a signatory to the UN Principles for Responsible Banking in 2019. These principles help align the banking sector with the objectives of the UN Sustainable Development Goals and the 2015 Paris Climate Agreement.

Francesca McDonagh, Group Chief Executive with Geraldine Byrne Nason, Ireland's Ambassador to the United Nations

Signing the UN Principles for Responsible Banking is a key step in our Responsible and Sustainable Business (RSB) journey. This, along with becoming a supporter of the TCFD signifies our commitment to be part of the global drive to address climate risks and be a responsible business partner for our customers, communities and colleagues. Over the course of 2019, we have made considerable progress against our RSB agenda including launching our new customer strategy to enhance the Financial Wellbeing of people in Ireland, launching our new People Strategy for our colleagues, and refocusing our community activities into the newly launched Bank of Ireland Begin Together programme. We also became the first bank in Ireland to introduce a Green Mortgage through our €1 billion Sustainable Finance Fund and from 1 January 2020, 100% of our Irish electricity is now supplied from renewable sources.

During 2020, we will focus on integrating RSB throughout the Group in a way that supports our customers' low carbon journeys, builds our resilience as a pillar bank and contributes to the overall sustainability of the financial services sector and the markets in which we operate. We will proactively engage with our stakeholders, through our materiality and impact assessments, to understand their perspectives and our impacts (both positive and negative) on society, the environment and the economy. We will use this insight to further develop our approach in this area, including setting goals and targets.

Governance

We have enhanced our governance structure to provide more Board focused oversight and responsibility for our RSB agenda. The GN&GC, a committee of the Board with oversight for the Group's Corporate Responsibility Programme as well as nomination and corporate governance matters, now oversees the Group's RSB framework and strategy on behalf of the Board. The Committee, which has been renamed the Group Nomination, Governance and Responsible Business Committee (NGRB) to reflect its enhanced role, is chaired by our Chairman Patrick Kennedy. At Senior Executive level, the Group Executive Committee (GEC) has overarching responsibility for the Group's RSB strategy. Specific RSB responsibility has been delegated to the Chief Strategy Officer and our approach to RSB will be fully integrated into our overall strategy.

In support of this, we have created a Responsible and Sustainable Business Forum (RSBF), chaired by the Chief Strategy Officer. The RSBF, which consists of senior business and functional Executives from across the Group, enables us to have a coordinated approach to oversight, delivery and reporting of the Group's RSB strategy to GEC. The RSBF is supported by the Group's dedicated RSB team.

Business Working Responsibly Mark

Bank of Ireland was re-certified to the Business Working Responsibly Mark in November 2019. The Bank was first certified to the Mark, an independently audited standard for corporate social responsibility and sustainability, in 2016 for its RoI operations. The scope of the accreditation was extended across all Group operations in 2019.

Responsible and sustainable business
Business ethics

Living our values enables us to provide the best possible service and holds us accountable, while delivering new solutions to benefit our customers, colleagues and communities. We are committed to conducting ourselves to the highest standards, managing our risks appropriately and sourcing in a responsible way.

How we conduct ourselves

Our Code of Conduct (the 'Code') outlines the high standards we set ourselves for what we say and do in our relationships with customers, colleagues and the communities in which we do business. All colleagues must adhere to the Code when dealing with others and in personal financial dealings.

The Code also includes details of what action colleagues can take if they have concerns about behaviours and practices that are in conflict with our culture and values. The Group is focused on ensuring an environment exists, which embraces constructive challenge and where colleagues are empowered to speak up without fear of any adverse impact. The Group Speak-Up policy sets out the standards and obligations in support of colleagues who are highlighting concerns of potential wrongdoing. All colleagues complete annual mandatory training on both the Code and Speak Up policy.

Financial crime compliance

Protecting the financial system from financial crime risks including money laundering, terrorist financing, and bribery and corruption is of intrinsic importance to the Group. Colleagues complete annual mandatory training and assessment in relation to key areas.

Anti-Bribery and Corruption

The Group's Anti-Bribery and Corruption policy sets out the minimum standards regarding actions to be taken to identify and manage bribery and corruption risks, and roles and responsibilities are structured under a three lines of defence model.

Anti-Money Laundering, Countering the Financing of Terrorism, and Financial Sanctions

Our policies in these areas set out the standards needed to ensure the Group meets its legislative and regulatory requirements relating to these key risks.

Human trafficking

The monitoring and investigations team within our Financial Crime Compliance (FCC) unit have developed a suite of typologies aimed at identifying possible activity linked to human trafficking. FCC also provided enhanced training to our Anti-Money Laundering (AML) investigators on this subject, as well as to frontline teams.

FCC has also engaged with the anti-human trafficking non-governmental organisation (NGO) 'Stop the Traffik' to provide Board and senior management training on the scale and proximity of the issue.

In accordance with relevant UK legislation, we published our statement on Modern Slavery and Human Trafficking for 2018 and will publish our 2019 statement in due course. This applies to the Group and sets out the steps and measures we have taken to seek to ensure that modern slavery and human trafficking does not occur within our supply chain or in our business operations.

Sourcing responsibly

We recognise the opportunity to influence the integration of responsible business into our supply chain. In 2019, we published a Code of Supplier Responsibility that sets out what we expect from our suppliers. It sets out the key social, ethical and environmental standards that we want our suppliers to achieve and is supported by our procurement processes and ongoing due diligence. These assess supplier behaviours and capabilities across a range of sustainable business measures. Our sourcing processes prioritise minimising the lifecycle cost for the majority of purchases.

Responsible and sustainable business

Supporting the low-carbon economy

We are committed to supporting a successful transition to a low carbon, climate resilient economy. We will do this by enabling customers to take action, managing climate-related risks and reducing the Group's own environmental footprint.

Sustainable Finance Fund

To support our customers' transition to the low-carbon economy, we launched the Sustainable Finance Fund (the 'Fund') in July 2019 and in doing so became the first bank in Ireland to introduce a green mortgage interest rate. The €1 billion Fund supports our customers on their low carbon journey by encouraging and rewarding investment in energy-efficient homes, older properties, and SME and agri investment in energy efficiency.

Initiatives associated with the Fund include a green interest rate discount for borrowers buying or building energy efficient homes, and a green home improvement loan for energy-efficiency retrofits for older properties. We have also introduced reduced interest rates for investment in energy-saving improvements for businesses.

This Fund supports the Government's Climate Action Plan and Ireland's commitment to the UN Sustainable Development Goals. To date there has been strong customer demand for our Sustainable Finance Fund products and propositions.

Funding Renewable Energy

The Group continues to be a leading financier of the renewable energy sector. To date we have provided finance for c.720MW of on-shore Irish wind farms providing the equivalent of 468,000 homes with renewable generated electricity. We are also monitoring other forms of renewable technology, e.g. solar and off-shore wind, and await the introduction of a new government support scheme to enable lending into these sub sectors.

Climate Risk

We recognise that climate change presents both risks and opportunities to our business model and strategy. We see these emerging through two key channels: physical (e.g. increased severity / frequency of extreme weather events), and transitional (e.g. changes in how cars are powered and the retrofitting requirement for housing stock). We are integrating climate risk into our risk frameworks and

Reducing travel and enabling colleague wellbeing

Heather Kane is the Divisional Optimisation Lead for Retail UK. Based primarily in Belfast, her role requires regular interaction with colleagues in London, Bristol and Dublin. Traditionally this involved frequent travel, including visits to the London office. The roll-out of Agile Ways of Working (AWOW) along with a strong focus on reducing costs associated with travel has transformed the way Heather works.

'The enhancement of video conferencing technology in Belfast has facilitated much greater flexibility' says Heather. *'There has also been a change in mindset and culture. People now challenge both themselves and others about whether their travel is necessary. There is greater accountability on cost and a focus on colleague wellbeing.'*

Heather now works one to two days at home in County Armagh and travels to the London office approximately once a month. *'You have to be much more organised' Heather explains. 'I make sure to optimise office time and schedule as many meetings as possible that are better face-to-face'*. This has resulted in a 20-25% reduction in business travel as well as a 20-30% reduction in personal commuting which obviously brings about environmental benefits.

On a personal level Heather is now able to make a commitment to helping out fortnightly with a local community group for young people and has more opportunities to support her mother, recently diagnosed with dementia, to be as independent as possible at home.

policies, not as a separate risk category, but as a transverse risk that impacts through existing risk channels such as credit and operational risk. As such it is being integrated to leverage existing risk management governance frameworks, policies and processes.

In line with the recommendations of the TCFD, during 2020 the Group will identify activities and assets exposed to climate-related risks and measure possible financial risk impacts. As part of a UN sponsored initiative, we are also contributing to the development of a methodology, which will enable financial institutions to better understand the climate change risks of their activities. This impact assessment and associated materiality exercise together with forward-looking scenario analysis will inform our business planning and associated risk management strategies. The Group also plans to:

- assess its exposure to carbon-intensive assets or assets susceptible to physical risks;
- continue to strengthen its operational resilience and that of material suppliers, and reduce its own climate change impacts; and
- update our risk management frameworks and policies to incorporate processes for the identification, assessment and mitigation of climate risks.

An initial set of metrics for climate-related risks are in development to support the setting of relevant targets and limits to track progress against our strategy and to allow for related disclosure.

Our own environmental impact

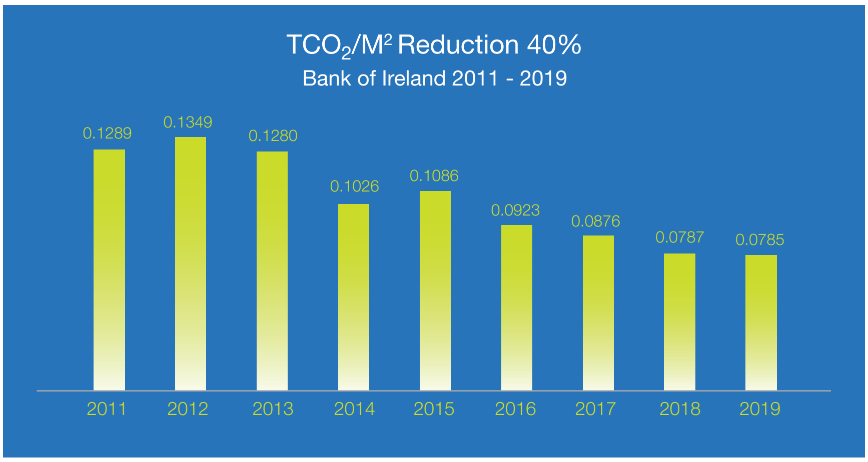
In May 2018, we signed up to the Low Carbon Pledge to reduce our carbon emissions intensity (scope 1 and 2) by 50% by 2030. This pledge is part of The Leaders' Group on Sustainability, a business coalition, convened by Business in the Community Ireland (BITCI).

To date we have achieved a 40% reduction in carbon emissions intensity (on a 2011 baseline), using m^2 as intensity metric (in absolute terms we have achieved a 50% carbon emissions reduction).

In support of our commitment to reduce carbon emissions and the impact that we have on the environment, we have continued to implement energy efficient and other environmental initiatives throughout 2019, which include:

- re-certification and transition to the ISO 14001 and ISO 50001 2018 standard;
- installation of a highly-efficient air conditioning system in a number of our large administration buildings;
- power down of redundant IT equipment in our data centres;
- upgrade of traditional lighting with LED lighting across a number of retail and administration sites;
- installation of 16 electric vehicle charging points at six of our administration sites; and
- introduction of Keep Cups towards the end of 2018, which has resulted in a 59% reduction in disposable cups.

To further support the transition to a low-carbon economy, 100% of our RoI and NI electricity is supplied from renewable sources as of 1 January 2020.



Responsible and sustainable business
Enabling customers to thrive

Supporting customers' Financial Wellbeing is just one of the many important ways we show our responsibility to our customers. We go further by making sure we are inclusive of our most vulnerable customers too.

Financial Wellbeing

A key part of the Group's long-term ambition is to improve the Financial Wellbeing of consumers in Ireland. In March 2019, we launched a Financial Wellbeing strategy with an initial €5 million investment, to help consumers improve their financial literacy, capability and confidence. The approach is grounded in nationally representative research which sheds light on consumer levels of Financial Wellbeing and shows that one-third of people in Ireland are worried about personal finances, more than half have no pension, and one quarter would need to borrow in less than a month if they lost their main source of income. To support this, a Financial Wellbeing Team was established including Financial Wellbeing coaches.

National Financial Wellbeing Index

We have developed a Financial Wellbeing Index which indicates that Ireland has a national average Financial Wellbeing score of 61, which as a nation places us in the 'Managing' category. It also showed that 40% of those surveyed were in the 'Struggling' or 'Stretched' categories. We will conduct this research on an ongoing basis to track the Financial Wellbeing of the nation.

Online Financial Wellbeing Centre

The Online Financial Wellbeing Centre provides access to a range of tools, information and support to help consumers begin their Financial Wellbeing journey. These include a Financial Wellbeing Healthcheck for consumers and businesses to assess their own financial wellbeing. By the end of 2019, over 50,000 healthchecks had been completed.

Financial Wellbeing Lab

In April 2019, the Financial Wellbeing Lab was opened in Bank of Ireland premises and was used extensively to design and test new propositions with customers, colleagues and other stakeholders.

Youth Financial Wellbeing

Our Youth Financial Wellbeing Programme is available to primary and secondary schools for delivery in the classroom and at home so that parents can introduce the concept of financial literacy to their children. We believe that Youth financial literacy is a life skill that benefits children helping them make informed decisions about money and take charge of their own future. In 2019, over 100,000 children participated in the programme.

Primary school programme

Our new primary school initiative is available to children from the age of seven in over 3,000 schools nationally. The initiative includes a range of resources for children, parents and teachers, and is fronted by 'Ollie the Owl', a character who brings together stories, learning activities and interactive games to teach children the basics of money management. We aim to have over 100,000 children participate in the programme during the 2019/20 school year. By year end, c.42,000 children from 400 schools had registered to participate. Our partnership with BizWorld also continued, promoting entrepreneurship skills for young people.

Secondary school programme

The Money Smarts Challenge, our new secondary school competition, sees students learn essential Financial Wellbeing skills while competing for a top prize of €25,000 for their school. Designed in conjunction with business studies teachers and Financial Wellbeing experts, students learn about the core elements of financial wellbeing such as spending, saving, earning, credit and debt. To date 3,200 students representing 300 schools have registered for the competition. Financial literacy week is also an important part of our overall Money Smarts Programme. In 2019, our Youth Coordinators delivered these in 342 Schools across Ireland, helping students to develop key financial life skills.

Financial Wellbeing for Business

In May 2019, we launched a Financial Wellbeing offering for SMEs in conjunction with a series of events across the country exploring the theme of 'Growing your Business'. This offering included a new online Financial Wellbeing Centre for SMEs, a business-specific financial health check and a library of content relevant to business Financial Wellbeing. We also launched a new Treasury Academy for business customers in conjunction with Trinity Business School. This covers a range of topics including FX, interest-rate hedging, debt financing and managing treasury risk.

Supporting our customers through Brexit

When it comes to Brexit our main focus is on how we can assist customers navigate the uncertainty and plan for the future. We launched a Brexit Portal, which includes a Brexit Checklist, Currency Risk Guide and an Import / Export Guide to help businesses prepare. We put supports in place to assist customers with specific requirements, from protecting their business from risk to investing for growth and expansion. This includes a €2 billion Brexit Fund designed to support businesses on the island of Ireland to flex and adapt to Brexit change, and a €50 million FX facility designed to support customers in managing their foreign currency exchange risk. During 2019, we ran a series of 'Get to Grips with Brexit' events. Over 1,400 business customers attended in eleven different locations, with over 20 speakers including local and national representatives as well as local customers who shared their own experiences.

Information Security

The Group takes information security very seriously and continues to invest in the skills, technology and processes required to protect information. The Group Information Security function, led by the Chief Information Security Officer, constantly monitors cyber security threats; implementing protective measures while researching future threats and how to defend against them.

All colleagues play a vital role in managing information security risk and keeping information safe and are required to complete mandatory web-based training. Role based training has also been introduced, and monthly bulletins and dedicated internal webpages are provided for further guidance. All colleagues are regularly tested on their ability to identify and report suspected phishing incidents.

The Group operates a 'three lines of defence' model aligned to the Group's operational risk management framework. First line business unit risk owners are responsible for identifying, risk assessing and reporting cyber risks and managing the risks via operational controls (First Line of Defence).

Operational controls are aligned with Group Information Security Policies produced by the Group Operational Risk function (Second Line of Defence) as well as standards, technical specifications and guidance produced by the Group Information Security function. Information Security Policies and controls are audited by GIA (Third Line of Defence).
The Group collaborates with industry bodies and intelligence-sharing working groups to combat the growing threat from cyber criminals, including the UK Cyber Defence Alliance and the Banking Payments Federation Ireland. Cyber risk and control was reviewed by the Board Risk Committee (BRC) on a number of occasions in 2019. Information Security guidance for customers is available on the 'Security Zone' page on our website (boi.com/security), including fraud alerts and information on how to report suspicious online activity, emails or phone calls.

Vulnerable Customers

In 2019, the Group established a new VCU in Ireland to provide enhanced support to customers in vulnerable circumstances. The VCU provides expert support and guidance to frontline customer service colleagues so that they can support customers facing vulnerable circumstances or situations. It aims to better assist customers improve their financial wellbeing irrespective of the circumstances facing them. Based in Carlow, the VCU is staffed by specialists with extensive experience in retail and community banking, fraud and financial crime. The team has completed bespoke training with advocacy and support organisations in the areas of autism, sight loss, intellectual disability, addiction and vulnerable adults. The VCU also exists as a support line for advocacy and support groups to flag and escalate issues which they encounter. There have been over 4,000 vulnerable customer interactions since the VCU was established. Outcomes for customers are varied but can include the issuing of carers support cards, providing information in other languages or intervening to prevent financial abuse.

A listening ear

Noel Kenny is a member of our VCU team. He brings a wide range of experience to the role and his move to the team was a natural one, as his experience is founded in roles within branch and business banking, as well as supporting people in mortgage arrears. As a parent of a child with special needs, Noel brings a particular empathy to customers who need a compassionate approach.

'What's unique about the unit is that it was built from the ground up' Noel explains. *'The people (Anne, Dan & Karen) who along with me, make up the frontline team, all have many years of both bank and life experience and this really helps when to speaking to people. For difficult cases we come together and try to work out the best solution for the customer'.*

Noel and the team provide support to colleagues who deal with customers that may be vulnerable. *'Age-related dementia and special needs are two typical examples of the types of vulnerability we come across. We provide colleagues with advice, detailed guidance and relevant forms they might need'* says Noel. *'Language is so important when dealing with sensitive situations. We have no right to define anybody. If we try to prescribe something, that probably won't work but if we give people options and work with them in a sensitive manner, we can usually find a workable solution'.*

Responsible and sustainable business

Enabling colleagues to thrive

We are committed to enabling our colleagues to thrive and our new People Strategy empowers this. We strive to ensure that all our colleagues are engaged and have the skills and capabilities to serve customers brilliantly. We are also working hard to adopt a more flexible and inclusive workplace to help colleagues perform to their full potential.

In April 2019, we launched our new People Strategy with six pillars which are aligned to our purpose, values and strategic priorities. Our activities and progress under each of these pillars is set out below.

Culture & Engagement

The multiyear transformation of our culture continued throughout 2019. The focus was on enhancing engagement and encouraging a strong colleague voice.

Building on the work in 2018 to establish our purpose and values, we continued to embed our values throughout 2019. This included leadership events attended by over 1,600 senior leaders, and 66 ‘Values in Action’ workshops for 1,800 managers across RoI, NI & UK. Measurement of colleague engagement continued through our Open View surveys. 76% of colleagues participated with results demonstrating solid progress:

- engagement levels have increased. Colleague Engagement Index is 60% (+10% since 2017, +5% since Q1 2018) and 4% from the Global Financial Services (GFS) benchmark; and
- the Culture Programme continues to make an impact with the Culture Embedding Index at 66% (+11% from the first measurement in 2018).

Enhancing colleague recognition formed a key part of our culture and engagement approach for 2019, with Group Recognition Awards taking place in March. Over 300 colleagues attended the event with awards presented to teams and individuals who role model living the Group Values and Purpose.

The stories of the winners were shared throughout the year. Ongoing recognition continued through the introduction of e-thank you cards, with over 3,000 being sent since June 2019. The Recognition Awards process is being repeated with the annual winners to be celebrated in Q2 2020.

In October 2019, we launched a refreshed colleague wellbeing programme focusing on mental, financial and physical wellbeing. The offering includes a new Employee Assistance Programme, a mental health strategy (including mental health pledges) and enhanced financial and physical wellbeing supports. In 2020, the focus will be on developing wellbeing supports, including; the launch of a colleague wellbeing app / portal, rollout of a mental health first aiders programme, and mental health training for people managers.

Ways of Working

Enabling Agile Ways of Working (AWOW), enhancing our policies and developing supporting technology are the key aspects of our Ways of Working pillar. Significant progress has been made on the rollout of this throughout 2019:

- AWOW was rolled out across the Group, following a successful comprehensive pilot in 2018.
- AWOW can involve working from an alternative Group location, from home or other locations, agreeing flexible working hours, and / or agreeing alternative working patterns.
- Remote hubs were piloted to provide colleagues further choice in terms of work locations in 2020.
- Over 3,500 colleagues now work in agile Group workspaces enabling more openness and better collaboration.
- Technology has been, and continues to be, enhanced to better enable remote access and connection.
- Agile training has been delivered to 270 leaders.

Organisation Capability

By focusing on organisation capability, the Group is committed to organisation design that is fit for purpose across all levels and building a talent pipeline. Throughout 2019 a number of key initiatives progressed:

- we launched RISE, an early career talent programme for women, further progressing the building of gender balanced talent across the Group. This aligns to our gender diversity target;
- the Accelerate Programme focusing on the development of female talent identified as potential successors for GEC, is now in its second year; and
- our Coaching Community of Practice members are now using their capabilities to support the development of colleagues. The initial focus has been on supporting colleagues participating in the RISE programme.

People Development

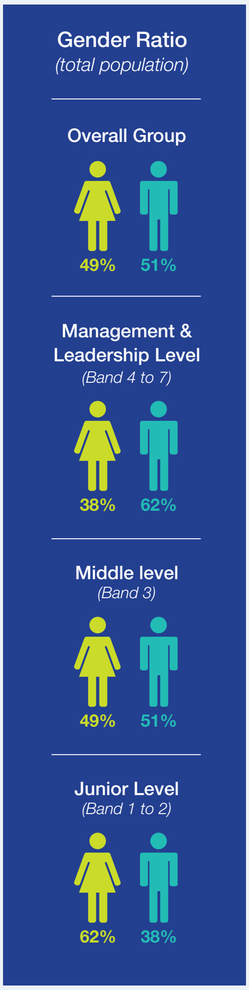
We want to ensure there are learning opportunities for all, enable fulfilling careers and build People Manager and Leader capability. In 2019, over €11 million was invested in the development of our people, with over 185,000 hours of formal training provided at an average of 17 hours per colleague. A number of new programmes were introduced in 2019, and will continue into 2020:

- You as a Manager Programme was launched to more than 2,000 People Managers. This nine month programme has been designed to support the capabilities and behaviours identified as being central to delivering on the Group's business transformation;
- You as a Leader Programme is being developed in partnership with an international business school. The programme will focus on delivery of the Group's strategy and transformation by developing leaders in strategic capability and selected competency areas;
- we launched a new Learning Service, developed to support our colleagues in building the skills and expertise to play a key role in our transformation journey;
- we introduced a Groupwide mentoring programme and a communication campaign that introduces a network of career connectors across the Group; and
- in 2020, we will launch our Aspiring Managers programme to support those who want to progress into people management positions to be ready for the additional responsibilities that brings.

Inclusion & Diversity

Our focus in this area is to increase our diversity and foster greater inclusivity. Our key goal remains a 50:50 gender balance target for management and leadership appointments by end of 2021. Appointments include new entrants and promotions. In 2019, females represented 44% of Management and Leadership appointments. Throughout 2019, we enhanced our commitment to Inclusion & Diversity (I&D) through a number of initiatives including:

- amending our recruitment policy by removing the minimum education requirement as a standard application requirement to ensure we become a more inclusive employer opening up opportunities to talented people from all backgrounds;
- introducing a hiring manager checklist to ensure managers consciously consider diversity at every step of the hiring process;
- unconscious bias training is included in the 'You as a Manager' programme - demonstrating a significant commitment to I&D, and embedding awareness in people managers across the Group;
- maternity pay and adoption leave provision was enhanced to 26 weeks' full pay, effective from 1 January 2020;
- a partnership agreed with Family Carers Ireland and Carers UK to help support a growing number of colleagues with caring responsibilities. These organisations provide a range of support services including information on rights and entitlements, guidance in relation to interactions with hospitals, training on patient care and home support services; and
- launching the Gold Sovereign Awards to acknowledge the inspiring work of advocates for I&D in the area of gender balance and equality.



In 2019 Bank of Ireland won a number of awards including:

- Business and Finance Diversity and Inclusion Award; and
- Women in Finance Diversity Ambassador of the Year award.

Rewards & Pensions

The Group aims to ensure that its reward and pension framework is sustainable and fit for purpose. In 2019, we initiated a review of our current benefit offering, to assess whether it reflects the needs of colleagues. In response to colleague feedback we will explore opportunities to improve flexibility and choice.

Responsible and sustainable business
Enabling communities to thrive

As a bank that is at the heart of communities in Ireland, we want to make a tangible and visible commitment that brings our purpose to life. This means supporting the people, businesses and organisations that are working hard to make things better for everyone in their communities.

Our new community strategy

In 2019, we undertook a comprehensive review of our community activities to understand what was working well, where we were having an impact, and how we could increase and deepen this impact. We consulted with stakeholders internally and externally, engaged with charities and community groups and conducted research.

This review told us that Bank of Ireland has a strong heritage of giving and supporting community investment. Over the years, our colleagues have shown their support for a wide range of causes and this is a source of great pride. However, while we invest significantly in our communities, the impact is often fragmented across a wide range of different causes. We want to be more purposeful in our approach, supporting communities where we believe we can have the greatest impact.

In 2020, we are rolling out a new approach to community investment, Bank of Ireland Begin Together - a €3 million investment programme over three years that supports community wellbeing and enterprise. Begin Together comprises three distinct, yet complementary elements:

- The Begin Together Fund will provide valuable investment for community initiatives across Ireland. It will support financial, physical and mental wellbeing projects and will be supported by our volunteers and guided by our expert partners.
- The Begin Together Awards will recognise and honour the great work done by those striving to lead their communities forward and empower local economies. This will bring the existing National Enterprise Town Awards under the Begin Together umbrella and will expand to the island of Ireland. The annual competition will be run in partnership with local authorities and councils.
- Begin Together Colleagues will enable our colleagues across the Group to deliver practical, hands-on support through a fund to support local financial, physical and mental wellbeing initiatives suggested by them. It will also support and encourage volunteering activities, while the long-established payroll giving schemes (Staff Third World Fund and Florin Fund) will continue.

Our impact in 2019

In 2019, our community investment programme saw us provide matched funding to our colleagues for causes close to their heart, provide one volunteer day per colleague and partner with three flagship charities. In total over €2.6 million was donated to charities through colleague fundraising and bank donations and 750 days were volunteered. We also offered training courses to community groups and charities in partnership with BITCI and made our facilities available for charity meetings and events.

National Enterprise Town Awards

The Bank of Ireland National Enterprise Town Awards recognise and reward towns and urban villages, where businesses and the community have come together, to showcase a thriving local economy. 2019 was the fourth year of the awards and saw 117 entries from 80 towns and urban villages from almost every county in the RoI. There was particularly strong growth in city entries in 2019 with nine entries across four cities. The awards once again provided the opportunity for business and community leaders to come together and realise the inherent qualities of their town. In total €193,000 of prize money was awarded to 42 towns for investment in the further development of enterprise activity in their towns. The overall 2019 winner was Kilkenny.

Kilkenny - Ireland's most enterprising town

The story of partnership and innovation were the key themes to emerge from Kilkenny's winning entry. Modern and vibrant, yet with extensive heritage assets, Kilkenny has a wide range of enterprises with community at its heart. New enterprises, particularly the internationally award-winning animation businesses, have become embedded. The city clearly recognises its extensive heritage assets and has very high quality accommodation for visitors. The 'medieval mile' concept which links the heritage attractions in such a way that visitors are attracted to move from one attraction to another, is bringing benefits to the entire town. In addition to enterprise, initiatives to deal with homelessness and social exclusion, and the participation of many members of international communities based in the city were commended.

Flagship charities

With the advent of our new community strategy, 2019 saw the successful conclusion of our partnerships with our three flagship charities - Age Action and the Irish Heart Foundation in the RoI and Alzheimer's Society in the UK. The various partnerships saw tangible outcomes for the work of these charities in our communities with:

- over 300,000 young people trained by Irish Heart Foundation to provide life-saving CPR training in 430 secondary schools across Ireland;
- €200,000 raised and over 700 colleagues volunteered to support older people to remain active in their communities and stay connected; and
- £310,734 raised for Alzheimer's Society in the UK - the equivalent of c.1500 'side by side' days - a service for people living with dementia.

Supporting the Arts

Bank of Ireland continued to support the arts through the Bank of Ireland Cultural and Heritage Centre in College Green - a partnership with the National Library of Ireland and the Department of Culture, Heritage and the Gaeltacht. The current exhibition Listen Now Again celebrating the life and works of Seamus Heaney is free to the public and welcomed its 150,000th visitor in November 2019.

Showcasing our commitment to the Arts

Our Colleague Recognition Awards allowed us to showcase our commitment to the Arts. Through Business to Arts, we collaborated with Alva Gallagher, an established artist who has won numerous awards for her work. Alva was inspired by the Group's purpose when she designed the unique trophies, which were presented to winners on the night.

When Alva designed the Bank of Ireland Recognition Awards Trophy, her objective was to inspire and support our colleagues to reach beyond their goals and their aspirations.

Responsible and sustainable business
Non-financial information statement

We comply with the new European Union (disclosure of non-financial and diversity information by certain large undertakings and groups) Regulations 2017.

The purpose of this table is to assist stakeholders in understanding our policies and management of key non-financial matters.

Environmental matters

Policies
- Group Environment policy (ISO 14001)[1]
- Group Energy policy (ISO 50001)[1]

Risks & Management
- Environment and Energy *(page 26)*

Non-financial key performance indicators

Policies
- Key highlights *(page 3)*

Business model

Risks & Management
- Divisional Review

Diversity report

Policies
- Board Diversity policy[1]

Risks & Management
- Corporate Governance statement *(page 59)*

Bribery and corruption

Policies
- Group Code of Conduct[1]
- Speak Up policy
- Group Anti-Money Laundering policy
- Group Anti-bribery and Corruption policy

Risks & Management
- Code of conduct *(page 25)*
- Anti-bribery and corruption *(page 25)*
- Group Anti-Money Laundering *(page 25)*
- Conduct risk *(page 150)*

Policies followed, due diligence and outcome

Risks & Management
- Risk management framework

Description of principal risks and impact of business activity

Risks & Management
- Key risk types *(page 39)*
- Principal risks and uncertainties *(page 111)*

Social and employee matters

Policies
- Inclusion and Diversity policy
- Group Code of Conduct[1]
- Equal opportunities policy
- Group Health and Safety policy
- Employee Data Privacy
- Group Vulnerable Customers policy
- Group Learning policy

Risks & Management
- Vulnerable customers *(page 29)*
- Inclusion and diversity *(page 31)*
- Learning *(page 31)*
- Wellbeing *(page 30)*
- Communities *(page 32)*
- People risk *(page 112)*

Respect for human rights

Policies
- Modern slavery and human trafficking statement[1]
- Group procurement policy
- Group data protection and privacy policy

Risks & Management
- Information security *(page 29)*
- Operational risk *(page 39)*
- Human trafficking *(page 25)*

[1] *These policies are available on the Group's website. All other policies listed are not published externally.*

Our governance structure

The Board is collectively responsible for the long-term sustainable success of the Group and ensuring there is a strong corporate governance structure in place. The Board provides leadership of the Group, setting strategic aims, within the boundaries of the risk appetite and a framework of prudent and effective controls. The Board has mechanisms in place to seek and understand the views of stakeholders and recognises the importance of considering stakeholder perspectives when taking decisions.

Patrick Kennedy
Chairman

Francesca McDonagh
Group Chief Executive Officer

Patrick Haren
Deputy Chairman, Senior Independent Director and Non-Executive Director

Myles O'Grady
Group Chief Financial Officer and Executive Director

Michele Greene
Non-Executive Director

Patrick Mulvihill
Non-Executive Director

Fiona Muldoon
Non-Executive Director

Eileen Fitzpatrick
Non-Executive Director

Richard Goulding
Non-Executive Director

Steve Pateman
Non-Executive Director

Evelyn Bourke
Non-Executive Director

Ian Buchanan
Non-Executive Director

The Board is supported by a number of Committees:

Group Nomination and Governance Committee

Patrick Kennedy
Chair

Responsible for leading the process for Board, Executive and key subsidiary board appointments, renewals and succession planning. It is also responsible for corporate governance policies and practice. Its remit has widened in 2020 to include RSB.

Group Remuneration Committee

Steve Pateman *(since January 2020)*
Chair

Responsible for setting policy on the remuneration of the Chairman and senior management (including Executive Directors) and approving specific remuneration packages for the Chairman, each of the Executive Directors, the Group Secretary, and those Senior Executives who report directly to the Group Chief Executive Officer (CEO).

Group Audit Committee

Patrick Mulvihill
Chair

Responsible for monitoring the integrity of the financial reporting arrangements and overseeing all relevant matters pertaining to the external auditor and the effectiveness of the internal audit function.

Board Risk Committee

Richard Goulding
Chair

Responsible for monitoring risk governance and assisting the Board in discharging its responsibilities by ensuring that risks are properly identified, reported, assessed, and properly controlled; and that strategy is informed by and aligned with the Group's risk appetite.

The Group's corporate governance standards are implemented by way of a comprehensive and coherent suite of frameworks, policies, procedures and standards covering corporate governance as well as business and financial reporting, and risk management activities. These are supported by a strong tone from the top on expected culture and behaviours. Such standards are overseen by the GN&GC, which reports regularly to the Board. Page 59 details the varied corporate governance requirements that apply to the Group. An outline of some of the ways in which the Group approaches stakeholder engagement can be found on page 72. One of the main requirements applicable to Bank of Ireland Group plc ('BOIG plc'), as a listed company, is the UK Corporate Governance Code 2018 (the 'UK Code').

The Board welcomed the introduction of the new UK Code in 2018, which it believes brings a sharper focus to key issues including the importance of a having a clear purpose, culture and the value of stakeholder engagement. Under the UK Listing Rules and the Irish Corporate Governance Annex to the Euronext Dublin Stock Exchange Rules, companies are required to apply the main principles of the UK Code and report to shareholders on how they have done so. The table below outlines where you can find our disclosures on how the Group has applied the main principles of the UK Code.

Board Leadership and Company Purpose

UK Code Principles	Section
A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	• Board composition and succession *(page 66)* • Strategic Report *(page 3)*
The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	• Chairman's introduction *(page 59)* • Strategic Report – Chairman's overview *(page 4)* • Our governance structure *(page 35)* • Assessing the effectiveness of the Board *(page 69)*
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	• Board's oversight of risk management and internal control systems *(page 74)* • Report of the Group Audit Committee *(page 82)* • Report of the Board Risk Committee *(page 87)*
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	• Stakeholder engagement *(page 72)* • Strategic Report (enabling customers, colleagues and communities to thrive) *(page 10)*
The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	• Stakeholder engagement – colleagues *(page 73)* • Strategic Report (business ethics, enabling customers, colleagues to thrive) *(page 10)* • Report of the Group Nomination and Governance Committee *(page 77)*

Division of Responsibilities

UK Code Principles	Section
The Chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all Non-Executive Directors (NEDs), and ensures that directors receive accurate, timely and clear information.	• Roles and responsibilities *(page 70)* • Chairman's tenure *(page 66)* • Board committees *(pages 65 and 66)* • Chairman *(page 61)* • Individual Directors *(page 69)*
The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, Independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.	• Board composition and succession *(page 66)* • Roles and responsibilities *(page 70)*
NEDs should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	• Assessing the effectiveness of the Board *(page 69)* • Roles and responsibilities *(page 70)* • Time commitment *(page 75)*

Division of Responsibilities *(continued)*

UK Code Principles	Section
The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	• Roles and Responsibilities *(pages 70 and 71)* • Role of the Board *(page 69)* • Report of the Group Nomination and Governance Committee *(page 77)*

Composition, Succession and Evaluation

UK Code Principles	Section
Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	• 2019 Board changes *(page 67)* • External support *(page 67)* • Diversity *(page 68)* • Board composition and succession *(page 66)* • Report of the Group Nomination and Governance Committee *(page 77)*
The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	• Your Board (Directors' Bios) *(page 61)* • Chairman's introduction *(page 59)* • Chairman's tenure *(page 66)* • Board composition and succession *(page 66)* • Report of the Group Nomination and Governance Committee *(page 77)* • Diversity *(page 68)*
Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	• Assessing the effectiveness of the Board *(page 69)*

Audit, Risk & Internal Control

UK Code Principles	Section
The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	• Board oversight of risk management and internal control systems *(page 74)* • Report of the Group Audit Committee *(page 82)*
The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	• Chairman's review, Strategic Report *(page 4)* • Role of the Board *(page 70)* • Board oversight of risk management and internal control systems *(page 74)*
The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	• Board oversight of risk management and internal control systems *(page 74)* • Report of the Board Risk Committee *(page 87)*

Remuneration

UK Code Principles	Section
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	• Report of the Group Remuneration Committee *(page 80)* • Remuneration Report *(page 98)*
A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.	• Report of the Group Remuneration Committee *(page 80)* • Remuneration Report *(page 98)*
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	• Report of the Group Remuneration Committee *(page 80)* • Remuneration Report *(page 98)*

Risk review

We believe great risk management leads to great customer outcomes. We follow an integrated approach to risk management. This means that all material classes of risk are considered. Most importantly our overall business strategy and remuneration practices are aligned to our risk and capital management strategies.

A strong risk culture is promoted throughout the Group which encompasses the general awareness, attitude and behaviour of everyone in the Group.

Risk appetite defines the amount and type of risk we are prepared to accept in pursuit of our financial objectives. It forms a boundary condition to strategy by clarifying what is and is not acceptable. Based on the risk appetite approved by the Board, we set out an approach to risk in order to:
(i) protect the long-term Group franchise;
(ii) ensure financial stability; and
(iii) maintain capital levels.

Our risk principles mean that risks may be accepted at transaction, portfolio and Group level if:

- they are aligned with our defined risk appetite and risk identity;
- the risks represent an attractive investment from a risk-return perspective;
- we have the resources and skills to analyse and manage the risks;
- appropriate risk assessment, governance and procedures have been observed; and
- stress and scenario tests around the risks exist, where appropriate, and are satisfactory.

Group risk management framework - key components

The Risk Management Framework is aimed at all key decision makers who are involved in risk taking, capital management, finance or strategy, including business units and Group functions. It ensures that risks are managed and reported in a consistent manner throughout the Group. It outlines our formal governance process for risk, our framework for setting risk appetite and our approach to risk identification, assessment, measurement, management and reporting and is underpinned by strong risk governance and a robust risk culture. The Board of Directors is responsible for ensuring that an appropriate system of internal control is maintained. This is achieved through a risk governance structure designed to facilitate the reporting and escalation of risk concerns from business units and risk functions upwards to the Board and its appointed committees and sub-committees, and conveying approved risk management policies and decisions to business units. Individual responsibility is a key tenet of risk management in the Group and we are all accountable for our actions.

Principal risks and uncertainties

Principal risks and uncertainties could impact on our ability to deliver our strategic plans and ambitions. We consider risks that arise from the impact of external market shocks, geopolitical event risks or other emerging risks as well as key risk types which could have a material impact on earnings, capital adequacy and / or on our ability to trade in the future.

Further information in relation to these risks is found in the Risk management report, on pages 111 to 120.

Key risks

Business and strategic	Conduct	Credit	Funding and liquidity	Life insurance	Market	Operational	Pension	Regulatory	Reputation

Risk Management Process

Risk strategy and appetite

Risk identification and materiality assessment

Risk analysis and measurement

Risk monitoring and reporting

Risk governance | Risk culture

Key risk types

Business and strategic risk
This risk includes all risks that might impact our current business model and sustainability of our future strategy. It includes; the threat from fintechs, digital / technological changes, Brexit, macroeconomic and regional geopolitical uncertainty, transformation, climate and people risks.

Conduct risk
The risk that we behave in a negligent or inappropriate manner that leads to adverse outcomes for customers, for example selling a customer a product that does not meet their needs, or failing to respond to a customer complaint promptly or effectively.

Credit risk
The risk of loss resulting from a counterparty failing to meet their contractual obligations to us arising in respect of loans or other financial transactions. The risk arises from loans and advances to customers, in addition to our transactions with other financial institutions, sovereigns, and state institutions.

Funding and liquidity risk
The risk that we have insufficient financial resources to meet commitments when they fall due.

Life insurance risk
The risk of unexpected variations in the amount and timing of insurance claims due to, for example, changing customer mortality, life expectancy, health, and behaviour characteristics.

Market risk
The risk of loss in the value of our assets and liabilities due to adverse movements in interest rates, FX rates or other market prices.

Operational risk
The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which can lead to disruption of services to customers, financial loss, and damage to our reputation. Included are risks associated with business continuity, data quality, fraud, information security, cybercrime, IT, payments, sourcing and unauthorised trading.

Pension risk
The risk that assets in principal defined benefit pension schemes are inadequate or fail to generate returns sufficient to meet the schemes' liabilities.

Regulatory risk
The risk that we fail to meet new / existing regulatory / legislative requirements and deadlines or if we fail to embed regulatory requirements into our processes.

Reputation risk
The risk to earnings or the value of our franchise value arising from adverse perception of our image on the part of customers, suppliers, counterparties, shareholders, investors, staff, legislators, regulators or partners.

Capital adequacy
Capital adequacy is having a sufficient level or composition of capital to support normal business activities and to meet regulatory capital requirements both under normal operating environments or stressed conditions. Capital adequacy is not a risk type in itself but owing to the nature of capital as a critical risk mitigant is a key determinant of the overall Group risk appetite.

Further information in relation to our risk management process is found in the Risk management report, on pages 111 to 160.

A specialist at Bank of Ireland customer **APOS** working on a bespoke prosthetic solution for a client

Financial Review

2019 financial results

The Group generated an underlying profit before tax of €758 million in 2019 (2018: €935 million). All trading divisions are profitable and have contributed positively to our financial performance during the year.

Summary consolidated income statement on an underlying basis

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 (page 46).

	Table	2019 €m	2018 €m
Net interest income	1	2,150	2,146
Net other income	2	686	659
Operating income (net of insurance claims)		**2,836**	**2,805**
Operating expenses (before levies and regulatory charges)	3	(1,785)	(1,852)
Levies and regulatory charges	3	(117)	(101)
Operating profit before net impairment (losses) / gains on financial instruments		**934**	**852**
Net impairment (losses) / gains on financial instruments	4	(215)	42
Share of results of associates and joint ventures (after tax)		39	41
Underlying profit before tax		**758**	**935**
Non-core items	5	(113)	(100)
Profit before tax		**645**	**835**
Tax charge		(197)	(160)
Profit for the year		**448**	**675**

Profit before tax of €645 million was generated by the Group for 2019 (2018: €835 million).

Operating profit before net impairment (losses) / gains for 2019 is €82 million higher than 2018 predominantly reflecting lower operating expenses (before levies and regulatory charges) of €67 million and a growth in operating income (net of insurance claims) of €31 million.

Net impairment losses for the year are €215 million whereas in 2018 the Group benefitted from a net impairment gain of €42 million. This movement is the key driver in the decrease of €177 million in underlying profit before tax, representing a return to more normalised impairment levels.

Operating income has increased by €31 million compared to 2018. Net interest income has remained stable year on year. A strong performance in our Wealth and Insurance business together with higher valuation items are the key drivers of operating income growth.

Operating expenses (before levies and regulatory charges) of €1,785 million are €67 million or 4% lower than 2018. The Group continues to focus on reducing its operational costs through simplifying the organisation and strategic sourcing, driving a decrease in third party spend. The reduction has been achieved while absorbing increased costs from wage inflation and higher depreciation.

Our transformation programme continues to make progress and a further €263 million was invested in this programme in 2019, of which €100 million is capitalised on the balance sheet (2018: €100 million), with an income statement charge of €108 million (2018: €113 million) and €55 million (2018: €93 million) recognised through non-core items.

Net impairment losses on financial instruments of €215 million in 2019 was higher than 2018 and primarily reflects a more normalised level of impairments and also losses on a small number of large exposures.

Non-core charges increased by €13 million for the year. The increased charge is principally due to customer redress charges of €74 million, increased losses of €30 million on disposal / liquidation of business activities partially offset by a €52 million reduction in the cost of restructuring programme, and an increase of €42 million in the gain on the gross-up policyholder tax in the Wealth and Insurance business.

The **taxation charge** for the Group was €197 million in 2019 with an effective taxation rate on a statutory basis of 31% (2018: €160 million and 19%, respectively). The increased rate is primarily due to the re-assessment of the tax value of the UK tax losses carried forward and the tax impact of the gross-up for policyholder tax in the Wealth and Insurance business. On an underlying basis and excluding the impact of the re-assessment of the tax value of the tax losses carried forward, the effective taxation rate in 2019 was 17% (2018: 19%). The effective tax rate is influenced by changes in the geographic mix of profits and losses.

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

Net interest income

Table: 1

Net interest income / net interest margin	**2019 €m**	**2018 €m**	**Change %**
Net interest income	2,150	2,146	-
IFRS income classifications[1]	17	34	(50%)
- Interest income on Life loan mortgage products[2]	*13*	*15*	*(13%)*
- Other	*4*	*19*	*(79%)*
Net interest income after IFRS income classifications	**2,167**	**2,180**	**(1%)**
Average interest earning assets (€bn)[3]			
Loans and advances to customers	78	76	3%
Other interest earning assets	23	23	-
Total average interest earning assets	**101**	**99**	**2%**
Net interest margin[4]	**2.14%**	**2.20%**	
Gross yield - customer lending[5]	3.25%	3.23%	
Gross yield - liquid assets[5]	0.27%	0.33%	
Average cost of funds - interest bearing liabilities and current accounts[5]	(0.47%)	(0.44%)	

Net interest income after IFRS income classifications of €2,167 million for 2019 is €13 million lower compared to 2018. Excluding the impact of income relating to the UK credit card portfolio in 2018 (€28 million) which have been reclassified as non-core in 2019, net interest income has increased by €15 million.

The gross customer yield has increased marginally in 2019, primarily due to favourable lending mix development and the full year effect of the BoE base rate rise in the second half of 2018.

The gross customer yield has increased marginally in 2019, primarily due to favourable lending mix development partially, offset by competitive pressure in UK mortgage market.

The Group's average NIM has decreased from 2.20% to 2.14%. This reflects the repositioning of the UK credit cards portfolio, higher liquid asset volumes and an increase in the Group's average cost of funds by three basis points due to the impact of new senior debt issuances to meet Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements.

Average interest earning assets in 2019 have increased by €2 billion compared to 2018 arising from positive net new lending growth partially offset by portfolio disposals. For further information on loans and advances to customers see page 48.

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

[2] In 2019, there was €13 million (2018: €15 million) of interest income on Life loan mortgage products which is classified as fair value through profit or loss, with all income on such loans reported in net other income. This IFRS income classification moves the income back to net interest income in line with how it was reported prior to the adoption of IFRS 9.

[3] Average interest earning assets includes €411 million (2018: €431 million) of interest bearing assets carried at fair value through profit or loss.

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

[5] Gross yield and average cost of funds represents the interest income or expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. See page 331 for further information.

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

Net other income

Table: 2

Net other income	**2019 €m**	**2018 €m**	**Change %**
Net other income	686	659	4%
IFRS income classifications[1]	(17)	(34)	50%
- Interest income on Life loan mortgage products[2]	*(13)*	*(15)*	*13%*
- Other	*(4)*	*(19)*	*79%*
Net other income after IFRS income classifications	**669**	**625**	**7%**
Analysed as:			
Business income[3]			
Retail Ireland	254	267	(5%)
Wealth and Insurance	277	250	11%
Retail UK	(18)	8	n/m
Corporate and Treasury	154	145	6%
Group Centre and other	(1)	2	n/m
Total business income	**666**	**672**	**(1%)**
Other gains			
Transfers from debt instruments at fair value through other comprehensive income reserve	-	2	(100%)
Net gain on disposal and revaluation of investments	4	6	(33%)
Gain on disposal and revaluation of investment properties	1	1	-
Other valuation items			
Financial instrument valuation adjustments (CVA, DVA, FVA)[4] and other	(37)	(9)	n/m
Unit-linked investment variance - Wealth and Insurance	30	(27)	n/m
Interest rate movements - Wealth and Insurance	5	(20)	n/m
Net other income after IFRS income classifications	**669**	**625**	**7%**

Net other income after IFRS income classifications for 2019 is €669 million, an increase of €44 million or 7% on 2018.

Business income for 2019 decreased by €6 million or 1% compared to 2018. Excluding the impact of income relating to the UK credit card portfolio and ATMs in 2018 which have been reclassified as non-core in 2019, this increases to €39 million above 2018. Higher income in Wealth and Insurance reflecting strong new business growth was offset by lower current account income in Retail Ireland.

Other gains for 2019 are €5 million and principally include debt and equity sales in Retail UK. The prior year gain includes the impact of the partial disposal of the NAMA subordinated debt.

Other valuation items are €54 million higher compared to 2018 and were positively impacted in 2019 by higher than expected growth in investment markets and tightening of credit spreads particularly in Wealth and Insurance. Favourable investment variance in Wealth and Insurance of €30 million in 2019 compared to €27 million adverse in 2018 was driven by the performance of unit-linked funds which grew on average by 12.1% in 2019 versus negative returns of 4.6% in 2018. Valuation adjustments decreased by €28 million since 2018 due to unfavourable derivative market movements and a one-off gain in the prior year.

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

[2] *In 2019, there was €13 million (2018: €15 million) of interest income on Life loan mortgage products are classified as fair value through profit or loss, with all income on such loans reported in net other income. This IFRS income classification moves the income back to net interest income in line with how it was reported prior to the adoption of IFRS 9.*

[3] *Business income is net other income after IFRS income classifications before other gains and other valuation items. This is a measure monitored by management as part of the review of divisional performance.*

[4] *Credit Valuation Adjustment; Debit Valuation Adjustment; Funding Valuation Adjustment.*

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

Operating expenses

Table: 3

Operating expenses	**2019 €m**	**2018 €m**	**Change %**
Staff costs (excluding pension costs)	710	721	(2%)
Pension costs	134	147	(9%)
- Retirement benefit costs (defined benefit plans)	*103*	*120*	*(14%)*
- Retirement benefit costs (defined contribution plans)	*31*	*27*	*15%*
Depreciation and amortisation	289	212	36%
Other costs	544	659	(17%)
Operating expenses (before Transformation Investment and levies and regulatory charges)	**1,677**	**1,739**	**(4%)**
Transformation Investment charge	108	113	(4%)
Operating expenses (before levies and regulatory charges)	**1,785**	**1,852**	**(4%)**
Levies and regulatory charges	117	101	16%
Operating expenses	**1,902**	**1,953**	**(3%)**

			Change
Staff numbers at year end	10,440	10,367	1%
Average staff numbers during the year	10,424	10,595	(2%)

Operating expenses (before levies and regulatory charges) are €67 million or 4% lower than 2018 as the Group continued to focus on reducing its operational costs absorbing wage inflation, maintaining its investment in technology, business growth and regulatory compliance. Expenses related to the UK credit card portfolio and ATMs businesses are treated as non-core in 2019.

Staff costs (excluding pension costs) of €710 million are €11 million lower compared to 2018 due to lower average staff numbers. The Group paid a salary increase averaging 2.6% effective 1 January 2019 which partially offset the impact of lower staff numbers.

Depreciation and amortisation has increased by €77 million primarily reflecting the impact of transition to IFRS 16 on 1 January 2019 and the recognition of new Right of Use (RoU) assets. See note 62 for further information.

Other costs including technology, property, outsourced services and other non-staff costs are €115 million lower than 2018 (€45 million lower net of IFRS 16 reclassification) due to the Group's continuing progress in generating cost savings through strategic sourcing and efficiencies across its businesses whilst investing in strategic initiatives, technology and regulatory compliance. The impact of transition to IFRS 16 on 1 January 2019 resulted in a reduction of lease charges in other costs of €70 million (see note 62 for further information).

Transformation Investment charge
Our transformation programme continues to make good progress and a further €263 million was invested in this programme in 2019 of which €100 million is capitalised on the balance sheet (2018: €100 million), which an income statement charge of €108 million (2018: €113 million) and €55 million (2018: €93 million) recognised through non-core items.

Levies and regulatory charges
The Group has incurred levies and regulatory charges of €117 million in 2019 (2018: €101 million). The higher charge is driven by increases in certain levies including Irish Bank levy and the European Central Bank (ECB) Supervisory fee.

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

Net impairment (losses) / gains on financial instruments

Table: 4

Net impairment (losses) / gains on financial instruments	**2019 €m**	**2018 €m**	**Change %**
Net impairment (losses) / gains on loans and advances to customers at amortised cost			
Residential mortgages	(52)	47	n/m
- Retail Ireland	*(60)*	*60*	*n/m*
- Retail UK	*8*	*(13)*	*n/m*
Non-property SME and corporate	(76)	14	n/m
- Republic of Ireland SME	*(18)*	*54*	*n/m*
- UK SME	*9*	*1*	*n/m*
- Corporate	*(67)*	*(41)*	*63%*
Property and construction	(24)	12	n/m
- Investment	*(30)*	*17*	*n/m*
- Land and development	*6*	*(5)*	*n/m*
Consumer	(58)	(37)	57%
Total net impairment (losses) / gains on loans and advances to customers at amortised cost	**(210)**	**36**	**n/m**
Net impairment (losses) / gains on other financial instruments (excluding loans and advances to customers at amortised cost)[1]	**(5)**	**6**	**n/m**
Total net impairment (losses) / gains on financial instruments	**(215)**	**42**	**n/m**
Net impairment (losses) / gains on loans and advances to customers (bps)	(26)	5	n/m

The Group recognised a net impairment loss of €215 million, including a net impairment loss of €210 million on loans and advances to customers at amortised cost, compared to a net impairment gain of €42 million in 2018.

Net impairment losses on financial instruments in 2019 primarily reflects a more normalised level of impairments and also losses on a small number of large exposures

A net impairment loss on the Retail Ireland mortgage portfolio of €60 million in 2019 is €120 million adverse to the gain of €60 million in 2018. The loss during the year is due to the combination of updated impairment model parameters (including updated forward looking information (FLI) and refreshed cure rates) and the impact of the disposal / securitisation of non-performing portfolios in the year. Retail Ireland credit-impaired and non-performing mortgages reduced by 36% and 35% respectively in 2019 with reductions achieved in both the owner occupied and BTL market segments, albeit weighted to BTL reflecting the disposal / securitisation of non-performing portfolios in this segment.

There was a net impairment gain of €8 million on the Retail UK mortgage portfolio which was €21 million favourable to the loss of €13 million in 2018. The gain reflects strong performance in the portfolio with low levels of NPEs.

A net impairment loss of €76 million on the non-property SME and corporate loan portfolio in 2019 is €90 million adverse to the gain of €14 million in 2018, reflecting losses on a small number of large exposures.

A net impairment loss of €24 million on the Property and construction loan portfolio in 2019 is €36 million adverse to the gain of €12 million in 2018. This loss is principally related to a small number of large exposures in the UK incurred in the second half of the year.

A net impairment loss of €58 million on the Consumer loans portfolio in 2019 is €21 million higher than the loss of €37 million in 2018. This loss was primarily driven by strong volume growth in UK personal lending with an associated increase in impairment loss allowances.

[1] *At 31 December 2019 net impairment (losses) / gains on other financial instruments (excluding loans and advances to customers at amortised cost) included €5 million (2018: €6 million) on loan commitments and €nil (2018: €0.6 million) on guarantees and irrevocable letters of credit.*

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

Non-core items

Table: 5

Non-core items	**2019 €m**	**2018 €m**	**Change %**
Customer redress charges	(74)	-	n/m
Cost of restructuring programme	(59)	(111)	47%
- Transformation Investment costs	*(55)*	*(93)*	*41%*
- Other restructuring charges	*(4)*	*(18)*	*78%*
Gross-up for policyholder tax in the Wealth and Insurance business	35	(7)	n/m
UK portfolio divestments	12	-	n/m
- Operating income	*51*	-	n/m
- Operating expenses[1]	*(40)*	-	n/m
- Impairment gains on other financial instruments	*1*	-	*n/m*
(Loss) / gain on disposal / liquidation of business activities	(25)	5	n/m
Investment return on treasury shares held for policyholders	(2)	6	n/m
Gain on disposal of property	-	7	n/m
Total non-core items	**(113)**	**(100)**	**(13%)**

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

Customer redress charges
The Group has set aside a further €67 million provision in respect of the Tracker Mortgage Examination to cover the additional redress and compensation costs for a number of customers, operational costs associated with the length and nature of the review and costs of closing out the review. In addition, a further €7 million has been provided in respect of other customer redress.

Cost of restructuring programme
During 2019, the Group recognised a charge of €59 million. Transformation Investment costs of €55 million relate to a reduction in employee numbers (€34 million), programme management costs (€17 million) and costs related to the implementation of the Group's property strategy (€4 million). Other restructuring charges of €4 million relate to impairment of property, plant and equipment. A restructuring charge of €93 million was incurred in 2018, predominantly related to changes in employee numbers.

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

During 2019, the Group recognised a credit of €35 million (2018: €7 million charge). The year on year movement is mainly due to favourable investment market performance in 2019.

UK portfolio divestments
Where the Group has made a strategic decision to exit an area of a business, the related income and expenses of that business are treated as non-core. During the year, the Group disposed of the UK credit card portfolio and exited unprofitable ATMs. As a result, in 2019, €51 million of operating income, €40 million of operating expenses and €1 million of impairment gains arising from these businesses have been treated as non-core (2018: €nil).

Gain / loss on disposal / liquidation of business activities
The loss on disposal of business activities reflects the loss on sale of the UK credit card portfolio. The assets were classified as assets held for sale up to the date of disposal in July 2019. The portfolio was sold for total consideration of €580 million resulting in a net loss on disposal of €21 million after making a provision related to the cost of migration and other costs associated with the disposal (note 26).

In addition, a loss of €4 million (2018: €5 million gain) was recognised relating to the recycling of cumulative unrealised FX gains and losses through the income statement following the liquidation of foreign denominated subsidiaries. These losses were previously held in the FX reserve.

Investment return on treasury shares held for policyholders
Under accounting standards, the Group income statement excludes the impact of the change in value of BOIG plc shares held by Wealth and Insurance for policyholders. In 2019, there was a €2 million loss (2018: €6 million gain). At 31 December 2019, there were 5.0 million shares (2018: 3.3 million shares) held by Wealth and Insurance for policyholders.

[1] *Includes staff costs of €11 million (2018: €nil).*

Summary consolidated balance sheet

Summary consolidated balance sheet	Table	2019 €bn	2018 €bn
Assets *(after impairment loss allowances)*			
Loans and advances to customers (including held for sale)[1,2]	6	79	77
Liquid assets	7	27	25
Wealth and Insurance assets		20	17
Other assets	8	6	5
Total assets		**132**	**124**
Liabilities			
Customer deposits	9	84	79
Wholesale funding	10	11	11
Wealth and Insurance liabilities		20	17
Other liabilities	8	4	5
Subordinated liabilities		2	2
Total liabilities		**121**	**114**
Shareholders' equity		10	9
Non-controlling interests - Other equity instruments		1	1
Total liabilities and shareholders' equity		**132**	**124**
Liquidity Coverage Ratio[3]		138%	136%
Net Stable Funding Ratio[4]		131%	130%
Loan to Deposit Ratio		95%	97%
Gross new lending volumes (€bn)		16.5	15.9
Average interest earning assets		101	99
Return on Tangible Equity[5] (%)		6.6%	8.5%
Return on Tangible Equity[5] (adjusted) (%)		6.8%	7.2%
Common equity tier 1 ratio - fully loaded		13.8%	13.4%
Common equity tier 1 ratio - regulatory		15.0%	15.0%
Total capital ratio - regulatory		18.6%	18.8%

The Group's **loans and advances to customers (after impairment loss allowances)** of €79.5 billion are €2.5 billion higher than 31 December 2018, primarily due to net new lending of €2.0 billion and the impact of FX rates. During 2019, the Group disposed of its UK credit card portfolio (€0.6 billion) and also derecognised via securitisation and sale transactions, non-performing Retail Ireland loans of €0.5 billion.

During the year, the Group's **loans and advances to customers (after impairment loss allowances)** and including loans and advances to customers classified as held for sale increased to €79.5 billion from €77.0 billion in 2018. Gross new lending increased by 3% to €16.5 billion compared to €15.9 billion in 2018.

The Group's **asset quality** continues to improve. **NPEs** reduced by €1.5 billion to €3.5 billion during 2019, and represented 4.4% of gross loans at 31 December 2019.

At December 2019, overall Group **customer deposit** volumes are €5.1 billion higher than 2018. The main drivers of this movement were growth of €4.3 billion in Retail Ireland primarily due to growth in current account credit balances (€3.6 billion), reflecting strong economic activity and a €0.5 billion increase in Corporate and Treasury. Retail UK decreased by Stg£0.6 billion, primarily driven by lower UK Post Office balances due to pricing optimisation. However due to sterling strengthening against the Euro, Retail UK balances increased on a headline basis by €0.3 billion. The Loan to Deposit Ratio (LDR) at 31 December 2019 is 95% (2018: 97%).

Wholesale funding balances are €0.4 billion lower than 2018 primarily due to term maturities, full repayment of Targeted longer-term refinancing operations (TLTRO) borrowings, partially offset by two MREL issuances (c.€1.3 billion). Total Monetary Authority borrowings at 31 December 2019 are €1.7 billion compared to €2.7 billion at 31 December 2018.

The net defined benefit pension deficit has decreased by c.€0.1 billion since 2018. The primary drivers of the movement in the pension deficit were positive asset returns, experience gains and employer contributions offset by the negative impact of assumption changes in 2019. The interest rate and inflation rate hedging strategies in the investment portfolios have offset the impact of the significant reductions in discount rates in 2019.

The balance sheet remains strong with the Group generating **robust organic capital growth**. Our fully loaded CET1 ratio increased by c.40 basis points during 2019 to 13.8% and our regulatory CET1 ratio increased by c.10 basis points to 15.1%. The increase of c.40 basis points is predominantly due to organic capital generation (c.+170 basis points) and the sale of NPEs and the UK credit card portfolio (c.+40 basis points) offset by risk weighted assets (RWA) growth (c.-50 basis points), investment in the Group's transformation programmes (c.-50 basis points), an accrual for a proposed dividend (c.-40 basis points), the impact of IFRS 16 implementation (c.-20 basis points) and net movements, including movements in the Group's defined benefit pension schemes (c.10 basis points). For further information on capital see Capital Management on pages 156 to 160 of the Risk Management Report.

Further information on measures referred to in the 2019 financial results, including gross new lending, NPEs, wholesale funding and organic capital is found in Alternative performance measures on page 331.

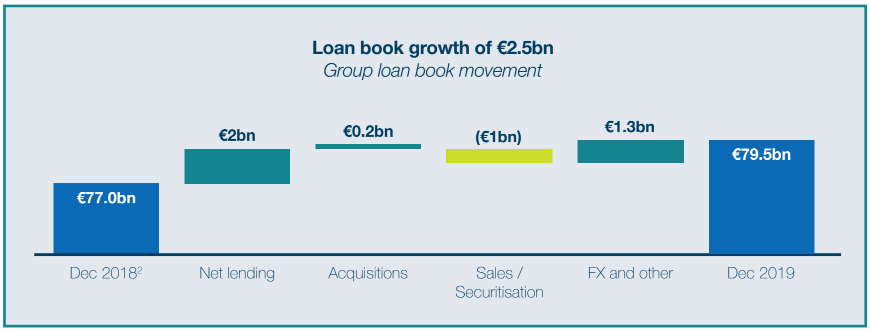
1 *Includes €0.3 billion of loans and advances to customers at 31 December 2019 (2018: €0.3 billion) that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.*
2 *Includes €nil of loans and advances to customers classified as held for sale at 31 December 2019 (2018: €0.6 billion) .*
3 *The Group's Liquidity Coverage Ratio is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.*
4 *The Group's Net Stable Funding Ratio is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.*
5 *For basis of calculation of Return on Tangible Equity, see page 334.*

Summary consolidated balance sheet *(continued)*

Loans and advances to customers

Table: 6	**2019**		**2018[2]**	
Loans and advances to customers - Composition[1]	**€m**	**%**	**€m**	**%**
Residential mortgages	46,271	58%	45,437	58%
- Retail Ireland	*23,035*	*29%*	*23,716*	*30%*
- Retail UK	*23,236*	*29%*	*21,721*	*28%*
Non-property SME and corporate	20,433	25%	19,465	25%
- Republic of Ireland SME	*7,305*	*9%*	*7,601*	*10%*
- UK SME	*1,687*	*2%*	*1,570*	*2%*
- Corporate	*11,441*	*14%*	*10,294*	*13%*
Property and construction	8,112	10%	8,354	11%
- Investment	*7,253*	*9%*	*7,718*	*10%*
- Land and development	*859*	*1%*	*636*	*1%*
Consumer	5,727	7%	5,174	6%
Total loans and advances to customers at amortised cost	**80,543**	**100%**	**78,430**	**100%**
Less impairment loss allowance on loans and advances to customers at amortised cost	(1,308)		(1,728)	
Net loans and advances to customers at amortised cost	**79,235**		**76,702**	
Loans and advances to customers at FVTPL	252		261	
Total loans and advances to customers	**79,487**		**76,963**	
Credit-impaired loans	3,127		4,485	
NPEs	3,519		4,984	
NPE ratio		4.4%		6.3%

The Group's **loans and advances to customers (after impairment loss allowances)** of €79.5 billion are €2.5 billion higher than 31 December 2018, primarily due to net new lending of €2.0 billion and the impact of FX rates. During 2019, the Group completed the sale of its UK credit card portfolio (Stg£0.5 billion) and also derecognised via securitisation and sale transactions, non-performing Retail Ireland loans of €0.5 billion net carrying value.



Gross new lending of €16.5 billion across Retail Ireland (€5.8 billion), Retail UK (€6.7 billion) and Corporate and Treasury (€4.0 billion) is 3% higher than 2018. Redemptions and repayments of €14.5 billion are largely in line with 2018.

Against the backdrop of an overall positive economic environment, the Group's loan portfolios continued to perform well and NPEs (including credit-impaired) have continued to reduce reflecting ongoing resolution activities. While Brexit uncertainty resulted in muted demand for credit, it had no material impact on credit quality. Group NPEs reduced by €1.5 billion or 29% to €3.5 billion at 31 December 2019 and represent 4.4% of gross loans to customers, bringing the Group's NPE ratio below the key 5% milestone. The reduction reflects agreed customer work-outs of €0.9 billion and NPE securitisation and sale transactions of €0.6 billion.

During 2019, the stock of impairment loss allowances decreased by €0.4 billion to €1.3 billion due to the utilisation of impairment loss allowances against credit-impaired assets for which there was considered to be no reasonable expectation of recovery.

[1] *Includes €0.3 billion of loans and advances to customers at 31 December 2019 (2018: €0.3 billion) that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.*
[2] *Includes €0.6 billion of loans and advances to customers classified as held for sale at 31 December 2018.*

Summary consolidated balance sheet *(continued)*

Liquid assets (after impairment loss allowance)

Table: 7 **Liquid assets (after impairment loss allowance)**	**2019** **€bn**	**2018** **€bn**
Cash at banks	3	3
Cash and balances at central banks	8	6
- Bank of England	*3*	*3*
- Central Bank of Ireland	*5*	*3*
Government bonds	11	9
- Financial assets at FVOCI	*6*	*6*
- Debt securities at amortised cost	*5*	*3*
Covered bonds	3	4
Senior bank bonds and other	2	3
	27	**25**

The Group's portfolio of liquid assets at 31 December 2019 of €27.2 billion has increased by c.€2.5 billion since 2018 primarily due to an increase in cash balances of €2.3 billion arising from higher deposit volumes, partially offset by higher lending volumes and lower wholesale funding and subordinated debt. The Group has optimised cash balances with central banks to take advantage of the new ECB deposit rate tiering structure.

Other assets and other liabilities

Table: 8 **Other assets and other liabilities**	**2019** **€bn**	**2018** **€bn**
Other assets	5.6	4.8
- Derivative financial instruments	*2.0*	*1.7*
- Deferred tax asset	*1.1*	*1.2*
- Other assets	*2.5*	*1.9*
Other liabilities	4.5	4.5
- Derivative financial instruments	*2.5*	*1.8*
- Pension deficit (net)	*0.1*	*0.2*
- Notes in circulation	*1.3*	*1.2*
- Lease liabilities	*0.6*	*-*
- Other liabilities	*-*	*1.3*

The movement in the value of derivative assets and derivative liabilities is due to changes in fair values caused by the impact of the movements in equity markets, interest rates and FX rates during 2019.

The net defined benefit pension deficit has decreased by c.€0.1 billion since 2018. The primary drivers of the movement in the pension deficit were positive asset returns, experience gains and employer contributions offset by the negative impact of assumption changes in 2019. The interest rate and inflation rate hedging strategies in the investment portfolios have offset the impact of the significant reductions in discount rates in 2019.

The increase in other assets and lease liabilities of €0.6 billion (2018: €nil) arise from the transition to IFRS 16 on 1 January 2019. See note 62 for further information.

Summary consolidated balance sheet *(continued)*

Customer deposits

Table: 9 **Customer deposits**	**2019** **€bn**	**2018** **€bn**
Retail Ireland	52	48
- Deposits	*22*	*22*
- Current account credit balances	*30*	*26*
Retail UK	22	22
Retail UK (Stg£bn equivalent)	19	20
- UK Post Office	*13*	*14*
- Other Retail UK	*6*	*6*
Corporate and Treasury	10	9
Total customer deposits	**84**	**79**

At 31 December 2019, Group customer deposits (including current accounts with credit balances) have increased by €5.1 billion to €84.0 billion since 31 December 2018. The main driver of this movement was due to €4.3 billion in Retail Ireland primarily due to growth in current account credit balances (€3.6 billion), reflecting strong economic activity and a €0.5 billion increase in Corporate and Treasury balances. Retail UK decreased by £0.6 billion, primarily driven by lower post office balances due to pricing optimisation. However due to sterling strengthening against the Euro, Retail UK balances increased on a headline basis by €0.3 billion. For further information on customer deposits see page I of the Risk Management Report.

Wholesale funding sources

Table: 10	**2019**		**2018**	
Wholesale funding sources	**€bn**	**%**	**€bn**	**%**
Secured funding	8	73%	9	77%
- Monetary Authority	*2*	*18%*	*3*	*23%*
- Covered bonds	*4*	*37%*	*5*	*45%*
- Securitisations	*2*	*18%*	*1*	*9%*
Unsecured funding				
- Senior debt	3	27%	2	23%
Total wholesale funding	**11**	**100%**	**11**	**100%**
Wholesale market funding < 1 year to maturity	3	29%	2	22%
Wholesale market funding > 1 year to maturity	7	71%	6	78%
Monetary Authority funding < 1 year to maturity	1	50%	1	33%
Monetary Authority funding > 1 year to maturity	1	50%	2	67%

Wholesale funding sources have remained broadly unchanged at €11.0 billion, primarily due to the repayment of the remaining Targeted Longer Term Refinancing Operation (TLTRO) funding (€1.0 billion) offset by more expensive senior MREL eligible debt (€0.6 billion in July 2019 and €0.7 billion in November 2019).

For further information on wholesale funding sources see page 143 of the Risk Management Report.

Divisional financial results

The tables below and on the following pages, provide further information on the financial performance of the Group's divisions during 2019 as well as some key performance metrics. A business review for each division can be found on pages 18 to 23 of the divisional review. Information on the financial performance of the Group as a whole can be found on page 41 of the Strategic report.

Basis of presentation
Percentages presented throughout the Strategic Report are calculated on the absolute underlying figures and so may differ from the percentage variances calculated on the rounded numbers presented, where the percentages are not measured this is indicated by n/m.

Principal rates of exchange used in the preparation of the Financial Statements are set out on page 178.

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

	2019 €m	2018 €m
Underlying[1] profit before tax by division		
Retail Ireland	468	649
Wealth and Insurance	169	67
Retail UK	171	182
Corporate and Treasury	455	486
Group Centre	(506)	(440)
Other reconciling items[2]	1	(9)
Underlying profit before tax	**758**	**935**
Non-core items	(113)	(100)
Profit before tax	**645**	**835**
Per ordinary share		
Basic earnings per share[3] (€ cent)	35.9	57.7
Underlying earnings per share[3] (€ cent)	52.4	64.8
Tangible Net Asset Value per share (€ cent)	821	787
Statutory cost income ratio[4] (%)	71%	73%
Underlying cost income ratio[4] (%)	63%	65%
Return on assets (bps)	34	54

Further information in relation to our divisional results is found in the Financial Review on pages 52 to 57.

Further information on measures referred to in our business segments is found in Alternative performance measures on page 331.

[1] *These financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 46 for further information.*
[2] *Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.*
[3] *For basis of calculation of basic earnings per share see note 20 on page 212. Underlying earnings per share excludes non-core items.*
[4] *For basis of calculation of the statutory cost income ratio is set out on page 334. Underlying cost income ratio is calculated on an underlying basis (page 334).*

Divisional financial results *(continued)*

Retail Ireland

Retail Ireland: Income statement	**2019 €m**	**2018 €m**	**Change %**
Net interest income[1]	990	992	-
Net other income[1]	268	272	(1%)
Operating income	**1,258**	**1,264**	**-**
Operating expenses	(745)	(776)	(4%)
Operating profit before net impairment (losses) / gains on financial instruments	**513**	**488**	**5%**
Net impairment (losses) / gains on financial instruments	(50)	157	n/m
Share of results of associates and joint ventures (after tax)	5	4	25%
Underlying profit before tax	**468**	**649**	**(28%)**
Net impairment (losses) / gains on financial instruments			
Loans and advances to customers at amortised cost	(50)	154	n/m
- Residential mortgages	*(60)*	*60*	*n/m*
- Non-property SME and corporate	*(18)*	*54*	*n/m*
- Property and construction	*30*	*36*	*(17%)*
- Consumer	*(2)*	*4*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[2]	-	3	n/m
Net impairment (losses) / gains on financial instruments	**(50)**	**157**	**n/m**
Loans and advances to customers (net) (€bn)			
At 31 December	33.8	34.7	(3%)
Average in year	34.1	34.7	(2%)
Customer deposits (€bn)			
At 31 December	51.9	47.7	9%
Average in year	48.3	45.1	7%

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

[1] *Net interest income and net other income are impacted by IFRS income classifications as set out on pages 42 and 43. The impact on Retail Ireland is to increase net interest income in 2019 by €15 million to €1,005 million (post IFRS income classification) (2018: €1,012 million) with fully offsetting changes to net other income in both years. In 2019, the IFRS income classification includes €13 million (2018: €15 million) of interest income on Life loan mortgage products which on transition to IFRS 9 were mandatorily classified as fair value through profit or loss, with all income on such loans reported in net other income. This IFRS income classification moves the income back to net interest income in line with how it was reported in prior years.*

[2] *Net impairment losses on other financial instruments (excluding loans and advances to customers at amortised cost) were €nil for 2019 (31 December 2018: €3 million gain) on loan commitments.*

Divisional financial results *(continued)*

Wealth and Insurance

Wealth and Insurance: **Income statement**	**2019 €m**	**2018 €m**	**Change %**
Net interest (expense) / income	(8)	(9)	11%
Net other income	277	250	11%
Operating income	**269**	**241**	**12%**
Operating expenses	(135)	(127)	(6%)
Operating profit	**134**	**114**	**18%**
Unit-linked investment variance	30	(27)	n/m
Interest rate movement	5	(20)	n/m
Underlying profit before tax	**169**	**67**	**n/m**

Wealth and Insurance: **Income statement (Market Consistent Embedded Value performance)**	**2019 €m**	**2018 €m**	**Change %**
New business profits	16	12	32%
Existing business profits	130	110	18%
- Expected return	*62*	*61*	*1%*
- Experience variance	*15*	*23*	*(34%)*
- Assumption changes	*53*	*26*	*n/m*
Interest payments	(7)	(7)	-
Operating profit	**139**	**115**	**21%**
Unit-linked investment variance	52	(42)	n/m
Interest rate movements	(1)	(20)	n/m
Underlying profit before tax	**190**	**53**	**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 in the IFRS basis.

Operating profit has increased to €139 million (2018: €115 million) mainly reflecting the benefit of assumption changes compared to 2018.

As outlined in the IFRS results the impact of the unit linked fund performance (€52 million positive) and interest rate movements (€1 million loss) were positive overall in the year resulting in a total profit of €190 million (2018: €53 million).

The table below summarises the overall balance sheet of Wealth and Insurance on an MCEV basis at 31 December 2019 compared to the value at 31 December 2018. The Value of in Force (ViF) asset represents the after tax value of future income from the existing book.

The value of net assets reflects a dividend payment of €77 million by Wealth and Insurance companies to Group Centre in 2019 (2018: €73 million).

Wealth and Insurance: **Summary balance sheet (MCEV)**	**2019 €m**	**2018 €m**
Net assets	481	471
ViF	710	640
Less Tier 2 subordinated capital / debt	(162)	(162)
Less pension scheme deficit	(126)	(107)
Total embedded value	**903**	**842**

Further information in relation to the financial performance of Wealth and Insurance can be found on page 20.

Divisional financial results *(continued)*

Retail UK

Retail UK: **Income statement**	**2019 £m**	**2018 £m**	**Change %**
Net interest income	494	527	(6%)
Net other income	(13)	19	n/m
Operating income	**481**	**546**	**(12%)**
Operating expenses	(288)	(352)	18%
Operating profit before impairment losses on financial instruments	**193**	**194**	**(1%)**
Net impairment losses on financial instruments	(71)	(66)	(8%)
Share of results of associates and joint ventures (after tax)	30	33	(9%)
Underlying profit before tax	**152**	**161**	**(6%)**
Underlying profit before tax (€m equivalent)	**171**	**182**	**(6%)**
Net impairment (losses) / gains on financial instruments			
Loans and advances to customers at amortised cost	(71)	(68)	(4%)
- Residential mortgages	*6*	*(11)*	*n/m*
- Non-property SME and corporate	*7*	*1*	*n/m*
- Property and construction	*(37)*	*(22)*	*(68%)*
- Consumer	*(47)*	*(36)*	*(31%)*
Other financial instruments (excluding loans and advances to customers at amortised cost)[1]	-	2	n/m
Net impairment (losses) / gains on financial instruments	**(71)**	**(66)**	**(8%)**
Loans and advances to customers[2] (net) (£bn)			
At 31 December	24.8	24.4	2%
Average in year	23.9	24.9	(4%)
Customer deposits (£bn)			
At 31 December	19.1	19.8	(4%)
Average in year	18.8	19.6	(4%)

Further information in relation to the financial performance of Retail UK can be found on page 21.

[1] *Net impairment losses on other financial instruments (excluding loans and advances to customers at amortised cost) were £nil for 2019 (31 December 2018: £2 million gain) on loan commitments.*
[2] *Includes £nil (31 December 2018: £0.5 billion) of loans and advances to customers classified as held for sale.*

Divisional financial results *(continued)*

Corporate and Treasury

Corporate and Treasury **Income statement**	**2019** **€m**	**2018** **€m**	**Change** **%**
Net interest income[1]	609	555	10%
Net other income[1]	123	166	(26%)
Operating income	**732**	**721**	**2%**
- Business - net interest and other income	*758*	*706*	*7%*
- Financial Instruments valuation adjustments	*(27)*	*7*	*n/m*
- Other debt instruments at FVOCI gains	*1*	*8*	*(88%)*
Operating expenses	(195)	(194)	(1%)
Operating profit before impairment losses on financial instruments	**537**	**527**	**2%**
Net impairment losses on financial instruments	(82)	(41)	n/m
Underlying profit before tax	**455**	**486**	**(6%)**
Net impairment (losses) / gains on financial instruments			
Loans and advances to customers at amortised cost	(77)	(41)	(88%)
- Non-property SME and corporate	*(67)*	*(41)*	*(62%)*
- Property and construction	*(10)*	*-*	*-*
Other financial instruments (excluding loans and advances to customers at amortised cost)[2]	(5)	-	n/m
Net impairment (losses) / gains on financial instruments	**(82)**	**(41)**	**(8%)**
Loans and advances to customers (net) (€bn)			
At 31 December	16.4	15.0	9%
Average in year	16.1	13.9	16%
Customer deposits (€bn)			
At 31 December	9.6	9.1	4%
Average in year	10.6	9.1	16%
Euro liquid asset bond portfolio (€bn)			
At 31 December	14.0	14.6	4%
Average in year	14.7	13.3	11%

Further information in relation to the financial performance of Corporate and Treasury can be found on page 22.

Group Centre

Group Centre **Income statement**	**2019** **€m**	**2018** **€m**	**Change** **%**
Net operating income	(5)	24	n/m
Operating expenses (before Transformation Investment and levies and regulatory charges)	(281)	(254)	(11%)
Transformation Investment charge	(108)	(113)	4%
Levies and regulatory charges	(111)	(97)	(14%)
Net impairment losses on financial instruments	(1)	-	n/m
Underlying loss before tax	**(506)**	**(440)**	**(15%)**

Further information in relation to the financial performance of Group Centre can be found on page 23.

[1] *'Net interest income' and 'net other income' are impacted by IFRS income classifications as set out on pages 42 and 43. The impact on Corporate and Treasury 2019 'net interest income' was €6 million (2018: €nil) with fully offsetting changes to 'net other income' in both years.*

[2] *Net impairment losses on other financial instruments (excluding loans and advances to customers at amortised cost) were €5 million for 2019 (2018: €nil) on loan commitments.*

Divisional financial results *(continued)*

Income statement - operating segments

2019	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating profit / (loss) before net impairment gains / (losses) on financial instruments €m	Net impairment (losses) / gains on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Loss on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Retail Ireland	990	-	268	1,258	-	1,258	(745)	513	(50)	5	-	468
Wealth and Insurance	(8)	1,521	1,433	2,946	(2,642)	304	(135)	169	-	-	-	169
Retail UK	563	-	(15)	548	-	548	(329)	219	(82)	34	-	171
Corporate and Treasury	609	-	123	732	-	732	(195)	537	(82)	-	-	455
Group Centre	(6)	(3)	9	-	(5)	(5)	(500)	(505)	(1)	-	-	(506)
Other reconciling items	2	-	(3)	(1)	-	(1)	2	1	-	-	-	1
Group - underlying[1]	**2,150**	**1,518**	**1,815**	**5,483**	**(2,647)**	**2,836**	**(1,902)**	**934**	**(215)**	**39**	**-**	**758**
Total non-core items												
Customer redress charges	(10)	-	-	(10)	-	(10)	(64)	(74)	-	-	-	(74)
Cost of restructuring programme	-	-	-	-	-	-	(59)	(59)	-	-	-	(59)
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	35	35	-	35	-	35	-	-	-	35
Loss on liquidation of business activities	-	-	-	-	-	-	-	-	-	-	(25)	(25)
UK portfolio divestments	15	-	36	51	-	51	(40)	11	1	-	-	12
Investment return on treasury stock held for policyholders	-	-	(2)	(2)	-	(2)	-	(2)	-	-	-	(2)
Group total	**2,155**	**1,518**	**1,884**	**5,557**	**(2,647)**	**2,910**	**(2,065)**	**845**	**(214)**	**39**	**(25)**	**645**

[1] *Underlying performance excludes the impact of non-core items (page 46).*

Divisional financial results *(continued)*

Income statement - operating segments

2018	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating profit / (loss) before net impairment gains / (losses) on financial instruments €m	Net impairment gains / (losses) on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Retail Ireland	992	-	272	**1,264**	-	**1,264**	(776)	**488**	157	4	-	**649**
Wealth and Insurance	(9)	1,499	(345)	**1,145**	(951)	**194**	(127)	**67**	-	-	-	**67**
Retail UK	596	-	21	**617**	-	**617**	(398)	**219**	(74)	37	-	**182**
Corporate and Treasury	555	-	166	**721**	-	**721**	(194)	**527**	(41)	-	-	**486**
Group Centre	10	(3)	21	**28**	(4)	**24**	(464)	**(440)**	-	-	-	**(440)**
Other reconciling items	2	-	(17)	**(15)**	-	**(15)**	6	**(9)**	-	-	-	**(9)**
Group - underlying[1]	**2,146**	**1,496**	**118**	**3,760**	**(955)**	**2,805**	**(1,953)**	**852**	**42**	**41**	**-**	**935**
Total non-core items												
Cost of Restructuring Programme	-	-	-	**-**	-	**-**	(111)	**(111)**	-	-	-	**(111)**
Gain on disposal of property	-	-	-	**-**	-	**-**	-	**-**	-	-	7	**7**
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	(7)	**(7)**	-	**(7)**	-	**(7)**	-	-	-	**(7)**
Investment return on treasury stock held for policyholders	-	-	6	**6**	-	**6**	-	**6**	-	-	-	**6**
Gain on disposal of business activities	-	-	-	**-**	-	**-**	-	**-**	-	-	5	**5**
Customer redress charges	(12)	-	-	**(12)**	-	**(12)**	12	**-**	-	-	-	**-**
Group total	**2,134**	**1,496**	**117**	**3,747**	**(955)**	**2,792**	**(2,052)**	**740**	**42**	**41**	**12**	**835**

[1] *Underlying performance excludes the impact of non-core items (page 46).*

Governance

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Corporate Governance Statement
Chairman's Introduction

Patrick Kennedy
Chairman

Dear Shareholders,

I am pleased to present our Corporate Governance Report for 2019. This report provides an overview of our governance in practice, including how the Board of Directors (the 'Board') operates, how it spent its time during the year and how it has evaluated its performance. It includes reports from the four mandatory Board committees and explains how the principles of good governance are embedded.

We believe that the role of the Board is to promote the long-term success of the Group, whilst contributing to wider society. In order to do this, the Group must have a robust corporate governance framework, providing systems of checks and controls to drive accountability and better decision-making, with appropriate policies and practices in place to ensure that the Board and its committees operate effectively.

The Board is accountable to shareholders for the overall direction and control of the Group. It is committed to high standards of governance designed to protect the long-term interests of shareholders and all other stakeholders, while promoting the highest standards of integrity, transparency and accountability.

A key objective of the Group's governance framework is to ensure compliance with applicable corporate governance requirements. During 2019 these requirements comprised of:

- Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 ('Irish Code')[1].
- UK Corporate Governance Code 2018 ('UK Code').
- Irish Corporate Governance Annex[2].
- S.I. No. 158/2014 - European Union (Capital Requirements) Regulations 2014.
- European Banking Authority Guidelines on internal governance under Directive 2013/36/EU.
- Joint European Securities and Markets Authority (ESMA) and EBA Guidelines on the assessment of the suitability of members of the management body.

The Group complied with all applicable corporate governance requirements throughout 2019.

Corporate governance developments are kept under continuous review in order to ensure that the Group's governance structures evolve and remain appropriate for a significant credit institution. The Board welcomed the introduction in 2018 of the new UK Code and its emphasis on relationships between companies, shareholders and stakeholders, the strength of which is crucial to ensuring informed decisions are taken to support the longer-term sustainability of the Group.

People and culture

Our people remain at the very core of what we do, and I continue to be impressed by the commitment and enthusiasm shown by all of our colleagues during the Board's visits to various locations and other engagements with colleagues during the year. Our culture and values are key to help us achieve our strategic objectives and create value for all stakeholders, and I was delighted to see an improvement in our engagement and cultural embedding scores during 2019. I know we still have a way to go but I am encouraged by the commitment and progress I am seeing, with more colleagues taking accountability for making the Group a better place to work.

The Board has worked with the Executive team to ensure a continued focus on the Group's culture, where high standards and customer values are at the core of all decisions. The Board is satisfied that the Group's purpose of enabling our customers, colleagues and communities to thrive is fully aligned with the Group's culture, values and strategic priorities.

As detailed on page 78, we took the positive step to designate Eileen Fitzpatrick as our Workforce Engagement Director, with a view to enhancing the Group's existing engagement mechanisms between the Board and the workforce and to strengthen the 'employee voice' at the Board table and when making decisions. This mechanism, along with other ways in which we seek out the views of the Group's stakeholders, notably our customers, shareholders and regulators, will continue to enhance the Board's discussions and decisions.

Strategic priorities

Delivery of the Group's strategic priorities, to Transform the Bank, Serve Customers Brilliantly and Grow Sustainable Profits, remains a priority for the Board and Executive team. These priorities were originally set out at the Group Investor Day on 13 June 2018 and further details on progress to date can be found in 'Our Strategy' on page 11.

Progress against key performance indicators (KPIs) linked to the Group's strategic priorities is overseen by the Board. Given the scale of the transformation that the Group is embarking upon, across our culture systems and business model the Board established a Group Transformation Oversight

[1] *The Company's primary banking subsidiary, The Governor and Company of the Bank of Ireland (the 'Bank'), was subject to the Irish Code, (which is available on www.centralbank.ie) throughout 2019. The Bank is also subject to the additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions, and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the Capital Requirements Directive IV), respectively.*

[2] *The Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange, t/a Euronext Dublin which is available on www.ise.ie.*

Chairman's Introduction *(continued)*

Committee (GTOC) to facilitate more detailed and timely oversight of the Group's transformation programme, which reports to each Board meeting. I am joined on that Committee by my Board colleagues, Ian Buchanan, Patrick Mulvihill, Richard Goulding and Michele Greene. The Group's CEO, Chief Operating Officer, CEO Retail Ireland and Chief Risk Officer (CRO) attend Committee meetings along with other members of senior management as required.

Responsible and sustainable business

As noted on page 24, we have enhanced our governance structure to provide more board focused oversight and responsibility for our RSB agenda. The GN&GC, a committee of the Board with oversight of the Group's Corporate Responsibility Programme as well as nomination and corporate governance matters, will now oversee the Group's RSB framework and strategy on behalf of the Board. To reflect its expanded remit, the Committee is being renamed the NGRB. The Board recognises and appreciates the key role it has in ensuring that RSB is increasingly integral to the Group's operations and long term sustainability.

Board changes in 2019

The Nomination and Governance Committee is responsible for reviewing the composition of the Board and its Committees and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable them to operate effectively.

Eileen Fitzpatrick joined the Board in May 2019 as an independent NED, bringing extensive capital markets and public sector and capital markets experience to the Board. Michele Greene was nominated by the Minister for Finance and was appointed to the Board in December 2019. Michele is an experienced retail banker with a strong understanding of evolving customer requirements and has significant experience in the digitalisation of banking processes and systems. Having been identified by the Board during October 2019 to succeed Andrew Keating as Group CFO and Executive Director, Myles O'Grady received regulatory approval and was appointed to the Board in January 2020. I am delighted they have joined the Board and look forward to working with them in the years ahead. I would like to thank each of the Directors for their commitment and support during 2019. I would also like to express the Board's appreciation to Kent Atkinson and Andrew Keating, both of whom stepped down during 2019, for their significant contributions to the Group during their respective tenures.

The composition of the Board remains under continuous review and the GN&GC maintains a constant focus on succession planning to ensure the continuation of a strong and diverse Board, which is appropriate to the Group's purpose and the industry within which it operates.

Board and individual effectiveness evaluation

During 2019, Praesta Ireland conducted the annual effectiveness evaluation of the Board. Detail on the outcome of this evaluation, which, in summary, concluded that the Board is effective can be found on page 69. I also conducted a review of the performance of individual directors, following which I concluded that individual directors continue to demonstrate commitment to their roles. All Directors are considered to be experienced and knowledgeable, and I am confident that they each bring valuable skills to the Board and provide an objective perspective. The Board considers that the effective contribution of each of the individual directors and the Board as a whole is, and continues to be, important to the long-term sustainable success of the Group. As part of the evaluation process, we have identified some areas for enhancement which are welcomed, and I look forward to reporting on progress in those areas in the next report.

Looking ahead

The Board will continue to work effectively with the Executive team into 2020 to ensure continued focus on and delivery of the Group's strategy in order to create sustainable long-term value for our shareholders. The Group's governance framework will remain under continuous review to ensure it remains robust and facilitates effective decision making and appropriate Board oversight.

Patrick Kennedy

Patrick Kennedy
Chairman

21 February 2020

Your Board

Patrick Kennedy
Independent (on appointment)

Role
Non-Executive Director (July 2010). Chairman (August 2018, Deputy Chairman April 2015). Chair, Group Nomination and Governance Committee (August 2018, Member from September 2014).

Member, Risk Committee from January 2011 and Chair July 2016 to July 2018. Member, Remuneration Committee from January 2011 to July 2016. Member of the Audit Committee from July 2016 to July 2018.

Member of GTOC (August 2018).

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

External Appointments
Chairman and chair of the audit, risk, remuneration and nomination committees of Cartrawler.

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

Qualifications
Fellow of Chartered Accountants Ireland.

Patrick Haren
Independent

Role
Non-Executive Director (January 2012). Deputy Chairman (August 2018). Senior Independent Director (SID) (April 2015). Member, Nomination and Governance Committee (November 2015). Member, Audit Committee from January 2012 to July 2018. Remuneration committee Chair from May 2015 and Member from January 2012 to January 2020.

Trustee of the Bank of Ireland Staff Pensions Fund (BSPF).

Particular Skills
Experienced chief executive officer who has gained extensive strategic, corporate development and transactional experience.

External Appointments
None.

Experience
Patrick acts as an Advisor to Green Sword Environmental Ltd. He is a former chief executive officer of the Viridian Group, having joined Northern Ireland Electricity in 1992 as chief executive. He previously worked with the ESB, including as director - New Business Investment and also served as a board member of Invest Northern Ireland for a number of years. Patrick led the privatisation of Northern Ireland Electricity by Initial Public Offering (IPO) and grew the business under the new holding company Viridian through to 2007, positioning the company as the market leader in independent electricity generation and supply in competitive markets in Ireland, North and South. He is a past director of Bank of Ireland (UK) plc where he also served as Chair of the Remuneration Committee and a member of the Nomination Committee.

Qualifications
Fellow of the Institute of Directors (UK). Awarded a knighthood in 2008 for services to the electricity industry in NI. Member of the Institute of Banking (Ireland).

Francesca McDonagh
Non-Independent

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

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

External Appointments
Director of IBEC Company Limited by Guarantee. Member of the Prudential Regulation Authority (PRA) Practitioner Panel.

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

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

Your Board *(continued)*

Ian Buchanan
Independent

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

Chair of GTOC (August 2018).

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

External Appointments
Non-executive director of Openwork Holdings Limited.

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

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

Evelyn Bourke
Independent

Role
Non-Executive Director (May 2018). Member, Audit and Nomination and Governance Committees (May 2018).

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

External Appointments
Group chief executive officer of BUPA.

Experience
Evelyn was appointed group chief executive officer of BUPA in July 2016, having been Acting CEO from April 2016. She is also a member of the BUPA board. She joined BUPA as chief financial officer of BUPA. in September 2012, from Friends Life Group, where she was chief executive officer of its Heritage division. Previously at Friends Provident, she was the executive director responsible for strategy, capital and risk and, prior to that, chief financial officer. She was previously a non-executive director of the IFG plc, Dublin, where she was chair of the board risk committee. Evelyn's earlier career was spent at Standard Life Assurance plc, Chase De Vere Financial Solutions, St. James's Place, Nascent Group, Tillinghast Towers Perrin, in the UK, and Lifetime Assurance and New Ireland Assurance in Dublin.

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

Eileen Fitzpatrick
Independent

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

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

External Appointments
Chairman of the Outside Appointments Board, Department of Public Expenditure and Reform.

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

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

Qualifications
PhD in Science from University College Dublin.

Your Board *(continued)*

Richard Goulding
Independent

Role
Non-Executive Director (July 2017). Chair, Risk Committee (Aug 2018, Member, July 2017). Member, Remuneration Committee (July 2017). Member, Audit Committee (August 2018).

Member of GTOC (August 2018).

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

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

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

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

Michele Greene
Non-Independent

Role
Non-Executive Director (December 2019). Member, Risk Committee and GTOC (December 2019).

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

External Appointments
Director of Mololo Limited.

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

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

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

Fiona Muldoon
Independent

Role
Non-Executive Director (June 2015). Member, Risk Committee (November 2015). Member, Nomination and Governance Committee (January 2019).

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

External Appointments
Group Chief Executive of FBD Holdings plc and Chief Executive of FBD Insurance plc. Director of Insurance Ireland (Member Association) CLG.

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

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

Your Board *(continued)*

Patrick Mulvihill
Independent

Role
Non-Executive Director (December 2011). Chair, Audit Committee (April 2018, Member December 2011). Member, Risk Committee (December 2011 to May 2017, January 2018 to date).

Member of GTOC (April 2016). Trustee of the BSPF (December 2017).

Particular Skills
In-depth knowledge of financial and management reporting, regulatory compliance, operational, risk and credit matters within a global financial institution.

External Appointments
Non-executive director of International Fund Services (Ireland) Limited. Director of Beachvista Limited.

Experience
Patrick spent much of his career at Goldman Sachs, retiring in 2006 as global head of operations covering all aspects of capital markets operations, asset management operations and payment operations. He previously held the roles of co-controller, co-head of global controller's department, covering financial / management reporting, regulatory reporting, product accounting and payment services. He was also a member of the firm's risk, finance and credit policy committees. Patrick has over twenty years' experience of international financial services and has held a number of senior management roles based in London and New York with Goldman Sachs.

Qualifications
Fellow of Chartered Accountants Ireland and Associate of the Institute of Directors.

Myles O'Grady
Non-Independent

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

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

External Appointments
None.

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

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

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

Steve Pateman
Independent

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

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

External Appointments
Director and CEO of Hodge Group (stepping down in 2020) and due to join Arora Group later in 2020 as CEO.

Experience
Steve joined Julian Hodge Bank Limited as CEO in January 2019, and was appointed to its board in February 2019. Prior to this, Steve was CEO of Shawbrook Bank Limited from October 2015 to December 2018. He joined Shawbrook from Santander UK, where he was executive director and head of UK banking and was responsible for the bank's corporate, commercial, business and retail banking operations as well as wealth management. He also held a number of senior positions at Santander UK, Royal Bank of Scotland and NatWest. Steve was appointed vice president of the Chartered Bankers Institute in June 2017. He was director of The Mortgage Lender Limited from May 2018 to January 2019.

Qualifications
Fellow of the Chartered Banker Institute. Awarded an Honorary Doctorate from the University of Kent for services to banking.

Your Board *(continued)*

Board[1]

Group Audit Committee

Patrick Mulvihill *(Chair)*
Evelyn Bourke
Eileen Fitzpatrick
Richard Goulding
Steve Pateman

Group Risk Committee

Richard Goulding *(Chair)*
Ian Buchanan
Michele Greene
Fiona Muldoon
Patrick Mulvihill
Steve Pateman

Group Remuneration Committee

Steve Pateman *(Chair)*
Eileen Fitzpatrick
Richard Goulding

Group Nomination & Governance Committee

Patrick Kennedy *(Chair)*
Evelyn Bourke
Patrick Haren
Fiona Muldoon

Group Executive

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

Group Risk Policy Committee

Vincent Mulvey *Group Chief Risk Officer (Chair)*
Sean Crowe *Chief Executive, Markets and Treasury*
Tom Fee *Head of Enterprise Risk Management*
Tom Hayes *Chief Executive, Corporate Banking*
Myles O'Grady *Group Chief Financial Officer*
Gavin Kelly *Chief Executive, Retail (Ireland)*
Francesca McDonagh *Group Chief Executive Officer*
Declan Murray *Chief Credit Officer*
Gabrielle Ryan *Group General Counsel*
Jackie Noakes *Group Chief Operating Officer*

[1] *The Board established a Group Transformation Oversight Committee to facilitate more detailed and timely oversight of the Group's transformation programme. It is chaired by Ian Buchanan and its members are Richard Goulding, Michele Greene, Patrick Kennedy and Patrick Mulvihill.*

Your Board *(continued)*

Chairman's tenure

The new UK Code and the supporting Guidance on Board Effectiveness nominate service on the Board for more than nine years from the date of first appointment as a specific consideration in the evaluation of the independence of NEDs. The Chair is not subject to the UK Code's independence test other than on appointment. However, the UK Code recommends that the Chair is subject to similar length of service considerations and should not remain in post longer than nine years. The UK Code provides for extension of the Chair's tenure to facilitate succession planning and the development of a diverse Board, particularly in those cases where the Chair was an existing NED on appointment. The principles and provisions of the UK Code in this area are in support of the maintenance of the right combination of skills, experience and knowledge on the board, supported by formal processes of appointment and annual evaluation of performance.

Patrick Kennedy was appointed Chairman in August 2018. He was independent under the UK Code at the time of his appointment.

Mr Kennedy's appointment followed a rigorous process, led by the SID, with external benchmarking by Egon Zehnder which rated him as an exceptional candidate for the role. Mr Kennedy was an existing NED, appointed to the Board of the Governor and Company of Bank of Ireland (the 'Bank'), in July 2010. During his tenure, Mr Kennedy served on every major committee of the Board, including Chair of the Risk Committee and Deputy Board Chairman until July and August 2018 respectively. The years prior to his appointment as Chairman, which are calculated in the assessment of tenure, provided Mr Kennedy with a detailed understanding of the business and enabled him to forge effective relationships not only with the Executive but also with the wider management team, factors which the Board regard as critical to his current success as Chairman.

As set out in some detail in the BOIG plc Annual Report 2018, in arriving at its decision at the time of his appointment as Chairman, the Board took into account a number of exceptional factors, including: the anticipated very significant level of turnover on the Board due to retirements over the medium term; the recent appointment of an external candidate, previously UK-based, to the Group CEO role; and the Board's preference that the incoming Chairman should have a complementary knowledge of the Irish environment, embracing customers, regulators and Government, and knowledge and understanding of the Bank of Ireland Group. In the view of the Board, these factors continue to be relevant as the company goes through a period of continuing significant change, including transformation of culture and a multi-year programme of investment in systems. In addition, having regard for the relatively recent appointments of the two externally recruited Executive Directors (the CEO in October 2017 and CFO in January 2020), the Board is satisfied that there is no issue of significant concurrent service arising as a governance concern.

Mr Kennedy brings very strong leadership to the Board. He demonstrates independent and objective judgement and promotes constructive challenge amongst Board members. In his short time in the role, he has demonstrated an innovative approach to bringing new formats and structures to Board meetings to improve the effectiveness of the Board. He has focused strongly on Board succession and diversity and has reinforced relationships with customers, regulators and shareholders. He is rated very highly by all Board members in the 2019 Chairman effectiveness evaluation led by the SID, supported by Praesta Ireland who led the external effectiveness review of the Board as a whole in 2019.

Mr Kennedy combines a deep knowledge of the Group with exceptional commercial acumen gained from a highly successful career in national and international business. As an Irish-based Chairman, the Board believes he provides valuable knowledge and experience of the customer, regulatory and political environment and necessary continuity during a period of significant change. As such, the Board considers it appropriate for Mr Kennedy to remain in role for a further period and will be recommending his re-election in 2020. The company will consult with shareholders on the matter of tenure during the second half of the year, setting out its views on the wider issues of succession planning at Board level and its assessment of the best interests of shareholders.

Board committees

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

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

The terms of reference of the Board Audit Committees, the BRC, the GN&GC and the Group Remuneration Committee (GRC) are available on the Group's website at www.bankofireland.com/about-bank-of-ireland/corporate-governance. In addition to the aforementioned Committees, the Board has established a GTOC which has a mandate to oversee the transformation of the culture, systems and business model, as well as the safe delivery of some regulatory mandated change programmes.

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

Reports from the Group Audit Committee (GAC), the BRC, the GN&GC and the GRC are presented on pages 77 to 90.

Board composition and succession

The Board comprises twelve Directors: two Executive Directors, the Chairman, who was independent on appointment, eight independent NEDs and a Director nominated by the Minister for Finance, who is deemed to be a non-independent NED. The biographical details of each of the directors, along with each of their individual dates of appointment, are set out on pages 61 to 64.

Your Board *(continued)*

The Board considers that a board size of 10 to 12 Directors allows for a good balance between having the full range of skills necessary on the Board and to populate its committees and retaining a sense of accountability by each Director for Board decisions.

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

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

As part of the Committee's succession planning process, it has regard for the impact of expected retirements of directors and the Group's desired culture and strategic direction. As part of the process, the Committee prepares a detailed role profile, based on its analysis of the skills and experiences needed and selects, where appropriate, an external search firm to facilitate the process. The Committee follows the requirements of the Directors Assessment Policy, which is fully aligned with the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body, and ensures a robust assessment of potential candidates which includes interview by the GN&GC members and recommendation to the Board prior to the submission of fitness and probity applications to the regulator for consideration.

All potential candidates are assessed to ensure they have the ability to act with integrity, lead by example and promote the desired culture, which evidences a commitment to high standards and values where customers are at the heart of decision-making.

2019 Board changes

During 2019, Kent Atkinson, an experienced banker, retired from the Board. In preparation for his retirement, the Committee had identified deep experience in corporate and retail banking as a key requisite skills and experience profile for the Board. Steve Pateman, who joined the Board in September 2018, replenished the Board's core banking skills.

Also during 2018, the Committee commenced a search for a director with a number of skills, experiences and characteristics, with a focus on further diversity and knowledge of the Irish market and environment. Eileen Fitzpatrick was identified from that search and was appointed in May 2019. Eileen brings strategic insights of a chief executive officer of an Irish asset management company and a strong financial services background, with extensive capital markets, public sector and deep commercial experience.

Having regard for the Group's transformation programme, the Committee identified transformation, change and technology as potential areas of focus for further NED recruitment. Against that backdrop, Michele Greene was nominated by the Minister for Finance and was appointed to the Board in December 2019. Michele brings significant and recent experience of digital banking and a focus on evolving customer expectations.
The selection of Myles O'Grady as the preferred candidate to succeed Andrew Keating as Group CFO and Executive Director was led by the CEO and supported by the Committee. Myles joined the Group in June 2019 and brings a wealth of relevant external experience to the role.

An active search is underway to identify a NED with further technology transformation experience and the Group looks forward to reporting positively on that search during 2020.

External support

The search process leading to the appointment of Eileen Fitzpatrick was facilitated externally by Leaders Mores, a consulting company specialising in board level appointments. Leaders Mores is used for Board searches but has no other connection with the Group or individual directors. While the nomination of Michele Greene was a matter for the Minister for Finance, the Group requested Leaders Mores to provide the Board with an independent assessment of Michele Greene's suitability as part of the wider due diligence assessment, prior to her being recommended by the Board for appointment.

Regulatory assessment and formal approval is required and received for all Board appointments.

Induction and continuous development

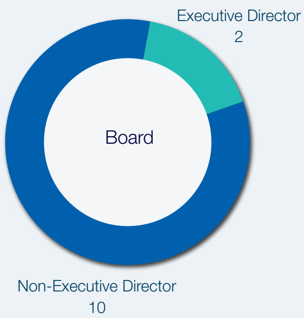
On appointment, each director receives an induction plan tailored to his or her specific requirements. It consists of meetings with senior management on Group and Divisional strategy, deep dives on businesses and an overview of the Group's risk appetite and Group Risk Framework, supplemented by sessions on the management of key risks and a comprehensive range of meetings covering the Group's regulatory environment, people strategies, technology and payments. Deep dives on capital and liquidity management and an overview of the Group's financial position are also included, along with sessions relevant to membership of specific committees.

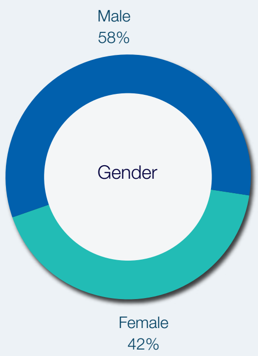
The continuous development requirements of the Board and individual directors, as required, is informed by the outcome of annual effectiveness reviews, emerging external developments and areas individual directors have identified as requiring focus. These requirements are met through the provision of Group Board training, presentations, site visits and individual bespoke training sessions as required.

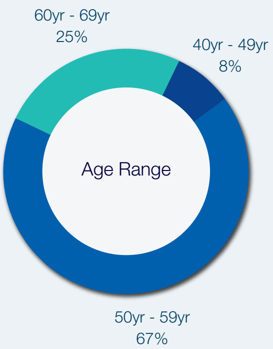
Your Board *(continued)*

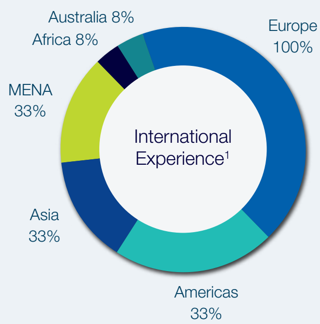
Diversity

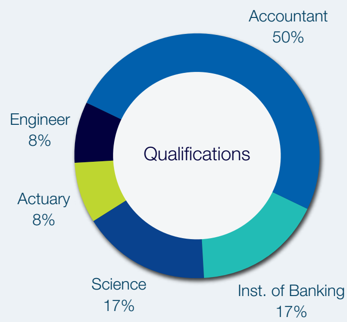
The Board is fully committed to diversity in all forms and truly believes that diversity is an essential ingredient of sound decision-making. The Board has an approved Board Diversity Policy in place and, following review in 2019, it has retained its target of a minimum of 33% female representation on the Board by the end of 2020, with a medium term aspiration of achieving equal gender representation on the Board. Below is an overview of the current Board profile.











Tailored Induction Programmes

Eileen Fitzpatrick: As NED and member of Group Audit and Group Remuneration Committees.
Michele Greene: As NED. Further induction on the Group Transformation Programme and Group Risk is scheduled to take place in 2020, in recognition of her committee roles.
Myles O'Grady: As Group CFO and Executive Director.

Board and Committee Education and Development

- Brexit preparedness.
- Market risk training: Regulatory and market developments from Group Market and Liquidity Risk (GM&LR).
- Education / deep dive session on the net interest income reporting process.
- Code of Conduct.
- Risk appetite: Definitions of non-financial risks and articulation of appetite.
- IFRS17 and accounting standards.
- Business module - Site visit to Banking 365 Kilkenny including management presentation / listening in sessions.
- Business module - Site visit to Northridge and Donegal Square including management presentation / listening in sessions.
- Business module - Site visit to BOI IT Centre and Operations Centre; Robotics and Automated Operations.
- Business module - Site Visit to Limerick branch, BOI Workbench and Bereavement Support Unit.

In addition to collective education and development programmes in 2019, individual Directors actively engaged in one to one focus sessions with Management on topics such as vulnerable customers, wealth and insurance, SMEs, the Irish Mortgage Market, technology transformation and the Irish Economy.

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

Your Board *(continued)*

Assessing the effectiveness of the Board

Board

The Board seeks to continually enhance its operations and, each year, conducts a formal effectiveness evaluation of the Board, Board Committees and individual Directors. The Board is required to have an external evaluation conducted once every three years. During 2019, an external evaluation was carried out by Praesta Ireland, an executive coaching and leadership consultancy company. Praesta Ireland has no other connection to the Group.

The Praesta Ireland evaluation comprised:
- One to one interviews with all Directors, the Group Secretary and a number of Group Executives.
- A review of Board papers, including Board packs, Board minutes and Board committee papers.
- An online survey of Directors which sought their views on a range of topics.
- Attendance as an observer at the December 2019 Board meetings.

The scope of the Praesta Ireland evaluation included:
- The role of the Board.
- Board culture and dynamics.
- Board papers and reporting.
- Risk management and internal control.
- Performance evaluation.
- Chairing of the Board.
- Board composition, structure and processes.
- Stakeholder management and communications.
- Strategic focus, mission and vision.
- Effectiveness of the committees of the Board.

Chairman

The performance of the Chairman was assessed during the Praesta Ireland evaluation and, led by the SID, the Board met to discuss the Chairman's performance, in his absence. The SID subsequently provided an update on the positive outcome of the review to the Chairman. Patrick Kennedy is considered to be a highly effective Chairman and provides very strong leadership to the Board. The Board confirmed its continued support for Patrick Kennedy and his proposal for re-election at the 2020 Annual General Meeting (AGM). The Board also actively considered the Chairman's tenure during this assessment, details of which are reported on page 66.

Individual Directors

In addition to the Praesta Ireland evaluation process, the Chairman met with Directors on a one to one basis to discuss their individual performance, taking account of their input, which was submitted in advance of the meetings. The Chairman assessed each Director as being fully effective, with all Directors demonstrating commitment to their role, and their contributions continue to be important to the company's long-term sustainable success.

The independence of each Director is considered by the GN&GC prior to appointment and reviewed annually thereafter using the independence criteria set out in the UK Code, the Irish Code and relevant EBA / ESMA Guidelines. Michele Greene has been designated as non-independent by virtue of her nomination by the Minister for Finance. It has been determined that all other NEDs in office during 2019 are independent in character and judgement and free from any business or other relationship with the Group that could affect their judgement.

While Michele Greene has been designated as non-independent, the Board believes, based on her performance to date, that she too brings independent challenge and judgement to the deliberations of the Board.

Patrick Kennedy was determined as independent on appointment. Whilst acknowledging that his independence may be perceived to be impacted during his tenure due to nature of the role of a Chairman, as reported on page 66, Patrick Kennedy is regarded as continuing to operate in a manner that is independent in character and judgement and remains objective in his opinions.

A rigorous assessment was undertaken of the independence of Patrick Haren and Patrick Mulvihill who have served more than six years on the Board. In both cases, the Chairman concluded that they continue to demonstrate independence of mind and remain independent.

2019 Conclusion

A consolidated report on the findings of the full evaluation process was presented to the Board. The outcome of the evaluation was positive, concluding that the Board and its Committees continued to be effective, with all Directors demonstrating commitment to their roles.

Progress had been made on areas for enhancement identified during the 2018 internal effectiveness evaluation process, relating to a continued focus on Group Strategy, Board training and engagement with management on talent and succession planning.

Recommendations from the 2019 Praesta Ireland evaluation, actions in respect of each of which are actively underway, included:
- while recognising progress made in recent years on the quality of Board reporting, room for greater brevity and sharper focus in Board papers;
- the need for the 2020 Board plan to allocate sufficient time to agreed key areas of focus;
- evolution of the continuous development programme for individual Directors and the Board as a whole; and
- enhanced focus on non-financial risk management.

Your Board *(continued)*

How the Board spent its time at Board meetings in 2019

The Board considers and addresses opportunities and threats to its future success. It assesses the sustainability of its business model and ensures that there is a strong corporate governance structure in place in order to deliver its strategy.

While not intended to be exhaustive, below is a high-level overview of a number of matters considered by the Board during 2019.

Business Context
- Chairman's update.
- CEO perspective and priorities.
- Organisational Balanced Scorecard: Reporting on performance relative to strategic, financial and non-financial KPIs.
- Tracker Mortgage Examination Programme.

Business Performance and Risk Management Reports
- Financial and Business Performance.
- Risk Reports.
- Regulatory Interactions.
- Funding and Liquidity Policy.
- Internal Capital Adequacy Assessment.
- Internal Liquidity Adequacy Assessment.

Strategic Priorities and Business Deep Dives
- Group's risk appetite Framework and risk appetite Statement.
- Brexit Readiness.
- Progress implementing the Group's 2018–2021 strategy
- Key strategic priorities, including, but not limited to, reports on;
  - the Transformation Programme, including systems and Customer journey transformation;
  - the Group Culture Programme, including Inclusion and Diversity and Employee Engagement;
  - Customer Experience, including Financial Wellbeing, Customer Insights and Customer Experience reports; and
  - the Group's 'Fit for the Future' cost management programme.
- Marketing and Brand Framework.
- Business Deep Dives, including on RoI Mortgages, Wealth and Insurance, GB and NI, Loan Book Growth, Home Building and Buying.

Reports from Board Committees
- Recommendations from committees on key policies and matters reviewed in depth by committees for Board decision.
- Reports on committee proceedings.

Governance and Oversight
- Key governance policies and documents.
- Board, Committee and Individual Director's Effectiveness Evaluation.
- Endorsement of Material Risk Takers (MRTs).
- Subsidiary oversight.
- Tracking of agreed actions.

Environment
- Investor Relations.
- Economic Environment.
- Stakeholder Engagements.

Attendance at meetings in 2019

The Board held eight meetings during the year ended 31 December 2019. Further details on the number of Board and Committee meetings and attendance by individual Directors are set out on page 91.

Roles and Responsibilities

Role of the Board

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

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

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

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

The Board approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types. Further information on risk management and the Board's role in the risk governance of the Group is set out in the Risk Management Report on pages 110 to 160.

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

Your Board *(continued)*

Roles and Responsibilities (continued)

Role of the Chairman
The Chairman oversees the operation and effectiveness of the Board, including ensuring that agendas cover the key strategic items confronting the Group and encouraging all Directors to participate fully in the discussions and activities of the Board. He also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards. The Chairman commits a substantial amount of time to the Group and his role has priority over any other business commitment. During the year, the Chairman and NEDs met without the Executive Directors present, to discuss a range of business matters.

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

Role of the Independent Non-Executive Director
The NEDs (including the Chairman and the Deputy Chairman) bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity. As reported, while Michele Greene has been designated as non-independent by virtue of her nomination by the Minister for Finance, the Board believes, based on her performance to date, that she too brings independent challenge and judgement to the deliberations of the Board.

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

The Directors have access to the advice and services of the Group Secretary, who is responsible for advising the Board on all governance issues and for ensuring that the Directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities.

The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required. Committees of the Board have similar access and are provided with sufficient resources to undertake their duties.

The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal board process. The Group has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors.

Matters reserved for the Board for approval include:

1. **Strategy and risk appetite**
   - Determination of risk appetite and approval of the Group's risk appetite Statement.
   - Determination of the Group's strategy.

2. **Corporate and Capital Structure**
   - Approval of CET1 capital investments of greater than €20 million in a regulated subsidiary and €40 million in any other subsidiary.
   - Approval of share issuances by any Group member to an entity outside of the Group.
   - Approval of equity underwriting of sums greater than €20 million.

3. **Management**
   - Approval of the Group's business plans and budgets.
   - Overseeing management of the business.
   - Overseeing organisational structure.

4. **Financial and Regulatory Reporting, Internal Controls, Risk and Capital Management**
   - Approval of Half Year Report, Annual Report and Accounts.
   - Approval of the Group Risk Framework.
   - Approval of the Group Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plan.
   - Overseeing the internal control, compliance and risk management systems of the Group.

5. **Transactions**
   - Approval of acquisitions or divestments of the business or assets of any Group member involving a third party except for credit management purposes.
   - Approval of guarantees, including those in respect of subsidiary companies, entered into by a member of the Group, other than in the normal course of business.
   - Approval of capital expenditure in excess of €40 million;
   - Approval of Class 1 or Class 2 transactions (each as defined by the Listing Rules).
   - Approval of related party transactions (as defined by the Listing Rules) giving rise to an obligation to issue a shareholder circular.

6. **Corporate governance, Board and other appointments**
   - Promoting the appropriate culture, corporate values, behaviours and ethics of the Group.
   - Overseeing corporate governance and succession planning.
   - Approving appointment of directors and specified senior management appointments.

7. **Pension Scheme and Remuneration**
   - Approval of all changes to the funding of pension schemes in the Group and / or benefits of same.
   - Overseeing the Group's Remuneration framework.

Your Board *(continued)*

The Group's approach to Strategy Development and Monitoring

Development of Transformation Strategy

From mid-2017 the Board commenced work on a new strategy in the context of a fundamental shift in customer demands for service, increasing and changing competition and the need for business and core systems transformation.

In June 2018, the Group's three strategic priorities were identified and announced to the Market:

- Transform the Bank.
- Serve customers brilliantly.
- Grow sustainable profits.

These strategic priorities remain relevant today and significant time has been spent during 2019 reviewing progress against the strategy, framing the agenda for further strategic considerations to take place during 2020. Dedicated focus has been applied by the GTOC on the transformation of the Bank, with notable attention and consideration applied to the systems transformation aspect of the strategy.

Monitoring of Transformation Strategy

In order to facilitate the Board in monitoring the execution of the strategic plan, the Board:

- regularly discussed progress against execution priorities and targets with the Group Chief Executive;
- received insights on stakeholder, employee and cultural matters;
- assessed the progress of execution of strategy through deep-dive sessions across the key business divisions;
- received regular updates on the systems transformation, culture transformation and cost reduction programmes;
- received regular briefings from GTOC which has a mandate to oversee the transformation of the culture, systems and business model, as well as the safe delivery of some regulatory mandated change programmes; and
- reviewed the potential implications of the UK's preparations to leave the EU and oversight of management monitoring and risk mitigation activities.

Stakeholder Engagement

Shareholders

Board understanding of views of major shareholders

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

Institutional equity investors and analysts

Communication with shareholders is given high priority. One of the responsibilities of the Chairman is to ensure effective communication with shareholders and to ensure that Directors develop an understanding of the views of major investors. Group Investor Relations has primary responsibility for managing and developing the Group's external relationships with existing and potential institutional equity investors and analysts. The Group has an active and well-developed Investor Relations programme, which involves regular meetings by Executive Directors, selected Senior Executives and the Director of Group Investor Relations and other authorised officers with the Group's principal institutional shareholders, other investors, financial analysts and brokers. Approximately 400 such meetings and presentations were held in 2019. All meetings with shareholders are conducted in such a way as to ensure that price sensitive information is not divulged. A dedicated Debt Investor section of the Group website provides access to relevant information, including presentations, publications and bond tables.

Retail shareholders

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

Annual General Meeting

The AGM provides an opportunity for shareholders to hear directly from the Board on the Group's performance and strategic direction. The aim of the Board is to make constructive use of the AGM and all shareholders are encouraged to participate in the proceedings.

Questions are invited from shareholders in advance of the AGM, and a substantial part of the agenda of the AGM is dedicated to responding to shareholder questions. A 'Help Desk' facility is provided by the Group's registrar to assist shareholders to resolve any specific queries that they may have in relation to their shareholding. The 2019 AGM was held on 14 May 2019 in the Concert Hall, RDS, Ballsbridge, Dublin 4 (2019 AGM).

At the 2019 AGM, separate resolutions were proposed on each substantially separate issue and voting was conducted by way of poll. The results of every general meeting, including details of votes cast for, against and withheld on each resolution, are posted on the Group's website and released to the Irish and London Stock Exchanges. As soon as the results of the 2019 AGM were calculated and verified, they were released to applicable exchanges, as set out above, and were made available on the Group's website.

Your Board *(continued)*

Stakeholder Engagement (continued)

In line with the Group's policy to issue notice of the AGM 20 working days before the meeting, notice of the 2019 AGM was circulated to shareholders on 9 April 2019. The Chairman (who is also Chair of the GN&GC) and the Chairs of the GAC, BRC and GRC were in attendance to hear the views of shareholders and answer questions. It is usual for all Directors at the time of the AGM to attend. All members of the Board attended the 2019 AGM.

The AGM of the Group in 2020 is scheduled to be held on 19 May 2020. Shareholders who will be unable to attend on this date are encouraged to submit queries and vote in advance to ensure continued participation.

Customers

The Group's aim is to serve customers brilliantly by being the number one bank for service and having the best brand in our target markets including the best bank for partnerships in the UK. The Board consistently reviews the strategy, receives updates on implementation and reviews progress as part of the governance process. The Group Customer Board, established in 2018, ensures customer focus by management, along with a Customer Advisory Council which ensures external challenge to our approach to customer engagement. The Board receives regular updates on progress against customer metrics and reports from the Group CEO, the Chief Marketing Officer and the respective business CEOs. In addition, its understanding of customers' perspectives is informed by deep dives on customer themes and customer complaints, and visits by Directors to customer call centres to hear customer voices at first hand. Directors also met on several occasions with customers directly in 2019 reflecting the importance of 'serving customers brilliantly' in our strategy.

Colleagues

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

During 2019, the Board met on several occasions with small groups of managers from across the Group in sessions called 'Visibility Sessions', which form part of the annual Board programme of work which is considered and approved each year. Directors conduct site visits from time to time, and during 2019 the Board visited sites and met with staff in Belfast, Limerick and Kilkenny. The 2020 Board programme of work is designed to further enhance engagement with colleagues and includes a wider range of site visits across the Group.

Another positive step was taken in response to the UK Code, with the Board designating Eileen Fitzpatrick as the Workforce Engagement NED, the objective of which is to enhance the Group's existing engagement mechanisms between the Board and the workforce and to strengthen the 'employee voice' at the Board table and when making decisions. A set of objectives for the designated role has been established which will evolve during 2020 as the role and its effectiveness, both for the Board and our colleagues, are considered. The role supplements what the Board is already hearing about culture and behaviour and will report to the Board regularly. Among other things, as part of the role, in 2020, the Workforce Engagement NED will:

- Engage with Management in deep dives on results of OpenView staff surveys and planned actions.
- Host Open Door sessions with self-nominating employees on a bi-annual basis.
- Attend the Group's Colleague Recognition Event.

Regulators and Government

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

Communities

The Group's communities are those where it has a physical presence, where its employees live and work, as well as other local and global groups and partners. The Group supports the wider community through its community investment programme, its support of local enterprise and through its financial wellbeing programmes as well as playing an active role in society. We have donated over €2 million to charitable causes in 2019.

Your Board *(continued)*

Board's oversight of risk management and internal control systems

Accountability and audit

The Report of the Directors, including a going concern statement and a viability statement, is set out on pages 92 to 97. This Corporate Governance Statement forms part of the Report of the Directors.

Board Responsibility

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

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

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

Information regarding the main features of the internal control and risk management systems is provided within the risk management report on pages 110 to 160. The Board concluded that the Group's risk management arrangements are adequate to provide assurance that the risk management systems put in place are suitable with regard to the Group's profile and strategy.

Control systems

The Group's overall control systems include:

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

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

The main features are as follows:

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

Reviews by the Board

The effectiveness of the risk management and internal control systems is reviewed regularly by the Board, the GAC and the BRC, which also receive reports of reviews undertaken by Group Risk and GIA. The GAC receives reports from the Group's external auditor (which include details of significant internal control matters that they have identified), and has separate discussions with the external and internal auditors at least once a year without Executives present, to ensure that there are no unresolved issues of concern.

Your Board *(continued)*

The Group's risk management and internal control systems are regularly reviewed by the Board and are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council and compliant with the requirements of Capital Requirements Directive (CRD) IV. They have been in place for the year under review and up to the date of the approval of the annual report. The Group has determined a pathway to compliance with the Basel Committee on Basel Committee on Banking Supervision (BCBS) 239 risk data aggregation and risk reporting requirements and continues to actively manage enhancements.

Continuous improvement

The Group's controls frameworks are continuously improved and enhanced, addressing known issues and keeping pace with the dynamic environment. Progress continues to be made in operational (including IT and Information Security), regulatory and conduct risks. The 2019 internal control assessment provides reasonable assurance that the Group's controls are effective, or that, where control weaknesses are identified, they are subject to management oversight and action plans. The GAC, in conjunction with the BRC, following an assessment of whether the significant challenges facing the Group are understood and are being addressed, concluded that the assessment process was effective and made a positive recommendation to the board in that regard.

Board Governance

Conflicts of Interest

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

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

Time Commitment

The Group ensures that individual Board Directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Company and the Bank have each been classified as 'significant institutions' under CRD IV. During the year ended 31 December 2019, all Directors were within the directorship limits set out for significant institutions under CRD IV.

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

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

Term of Appointment and Re-election of Directors

NEDs are normally appointed for an initial three-year term, with an expectation of a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing fitness and probity.

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

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

It is Group practice that, following evaluation, all Board Directors are subject to annual re-election by shareholders. All Directors retired at the AGM held on 14 May 2019. The following Directors, being eligible, offered themselves for election and were elected at the AGM in 2019:
- Ian Buchanan.
- Evelyn Bourke.
- Richard Goulding.
- Patrick Haren.
- Andrew Keating.
- Patrick Kennedy.
- Francesca McDonagh.
- Fiona Muldoon.
- Patrick Mulvihill.
- Steve Pateman.

The names of Directors submitted for election or re-election are accompanied by sufficient biographical details and any other relevant information in the AGM documentation to enable shareholders to take an informed decision on their election. The 2020 AGM is scheduled for 19 May 2020 and, in line with previous AGMs, all directors will retire from office at the date of the AGM and may choose to offer themselves for election.

Organisational Structure

The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to

Your Board *(continued)*

which it is or might be exposed, and appropriate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review. These governance arrangements provide systems of checks and controls to ensure accountability and drive better decision-making, and also include policies and practices which ensure that the Board and its Committees operate effectively.

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

Subsidiary Governance

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

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

In 2019, the Board reviewed the Group Subsidiary Governance Policy including the New Subsidiary / Entity process document, which sets out the required procedure should any party in the Group wish to set up a new Group subsidiary or entity in which the Group will have a controlling interest. This is reviewed annually.

The Group's corporate simplification programme, designed to remove a number of subsidiaries from the Group, made considerable progress in 2019 with the dissolution of 11 companies. The purpose of this programme is to simplify corporate structure of the Group with a view to generating efficiencies and cost savings and reducing risk.

Report of the Group Nomination and Governance Committee

Patrick Kennedy
Chair

Dear Shareholders,

Membership and meetings

At close of business on 31 December 2019, the Group Nomination and Governance Committee (the 'Committee') comprised Patrick Kennedy, Patrick Haren, Evelyn Bourke and Fiona Muldoon. Biographical details, including each member's background and experience, are set out on pages 61 to 64.

The Committee met six times during 2019, five of which were scheduled meetings. The Chair and Members of the Committee, together with their attendance at meetings, are shown below. The Group CEO, Chief People Officer and other members of management are invited to attend meetings where the agenda item is relevant to them and their attendance is requested by the Committee. The Committee meets annually with no management present.

Role and responsibilities

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

- leading the process for appointments and renewals for Board and Board Committees as appropriate, and making recommendations in this regard to the Board for its approval;
- ensuring plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession;
- keeping Board governance arrangements under review and making appropriate recommendations to the Board to ensure corporate governance practices are consistent with good practice corporate governance standards;
- overseeing subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries; and
- agreeing the Group's RSB policy and overseeing its implementation.

Matters considered by the Committee

The principal matters considered, and actions taken by the Committee during the year are described on page 78.

Group Nomination and Governance Committee Meetings	Eligible to attend	Attended
Patrick Kennedy	6	6
Patrick Haren	6	6
Evelyn Bourke	6	5
Fiona Muldoon[1]	5	5

Board Composition, Succession and Diversity

The Committee continued to keep under review the structure, size and composition of the Board and its Committees. During 2019 the Committee devoted considerable time to succession planning and recruitment, having regard to the tenures of a number of its directors to ensure readiness and appropriate and timely succession activities. Further details are set out on page 78.

The Committee engaged Leaders Mores, a consulting company specialising in board level appointments, to support Director searches conducted during the year and considered a number of potential candidates, leading to the successful appointment of Eileen Fitzpatrick.

In addition, the Committee considered the nominee of the Minister for Finance, Michele Greene, who was subject to the same level of consideration and suitability review by the Committee as applied to all other NEDs. Leaders Mores supported the Board with an independent assessment of Michele Greene's suitability as part of the wider due diligence assessment, prior to her being recommended by the Board for appointment.

An active search is underway to identify a NED with technology transformation experience, with additional ideal traits including financial services experience and Irish residency. Leaders Mores and MWM Consulting are facilitating this search. Other than in connection with the Board searches, Leaders Mores and MWM Consulting have no connection with the Group.

The selection of Myles O'Grady as the preferred candidate to succeed Andrew Keating as Group CFO and Executive Director was led by the CEO and supported by the Committee.

As part of the process of succession planning and determining the appropriate range and mix of skills required to maintain an effective Board, each member of the Board is requested to self-assess against the skills template set out in the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders. This assessment provided the Committee with valuable analysis of the skills and experience of Board members, relative to required and desirable Board competencies, and contributes to ensuring that the Board continues to have an appropriate range and depth of skills and experience.

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

[1] *Appointed 20 January 2019*

Report of the Group Nomination and Governance Committee *(continued)*

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

Matters considered and action taken by the Committee in 2019

Key issue	Committee considerations	Committee conclusion
Board Composition, renewal, succession and effectiveness	• Board skills assessment, composition, diversity, size, tenure, succession planning. • Committee composition and succession planning. • NED recruitment and appointments, including Fitness and Probity assessments. • Effectiveness Reviews of Board, Chairman and individual Directors.	Board appointments during the year were made to enhance the composition, diversity and skills profile of the Board, replacing skills of retiring Directors and introducing additional skills, experience and perspectives that equip the Board to address the strategic challenges facing the Group. Having regard to the requisite skillsets of each Board Committee and Members' Tenures, the Committee recommended the appointment of: • Michele Greene to the Risk and Group Transformation Oversight Committees; • Eileen Fitzpatrick to the Audit and Remuneration Committees; • Steve Pateman as Chair of the Remuneration Committee. The 2018 internal effectiveness review concluded in January 2019 and the 2019 external effectiveness review concluded in January 2020; both reviews were positive of the Board and its Committees.
Executive	• Senior Executive succession planning and appointments, including Fitness and Probity assessments. • GEC appointments and Group Structure Changes. • Assessment of Suitability of Key Function Holders and MRTs. • Individual Accountability Regime Developments. • Gender diversity of leaders and senior managers.	The Committee supported the Group CEO's proposed appointments in 2019 to the key roles of Chief People Officer, Chief Strategy Officer, Group CFO, Group Secretary and CEO Retail (UK). A deep dive of executive succession planning for key roles was undertaken with the Board, which evidenced positive focus and development by the Group CEO, supported by the Chief People Officer, on succession planning and development of key talent during 2019.
Governance and corporate responsibility	• Annual Corporate Governance Statement. • Matters Reserved to Board and delegations. • Code of Conduct. • Group Speak Up Policy. • Group Conflicts of Interests Policy. • Updates to key corporate governance codes and regulations, including 2018 UK Code, EBA Guidelines on Internal Governance and Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders. • Consideration of actions to enhance workforce engagement. • Key Board Governance Policies. • Approval of Governance Disclosures. • Modern Slavery Statement for 2018.	The Committee approved changes to internal Polices to ensure continued compliance with all applicable corporate governance requirements. The Group's Code of Conduct and Speak Up policies were considered and changes agreed to ensure they remained appropriate. The external communication of the Group's corporate governance standards through disclosures and the annual report was approved. The Committee considered and recognised the strength of the mechanisms in place to engage with and hear from colleagues but agreed that a further positive action to appoint a workforce engagement director should be taken. A recommendation was made to the Board and Eileen Fitzpatrick was designated as the Workforce engagement NED in January 2020.

Report of the Group Nomination and Governance Committee *(continued)*

Matters considered and action taken by the Committee in 2019 *(continued)*

Key issue	Committee considerations	Committee conclusion
Policies	• Board Terms of Reference. • Board Conflicts of Interest Policy. • Director Assessment Policy • Board Diversity Policy. • Board Training and Induction Policy. • Group Fitness and Probity and Suitability Assessment Policy	The Committee approved proposed amendments to the policies to ensure that the key board policies remained appropriate and effective.
Subsidiary Governance	• Appointments to boards of substantial regulated subsidiaries. • Subsidiary Governance Policy and Guidelines. • Review of composition and succession plans of key subsidiary Boards. • Review of effectiveness of key subsidiary Boards. • Pension Scheme trustee appointments.	The Committee ensured that the boards of subsidiaries are properly composed with suitable directors and have sound governance structures, and that Group oversight of subsidiaries remained appropriate.
Committee Governance	• Committee Effectiveness Review. • Committee Terms of Reference.	The Committee recommended amendments to its terms of reference to ensure continued compliance with evolving corporate governance requirements. The Committee considered the outcome of the external review of the Board's effectiveness as it related specifically to the Committee. A positive outcome with regard to the Committee's continued effectiveness was reported.

During 2019 the Committee reviewed the Board Diversity Policy (the latest version of which is available on the Group's website) and the measurable objectives set out thereunder. The Board has set a target of achieving a minimum of 33% female representation on the Board for the year ending 31 December 2020, with a medium-term aspiration to have broadly equal gender representation. As at 31 December 2019 there was 45% female representation on the Board. With the appointment of Myles O'Grady as Group CFO in January 2020, this became 42%.

In 2019, the Group made further progress in addressing diversity in the Group's workforce through its I&D programme, which recognises that developing and utilising the skills and perspectives of all our employees is critical to the Group's ongoing business success. While considering Senior Executive succession planning, the Committee and the Board ensured that diversity in its widest sense was at the forefront of related considerations. For further details please see page 31 of the Strategic Report.

Governance Matters

The Committee keeps under review updates to corporate governance regulations and requirements and briefs the Board on their effective implementation. In 2019, the Committee oversaw the final implementation of the 2018 UK Code, many provisions of which were in place in advance of the required date of 1 January 2019. As reported earlier, the Committee is being renamed as the NGRB and its terms of reference are being updated to reflect its wider remit in relation to RSB.

Effectiveness Reviews

The Committee oversaw the 2018 internal review of the effectiveness of the Board and its Committees, including the GN&GC, which concluded in January 2019, and the 2019 external review conducted externally by Praesta Ireland, which concluded in January 2020. For further details, see page 69.

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

Patrick Kennedy

Patrick Kennedy
Chair of the Group Nomination and Governance Committee

21 February 2020

Report of the Group Remuneration Committee

Patrick Haren
Chair
(stood down January 2020)

Dear Shareholders,

Membership and meetings

At close of business on 31 December 2019, the Group Remuneration Committee (the 'Committee' or the 'GRC') comprised four independent NEDs from diverse backgrounds to provide a balanced and independent view on remuneration matters. Its composition is compliant with the requirements of the Irish Code and CRD IV, and with the recommendations of the 2018 UK Code.

I stood down from the Committee in January 2020, having been Chair since May 2015. My colleague, Steve Pateman, who joined the Committee in September 2018, was appointed Chair in January 2020. I would like to take this opportunity to wish Steve well as he takes on this role.

In order to ensure that remuneration policies and procedures are consistent with effective risk management, there is common membership between the GRC and the BRC. Kent Atkinson, Richard Goulding and Steve Pateman were members of both Committees in 2019. Kent Atkinson stood down from the Committee, following his resignation from the Group and Eileen Fitzpatrick joined the Committee during 2019. Biographical details, including each member's background and experience, are set out on pages 61 to 64.

The GRC met seven times in 2019. The Members of the GRC, together with their attendance at meetings, are shown below. The Chairman, the Group Chief Executive, Chief People Officer, CRO, and the Head of Reward are invited to attend meetings as appropriate.

Role and responsibilities

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

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

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

The Group is currently operating under a number of remuneration restrictions which cover all Directors, senior management, employees and certain service providers across the Group. For further information, please see page 98 of the Remuneration Report.

Mercer Kepler, advisors to the Committee, Willis Towers Watson and Deloitte provided remuneration advice during 2019. The Committee is of the view that they provided independent remuneration advice to the Committee and they do not have any connections with the Group that may impair their independence.

Matters considered by the Group Remuneration Committee

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

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

Group Remuneration Committee Meetings	Eligible to attend	Attended
Patrick Haren	7	7
Kent Atkinson[1]	3	3
Eileen Fitzpatrick[2]	4	4
Richard Goulding	7	7
Steve Pateman	7	7

[1] *Kent Atkinson stood down 14 May 2019.*
[2] *Eileen Fitzpatrick joined 15 May 2019.*

Report of the Group Remuneration Committee *(continued)*

Matters considered and action taken by the Committee in 2019

Key issue	Committee considerations	Committee conclusion
Remuneration Policy, including impact of risk profile.	• Approval of Group Remuneration Policy and of governance and monitoring of that policy. • Review of Group risk profile and implications of remuneration policies for risk and risk management. • Design of a potential incentive scheme, including scope, reflection of risk, and application at various levels, including Executive Directors. • Governance of potential incentive scheme. • Design of Organisational Balanced Scorecard. • Investor perspectives on potential incentive scheme.	• Current Remuneration Policy is properly governed and implemented and does not lead to inappropriate risk taking. • Any potential incentive scheme design will be subject to removal of relevant restrictions and shareholder approval.
Remuneration Disclosure	• Pillar 3 disclosures and the Remuneration Report (review and approval). • Design of Remuneration Report and disclosures if an incentive scheme is introduced.	• Current disclosures are appropriate. • Future disclosures should reflect good practice and shareholder expectations.
Performance and Remuneration of Senior Management	• Objective setting and performance appraisal of Senior Executives to inform the setting of remuneration, including for heads of independent control functions. • Review of approach to remuneration of Senior Officers in independent control functions. • Benchmarking and approval of changes to remuneration of Senior Executives. • Review of Executive Director Remuneration Policy and practice, with a view to clarity, simplicity, risk predictability, proportionality, and alignment to culture.	• There is an appropriate process in place to assess the performance of Senior Executives. • Changes to Senior Executive remuneration are properly assessed and approved.
Governance and review of remuneration practice.	• Approval of the Group Remuneration Policy • Approval of Group Material Risk Taker Policy. • Approval of Group Material Risk Taker list. • Approval of remuneration of Heads of and Senior Officers in Independent Control Functions. • Review of workforce remuneration, top earners, staff with specific Minister for Finance approvals and compliance with remuneration restrictions. • Review of regulatory developments. • Review of internal audits relevant to remuneration policy or practice.	• There is good governance around remuneration, particularly of Executive Directors, Senior Management and those who could materially impact the Group's risk profile.
NED fees	• Review and benchmarking of fees paid to the Group Chairman and NEDs of subsidiary boards.	• Group Chairman fees are subject to the remuneration restrictions and remain unchanged. • Subsidiary NED fees are appropriate.
Committee Governance	• Review of Committee Terms of Reference and effectiveness.	• The Committee considered the outcome of the external review of the Board's effectiveness as it related specifically to the Committee. A positive outcome with regard to the Committee's continued effectiveness was reported.

Patrick Haren

Patrick Haren
Chair of the Group Remuneration Committee
(stood down January 2020)

21 February 2020

Report of the Group Audit Committee

Patrick Mulvihill
Chair

Dear Shareholders,

On behalf of the Board Audit Committee (the 'Committee' or 'GAC'), I am pleased to introduce the report on the Committee's activities during the financial year ended 31 December 2019.

At a high level, the Committee operates in conjunction with the BRC to ensure the Group operates a strong internal control environment, with the Committee specifically focused on protecting the interests of the shareholders in relation to internal controls as they relate to financial reporting. The Committee also evaluates the independence and performance of GIA and the external auditor, KPMG, and considers and recommends the interim and annual financial statements to the Board for approval.

During 2019, we had a number of changes to the composition of the Committee, with Kent Atkinson standing down on his retirement from the Board at the 2019 AGM and Eileen Fitzpatrick joining us in May 2019. Common membership between the Committee and the BRC is maintained through the membership of Patrick Mulvihill, Richard Goulding and Steve Pateman, which facilitates appropriate co-ordination and effective governance across key areas of internal control.

A number of key management changes took place during 2019, and the Committee welcomed Steve Sanders as Interim Group Chief Internal Auditor, pending appointment of a permanent successor to Steve O'Regan who left the Group in July 2019, and Myles O'Grady as the Group CFO, succeeding Andrew Keating who left the Group in October 2019.

Further details on Committee Members, Committee meetings and attendance at meetings during 2019 are outlined on page 91.

While not intending to be an exhaustive list of the Committee's considerations and activities in 2019, a number of areas that were subject to Committee focus during the year are outlined below.

Group Internal Audit

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

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

Having regard for GIA activities and the Committee's review of the extent of the work undertaken by the Finance and Risk teams across the Group, the Committee is satisfied that internal controls over financial reporting were appropriately designed and operating effectively. Full details of the internal control and risk management systems in relation to the financial reporting process are detailed within the risk management section on pages 110 to 160.

External audit

The Committee oversees the relationship with KPMG and, Niamh Marshall, KPMG's lead audit partner, attends all Committee meetings.
During the year, the Committee considered KPMG's terms of engagement (including remuneration), its independence, audit quality / performance, objectivity and considered the plans for the interim review and year end audit. The Committee also assessed KPMG's findings, conclusions and recommendations arising from the interim review and year-end audit.

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

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

Report of the Group Audit Committee *(continued)*

The fees paid to KPMG for the year ended 31 December 2019 amounted to €4.6 million (2018: €3.9 million), of which €1.1 million (2018: €0.6 million) was payable in respect of non-audit services. Non-audit services represented 24% of the statutory audit fee (2018: 15%). Further information on fees paid in respect of audit and non-audit services, along with details of non-audit services provided during the year are set out in note 15 to the consolidated financial statements 'auditor's remuneration'.

The Committee concluded that it was satisfied with the independence, quality and performance of KPMG in respect of the year ended 31 December 2019 and recommended that the Board propose KPMG for reappointment for approval at the 2020 AGM.

Financial reporting

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

Further information on some of these significant items is set out in the Critical Accounting Estimates and Judgements on pages 194 to 197. Overall the Committee was satisfied that the 2019 annual report, including the financial statements, is fair, balanced and understandable.

Matters considered and action taken by the Committee in 2019

Key issue	Committee considerations	Committee conclusion
IFRS 9 and impairment of financial instruments	The Committee reviewed management papers and discussed and challenged management judgements used in determining the following based on IFRS 9 requirements: • correct classification and measurement of financial instruments; • stage allocations and stock of impairment loss allowance (including any necessary Group management adjustments to reflect model limitations and / or late breaking events); • model parameter updates incorporating FLI; • net impairment gain for the year; and • quantum of NPEs. The Group's approach to the measurement of impairment is set out in the Group Impairment Policy. The policy includes the Group's criteria for allocating financial instruments to stages, the method used to measure impairment for each material portfolio, core impairment model methodologies, and the criteria for classifying financial assets as NPEs. The policy has been approved by the Board on the recommendation of the Committee, following recommendation by the Impairment Committee and the Group Risk Policy Committee (GRPC). The impairment models are approved for use by the Risk Measurement Committee (RMC) and are maintained and executed by a specialist central unit within Group Risk. The Committee reviewed the impact of key model changes made during the reporting period.	The Committee was satisfied that the classification and measurement of financial assets, stage allocations, model parameter updates (including FLI), impairment loss allowances, and the net impairment loss for the reporting year, had been appropriately determined in accordance with the Group's methodologies and IFRS 9 accounting standard. The Committee was also satisfied that the associated disclosures were appropriate based on the relevant accounting standards including International Accounting Standard (IAS) 1 and IFRS 7.
Retirement benefit obligations	The Committee considered management's key assumptions and judgements used in determining the actuarial values of the liabilities of each of the Group's sponsored defined benefit pension schemes under IAS 19 'Employee Benefits'. Management considered advice from independent actuaries, Willis Towers Watson, for the determination of significant actuarial assumptions. The key assumptions proposed by management and considered by the Committee were assumptions relating to inflation rates, demographic and discount rates in Ireland and the UK which are used in determining liabilities at the reporting date.	The Committee was satisfied that the inflation rates, discount rates and other significant assumptions were appropriate and that the accounting for the Group's sponsored defined benefit pension schemes and related disclosures was in accordance with IAS 19.

Report of the Group Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2019 *(continued)*

Key issue	Committee considerations	Committee conclusion
Deferred taxation	The Committee considered the extent of deferred tax assets (DTAs) to be recognised in respect of unutilised tax losses, and in particular the projections for future taxable profits against which those losses may be utilised. In order for the Group to recognise these assets, it must be probable that sufficient future taxable profits will be available against which the losses can be utilised. The Group has prepared financial projections which are being used to support the Group's ICAAP. The financial projections are prepared for the purpose of the Group's assessment of its capital adequacy. They are subjected to considerable internal governance at a divisional and Group level and are reviewed and approved by Executive management and the Board. Management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the DTA recognised arising from unused tax losses. In relation to DTAs arising from Irish tax losses carried forward by The Governor and Company of the Bank of Ireland (the 'Bank') management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the DTA of €1,088 million arising from those tax losses. In relation to Bank of Ireland (UK) plc, notwithstanding its continued profitability and the Group's commitment to the UK, updated profit projections indicate an increase in the projected DTA recovery period. In consideration of this, management proposed to restrict the recovery period of the DTA in Bank of Ireland (UK) plc to ten years. As a consequence, the carrying value of the DTA relating to trading losses of Bank of Ireland (UK) plc was reduced by €45 million to €35 million, in the year ended 31 December 2019.	The Committee discussed with management its assessment of the recoverability of the DTA and the related disclosures. The Committee and the Board concluded that it was probable that there would be sufficient taxable profits in the future to recover the DTAs recognised arising from unused tax losses, and that the related disclosures were as required under IAS 12 'Income Taxes'.
Intangible assets - Capitalisation of the Transformation Investment asset	The Committee considered the appropriateness of Management's internal controls and governance surrounding the capitalisation of costs related to internally generated intangible assets associated with the Transformation Investment asset.	The Committee was satisfied, based on the effective operation of governance and controls, that the capitalisation of costs relating to the Transformation Investment asset, and the carrying value of the related intangible assets, was reasonable and in line with the requirements of IFRS.
Life assurance accounting	The Committee considered management's key assumptions and judgements used in determining the valuations of the Value of in Force (ViF) and insurance contract liabilities. The key assumptions in projecting future surpluses and other net cash flows attributable to the shareholder arising from business written were the interest rate and unit growth rates, lapse rates, mortality, morbidity and expenses. Interest rates and unit-growth rates are based on a range of duration specific rates determined by a risk-free yield curve. This yield curve is provided by the European Insurance and Occupational Pensions Authority. Whilst not relevant to the 2019 financial reporting period, the Committee also considered the future potential impact of IFRS 17.	The Committee was satisfied that the significant assumptions are appropriately applied and that the accounting for the Group's ViF and insurance contract liabilities is appropriate.

Report of the Group Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2019 *(continued)*

Key issue	Committee considerations	Committee conclusion
IFRS 16	The Committee considered the impact of IFRS 16 'Leases' which came into effect on 1 January 2019 replaced IAS 17 'Leases' and related interpretations. It addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that all operating leases are accounted for on balance sheet for lessees. The accounting for lessors has not materially changed. The Committee's objective was to ensure the impact of IFRS 16 was appropriately reflected in the financial statements, including an update to relevant accounting policies and new disclosures. Key judgements included the choice of implementation option, the use of practical expedients and judgements in relation to lease terms and incremental borrowing rates.	The Committee was satisfied that the approach / impact of transition to IFRS 16 had been appropriately determined and that the associated judgements / disclosures were appropriate based on the relevant accounting and disclosure requirements, contained in IFRS 16.
Going concern	The Committee considered management's assessment of the appropriateness of preparing the financial statements of the Group for the year ended 31 December 2019 on a going concern basis. In making this assessment, matters considered included the performance of the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios. The considerations assessed by the GAC are set out on page 178 in the Going Concern disclosure within the Accounting Policies in note 1 to the consolidated financial statements.	On the basis of the review performed and the discussions with management, the Committee was satisfied that there were no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment. This assessment together with the Going Concern disclosure (as set out on page 178) was subsequently approved by the Board.
Viability statement	In accordance with the requirements of the UK Code, the GAC considered whether it had a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment and made a recommendation to the Board in that regard. This required a robust assessment of the principal risks facing the Group, including those that would threaten its business model and future performance, solvency and liquidity.	GAC concluded that a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, and that there was a reasonable expectation that the Group would be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Group adopted a three-year period, having regard to existing relevant process and frameworks which are performed over time periods ranging from six months to three years.
IT risk	The Committee considered and discussed management's assessment of IT risks and the ongoing risk management programme to identify, rate, mitigate and report on IT risks, including GIA and the external auditor's review of the internal control environment and findings arising from KPMG's reviews.	On the basis of the review performed, discussions with management, and the continued operation of the comprehensive internal control framework over financial reporting, the Committee was satisfied that these risks did not impact financial reporting processes.

Report of the Group Audit Committee *(continued)*

Other matters

The Committee also:

- received reports from the Group's Money Laundering Reporting Officer on the operation and effectiveness of the systems and controls established by the Group to manage FCC risk. FCC incorporates money laundering, terrorist financing, sanctions and bribery and corruption and is a key area of Committee focus;
- received reports from Group Compliance on matters relating to Regulatory Risk and Conduct Risk profiles;
- dedicated time to review and oversee a number of key programmes with potential financial reporting impacts such as the EU General Data Protection Regulation (GDPR) and the BCBS Principles for Effective Risk Data Aggregation and Risk Reporting (BCBS 239); and
- reviewed talent development in and succession planning for the finance function.

A full list of responsibilities are detailed in the Committee's terms of reference, which can be found at https://www.bankofireland.com/about-bank-of-ireland/corporate-governance/.

Committee Membership and Meetings

The Committee acts independently of the Executive. All members of the Committee are independent NEDs with relevant competence in the financial sector, and their biographies can be found on pages 61 to 64. The members of the Committee have extensive knowledge of financial markets, treasury, risk management and IAS, and the Committee's composition is considered to meet all of the applicable requirements, including the need for recent and relevant financial experience and competence in accounting or auditing.

The members of the Committee maintain their knowledge base on relevant Committee matters, through Board deep dives and dedicated Committee training. During 2019, the Committee received training on the net interest income reporting process, forthcoming changes regarding the implementation of IFRS 17, which will introduce an updated reporting standard for insurance contracts, and the impact of new accounting standards which came into effect during 2019, including IFRS 16 'Leases' (for further details see note 62 on page 292).

Details of the Committee members' meeting attendance are shown below.

GAC meetings	Eligible to attend	Attended
Kent Atkinson[1]	2	1
Evelyn Bourke	7	6
Eileen Fitzpatrick[2]	5	5
Richard Goulding	7	7
Patrick Mulvihill	7	7
Steve Pateman	7	6

The Group CFO, the Head of Group Finance, the Group Chief Internal Auditor, the Group's lead audit partner, the Group CEO, and the Group CRO attend meetings of the Committee as appropriate.

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

An external effectiveness evaluation of the Board was conducted during 2019, and, as part of that process, a positive outcome with regard to the Committee's continued effectiveness was reported. The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters.

Patrick Mulvihill
Chair of the Group Audit Committee

21 February 2020

[1] *Kent Atkinson stood down in May 2019.*
[2] *Eileen Fitzpatrick joined in May 2019.*

Report of the Board Risk Committee

Richard Goulding
Chair

Dear Shareholders,

The Board Risk Committee (the 'Committee' or the 'BRC') gives detailed consideration to existing and emerging risks, through a balanced agenda which ensures sufficient focus on standing areas of risk management through the Group Risk Framework, together with specific attention being given to those emerging risks which are considered to be of ongoing importance to the Group and its customers.

On existing risks, there was significant focus on the non-financial risk areas of operational risk, conduct risk and regulatory risk. The BRC has overseen the establishment of a non-financial risk improvement programme to uplift the Group's operational risk framework and capability, proactively identify and resolve conduct issues and enhance management of regulatory risk. There has been a particular focus on operational risk arising from change programmes. Further progress across each of these areas will be a key ongoing focus for the Committee during 2020.

Emerging risks included areas such as transformation risk, data management, IT resilience and cyber security, where the dynamic nature and significance of related risks and challenges continue to evolve.

The environment within which the Group operates continues to be subject to considerable change. Uncertainties, including the consequences of the UK exit from the EU and wider geo-political risks continue to provide challenges, and the BRC will continue to monitor developments and any associated impact on the Group's risk profile.

The BRC concluded that the Group continues to have strong discipline in the management of both emerging and existing financial risks and is satisfied with the level of focus being applied to ensure continuing strengthening of non-financial risk management. The Committee's work continues to help support the Group in safely achieving its purpose and strategy.

Risk Management - discussions and decisions

Key matters covered included:
- recommending the Group's risk appetite framework and Risk Appetite Statement. Considering breaches of risk appetite, remediation plans and required communications;
- recommending policies for Credit, Market and Liquidity risks and approving other key risk policies;
- regularly assessing the Group's overall risk profile and emerging risk themes, hearing directly from the Group CRO and regularly reviewing the consolidated risk report and risk appetite dashboard;
- receiving reports on the Group's operational and technology capability, including specific updates on cyber risk capability, IT resilience IT Service Continuity Management (ITSCM), and Data Management;
- recommending the Group's plan for managing NPEs, a key driver of managing legacy credit risk, and reviewing the risk aspects of NPE sales;
- recommending the Group's 2019 ICAAP, ILAAP and Recovery Plan; and
- hearing from representatives of the ECB and CBI regulators about regulatory expectations and their specific views on the Group.

Committee purpose and responsibilities

The Committee is responsible for the risk culture of the Group and setting the tone from the top in respect of risk management. It is also responsible for ensuring the risk culture is fully embedded and supports at all times the Group's agreed risk appetite, covering the extent and categories of risk which the Board considers acceptable for the Group.

In seeking to achieve this, the Committee assumes responsibility for monitoring the Group's Risk Management Framework, which embraces risk principles, policies, methodologies, systems, processes, procedures and people. It also includes the review of new, or material amendments to, risk principles and policies, and overseeing any action resulting from material breaches of such policy. More details on the Group's wider approach to risk management can be found in the risk management report on page 110. Full details of the Committee's responsibilities are set out in its terms of reference, which can be found at https://www.bankofireland.com/about- bank-of-ireland/corporate-governance/.

Committee composition, skills and experience

The Committee is composed of NEDs who provide core banking skills and competence in the financial sector. Their biographies can be found on page 61 to 64. The members have extensive knowledge of financial markets, consumer banking and risk management, with technology, digital and operation experience together with a clear awareness of putting the customer at the centre of all the Group does. Common membership with the GAC is provided by Richard Goulding, Patrick Mulvihill, and Steve Pateman.

The Group CRO has full access to the Committee and normally attends meetings. The Group Chief Internal Auditor and members of the Executive also attend meetings, as appropriate.

During the year the Committee met its key objectives and carried out its responsibilities effectively. Details of Committee membership and meeting attendance are shown below.

Board Risk Committee Meetings	Eligible to attend	Attended
Kent Atkinson[1]	3	3
Ian Buchanan	8	8
Richard Goulding	8	8
Michele Greene[2]	-	-
Fiona Muldoon	8	8
Patrick Mulvihill	8	8
Steve Pateman	8	8

[1] *Kent Atkinson stood down in May 2019.*
[2] *Michele Greene joined in December 2019.*

Report of the Board Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2019

Key issue	Committee considerations	Committee conclusion
Credit Risk	Credit quality continues to improve as the Group's key economies perform strongly. The Committee considered overall credit quality during the year and the Group's strategy and operating plan for NPEs. The Committee also reviewed the risk aspects of NPE sales, residual risk in the motor finance portfolio, sectors most exposed to Brexit and concentrations in the mortgage portfolio.	Credit portfolios continue to perform well. NPEs continue to decrease in line with the approved NPE strategy, albeit they remain higher than long-term appetite.
Capital Adequacy	Regular reviews are undertaken to ensure that Regulatory and Fully Loaded capital ratios have appropriate buffers above the Group's own minimum targets and regulatory requirements. The Committee considered the impacts of future capital requirement and capital availability and reviewed in detail the ICAAP, including under stress scenarios.	The Group holds sufficient capital to deliver its planning horizon.
Funding and Liquidity Risk	Regular reviews are undertaken to ensure that the Group is compliant with all risk appetite measures and regulatory liquidity requirements. The Committee reviewed the results of regular stress testing and of the ILAAP.	The Group continues to be fully compliant and has no issues with market access or pricing.
Market Risk	Regular reviews are undertaken to ensure that the Group is compliant with all risk appetite measures across credit spread risk, discretionary risk, Value at Risk (VaR) and scenario-based stress testing. The Committee reviewed the results of regular market risk reporting and considered the impacts of emerging market developments including Brexit.	The Group continues to operate within risk appetite in this area.
Pension Risk	The Group is exposed to Pension Risk as a consequence of its sponsorship of the Group's defined benefit pension schemes. The key sensitivities associated with Pension Risk are outside the control of the Group.	The Group continues to take asset and liability management actions in order to reduce volatility and consequent capital impact. The Group has made and continues to make progress.

Report of the Board Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2019 *(continued)*

Key issue	Committee considerations	Committee conclusion
Operational Risk	Managing operational risk continues to be a key focus within the Group due to the complexity and volume of change, the Group's IT infrastructure, cyber risk and reliance on third party suppliers. The Committee continues to focus on ensuring the Group has an effective framework for managing operational risk, including enhancing the use of key risk and control indicators and residual risk reporting. The Committee has considered a number of reports in relation to operational risk framework across cyber, IT, sourcing, information security, data, and business continuity.	The Group has made progress in its management of operational risk. The Group will continue to focus on enhancing the maturity of the framework during 2020.
Regulatory Risk	Managing regulatory risk continues to be a key focus for the Group due to the complexity and volume of change and interdependent regulatory reform to be managed. The Committee continues to focus on ensuring there are sufficient controls in place and oversight of compliance programmes.	The Group has placed significant focus on overseeing compliance with regulatory requirements. Regulatory risk will remain a key area of focus for the Committee in 2020 given the importance of continued compliance.
Conduct Risk	The Committee focused on the Group's management of conduct risk. Throughout 2019, the Committee has considered reports on the resolution of customer conduct issues, with a particular focus on tracker mortgages. The pace and quality of remediation remained a focus, including root cause analysis to establish lessons learned and help prevent similar issues in the future. The Committee continues to consider developments in the Group's conduct culture as well as reports on rectification programmes, complaints, and conduct risk appetite metric performance.	While good progress has been made in 2019, ongoing improvement in risk profile and embedding of conduct initiatives will remain a priority for the Group in 2020, and a subject of focus for the Committee.
Business and Strategic Risk	The Committee recognises the risks in delivering the agreed strategy, associated with the transformation agenda, customer expectations, and regulatory change.	The Group is engaged in a significant programme to transform the bank, serve customers brilliantly and grow sustainable profits. It acknowledges the challenges faced with delivering this strategy whilst additionally enhancing systems and controls, and meeting regulatory change. New performance measures have been introduced to enable performance monitoring, risk management, and the assessment of delivery. These will be further developed and embedded during 2020.

Report of the Board Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2019 *(continued)*

Key issue	Committee considerations	Committee conclusion
IT and Information Security	A resilient IT environment is critical to providing reliable services to customers, and meeting current and future demands. The risk of cybersecurity attacks, which target financial institutions and corporates as well as governments and other institutions, remains material as their frequency, sophistication and severity continue to develop in an increasingly digital world. In conjunction with the GTOC (the committee overseeing the Group's transformation programme), the BRC gave consideration to a wide range of issues, including cyber and IT controls, technology resilience and cybersecurity programme updates. The Committee also worked closely with GTOC, overseeing transformation to ensure appropriate prioritisation to risk management.	Whilst there has been significant improvement in cyber capability, IT resilience and transformation risk will remain areas of key focus during 2020 as the Group continues to invest in its infrastructure and replace core systems.
Brexit	Whilst progress has been made, Brexit carries considerable uncertainty for our RoI and UK markets with the shape of any final trade deal not yet clear.	The Brexit risks impacting the Group are credit risk, business and strategic risk, and operating model risk. The Committee continues to oversee the Group's preparation and risk mitigations plans, which have been executed effectively.
People	With a substantial transformation programme underway, a strongly performing economy in Ireland and remuneration restrictions in place, the BRC regularly reviewed the arrangements to manage people risk.	In 2019 the risks were mitigated and managed. This will be a key area of focus during 2020.

Richard Goulding
Chair of the Board Risk Committee

21 February 2020

Attendance table

Attendance at scheduled meetings of the Board and its Committees during the year ended 31 December 2019.

	Board		Audit Committee		Nomination and Governance Committee		Remuneration Committee		Risk Committee	
Name	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Kent Atkinson *(resigned 14 May 2019)*	3	3	2	1	-	-	3	3	3	3
Evelyn Bourke	8	8	7	6	6	5	-	-	-	-
Ian Buchanan	8	8	-	-	-	-	-	-	8	8
Eileen Fitzpatrick *(appointed 15 May 2019)*	5	5	5	5	-	-	4	4	-	-
Richard Goulding	8	8	7	7	-	-	7	7	8	8
Michele Greene *(appointed 5 December 2019)*	-	-	-	-	-	-	-	-	-	-
Patrick Haren	8	8	-	-	6	6	7	7	-	-
Andrew Keating *(resigned 18 October 2019)*	7	7	-	-	-	-	-	-	-	-
Patrick Kennedy	8	8	-	-	6	6	-	-	-	-
Francesca McDonagh	8	8	-	-	-	-	-	-	-	-
Fiona Muldoon	8	8	-	-	5	5	-	-	8	8
Patrick Mulvihill	8	8	7	7	-	-	-	-	8	8
Myles O'Grady *(appointed 15 January 2020)*	-	-	-	-	-	-	-	-	-	-
Steve Pateman	8	8	7	6	-	-	7	7	8	8

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

Report of the Directors

Results
In 2019, the Group made a profit before tax of €645 million and an after tax profit of €448 million. €386 million of profit is attributable to ordinary shareholders and €62 million is attributable to non-controlling interests.

Dividends
A proposed dividend of 17.5 cents per share on ordinary shares will be paid on 9 June 2020 to those ordinary shareholders who appear on the Company's register on 11 May 2020, the record date for the dividend, subject to ordinary shareholder approval.

Group activities
The Group provides a range of banking and other financial services. The Strategic Report on pages 3 to 39 and Financial Review on pages 41 to 57 contains a review of the results and operations of the Group, of most recent events, and of likely future developments.

In relation to the Group's business, no contracts of significance to the Group within the meaning of LR 6.1.77(10) of the Euronext Dublin Listing Rules existed at any time during the year ended 31 December 2019.

Principal Risks and Uncertainties
Information concerning the Principal Risks and Uncertainties facing the Group is set out on pages 111 to 120 in the Risk Management Report.

Financial risk management objectives and policies
Information regarding the financial risk management objectives and policies of the Group, in relation to the use of financial instruments, is set out in the Risk Management Report on pages 110 to 160.

Share capital
As at 31 December 2019, the Group had 1,078,822,872 ordinary shares of €1.00 each in issue, of which 4,951,358 were treasury shares. Further detail on the structure of the Group's capital is set out in note 48 on page 265.

Takeover Bids Regulations
The disclosures required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 are set out in the Schedule to the Report of the Directors on pages 95 to 97.

Directors
The names of the members of the Board of Directors of the Company as at 31 December 2019, together with a short biographical note on each Director appear on pages 61 to 64.

At the AGM held on 14 May 2019, Evelyn Bourke and Ian Buchanan were elected having both been appointed to the Board in May 2018. Steve Pateman was also elected having been appointed to the Board in September 2018. Richard Goulding, Patrick Haren, Andrew Keating, Patrick Kennedy, Francesca McDonagh, Fiona Muldoon and Patrick Mulvihill were re-elected. Eileen Fitzpatrick was appointed to the Board as an Independent NED on 15 May 2019. Michele Greene was also appointed to the Board as an Independent NED on 5 December 2019.

Kent Atkinson and Andrew Keating retired from the Board on the 14 May 2019 and 18 October 2019 respectively. On the 15 October 2019, the Group announced that Myles O'Grady had been identified as a successor to Andrew Keating as Group CFO and Executive Director of the Group, subject to regulatory approval. Mr O'Grady received regulatory approval to act as Group CFO and Executive Director on 15 January 2020.

Remuneration
See Remuneration Report on pages 98 to 109.

Directors' and Secretary's interests
The interests of the Directors and Secretary in office as at 31 December 2019 in the shares issued by the Company as disclosed to the Company are shown in the Remuneration Report on page 109.

Listing rules disclosures
Information required under UK Listing Rule LR 9.8.4C can be found on page 107 for Directors' Emoluments and above under 'Group activities' for Contracts of Significance.

Substantial shareholdings
There were 97,189 registered holders of ordinary shares of the Company at 31 December 2019. An analysis of these holdings is shown on page 329. In accordance with LR 6.1.82 (2) of the Euronext Dublin Listing Rules, details of notifications received by the Company in respect of substantial interests in its ordinary shares are provided in Table 1 below as at 31 December 2019 and 21 February 2020. Other than the Directors' interests set out on page 109 there were no other interests disclosed to the Company in accordance with the Market Abuse Regulation and Part 5 of the Transparency Regulations and the related transparency rules during the period from 31 December 2019 to 21 February 2020.

For information on acquisition or disposal of own shares, refer to note 48 on page 265.

Table: 1	31 December 2019 %	21 February 2020 %
Ireland Strategic Investment Fund / Minister for Finance	13.95	13.95
Blackrock, Inc.	4.11	4.11
Baillie Gifford & Co.	4.53	4.53
M&G Plc	4.88	4.88
The Capital Group Companies, Inc.	2.72	3.09

Authority to purchase own ordinary shares
At the AGM held on 14 May 2019, the members gave the Company, and any of its subsidiaries, the authority to make market purchases up to approximately 10% of its own ordinary shares. This authority will expire on close of business on the date of the AGM of the Company in 2020 or on 14 August 2020, whichever is earlier.

Report of the Directors *(continued)*

The Directors do not have any current intention to exercise the power to purchase the Company's own ordinary shares. This authority was sought at the Company's AGM to allow for greater flexibility in the management of the Company's capital resources. Any ordinary shares so purchased would be cancelled.

Any such purchases would be made only at a price level that the Directors considered to be in the best interest of shareholders generally, after taking into account the Company's overall financial position and regulatory capital obligations and requirements. In addition, the authority provides that the minimum price which may be paid for such Shares shall not be less than the nominal value of the Shares and the maximum price shall be the higher of 105% of the average market price of such ordinary shares and the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052.

Corporate governance
The Company is subject to the 2018 UK Corporate Governance Code published by the Financial Reporting Council in the UK (the 'UK Code') and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange, t/a Euronext Dublin.

The Corporate Governance Statement forms part of the Report of the Directors. Statements by the Directors in relation to the Bank's compliance with the CBI's Corporate Governance Requirements for Credit Institutions 2015, (the 'Irish Code') and additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions, and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the CRD IV), respectively, are set out on pages 59 to 91.

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

Environment
The Group's environmental policy is accessible at www.bankofireland.com and details of its environmental activities are outlined in the 'Responsible and Sustainable Business' section of the Group's Strategic Report, which is available on the Group's website.

Political donations
Political donations are required to be disclosed under the Electoral Acts 1992 to 2014. The Directors, on enquiry, have satisfied themselves that there were no political donations made during 2019.

Branches outside the State
The Company has no branches established outside the State. The Bank has branches in the UK, France, Germany the US and Spain.

Going concern
The Directors have considered the appropriateness of the going concern basis in preparing the financial statements for 2019 on page 178 which forms part of the Report of the Directors and on page 85 in the Corporate Governance Statement.

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

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

The Directors have assessed the prospects of the Group through a number of frameworks, including the ICAAP, the ILAAP, each of which include an assessment of the impact of Brexit, the monitoring of key risks identified under the Group's risk identification process by the GRPC, the BRC and the Board (see page 125 of the Risk Management Report), and the assessment of Principal Risks and Uncertainties (pages 111 to 120) together with the Group's strategic direction as set out in the Strategic report (pages 3 to 39). Within the Principal Risks and Uncertainties, the Directors consider Credit risk, Funding and Liquidity risk and Capital adequacy to be the most relevant to the viability assessment.

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

The Group's ILAAP analysis demonstrates that the volume and capacity of liquidity resources available to the Group are adequate to support its business model, to achieve its strategic objectives under both business as usual and severe but plausible stress scenarios and to meet regulatory requirements including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Directors confirm that their assessment of the principal risks facing the Group, through the processes set out above, was robust. Based upon this assessment, and their assessment of the Group's prospects, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2022.

Report of the Directors *(continued)*

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

Auditor
KPMG, Chartered Accountants, were appointed statutory auditor on 20 February 2018. They have been re-appointed annually since that date and will continue in office in accordance with section 383(2) of the Companies Act 2014.

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

Non-financial information
Information required in accordance with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 can be found in in the Strategic Report on page 34.

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

Patrick Kennedy Patrick Haren

Patrick Kennedy
Chairman

Patrick Haren
Deputy Chairman

Bank of Ireland Group plc
Registered Office
40 Mespil Road,
Dublin 4

21 February 2020

Schedule to the Report of the Directors

Information required under the European Communities (Takeover Bids (Directive 2004/ 25/EC)) Regulations 2006.

As required by these Regulations, the information contained below represents the position as at 31 December 2019.

1. Structure of the Company's capital

The capital of the Company is divided into ordinary shares and preference shares.

As at 31 December 2019, there were 1,078,822,872 ordinary shares in issue. As at 31 December 2019, there were no preference shares in issue.

Further detail on the structure of the Company's capital is set out in note h to the consolidated financial statements.

(i) Rights and Obligations attaching to the classes of shares

Ordinary shares

Dividend rights
Under Irish law, dividends are payable on the ordinary shares of the Company only out of profits available for distribution. Subject to the provisions of the Companies Act 2014 (the 'Companies Act'), holders of the ordinary shares of the Company are entitled to receive such dividends as may be declared by the Company by ordinary resolution, provided that the dividend cannot exceed the amount recommended by the Directors. The Company may pay shareholders interim dividends if it appears to the Directors that they are justified by the profits of the Company available for distribution. Any dividend which has remained unclaimed for twelve years from the date of its declaration may be forfeited and cease to remain owing by the Company.

Voting rights
Voting at any general meeting is by a show of hands or by poll. On a show of hands, every shareholder who is present in person or by proxy has one vote regardless of the number of ordinary shares held by him or her. On a poll, every shareholder who is present in person or by proxy has one vote for every ordinary share of €1.00 each.

A poll may be demanded by:
(i) the Chairman of the meeting;
(ii) at least three members of the Company present in person or by proxy having the right to vote at the meeting;
(iii) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
(iv) a member or members present in person or by proxy holding shares in the Company conferring the right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The necessary quorum for a general meeting is ten persons present in person or by proxy and entitled to vote. All business is considered to be special business if it is transacted at an Extraordinary General Meeting (EGM) as is all business transacted at an AGM other than the declaration of a dividend, the consideration of the Company's statutory financial statements and reports of the Directors and Auditors on those statements, the review by the members of the Company's affairs, the election of Directors in the place of those retiring, the reappointment of the retiring Auditors (subject to Sections 380 and 382 to 385 of the Companies Act), the fixing of the remuneration of the Auditors and the consideration of a special resolution for the purpose of Section 1102(2)(b) of the Companies Act. Any business that is required to be dealt with by way of special resolution must be passed by not less than 75 per cent of the votes cast by such members as, being entitled so to do, vote in person or by proxy at a general meeting at which not less than twenty one clear days' notice specifying the text or substance of the proposed resolution has been duly given.

Any business that is required to be dealt with by way of ordinary resolution must be passed by a simple majority of the votes cast by the members as, being entitled to do so, vote in person or by proxy at a general meeting. Where an equal number of votes have been cast on any resolution the Chairman of the meeting is not entitled to a second or casting vote.

An EGM (other than an EGM called for the passing of a special resolution) may be called on at least 14 days' notice where:
(i) the Company offers the facility for members to vote by electronic means accessible to all members who hold shares that carry rights to vote at general meetings; and
(ii) a special resolution reducing the period of notice to fourteen days has been passed at the immediately preceding AGM or at an EGM held since the immediately preceding AGM.

Liquidation rights
In the event of any surplus arising on the occasion of the liquidation of the Company, the ordinary shareholders would be entitled to a share in that surplus in proportion to the capital at the commencement of the liquidation paid up or credited as paid up on the ordinary shares held by them respectively.

Preference shares
As at 31 December 2019, there were no preference shares in issue. Where authorised to issue authorised but unissued shares in the capital of the Company (including where relevant, by shareholder approval under Section 1021 of the Companies Act), and subject to the scope of any such authority, in accordance with the Company's articles of association (the 'Articles'), the Directors are authorised to issue all or any of the authorised but unissued preference shares from time to time in one or more classes or series, and to fix for each such class or series such voting power, full or limited or no voting power, and such designations, preferences or special rights and qualifications, limitations or restrictions thereof in any resolution adopted by the Directors providing for the issuance of such class or series of preference shares.

(ii) Variation of class rights

Whenever the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that

Schedule to the Report of the Directors *(continued)*

class, either while the Company is a going concern or during or in contemplation of a winding-up.

(iii) Percentage of the Company's capital represented by class of share
The ordinary shares represent 99.9% of the authorised share capital and 100% of the issued share capital. The preference shares represent 0.1% of the authorised share capital and 0% of the issued share capital.

2. Restrictions on the transfer of shares in the Company

There are no restrictions imposed by the Company on the transfer of shares, nor are there any requirements to obtain the approval of the Company or other shareholders for a transfer of shares, save in certain limited circumstances set out in the Articles. A copy of the Articles may be found on www.bankofireland.com or may be obtained on request from the Group Secretary.

3. Persons with a significant direct or indirect holding of stock in the Company.

Details of significant shareholdings may be found on page 92.

4. Special rights with regard to the control of the Company

There are no special rights with regard to control of the Company.

5. Shares relating to an employee share scheme that carry rights with regards to the control of the Company that are not exercisable directly by employees.

The Bank of Ireland Inland Revenue Approved UK Stock Incentive Plan (SIP) provides that in respect of resolutions proposed at general meetings of the Company, voting rights in respect of shares held in trust for employees who are participants in the SIP are to be exercised in accordance with the employees' written instructions to the trustees of the SIP. In the case of 'any other business' at an AGM of the Company, the SIP trustees are entitled to vote (or refrain from voting) as they think fit.

6. Restrictions on voting rights

There are no unusual restrictions on voting rights.

7. Agreements between shareholders that are known to the Company and may result in restrictions on the transfer of securities or voting rights.

There are no arrangements between shareholders, known to the Company, which may result in restrictions on the transfer of securities or voting rights.

8. Rules of the Company concerning the:

(a) appointment and replacement of Directors
With the exception of any Director(s) nominated by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Act 2008, all Directors nominated between AGMs are submitted to shareholders for election at the first AGM following their co-option. In accordance with the UK Code, all Directors other than any nominated by the Minister for Finance, retire by rotation every year and, if eligible, may offer themselves for re-election, subject to satisfactory performance evaluation. Any Director(s) nominated by the Minister for Finance are not subject to retirement by rotation but may not serve as a Director of the Company for a period longer than nine years after the date of their appointment. In proposing the election or re-election of any individual Director to the AGM, the reasons why the Board believes that the individual should be elected or re-elected are provided in the Chairman's Letter to shareholders.

(b) amendment of the Company's Constitution
The Company's Constitution may be amended by special resolution passed at an AGM or EGM. An AGM and a Meeting called for the passing of a special resolution shall be called by at least twenty one clear days' notice. Special resolutions must be approved by not less than 75 per cent of the votes cast by such members as, being entitled so to do, vote in person or by proxy. No business may be transacted at any General Meeting unless a quorum of members is present at the time when the Meeting proceeds to business. Ten persons present in person or by proxy and entitled to vote shall constitute a quorum.

9. Powers of the Company's Directors, including powers in relation to issuing or buying back by the Company of its shares

Under its Articles, the business of the Company is managed by the Directors, who exercise all powers of the Company as are not, by the Articles, required to be exercised by the Company in General Meeting. The Directors may exercise all the borrowing powers of the Company and may give security in connection therewith. These borrowing powers may be amended or restricted only by the shareholders in General Meeting. The members of the Company in General Meeting may at any time and from time to time by resolution increase the share capital of the Company by such amount as they think proper. Whenever the share capital of the Company is so increased, the Directors may, subject to various provisions of the Articles, issue shares to such amount not exceeding the amount of such enlargement as they think proper. All ordinary shares so issued shall rank in equal priority with existing ordinary shares.

Subject to provisions of the Companies Act, to any rights conferred on any class of shares in the Company and to the Articles, the Company may purchase any of its shares of any class and may cancel any shares so purchased or hold such shares as treasury shares (the 'treasury shares') with liberty to re-issue any such treasury shares in accordance with Section 109 of the Companies Act 2014. The Company shall not make market purchases of its own shares unless such purchases shall have been authorised by a special resolution of the Company and by a special resolution passed at a separate general meeting of the holders of each class of shares.

Schedule to the Report of the Directors *(continued)*

10. Significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a bid and the effects of any such agreements.

There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a bid, however, certain Group agreements may be altered or terminated upon a change of control of the Bank or Bank of Ireland (UK) plc following a takeover. Those that may be deemed to be significant in terms of their potential impact on the business of the Group as a whole are the joint ventures between Bank of Ireland (UK) plc and Post Office Limited in the UK (in respect of FX and Post Office branded retail financial service products) and the agreement between Bank of Ireland (UK) plc, AA plc and AA Financial Services Limited in the UK (in respect of AA branded financial services products).

11. Agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a bid.

There are no agreements between the Company and its Executive Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a bid.

The service contracts for NEDs do not make provision for benefits on termination in the event of a bid.

Remuneration Report

Remuneration Restrictions

The Group is currently operating under significant Remuneration Restrictions which cover all Directors, senior management, employees and certain service providers across the Group. The Remuneration Restrictions place the Group at a competitive disadvantage in seeking to retain and attract key staff.

The Remuneration Restrictions were contained within the Covered Institutions Financial Support Scheme 2008 and the 'Minister's Letter' (July 2011), under which the Group gave a number of commitments and undertakings to the Minister for Finance in respect of remuneration practices. The Minister's Letter was a further condition of the Transaction and Underwriting Agreement entered into with the Irish Government (July 2011) during the 2011 Recapitalisation of the Group. The Group maintains a dialogue with the Department of Finance in relation to Executive Director remuneration and other remuneration related topics, and will respond appropriately to any revisions to the Remuneration Restrictions.

As a result of the Remuneration Restrictions, the Group is currently unable to provide a fixed / variable remuneration mix throughout the Group. This results in risks relating to colleague attraction and retention, a lack of remuneration alignment with business goals, as well as some restrictions on the application of discretion, and cost base inflexibility. If the Group fails to recruit and retain skilled and qualified people, its businesses may be negatively impacted. The Group considers itself to be in compliance with these Remuneration Restrictions.

In addition, in the absence of the Remuneration Restrictions, the Excess Bank Remuneration Charge on RoI tax residents in Covered Institutions[1], where variable pay equals or exceeds €20,000, would impact the application of the Group Remuneration Policy.

The Remuneration Restrictions are currently applicable and are assumed as such for purposes of this Remuneration Report.

Remuneration Governance Structures

The Bank of Ireland Group's objective of attracting, retaining and motivating high calibre people is deemed fundamental to the successful delivery of the Group's business strategy. The Group wants to ensure the right people are in the right roles and recognises the importance that the Group's shareholders place on the operation and management of the Group's remuneration strategy, frameworks, policies and practices. To reflect this, the Group operates strong governance across the organisation on the management of remuneration frameworks, policies and practices that support the Group's strategy.

Governance structures
The GRC has responsibility to consider, agree and approve a remuneration strategy that supports the Group's objectives of long-term sustainability and success, sound and effective risk management and good corporate governance.

With delegated authority from the Board, the GRC annually reviews and approves the Group Remuneration Policy and the Director's Remuneration Policy (DRP). The GRC also reviews and approves the remuneration of the Chairman of the Board, the Executive Directors, members of the GEC and Senior Officers in Independent Control Functions, as well as overseeing the remuneration of all staff whose professional activities have a material impact on the Group's risk profile.

During 2019, independent advice was received by the Group from external advisers Mercer Kepler, Willis Towers Watson, and Deloitte LLP on a range of issues relating to remuneration including:
- remuneration benchmarking for the GEC and senior management;
- variable pay structures, including annual and long term incentive schemes;
- evolving pay regulations and market pay practices; and
- other remuneration structures.

Engagement with Mercer Kepler, Deloitte and Willis Towers Watson is ongoing.

Shareholders were advised in the Chairman's Letter and Notice of AGM 2019 that the Group's goal is to operate a remuneration policy, including variable remuneration, consistent with EBA Guidelines. To this end, the GRC continued its engagement with major shareholders during 2019 in regard to proposals for an appropriate executive incentive scheme. In the event of the Remuneration Restrictions being removed or amended, proposals for the implementation of any such scheme(s) would be subject to shareholder approval.

The GRC held seven meetings in 2019. Details of membership and attendance can be found in the 'Report of the Group Remuneration Committee' section of the Annual Report.

To avoid potential conflicts of interest, directors are not involved in decisions regarding their own remuneration and advisors to the remuneration committee are appointed by the Committee rather than by management.

The terms of reference of the Committee are reviewed annually and available on https://www.bankofireland.com/about-bank-of-ireland/corporate-governance/court-committees/

A summary of the principal activities undertaken by the GRC in 2019 is available in the 'Report of the Group Remuneration Committee' section of the Annual Report.

Statement on Shareholder Voting
The table below sets out the voting by shareholders on the advisory resolution to approve the 2018 Group Remuneration Committee Report at the 2019 AGM:

Group Remuneration Committee Report 2018

Vote	No of shares	Percentage
For	789,273,290	99.70
Against	2,384,721	0.30
Withheld	126,603	n/a

[1] *Covered Institutions are defined as institutions that have executed a guarantee acceptance deed and have been designated in an order by the Minister for Finance under the Credit Institutions (Financial Support) Scheme 2008. The Group's Covered Institutions are The Governor and Company of the Bank of Ireland and Bank of Ireland Mortgage Bank.*

Remuneration Report *(continued)*

European Banking Authority Remuneration Guidelines (the 'EBA Guidelines')

The objective of these guidelines is to ensure that an institution's remuneration policies and practices are consistent with and promote sound and effective risk management. They apply to the Group.

Whereas the Group seeks to ensure it operates remuneration policies which are compliant with regulatory guidelines, the Group is currently operating under significant governmental and legal constraints in relation to remuneration. The Group's Remuneration Policy, therefore, can only be implemented to the extent possible given these Remuneration Restrictions.

Material Risk Takers
The EBA has issued criteria for identifying MRT roles, those staff whose professional activities have a material impact on the Group's risk profile. The criteria are both qualitative (based on the nature of the role) and quantitative (based on remuneration). The Group maintains a list of these material risk takers.

The qualitative criteria can be summarised as: the management body; senior management; other staff with key functional, managerial or risk responsibilities; and staff who individually, or as part of a committee, have authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels.

The quantitative criteria are:
- individuals earning €500,000 or more in the previous year;
- individuals in the top 0.3% of earners in the previous year; and
- individuals who earned more than the lowest paid MRTs per certain qualitative criteria.

In addition to the qualitative and quantitative criteria, the Group has applied its own minimum standards to identify roles that are considered to have a material influence over its risk profile.

Disclosures
During 2019, the Group continued to comply with its annual requirements to provide disclosures relating to:
- Remuneration at Bank of Ireland;
- Decision-making processes related to the remuneration policy;
- Material Risk Taker assessment and reporting;
- Remuneration Restrictions;
- Link between pay and performance;
- Group Remuneration Strategy;
- Remuneration Expenditure; and
- All Staff Reporting.

These disclosures were made as part of the Group's 2018 Pillar 3 disclosure in February 2019. The Group's 2019 Pillar 3 disclosures were made in February 2020 and are available on the Group's website.

As a significant institution in an Irish banking context, the Group is required to submit additional disclosures under EBA Remuneration data collection exercises. The Group continued to comply with its annual reporting requirements in 2019, submitting the following reports via the CBI to the SSM:
- 2018 European Benchmarking exercise; and
- 2018 High Earners report.

Alignment of performance and reward with risk
The Group's Risk Appetite Statement as set out on page 124 forms an integral element of remuneration structures, practices and frameworks. The Group's Risk Appetite Statement has been cascaded, as appropriate, throughout the Group.

Involvement of the risk function
The Chair of the Board Risk Committee and the Court Risk Committee and the Group Chief Risk Officer attended the GRC meeting in October 2019. At this meeting, the Group Chief Risk Officer reported on the Group's risk profile and its relationship to remuneration.

During 2019, a management committee was established, responsible for carrying out risk oversight by management of variable remuneration schemes in the Group (once these are reintroduced) and other relevant remuneration related risk items, as appropriate. Copies of minutes of these meetings are submitted to the GRC for review and consideration.

2020 Directors' Remuneration Policy

The DRP supports the Group's objective of achieving, maintaining and safeguarding a sound capital base, and is aligned with the Group's Remuneration Policy and principles for all staff. The DRP reflects the approach to Director's pay in 2018, which was voted on by Shareholders at the 2019 AGM, and the intention to implement variable pay and associated shareholding guidelines upon removal of the Remuneration Restrictions.

The DRP will be submitted to shareholders for non-binding advisory vote at the 2020 AGM. Subject to approval, the DRP will apply for three years until the 2023 AGM, unless material changes are required which mandate a revised DRP to be submitted to shareholders for approval.

Remuneration approach
Where local laws or regulations set more rigorous requirements for any aspect of remuneration governance, the higher standards are applied. In the event that any aspect of the DRP contravenes local laws or regulations, the local laws or regulations prevail.

To avoid potential conflicts of interest, directors are not involved in decisions regarding their own remuneration.

Whilst the Bank recognises the requirement to propose the reintroduction of variable pay for Executive Directors, this is not possible due to the ongoing impact of Remuneration Restrictions. If the Remuneration Restrictions were to be amended or lifted, the Bank would seek Shareholder approval to re-introduce variable pay for Executive Directors.

Key elements of Remuneration for Executive Directors
When determining Executive Director Remuneration policy and practices, the GRC addressed the following, through its work on the design of potential variable pay structures for Executive Directors:
- **Clarity** - remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.

Remuneration Report *(continued)*

- **Simplicity** - remuneration structures should avoid complexity and their rationale and operation should be easy to understand.
- **Risk** - remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.
- **Predictability** - the range of possible values of reward to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.
- **Proportionality** - the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.
- **Alignment to culture** - incentive schemes should drive behaviours consistent with company purpose, values and strategy.

Due to the Remuneration Restrictions, the structure of Executive Directors' remuneration is materially different to market practice. The Group maintains a dialogue with the Department of Finance in this regard, and will respond to any amended restrictions. In such circumstances, shareholder engagement would be carried out as appropriate.

Fixed pay elements for Executive Directors
Given Remuneration Restrictions, Executive Director changes to base salary and fixed pay elements require engagement with the Department of Finance. In the event of the fixed pay element of the Remuneration Restrictions being lifted, or amended, fixed pay for Executive Directors will be reviewed in 2020, with shareholder engagement as appropriate.

Elements of Remuneration and purpose	Operation	Maximum potential value
Base Salary - purpose is to provide a competitive level of fixed cash remuneration reflecting the skills and experience required supporting recruitment and retention in the market environment.	Paid monthly as cash and reviewed annually: • CEO - €950,000 • CFO - €471,500	Base salaries are reviewed annually with any increase taking effect from 1 January. In determining any base salary increases for Executive Directors, the Remuneration Committee takes into consideration any increases paid to the wider Bank population. The Remuneration Committee, when considering what may represent an appropriate base salary increase makes an objective assessment of: • the individual's responsibilities and the size and scope of their role; and • pay for comparable roles in comparable publicly listed companies of a similar size. The GRC recognises that a greater base salary increase may be appropriate in certain circumstances, for example, if the Remuneration Restrictions are lifted, an Executive Director's remuneration is uncompetitive, or where there has been a material increase in responsibilities.
Non-salary benefits - purpose is to provide a range of market competitive benefits which are valued and assist the individuals to carry out their duties.	These are agreed on a case by case basis, within a framework, and may include, but are not limited to: • life insurance; • permanent health insurance; • mobile phone; • cash allowance - health; • cash allowance - car; and • relocation costs.	The level of benefit provision can vary depending on cost and individual circumstances. The value of the total benefits will continue to be reported annually in the Remuneration Report.

Remuneration Report *(continued)*

Elements of Remuneration and purpose	Operation	Maximum potential value
Pension - to encourage planning for retirement and long-term savings. The Group's objective for pensions is aligned with the long-term interests of the Group, with pensions schemes designed to assist the Group in attracting and retaining high calibre employees.	The Group Chief Executive Officer does not currently participate in a Bank of Ireland Employee Pension Scheme. The Group Chief Financial Officer is a member of the Bank of Ireland Defined Contribution (DC) Scheme (RetireWell), participating on the same basis as all members of this scheme, in line with the scheme rules. New internally appointed Directors will retain their current pension arrangements. New externally appointed Directors may be offered participation in a Defined Contribution scheme (currently RetireWell) in line with the Rules of the scheme.	This level of benefit provision can vary depending on cost and individual circumstances. The value of the total benefits will continue to be reported annually in the Directors' Pension Benefits section of the annual remuneration report on page 108.

Variable pay elements for Executive Directors (currently not allowed under the Remuneration Restrictions)
Variable pay is intended to incentivise the delivery of sustainable long-term performance, with rewards aligned to shareholders' interests, and adjusted for risk.

At this time the Group is not able to offer variable pay due to Remuneration Restrictions, creating challenges in relation to the attraction and retention of key people, and the alignment of remuneration to shareholder objectives.

Other Policy elements for Executive Directors

Elements of Remuneration and purpose	Operation	Maximum potential value
Shareholding requirements (subject to the removal of the remuneration restrictions).	Upon the reintroduction of variable pay, all Executive Directors of the Bank of Ireland Group would be required to retain 50% of the after tax value of any Bank of Ireland Group shares which have vested and have been released to the Executive Director from a variable pay plan such as deferred shares from an Annual Incentive Plan or vested shares from a Long Term Incentive Plan.	Executive Directors will be required to build a shareholding of up to 100% of base salary. In addition, Executive Directors will be required to hold shares post-employment with the Group, equal to at least the lower of a) shares held by the Executive Director at date of leaving or b) 100% of base salary in shares for a period of 1 year post their employment with the Group. Shareholdings in this regard relate to Bank of Ireland Group shares which have vested and have been released to the Executive Director from a variable pay plan such as deferred shares from an Annual Incentive Plan or vested shares from a Long Term Incentive Plan. Personal shareholdings, for example, shares purchased by the Executive Director, are not included under this shareholding guideline.
All employee share plans - to promote share ownership by all employees.	In the event that the Group operates all employee share plans, Executive Directors will also be entitled to participate on the same basis as other employees.	Such schemes will comply with Revenue limits.

Remuneration Report *(continued)*

Other Policy elements for Executive Directors *(continued)*

Elements of Remuneration and purpose	Operation	Maximum potential value
Executive Director recruitment	The policy on recruitment of Executive Directors aims to be market competitive and to structure remuneration in line with the elements outlined in this Policy, subject to the remuneration restrictions. The GRC may agree remuneration proposals on hiring a new Executive Director which are outside the standard policy to facilitate the hiring of someone of the calibre required to deliver the Group's strategy. When determining appropriate remuneration arrangements the Committee will take into account all relevant factors including (among other things) the level and type of remuneration being forfeited and the jurisdiction the candidate was recruited from. Remuneration packages in excess of €500,000 currently require approval from the Minister for Finance.	A buy-out may be offered to a new Director if the individual holds any outstanding unvested awards or payments that are forfeited on resignation from a previous employer in line with regulatory requirements. The GRC will seek to minimise buy-outs and ensure they are no more generous than, and on substantially similar terms to, the original awards or payments they are replacing, as far as possible.
Notice and Termination provisions	Standard termination provisions, which apply to all senior roles of the Group, apply to Executive Director Roles. When determining leaving arrangements for an Executive Director, the GRC takes into account applicable provisions of Irish law, any contractual arrangements and the performance and conduct of the individual. Notice Period • CEO - 12 Months' notice provided by the Group, 6 Months' notice provided by the CEO. • CFO - 6 Months' notice provided by the Group, 6 Months' notice provided by the CFO.	Upon their reintroduction, variable pay plans and all employee share scheme awards for Executive Directors who leave the Group will be treated in accordance with the remuneration policy, the share plan rules as approved by the shareholders, and the relevant employment policy operated by the Group.
Legacy arrangements	There are no current legacy entitlements in place.	From the introduction of the DRP, the Group will continue to honour commitments or arrangements entered into prior to their appointment as an Executive Director.

Remuneration Report *(continued)*

Remuneration for the Chairman and Non-Executive Directors
The remuneration of Non-Executive Directors is determined by a Board Committee of the Chairman and the Executive Directors, within the boundaries of the Company's Constitution with no Director being involved in decisions regarding their own remuneration.

The remuneration of the Chairman is a matter for the GRC.

There are currently no proposed changes to Non-Executive Directors' remuneration. In the event of the amendment or removal of the Remuneration Restrictions, the remuneration paid to Non-Executive Directors may be reviewed.

Remuneration for Non-Executive Directors does not include any performance-related elements or share options.

Elements of Remuneration and purpose	Operation	Maximum potential value
Fees To reflect individual responsibilities and membership of Board Committees.	Fees are paid monthly in cash. No variable pay is provided so that the Chairman and NEDs can maintain appropriate independence which supports their capacity to provide the constructive challenge required of their role.	The Board reviews the amount of each component of fees periodically to assess whether individually and in aggregate they are appropriate in light of changes in roles, responsibilities and/or the time commitment of the NEDs and ensure that individuals of the appropriate calibre are able to be retained or appointed. In the case of the Chairman, this review is undertaken by the Group Remuneration Committee.
Expenses	Reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of duties. The full amount of expenses incurred is reimbursed, with a gross-up where tax is due on such expenses, to ensure no loss to the individual.	n/a

Discretion
The GRC retains the discretion to make reasonable and proportionate changes to the Directors' Remuneration Policy in order to respond to changing legal or regulatory requirements or guidelines (including but not limited to any ECB, CBI, PRA or FCA revisions to their remuneration rules and the EBA remuneration guidelines). Where proposed changes are considered to be material, the GRC will bring the Policy for shareholder approval.

Other remuneration disclosures

Group Remuneration Policy
The Group's Remuneration Policy, which aims to support the Group's objectives of long term sustainability and success, sound and effective risk management, good corporate governance and responsible business conduct, was reviewed in 2019, with a small number of changes made to reflect the implementation of the Shareholder Rights Directive II. This Policy applies to all employees and Directors of the Group.

The Policy sets out how the remuneration components used by the Group operate and the approach to remuneration policies and practices to ensure colleagues are paid in alignment with business strategy, risk strategy, culture and values, and long-term interests, whilst not encouraging excessive risk taking. The Group Remuneration Policy supports the Group's objective of achieving, maintaining and safeguarding a sound capital base.

Subject to the Remuneration Restrictions, the Group Remuneration Policy is designed to reflect the provisions of EU and national regulations, notably the Capital Requirements Directive (CRD IV), the PRA Rulebook, the FCA SYSC19D, and EBA guidelines on sound remuneration policies. The Group undertakes an annual review of the Group Remuneration Policy, including the process for the identification of material risk takers, to ensure that remuneration policies and practices are operating as intended, are aligned to the Group's strategy, purpose and values, and are compliant with regulatory obligations. The annual review is informed by appropriate input from the Group's risk management, compliance and internal audit functions.

Remuneration Report *(continued)*

The Group recognises the importance the Group shareholders place on the effective governance of the Group's remuneration policies and practices to ensure colleagues are paid in alignment with business strategy, risk strategy, culture and values, and long-term interests, whilst not encouraging excessive risk taking. The Group Remuneration Policy supports the Group's objective of achieving, maintaining and safeguarding a sound capital base.

The application of the Group Remuneration Policy is consistent with the Group's Risk Appetite Statement and regulations that govern remuneration in the jurisdictions where the Group operates. A policy summary is accessible to all staff through the company intranet.

The Group Remuneration Policy, supported by management policies and operational procedures, collectively known as the 'remuneration structures' (e.g. Reward Framework, Performance Achievement process, Material Risk Taker Policy and Governance of Career & Reward Framework), is designed to ensure that the Group's approach to remuneration meets the principles below. The Group's ability to meet these principles is impacted in their entirety by the Remuneration Restrictions.

Alignment with Group Objectives
- The remuneration structures are aligned with, and contribute to the long-term strategy, sustainability, value creation and success of the Group.
- Remuneration is determined on the basis of firm wide, business unit and individual performance against business and risk objectives.
- Divisional and individual performance measures and targets are aligned with business and risk objectives at either a Group or local business level, through a performance achievement process based on a balanced scorecard, ensuring alignment with business strategy, risk strategy, culture and values and long-term interests.
- The remuneration structures support the Group's purpose and values

Fair Treatment of Customers
The Group's remuneration structures are designed to:
- Place customers at the heart of the Group's businesses by delivering products and services that meet customers' evolving financial requirements and are sold based on the suitability to each individual customer's needs.
- Support and encourage the fair treatment of customers.
- Support and encourage responsible business conduct. Mitigate the potential for conflict between commercial, customer and public interests.
- Avoid any conflict with an employee's duty to act in the best interests of customers or clients.

Employee-Focused
- The Group's remuneration structures are designed to attract, retain and engage high calibre employees, enabling the Group to provide a competitive remuneration package across all businesses and jurisdictions, in a cost effective manner.
- Remuneration policies and practices are simple, transparent, easy to understand and implement.

Aligned with risk appetite
- The Group's remuneration structures are designed to ensure alignment of remuneration and risk performance of the Group and its staff, promoting good risk management and positive risk behaviours. Employee performance is assessed against a balanced scorecard of financial and non-financial metrics, including risk outcomes and behaviours.
- Remuneration structures are applied in consideration of and in alignment with the Group's Risk Appetite Statement and overall risk governance structures.
- Risk adjusted financial performance is an important measure when evaluating performance.
- Remuneration policies are subject to appropriate governance.
- The Group is compliant with all applicable remuneration regulations as they relate to the Group.

The Group will continue to seek to ensure that its remuneration policy enables it to be competitive and comprehensively adheres to regulatory principles and guidelines set out by relevant regulatory authorities, including the EBA. These design features support all remuneration frameworks, policies and processes across the Group, being applied proportionately depending on the nature, scale and complexity of the particular business area.

During 2019, Executive Directors and the GEC members engaged with employees on employee related topics in workplace 'Town Hall' sessions, as well as through Open View and Pulse Surveys. Engagement with the workforce on transformation and culture took place throughout the year. The Chief People Officer, through the Industrial Relations team, engaged with unions and partners' council on remuneration and many other workplace-related matters.

Attraction, Motivation and Retention
The Group's success depends in part on the availability of high calibre people and the continued services of members of its management team, both at its head office and at each of its business units.

Restrictions, including the Remuneration Restrictions, imposed on remuneration by Government, tax or regulatory authorities or other factors outside the Group's control in relation to the retention and recruitment of employees may adversely impact on the Group's ability to attract and retain key staff.

Workforce remuneration
The following table summarises the main remuneration structures in place in the Group, under the Group's Remuneration Policy.

Remuneration Report *(continued)*

Element	Objective	Operation
Base salary	To provide a competitive level of fixed cash remuneration reflecting the skills and experience required whilst supporting recruitment and retention.	Base salaries are reviewed on an annual basis versus the external market and internal relativities, taking into account the Group's strategic objectives and individual performance and potential.
Benefits	To provide a range of market competitive benefits which are valued and assist the individuals carry out their duties.	Access to benefits and benefit levels can vary based on seniority. Benefit provision is kept under regular review to ensure the benefits provided are cost effective, valued by employees and competitive versus the market.
Pension	To support the financial wellbeing of employees	Since September 2014, the Group has operated a defined contribution scheme (RetireWell) for all new hires. Employees hired prior to September 2014 are members of the Group's legacy defined benefit and hybrid pension schemes. UK based role holders, who are affected by the Annual and Lifetime Allowances for pension saving, can elect to receive a pension cash allowance in lieu of pension scheme membership.
Incentive Schemes - Limited number of small incentive schemes in place which have received approval under the Remuneration Restrictions.	To support, drive and reward performance for the delivery of annual financial, non-financial and personal objectives which are consistent with: • the Group's purpose, values and culture; • the business and customer strategy; and • the long-term interests of the bank, to create sustainable shareholder value.	The Group currently operates an approved small incentive scheme for Marshall Leasing Ltd and two approved commission schemes in N.I.I.B. Group Limited and NIAC. These arrangements are not subject to the Remuneration Restrictions.

Discretion

The GRC has certain discretionary powers under the Company's existing all employee share plan rules. This discretion relates to the operation of the plans, for example, eligibility, quantum, timing and application of good leaver status. The GRC will only exercise this discretion if it believes it is in the best interests of the Company to do so and where it is not possible, practicable or proportionate to seek or await shareholder approval in General Meeting. The exercise of the Committee's discretion will be disclosed in accordance with regulatory requirements.

Subsidiary remuneration policies

While both New Ireland Assurance Company plc (NIAC) and Bank of Ireland (UK) plc have their own remuneration policies, these policies are aligned with the Group policy with no material deviations.

Performance achievement

The Group is committed to a simple and transparent reward structure which drives performance, encourages employees to live the purpose and values, and supports the Group's ongoing growth and sustainability. The Group's performance achievement process plays a critical role in aligning individual objectives with the Group's overall customer ambition, strategy, purpose and values, and financial and non-financial goals.

A robust performance achievement process, incorporating performance planning and review, remains critical and is a key pillar of the Group's compliance with remuneration guidelines.

The performance achievement process enables the Group to align individual, business unit and divisional performance to the Group's strategic objectives through an ongoing dialogue between managers and their direct team members ensuring a strong alignment to risk.

The Group's Purpose and Values shape everything colleagues do. The Group's values are the behavioural compass to how the Group does business and are a key part of the Performance Achievement process. Through this process, individual performance is evaluated on what is achieved and how it is achieved. The Performance Achievement process is linked to the Group Competency Model, which outlines the core competencies for staff, people managers and leaders. The Performance Achievement process enables employees to:

- know what is expected of them every day and what it takes to achieve success;
- understand how they personally contribute to their team and the bank's strategy; and
- own their own performance and personal growth to achieve their individual career ambitions.

Remuneration Report *(continued)*

Managers have mandatory risk goals which reflect the nature of their role and their seniority within the Group and have an appropriate weighting attached to them.

Key result areas
Goals and objectives are set and evaluated under each of the Group's strategic objectives of:
- Transform the Bank.
- Serve Customers Brilliantly.
- Grow Sustainable Profits.

This approach is consistent with the EBA Guidelines and ensures that:
- organisational performance is continually enhanced by measuring staff against the Group's strategic objectives;
- all key deliverables and accountabilities of a role are taken into account when performance is assessed. For example, financial results, risk management, impact on customers, leadership and development of people, regulatory and compliance requirements; and
- a comprehensive view of an individual's performance is taken, rather than focusing on one or two key areas to the detriment of others.

Each of the strategic objectives, which apply to all employees in the Group, has a minimum weighting of 10%. In addition, there is a minimum requirement of 20% of the overall weighting for risk-related goals set across all three Strategic Priorities.

Goals set under these strategic objectives are linked to overall Divisional and Group Strategy, support the achievement of business unit objectives and are aligned to the Group's Risk Appetite Statement.

Key deliverables are agreed for each employee with their line manager at the beginning of the performance cycle. Regular informal reviews take place at times during the performance cycle. A formal interim review occurs at a mid-point in the performance cycle and a formal end of year review occurs at the end of the performance cycle.

The Remuneration Restrictions impact the effectiveness of the Group's performance achievement system as it prevents a strong link between performance and reward. In addition, the lack of variable remuneration also impacts the Group's ability to incentivise and re-enforce cultural change and the Group's values.

Directors' remuneration

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 178.

Directors' remuneration for the years ended 31 December 2019 and 31 December 2018

Table: 1	Reported year	Gross salary[1,2] €'000	Fees[3] €'000	Performance bonus[4] €'000	Other remuneration[5] €'000	Pension funding contributions[6] €'000	Total[7] €'000
Chairman							
P Kennedy	2019	394	-	-	-	-	394
(appointed Chairman 1 August 2018)	2018	238	-	-	-	-	238
A Kane	2019	-	-	-	-	-	-
(resigned 31 July 2018)	2018	230	34	-	22	-	286
Deputy Chairman							
P Haren	2019	126	-	-	-	-	126
(appointed Deputy Chairman 1 August 2018)	2018	53	68	-	-	-	121
Executive Directors							
F McDonagh	2019	950	-	-	8	-	958
	2018	950	-	-	8	-	958
A Keating	2019	468	-	-	30	61	559
(resigned 18 October 2019)	2018	468	-	-	30	53	551
NEDs							
K Atkinson	2019	-	32	-	-	-	32
(resigned 14 May 2019)	2018	-	94	-	-	-	94
E Bourke	2019	-	79	-	-	-	79
(appointed 17 May 2018)	2018	-	49	-	-	-	49
I Buchanan	2019	-	134	-	-	-	134
(appointed 17 May 2018)	2018	-	65	-	-	-	65
E Fitzpatrick	2019	-	50	-	-	-	50
(appointed 15 May 2019)	2018	-	-	-	-	-	-
R Goulding	2019	-	98	-	-	-	98
	2018	-	87	-	-	-	87
M Greene	2019	-	5	-	-	-	5
(appointed 5 December 2019)	2018	-	-	-	-	-	-
D Marston	2019	-	-	-	-	-	-
(resigned 30 September 2018)	2018	-	53	-	-	-	53
F Muldoon	2019	-	78	-	-	-	78
	2018	-	71	-	-	-	71
P Mulvihill	2019	-	110	-	-	-	110
	2018	-	103	-	-	-	103
S Pateman	2019	-	87	-	-	-	87
(appointed 10 September 2018)	2018	-	27	-	-	-	27
Totals	**2019**	**1,938**	**673**	**-**	**38**	**61**	**2,710**
	2018	**1,939**	**651**	**-**	**60**	**53**	**2,703**

Ex-gratia payments paid to former Directors / dependents of The Governor and Company of the Bank of Ireland for 2019 is €141,000 (2018: €168,000).

1 *The Chairman and Deputy Chairman, as Non-executive Officers of the Company, are remunerated by way of non-pensionable salary. P Kennedy receives a non-pensionable salary of €394,000 (2018: €164,167) for his role as Chairman. From 1 January 2018 to his date of resignation as Chairman, A Kane received a non-pensionable salary of €229,823 for his role as Chairman. A Kane also received an accommodation, utilities and car allowance of €21,583 in 2018.*

2 *The Group Chief Financial Officer, A Keating, received an annual salary of €468,000 (2018: €468,000). His annual salary for pension purposes was €240,000 (2018: €240,000) and the balance of his salary €228,000 (2018: 228,000) was excluded for pension purposes.*

3 *Fees are paid to NEDs and a basic fee of €63,000 per annum applies for both years. Additional fees are paid for separate SID responsibilities, Committee Chairmen and for Committee membership. On 1 February 2009, all NEDs agreed to reduce their fees by 25%. These reductions applied throughout 2019 and 2018. The basic fee of €63,000 is the reduced fee. In addition to the above, I Buchanan received separate fees for NED and committee membership roles in Bank of Ireland (UK) plc. In these roles he received Stg£55,000, equivalent €62,721 in 2019 and Stg£18,104, equivalent €20,376 in 2018.*

4 *No bonuses were awarded in respect of 2019 or 2018.*

5 *The figures include car allowances and, where applicable, benefits in kind.*

6 *The amounts shown for A Keating relate to the Group's pension funding contribution in respect of the pension benefit he accrued in line with his contractual entitlement during 2019 and 2018. There were no changes to Executive Directors' contractual pension benefit entitlements in the year. The pension funding cost to the Group, in relation to the Group's sponsored defined benefit schemes, is updated following triennial pension scheme valuations to reflect changing market conditions and actuarial assumptions. The pension funding cost also reflects the increased actuarial cost of each year's accrual as each Executive Director's term to normal retirement age reduces. All pension amounts have been determined by Willis Towers Watson, the Group's actuarial advisors, and are approved by the GRC.*

7 *In addition to the amounts shown, the Group bears the total costs of Directors' travel and subsistence to and from Board and Committee meetings or while on the business of the Group.*

Executive share options held by Directors and Secretary

No share options were granted or exercised during 2019 and there were no options to subscribe for ordinary shares outstanding in favour of the Executive Directors or Secretary as at 31 December 2019.

External appointments held by Executive Directors

During 2019, no Executive Director held an external appointment in a FTSE 100 company.

Directors’ pension benefits

Set out below are details of the change in accrued pension benefits for the Directors during 2019.

Table: 2	(a) Additional inflation-adjusted accrued defined benefit pension in the year €	(b) Increase in DB transfer value €	(c) Accrued defined benefit pension benefits at 31 December 2019 €	(d) Group DC contributions €
Executive Directors				
A Keating *(resigned 18 October 2019)*	2,906	29,826	50,770	8,000

Column (a) represents the inflation-adjusted increase in the individual's accrued defined benefit pension during the year. Increases are shown after the opening position has been adjusted for known statutory revaluation, and comprise allowance for additional pensionable service, any increases in pensionable earnings and any agreed adjustment in the individual's pension accrual. This is in line with the requirements of the Listing Rules and the related actuarial professional guidance.

Column (b) is the additional capital value, less the Director's contributions, of Column (a) which could arise if the defined benefit pension were to be transferred to another pension plan on the Director leaving the Group and is calculated using factors supplied by the actuary in accordance with actuarial guidance notes ASP PEN-2, and is based on leaving service pension benefits becoming payable at normal retirement date, age 60.

Column (c) is the aggregate defined benefit pension benefit payable at normal retirement age based on the Director's pensionable service with the Group at 31 December 2019.

Column (d) is the Group's contributions to the supplementary section of its RetireWell DC arrangement.

Directors' and Secretary's interests in shares

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 178.

The beneficial interests of the Directors and Secretary in shares issued by the Group as disclosed to the Group are detailed below in accordance with Irish Listing Rule LR 6.1.82(1).

Table: 3	Number of €1.00 ordinary shares in BOIG plc at 31 December 2019	Number of €1.00 ordinary shares in BOIG plc at 1 January 2019 or at date of appointment
Directors		
E Bourke	18,339	1,639
I Buchanan	34	34
E Fitzpatrick *(appointed 15 May 2019)*	1,000	-
R Goulding	15,000	15,000
M Greene *(appointed 5 December 2019)*	1,000	1,000
P Haren	6,334	1,334
P Kennedy	105,156	105,156
F McDonagh	2,000	2,000
F Muldoon	2,866	2,866
P Mulvihill	167	167
S Pateman	1,250	250
Secretary		
S McLaughlin *(appointed 18 September 2019)*	-	-

Apart from the interests set out above, the Directors and Secretary had no other interests in the shares / securities of the Company or its Group undertakings at 31 December 2019. There has been no change in the interests of each Director disclosed to the Company under the provisions of article 19 of the Market Abuse Regulation occurring between the end of the period under review and 21 February 2020.

Risk Management Report

Contents

The information below in sections or paragraphs denoted as audited in sections 3.1, 3.2, 3.3, 3.4 and 4 and all the tables (except those denoted unaudited) in the Risk Management Report form an integral part of the audited financial statements as described in the Basis of preparation on page 178.

All other information, including charts and graphs, in the Risk Management Report is additional disclosure and does not form an integral part of the audited financial statements.

1 Principal Risks and Uncertainties

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

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

Business and strategic risk *(page 153)*

Principal risks and uncertainties

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

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

Key mitigating considerations

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

Transformation risk

Principal risks and uncertainties

The Group is undergoing significant Transformation across Culture, Business Model and Systems, which presents challenges and risks, and significant customer considerations. Failure to transform successfully could prevent the Group from realising its strategic priorities.

Key mitigating considerations

- The Board has responsibility for developing the Group's strategic priorities. These priorities were set out at the Group Investor Day on 13 June 2018.
- The Group has mobilised a number of significant change programmes under each of the key Transformational change areas to deliver against this strategy. These operate within both existing governance fora and newly established fora to closely monitor and manage the change, and the specific risks and challenges associated with same.
- The GTOC oversees the business and strategy aspects of the programme for its duration including review of transformation risk updates.

1 Principal Risks and Uncertainties *(continued)*

Business and strategic risk *(continued) (page 153)*

Brexit

Principal risks and uncertainties

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

Key mitigating considerations

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

People risk

Principal risks and uncertainties

The continuing impact of remuneration restrictions on the Group, where the improvement in the macro economic environment and a close to full capacity labour market, have significantly increased competition for talent in Ireland. This may be further exacerbated post Brexit with increasing competition for skilled resources and / or restricted mobility between jurisdictions. It also includes people management, recruitment and retention risks in relation to the Group's transformation and digitalisation of banking products and services, as the Group adapts to the changing needs and preferences of our customer base. Variable remuneration is an important tool in the management of people risk, hence remuneration restrictions also limit the ability to encourage and incentivise the behavioural change required for culture transformation.

Key mitigating considerations

- The Group has a Board approved people strategy providing it with a range of programmes and initiatives to enable the Group to retain appropriate numbers and / or calibre of staff having regard to remuneration restrictions imposed by government, tax or regulatory authorities. These include Board Talent Reviews including succession planning, investment in Leadership and Management Development, the Group's Performance Management Framework, and the Career and Reward Framework as aligned to our purpose and values.

1 Principal Risks and Uncertainties *(continued)*

Business and strategic risk *(continued)* *(page 153)*

Digital

Principal risks and uncertainties

Banking models are rapidly evolving, for both consumers and businesses in Ireland and globally. Rapidly shifting consumer behaviours and available technologies are changing how customers consume products and services.

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

Key mitigating considerations

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

Macroeconomic conditions and geopolitical uncertainty

Principal risks and uncertainties

The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in Ireland and the UK, unfavourable exchange rate movements and changes in interest rates, with a potential increase in global protectionism and changes in the international tax environment posing additional risks.

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

The Group businesses may be affected by political, economic, financial and regulatory uncertainty arising from the inconclusive outcome of the recent general election (8 February 2020) in Ireland.

Key mitigating considerations

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

1 Principal Risks and Uncertainties *(continued)*

Business and strategic risk *(continued)* *(page 153)*

Key benchmark interest rate reform

Principal risks and uncertainties

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

Transition efforts in connection with these reforms are complex, with significant risks and challenges.

Key mitigating considerations

- A formal Group-wide Benchmark Reform Programme has been mobilised since early 2018 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 BRC ensuring close monitoring and management of the specific risks and challenges associated with same.
- The Group has begun to transition to new Risk Free Rates where market liquidity allows.

Climate risk

Principal risks and uncertainties

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

Key mitigating considerations

- Conducting our business in a responsible and sustainable way is fundamental to achieving our purpose of enabling our customers, colleagues and communities to thrive.
- The Group continues to develop its RSB agenda which considers climate related impacts across its own footprint and that of its key stakeholders.
- The Group has strengthened its governance in relation to RSB. It has also signed up to the UN Principles of Responsible Banking and has become a supporter of the TCFD.
- As part of our enterprise approach to manage climate risks the Group is embedding the assessment of risks and opportunities into key business planning and risk management governance frameworks, policies and processes.
- During 2020 the Group will identify activities and assets exposed to climate related risks and measure possible financial risk impacts. This impact assessment and associated materiality exercise together with forward-looking scenario analysis will inform our business planning and associated risk management strategies.

1 Principal Risks and Uncertainties *(continued)*

Credit risk *(page 127)*

Principal risks and uncertainties

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

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

Key mitigating considerations

- Board approved Group Credit Policy and risk appetite limits, including credit category limits, together with a framework for cascade to businesses and portfolios.
- Exposure limits for credit concentration risk.
- Defined credit processes and controls, including credit policies, independent credit risk assessment and defined authority levels for sanctioning lending.
- Processes to monitor compliance with policies and limits.
- Dedicated workout structures focused on the management and reduction of NPEs.

Funding and liquidity risk *(page 140)*

Principal risks and uncertainties

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

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by, amongst other things, the maturity structure of loans and investments held by the Group, while cash outflows are driven by items such as the term maturity of debt issued by the Group and outflows from customer deposit accounts.

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

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

Key mitigating considerations

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

Market risk *(page 145)*

Principal risks and uncertainties

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

Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk-taking. Additionally, market risk arises through the conduct of customer business, particularly in respect to fixed-rate lending and the execution of derivatives and FX business.

Within limits and policy, the Group seeks to generate income from Market Risk leaving some customer-originated or intra-Group originated risk unhedged or through assuming risk proactively in the market.

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

Key mitigating considerations

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

1 Principal Risks and Uncertainties *(continued)*

Life insurance risk *(page 149)*

(page 149)

Principal risks and uncertainties

Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits. This variation, arising from changing customer mortality, life expectancy, health or behavioural characteristics, may be short or long term in nature.

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

Key mitigating considerations

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

Conduct risk *(page 150)*

Principal risks and uncertainties

Conduct risk is the risk that the Group and / or its staff conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes.

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

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

Key mitigating considerations

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

1 Principal Risks and Uncertainties *(continued)*

Regulatory risk *(page 151)*

Principal risks and uncertainties

Regulatory risk is the risk of failure by the Group to meet new or existing regulatory and / or legislative requirements and deadlines or to embed regulatory requirements into processes.

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

Key mitigating considerations

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

Operational risk *(page 152)*

Principal risks and uncertainties

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

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

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.

Key mitigating considerations

- Board approved risk appetite limits.
- The Group utilises a number of strategies in controlling its exposure to operational risk, with the primary strategy being the maintenance of an effective control environment, coupled with appropriate management actions.
- The Operational Risk Management Framework consisting of processes and policy standards, aims to embed adequate and effective risk management practices within business units throughout the Group.
- Processes to identify, assess, manage, monitor and report operational risks as well as controls to mitigate those risks in place.
- Processes to support the reporting, investigation, resolution and remediation of incidents in place.
- Given the significant developments in digital demands on technology as well as increased regulatory requirements, an overarching Technology Investment Prioritisation Plan, which includes the Core Banking Transformation Programme, is in place to ensure these demands are managed within risk, capacity and financial constraints.
- Clear contracts and accountability in place for third party partners for the Transformation Programme.
- Regular internal audits and testing carried out to ensure adequacy of controls.

1 Principal Risks and Uncertainties *(continued)*

Operational risk *(continued) (page 152)*

Litigation and regulatory proceedings

Principal risks and uncertainties

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

Key mitigating considerations

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

Pension risk *(page 154)*

Principal risks and uncertainties

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

The defined benefit pension schemes are subject to market fluctuations and these movements impact on the Group's capital position, particularly the Group's CET1 capital ratio, which amongst other things, could impact on the Group's dividend capacity. See note 46 Retirement benefit obligations on page 258.

Key mitigating considerations

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

Reputation risk *(page 155)*

Principal risks and uncertainties

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

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

Key mitigating considerations

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

1 Principal Risks and Uncertainties *(continued)*

Capital adequacy *(page 156)*

Principal risks and uncertainties

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

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

Key mitigating considerations

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

Risk in relation to Irish Government shareholding

Principal risks and uncertainties

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

Key mitigating considerations

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

Resolution risk

Principal risks and uncertainties

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

Key mitigating considerations

- Following notification that the SRB's preferred resolution strategy consisted of a single point of entry bail-in strategy, the Group implemented a holding company, BOIG plc, during 2017.
- The Group continues to engage constructively with its resolution authorities, including the SRB, in order to meet regulatory expectations in respect of resolvability.
- Scenario planning and strategic planning tools are used to identify impacts.

1 Principal Risks and Uncertainties *(continued)*

Tax rates, legislation and practice

Principal risks and uncertainties

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

Key mitigating considerations

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

2 Risk Management Framework

Risk statement
Guided by the conditions of the Board approved Risk Identity and risk appetite, the Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into consideration and that the Group's overall business strategy and remuneration practices are aligned with its risk and capital management strategies.

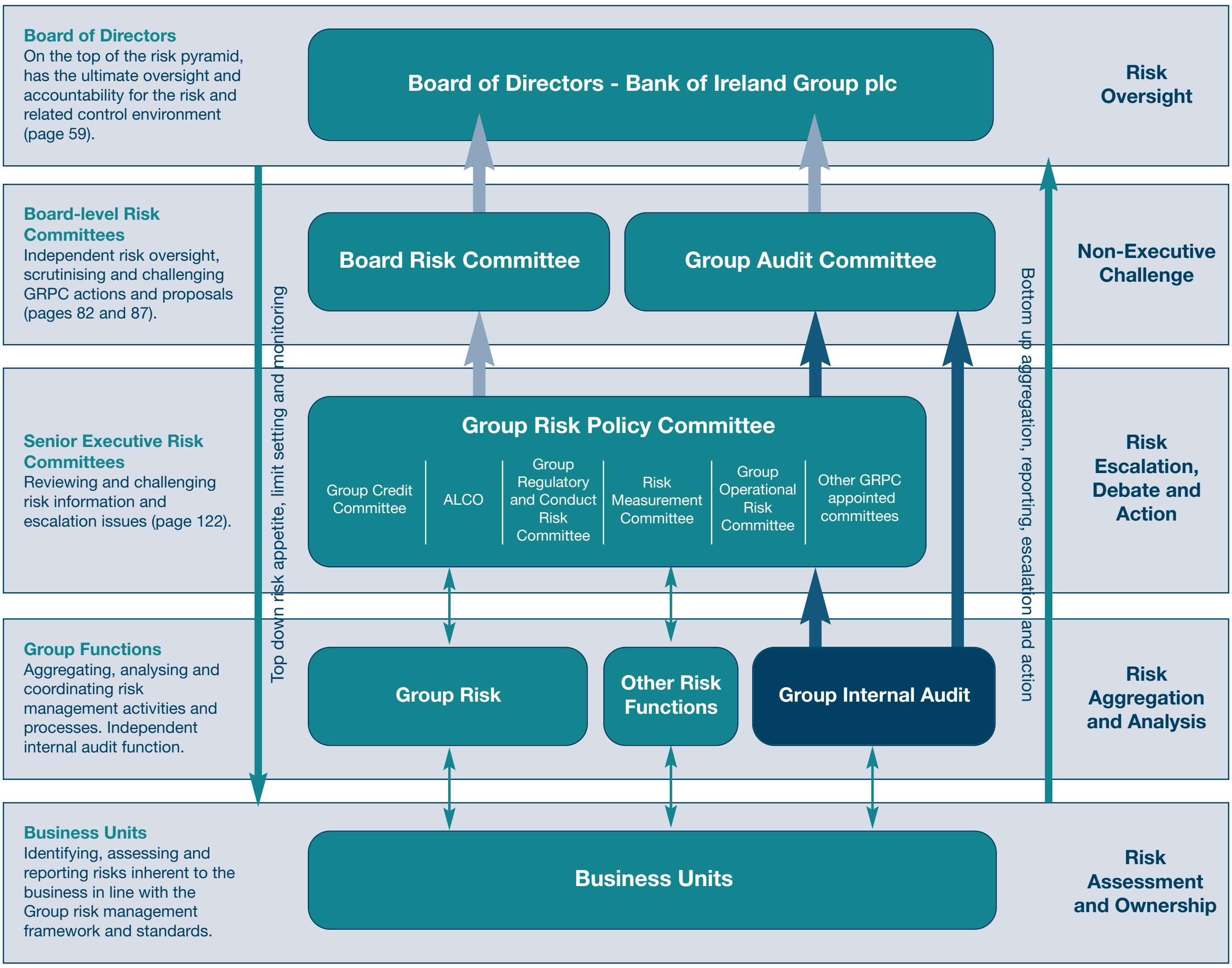
The Group Risk Framework is the overarching high level document which articulates the Group's integrated approach to risk. It is reviewed and approved annually by the Group CRO and by the Board at least every three years following consideration and recommendation by the BRC. It specifies the Group's formal governance process around risk, its framework for setting risk appetite and its approach to risk identification, assessment, measurement, management, and reporting.

The Group Risk Framework provides the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management practices and activities across the Group. It provides the context within which business and risk strategies are considered and developed (including risk policies, guidelines and limits / targets). The Group Risk Framework reflects the Group's analysis and responses to the impact and experience gained from economic and financial stress. This includes the implementation of specific recommendations from internal and external risk governance reviews endorsed by the Board.

2.1 Risk governance

The identification, assessment and reporting of risk in the Group is controlled within the risk governance framework which incorporates the Board, Risk Committees (appointed by the Board (e.g. BRC and GAC), the GRPC and its appointed committees (e.g. Group Regulatory and Conduct Risk Committee (GRCRC), Group Credit Committee (GCC), ALCO and Group Operational Risk Committee (GORC)).

The Board is responsible for ensuring that an appropriate system of internal control is maintained, and for reviewing its effectiveness. Each of the Risk Committees (including the BRC and GAC) has detailed terms of reference, approved by the Board or their parent committee, setting out their respective roles and responsibilities. Further detail outlining the key responsibilities of the Group's Board-level risk committees can be found on pages 77 to 90 within the Governance section.



2 Risk Management Framework *(continued)*

2.1 Risk governance *(continued)*

The **Group Risk Policy Committee** is the most senior management risk committee and reports to the BRC. It is chaired by the Group CRO and its membership comprises members of the Group Executive team and Group-wide divisional and control function executives. It met 28 times during 2019.

The GRPC is responsible for managing all risk types across the Group, including monitoring and reviewing the Group's risk profile and compliance with risk appetite and other approved policy limits, approving risk policies and actions within discretion delegated to it by the BRC. The GRPC reviews and makes recommendations on all risk matters where the Board and the BRC has reserved authority. The BRC oversees the decisions of the GRPC through a review of the GRPC minutes and reports from the Committee Chair. The GRPC delegates specific responsibility for oversight of the major classes of risk to specific committees and individuals that are accountable to it.

The relevant committees are set out in the following table.

Committee	Delegated responsibility
Group Credit Committee	Approval of all large credit transactions
Impairment Committee	Oversight of the impairment of financial instruments
Group Regulatory and Conduct Risk Committee	Governance of regulatory risk and conduct risk
Group Operational Risk Committee	Governance of operational risk
Portfolio Review Committee	Assessment of the composition of the Group's loan portfolio, including concentration risk, consideration of credit portfolio limits and risk-adjusted returns
Risk Measurement Committee	Approval and oversight of all aspects of credit risk measurement systems and may also oversee other risk model classes used for management purposes within the Group
Asset and Liability Committee	Oversight of interest rate, market and liquidity risks, capital and funding
Group Tax Committee	Approval of tax-based transactions and oversight of tax policy
Private Equity Governance Committee	Approval of equity underwriting transactions and private equity investments
Group Liquidity / Capital Committee	Management of the liquidity and funding positions of the Group. This committee is only invoked during periods of market disruption
US Advisory Risk Committee	Oversight of risk and compliance for the US operations (established in compliance with the Dodd-Frank Act)

Three lines of defence approach
The Risk Governance Framework is supported by the Group's management body and outlines how risk responsibilities extend throughout the organisation based on a three lines of defence approach.

First line of defence: Primary responsibility and accountability for risk management lies with line management in individual businesses and relevant Group functions. They are responsible for the identification and management of risk at business unit / Group function level including the implementation of appropriate controls and reporting to the Group in respect of all major risk events.

Second line of defence: Group Risk and a number of central functions are responsible for maintaining independent risk oversight and ensuring that a risk control framework is in place. Nominated 'Risk Owners' are responsible for ensuring:
- formulation of risk strategy;
- that a policy or a process is in place for the risks assigned to them;
- exposure to the risk is correctly identified, assessed according to the Group's materiality criteria, and reported;
- identified risk events are appropriately managed or escalated; and
- independent oversight and analysis along with centralised risk reporting are provided.

In 2019, the Group appointed a new Chief Compliance Officer, with responsibilities for operational, regulatory, financial crime, compliance and conduct risk activities.

Third line of defence: GIA provides independent, reasonable assurance to key stakeholders on the effectiveness of the Group's risk management and internal control framework. GIA carries out risk based assignments covering Group businesses and functions (including outsourcing providers - subject to the right to audit), with ratings assigned as appropriate. Findings are

2 Risk Management Framework *(continued)*

2.1 Risk governance *(continued)*

communicated to senior management and other key stakeholders, with remediation plans monitored for progress against agreed completion dates. Group Credit Review (GCR), an independent function within GIA, is responsible for reviewing the quality and management of credit risk assets across the Group. In 2019, the Group Chief Internal Auditor departed the Group. An Interim Group Chief Auditor was appointed pending completion of recruitment process.

Management oversight of risk
The Board, GRPC and their appointed committees are subject to annual effectiveness reviews which may result in further enhancement as endorsed by the Board. Areas of specific focus for review include organisational design, governance structures and risk appetite design, articulation and implementation.

Group Risk is responsible for the Group's overall risk strategy and integrated risk reporting to the Board, the BRC and Group Executive team, in addition to oversight of all risks. The function is led by the Group CRO who is a member of the Group Executive team and reports directly to the Group CEO, and may directly influence business decisions by:

- emphasising a portfolio approach to risk management in addition to a transactional approach;
- leading the discussion on the setting of risk appetite; and
- providing appropriate risk measurements to influence the assessment of business performance.

The Group CRO provides independent advice and constructive challenge to the Group Executive in the support of effective risk-informed business decisions. This involves acting as an enabler as well as a challenger of well-structured business growth opportunities that can be shown to fit within the Group's risk appetite.

In addition, a number of other Group functions have responsibility for the Group's other key risk types, namely Group Communications (reputation risk) and Group Finance (pension risk). Business and strategic risk is managed by the relevant Divisional CEOs, with risk ownership assigned to Group Strategy Development and Group Finance. Life insurance risk is managed within NIAC, an independent regulated subsidiary with its own independent board, with risk ownership assigned to the CFO, NIAC.

2.2 Risk culture

The Group risk appetite articulates the level of risk the Group is prepared to take to achieve its strategic priorities. The culture of the Group reflects the balance between:

- risk management and financial return; and
- risk taking and incentives.

The Group's risk culture encompasses the general awareness, attitude and behaviour of employees to the taking of appropriate risk and the management of risk within the Group. The Group's risk culture is a key element of the Group's effective risk management framework, which enables decisions to be taken in a sound and informed manner.

Transforming the Group is a strategic priority and ongoing oversight and measurement of cultural transformation is required to deliver this efficiently and effectively. The Group has developed a Strategic Culture Transformation Plan to support the delivery of a culture consistent with our Purpose, Values and Strategic Priorities by 2021. It aims to embed a consistent and robust culture across the Group and build on existing infrastructure and focus on:

- **enhancing existing processes - making good better and better best** e.g. enhanced performance management drawing direct links to recognition and ultimately reward;
- **reinforcing the Purpose and Values - knowing is not enough, we must apply** e.g. by restructuring the Code of Conduct in line with the Group Values and using the Code of Conduct check in meetings; and
- **formalising existing practices - being willing is not enough, we must show and do** e.g. by formalising accountabilities so that they drive decision making.

Actions have been identified to reflect the core enablers that will allow for meaningful and measureable cultural change across the Group.

2.3 Risk strategy and appetite

Risk identity
The Group's risk identity is to be the National Champion bank in Ireland focused on having long-term relationships with our retail, commercial and corporate customers. The Group's core franchise is in Ireland with income and risk diversification through a meaningful presence in the UK and selected international activities where the Group has proven competencies. The Group pursues an appropriate return for the risks taken and on capital deployed while operating within prudent Board approved risk appetite parameters to have and maintain a robust, standalone financial position.

The Group's risk strategy and risk appetite to pursue this risk identity are set by the Board.

Risk strategy
The Group's risk strategy is to ensure that the Group clearly defines its risk appetite as reflected in Group strategy and that it has appropriate risk governance, processes and controls in place as articulated in the Group Risk Framework to:

- address its target markets with confidence;
- protect its balance sheet; and
- deliver sustainable profitability.

2 Risk Management Framework *(continued)*

2.3 Risk strategy and appetite *(continued)*

The Group seeks to accomplish its risk strategy by:
- defining risk identity and risk appetite as the boundary condition for the Group's strategic plan and annual operating plan / budget;
- defining the risk principles upon which risks may be accepted;
- ensuring that all material risks are correctly identified, assessed, measured, managed and reported;
- ensuring that capital and funding considerations shape the approach to risk selection / management in the Group;
- allocating clear roles and responsibilities / accountability for the control of risk within the Group;
- avoiding undue risk concentrations;
- engendering a prudent and balanced risk management culture;
- ensuring that the basis of remuneration for key decision makers is consistent with EBA guidelines, as appropriate; and
- ensuring that the Group's risk management structures remain appropriate to its risk profile and take account of lessons learnt and emerging internal and external factors.

Risk appetite
Risk appetite defines the amount and type of risk the Group is prepared to accept in pursuit of its financial objectives. It informs Group strategy and, as part of the overall framework for risk governance, forms a boundary condition to strategy and guides the Group in its risk-taking and related business activities.

Risk appetite is defined in qualitative terms as well as quantitatively through a series of high level limits and thresholds covering areas such as credit risk, market risk, funding and liquidity risk, operational risk and capital measures. These high level limits and thresholds are cascaded where appropriate into more granular limits and thresholds across portfolios and business units. Risk appetite guides the Group in its risk-taking and related business activities, having regard to managing financial volatility, ensuring solvency and protecting the Group's core franchises and growth platforms.

Measures, approved by the Group, are employed to track its profile against the most significant risks that it assumes. Each of these measures has a defined threshold level or limit, as appropriate, and actual performance is tracked against these threshold levels or limits.

The Risk Appetite Statement includes specific limits on credit category and single name exposures among other qualitative and quantitative risk parameters and it also provides for the implementation of a hierarchy of credit category limits. The Risk Appetite Statement is reviewed at least annually or in light of changing business and economic conditions. It is set and approved by the Board following consideration and recommendation by the BRC.

2.4 Risk identification and materiality assessment

Risks facing the Group are identified and assessed annually through the Group's risk identification process. Arising out of this process, the identified risks are aggregated and key risk types are identified which could have a material impact on the Group's earnings, capital adequacy and / or on its ability to trade in the future. These key risk types form the basis on which risk is managed and reported in the Group.

A risk owner is assigned to each key risk category and appropriate policies and / or processes are put in place and a formalised measurement and management process defined and implemented. Risk appetite measures for each risk type are set by the Board.

In addition to, and separate from, the Group's risk identification process, a review of the top five risks facing the Group is carried out on a semi-annual basis. This process involves Senior Executive management identifying and ranking what they perceive to be the top risks facing the Group. This review facilitates the identification and discussion of new risks whose existence or importance may have been highlighted or elevated by unusual or out of course developments such as external market shocks or geopolitical event risks. It also facilitates discussion and assessment of how such risks or events may have a knock-on impact for the Group's identified key risk types.

The ten key risk types are outlined below:

2 Risk Management Framework *(continued)*

2.5 Risk analysis and measurement

The identified key risk types are actively analysed and measured in line with the formalised policies and management processes in place for each risk type.

For credit, funding and liquidity, life insurance, market, operational and pension risks, risk models are used to measure, manage and report on these respective risk types. Risk limits and diversification, together with regular review processes, are in place to manage potential credit risk and funding and liquidity risk concentrations which in turn could lead to increased volatility in the Group's expected financial outcomes. Additionally, the Group's calculation of economic capital takes into consideration the extent to which credit concentration risk exists in respect of single name, sector and geography.

At Group level, common measures and approaches for risk aggregation and measurement have also been adopted, in order to inform operational and strategic plans and to steer the business within the boundaries of its risk appetite. These include one-year or multi-year forecasting / stress testing and a capital allocation framework which incorporates economic capital modelling and risk adjusted return analysis. The Group uses a suite of risk measurement models and systems to support decision making processes at transaction and portfolio levels, e.g. approving a loan facility to a borrower.

Return on Capital
The common measure of return on risk used by the Group is Risk Adjusted Return on Capital (RAROC). RAROC is used to objectively assess the return of individual loans, portfolios and businesses, and is a key performance metric for the Group in the context of allocation of capital.

Loan loss forecasting and solvency stress testing
Forecasting and stress testing are risk management tools used by the Group to alert management to potential adverse outcomes related to a variety of risks and inform risk appetite and contingent mitigating action.

The Group conducts:

- loan loss forecasting which informs senior management about potential outcomes related to loan loss evolution under chosen macroeconomic scenarios. This information is regularly used as an input into the Group's budget, strategic plan and ICAAP. Additionally, it can be used to forecast future provisioning needs and / or to understand, and therefore anticipate, earnings volatility and future capital utilisation, such as at portfolio / transaction level. Results of forecasting are used by the Group to enhance the understanding of potential vulnerabilities and to make decisions around risk appetite and capital adequacy or to help prepare mitigating actions;
- solvency stress tests evaluate the Group's financial position under 'severe but plausible' scenarios or sensitivities and provide an indication of how much capital might be needed to absorb losses should such a shock occur. Scenarios for solvency stress testing are approved by GRPC but regulators can also request that a mandated stress scenario be run to assess capital needs across banks in a particular jurisdiction. The approved scenarios are applied to the Group's credit portfolios and financials as appropriate, in order to generate stressed loan loss forecasts and other impacts over the scenario period. The outputs of the solvency stress testing are reviewed and approved by the Board, and used by the Group to inform risk appetite, strategy and capital planning and are an integral component of the Group's ICAAP process. They are also used by regulators to assess the Group's ability to continue to meet its capital requirements under severe adverse conditions; and
- reverse stress testing evaluates the Group's ability to survive an unforeseen severe event or combination of events that would cause the Group's business model to become unviable. Reverse stress testing complements and builds on solvency stress testing by exploring more extreme scenarios / events beyond the likelihood thresholds looked at in solvency stress testing. This is achieved as reverse stress testing is developed in reverse, working back from an outcome of business failure to causal analysis, while the more typical solvency stress testing works towards defining a range of outcomes or probabilities given defined inputs.

The Group also runs more frequent and / or ad hoc stress tests for general risk management purposes. These cover:

Market risk
The following market risks are subject to stress testing as part of its normal risk measurement and management process:

- discretionary market risk, consisting of Trading Book positions and discretionary Interest Rate Risk in the Banking Book (IRRBB) risk;
- structural IRRBB consisting of balance sheet basis risk; and
- structural FX, the sensitivity of Group capital ratios to exchange rate movement.

Discretionary risk and basis risk are stressed using empirically-based scenario analyses. In the case of discretionary risk, the stress test results are potential changes in the economic value of positions; in the case of basis risk, the results are potential changes in one year-ahead net interest income.

Operational risk
Operational risk stresses are modelled based on a scenario-based approach. Severe, yet plausible operational risk loss scenarios are applied on a Group-basis and are used to inform the assessment of the Group's economic capital requirement.

Life insurance risk
Life insurance regulations require each life company to complete an annual ORSA. The ORSA process is intended to consider severe but plausible risks to the business, and the capital or mitigating actions required to withstand those risks within the context of its business plans. This assessment considers a range of sensitivities and scenario tests, including deterioration in the insurance risk experience.

Funding and liquidity risk
The Group stresses its exposure to liquidity risk through liquidity stress testing which provides senior management with the ability to assess the degree to which the Group is vulnerable to extreme but plausible adverse liquidity conditions. It is used to identify the potential impact of a range of adverse shocks, including the impacts of rating downgrades and the reduction / withdrawal of certain funding markets such as customer deposits or wholesale markets on the Group's ability to fund its outflows (asset financing and / or contractual obligations) at the required time and at a reasonable cost.

2 Risk Management Framework *(continued)*

2.5 Risk analysis and measurement *(continued)*

Recovery planning
In line with the BRRD for EU banks, the Group maintains a Recovery Plan which sets out options to restore financial stability and viability of the Group in the event of the relevant circumstances arising. The Group's Recovery Plan is approved by the Board on the recommendation of BRC and GRPC. Under a separate but complementary process, the SRB in conjunction with other relevant resolution authorities, conducts resolution planning for all financial institutions that fall under the resolution regime, including the Group. This involves the resolution authority developing the set of actions that would be taken in the event that a firm within scope of the regime fails.

2.6 Risk monitoring and reporting

The Group CRO reports on risk to the GRPC, the BRC and the Board on a regular basis. This allows Group management to be clear and consistent in communication with internal and external stakeholders, including markets, rating agencies and regulators. Additionally, it is a process which assists in discharging the regulatory responsibilities of the Group, which stipulates that management understand the major risks facing the Group and the process in place for managing those risks.

The key risk types identified under the Group's risk identification process are assessed and their status is reported quarterly by the Group CRO in the Court Risk Report which is reviewed by the GRPC, the BRC and the Board. The content of the report includes an analysis of and commentary on all key risk types as set out on pages 127 to 155. Updates on risk dashboards and risk appetite compliance are provided on a monthly basis.

As part of the Group's risk monitoring and review processes and in support of the Group's ICAAP, a suite of risk and capital reports are regularly reviewed by ALCO, the Portfolio Review Committee (PRC) and GRPC. In addition, the Group performs regular ongoing operational reporting and monitoring of credit quality, grade migration and other risk trends as well as the tracking of market risk and operational risk within the Group Risk functions. Furthermore, the measurement and reporting process is subject to ongoing review and is enhanced where appropriate.

Breaches of the Group Risk Framework or breaches / exceptions to Board / Board appointed committee approved policies are advised to the GRPC by the relevant risk owner and reported, as necessary by the Chair of GRPC, to the BRC and Board.

Material breaches to other GRPC approved policies are advised to the GRPC by the relevant risk owner at the earliest possible opportunity.

The BRC also receives risk information through its review of the GRPC minutes and through investigations carried out into specific risk matters. The GAC separately receives Internal Audit reports on a range of matters following completion of its independent, risk based assignments or ad hoc reviews.

3 Management of key Group risks

3.1 Credit risk

Key points:

- The macroeconomic environment in Ireland and the UK, which are the Group's key markets, continued to be favourable in 2019. While uncertainty in relation to Brexit resulted in muted overall demand for credit, it did not have a material impact on credit quality.
- Total loans and advances to customers (before impairment loss allowance) at amortised cost[1] increased to €80.5 billion at 31 December 2019 from €78.4 billion at 31 December 2018 reflecting the combined impacts of net new lending, FX rates, disposal / securitisation of portfolios and utilisation of impairment loss allowance.
- Overall asset quality trends have continued to improve. NPEs reduced by €1.5 billion to €3.5 billion during 2019, with reductions across all loan portfolios with elevated levels of NPEs, including reductions associated with the disposal / securitisation of NPE portfolios in 2019 (primarily comprised of BTL residential mortgages in Retail Ireland).
- Total net impairment losses on loans and advances to customers of €210 million compared to a prior year gain of €36 million. The loss primarily reflects a more normalised level of impairments and also losses on a small number of large exposures. Total impairment loss allowance as a percentage of NPEs was 37% at 31 December 2019 (31 December 2018: 35%).

Definition of credit risk *(audited)*

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes but is not limited to default risk, concentration risk, country risk, migration risk and collateral risk. At portfolio level, credit risk is assessed in relation to the degree of name, sector and geographic concentration to inform the setting of appropriate risk mitigation and transfer mechanisms, and to assess risk capital requirements. Risk appetite measures for credit risk are set by the Board.

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

Credit facilities can be largely grouped into the following categories:

- cash advances (e.g. loans, overdrafts, revolving credit facilities (RCFs) and bonds), and associated commitments and letters of offer;
- credit related contingent facilities (issuing of guarantees / performance bonds / letters of credit);
- derivative instruments; and
- settlement lines.

The manner in which the Group's exposure to credit risk arises, its policies and processes for managing it and the methods used to measure and monitor it are set out below.

Default risk

Default risk is the risk that financial institutions, sovereigns, state institutions, companies or individuals will be unable to meet the required payments on their debt obligations. Default may be as a result of one or a number of factors including, but not limited to:

- deterioration in macroeconomic or general market conditions;
- deterioration in a borrower's capacity to service its credit obligation;
- a credit event (e.g. a corporate transaction);
- a natural or manmade disaster;
- regulatory change, or technological development that causes an abrupt deterioration in credit quality;
- a mismatch between the currency of a borrower's income and their borrowing / repayments; and
- environmental factors that impact on the credit quality of the counterparty.

Credit concentration risk

Credit concentration risk is the risk of loss due to exposures to a single entity or group of entities engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Undue concentrations could lead to increased volatility in the Group's expected financial outcomes.

Country risk

Country risk is the risk that sovereign or other counterparties within a country may be unable, unwilling or precluded from fulfilling their cross-border obligations due to changing political, financial or economic circumstances such that a loss to the Group may arise.

Migration risk

Migration risk is the potential for loss due to an internal / external ratings downgrade which signals a change in the credit quality of the loan exposure.

Collateral risk

Collateral risk is the risk of loss arising from a change in the value or enforceability of security held due to errors in the nature, quantity, pricing, or characteristics of collateral security held in respect of a transaction with credit risk.

[1] *Excludes €0.3 billion of loans and advances to customers at 31 December 2019 that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9 (31 December 2018: €0.3 billion) and includes €nil of loans and advances to customers classified as held for sale at 31 December 2019 (31 December 2018: €0.6 billion).*

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

Credit risk management *(audited)*

Credit risk statement
The Group actively seeks opportunities to provide appropriately remunerated credit facilities to borrowers who are assessed as having the capacity to service and discharge their obligations and to allow growth in the volume of loan assets in line with the Group's risk appetite and to provide a solid foundation for sustained growth in earnings and shareholder value.

The Group's credit strategy is to underwrite credit risk within a clearly defined Board-approved risk appetite and risk governance framework through the extension of credit to customers and financial counterparties in a manner that results in an appropriate return for the risks taken and on the capital deployed while operating within prudent Board-approved risk parameters, and to maximise recoveries on loans that become distressed.

Credit risk management
The Group's approach to the management of credit risk is focused on a detailed credit analysis at origination followed by early intervention and active management of accounts where creditworthiness has deteriorated.

Through its ongoing credit review processes, the Group seeks early identification of deteriorating loans with a view to taking corrective action to prevent a loan becoming credit-impaired. Typically, loans that are at risk of becoming credit-impaired are managed by dedicated specialist units / debt collection teams focused on working-out loans. For loans that become credit-impaired, the focus is to minimise the loss that the Group will incur. This may involve implementing forbearance solutions, entering into restructuring arrangements, action to enforce security, asset / portfolio disposals or securitisations.

The Group credit risk function has responsibility for the independent oversight of credit risk, and for overall risk reporting to the GRPC, the BRC and the Board on developments in credit risk and compliance with specific risk limits. It is led by the Chief Credit Officer who reports directly to the Group CRO. The function provides independent oversight and management of the Group's credit risk strategy, credit risk management information and credit risk underwriting. A separate Customer Loans Solutions function also reports to the Group CRO and provides experienced and dedicated management of challenged assets.

Credit policy
The core values and principles governing the provision of credit are contained in Group Credit Policy which is approved by the Board. Individual business unit credit policies (which include specific sectoral / product credit policies) define in greater detail the credit approach appropriate to the units concerned. These policies are aligned with, and have regard to, the Group's Risk Appetite Statement and applicable credit limits, the lessons learned from the Group's loss history, the markets in which the business units operate and the products which they provide.

Lending authorisation
The Group's credit risk management systems operate through a hierarchy of lending authorities which are related to internal loan ratings. All exposures above certain levels require approval by the GCC. Other exposures are approved according to a system of tiered individual authorities which reflect credit competence, proven judgement and experience. Material lending proposals are referred to credit units for independent assessment / approval or formulation of a recommendation for subsequent adjudication by the applicable approval authority. Certain retail loan applications may be approved automatically where they meet both approved policy rules and minimum thresholds for the score produced by internal credit scoring tools.

Controls and limits
The Group imposes credit risk control limits and guide points to mitigate significant concentration risk. These limits and guide points are informed by the Group's Risk Appetite Statement which is approved annually by the Board.

It includes specific long term limits for each category and maximum exposure limits to a customer or a group of connected customers.

The Board approves a framework of country maximum exposure guide points which are used as benchmarks for the setting of country limits. A maximum exposure limit framework for exposures to banks is also approved by the GRPC for each rating category. Limits are set and monitored for countries, sovereign obligors and banks in accordance with these frameworks.

Credit risk measurement *(audited)*

All credit transactions are assessed at origination for credit quality and the borrower is assigned a credit grade based on a predefined credit rating scale. The risk, and consequently the credit grade, is reassessed periodically. The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

Loan impairment
Under IFRS 9, essentially all credit risk exposures not measured at fair value through profit or loss (FVTPL) are subject to recognition of an impairment loss allowance for expected credit losses (ECL). The Group's impairment modelling methodologies are approved by RMC and the quantum of the Group's impairment gain or loss, NPEs and impairment loss allowances are reviewed by the Impairment Committee and by the GRPC in advance of providing a recommendation to the GAC.

The Group's credit risk rating systems and impairment models and methodologies play a key role in quantifying the appropriate level of impairment loss allowance. Further details are provided in the section on credit risk methodologies on page 134.

An analysis of the Group's impairment loss allowances at 31 December 2019 is set out in note 27 on page 222.

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

Credit risk mitigation *(audited)*

An assessment of the borrower's ability to service and repay the proposed level of debt (principal repayment source) is undertaken for credit requests and is a key element in the Group's approach to mitigating risk. In addition, the Group mitigates credit risk through the adoption of both proactive preventative measures (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks should these materialise, including hedging, securitisation, the taking of collateral (which acts as a secondary repayment source) and selective asset / portfolio disposals and securitisations.

Risk transfer

The objective of risk mitigation / transfer is to limit the risk impact to acceptable levels. At portfolio level, credit risk is assessed in relation to the degree of name, sector and geographic concentration. Where possible emergence of undue risk concentrations are identified, the risk capital implications are assessed and, where appropriate, risk transfer and mitigation options (e.g. disposals, securitisations, hedging strategies) are explored and recommended to the PRC.

Collateral

Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product and local market practice, as set out in the Group's policies and procedures. The Group takes collateral as a secondary repayment source, which can be called upon if the borrower is unable or unwilling to service and repay debt as originally envisaged. Various types of collateral are accepted, including property, securities, cash, guarantees and insurance.

The nature and level of collateral required depends on a number of factors including, but not limited to, the amount of the exposure, the type of facility made available, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or Probability of Default (PD).

The Group's requirements around completion, valuation and management of collateral are set out in appropriate Group or business unit policies and procedures. The extent to which collateral and other credit enhancements mitigate credit risk in respect of the Group's Residential mortgage portfolio is set out in the tables on pages 311 and 319.

Counterparty credit risk arising from derivatives

Trading in over-the-counter (OTC) derivatives is governed by the European Market Infrastructure Regulation. The Group has executed standard internationally recognised documents such as International Swaps and Derivatives Association (ISDA) agreements and Credit Support Annexes (CSAs) with all of its derivative financial counterparties. In addition, the Group has Cleared Derivatives Execution Agreements (CDEAs) with its principal interbank derivative counterparties enabling the Group to clear eligible derivatives through an EU approved and regulated central counterparty. If a derivative contract cannot be cleared through a central counterparty, a CSA serves to limit the potential cost of replacing that contract at market price in the event of a default by the financial counterparty. All of the Group's interbank derivatives are covered by CDEAs or CSAs and are hence collateralised.

Credit risk reporting / monitoring *(audited)*

Credit risk at a Group, divisional and significant operating unit / product type level is reported on a monthly basis to senior management. This monthly reporting includes information and detailed commentary on loan book growth, quality of the loan book (credit grade and PD profiles and RWAs), impairment loss allowances, and individual large credit-impaired exposures.

Credit risk, including compliance with key credit risk limits, is monitored and reported monthly in the Court Risk Report. This report is presented to and discussed by the GRPC and the Board. The quarterly Court Risk Report is also presented to and discussed by the BRC. A report on exceptions to credit policy is presented to and reviewed by the GRPC, the BRC and the Board on a quarterly basis.

The PRC considers and recommends to the GRPC, on a quarterly basis, credit concentration reports which track changes in sectoral and single name concentrations measured under agreed parameters.

In addition other reports are submitted to senior management and the Board as required.

GCR, an independent function within GIA, reviews the quality and management of credit risk assets across the Group. Using a risk based approach, GCR carries out periodic reviews of Group lending portfolios, lending units and credit units.

Management of challenged assets *(audited)*

The Group has in place a range of initiatives to manage challenged and vulnerable credit. These include:

- enhanced collections and recoveries processes;
- specialist work-out teams to ensure early intervention in vulnerable cases;
- intensive review cycles for 'at risk' exposures and the management of excess positions; and
- support from central teams in managing 'at risk' portfolios at a business unit level.

Group forbearance strategies

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

The forbearance strategies adopted by the Group seek to maximise recoveries and minimise losses arising from non-repayment of debt, while providing suitable and sustainable restructure options that are supportive of customers in challenged circumstances. Such strategies may include, where appropriate, one or a combination of measures such as a temporary reduction in contractual payments, a term extension, capitalisation of arrears, adjustment or non-enforcement of covenants and / or more permanent restructuring measures. Forbearance requests are assessed on a case by case basis, taking due consideration of the individual circumstances and risk profile of the borrower.

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

A request for forbearance will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances and ability to repay prior to any decision to grant a forbearance treatment. This assessment may result in a deterioration in the credit grade assigned to the loan, potentially impacting how frequently the loan must be formally reviewed. This assessment may also result in a loan being considered to have experienced a 'significant increase in credit risk' or becoming classified as credit-impaired.

The Group Credit Policy and Group Credit Framework outlines the core principles and parameters underpinning the Group's approach to forbearance with individual business unit policies and procedures defining in greater detail the forbearance strategies appropriate to each unit.

Borrower compliance with revised terms and conditions may not be achieved in all cases. Non-compliance could for example arise because the individual circumstances and risk profile of the borrower continue to deteriorate, or fail to show an expected improvement, to the extent that an agreed reduced level of repayment can no longer be met. In the event of non-compliance, a request for further forbearance may be considered. It is possible that the Group, by virtue of having granted forbearance to a borrower, could suffer a loss that might otherwise have been avoided had enforcement action instead been taken - this could for example arise where the value of security held in respect of a loan diminishes over the period of a forbearance arrangement which ultimately proves unsustainable.

It is the Group's policy to measure the effectiveness of forbearance arrangements over the lifetime of those arrangements. A forbearance arrangement is considered to be effective where the risk profile of the affected borrower stabilises or improves over the measured time period, resulting in an improved outcome for the Group and the borrower. The measurement of effectiveness takes account of the nature and intended outcome of the forbearance arrangement and the period over which it applies.

Asset quality - Loans and advances to customers
(audited except where denoted unaudited)

Asset quality methodology

The Group has allocated financial instruments into one of the following categories at the reporting date:

- **Stage 1 - 12 month expected credit losses (not credit-impaired)**
  Financial instruments which have not experienced a significant increase in credit risk since initial recognition and are not credit-impaired. An impairment loss allowance equal to 12-month ECL is recognised, which is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

- **Stage 2 - Lifetime expected credit losses (not credit-impaired)**
  Financial instruments which have experienced a 'significant increase in credit risk since initial recognition' and are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised, being the ECL resulting from all possible default events over the expected life of the financial instrument. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument.

- **Stage 3 - Lifetime expected credit losses (credit-impaired)**
  Credit-impaired financial instruments, other than Purchased or Originated Credit-impaired (POCI) financial assets. An impairment loss allowance equal to lifetime ECL is recognised. The manner in which the Group identifies financial assets as credit-impaired results in the Group's population of credit-impaired financial assets being consistent with its population of defaulted financial assets (in accordance with Article 178 of the Capital Requirements Regulation (CRR) in scope for the impairment requirements of IFRS 9. This encompasses loans where: (i) the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security (including 'forborne collateral realisation' (FCR) loans); and / or (ii) the borrower is greater than 90 days past due and the arrears amount is material.

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

Further information on the approach to identifying a 'significant increase in credit risk since initial recognition' and in identifying credit-impaired assets is outlined in the Credit risk methodologies section on pages 134 to 136.

The Group continued to apply the following classifications at the reporting date.

Forborne loans
Loans where a forbearance measure has been granted and where the criteria to exit a forborne classification, in line with EBA guidance, are not yet met. Loans that have never been forborne or loans that are no longer required to be reported as 'forborne' are classified as 'non-forborne'.

Forborne collateral realisation loans
Loans (primarily Residential mortgages) which meet both of the following criteria: (i) not greater than 90 days past due; and (ii) forbearance is in place and future reliance on the realisation of collateral is expected for the repayment in full of the loan when such reliance was not originally envisaged. Such loans are considered credit-impaired and include Split Mortgages and certain 'Interest Only' / 'Interest Only plus' arrangements.

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

Non-performing exposures
These are:
(i) **credit-impaired loans** which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, including FCR cases, and loans where the borrower is greater than 90 days past due and the arrears amount is material; and
(ii) **other / probationary loans** that have yet to satisfy exit criteria in line with EBA guidance to return to performing.

Quantitative information about credit risk can be found in the credit risk exposure note on page 235 in the consolidated financial statements.

Non-performing exposures
The tables below provide an analysis of loans and advances to customers that are non-performing by asset classification as at 31 December 2019 (including loans classified as held for sale at 31 December 2018).

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

2018 Risk profile of loans and advances to customers - NPEs[3]	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired[1]	2,466	1,068	843	108	4,485
Not credit-impaired[2]	277	144	75	3	499
Total	**2,743**	**1,212**	**918**	**111**	**4,984**

Unaudited:
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 (2018: €0.1 billion).

NPEs decreased to €3.5 billion at 31 December 2019 from €5.0 billion at 31 December 2018, with reductions evident across all portfolios with elevated levels of NPEs including the impact of the disposal / securitisation of non-performing portfolios (primarily comprised of BTL residential mortgages in Retail Ireland). NPEs at 31 December 2019 comprise credit-impaired loans of €3.1 billion and other NPEs[2] of €0.4 billion.

[1] *Includes Stage 3 and Purchased or Originated Credit-impaired assets which remain credit-impaired at the reporting date.*
[2] *Other / probationary loans, including forborne loans that have yet to satisfy exit criteria in line with European Banking Authority guidance to return to performing.*
[3] *Includes €630 million of loans and advances to customers classified as held for sale at 31 December 2018.*

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

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 (including loans classified as held for sale at 31 December 2018) as at 31 December 2019.

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

2018 Total loans and advances to customers at amortised cost - Composition and impairment[1,4]	Advances (pre-impairment loss allowance) €m	Credit-impaired loans[2] €m	Credit-impaired loans as % of advances %	Impairment loss allowance[3] €m	Impairment loss allowance as % of credit-impaired loans %
Residential mortgages	45,437	2,466	5.4%	492	20%
- Retail Ireland	*23,716*	*2,026*	*8.5%*	*444*	*22%*
- Retail UK	*21,721*	*440*	*2.0%*	*48*	*11%*
Non-property SME and corporate	19,465	1,068	5.5%	501	47%
- Republic of Ireland SME	*7,601*	*730*	*9.6%*	*340*	*47%*
- UK SME	*1,570*	*79*	*5.0%*	*37*	*47%*
- Corporate	*10,294*	*259*	*2.5%*	*124*	*48%*
Property and construction	8,354	843	10.1%	369	44%
- Investment	*7,718*	*760*	*9.8%*	*321*	*42%*
- Land and development	*636*	*83*	*13.1%*	*48*	*58%*
Consumer	5,174	108	2.1%	70	65%
Total	**78,430**	**4,485**	**5.7%**	**1,432**	**32%**

[1] *Excludes €252 million of loans and advances to customers at 31 December 2019 (2018: €261 million) that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.*
[2] *Includes Stage 3 and Purchased or Originated Credit-impaired assets which remain credit-impaired at the reporting date.*
[3] *Impairment loss allowance on credit impaired loans and Purchased or Originated Credit-impaired assets.*
[4] *Includes €630 million of loans and advances to customers classified as held for sale at 31 December 2018.*

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

At 31 December 2019, loans and advances to customers (pre-impairment loss allowance) of €80.5 billion were €2.1 billion higher than 31 December 2018, reflecting the combined impacts of net new lending, utilisation of impairment loss allowance and currency translation (note 27).

Credit-impaired loans decreased to €3.1 billion or 3.9% of customer loans at 31 December 2019 from €4.5 billion or 5.7% at 31 December 2018. This reduction reflects the Group's continued implementation of resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty; and a continued positive economic environment and outlook in key markets. Resolution strategies include the realisation of cash proceeds from property sales activity, as well as the disposal / securitisation of non-performing portfolios (primarily comprised of BTL Retail Ireland residential mortgages) 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 stock of impairment loss allowance on credit-impaired loans decreased to €1.0 billion at 31 December 2019 from €1.4 billion at 31 December 2018. This reduction incorporates the impact of impairment loss allowance utilisation totalling c.€0.7 billion, which was the primary driver of a decrease in impairment loss allowance as a percentage of credit-impaired loans across the Group's loan portfolios. The decrease in the impairment loss allowance for credit-impaired loans in the Property and construction portfolio reflected resolution activity in Ireland and the UK.

The table below summarises the composition, NPEs and related impairment loss allowance of the Group's loans and advances to customers at 31 December 2019 (including loans classified as held for sale at 31 December 2018) .

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

[1] *Excludes €252 million (31 December 2018: €261 million) of loans and advances to customers at 31 December 2018 that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.*

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

2018 **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	45,437	2,743	6.0%	537	20%
- Retail Ireland	*23,716*	*2,254*	*9.5%*	*464*	*21%*
- Retail UK	*21,721*	*489*	*2.3%*	*73*	*15%*
Non-property SME and corporate	19,465	1,212	6.2%	625	52%
- Republic of Ireland SME	*7,601*	*848*	*11.2%*	*412*	*49%*
- UK SME	*1,570*	*96*	*6.1%*	*51*	*53%*
- Corporate	*10,294*	*268*	*2.6%*	*162*	*60%*
Property and construction	8,354	918	11.0%	411	45%
- Investment	*7,718*	*829*	*10.7%*	*363*	*44%*
- Land and development	*636*	*89*	*14.0%*	*48*	*54%*
Consumer	5,174	111	2.1%	155	140%
Total	**78,430**	**4,984**	**6.3%**	**1,728**	**35%**

Unaudited:
The movements in NPEs in the year are broadly consistent with the movements in credit-impaired loans as set out on page 132. At 31 December 2019, the Group's NPE impairment loss allowance cover ratio was 37% (2018: 35%).

Credit risk methodologies *(audited)*

The Group's credit risk methodologies encompass internal credit rating models and scoring tools and impairment models and are set out below.

Internal credit rating models
The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

The primary model measures used are:
- PD: the probability of a given counterparty defaulting on any of its borrowings from the Group within the next twelve months;
- Exposure at Default (EAD): the exposure the Group has to a defaulting borrower at the time of default; and
- Loss Given Default (LGD): the loss incurred (after the realisation of any collateral) on a specific transaction should the borrower default, expressed as a percentage of EAD.

These measures are used to calculate regulatory expected loss and are fully embedded in, and form an essential component of, the Group's operational and strategic credit risk management and credit pricing practices.

The structure of internal rating systems
The Group divides its internal rating systems into non-retail and retail approaches.

For the Group's retail consumer and smaller business portfolios, the credit risk assessment is grounded on application and behavioural scoring tools. For larger commercial and corporate customers, the risk assessment is underpinned by statistical risk rating models which incorporate quantitative information from the customer (e.g. financial statements) together with a qualitative assessment of non-financial risk factors such as management quality and market / trading outlook. Lending to financial institutions is assigned an internal rating supported by external ratings of the major rating agencies.

PD calculation
For the purposes of internal credit rating models, the Group produces estimates of PD on either or both of the following bases:
- Through-the-Cycle (TtC) estimates are estimates of default over an entire economic cycle, averaged to a twelve month basis. These are in effect averaged expectations of PD for a borrower over the economic cycle; and
- Cyclical estimates are estimates of default applicable to the next immediate twelve months. These cyclical estimates partially capture the economic cycle in that they typically rise in an economic downturn and decline in an economic upturn but not necessarily to the same degree as default rates change in the economy.

Non-retail internal rating systems
The Group has adopted the Foundation Internal Rating Based (FIRB) approach for most of its non-retail portfolios. Under this approach, the Group calculates its own estimates for PD and uses supervisory estimates of LGD and credit conversion factors.

[1] *Excludes €252 million (31 December 2018: €261 million) of loans and advances to customers at 31 December 2018 that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.*
[2] *Includes €630 million of loans and advances to customers classified as held for sale at 31 December 2018.*

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

To calculate PD under the FIRB approach, the Group assesses the credit quality of borrowers based on transaction and borrower specific characteristics. Scorecards are developed for each significant portfolio or type of lending, with outputs used to assign a PD grade to each borrower.

In the case of financial institutions, external credit agency ratings are used to provide a significant challenge within the Group's ratings approach. For exposures other than financial institutions, external ratings, when available for borrowers, play a role in the independent validation of internal estimates.

For non-retail exposures, the Group calculates its own estimates of PD on a TtC basis and on a cyclical basis. The TtC PD estimates are based on internal default experience, or where default data is limited, statistical model estimates combined with available data to reflect the average default rate over the course of an economic cycle. The TtC PDs do not vary with the economic cycle and are used to calculate risk weighted exposure amounts and to determine minimum regulatory capital requirements. The cyclical PD estimates which capture a change in borrower risk over the economic cycle are used for internal credit management purposes. Both measures are estimated from the same borrower risk factors.

Retail internal rating systems
The Group has adopted the Retail Internal Rating Based (IRB) approach for the majority of its retail exposures. Under this approach, the Group calculates its own estimates for PD, LGD and credit conversion factors.

External ratings do not play a role within the Group's retail internal rating systems, however, external credit bureau data can play a role in assessing certain borrowers.

Under the Retail IRB approach, scorecards based on internal behavioural data and, where relevant, transaction specific characteristics are developed for specific portfolios or product types, the output from the scorecard is used to determine the PD estimate.

The Group calculates retail PDs on a TtC or cyclical basis depending on the portfolio. The TtC estimates are calibrated based on long run average default rates over the course of an economic cycle (based on internal default experience) within identified discrete risk pools. The cyclical estimates are calibrated based on a weighted average of the expected long-run default rate over the course of an economic cycle and the most recently observed annual default rate. These retail PDs are used for both the calculation of risk weighted exposure amounts and for internal credit management purposes.

LGD estimates are based on historic loss experience and associated costs for all observed defaults for a defined time period. The time period is set for each model to ensure LGD estimates are representative of economic downturn conditions. Estimates of credit conversion factors (which determine the extent to which a currently undrawn amount is assumed to be drawn and outstanding at point of default) are similarly derived based on historic experience from observed defaults, and are calibrated to produce estimates of behaviour characteristic of an economic downturn.

The assumption that the time periods and data used for the estimation of LGD and credit conversion factors remain representative of economic downturn conditions is subject to review and challenge on an ongoing basis.

Other uses of internal estimates
Internal estimates play an essential role in risk management and decision making processes as well as the credit approval functions, the internal capital allocation function and the corporate governance functions of the Group. The specific uses of internal estimates differ from portfolio to portfolio, and for retail and non-retail approaches, but typically include:

- credit decisioning / automated credit decisioning and borrower credit approval;
- credit management;
- calculation of RAROC;
- internal reporting; and
- internal capital allocation between businesses of the Group.

For other purposes, the cyclical PD estimates typically are used. Both estimates feature within internal management reporting.

Impairment models are described further on page 136.

Control mechanisms for credit rating and impairment models
The Group Model Risk Policy and Group Model Risk Standards, as approved by the BRC and GRPC respectively, set out the Group's overall approach to model risk management. The Group also sets out more detailed requirements with respect to development, monitoring and validation of credit rating and impairment models. These standards are approved by the RMC. Model development and redevelopment for credit rating and impairment models are approved by the RMC and the results of model performance monitoring are reported to the RMC on a regular basis.

The Group mitigates model risk for credit rating and impairment models as follows:

- **model development standards:** the Group adopts centralised standards and methodologies over the operation and development of models. This ensures a common approach in key areas such as documentation, data quality and management and model testing;
- **model governance:** the Group adopts a uniform approach to the governance of all risk rating model related activities and impairment model related activities, ensuring the appropriate involvement of relevant stakeholders;
- **model performance monitoring:** credit risk rating and impairment models are subject to testing on a quarterly basis which is reported to the RMC. This includes assessment of model performance against observed outcomes, including:
  - rank order of borrowers;
  - accuracy of parameter estimates;
  - the stability of the rating;
  - the quality of data; and
  - the appropriateness of model use.

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

- **independent validation:** models are subject to in-depth analysis on a periodic basis, which includes an assessment of model performance against observed outcomes, including: rank order of borrowers; accuracy of parameter estimates; the stability of the rating population; the quality of data; and the appropriateness of model use. This analysis is carried out by a dedicated unit (the Independent Validation Unit) which is independent of credit origination and management functions.

When issues are raised on risk rating or impairment models, plans are developed to remediate or replace such models within an agreed timeframe.

In addition, GIA regularly reviews the risk control framework, including policies and standards, to ensure that these are being adhered to, meet industry good practices and are compliant with regulatory requirements.

Methodology for loan loss provisioning under IFRS 9

Approach to measurement of impairment loss allowances
Impairment is measured in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Impairment is measured through the use of impairment models, individual discounted cash flow (DCF) analysis and modelled loss rates; supplemented where necessary by Group management adjustments.

In general, a loss allowance is recognised for all financial instruments in scope for the impairment requirements of IFRS 9. However this may not be the case for very highly collateralised loans, such as residential mortgages at low loan to value (LTV) ratios. There have been no significant changes in the quality of collateral or credit enhancements as a result of changes in the Group's collateral policies during the year. The Group's methodologies for valuation of property collateral are set out on page 138, noting further that FLI (page 138) is applied as appropriate to RoI and UK property collateral values in measuring impairment loss allowances under IFRS 9. The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments, are set out in note 2 to the consolidated financial statements.

An analysis of the Group's net impairment gains / (losses) on financial instruments and impairment loss allowances is set out in notes 16, 27 and 28 of the consolidated financial statements.

Impairment models
The Group has in place a suite of IFRS 9 compliant impairment models which are executed on a monthly basis and which allocate financial instruments to Stage 1, 2 or 3 and measure the appropriate 12 month or lifetime ECL. The characteristics of an exposure determine which impairment model is used, with influencing factors including product type (e.g. Residential Mortgage, unsecured personal loan, business loan) and market segment (e.g. owner occupier, BTL, general corporate lending, general business lending).

ECLs are calculated as the sum of the marginal losses for each time period from the reporting date. The key components of the ECL calculation are PD, EAD and LGD (which is expressed as a percentage of EAD) and are described below. Other components include discount rate and maturity. The current contractual rate is generally used as the discount rate as it is considered a suitable approximation of the effective interest rate determined at initial recognition. For term lending including committed RCFs, contractual maturity is used in the ECL calculation. For other revolving facilities, behavioural life is generally used.

IFRS 9 Probability of Default
Where available, the ratings or underlying scores from internal credit rating models are used as a starting point for IFRS 9 PD calibration. While calibration techniques are similar to those used for regulatory purposes, the IFRS 9 PD differs from through-the-cycle or cyclical estimate PDs as it is an unbiased point-in-time PD based on current conditions and adjusted to reflect FLI.

A current point-in-time IFRS 9 PD is calculated as the expected default rate over the next 12 months. This PD is used in the calculation of 12-month ECL and as a starting point in the calculation of lifetime PD. Future point-in-time IFRS 9 PDs are also calculated, being the expected default rates for each year from the start of year two to maturity of the financial instrument. Transition matrices are used to determine how an exposure moves between different PD bands over time.

Together, the current point-in-time IFRS 9 PD and future point-in-time IFRS 9 PDs are used to generate an IFRS 9 lifetime PD expectation for each FLI scenario. The scenario weighted averages are used to generate an overall IFRS 9 lifetime PD expectation. At origination of a new financial instrument, these expectations are stored, together with prepayment estimates where relevant, and allow for comparison at future reporting dates as one of the key determinants as to whether a 'significant increase in credit risk' has occurred. As lifetime PD was not calculated historically, the Group used reasonable and supportable information available without undue cost or effort to approximate the residual IFRS 9 lifetime PD expectations at initial recognition for most financial instruments originated prior to the adoption of IFRS 9 on 1 January 2018.

IFRS 9 Exposure at Default
Current point-in-time EAD is the expected EAD were the borrower to default within the next 12 months. Future point-in-time EAD also incorporates expected contractual cash flows. IFRS 9 EAD differs from regulatory EAD in that it incorporates expected contractual cash flows and caps the exposure at the contractual limit.

IFRS 9 Loss Given Default
Current point-in-time LGD is the loss that would be incurred should default occur in the next 12 months. To facilitate the calculation of lifetime ECL, future point-in-time LGDs are calculated for each year from the start of year 2 to maturity of the exposure. The starting point for individual components of the calculation is historical data. Cure rate is incorporated as appropriate into the calculation and represents the expected propensity of borrowers to return to the non-defaulted book without a loss having been realised. FLI is also incorporated into

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

LGD as appropriate where RoI or UK property collateral is held. IFRS 9 LGD may differ from regulatory LGD as conservatism and downward assumptions are generally removed.

Individual Discounted Cash Flow analysis
For credit-impaired financial instruments in Business Banking, Corporate Banking and certain other relationship-managed portfolios, the impairment loss allowance is primarily determined by an individual DCF analysis completed by lenders in business units and subject to review, challenge and, potentially, revision by independent credit professionals in underwriting units within Group Risk. The expected future cash flows are based on an assessment of future recoveries and include forecasted principal and interest payments (not necessarily contractual amounts due) and expected cash flows, if any, from the realisation of collateral / security held, less realisation costs.

Modelled loss rates
For some smaller and / or lower risk portfolios, impairment loss allowances are measured by applying modelled loss rates to exposure amounts. Modelled loss rates are generally determined on a component basis taking into account factors such as the nature and credit quality of the exposures and past default and recovery experience on the portfolio or on portfolios with similar risk characteristics. Generally a number of different loss rates will be set for a portfolio to allow differentiation of individual financial instruments within the portfolio based on their credit quality.

Identifying a significant increase in credit risk
The Group's standard criteria to identify financial instruments which have had a 'significant increase in credit risk since initial recognition' are applied to the vast majority of loans and advances to customers. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument. Unless credit-impaired or a POCI, a financial instrument is generally allocated to Stage 2 if any of the following criteria are met at the reporting date:

- remaining lifetime PD is more than double and more than 50 basis points higher than the remaining lifetime PD at the reporting date as estimated based on facts and circumstances as at initial recognition (adjusted where relevant for changes in prepayment expectations);
- a contractual payment is greater than 30 days past due; and / or
- the exposure is a forborne loan or a NPE.

The above criteria are automatically applied as part of the monthly execution of the Group's impairment models. In addition, management considers whether there is reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred.

Where a financial asset has been modified but not derecognised, the quantitative assessment of 'significant increase in credit risk' continues to be based on the remaining lifetime PD at the reporting date as estimated based on facts and circumstances as at initial recognition (adjusted where relevant for changes in prepayment expectations).

The Group assesses the effectiveness of its staging criteria semi-annually, taking into account considerations such as the extent to which: (i) exposures have moved directly from Stage 1 to Stage 3; (ii) exposures have moved to Stage 3, having spent only a short period in Stage 2; (iii) exposures have moved frequently between Stages 1 and 2; and (iv) there is potential over-reliance on backstop or qualitative criteria in identifying Stage 2 exposures.

The Group applies the low credit risk expedient to most debt securities in scope for the impairment requirements of IFRS 9 and similarly to loans and advances to banks, central banks and investment firms. 'Low credit risk' encompasses PD grades 1 to 5 on the Group's internal PD rating system, which broadly aligns with ratings of AAA to BBB- for the external major rating agencies. Such financial instruments are allocated to Stage 1.

For some smaller and / or low risk portfolios, the Group identifies a 'significant increase in credit risk since initial recognition' solely by reference to whether a contractual payment is greater than 30 days past due.

Identifying defaulted assets and credit-impaired assets
The Group's definition of default for impairment purposes (i.e. for the purposes of allocating financial instruments to 'stages' and for measuring impairment loss allowances under IFRS 9) is consistent with its application of the definition of default in Article 178 of the CRR noting that IFRS 9 requires the Group to use a definition which is consistent with that used for internal credit risk management purposes. The manner in which the Group identifies financial assets as credit-impaired results in the Group's population of credit-impaired financial assets being consistent with its population of defaulted financial assets in scope for the impairment requirements of IFRS 9.

In the next financial year the Group will, subject to regulatory approval, implement a new definition of default to comply with EBA guidelines that are effective from no later than 1 January 2021.

The Group considers certain events as resulting in mandatory default and credit-impaired classification without further assessment. These include:

- greater than 90 days past due and the past due amount is material;
- a forbearance arrangement is put in place where future reliance on realisation of collateral is expected for repayment in full when this was not originally envisaged;
- legal action is underway by the Group to enforce repayment or realise security;
- the Group or a receiver takes security into possession; and
- the Group has formally sought an insolvency arrangement in respect of the borrower.

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

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

All portfolios:
- a forbearance measure has been requested by a borrower and formally assessed;
- the non-payment of interest (e.g. via interest roll-up, arrears capitalisation etc.) as a result of the terms of modification of loans, including refinancing and renegotiation of facilities where during the renegotiation process, the lender becomes aware that the borrower is under actual or apparent financial distress;
- evidence of fraudulent activity by the borrower or another party connected with the loan;
- the contractual maturity date has passed without repayment in full; or
- it becomes known that the borrower has formally sought an insolvency arrangement.

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

Larger Small and Medium Enterprise / corporate and property loans:
- internal credit risk rating, or external credit rating, has been downgraded below a certain level;
- financial statements or financial assessment indicates inability of the borrower to meet debt service obligations and / or a negative net assets position;
- the borrower has ceased trading;
- a fall in the assessed current value of security such that the LTV ratio is greater than or equal to 120% (Property and construction only);
- a fall in net rent such that it is inadequate to cover interest with little / no other income to support debt service capacity (investment property exposures only); or
- a fall in the assessed gross development value such that sale proceeds are no longer expected to fully repay debt (development exposures only).

Review of credit-impaired loans
It is Group policy to review credit-impaired loans above agreed thresholds semi-annually or on receipt of material new information, with the review including a reassessment of the recovery strategy and the continued appropriateness of a credit-impaired classification. The minimum requirements for a credit-impaired loan to return to non credit-impaired status are that the borrower must not be greater than 90 days past due on a material amount, the borrower must be considered likely to pay in full without recourse by the Group to actions such as realising security and there must be no forbearance arrangement in place where future reliance on realisation of collateral is expected for repayment in full when this was not originally envisaged. Typically, an updated assessment of the borrower's current financial condition and prospects for repayment is required with the borrower to have satisfactorily met repayments required under the original or modified agreement regularly for a reasonable period of time.

Methodologies for valuation of property collateral
The Group's approach to the determination of the market value of property collateral is set out in a Board-approved Group Property Collateral Valuation Policy, supported by GRPC-approved Group Property Collateral Valuation Guidelines, and is summarised below. The Group's approach to applying FLI to those values for the purposes of measuring impairment loss allowance for the year ended 31 December 2019 is set out in the Board-approved Group Impairment Policy and is described below.

Retail Ireland mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Central Statistics Office (CSO) Residential Property Price Index (RPPI). Retail UK mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Nationwide UK house price index.

Commercial property valuations may include formal written valuations from external or internal professionals, or 'internally assessed valuations' completed by business units. Internally assessed valuations are informed by the most appropriate sources available for the assets in question. This may include property specific information / characteristics, local market knowledge, comparable transactions, professional advice (e.g. asset management reports) or a combination thereof, in line with more detailed guidance approved at least annually by the GRPC. This guidance is informed by both internal and externally sourced market data / valuation information, including input from the Group's Real Estate Advisory Unit.

Internally assessed valuations are subject to review, challenge and, potentially, revision by independent credit professionals in underwriting units within the Group Risk function and are approved as part of the normal credit process.

Typically, more frequent valuations are required for properties held as security for NPEs with an annual valuation required for NPEs in excess of €300,000.

Forward looking information
FLI refers to probability-weighted future macroeconomic scenarios approved semi-annually by the GRPC and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group generally uses three RoI FLI scenarios and three UK FLI scenarios, being a central scenario, an upside scenario and a downside scenario, all extending over a five year forecast period. In each case the central scenario is based on internal and external information and management judgement. The Group keeps under review the need for FLI for other economies.

The Group's FLI model uses the central scenario, recent actual observed values and historical data to generate many scenarios distributed around the central scenario. The central scenario is at the 50th percentile of the distribution of scenarios (meaning that there is a 50% likelihood of the expected ECL outcome being better and a 50% likelihood of it being worse) and the upside and downside scenarios are those scenarios at chosen lower and higher percentiles respectively. The probability weightings attached to the scenarios are a function of the chosen percentiles, with lower probability weightings attached to scenarios which are at percentiles more distant from the central scenario.

Typically, one or two macroeconomic variables are incorporated into each impairment model, being those determined through

3 Management of key Group risks *(continued)*

3.1 Credit risk *(continued)*

macro regression techniques to be most relevant to forecasting default of the credit risk exposures flowing through that model.

The lifetime PD expectation for an exposure generated under each of the scenarios, weighted by the probability of each scenario occurring, is used to generate the lifetime PD expectations used for the assessment of 'significant increase in credit risk'.

Forecasts of residential and commercial property price growth are incorporated as appropriate into the LGD component of the ECL calculation.

The overall ECL for an exposure is determined as a probability-weighted average of the ECL calculated for each scenario, weighted by the probability of each scenario occurring.

Beyond the forecast period, default rates are assumed to revert over time to an observed long run average and the value of property collateral for LGD purposes is assumed to grow at an observed long-run rate.

The following table shows the mean average forecast values for some of the key macroeconomic variables under each scenario for the five year forecast period 2020 to 2024 together with the associated percentiles and probability weightings.

	Republic of Ireland			United Kingdom		
2019	**Downside**	**Central**	**Upside**	**Downside**	**Central**	**Upside**
Percentile	85th	50th	15th	85th	50th	15th
Scenario probability weighting	30%	39%	31%	29%	40%	31%
GDP growth	1.0%	2.7%	5.0%	0.9%	1.5%	2.1%
GNP growth	0.4%	2.2%	4.6%	n/a	n/a	n/a
Unemployment rate	6.7%	5.3%	4.5%	5.1%	4.2%	4.0%
Residential property price growth	(4.3%)	1.3%	6.8%	(2.0%)	0.7%	3.4%
Commercial property price growth	(7.3%)	0.6%	8.1%	(3.7%)	(0.1%)	2.6%

	Republic of Ireland			United Kingdom		
2018	**Downside**	**Central**	**Upside**	**Downside**	**Central**	**Upside**
Percentile	85th	50th	15th	85th	50th	15th
Scenario probability weighting	30%	39%	31%	29%	40%	31%
GDP growth	1.6%	3.1%	5.6%	0.5%	1.5%	1.8%
GNP growth	1.1%	2.8%	5.2%	n/a	n/a	n/a
Unemployment rate	6.4%	5.0%	4.3%	5.5%	4.5%	4.5%
Residential property price growth	(3.0%)	2.1%	8.1%	(0.4%)	0.4%	5.0%
Commercial property price growth	(7.6%)	1.4%	7.8%	(5.5%)	0.2%	0.8%

FLI is generally not applied to exposures to which the low credit risk expedient has been applied given factors such as a lack of internal default history to inform macro regression and that applying FLI would be unlikely to have a material impact given low PDs and that exposures are subject to 12-month rather than lifetime ECL.

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. A Group management adjustment of €56 million was applied at 31 December 2019 (2018: €92 million) and is detailed in note 2 on page 194 to the consolidated financial statements.

3 Management of key Group risks *(continued)*

3.2 Funding and liquidity risk

Key points:

- Group customer deposits of €84 billion have increased by €5 billion since 31 December 2018. The Group's LDR reduced by 2% to 95% at 31 December 2019. The main driver of this movement was €4 billion growth in Retail Ireland's current account credit balances, reflecting strong economic activity and a €1 billion increase in Corporate and Treasury balances. On a constant currency basis, Group customer deposits increased by €3.9 billion (see page 331 for further information on alternative performance measures).
- The Group's LCR at 31 December 2019 was 138%. The Group's NSFR at 31 December 2019 was 131%.

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

Liquidity risk arises from differences in timing between cash inflows and outflows. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt. These factors are often associated with times of distress or adverse events such as a credit rating downgrade(s) or economic or financial turmoil.

Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities. The Group's ability to access funding markets at a sustainable cost and in a sufficient volume can be negatively impacted by a credit rating downgrade(s) or deterioration in market sentiment which in turn could impact the financial position of the Group.

Liquidity risk statement *(audited)*
Funding and liquidity risk arises from a fundamental part of the Group's business model; the maturity transformation of primarily short term deposits into longer term loans. The Group's funding and liquidity strategy is to maintain a stable funding base with loan portfolios substantially funded by retail originated customer deposit portfolios.

Liquidity risk framework *(audited)*
The Group has established a liquidity risk management framework which encompasses the liquidity policies, systems and controls in place to ensure that the Group is positioned to address its daily liquidity obligations and to withstand a period of liquidity stress. Principal components of this framework are the Group's Risk Appetite Statement and associated limits and the Group's Funding and Liquidity Policy, both of which are approved by the Board on the recommendation of ALCO.

The Group Funding and Liquidity Policy outlines the Group's governance process with respect to funding and liquidity risk, and sets out the core principles that govern the manner in which the risk is mitigated, monitored and managed. The operation of this policy is delegated to the Group's ALCO.

These principal components are supported by further liquidity policies, systems and controls which the Group has to manage funding and liquidity risk.

Liquidity risk management *(audited)*
Liquidity risk management within the Group focuses on the control, within prudent limits, of risk arising from the mismatch in contracted maturities of assets and liabilities and the risks arising from undrawn commitments and other contingent liabilities. The Group manages its liquidity by jurisdiction with liquid assets predominantly held in the currency of each jurisdiction.

The Group's treasury function within Markets and Treasury provides top down centralised management of the Group's funding and liquidity position including overall responsibility for the management of the Group's liquidity position and funding strategy. This ensures a coordinated approach to balance sheet management and is accomplished through the incorporation of funding and liquidity risk appetite metrics into risk appetite at a consolidated level, monitoring liquidity metrics for each jurisdiction and compliance by the business units with the Group's funds transfer pricing policy.

The GM&LR function provides independent oversight of funding and liquidity risk and is responsible for proposing and maintaining the Group's funding and liquidity risk management framework and associated risk appetite metrics.

Liquidity risk management consists of two main activities:

- structural liquidity management focuses on the balance sheet structure, the funding mix, the expected maturity profile of assets and liabilities and the Group's debt issuance strategy; and
- tactical liquidity management focuses on monitoring current and expected daily cash flows to ensure that the Group's liquidity needs can be met.

The Group is required to comply with the regulatory liquidity requirements of the SSM and the requirements of local regulators in those jurisdictions where such requirements apply to the Group. SSM requirements include compliance with CRR / CRD IV and associated Delegated Acts. The Group has remained in full compliance with the regulatory liquidity requirements throughout 2019, and as at 31 December 2019 maintained a buffer significantly in excess of regulatory liquidity requirements.

Bank of Ireland (UK) plc is authorised by the PRA and is subject to the regulatory liquidity regime of the PRA. Bank of Ireland (UK) plc has remained in full compliance with the regulatory liquidity regime in the UK throughout 2019, and as at 31 December 2019 maintained a buffer significantly in excess of regulatory liquidity requirements.

3 Management of key Group risks *(continued)*

3.2 Funding and liquidity risk *(continued)*

The annual ILAAP enables the Board to assess the adequacy of the Group's funding and liquidity risk management framework, to assess the key liquidity and funding risks to which it is exposed; and details the Group's approach to determining the level of liquid assets and contingent liquidity that is required to be maintained under both business as usual and severe stress scenarios.

A key part of this assessment is cash flow forecasting that includes assumptions on the likely behavioural cash flows of certain customer products. Estimating these behavioural cash flows allows the Group assess the stability of its funding sources and potential liquidity requirements in both business as usual and stressed scenarios. The stressed scenarios incorporate Group specific and systemic risks and are run at different levels of possible, even if unlikely, severity. Actions and strategies available to mitigate the impacts of the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, the BRC and the Board.

The Group also monitors a suite of Recovery Indicators and Early Warning Signals in order to identify the potential emergence of a liquidity stress. As part of its contingency and recovery planning the Group has identified a suite of potential funding and liquidity options which could be exercised to help the Group to restore its liquidity position on the occurrence of a major stress event.

Liquidity risk reporting *(audited)*
The Group's liquidity risk appetite is defined by the Board to ensure that funding and liquidity are managed in a prudent manner. The Board monitors adherence to the liquidity risk appetite through the monthly Court Risk Report.

Management informs the Board in the monthly Court Risk Report of any significant changes in the Group's funding or liquidity position. The Court Risk Report includes the results of the Group's liquidity stress testing. This estimates the potential impact of a range of stress scenarios on the Group's liquidity position including its available liquid assets and contingent liquidity.

Management reviews funding and liquidity reports and stress testing results on a daily, weekly and monthly basis against the Group's Risk Appetite Statement. It is the responsibility of ALCO to ensure that the measuring, monitoring and reporting of funding and liquidity is adequately performed and complies with the governance framework.

Liquidity risk measurement *(audited)*
The Group's cash flow and liquidity reporting processes provide management with daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on-balance sheet and off-balance sheet transactions.

The tables below and on the following page summarise the maturity profile of the Group's financial assets and liabilities, excluding those arising from insurance and participating investment contracts at 31 December 2019 and 31 December 2018. These maturity profiles are based on the remaining contractual maturity period at the reporting date (discounted). The Group measures liquidity risk by adjusting the contractual cash flows on deposit books to reflect their behavioural stability.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,890 million and €12,694 million respectively (2018: €5,239 million and €11,003 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

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

3 Management of key Group risks *(continued)*

3.2 Funding and liquidity risk *(continued)*

2019 **Maturities of financial assets and liabilities**	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Assets						
Cash and balances at central banks	8,325	-	-	-	-	8,325
Trading securities	-	-	-	-	32	32
Derivative financial instruments	184	102	122	654	937	1,999
Other financial assets at FVTPL[1]	1,483	103	115	262	3,559	5,522
Loans and advances to banks	426	2,744	158	-	-	3,328
Debt securities at amortised cost	-	47	49	1,590	2,825	4,511
Financial assets at FVOCI	-	86	1,665	4,893	4,153	10,797
Loans and advances to customers (before impairment provisions)	1,503	4,568	7,072	31,719	35,933	80,795
Total	**11,921**	**7,650**	**9,181**	**39,118**	**47,439**	**115,309**
Liabilities						
Deposits from banks	94	349	-	-	-	443
Monetary Authorities secured funding	-	-	1,117	619	-	1,736
Customer accounts	70,457	6,610	4,586	2,224	91	83,968
Derivative financial instruments	194	147	253	760	1,124	2,478
Debt securities in issue	-	971	870	5,069	1,899	8,809
Lease liabilities	-	17	47	168	333	565
Subordinated liabilities	-	209	-	263	1,218	1,690
Short positions in trading securities	-	-	-	-	-	-
Total	**70,745**	**8,303**	**6,873**	**9,103**	**4,665**	**99,689**

2018 **Maturities of financial assets and liabilities**	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Assets						
Cash and balances at central banks	6,033	-	-	-	-	6,033
Trading securities	-	-	-	6	23	29
Derivative financial instruments	195	19	176	664	670	1,724
Other financial assets at FVTPL[1]	1,204	23	30	1,623	1,913	4,793
Loans and advances to banks	237	2,250	138	-	-	2,625
Debt securities at amortised cost	-	61	274	1,386	2,207	3,928
Financial assets at FVOCI	-	469	913	5,748	4,918	12,048
Loans and advances to customers (before impairment provisions)	2,217	4,179	7,048	28,949	36,298	78,691
Total	**9,886**	**7,001**	**8,579**	**38,376**	**46,029**	**109,871**
Liabilities						
Deposits from banks	78	367	-	-	-	445
Monetary Authorities secured funding	-	251	224	2,179	-	2,654
Customer accounts	65,517	6,117	4,137	2,923	205	78,899
Derivative financial instruments	205	31	102	617	864	1,819
Debt securities in issue	-	1,176	230	4,799	2,082	8,287
Subordinated liabilities	-	-	-	464	1,640	2,104
Short positions in trading securities	16	-	-	-	-	16
Total	**65,816**	**7,942**	**4,693**	**10,982**	**4,791**	**94,224**

[1] *Excluding equity shares which have no contractual maturity.*

3 Management of key Group risks *(continued)*

3.2 Funding and liquidity risk *(continued)*

Funding strategy *(unaudited)*
The Group seeks to maintain a stable funding base with loan portfolios funded substantially by granular retail originated deposits with any residual funding requirements principally met through term wholesale funding and equity.

Customer deposits *(unaudited)*
The Group's customer deposit strategy is to:
- maintain and optimise its stable retail customer deposit base in line with balance sheet requirements;
- prudently manage deposit pricing and margins; and
- optimise stable funding levels in line with regulatory liquidity requirements.

Group customer deposits of €84.0 billion were €5.1 billion higher than 2018. The main driver of this movement was €4.3 billion growth in Retail Ireland's current account credit balances, reflecting strong economic activity and a €0.5 billion increase in Corporate and Treasury balances. As Sterling strengthened against the Euro, Retail UK balances remained unchanged, however post office balances decreased by Stg£0.6 billion due to pricing optimisation. On a constant currency basis, Group customer deposits increased by €3.9 billion.

At 31 December 2019, customer deposits of €84.0 billion (2018: €78.9 billion) do not include €0.6 billion (2018: €0.6 billion) of savings and investment products sold by Wealth and Insurance. These products have fixed terms (typically five to seven years) and consequently are an additional source of stable funding for the Group.

Wholesale funding *(unaudited)*
The Group in the normal course aims to maintain funding diversification, minimise concentrations across funding sources and minimise refinancing maturity concentrations.

Following the establishment of the Group's holding company, BOIG plc, issuance of €1,250 million MREL eligible senior debt has been completed by BOIG plc and down-streamed to the Bank in 2019 (2018: €1,188 million).

Customer deposits	2019 €bn	2018 €bn
Retail Ireland	52	48
- Deposits	*22*	*22*
- Current account credit balances	*30*	*26*
Retail UK	22	22
Retail UK (Stg£bn equivalent)	*19*	*20*
- UK Post Office	*13*	*14*
- Other Retail UK	*6*	*6*
Corporate and Treasury	10	9
Total customer deposits	**84**	**79**
Loan to deposit ratio	**95%**	**97%**

Foreign exchange funding mismatch *(unaudited)*
The Group's operations in the UK are conducted primarily through Bank of Ireland (UK) plc. The Group's strategy is to originate all new retail lending in the UK through Bank of Ireland (UK) plc which is funded primarily via sterling deposits. During 2019, the Group provided £1.6 billion of term funding to Bank of Ireland (UK) plc as part of the Group's overall funding and liquidity optimisation.

The Group also provides banking services in the UK through its UK branch. This comprises corporate and business banking activities and the management of residential mortgage contacts which have not been transferred to Bank of Ireland (UK) plc and which are funded primarily via cross currency derivatives.

At 31 December 2019, the stock of sterling denominated assets funded by cross currency derivatives was c.£8.5 billion (2018: c.£7.0 billion) of which £1.6 billion relates to funding provided to Bank of Ireland (UK) plc.

3 Management of key Group risks *(continued)*

3.2 Funding and liquidity risk *(continued)*

Wholesale funding maturity analysis[1] *(unaudited)*	**2019** Unsecured funding €bn	Secured funding from Monetary Authorities €bn	Secured funding private sources €bn	Total wholesale funding €bn	**2018** Unsecured funding €bn	Secured funding from Monetary Authorities €bn	Secured funding private sources €bn	Total wholesale funding €bn
Less than three months	-	-	1	1	1	-	1	2
Three months to one year	1	1	1	3	-	1	-	1
One to five years	2	1	3	6	1	2	4	7
More than five years	-	-	1	1	-	-	1	1
Wholesale funding	**3**	**2**	**6**	**11**	**2**	**3**	**6**	**11**

Funding and liquidity position *(unaudited)*
The BOIG plc senior debt credit ratings from Standard & Poor's (S&P) and Fitch have remained unchanged during 2019 at BBB- and BBB respectively. In December 2019, Moodys upgraded BOIG plc from Baa3 to Baa2 and revised the outlook on the BOIG plc senior debt credit rating from Positive to Stable.

During 2019, the Bank's senior debt credit rating was upgraded by Moody's to A2 (from A3) and by S&P to A- (from BBB+). In addition, both Moodys and S&P also revised the outlook on the Bank's senior debt credit rating to Stable from Positive during 2019. The credit rating from Fitch remained unchanged during 2019 at BBB and they continue to assign a Positive outlook to the Bank senior debt credit ratings.

Ireland - Senior debt *(unaudited)*	**2019**	**2018**
Standard & Poor's	AA- (Stable)	A+ (Stable)
Moody's	A2 (Stable)	A2 (Stable)
Fitch	A+ (Stable)	A+ (Stable)

BOIG plc - Senior debt *(unaudited)*	**2019**	**2018**
Standard & Poor's	BBB- (Stable)	BBB- (Positive)
Moody's	Baa2 (Stable)	Baa3 (Positive)
Fitch	BBB (Stable)	BBB (Stable)

The Governor and Company of the Bank of Ireland - Senior debt *(unaudited)*	**2019**	**2018**
Standard & Poor's	A- (Stable)	BBB+ (Positive)
Moody's	A2 (Stable)	A3 (Positive)
Fitch	BBB (Positive)	BBB (Positive)

Balance sheet encumbrance *(unaudited)*
It is Group policy to ensure that the level of encumbrance of the balance sheet is consistent and supportive of the Group's unsecured funding issuance plans.

At 31 December 2019, the Group's overall encumbrance level was 13% (2018: 14%) with €14 billion of the Group's assets encumbered (2018: €16 billion). The decrease in encumbered assets is due to a reduction in the volume of assets in the Group's collateral programmes and repayment of borrowings under the TLTRO.

As part of managing its funding requirements, the Group from time to time encumbers assets as collateral to support wholesale funding initiatives. This would include covered bonds, asset backed securities, securities repurchase agreements and other structures that are secured over customer loans. Covered bonds, a key element of the Group's long term funding strategy are issued through its subsidiary Bank of Ireland Mortgage Bank (BoIMB). BoIMB is registered as a designated mortgage credit institution to issue Irish Asset Covered Securities in accordance with relevant legislative requirements. BoIMB is required to maintain minimum contractual overcollateralisation of 5% and minimum legislative overcollateralisation of 3% (both on a prudent market value basis). This is monitored by the Covered Asset Monitor on behalf of the CBI.

[1] *The maturity analysis has been prepared using the expected maturity of the liabilities.*

3 Management of key Group risks *(continued)*

3.3 Market risk

Key points:

- The VaR arising from discretionary risk-taking remained at relatively low levels during 2019, this partly reflected the low levels of market volatility. The Group continues to take moderate interest rate positions in both Trading and Banking books in addition to positions in FX and traded credit markets.
- With the exception of basis risks, the Group manages its structural interest rate and FX positions according to passive Asset Liability Management conventions.

Definition and background *(audited)*
Market risk is the risk of loss arising from movements in interest rates, FX rates or other market prices. Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk-taking. The Group recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of shareholder value and the achievement of the Group's strategic objectives.

Risk management, measurement and reporting *(audited)*
The management of market risk in the Group is governed by the Group's Risk Appetite Statement and by the Group Policy on Market Risk, both of which are approved by the Board. These are supplemented by a range of ALCO approved limits and controls. The Group has an established governance structure for market risk that involves the Board, the BRC, the GRPC and the ALCO, which has primary responsibility for the oversight of market risk in the Group.

The Board monitors adherence to market risk appetite through the monthly Court Risk Report.

GM&LR provides second line oversight of the Group's exposure to market risk, ensuring that the Group correctly identifies and assesses the market risks to which it is exposed. GM&LR is a part of the Group Risk Function reporting to the Group CRO.

It is Group policy to minimise exposure to market risk, subject to defined limits for discretionary risk. Nonetheless, certain structural market risks remain and, in some cases, are difficult to eliminate fully. In addition, the Group bears economic exposure to adverse movements in the credit spreads of bonds held as liquid assets, or held as matching assets in NIAC. This is the predominant economic exposure arising on the NIAC fixed interest portfolio.

Market risks that arise are transferred to and managed by Bank of Ireland Global Markets (BoIGM), the treasury execution arm of the Group. These market risks are hedged by BoIGM as a matter of course with the external market or, in the case of a small quantum of the risks concerned, are run as short-term discretionary risk positions subject to policy and limits. Discretionary risk-taking is confined to interest rate risk (including inflation exposure), FX risk and traded credit risk.

Similarly, market risks in the Group's life assurance business, NIAC, are managed within defined tolerances. However, certain residual risks are inherent in this business, notably exposure to credit spreads on assets held to match policyholder liabilities, and indirect exposure to equity markets through changes in the discounted value of fees applied to equity assets held by policyholders in insurance contracts. This is outlined in greater detail below.

Classification of market risk *(unaudited)*
In accordance with Group policy and aligned with regulatory requirements and guidance the Group classifies market risk as follows:

- **Interest Rate Risk in the Banking Book:** This is risk that arises naturally through the conduct of retail and wholesale banking business. This is broken down into re-pricing risk, yield curve risk, basis risk and optionality risk. It also includes earnings risk arising from non-interest bearing, floored or perpetually fixed assets and liabilities.
- **Trading Book Risk:** This consists of risk positions that are pro-actively assumed and which are booked in the Trading Book in compliance with the CRR.
- **Other market-related risks to earnings and / or capital:** Risks to earnings and / or capital that do not fall naturally within the regulatory-defined categories of Trading Book and IRRBB fall under this heading. For the most part, these risks reflect the application of mark-to-market accounting to particular portfolios or the impact of FX rate movements on what is de facto a dual-currency balance sheet. The most material risks arise from the fair valuation of credit risk in securities portfolios and derivative books.

Balance sheet linkage *(audited)*
The accompanying table (page 146) classifies the balance sheet in terms of Banking Book, Trading Book (as defined above) and Insurance assets and liabilities. The principal risk factors which drive changes in earnings or value in relation to each line item are also outlined. Trading Book assets and liabilities were a small proportion of the balance sheet at 31 December 2019 and this is representative of the position throughout the year. Interest rates are the most significant risk factor.

Discretionary market risk *(audited)*
Discretionary risk is a risk that is carried in the expectation of gain from near-term movements in liquid financial markets. BoIGM is the sole Group business unit permitted to run discretionary market risk.

Discretionary risk can be taken by leaving naturally arising retail or wholesale generated risks unhedged for a period (discretionary IRRBB) or by taking proprietary positions in the market (Trading Book risk). In conformity with the CRR, customer derivatives are booked in the Trading Book and can be a source of trading risk if not fully closed out.

3 Management of key Group risks *(continued)*

3.3 Market risk *(continued)*

Market risk linkage to the balance sheet (unaudited) 2019	**Total €m**	**Trading €m**	**Non-trading €m**	**Insurance €m**	**Primary Risk Sensitivity**
Assets					
Cash and balances at central banks	8,325	-	8,325	-	Interest Rate
Derivative financial instruments	1,999	1,387	612	-	Interest Rate, FX, Credit Spread
Trading and other financial assets at FVTPL	16,485	32	219	16,234	Interest Rate, FX, Credit Spread
Loans and advances to banks	3,328	-	3,021	307	Interest Rate
Loans and advances to customers	79,487	-	79,487	-	Interest Rate
Debt securities at amortised cost	4,511	-	4,511	-	Interest Rate
Financial assets at FVOCI	10,797	-	10,797	-	Interest Rate, FX, Credit Spread
ViF asset	631	-	-	631	Equity
Other assets	6,320	-	3,959	2,361	Interest Rate
Total assets	**131,883**	**1,419**	**110,931**	**19,533**	
Liabilities					
Deposits from banks	2,179	-	2,179	-	Interest Rate
Customer deposits	83,968	-	83,968	-	Interest Rate
Derivative financial instruments	2,478	1,602	876	-	Interest Rate, FX, Credit Spread
Debt securities in issue	8,809	-	8,809	-	Interest Rate
Liabilities arising from insurance and investment contracts	18,584	-	-	18,584	Interest Rate, FX, Credit Spread, Equity
Loss allowance provision on loan commitments and financial guarantees	30	-	30	-	Interest Rate
Lease Liabilities	565		565	-	Interest Rate, FX
Other liabilities	3,147	-	2,539	608	Interest Rate, FX
Subordinated liabilities	1,690	-	1,690	-	Interest Rate
Total liabilities	**121,450**	**1,602**	**100,656**	**19,192**	

Discretionary market risk is subject to strict controls which set out the markets and instruments in which risk can be assumed, the types of positions which can be taken and the limits which must be complied with. BoIGM's discretionary market risk is confined to interest rate risk (including inflation exposure), FX risk and credit spread exposure to sovereigns, banks and credit default swap (CDS) indices. A limit on discretionary risk and a high-level stop loss are set in the Risk Appetite Statement approved by the Board. These are supplemented by an ALCO approved framework of limits and controls, based on VaR (see below), scenario stress tests and sensitivities. The Group does not seek to generate a material proportion of its earnings through discretionary risk-taking and it has a low tolerance for earnings volatility arising from this activity which is reflected in policy, limits and other controls applied.

The Group employs a VaR approach to measure, and set limits on, discretionary market risk whether taken in the Banking Book (discretionary IRRBB risk) or pro-actively assumed in the Trading Book. The Group measures VaR for a one-day horizon at a confidence level of 99% (two-tailed). The volatilities and correlations which are used to generate VaR numbers are estimated using the exponentially weighted moving average approach which gives more weight to recent data and responds quickly to changes in market volatility. VaR is backtested and reported on a daily basis with all exceptions subject to review and explanation.

For the nature of risks assumed by the Group, VaR remains a reliable basis of risk measurement, supplemented by stress testing.

The Group uses VaR to allocate capital to discretionary risk in its ICAAP but uses the standardised approach (TSA) for Pillar 1 Trading Book capital.

The Group recognises that VaR is subject to certain inherent limitations and therefore VaR limits are supplemented by scenario-based stress tests. These are particularly important in periods of low market volatility when VaR numbers can understate the risks of loss from large adverse market moves. Position limits and 'stop losses' are also a central element of the control environment.

The table below shows total VaR at 31 December 2019 was €0.5 million (2018: €1.1 million). Total VaR is the sum of overall interest rate, FX and traded credit VaR. Overall Interest Rate VaR is a correlated measure of trading book interest rate and discretionary IRRBB.

Total VaR *(audited)*	**2019 €m**	**2018 €m**
Total	0.5	1.1

(unaudited)
The Group's peak, average and end-period VaR numbers for the Trading Book by risk class and discretionary IRRBB are shown in the 'VaR' table (page 147) for 31 December 2019 and 2018.

3 Management of key Group risks *(continued)*

3.3 Market risk *(continued)*

Total VaR *(unaudited)*	**2019 €m**	**2018 €m**
Discretionary IRRBB		
Peak	0.8	0.4
Average	0.3	0.2
End period	0.2	0.3
Trading book interest rate VaR		
Peak	1.6	1.8
Average	0.6	0.8
End period	0.3	0.6
Foreign exchange VaR		
Peak	1.2	0.8
Average	0.4	0.3
End period	0.1	0.2
Traded credit risk VaR		
Peak	0.7	0.5
Average	0.3	0.3
End period	0.1	0.2

Structural and other risks *(audited)*
Notwithstanding the overriding objective of running minimal levels of market risk, certain structural market risks remain and are managed centrally as part of the Group's asset and liability management process.

Structural interest rate risk *(unaudited)*
Structural interest rate risk is predominantly the exposure of Group earnings to interest rate changes arising from the presence of non-interest bearing or behaviourally fixed-rate assets and liabilities on the balance sheet. The principal non- interest bearing liabilities are equity and non-interest bearing current accounts. It is Group policy to invest its net non-interest bearing liabilities (or free funds) in a portfolio of swaps with an average life of 3.5 years and a maximum life of seven years. This has the effect of helping to mitigate the impact of the interest rate changes on interest income. The table below outlines the Group's average volumes of structural hedges and contribution to interest income.

Structural hedge *(unaudited)*	**2019**	**2018**
Average structural hedge volume (€bn)	33.3	26.4
Interest income from structural hedge (€m)	165	176

Other structural risks arise from credit-impaired loans and floored (or negative-rate) loans and deposits.

Net interest income sensitivity analysis *(unaudited)*
The Group uses net interest income sensitivity analysis to measure the responsiveness of earnings to scenarios for short and long-term rates.

The following table shows the estimated sensitivity of the Group's income (before tax) to an instantaneous and sustained 1% parallel movement in interest rates. The estimates are based on management assumptions primarily related to the repricing of customer transactions; the relationship between key official interest rates set by Monetary Authorities and market determined interest rates; and the assumption of a constant balance sheet by size and composition. In addition, changes in market interest rates could impact a range of other items including the valuation of the Group's IAS 19 defined benefit pension schemes.

Estimated sensitivity of Group income (1 year horizon) *(unaudited)*	**2019 €m**	**2018 €m**
100bps higher	c.210	c.180
100bps lower	(c.250)	(c.210)

Basis risk *(unaudited)*
Basis risk is the exposure of the Group's earnings to sustained changes in the differentials between the floating market related benchmark rates to which the Group's assets, liabilities and derivative hedges are linked. In the Group's case, the principal rates used for product and derivative repricing are one, three and six month Euro Inter Bank Offered Rate (EURIBOR) and sterling London Inter Bank Offered Rate (LIBOR), Sterling Overnight Index Average, the ECB refinancing rate and the BoE base rate. In addition, the Group funds an element of its sterling balance sheet in part from euro which creates a structural exposure to the cost of this hedging. In the context of potential market volatility around Brexit, the Group has taken the pre-emptive action of pre-hedging this structural exposure beyond the end of March 2020.

The Group applies notional limits and stress scenario analysis to its basis positions.

Credit spread risk *(unaudited)*
Credit spread risk arises from the potential impact of changes to the spread between the bond yield and swap rates. Bonds purchased primarily as liquid assets and classified as fair value through other comprehensive income (FVOCI) are held at fair value on the balance sheet and as such, movements in the credit spreads can result in adverse impacts on the fair value of these holdings. At 31 December 2019, the Group held €10.8 billion in securities classified as FVOCI (2018: €12.0 billion). A 1 % increase in the average credit spread of the book in 2019 would have reduced its value by €446 million (2018: €488 million).

An analogous economic risk exists in relation to securities held by NIAC to match policyholder liabilities and to invest its capital. At 31 December 2019, NIAC's bond portfolio had a market value of €1.5 billion (2018: €1.4 billion). At 31 December 2019, a 1% widening of all credit spreads (measured as bond yields minus the corresponding swap rate) would have had an impact on earnings of €120 million negative, while a 1% tightening would have had a positive impact of €138 million (2018: €94 million negative and €109 million positive respectively).

The Group also models the spread risk for both the FVOCI and NIAC portfolios over a one-year horizon using a delta-normal VaR model. It approximates a potential one-year loss in portfolio value due to changes in credit spreads.

3 Management of key Group risks *(continued)*

3.3 Market risk *(continued)*

Interest rate risk in New Ireland Assurance Company plc *(unaudited)*
In managing the interest rate risk in its business, NIAC has regard to the sensitivity of its capital position, as well as its IFRS earnings, to market movements. NIAC follows a policy of asset / liability matching to ensure that the exposure of its capital position to interest rate movements remains within tolerances, while also managing the impact on IFRS profits. At 31 December 2019, a 1% fall in swap and yield rates would have reduced its excess own funds (own funds less solvency capital requirement (SCR)) by €48 million and increased its IFRS profit by €3 million (2018: €64 million and €18 million respectively).

Equity risk *(unaudited)*
NIAC's earnings are also indirectly exposed to changes in equity markets. This arises because a management fee is charged on the value of €5 billion of equities held for policyholders in insurance contracts in its unit linked book. As equity markets move up and down, this gives rise to a change in current and discounted future streams of equity-related fees which is reflected in NIAC's earnings. Every 1% fall in equity markets applied to positions at 31 December 2019 would have reduced NIAC's earnings by €2 million (2018: €2 million reduction). Every 1% increase in equity markets would have had a broadly equal and opposite impact.

Structural FX *(unaudited)*
The Group defines structural FX risk as the exposure of its key capital ratios to changes in exchange rates. Changes in exchange rates can increase or decrease the overall euro-equivalent level of RWAs. It is Group policy to manage structural FX risk by ensuring that the currency composition of its RWAs and its structural net asset position by currency are broadly similar. This is designed to minimise the impact of exchange rate movements on the principal capital ratios.

At 31 December 2019, the estimated sensitivity of the Group's fully loaded CET1 ratio to a 10% depreciation of sterling and dollar combined against the euro was two basis points.

The structural FX positions at 31 December 2019 and the preceding year end were as follows:

Structural FX position *(audited)*	**2019 €m**	**2018 €m**
Sterling - net asset position	2,394	2,365
US dollar - net asset position	426	577
Total structural FX position	**2,820**	**2,942**

Use of derivatives in the management of market risk *(audited)*
The activities set out above involve, in many instances, transactions in a range of derivative instruments. The Group makes extensive use of derivatives to hedge its balance sheet, service its customer needs and, to a lesser extent, assume discretionary risk. The Group's participation in derivatives markets is subject to policy approved by the BRC. The Group makes a clear distinction between derivatives which must be transacted on a perfectly hedged basis and those whose risks can be managed within broader interest rate or FX books.

Discretionary market risk can only be assumed in clearly defined categories of derivatives which are traded in well-established liquid markets, supported by industry standard conventions and documentation and valued in accordance with generally accepted methods.

The approach to hedging and managing market risk is governed by policies explicitly designed to ensure that all hedging activities are risk reducing. Interest rate risk arising on customer lending and term deposit-taking is centralised by way of internal hedging transactions with BoIGM. This exposure is, in turn, substantially eliminated by BoIGM through external hedges.

Structural risk is managed by way of selective and strategic hedging initiatives which are executed under hedging authority delegated by ALCO to the CEO Markets and Treasury.

Policy requires that, where behavioural optionality hedging relies on assumptions about uncertain customer behaviour and where material, it is subject to limits or other controls.

3 Management of key Group risks *(continued)*

3.4 Life insurance risk

Key points:

- NIAC remains focused on the Irish insurance market, selling a core suite of products across a range of distribution channels, including the Bank of Ireland customer base. The risk profile in respect of life insurance risk is largely stable. The processes of appropriate underwriting at both the new business and claims stages, as well as reinsuring a proportion of the life insurance risk written, all remain key risk management tools.
- The 2019 ORSA has been completed and reported to the NIAC board. The process confirmed the robustness of NIAC's financial position in the face of extreme but plausible adverse scenarios.
- NIAC maintains sufficient capital and liquid resources to enable it to meet cash flows associated with establishing and maintaining a portfolio of life insurance business. Available resources have been tested for adequacy under a wide range of adverse sensitivities and scenarios with no significant weaknesses identified. The Company's capital structure is consistent with its risk profile.

Definition *(audited)*
Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits. This variation, arising from changing customer mortality, life expectancy, health or behaviour characteristics, may be short or long term in nature. The sub-categories of life insurance risk such as mortality, longevity and persistency risk each relate to different sources of loss which arise as a result of writing life insurance business.

Risk management *(audited)*
Life insurance risk is underwritten and managed by NIAC, a wholly owned subsidiary of the Group. The management of insurance risk is the responsibility of the board of NIAC which is delegated through internal governance structures. Aggregate life insurance risk exposure and exposure to the sub-categories of life insurance risk are monitored through a suite of management reporting metrics.

The risks that arise as a result of writing life insurance business are also managed by a number of governance fora as well as senior management. The minimum standards required when managing these risks are set out in a suite of NIAC board approved policies.

The Group transfers some life insurance risk to reinsurance companies who then meet an agreed share of the claims that arise on a book of business in return for a premium. This creates a credit exposure to these reinsurance companies which is managed within the NIAC risk management framework with responsibilities delegated through the Reinsurance Risk Policy. A review of the panel of reinsurers that may be used and the structure of reinsurance arrangements is carried out at least annually. Senior members of the management team with actuarial and underwriting expertise contribute to the effective oversight of this risk.

Risk measurement *(audited)*
Risk experience is monitored regularly with actual claims experience being compared to the underlying risk assumptions. The results of this analysis are used to inform management of the appropriateness of those assumptions for use in pricing, capital management and new product design.

Exposure to life insurance risk is measured by means of sensitivity and scenario testing. Risk capital is calculated for each individual risk type by stressing the best estimate assumptions of future experience by extreme, but plausible, factors. The stress factors are pre-defined by regulation and are set at a level with an expected frequency of occurrence of one year in every 200. NIAC also carries out an ORSA annually which is overseen by the NIAC board. Within the ORSA, NIAC's risk profile is considered, both quantitatively and qualitatively, in a holistic manner with potential areas of risk identified along with conclusions in respect of how those risks will be mitigated. Further details can be found in note 37 on page 251.

Risk mitigation *(audited)*
The Group mitigates the potential impact of insurance risk through a number of measures. Capital is held against exposure to life insurance risk. Exposure to risk is also managed and controlled by the use of medical and financial underwriting, risk mitigating contract design features and reinsurance, as detailed in risk management policies.

Risk reporting *(audited)*
An update on the status of life insurance risk is included in the Court Risk Report on a quarterly basis. NIAC's ORSA report in respect of the NIAC annual assessment is also presented to the GRPC on an annual basis.

3 Management of key Group risks *(continued)*

3.5 Conduct risk

Key points:

- Significant activity has taken place to ensure adequate oversight over customer impacting issues. Metrics in the Board approved Risk Appetite Statement and a suite of management reporting metrics facilitate the monitoring of our principal conduct risks.
- To deliver the strategic objective of serving customers brilliantly, strong risk management of customer protection risks continued to be a focus throughout 2019. The pace and quality of remediation, including root cause analysis to establish lessons learned and help prevent similar issues in the future, continued.
- In 2019, the Group established an executive Culture Steering Committee to enhance oversight of risk culture across core values.

Definition

Conduct risk is defined as the risk that the Group, and / or its staff, conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes. It includes the risk the Group's wholesale market activities do not meet the necessary standards of integrity and the level of professionalism required or expected. The Group acknowledges that a level of residual risk arises from the provision of a full range of financial services across a range of systems and processes it is committed to continually reducing same. The Group has no appetite for the Group, and / or its staff, conducting business in an inappropriate or negligent manner that leads to adverse outcomes for customers, colleagues and communities.

The key conduct risk exposure areas managed by the Group include the following:

Customer-focused strategy: The risk of not delivering fair outcomes to customers. The delivery of fair outcomes for customers forms the principal consideration of the Group's customer focused value and strategic priority of serving customers brilliantly.

Product and Service Lifecycle Management: The Group is committed to creating and maintaining suitable and appropriate products and services for customers as they are working towards their financial goals. This helps to ensure that the customer has a positive experience throughout the product and service lifecycle.

Behavioural Standards and Culture: The Group is committed to mitigating any risk arising out of business unit or employee behaviours which result in poor outcomes for customers.

Risk management and measurement

The Group manages conduct risk under the Group CRMF which is consistent with the overarching Group Risk Framework. It sets out the risk management activities and underlying enablers (tools, structures and roles) established by the Group to ensure an effective, prudent and proportionate response to its principal Conduct risks. The risk management activities and enablers together form a framework for identifying, measuring, mitigating, controlling and reporting on the performance and status of conduct risk within the Group. A key priority of the CRMF is the avoidance of systemic unfair customer outcomes.

The CRMF comprises the following risk management activities, namely:

- conduct risk management approach;
- conduct risk governance;
- key metrics and risk indicators;
- conduct risk policy development and policy compliance; and
- guidance and training.

In particular, the Group seeks to ensure that its conduct risk management practices comply with any specific conduct risk related obligations arising within the jurisdictions in which it operates. On an annual basis, the Board approves the Group Risk Appetite Statement, which incorporates statements for all material risks, including conduct risk.

Risk mitigation

The primary risk mitigants for conduct risk are the suite of policies and policy standards. The Group Conduct Risk Policy sets out the minimum requirements for the effective management of conduct risk within the Group to ensure that the Group's overall exposure remains within the boundary conditions of the Board's approved conduct risk appetite. The standards of behaviour are detailed in the Group Code of Conduct to which all management and staff must adhere and affirm annually. The Speak-Up Policy sets out the steps staff can take to raise any concerns they might have of wrongdoing, risk or malpractice in the Group. The Group has a training schedule across the Group to support staff and management in this regard.

Risk reporting

The current status of conduct risk is reported to the GRPC (Senior Executives) and Board members through the Court Risk Report on a monthly basis. The GRCRC oversees the status of conduct risk in the Group, including the progress of associated risk mitigation initiatives, issues and breaches, and significant regulatory interactions on a quarterly basis.

3 Management of key Group risks *(continued)*

3.6 Regulatory risk

Key points:

- During 2019, supervisory bodies focused on the key areas of business model and profitability risk, credit risk, impairment provisioning (IFRS 9), credit risk modelling, capital adequacy, business continuity management, operational risk, Brexit, stress testing and behaviour and culture.
- Engagement with the Group's regulators in 2019 included matters such as credit risk modelling, Targeted Review of Internal Models, Tracker Mortgage Examination and AML.
- Existing programmes continued and new programmes were established in the Group during the year to continue preparations for the significant regulatory change agenda over the coming years.
- The heavy regulatory and compliance agenda is expected to continue in 2020. The Group will maintain its focus on continuing compliance with the existing regulatory requirements of the jurisdictions in which it operates.
- Regulators conduct investigations and examinations on an industry wide basis from time to time.

Definition

Regulatory risk is the risk of failure to meet new or existing regulatory and / or legislative requirements and deadlines or to embed requirements into processes. Underpinned by strong engagement with regulatory stakeholders, regulatory risk comprises regulatory compliance risk, corporate governance risk, regulatory change risk and financial crime risk.

Regulatory change risk is the risk that changes to existing or new laws / regulations / codes / guidance applicable to the Group are not effectively addressed and the risk that the Group fails to take timely and remedial actions.

Regulatory compliance risk is the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards which can lead to fines, damages and / or the violating of contracts and can diminish an institution's reputation.

Corporate governance risk is the risk of loss arising from inappropriate corporate governance structures, authorities or activities leading to incorrect or improper business decisions, or regulatory / legal sanctions.

Financial crime risk is the risk of the firm being used in connection with money laundering or terrorist financing and that the measures adopted by the Group to prevent and detect money laundering, terrorist financing or sanctions evasion are not effective and / or do not meet regulatory expectations.

Risk management and measurement

The Group manages regulatory risk under the Group Risk Framework. The framework identifies the Group's formal governance process around risk, including its framework for setting risk appetite and its approach to risk identification, assessment, measurement, management and reporting. This is implemented by accountable executives and monitored by the GRCRC, the GRPC, the BRC and Board in line with the overall Group risk governance structure outlined on pages 121 to 123. The effective management of regulatory risk is primarily the responsibility of business management and is supported by the Group Compliance and Operational Risk function.

As detailed in the Group's Risk Appetite Statement, the Group has no appetite to knowingly breach any of its regulatory obligations. However, it acknowledges that instances may occur as a consequence of being in business. The Group has therefore established an approach to ensure the identification, assessment, monitoring, management and reporting of these instances. The Group also undertakes risk based regulatory and compliance monitoring.

Risk mitigation

Risk mitigants include the early identification, appropriate assessment and measurement and reporting of risks. The primary risk mitigants for regulatory risk are the existence of appropriate controls in place throughout the business.

Risk reporting

The current status of regulatory risk is reported to Senior Executives and Board members through the Court Risk Report on a monthly basis. The Group Chief Compliance Officer reports to the GRCRC on the status of regulatory risk in the Group, including the status of the top regulatory risks, the progress of risk mitigation plans, issues and breaches, and significant regulatory interactions, on a quarterly basis.

3 Management of key Group risks *(continued)*

3.7 Operational risk

Key points:

- The business control framework has continued to mature across the Group resulting in enhanced risk identification and assessment, leading to improved risk based decisions and prioritisation of mitigating activities.
- During 2019, a number of enhancements to the business control environment were developed. Continuing progress on the enhancement of control certification and testing, business process mapping, and forward looking risk management processes.
- The Group continues its multi-year programme to make substantial investment in its IT systems and given the risk attendant to any large transformation, there is continued focus to ensure the sustainability and integrity of the Group's operations.

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

Risk management
The Group faces operational risks in the normal pursuit of its business objectives. The primary goals of operational risk management are ensuring the sustainability and integrity of the Group's operations and the protection of its reputation by controlling, mitigating or transferring the impact of operational risk. Operational risk cannot be fully eliminated. The Group has established a formal approach to the management of operational risk in the form of an 'Operational Risk Management Framework' which defines the Group's approach to identifying, assessing, managing, monitoring and reporting the operational risks which may impact the achievement of the Group's business objectives.

This framework outlines, inter alia the following:
- formulation and dissemination of a Group Operational Risk Policy specifying the risk management obligations of management and staff within the Group;
- maintaining organisational structures for the oversight, monitoring and management of operational risk throughout the Group;
- setting aside capital and maintaining a suite of insurance policies;
- setting out the boundary conditions in which operational risks are to be managed, by way of Board approved Risk Appetite Statement; and
- embedding formal operational risk management processes and standards throughout the Group.

Operational risk policy and governance
The Group continues to maintain its ongoing oversight and control of its exposure to operational risk. A critical component of the operational risk management framework is a BRC approved Operational Risk Policy which sets out the Group's objectives and the obligations of management in respect of operational risk.

Governance and oversight of operational risk forms part of the Group's Risk Framework which aims to ensure that risk management activities are adequate and commensurate with the Board approved risk appetite. The GORC is appointed by the GRPC and is responsible for the oversight and monitoring of operational risk within the Group and material subsidiaries. Business units hold primary responsibility for the management of operational risk and compliance with internal control requirements.

Group Operational Risk is accountable for the development and maintenance of an Operational Risk Management Framework to ensure a robust, consistent and systematic approach is applied to managing operational risk exposures across the Group.

Operational risk appetite
The Board has set out its appetite for operational risk in terms of both qualitative factors and quantitative measures reflecting the nature of non-financial risks. As such, the monitoring of operational risk indicators is supplemented with qualitative review and discussion at senior management executive committees to ensure appropriate actions are taken to enhance controls.

Risk assessment
A systematic identification and assessment of the operational risks faced by the Group is a core component of the Group's overall operational risk framework. This is known as the Risk and Control Self Assessment (RCSA) and is a framework for capturing, measuring and managing operational risk as well as providing a mechanism for consistent identification, monitoring, reviewing, updating and reporting of risks throughout the Group. A key element of this process is the categorisation of risks by taxonomy.

Risk mitigation and transfer
In addition to business unit risk mitigation initiatives, the Group implements specific policies and risk mitigation measures for key operational risks including, but not limited to, fraud, sourcing, technology and business disruption risks. This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme, whereby selected risks are reinsured externally. The Group Insurance programme is reviewed annually to ensure coverage remains appropriate to the Group's risk management objectives. The Group's total capital requirement arising from operational risk is covered by Pillar 1 regulatory capital, calculated using the TSA, and the Pillar 2 capital add-on, calculated using an internal model based on outputs of the scenario analysis programme as part of the ICAAP process.

Risk reporting
Regular reporting of operational risk is a key component of the Group's Operational Risk Framework.

The Board receives monthly update on the operational risk profile via the Court Risk Report which provides a timely assessment of material operational risks against risk appetite.

At least four times a year, the Head of Group Operational Risk reports to GORC on the status of operational risk in the Group, including the status of the top operational risks, the progress of risk mitigation initiatives and programmes, significant loss events, and the nature, scale and frequency of overall losses.
In addition, specified operational risk information is collated for the purposes of reporting to regulatory supervisors in the jurisdictions in which the Group operates.

3 Management of key Group risks *(continued)*

3.8 Business and strategic risk

Key points:

- On an annual basis, the Board reviews the Group's strategic objectives and key underlying assumptions to confirm that the strategic shape and focus of the Group remains appropriate.
- In terms of Brexit, the Group continues to monitor the ongoing EU and UK negotiations identifying, monitoring and mitigating risks associated with various outcomes. Notwithstanding ongoing uncertainties related to Brexit, economic growth in core markets of Ireland and UK remain positive.
- In a close to full capacity labour market within increasing competition for skilled resources, the Group has launched a People Strategy focused on a range of initiatives to ensure recruitment and retention of resources.
- The Group is undergoing significant transformation across Culture, Business Model and Systems with a number of programmes underway delivering against this strategy.
- The Group continues to effectively manage a range of technology programmes including supporting the Group's digital strategy, complying with the evolving regulatory environment whilst continuing to invest in improving resilience, efficiencies and customer experience across channels.
- Continued low levels of bond yields, official interest rates and discount rates, competitive intensity in the UK, and a slower conversion of Irish economic activity into credit formation, causes challenges and risk.
- The Group's Benchmark Interest Rate Reform programme is managing transition to the new regulatory compliant benchmarks.
- The Group continues to develop its RSB agenda and has enhanced Board and executive oversight. RSB is a key theme for the Group during 2020 and acting in a responsible and sustainable way involves consideration of, inter alia, climate related impacts both across our own footprint and that of our customers and stakeholders. As part of our enterprise approach to manage climate risks, the Group is embedding the assessment of risks and opportunities into key business planning and risk management processes (page 114).

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

It includes the risk that the Group fails to develop or to execute successful strategies to deliver acceptable returns in the context of the economic, competitive, regulatory / legal and interest rate environments that arise. It also includes non-financial risks such as people risks and risks relating to climate change.

Risk management, measurement and reporting
Divisions and business units are responsible for delivery of their business plans and management of such factors as pricing, sales and loan volumes, operating expenses and other factors that may introduce earnings volatility. Business, divisional and portfolio strategy is developed within the boundaries of the Group's strategy as well as the Group's Risk Appetite Statement. These strategies are approved by business divisional CEOs and presented to the Board on an annual basis.

Monitoring of business and strategic risk is performed on a divisional basis, and measured quarterly, with a scorecard addressing movements in key indicators around income diversification, margin trends, customer advocacy, costs, and employee engagement. In addition to this, business and strategic risk is evaluated through quarterly updates in the Court Risk Report which is reviewed by the GRPC, the BRC and the Board.

The key dimensions evaluated within business and strategic risk are:

- the strength of the Group's returns;
- appropriate strategic plan and financial projections;
- strength of the Group's competitive position; and
- management capability, technology capability and resource availability.

The Group also reviews business and strategic risk as part of the annual risk identification process. In addition there is an annual review of business and strategic risk to ensure that the BRC is comfortable with the processes in place to manage business and strategic risk and that residual risk is within the Group's risk appetite.

Risk mitigation
The Group mitigates business risk through business planning methods, such as the diversification of revenue streams, cost base management and oversight of business plans, which are informed by expectations of the external environment and the Group's strategic priorities.

At an operational level, the Group's annual budget process sets expectation at a business unit level for lending volumes, margins and costs. The tracking of actual and regularly forecasted volumes, margins and costs against budgeted levels is a key financial management process in the mitigation of business risk.

In the case of strategic risk, this risk is mitigated through regular updates to the Board on industry developments, the macroeconomic environment and associated trends which may impact the Group's activities, review of the competitive environment and strategies at a divisional and business unit level.

3 Management of key Group risks *(continued)*

3.9 Pension risk

Key points:

- Defined benefit pension funds are subject to market fluctuations, and interest rate and inflation risks, thus a level of volatility is associated with defined benefit pension funding.
- In order to further address this volatility, a review of the Group sponsored defined benefit pension schemes was initiated and completed in 2013. The resulting proposals arising from the review were accepted by employee members of the main defined benefit scheme, the BSPF.
- These proposals have now been implemented for the BSPF. Similar proposals were implemented for two other Group defined benefit schemes during 2014 and a third scheme in 2015.
- The Group has continued to support Trustees in taking action to improve the correlation between assets and liabilities and reduce volatility.
- The Group has reduced deficit sensitivity to both euro and sterling interest rate and inflation rate movements through increased hedging.
- The Group has also supported Trustees in diversifying asset portfolios away from listed equity into other return-seeking but potentially less volatile asset classes.
- Further liability and risk management exercises will be considered on an ongoing basis in 2020.

Definition
Pension risk is the risk in the Group 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.

Risk management, measurement and reporting
The Group sponsors a number of defined benefit pension schemes for past and current employees. At 31 December 2019, the Group's net IAS 19 pension deficit was €0.1 billion (2018: €0.2 billion) (note 46). The investment policy pursued to meet the schemes' estimated future liabilities is a matter for the Trustees and the schemes' Investment Committees. The Group, as sponsor, has an opportunity to communicate its views on investment strategy to the Trustees and receives regular updates including scenario analysis of pension risk.

The Board receives monthly updates on movements in assets, liabilities and the size of the deficit and also more detailed quarterly updates through the Court Risk Report. In addition, there is an annual review of pension risk to ensure that the Board is satisfied with the processes in place to manage the risk and that residual risk is within the Group's risk appetite.

Risk mitigation
In order to mitigate pension risk, a new hybrid scheme was introduced in 2007 for all new entrants (note 46) and the defined benefit schemes were closed to new entrants. A defined contribution scheme was introduced during 2014 for all new employees and the hybrid scheme was closed to new entrants.

In 2010, the Group carried out an extensive pensions review in order to address the pension deficit by a combination of benefit restructuring and additional employer contributions over a period of time to 2017.

In 2013, a further review, which also incorporated benefit restructuring, was carried out which reduced the pension deficit and is expected to further reduce the deficit through additional employer financial support in the period from 2016 to 2020. This additional financial support will broadly match the deficit reduction as a result of the benefit restructuring.

Liability and risk management exercises continued in 2019 and are considered on an ongoing basis. Nevertheless, a deficit still exists and as the pension funds are subject to market fluctuations, interest rate and inflation risks, a level of volatility associated with IAS 19 pension deficits (note 46) and their impact on the Group's capital ratios remains.

3 Management of key Group risks *(continued)*

3.10 Reputation risk

Key points:

- The Group's reputation continues to be influenced and shaped by a range of factors; the macroeconomic and political environment, media and public commentary and general sector developments. More specifically, the Group's decisions and actions in pursuit of its strategic and tactical business objectives, and their interaction with the external environment, will influence the Group's reputation and how it is perceived by stakeholders.
- Within this context, actions and achievements of the Group over the past 12 months that have impacted positively on the Group's reputation include:
  - ongoing communication of the Group Strategic Plan to 2021;
  - launch of the Group's new brand positioning, Financial Wellbeing Programme, and new VCU;
  - ongoing participation in and support for the work of the Irish Banking Culture Board;
  - introduction of a Sustainable Finance Fund and becoming signatory to UN Environment Programme - Finance Initiative Principles for Responsible Banking; and
  - external communications and stakeholder engagement activities associated with the Bank of Ireland NETA 2019.
- Some events in 2019 had a negative impact on the Group's reputation including the ongoing CBI Tracker Mortgage Examination and a systems outage in Q4 2019.
- All reputational issues were carefully and intensively managed through the identification of potential risks and the deployment of communication strategies to mitigate these risks, as appropriate.

Definition

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

This risk typically materialises through a loss of business in the areas affected. 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.

Risk management, measurement and reporting

Group Corporate Affairs is the primary function responsible for managing reputation risk in the Group. With the exception of certain specific communications to, for example, investors, regulators and customers, Group Corporate Affairs manages all external communications, stakeholder and government relations The division works closely with Group Investor Relations, Group Culture, Internal Communications and Group Marketing including the RSB team, to ensure communication with external and internal stakeholders is consistent, thereby helping to protect and enhance the Group's reputation. Reputation risk indicators are tracked on an ongoing basis.

These indicators include:

- monitoring of print, broadcast, online and social media;
- trust and reputation tracking;
- market trends and events;
- stakeholder engagement; and
- monitoring risk events which may have the potential to impact Group reputation.

The Group reviews reputation risk as part of the annual risk identification process and has a Group Reputation Risk Policy in place.

Quarterly updates are reported to the GRPC, the BRC and the Board as part of the Court Risk Report. In addition, there is an annual review of reputation risk to ensure that the BRC is comfortable with the processes in place to manage reputation risk and that residual risk is within the Group's risk appetite.

Risk mitigation

A wide range of processes and structures are used to identify, assess and mitigate potential risk to the Group's reputation. This ensures that potential impacts on the Group's reputation are taken into account as part of the decision making process.

4 Capital management

Key points:

- CET1 ratio is 15.0% under regulatory rules and 13.8% on a fully loaded basis at 31 December 2019.
- The Group is required to maintain a minimum CET1 ratio of 10.65% on a regulatory basis from 1 January 2020, increasing to 11.15% from July 2020, and to 11.45% from December 2020.
  - This includes a Pillar 1 requirement of 4.50%, a Pillar 2 requirement (P2R) of 2.25%, a capital conservation buffer (CCB) of 2.50%, a CCyB of 0.90% (increasing to 1.2% from 16 December 2020), and an O-SII buffer of 0.50% (increasing to 1.0% from 1 July 2020).
  - Pillar 2 guidance (P2G) is not disclosed in accordance with regulatory preference.
- The Group expects to maintain a CET1 ratio in excess of 13.5% on a regulatory basis and on a fully loaded basis at the end of the O-SII phase-in period. This includes meeting applicable regulatory capital requirements plus an appropriate management buffer.
- Total capital ratio is 18.6% under regulatory rules at 31 December 2019.
- Leverage ratio is 7.1% on a regulatory basis and 6.5% on a fully loaded basis as at 31 December 2019.
- MREL ratio of 23.8% at 31 December 2019.

Capital management objectives and policies *(audited)*
The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy and at all times to comply with regulatory capital requirements. It seeks to minimise refinancing risk by managing the maturity profile of non-equity capital while the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. The capital adequacy requirements set by the regulatory authorities and economic capital based on internal models are used by the Group as the basis for its capital management. The Group seeks to maintain sufficient capital to ensure that these requirements are met.

The current status of capital adequacy, including risk dashboards and risk appetite compliance, is reported to Senior Executives and the Board through the Court Risk Report on a monthly basis.

ICAAP *(unaudited)*
The ICAAP process facilitates the Board and senior management in adequately identifying, measuring and monitoring the Group's risk profile. Underpinning the ICAAP process, the Group prepares detailed financial projections. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions, and the stress case is prepared based on a severe but plausible stress economic scenario.

The ICAAP process demonstrates that the Group has sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives having regard to Board approved Risk Appetite and Strategy, and to meet its regulatory capital, leverage and liquidity requirements.

The Board approved ICAAP Report and supporting documentation is submitted to the ECB and CBI on an annual basis, and is subject to regulatory review as part of the SREP.

4 Capital management *(continued)*

CRD IV - 2018 *(unaudited)* Regulatory €m	CRD IV - 2018 *(unaudited)* Fully loaded €m		CRD IV - 2019[1] *(unaudited)* Regulatory €m	CRD IV - 2019[1] *(unaudited)* Fully loaded €m
		Capital Base		
10,051	10,051	Total equity	10,433	10,433
(173)	(173)	- less 2019 dividend / foreseeable dividend deduction[2]	(189)	(189)
(750)	(750)	- less AT1 capital	(750)	(750)
9,128	**9,128**	**Total equity less foreseeable dividend deduction and equity instruments not qualifying as Common equity tier 1**	**9,494**	**9,494**
(354)	**(1,127)**	**Regulatory adjustments being phased in / out under CRD IV**	**(440)**	**(1,076)**
(439)	*(1,097)*	*- Deferred tax assets[3]*	*(513)*	*(1,027)*
-	*(30)*	*- 10% / 15% threshold deduction[4]*	*-*	*(49)*
85	*-*	*- IFRS 9 transitional adjustment*	*73*	*-*
(1,623)	**(1,623)**	**Other regulatory adjustments**	**(1,512)**	**(1,512)**
(589)	*(589)*	*- Expected loss deduction*	*(423)*	*(423)*
(738)	*(738)*	*- Intangible assets and goodwill*	*(761)*	*(761)*
(2)	*(2)*	*- Coupon expected on AT1 instrument*	*(2)*	*(2)*
9	*9*	*- Cash flow hedge reserve*	*14*	*14*
(22)	*(22)*	*- Own credit spread adjustment (net of tax)*	*3*	*3*
(58)	*(58)*	*- Securitisation deduction*	*(47)*	*(47)*
(223)	*(223)*	*- Other adjustments*	*(296)*	*(296)*
7,151	**6,378**	**Common equity tier 1**	**7,542**	**6,906**
		Additional tier 1		
-	-	AT1 instruments (issued by parent entity[5])	-	-
499	499	Instruments issued by subsidiaries that are given recognition in AT1 capital[6]	611	611
7,650	**6,877**	**Total tier 1 capital**	**8,153**	**7,517**
		Tier 2		
803	803	Tier 2 instruments (issued by parent entity[5])	1,130	1,130
678	678	Instruments issued by subsidiaries that are given recognition in Tier 2 capital[6]	210	210
-	**-**	**Regulatory adjustments**		
(160)	(160)	Other adjustments	(160)	(160)
1,321	**1,321**	**Total tier 2 capital**	**1,180**	**1,180**
8,971	**8,198**	**Total capital**	9,333	8,697
47.8	**47.6**	**Total risk weighted assets (€bn)**	**50.1**	**49.9**
		Capital ratios		
15.0%	13.4%	Common equity tier 1	15.0%	13.8%
16.0%	14.4%	Tier 1[6]	16.3%	15.1%
18.8%	17.2%	Total capital[6]	18.6%	17.4%
7.0%	6.3%	Leverage ratio[6]	7.1%	6.5%

[1] Capital ratios have been presented including the benefit of the retained profit in the year. Under Article 26 (2) of the Capital Requirements Regulation, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the European Central Bank, and such permission has been obtained.

[2] A foreseeable dividend of €189 million (31 December 2018: €173 million) 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 50% in 2019, increasing annually at a rate of 10% thereafter.

[4] Includes technical items such as non-qualifying Common equity tier 1 items, Pension Volatility Adjustment and pension asset deductions.

[5] The parent entity refers to BOIG plc.

[6] The calculation of the Group's Tier 1, Total Capital and related ratios (including Leverage ratio) at 31 December 2019 are stated after a prudent application of the requirements of Articles 85 and 87 of Capital Requirements Regulation (further details are provided on page 159). As a result of the establishment of BOIG plc, and due to the requirements of Articles 85 and 87 of the Capital Requirements Regulation, regulatory capital instruments issued by subsidiaries (i.e. The Governor and Company of the Bank of Ireland) cannot be recognised in full in the prudential consolidation.

4 Capital management *(continued)*

CRD IV - 2018[1] *(unaudited)* Regulatory €bn	Fully loaded €bn		CRD IV - 2019[1] *(unaudited)* Regulatory €bn	Fully loaded €bn
		Risk weighted assets[2,3]		
38.7	38.7	Credit risk	40.5	40.4
0.6	0.6	Counterparty credit risk	0.6	0.6
0.5	0.5	Securitisation	0.6	0.6
0.6	0.6	Market risk	0.4	0.4
4.5	4.5	Operational risk	4.4	4.4
2.9	2.7	Other assets / 10% / 15% threshold deduction	3.6	3.5
47.8	**47.6**	**Total RWA**	**50.1**	**49.9**

Capital Requirements Directive IV *(unaudited)*
Implementation of the CRD IV legislation commenced on a phased basis from 1 January 2014. The CRD IV transition rules resulted in a number of deductions from CET1 capital being introduced on a phased basis, all of which are now fully implemented, with the exception of the DTAs (dependent on future profitability) deduction which in the case of the Group is phased to 2024. The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent clarifications, including ECB regulation 2016/445 on the exercise of options and discretions.

Regulatory Capital Developments *(unaudited)*
CRD IV continues to evolve through amendments to current regulations and the adoption of new technical standards. On 7 June 2019, the amendments to the existing CRD and the CRR, as well as the related EU BRRD and the SRM Regulation, were published in the Official Journal of the EU and entered into force on 27 June 2019. The majority of the changes impacting capital contained in the amended CRR (e.g. binding leverage requirement and amended SME supporting factor) will become applicable from 28 June 2021. The amendments to CRD IV and the BRRD require transposition into Irish law by 28 December 2020.

In December 2017, the Basel Committee announced revisions to the Basel Framework. The revisions focus on the standardised and IRB approaches to measuring credit risk and 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 TSA.

The revised standards will take effect from 1 January 2022, with a phase-in period of five years for the aggregate output floor. The Group is currently assessing the impact of these revisions although any impact will depend on the implementation at EU level.

In addition to the new Basel rules, there are a number of changes to ECB / EBA regulatory requirements planned for the coming years that will impact the Bank's regulatory capital and RWA calculations. These include new ECB and EBA NPL Guidelines; EBA standards and guidelines on Definition of Default and PD / LGD Estimates. The net impact of the evolving regulatory framework including EBA and ECB guidelines is expected to consume up to 80 basis points of CET1 by the end of 2021, with the majority expected by 30 June 2020.

The Group actively monitors these developments and seeks to comply with the new requirements when finalised.

IFRS 16 capital impact *(unaudited)*
IFRS 16, Leases, is effective from 1 January 2019 and requires lessees to recognise assets and liabilities for all leases where previously lessees could recognise a lease as either an operating or finance lease. The impact of the adoption of IFRS 16 increased the Group's RWAs by c.€600 million, which reduced the fully loaded CET1 ratio by c.20 basis points.

Credit Risk Transfer transactions
In November 2019, the Group executed a transaction to share a further c.$70 million of credit risk on the Group's existing Acquisition Finance CRT transaction. During December 2019, the Group executed a CRT transaction to refinance the Grattan Securities CRT transaction. This transaction references a portfolio of €2 billion of Irish and UK loan assets originated by Bank of Ireland's Corporate Banking business and involves the execution of a credit protection deed backed by €265 million of unfunded and funded credit protection.

These innovative transactions reduce the Group's credit risk exposure through a risk sharing structure whereby the investors assume the credit risk for potential credit losses on the reference portfolios of loan assets. No assets were derecognised from the Group balance sheet and the reference portfolio of loan assets and related customer relationships will continue to be maintained by the Group.

Non-performing exposure transactions
During April 2019, the Group completed a securitisation on a portfolio of c.€0.4 billion of RoI BTL Irish mortgages. In August 2019, the Group also executed a sale of predominantly BTL Irish mortgages. In aggregate these transactions contributed c.30 basis points to the Group's fully loaded CET1 ratio. In both transactions the underlying loan assets were derecognised from the Group balance sheet. Following completion of the securitisation transaction the related customer relationships continue to be maintained by the Group.

1 *Capital ratios have been presented including the benefit of the retained profit in the year. Under Article 26 (2) of the Capital Requirements Regulation, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the European Central Bank, and such permission has been obtained.*
2 *Risk weighted assets reflect the application of certain Central Bank of Ireland required Balance Sheet Assessment adjustments and the updated treatments of expected loss.*
3 *Further details on risk weighted assets as at 31 December 2019 can be found in the Group's Pillar 3 disclosures for the year ended 31 December 2019 available on the Group's website.*

4 Capital management *(continued)*

Pro forma CET1 Regulatory Capital Requirements	Set by	Range	2018	2019	2020	2021
Pillar 1 - CET1	CRR	4.50%	4.50%	4.50%	4.50%	4.50%
Pillar 2 Requirement	SSM	1% - 2.25%[1]	2.25%	2.25%	2.25%	2.25%
Capital Conservation Buffer	CRD	2.50%	1.88%	2.50%	2.50%	2.50%
Countercyclical buffer						
Ireland (c.60% of RWA) (from 5 July 2019)	CBI	0% - 2.50%	-	0.60%	0.60%	0.60%
UK (c.30% of RWA) (from 16 December 2020)	FPC (UK)	0% - 2.50%	0.30%	0.30%	0.60%	0.60%
US and other (c.10% of RWA)	Fed / Various	0% - 2.50%	-	-	-	-
O-SII Buffer (from 1 July 2019)	CBI	0% - 2.00%	-	0.50%	1.00%	1.50%
Systemic Risk Buffer - Ireland	Minister for Finance	0% - 3.00%	-	-	TBC	TBC
Pro forma Minimum CET1 Regulatory Requirements			**8.93%**	**10.65%**	**11.45%**	**11.95%**
Pillar 2 Guidance		**Not disclosed in line with regulatory preference**				

Capital requirements / buffers *(unaudited)*
The table above sets out the Group's CET1 capital requirements for 2020 and the authorities responsible for setting those requirements.

The Group is required to maintain a CET1 ratio of 10.65% on a regulatory basis from 1 January 2020, increasing to 11.15% from 5 July 2020 and to 11.45% from 16 December 2020. This includes a Pillar 1 requirement of 4.5%, a P2R of 2.25%, a CCB of 2.50%, a CCyB of 0.9% (0.6% in respect of RoI and 0.3% in respect of UK (increasing to 0.6% from 16 December 2020)) and an O-SII Buffer of 0.5% (increasing to 1.0% from 1 July 2020). P2G is not disclosed in accordance with regulatory preference.

The CCyBs are independently set in each country by the relevant designated authority. CCyBs are applied in proportion to an institution's RWA exposures in the particular country. The CBI has set a CCyB of 1.0% in RoI (since July 2019). In the UK, the Financial Policy Committee UK has set a CCyB of 1.0% (since November 2018) increasing to 2.0% from 16 December 2020.

CCyB rates are subject to quarterly review by the relevant designated authority.

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

The Group expects to maintain a CET1 ratio in excess of 13.5% on a regulatory basis, and on a fully loaded basis at the end of the O-SII phase-in period. This includes meeting applicable regulatory capital requirements plus an appropriate management buffer.

The CBI has requested power to introduce a Systemic Risk Buffer in Ireland, which could increase capital demand. The timing, size and application of any potential Systemic Risk Buffer are unknown.

Minimum Requirement for Own Funds and Eligible Liabilities *(unaudited)*
In November 2019, the SRB advised that the binding MREL for the Group had been set at 11.93% of total liabilities and own funds as at December 2017 (equivalent to 27.09% of RWAs) to be met by 1 January 2021. The Group's MREL ratio is 23.8% at 31 December 2019 (based on December 2019 RWA). Modest MREL eligible senior debt issuance of c.€1 billion to €2 billion per annum is anticipated.

Risk weighted assets *(unaudited)*
RWA on a regulatory basis, were €50.1 billion at 31 December 2019 (2018: €47.8 billion). The increase of €2.3 billion in RWA is primarily due to net loan book growth and changes in asset quality and book mix, FX impact on RWA and the implementation of IFRS 16 offset by the impact of the disposal of NPEs and the sale of the UK Cards business.

Regulatory ratio *(unaudited)*
The CET1 ratio was 15.0% at 31 December 2019 (2018: 15.0%). The movement is primarily due to organic capital generation (c.+160 basis points) and the disposal of NPEs and the UK credit card portfolio (c.+40 basis points) offset by RWA growth (c.-50 basis points), the impact of CRD phasing for 2019 and IFRS 16 impacts (c.-45 basis points), investment in the Group's transformation programmes (c.-50 basis points), an accrual for a proposed dividend (c.-40 basis points) and other net movements, including movements in the Group's defined benefit pension schemes (c.-15 basis points).

Fully loaded ratio *(unaudited)*
The Group's fully loaded CET1 ratio is 13.8% at 31 December 2019 (2018: 13.4%). The increase of c.40 basis points is primarily due to organic capital generation (c.+170 basis points) and the sale of NPEs and UK Cards (c.+40 basis points) offset by RWA growth (c.-50 basis points), investment in the Group's transformation programmes (c.-50 basis points), an accrual for a proposed dividend (c.-40 basis points), the impact of IFRS 16 implementation (c.-20 basis points) and other net movements, including movements in the Group's defined benefit pension schemes (c.10 basis points).

[1] *Expected range.*

4 Capital management *(continued)*

Leverage ratio *(unaudited)*
The leverage ratio at 31 December 2019 is 7.1% on a CRD IV regulatory basis (2018: 7.0%), 6.5% on a pro forma fully loaded basis (2018: 6.3%).

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

Distribution policy *(unaudited)*
The Group paid a dividend of €173 million, equivalent to 16 cents per share, in respect of the 2018 financial year on 10 June 2019. The dividend represented a payout of 30% of sustainable earnings (see page 331 for further information on alternative performance measures).

In respect of 2019, the Board has proposed a dividend of €189 million, equivalent to 17.5 cents per share, representing a payout of 34% of sustainable earnings and an increase of 9% on the 16 cents per share paid in respect of 2018.

The Group expects that dividends will increase on a prudent and progressive basis and, over time, will build towards a payout ratio of around 50% of sustainable earnings.

The dividend level and the rate of progression will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties and any impact from the evolving regulatory and accounting environments. Other means of capital distribution will be considered to the extent the Group has excess capital.

Distributable items *(unaudited)*
As at 31 December 2019, the Company had reserves available for distribution of €6.2 billion. Further information on the Company's equity is provided on page 297.

Individual consolidation *(unaudited)*
The regulatory CET1 ratio of the Bank calculated on an individual consolidated basis as referred to in Article 9 of the CRR is 15.2% at 31 December 2019 (2018: 15.2%).

Impediments to the transfer of funds *(unaudited)*
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 31 December 2019, own funds were in excess of the required minimum requirement.

Financial Statements

Contents

Statement of Directors’ responsibilities

The following statement, which should be read in conjunction with the Independent Auditor’s Report set out on pages 163 to 169, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

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

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

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

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

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

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

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

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

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

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

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

Signed on behalf of the Board by
21 February 2020

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

Independent Auditor’s Report
to the members of Bank of Ireland Group plc

Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements of Bank of Ireland Group plc (the ‘Company’) for the year ended 31 December 2019 set out on pages 170 to 302, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity and related notes, including the Group accounting policies set out in note 1 and the Company accounting policies set out on page 298. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, Irish Law and FRS 101 Reduced Disclosure Framework.

In our opinion:
- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2019 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK’s Financial Reporting Council; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were appointed as Auditor by the Board of Directors on 19 April 2018. The period of total uninterrupted engagement is therefore two years for the year ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

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

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

Impairment loss allowance under IFRS 9

Refer to pages 181 to 184 (accounting policy) and note 27 (financial disclosures)

The key audit matter

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

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

- ***Accuracy of Expected Credit Loss (ECL) models:*** The calculation of ECL uses complex and inherently judgemental modelling techniques. The models used in the various loan portfolios are the key drivers of the Group's ECL results and are therefore the most significant judgemental aspect of the Group's ECL modelling approach.

- ***Significant Increase in Credit Risk (SICR):*** The criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's ECL calculation. The application of the criteria relies on a significant number of data elements, which form the basis of modelling of ECL. The application of the appropriate criteria and accuracy of the key data elements used in the loan processes are significant in determining the ECL allowances.

- ***Forward looking macroeconomic scenarios:*** IFRS 9 requires the Group to measure ECL on a forward-looking basis reflecting future economic conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied to them, particularly given these assessments are subject to material uncertainty from Brexit. The impact of Brexit is subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.

- ***Management adjustments:*** Adjustments to the model-driven ECL results are applied by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved.

- *Individual provisions for Stage 3 assets:* Provisions for loans identified as credit-impaired in the secured lending portfolios are determined by means of discounted cash flows (DCF) and require significant judgement in many cases.

How the matter was addressed in our audit

- We performed end-to-end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into the impairment models.
- We tested SICR criteria relating to the authorisation of the criteria, the validation metrics, and the application of the criteria in the models.
- In conjunction with our modelling specialists, we tested the design and implementation of controls over the modelling process and methodologies, including model monitoring, validation and approval, as well as testing the design and implementation of controls over model outputs and recognition and approval of post model adjustments.
- We tested the design and implementation of key controls relating to the estimation of macroeconomic forecasts used in measuring ECL including the economic scenarios and probability weightings applied to them.
- We re-performed key aspects of the Group's SICR calculations and selected samples of financial instruments to determine whether a SICR was appropriately identified.
- We assessed the appropriateness of the key judgements in the ECL models and the loss rate ECL calculations.
- We performed independent reperformance testing over key aspects of the models underlying the calculation of expected credit losses.
- We compared the Forward Looking Information (FLI) against industry forecasts and the inputs used by management in order to determine the base case and upside and downside scenarios.
- We assessed the adequacy of post model adjustments for certain portfolios, having regard for the risk profile of loan books, recent loss history and performance of the relevant portfolios and key uncertainties such as Brexit. We challenged whether the modelled collective impairment provision already appropriately reflected the assumptions underpinning the adjustments or if a management adjustment was required.
- For a risk-based selection of loans, we critically assessed, by reference to the underlying documentation and through inquiry of management, whether the indicators for a credit-impairment had been identified. We challenged the reasonableness of management's judgement in this regard.
- For a selection of credit-impaired loans, where relevant, we examined the forecasts of future cash flows prepared by management to support the calculation of the impairment provision and challenged the assumptions through comparing estimates to external support where available. Where appropriate, this work involved considering third party valuations of collateral, internal valuation guidelines derived from benchmark data and / or externally prepared reports to determine whether appropriate valuation methodologies were employed.
- We found the judgments used by management in determining the ECL charge and provision recognised to be reasonable.

Valuation of defined benefit pension net liability €139 million (2018: €228 million)

Refer to pages 190 to 191 (accounting policy) and to note 46 (financial disclosures)

The key audit matter

The Group operates a number of defined benefit pension schemes which in total are significant in the context of both the overall balance sheet and the results of the Group. The schemes have an aggregate IAS 19 defined benefit pension deficit of €139 million at 31 December 2019.

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

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

How the matter was addressed in our audit

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

Conduct Risk - specifically, the Tracker Mortgage Examination (TME) provision of €75 million (2018: €42 million)

Refer to page 190 (accounting policy) and note 43 (financial disclosure)

The key audit matter

At 31 December 2019, the Company’s provision in respect of the tracker mortgage examination (TME) was approximately €75 million, primarily relating to remaining unpaid customer remediation and appeals costs, enforcement action costs and other remaining programme costs.

The primary development during the year relates to the increase in the amount provided to cover the estimated costs of closing out the Tracker Mortgage Examination review, including any potential CBI sanction.

As a result of the level of uncertainty associated with the ultimate CBI sanction remaining high, we consider this to be a key audit matter.

How the matter was addressed in our audit

- We read relevant correspondence between the CBI and the Company in relation to the TME and discussed the key matters with senior management and with those charged with governance. We considered the Group Internal Audit findings in respect of the matter.
- We obtained an understanding of the methodology used by management in the determination of the provision and assessed the design and implementation of controls relating to the provision calculation at year end.
- For key assumptions inherent in the provision at year end, we challenged the judgements made by management to determine whether they were reasonable.
- We reviewed the adequacy of disclosures in respect of the TME provision to determine whether they were consistent with our understanding and in line with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Based on the evidence obtained, we found that the provision and disclosures provided in respect of the TME are appropriate in accordance with IAS 37.

Valuation of the insurance contract liabilities €12,694 (2018: €11,003 million) and the Value of in Force (ViF) asset €631 million (2018: €571 million)

Refer to pages 192 to 193 (accounting policy) and notes 37 and 41 (financial disclosures)

The key audit matter

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

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

How the matter was addressed in our audit

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

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

IT Operational Risk

The key audit matter

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

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

The Group has a complex IT environment and operates a large number of applications, many of which are legacy systems which we understand will be replaced as the Group executes its multi-year investment programme to replace its core banking IT platforms. This programme operates in tandem with existing initiatives to maintain the operating effectiveness of the Group's existing IT systems. Each of these elements has been brought together in an Integrated IT Plan. Management has an ongoing risk management programme in place to identify, rate, mitigate and report on risk including IT and Operational risk matters.
We regard this area as a key audit matter owing to the high level of IT dependency within the Group as well as the associated complexity and the risk that automated controls are not designed and operating effectively.

How the matter was addressed in our audit

- We evaluated the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting.
- In conjunction with our IT audit specialists, we updated our understanding of the Group's IT environment having particular regard for developments with respect to the Integrated IT plans. We used this understanding to identify those IT systems which support financial reporting processes.
- We examined the design of the governance framework associated with the Group's IT architecture. We tested relevant General IT Controls for IT applications we considered relevant to the financial reporting process, including access management, program development and change management.
- We also tested the design, implementation and operating effectiveness of key IT application controls, including the configuration, security and accuracy of end user computing controls. Where IT controls could not be relied upon we

conducted additional substantive procedures and where relevant, we determined whether compensating controls were effective mitigants for any design or operating deficiencies.
- While we continue to identify certain design and operating effectiveness deficiencies with user access controls, the existence of compensating controls provided us with sufficient evidence to rely on the operation of the Group's IT systems for the purposes of our audit.

Recognition and impairment of internally generated intangible assets €760 (2018: €708 million)

Refer to page 190 (accounting policy) and notes 14 and 32 (financial disclosures)

The key audit matter
The Group balance sheet includes capitalised intangible assets of €760 million.

Owing to the significance of the costs capitalised and the fact that there is judgement involved in assessing whether the criteria in IAS 38 required for capitalisation of such costs, have been met - including the likelihood of the project delivering sufficient future economic benefits - we considered this a key audit matter.

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

How the matter was addressed in our audit
- We obtained an understanding of the various projects, and their stage of completion. We tested the design, implementation and operating effectiveness of key controls relating to the capitalisation of expenditure and challenged the impairment analysis performed by management in 2019.
- We inquired of management responsible for certain costs to obtain an understanding of their associated projects so as to enable us to determine whether the costs met the criteria for capitalisation and tested a sample of costs capitalised in the period to assess whether these had been appropriately treated in line with the Group's accounting policy and IAS 38, vouching to supporting documentation.
- Where external third-party contractors were used, we agreed on a sample basis that the amounts invoiced were appropriately capitalised. To determine whether internal employee costs were directly attributable to projects, we obtained listings of hours worked on individual projects for the employment costs capitalised. We selected a sample of the individual hours recorded and checked that the hours charged were appropriately capitalised.
- We considered whether the development of new software provided any evidence of obsolescence for existing internally generated intangible assets on the balance sheet.
- We challenged management's assessment of the appropriate useful economic lives (UELs) for material assets capitalised in 2019.
- We found that the costs were capitalised in line with Group policy and on a basis which is consistent with the requirements of IAS 38. We found that management's assessment that there were no objective indicators of impairment at year end to be reasonable.

Recoverability of deferred tax assets (DTAs) €1,088 (2018: €1,165 million)

Refer to pages 191 to 192 (accounting policy) and note 35 (financial disclosures)

The key audit matter
The Group has DTAs of €1,088 million which are projected to be recovered by 2037. The total DTAs before netting by jurisdiction is €1,183 million. This includes unutilised tax losses of €1,089 million, of which €1,032 million relates to Ireland and €50 million relates to the UK, with recovery periods of 18 and 10 years respectively.

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

The recognition of a DTA relies on management's judgements relating to the probability, timing and sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance and current legislation governing the use of historical trading losses carried forward. These are inherently subjective and subject to a high degree of estimation uncertainty, particularly given the Brexit uncertainty at year end and the differing jurisdictions in which the DTA arises.

Under UK and Irish tax legislation, there is no time limit on the utilisation of the Group's tax losses.

However, in the UK the amount of a bank's annual profits that can be sheltered with trading losses carried forward is restricted to 25%.

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

How the matter was addressed in our audit
- We tested the design and implementation of key controls over the determination and approval of the forecast taxable profits used to support the recognition of the deferred tax assets.
- With the assistance of our tax specialists we tested the accuracy of the DTA calculations and the appropriateness of any tax utilisation strategies applied.
- We assessed whether the forecasted profits were reasonable by comparing to recent actual performance and challenging the assumptions particular to the Group's future performance using our knowledge of the business, Group strategy and wider initiatives within the Group. We focused on those assumptions directly impacting the forecasted profits. We assessed the reasonableness of the external economic assumptions – particularly interest rate forecasts – applied in the assessment with reference to observable market data.
- We assessed how management considered alternative outcomes and potential estimation uncertainty in arriving at their base case projections.
- We considered whether key assumptions within the DTA calculations were internally consistent and assessed the reasonableness of the period over which the asset is projected to be recovered.

- We assessed the adequacy of disclosures provided in the financial statements, including disclosures of the assumptions and found them to be appropriate.
- On the basis of the work performed, we found management's judgements relating to the probability, timing and sufficiency of future taxable profits to be reasonable.

Recoverability of the carrying value of the investment by BOIG plc in The Governor and Company of the Bank of Ireland (Company only risk and key audit matter) €7,035 million (2018 - €7,035 million)

Refer to page 298 (accounting policy) and note c of the Company Financial statements (financial disclosures)

The key audit matter
The Group completed a corporate reorganisation during 2017 which included the creation of a new Group holding company, Bank of Ireland Group plc (the 'Company').

The Company balance sheet includes a €7 billion investment in The Governor and Company of the Bank of Ireland (GovCo). The accounting policy followed by the Company is to carry the investment at cost less impairment. Impairment testing includes the comparison of the carrying value with its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs of disposal or its value in use.

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

The key audit matter
- We tested the design and implementation of key controls over the production and approval of the projections of future profits. The Group prepares detailed projections covering a five year period and then extrapolates the final year using estimated long term growth rates for Ireland and the UK .
- We evaluated management's fair value assessment, which was based on the market capitalisation both before and after the year end and on external broker reports, and challenged the key assumptions underlying the value in use calculations.
- We assessed the key assumptions underlying the projections in the value in use calculations and considered other potential plausible scenarios.
- We assessed the adequacy of disclosures in the Company's financial statements.
- Based on evidence obtained, we found that management's assertion that the investment by the Company in GovCo is not impaired, is reasonable.

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

The materiality for the Group financial statements as a whole was set at €38 million. This has been calculated as c.5% of the benchmark of Group underlying profit before taxation of €758 million, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. We reported to the Group Audit Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €1.9 million in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The materiality for the Company financial statements is €77 million which represents 1% of net assets. The Company is the ultimate holding company of the Group and its activities to date have been limited to its investment in GovCo and the issue of subordinated liabilities and debt securities. Hence a benchmark based on net assets reflects the focus of the users of the financial statements.

Our audit work addressed each of the Group's five operating segments which are headquartered in Ireland and the UK: Retail Ireland, Wealth and Insurance, Retail UK, Corporate and Treasury (C&T) and Group Centre. We performed full scope audits of the complete financial information of the Retail Ireland, Wealth and Insurance and Retail UK operating segments. Audits of account balances were performed on Corporate and Treasury and Group Centre operating segments.

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

The Group team visited all component locations in Dublin and London and undertook an assessment of the audit risk and strategy. Regular meetings were held both in person and through telephone conference meetings with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

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

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

We have nothing to report on going concern
We are required to report to you if:
- we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules issued by the Irish and London Stock Exchanges, set out on page 92 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

Other information
The Directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Strategic Report on pages 3 to 40, the unaudited sections of the Risk Management Report on pages 110 to 160, the financial review on pages 41 to 57, the Governance section on pages 58 to 109 (except for the Remuneration Report on page 107), the unaudited parts of Other Information on pages 303 to 338. The

financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

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

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the Directors' confirmation within The Report of the Directors on page 93 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the Directors' explanation in The Report of the Directors of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Governance section on pages 58 to 109, that:
- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2006 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act;
- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- the Governance Section contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

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

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified
We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

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

We have nothing to report on other matters on which we are required to report by exception
The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of non-financial and diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2019 as required by the European Union (Disclosure of non-financial and diversity Information by certain large institutions and groups) (amendment) Regulations 2018.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:
- the Directors' Statement, set out on page 93, in relation to going concern and longer-term viability;
- the part of the Governance section on pages 59 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee.

Respective responsibilities and restrictions on use

Directors' responsibilities
As explained more fully in their statement set out on page 162, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless

they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

N Marshall

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

21 February 2020

Consolidated financial statements

Consolidated income statement *(for the year ended 31 December 2019)*

	Note	2019 €m	2018 €m
Interest income calculated using the effective interest method	4	2,350	2,354
Interest income on finance leases and hire purchase receivables	4	175	159
Interest income		**2,525**	**2,513**
Interest expense	5	(370)	(379)
Net interest income		**2,155**	**2,134**
Net insurance premium income	6	1,518	1,496
Fee and commission income	7	510	521
Fee and commission expense	7	(205)	(224)
Net trading income	8	138	55
Life assurance investment income, gains and losses	9	1,311	(331)
Other leasing income	10	62	52
Other leasing expense	10	(52)	(41)
Other operating income	11	120	85
Total operating income		**5,557**	**3,747**
Insurance contract liabilities and claims paid	12	(2,647)	(955)
Total operating income, net of insurance claims		**2,910**	**2,792**
Other operating expenses	13	(2,006)	(1,941)
Cost of restructuring programme	14	(59)	(111)
Operating profit before impairment (losses) / gains on financial instruments		**845**	**740**
Net impairment (losses) / gains on financial instruments	16	(214)	42
Operating profit		**631**	**782**
Share of results of associates and joint ventures (after tax)	17	39	41
Gain on disposal of asset held for sale	26	-	7
(Loss) / gain on disposal / liquidation of business activities	18	(25)	5
Profit before tax		**645**	**835**
Taxation charge	19	(197)	(160)
Profit for the year		**448**	**675**
Attributable to shareholders		386	620
Attributable to non-controlling interests	49	62	55
Profit for the year		**448**	**675**
Earnings per ordinary share	20	35.9c	57.7c
Diluted earnings per ordinary share	20	35.9c	57.7c

Consolidated statement of comprehensive income *(for the year ended 31 December 2019)*

	2019 €m	Restated[1] 2018 €m
Profit for the year	**448**	**675**
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss in subsequent years:		
Debt instruments at FVOCI reserve, net of tax:		
Changes in fair value	28	(137)
Transfer to income statement		
- Asset disposal	(3)	(2)
Net change in debt instruments at FVOCI reserve	**25**	**(139)**
Cash flow hedge reserve, net of tax:		
Changes in fair value	(390)	(1)
Transfer to income statement	386	(50)
Net change in cash flow hedge reserve	**(4)**	**(51)**
Foreign exchange reserve:		
Foreign exchange translation gains	139	8
Transfer to income statement	(9)	2
Net change in foreign exchange reserve	**130**	**10**
Total items that may be reclassified to profit or loss in subsequent years	**151**	**(180)**
Items that will not be reclassified to profit or loss in subsequent years:		
Remeasurement of the net defined benefit pension liability, net of tax	39	129
Revaluation of property, net of tax	3	5
Net change in liability credit reserve, net of tax	(18)	37
Total items that will not be reclassified to profit or loss in subsequent years	**24**	**171**
Other comprehensive expense for the year, net of tax	**175**	**(9)**
Total comprehensive income for the year, net of tax	**623**	**666**
Total comprehensive income attributable to equity shareholders	561	611
Total comprehensive income attributable to non-controlling interests	62	55
Total comprehensive income for the year, net of tax	**623**	**666**

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

[1] *As outlined in the Group accounting policies on page 179, comparative figures have been revised to reflect a restatement of revaluation of property net of tax for 2018.*

Consolidated balance sheet *(as at 31 December 2019)*

	Note	2019 €m	2018 €m
Assets			
Cash and balances at central banks	50	8,325	6,033
Items in the course of collection from other banks		223	259
Trading securities		32	29
Derivative financial instruments	21	1,999	1,724
Other financial assets at FVTPL	22	16,453	14,135
Loans and advances to banks	23	3,328	2,625
Debt securities at amortised cost	24	4,511	3,928
Financial assets at FVOCI	25	10,797	12,048
Assets classified as held for sale	26	-	602
Loans and advances to customers	27	79,487	76,363
Interest in associates	30	56	53
Interest in joint ventures	31	76	69
Intangible assets and goodwill	32	838	802
Investment properties	33	999	1,037
Property, plant and equipment	34	1,009	438
Current tax assets		36	33
Deferred tax assets	35	1,088	1,165
Other assets	36	2,497	2,280
Retirement benefit assets	46	129	46
Total assets		**131,883**	**123,669**
Equity and liabilities			
Deposits from banks	38	2,179	2,482
Customer accounts	39	83,968	78,899
Items in the course of transmission to other banks		219	268
Derivative financial instruments	21	2,478	1,819
Debt securities in issue	40	8,809	8,904
Liabilities to customers under investment contracts	41	5,890	5,239
Insurance contract liabilities	41	12,694	11,003
Other liabilities	42	2,413	2,460
Lease liabilities	62	565	-
Current tax liabilities		33	11
Provisions	43	143	84
Loss allowance provision on loan commitments and financial guarantees	45	30	29
Deferred tax liabilities	35	71	42
Retirement benefit obligations	46	268	274
Subordinated liabilities	47	1,690	2,104
Total liabilities		**121,450**	**113,618**
Equity			
Share capital	48	1,079	1,079
Share premium account		456	456
Retained earnings		8,180	7,975
Other reserves		(60)	(242)
Own shares held for the benefit of life assurance policyholders		(30)	(25)
Shareholders' equity		**9,625**	**9,243**
Non-controlling interests	49	808	808
Total equity		**10,433**	**10,051**
Total equity and liabilities		**131,883**	**123,669**

Patrick Kennedy	*Patrick Haren*	*Francesca McDonagh*	*Sarah McLaughlin*
Chairman	*Deputy Chairman*	*Group Chief Executive*	*Group Secretary*

Consolidated statement of changes in equity

(for the year ended 31 December 2019)

	Share capital €m	Share premium account €m	Retained earnings €m	Other reserves: 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	Non-controlling interests €m	Total €m
Balance at 1 January 2019	**1,079**	**456**	**7,975**	**133**	**(10)**	**24**	**(833)**	**396**	**17**	**31**	**(25)**	**9,243**	**808**	**10,051**
Profit for the year	-	-	386	-	-	-	-	-	-	-	-	386	62	448
Other comprehensive income for the year	-	-	39	25	(4)	(18)	130	-	-	3	-	175	-	175
Total comprehensive income for the year	**-**	**-**	**425**	**25**	**(4)**	**(18)**	**130**	**-**	**-**	**3**	**-**	**561**	**62**	**623**
Transactions with owners														
Contributions by and distributions to owners of the Group														
- Dividends on ordinary shares (note 61)	-	-	(173)	-	-	-	-	-	-	-	-	(173)	-	(173)
- Dividends paid to NCI - preference stock	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)
- Distribution paid to NCI - AT1 coupon	-	-	-	-	-	-	-	-	-	-	-	-	(55)	(55)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	(5)	(5)	-	(5)
Total transactions with owners	**-**	**-**	**(173)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**(178)**	**(62)**	**(240)**
Transfer from capital reserve to retained earnings	-	-	(55)	-	-	-	-	55	-	-	-	-	-	-
Transfer from liability credit reserve to retained earnings	-	-	9	-	-	(9)	-	-	-	-	-	-	-	-
Other movements	-	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Balance at 31 December 2019	**1,079**	**456**	**8,180**	**158**	**(14)**	**(3)**	**(703)**	**451**	**17**	**34**	**(30)**	**9,625**	**808**	**10,433**

Consolidated statement of changes in equity *(continued)*
(for the year ended 31 December 2018)

				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	Non-controlling interests €m	Total €m
Balance at 1 January 2018	**1,079**	**456**	**7,302**	**272**	**41**	**(13)**	**(843)**	**433**	**17**	**35**	**(33)**	**8,746**	**808**	**9,554**
Profit for the year	-	-	620	-	-	-	-	-	-	-	-	620	55	675
Other comprehensive income for the year	-	-	129	(139)	(51)	37	10	-	-	5	-	(9)	-	(9)
Total comprehensive income for the year	**-**	**-**	**749**	**(139)**	**(51)**	**37**	**10**	**-**	**-**	**5**	**-**	**611**	**55**	**666**
Transactions with owners														
Contributions by and distributions to owners of the Group														
- Dividends on ordinary shares (note 61)		-	(124)	-	-	-	-	-	-	-	-	(124)	-	(124)
- Dividends paid to NCI - preference stock	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)
- Distribution paid to NCI - AT1 coupon, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	(48)	(48)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	8	8	-	8
Total transactions with owners	**-**	**-**	**(124)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**(116)**	**(55)**	**(171)**
Transfer from capital reserve to retained earnings	-	-	37	-	-	-	-	(37)	-	-	-	-	-	-
Transfer from revaluation reserve to retained earnings	-	-	9	-	-	-	-	-	-	(9)	-	-	-	-
Other movements	-	-	2	-	-	-		-	-	-	-	2	-	2
Balance at 31 December 2018	**1,079**	**456**	**7,975**	**133**	**(10)**	**24**	**(833)**	**396**	**17**	**31**	**(25)**	**9,243**	**808**	**10,051**

Consolidated cash flow statement *(for the year ended 31 December 2019)*

	Note	2019 €m	2018 €m
Cash flows from operating activities			
Profit before tax		645	835
Share of results of associates and joint ventures	17	(39)	(41)
(Loss) / gain on disposal / liquidation of business activities	18	25	(5)
Gain on disposal of asset held for resale	26	-	(7)
Depreciation and amortisation	10,13	317	235
Net impairment loss on financial instruments, excluding cash recoveries	16	262	7
Impairment of property, plant and equipment	14	4	9
Impairment of intangible assets	14	-	6
Reversal of impairment on property	13	-	(4)
Revaluation of investment property	33	3	(33)
Interest expense on subordinated liabilities	5	106	119
Interest expense on lease liabilities	5	15	-
Charge for pension and similar obligations	46	101	118
Net change in accruals and interest payable		(17)	12
Net change in prepayments and interest receivable		(16)	17
Charge for provisions		111	94
Non-cash and other items		(1)	7
Cash flows from operating activities before changes in operating assets and liabilities		**1,516**	**1,369**
Net change in items in the course of collection from other banks		(13)	53
Net change in trading securities		(3)	39
Net change in derivative financial instruments		250	359
Net change in other financial assets at FVTPL		(2,325)	708
Net change in loans and advances to banks		(18)	(71)
Net change in loans and advances to customers, including loans and advances to customers held for sale		(1,322)	(1,334)
Net change in other assets		(210)	(306)
Net change in deposits from banks		(392)	(1,841)
Net change in customer accounts		3,903	3,229
Net change in debt securities in issue		(146)	520
Net change in liabilities to customers under investment contracts		651	(527)
Net change in insurance contract liabilities		1,691	125
Net change in other operating liabilities		(226)	(311)
Net cash flow from operating assets and liabilities		**1,840**	**643**
Net cash flow from operating activities before tax		**3,356**	**2,012**
Tax paid		(54)	(44)
Net cash flow from operating activities		**3,302**	**1,968**
Investing activities (section a below)		651	(3,552)
Financing activities (section b below)		(876)	(301)
Effect of exchange translation and other adjustments		(100)	33
Net change in cash and cash equivalents		**2,977**	**(1,852)**
Opening cash and cash equivalents		8,349	10,201
Closing cash and cash equivalents	50	**11,326**	**8,349**

Consolidated cash flow statement *(for the year ended 31 December 2019) (continued)*

	Note	2019 €m	2018 €m
(a) Investing activities			
Additions to financial assets at FVOCI	25	(1,525)	(4,652)
Disposal / redemption of financial assets at FVOCI	25	2,827	2,541
Additions to debt securities at amortised cost		(803)	(1,440)
Disposal / redemption of debt securities at amortised cost		373	293
Additions to property, plant and equipment - owned assets		(81)	(72)
Disposal of property, plant and equipment	34	22	14
Additions to intangible assets	32	(223)	(207)
Additions to investment property	33	(11)	(123)
Disposal of investment property	33	39	13
Disposal of assets held for sale	26	-	35
Dividends received from joint ventures	31	31	36
Decrease in interest in associates	30	2	10
Cash flows from investing activities		**651**	**(3,552)**
(b) Financing activities			
Repayment of subordinated liabilities	47	(750)	-
Proceeds from issue of subordinated liabilities	47	300	-
Interest paid on subordinated liabilities	47	(107)	(115)
Payment of lease liability	62	(69)	-
Interest paid on lease liability	62	(15)	-
Dividend paid to ordinary shareholders	61	(173)	(124)
Distribution to non-controlling interests - AT1 coupon	49	(55)	(55)
Dividend paid to non-controlling interests - preference stock	49	(7)	(7)
Cash flows from financing activities		**(876)**	**(301)**

Notes to the consolidated financial statements

1 Group accounting policies

Basis of preparation

These consolidated financial statements are financial statements of the Bank of Ireland Group plc (‘BOIG plc’ or the ‘Company’) and its subsidiaries (collectively the ‘BOIG plc Group’ or the ‘Group’).

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statements of changes in equity, the Consolidated cash flow statement, the notes to the consolidated financial statements on pages 177 to 294 and the notes to the Company financial statements on pages 295 to 302.

The financial statements include the information that is described as being an integral part of the audited financial statements contained in:

(i) Sections 3.1, 3.2, 3.3, 3.4 and 4 of the Risk Management Report as described further on the bottom of page 110;
(ii) the Remuneration Report as described further on page 107; and
(iii) Other Information - Group exposures to selected countries as described further on the top of page 304.

The financial statements also include the tables in Other Information - Supplementary asset quality disclosures that are described as being an integral part of the audited financial statements as described further on the top of page 307.

The amounts presented in the financial statements are rounded to millions.

The consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the EU (Credit Institutions: Financial Statements) regulations 2015 and the Asset Covered Securities Acts 2001 and 2007.

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

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

The accounting policies and critical accounting estimates applied by the Company are included in note 1 to the Company financial statements on page 298.

FX rates used during year are as follows:

	2019		2018	
	Average	Closing	Average	Closing
€ / Stg£	0.8778	0.8508	0.8847	0.8945
€ / US$	1.1195	1.1234	1.1810	1.1450

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.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for 2019 is a period of twelve months from the date of approval of these financial statements (the ‘period of assessment’).

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

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

Capital

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

Funding and liquidity

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

Conclusion

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

1 Group accounting policies *(continued)*

Comparatives

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

In the consolidated statement of comprehensive income the revaluation of property, net of tax for the year ended 31 December 2018 has been increased by €10 million from a charge of €5 million to a gain of €5 million arising as the pre-tax change in the revaluation reserve was misstated. Consequently other comprehensive income has increased by €10 million from €19 million (expense) to €9 million (expense) and total comprehensive income has been increased by €10 million from €656 million to €666 million. The restatement is attributable in full to equity shareholders. The impact of this restatement affects the Consolidated statement of comprehensive income as set out on page 171 and the Taxation note on page 210. The restatement has no impact on the Consolidated statement of changes in equity.

Adoption of new and amended accounting standards

The following new standards and amendments to standards have been adopted by the Group during the year ended 31 December 2019:
- IFRS 16 'Leases'
- International Financial Reporting Interpretation Committee (IFRIC) 23 'Uncertainty over Income Tax Treatments'
- Amendment to IAS 19 'Plan Amendment, Curtailment or Settlement'
- Amendments to IAS 28 'Investments in Associates'
- Interest Rate Benchmark Reform (Amendments to IFRS 9 'Financial instruments', IFRS 7 'Financial Instruments: Disclosures' and IAS 39 'Financial Instruments: Recognition and Measurement)'
- Annual improvements 2015 to 2017 - These amendments include minor changes to the following standards:
  - IAS 12 'Income Taxes'
  - IFRS 3 'Business Combinations'
  - IFRS 11 'Joint Arrangements'
  - IAS 23 'Borrowing Costs'

The Group's accounting policies have been updated for the application of the above new and amended accounting standards from 1 January 2019. The updates together with the accounting policies for the comparative year up to 31 December 2018 are detailed below.

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

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

As permitted, the Group has availed of the following exemptions:
- short-term leases (lease term of 12 months or less);
- leases where the lease term ends within 12 months of the date of initial application; and
- leases for which the underlying asset is of low value, except for leases of computer equipment which were previously classified as finance leases under IAS 17.

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

As permitted the Group has applied the practical expedient to leases of computer equipment previously classified as operating leases under IAS 17. For certain computer equipment where the Group is the lessee, it has elected not to separate the non-lease components and accounts for lease and non-lease components as a single lease.

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

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

In addition the Group relied on its assessment of whether leases were onerous immediately before the date of initial application. Consequently the Group adjusted the RoU asset by the amount of any such provision for onerous leases recognised in the balance sheet immediately prior to date of initial application.

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

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

The effect of adoption of IFRS 16 is explained further in note 62.

International Financial Reporting Interpretation Committee 23 'Uncertainty over Income Tax Treatments'
IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainty over income tax treatments.

1 Group accounting policies *(continued)*

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

The introduction of IFRIC 23 has no impact on the Group's financial statements. The Group's approach to accounting for uncertain tax positions heretofore has embodied the clarifications outlined in IFRIC 23. In particular, the Group considers uncertain tax positions together or separately depending on which approach better predicts how the uncertainties will be resolved. Where the Group concludes it is not probable that a tax authority will accept its assessment of an uncertain tax position, it reflects the effect of the uncertainty using either the 'most likely amount' method or the 'expected value' method, as appropriate for the particular uncertainty.

Amendment to IAS 19 'Plan Amendment, Curtailment or Settlement'
This amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment does not have a significant impact on the Group at 31 December 2019.

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

'Interest Rate Benchmark Reform (Amendments to IFRS 9, IFRS 7 and IAS 39)'
The International Accounting Standards Board (IASB) has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain temporary reliefs from applying specific hedge accounting requirements in connection with the ongoing reform of the interbank offered rate (IBOR). The temporary reliefs relate to issues affecting financial reporting in the period before the replacement of an existing IBOR with an alternative interest rate (pre-replacement issues) and have the effect that IBOR reform should not generally cause hedge accounting relationships to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement under both IAS 39 and IFRS 9.

The main exceptions relate to:
- *The highly probable requirement and reclassifying the cumulative gain or loss recognised in other comprehensive income*
  Under IFRS 9 and IAS 39, a forecast transaction designated as the hedged item in a cash flow hedge must meet the 'highly probable requirement'. IFRS 9 and IAS 39 also require amounts accumulated in the cash flow hedge reserve to be reclassified to profit or loss when the hedged future cash flows affect profit or loss. The relief provided by the amendments requires an entity to assume that the existing interest rate benchmark on which the hedged cash flows are based do not change as a result of the IBOR reform.
- *Prospective assessments*
  A hedging relationship qualifies for hedge accounting only if it is expected to be highly effective (IAS 39) or there is an economic relationship between the hedged item and the hedging instrument (IFRS 9). Under the amendments, an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered by the IBOR reform.
- *Separately identifiable risk components*
  IFRS 9 and IAS 39 allow entities to designate only changes in the cash flows or fair value of an item attributable to a specific risk (i.e. a risk component) if that risk component is separately identifiable and reliably measurable. Under the amendments, entities shall apply the separately identifiable requirement only at the inception of a hedging relationship and are not required to continue this assessment over the life of the hedge.

The exceptions related to the highly probable requirement, reclassifying the cumulative gain or loss recognised in other comprehensive income (OCI) and prospective assessment will apply for a limited period ending on the earlier of the date when:
- the uncertainty arising from IBOR reform is no longer present; and
- the hedging relationships to which the exceptions apply are discontinued or, in the case of reclassifying the cumulative gain or loss recognised in OCI, when the entire cumulative gain or loss recognised in OCI with respect to discontinued hedging relationship has been reclassified to profit or loss.

The amendments apply for annual reporting periods beginning on or after 1 January 2020 and earlier application is permitted. The amendments were endorsed by the EU in January 2020. Having made the accounting policy choice allowed under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39, the Group has elected to early adopt the interest rate benchmark reform amendments to IFRS 7 and IAS 39. The adoption of these amendments did not result in any adjustment to the amounts presented in the financial statements.

Annual improvements 2015-2017
These amendments include minor changes to the following standards:
- Amendment to IAS 12 'Income Taxes' - this amendment clarifies that the income tax consequences of dividends on a financial instrument classified as equity should be recognised according to where the previous transactions or events that generated distributable profits were recognised. As a result at 31 December 2019, the Group has recognised the income tax effect of the Additional tier 1 (AT1) dividend within the income statement. Comparatives have not been restated, as the impact was not material.
- IFRS 3 'Business Combinations' - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 'Joint Arrangements' - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 23 'Borrowing Costs' - a company treats as part of general borrowings, any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

1 Group accounting policies *(continued)*

Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method for financial instruments measured at amortised cost and financial assets which are debt instruments measured at FVOCI, in accordance with IFRS 9. Interest income and expense from derivative financial instruments designated as hedging instrument are accounted for in net interest income, in line with the underlying hedged asset or liability. Interest in relation to derivatives not designated as a hedging instrument is included in trading income. The effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or liability and in the allocation and recognition of interest revenue or interest expense in profit or loss over the relevant period.

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

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

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

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

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

Modifications

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

Interest income and expense excludes interest on financial instruments at FVTPL which is instead included within the fair value movements recognised within net trading income.

Fee and commission income

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

Financial assets

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

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

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

1 Group accounting policies *(continued)*

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

(a) **Financial assets at amortised cost.**

Debt instruments

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

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

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

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

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

Debt instruments

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

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

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

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

Equity instruments

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

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

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

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

Financial assets mandatorily measured at fair value through profit or loss

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

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

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

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

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

1 Group accounting policies *(continued)*

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

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

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

Impairment of financial instruments

Scope
The Group recognises impairment loss allowances for ECL on the following categories of financial instruments unless measured at FVTPL:
- financial assets that are debt instruments;
- loan commitments;
- lease receivables recognised under IFRS 16 'Leases' (IAS 17 'Leases' until 31 December 2018);
- financial guarantee contracts issued and not accounted for under IFRS 4 'Insurance Contracts'; and
- receivables and contract assets recognised under IFRS 15 'Revenue from Contracts with Customers'.

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

Stage 1: 12-month expected credit losses (not credit-impaired)
These are financial instruments where there has not been a significant increase in credit risk since initial recognition. An impairment loss allowance equal to 12- month ECL is recognised. This is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

Stage 2: Lifetime expected credit losses (not credit-impaired)
These are financial instruments where there has been a significant increase in credit risk since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised. Lifetime ECL are the ECL resulting from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime expected credit losses (credit-impaired)
These are financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognised.

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

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

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

Credit-impaired
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

Measurement of expected credit losses and presentation of impairment loss allowances
ECL are measured in a way that reflects:
(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

1 Group accounting policies *(continued)*

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

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

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

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

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

Forbearance
Forbearance occurs when a borrower is granted a concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred if the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower. Prior to any decision to grant forbearance, the Group performs an assessment of a customer's financial circumstances and ability to repay and assesses whether the loan is credit-impaired. Where the loan is credit-impaired, it is allocated to Stage 3 (unless a POCI financial asset). If a forborne loan has a variable interest rate, the discount rate for measuring ECL is the current effective interest rate determined under the contract before the modification of terms.

Financial assets to which forbearance has been applied continue to be reported as forborne until such time as they satisfy conditions to exit forbearance in line with EBA guidance on non-performing and forborne classifications. Forborne financial assets which are not credit-impaired are generally allocated to Stage 2.

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

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

Financial liabilities

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

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

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

1 Group accounting policies *(continued)*

A financial liability may be designated as at FVTPL only when:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or

(iii) a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

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

The movement in own credit risk related to financial liabilities designated at FVTPL is recorded in OCI unless this would create or enlarge an accounting mismatch in profit or loss for the Group (in which case all gains or losses are recognised in profit or loss).

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

Embedded derivatives

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

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

Financial guarantees

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

Financial guarantees held by the Group

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

Financial guarantees issued by the Group

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

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

Offsetting

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

Valuation of financial instruments

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

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

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

1 Group accounting policies *(continued)*

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

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

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

Group accounts

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

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

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

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

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

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

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

   A joint arrangement is an arrangement of which two or more parties have joint control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

   Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost.

   The Group utilises the venture capital exemption for investments where significant influence is present and the business operates as a venture capital business. These investments are designated at initial recognition at FVTPL.

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

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

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

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

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

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

1 Group accounting policies *(continued)*

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

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

Foreign currency translation

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

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the dates of the transactions. FX gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at FVTPL, are reported as part of the fair value gain or loss. Translation differences on non- monetary items such as equities classified at FVOCI are recognised in OCI. Exchange differences arising on translation to presentation currency and on consolidation of overseas net investments, are recognised in OCI.

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

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

Operating profit / loss

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

Leases

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

A Group company is the lessee
From 1 January 2019, the Group recognises a RoU asset and lease liability at the lease commencement date. RoU assets are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurement of lease liabilities. The recognised RoU assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. RoU assets are subject to impairment under IAS 36 'Impairment of Assets'.

The Group has elected not to recognise RoU assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

RoU assets, comprised of leases of buildings which do not meet the definition of investment properties, and computer equipment, are presented in property, plant and equipment. RoU assets which meet the definition of investment properties are presented within investment properties.

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

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

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

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

1 Group accounting policies *(continued)*

event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Under IFRS 16, where the Group is an intermediate lessor the subleases are classified with reference to the RoU asset arising from the head lease, not with reference to the underlying asset. Where the Group continues to retain the risks and rewards of ownership as the intermediate lessor, it retains the lease liability and the RoU asset relating to the head lease in its balance sheet. If the Group does not retain the risks and rewards of ownership as the intermediate lessor, these subleases are deemed finance leases. During the term of the sublease, the group recognises both finance lease income on the sublease and interest expense on the head lease.

Until 31 December 2018, the Group applied the following accounting policy in respect of leases in accordance with IAS 17.

1. A Group company is the lessee
   The total payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

   When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

   Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

   The corresponding rental obligations, net of finance charges, are included in long-term payables. The interest element of the finance costs is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Sale and repurchase agreements and lending of assets

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

Securities purchased under agreements to resell ('reverse repos') are treated as collateralised loans and recorded as loans and advances to banks or customers, as appropriate.

The difference between sale and repurchase price is treated as interest and recognised in the income statement over the life of the agreement using the effective interest method.

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

Issued debt and equity securities

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

Hedge accounting is applied to these derivatives provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and

1 Group accounting policies *(continued)*

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

Where a hedging instrument is novated to a clearing counterparty, the Group does not discontinue hedge accounting where the following criteria are met:

- the novation arises due to laws or regulations, or the introduction of laws and regulations;
- the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and
- the novation does not result in changes to the terms of the original instrument except for those changes necessary to effect the change in counterparty.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The hedged item in a micro fair value hedge is a single specified item e.g. a fixed rate commercial loan or a FVOCI bond. If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

The hedged item in a macro fair value hedge is a pool of assets or liabilities with similar risk characteristics and profiles, such as a pool of fixed rate mortgages. Unlike micro fair value hedge accounting, macro fair value hedge accounting is not discontinued if an individual asset or liability within the pool of hedged items is sold, so long as the overall pool of hedged items retains its characteristics as documented at inception of the hedge. In addition, hedge effectiveness testing is performed on a portfolio basis rather than on an individual hedge relationship by hedge relationship basis.

The Group also avails of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. Under these provisions the Group applies portfolio fair value hedge accounting of interest rate risk to its demand deposit book. The Group resets portfolio fair value hedges of its demand deposit book on a weekly basis and other macro fair value hedges are reset on a monthly basis.

If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in OCI are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised in the income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately reclassified to the income statement.

Property, plant and equipment

Freehold land and buildings are initially recognised at cost, and subsequently are revalued annually to fair value by independent external valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the reporting date.

RoU assets recognised as property, plant and equipment are measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurement of lease liabilities.

All other property, plant and equipment, including freehold and leasehold adaptations, are stated at historical cost less accumulated depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings, are recognised in OCI. Decreases that offset previous increases on the same asset are recognised in OCI: all other decreases are charged to the income statement.

The Directors consider that residual values of freehold and long leasehold property based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not material.

Depreciation is calculated on the straight line method to write down the carrying value of other items of property, plant and equipment to their residual values over their estimated useful lives as follows:

- adaptation works on freehold and leasehold property - 15 years, or the remaining period of the lease; and
- computer and other equipment - maximum of ten years.
- the recognised RoU assets are depreciated on a straight-line basis over the earlier of the end of the useful life of the RoU asset or the end of the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its Value in Use (VIU).

1 Group accounting policies *(continued)*

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. If the asset being disposed of had previously been revalued then any amount in OCI relating to that asset is reclassified directly to retained earnings on disposal rather than the income statement.

Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property, except where the property is used by the Group for administrative purposes or the supply of services, in which case it is classified as owner occupied property. Investment property comprises freehold and long leasehold land and buildings. It is carried at fair value in the balance sheet based on annual revaluations at open market value as determined by external qualified property surveyors and is not depreciated. Changes in fair values are recorded in the income statement. Rental income from investment properties is recognised as it becomes receivable over the term of the lease.

Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with research activities or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, which is normally between five and ten years.

(b) Other intangible assets

Other intangible assets are carried at cost less amortisation and impairment, if any, and are amortised on a straight line basis over their useful lives, which range from five years to twenty years.

Computer software and other intangible assets are assessed for impairment indicators annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indicators exist, the asset's recoverable amount is estimated. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell and its VIU.

(c) Goodwill

Goodwill represents the excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment or more frequently if there is any indication that it may be impaired, and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGU) for the purpose of impairment testing. An impairment loss arises if the carrying value of the CGU exceeds the recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the CGU.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. A levy payable to a Government is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

Employee benefits

(a) Pension obligations

The Group operates both defined contribution and defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

1 Group accounting policies *(continued)*

Where a plan amendment, curtailment or settlement occurs and the net defined benefit liability is remeasured to determine past service cost or the gain or loss on settlement, the current service cost and net interest for the remainder of the period are remeasured using the same assumptions.

Service cost and net interest on the net defined benefit liability / (asset) are recognised in profit or loss, within operating expenses.

Remeasurements of the net defined benefit liability / (asset) that are recognised in OCI include:

- actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions; and
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability / (asset).

A settlement is a transaction that eliminates all further legal and constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

For defined contribution plans, contributions are recognised as employee benefit expense when they are due.

(b) Short-term employee benefits

Short-term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employees' service is rendered.

(c) Termination payments

Termination payments are recognised as an expense at the earlier of:

- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

For this purpose, in relation to termination benefits for voluntary redundancies, the Group is considered to be no longer able to withdraw the offer on the earlier of the following dates:

- when the employee accepts the offer; and
- when a restriction (e.g. a legal, regulatory or contractual requirement) on the Group's ability to withdraw the offer takes effect.

Income taxes

(a) Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise.

Tax provisions are provided on a transaction by transaction basis using either the 'most likely amount' method or the 'expected value' method as appropriate for the particular uncertainty and by management assessing the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that there will be a future outflow of funds to a fiscal authority to settle the obligation.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of income tax losses available for carry forward are recognised as DTAs to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. DTAs and deferred tax liabilities are not discounted.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax on items taken to OCI is also recognised in OCI and is subsequently reclassified to the income statement together with the deferred gain or loss. Income tax on items recognised directly in equity is recognised directly in equity, except for the income tax consequences of dividends on a financial instrument classified as equity, which are recognised according to where the previous transactions or events that generated distributable profits were recognised.

(c) Uncertain tax positions

IFRIC 23, which applies to all aspects of income tax accounting, clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions.

The Group considers uncertain tax positions together or separately depending on which approach better predicts how the uncertainties will be resolved. Where the Group concludes it is not probable that a tax authority will accept its assessment of an uncertain tax position, it reflects the effect of the uncertainty using either the 'most likely amount' method or the 'expected value' method, as appropriate for the particular uncertainty.

1 Group accounting policies *(continued)*

Share capital and reserves

1. **Equity transaction costs**
Incremental external costs directly attributable to equity transactions, including the issue of new equity shares or options, are shown as a deduction from the component of equity in which the equity transaction is recognised, net of tax.

2. **Dividends on ordinary shares**
Final dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders on the recommendation of the Board of Directors, or approved by the Board of Directors, as appropriate. Interim dividends are recognised in equity in the period in which they are paid.

3. **Treasury shares**
Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. Any changes in the value of treasury shares held are recognised in equity at the time of the disposal and dividends are not recognised as income or distributions.

4. **Capital reserve**
The capital reserve represents transfers from share capital, retained earnings and other reserves in accordance with relevant legislation. The capital reserve is not distributable.

5. **Foreign exchange reserve**
The FX reserve represents the cumulative gains and losses on the translation of the Group's net investment in its foreign operations since 1 April 2004. Gains and losses accumulated in this reserve are reclassified to the income statement when the Group loses control, joint control or significant influence over the foreign operation or on disposal or partial disposal of the operation.

6. **Revaluation reserve**
The revaluation reserve represents the cumulative gains and losses on the revaluation of property occupied by Group businesses, included within property, plant and equipment and non-financial assets classified as held for sale. The revaluation reserve is not distributable.

7. **Share premium account**
Where the company issues shares at a premium, a sum equal to the aggregate amount or value of the premiums on those shares is transferred to the share premium account. Where, pursuant to Section 84 of the Companies Act 2014, there has been a reduction of the Company's share capital by the cancellation of share premium, the resulting profits available for distribution, as defined by Section 117 of the Companies Act 2014, are reclassified from the share premium account to retained earnings.

8. **Cash flow hedge reserve**
The cash flow hedge reserve represents the cumulative changes in fair value, excluding any ineffectiveness, of cash flow hedging derivatives. These are transferred to the income statement when hedged transactions impact the Group's profit or loss.

9. **Merger reserve**
In the Company balance sheet, the merger reserve represents the difference between the carrying value of the Company's initial investment in the Bank arising from the corporate reorganisation in 2017 and the nominal value of the shares issued as part of that reorganisation, less amounts capitalised as share premium. In the Consolidated balance sheet, the merger reserve also includes an adjustment to eliminate the capital stock, share premium, capital reserve and retained earnings of the Bank at the date of corporate reorganisation, which do not carry forward to the balance sheet of the Group.

10. **Debt instruments at fair value through other comprehensive income reserve**
The debt instruments at FVOCI reserve comprises the cumulative net change in the fair value of debt securities measured at FVOCI together with the impact of fair value hedge accounting, less the ECL allowance recognised in profit or loss.

11. **Liability credit reserve**
The liability credit reserve represents the cumulative changes in the fair value of financial liabilities designated as at FVTPL that are attributable to changes in the credit risk of those liabilities, other than those recognised in profit or loss.

Life assurance operations

In accordance with IFRS 4, the Group classifies all life assurance products as either insurance or investment contracts for accounting purposes.

Insurance contracts are those contracts that transfer significant insurance risk. These contracts are accounted for using an embedded value basis.

Investment contracts are accounted for in accordance with IFRS 9. All of the Group's investment contracts are unit linked in nature. These contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the reporting date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

The Group recognises an asset for deferred acquisition costs relating to investment contracts. Upfront fees received for investment management services are deferred. These amounts are amortised over the period of the contract.

Non-unit linked insurance liabilities are calculated using a gross premium method of valuation. The computation is made on the basis of recognised actuarial methods annually by an actuary, with due regard to the applicable actuarial principles recognised in the European framework for the prudential and financial monitoring of direct life assurance business.

1 Group accounting policies *(continued)*

The Group recognises the ViF life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. This represents the present value of expected future cash flows, using appropriate assumptions in assessing factors such as future mortality, lapse rates and levels of expenses, and discounting using the risk free interest rate curve. Thus, the use of best estimate assumptions in the valuation of the ViF asset ensures that the net carrying amount of insurance liabilities less the ViF asset is adequate.

The ViF asset in the consolidated balance sheet and movements in the asset in the income statement are presented on a gross of tax basis. The tax charge comprises both current and deferred tax expense and includes tax attributable to both shareholders and policyholders for the period.

Premiums and claims
Premiums receivable in respect of non-unit linked insurance contracts are recognised as revenue when due from policyholders.

Premiums received in respect of unit linked insurance contracts are recognised in the same period in which the related policyholder liabilities are created. Claims are recorded as an expense when they are incurred.

Reinsurance
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are dealt with as insurance contracts, subject to meeting the significant insurance risk test in IFRS 4. The impairment requirements of IFRS 4 are applied to these assets. Outward reinsurance premiums are accounted for in accordance with the contract terms when due for payment.

Collateral

The Group enters into master agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customers' assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is, in general, not recorded on the Group balance sheet.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the balance sheet. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

Operating segments

The Group's reportable operating segments have been identified on the basis that the chief operating decision maker uses information based on these segments to make decisions about assessing performance and allocating resources. The analysis of results by operating segment is based on management accounts information.

Impact of new accounting standards

The following standard will be relevant to the Group but was not effective at 31 December 2019 and has not been applied in preparing these financial statements. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in future reporting periods. The Group's current view of the impact of this standard is outlined as follows:

Pronouncement
IFRS 17 'Insurance Contracts'

Nature of change
IFRS 17 replaces IFRS 4 'Insurance Contracts', which was introduced as an interim standard in 2004. IFRS 17 addresses the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosures of insurance contract liabilities, ensuring an entity provides relevant information that faithfully represents those contracts.

The standard is still subject to EU endorsement.

Effective date
Currently the effective date is for financial periods beginning on or after 1 January 2021, however the IASB have proposed delaying the mandatory implementation date by 1 year to 2022. Earlier application of the standard is permissible.

Impact
The Group began a business and financial assessment of the impacts of IFRS 17 during 2018. The Group expects that IFRS 17 is likely to have a significant adverse impact on the recognition, measurement and presentation of the insurance business in the financial statements.

2 Critical accounting estimates and judgements

In preparing the financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in estimating the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Group's financial statements are set out below.

(a) Impairment loss allowance on financial assets

The measurement of impairment loss allowance requires significant judgement and estimation and is dependent in large part on complex impairment models.

In arriving at impairment loss allowances, accounting estimates which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include:

- generation of forward looking macroeconomic scenarios and their probability weightings which are used in both the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances; and
- valuing property collateral (including residential property prices).

Accounting judgements which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include determining if Group management adjustments may be necessary to impairment model outputs to address impairment model limitations or late breaking events.

In the next financial year the Group will, subject to regulatory approval, implement a new definition of default to comply with EBA guidelines that are effective from no later than 1 January 2021. The introduction of a new definition of default policy may result in a change in the Group's classification of Stage 3 assets and / or the amount of impairment loss allowances.

Other key accounting estimates which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:

- determining the period over which to measure ECL for uncommitted RCFs; and
- determining timeframes to realisation and likely net sale proceeds.

Other key accounting judgements which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:

- the Group's criteria for assessing if there has been a significant increase in credit risk since initial recognition such that a loss allowance for lifetime rather than 12 month ECL is required;
- the selection of appropriate methodologies and model factors for internal risk rating and impairment models;
- the approximation made at transition to IFRS 9 of the residual lifetime PD expectations for most exposures originated prior to adoption of IFRS 9; and
- selection of the most relevant macroeconomic variables for particular portfolios and determining associations between those variables and model components such as PD and LGD.

The Group's approach to measurement of impairment loss allowances and associated methodologies, including the key macroeconomic variables applied at 31 December 2019, is set out in the credit risk methodologies section on pages 136 to 139.

The quantum of impairment loss allowance is impacted by the application of three probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 31 December 2019, excluding Group management adjustments, was increased by virtue of applying multiple scenarios rather than only a central scenario.

2019 **Impact of applying multiple scenarios rather than only a central scenario**	**Additional impairment loss allowance**		**Additional impairment loss allowance on Stage 1 and 2 financial instruments**	
	Impact €m	**% Impact**	**Impact €m**	**% Impact**
Residential Mortgages	14	4%	8	18%
- Retail Ireland	*12*	*4%*	*6*	*26%*
- Retail UK	*2*	*4%*	*2*	*9%*
Non-property SME and Corporate	4	1%	4	3%
Property and construction	5	2%	5	11%
Consumer	1	1%	1	1%
Total	**24**	**2%**	**18**	**6%**

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 upside and downside future macroeconomic scenarios respectively:

2019 **Impact of applying only an upside or downside scenario rather than applying multiple probability-weighted scenarios**	**Impact of applying a 100% weighting to the upside scenario**		**Impact of applying a 100% weighting to the downside scenario**	
	€m	**%**	**€m**	**%**
Residential Mortgages	(103)	(27%)	169	45%
- Retail Ireland	*(88)*	*(27%)*	*126*	*40%*
- Retail UK	*(15)*	*(26%)*	*43*	*75%*
Non-property SME and Corporate	(44)	(9%)	56	11%
Property and construction	(25)	(11%)	46	20%
Consumer	(12)	(8%)	16	10%
Total	**(184)**	**(15%)**	**287**	**23%**

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

2019 **Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances**	**Impairment loss allowance - Central Scenario €m**	**Residential property price reduction of 10%**		**Residential property price reduction of 5%**		**Residential property price increase of 5%**		**Residential property price increase of 10%**	
		Impact €m	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**
Residential mortgages	362	76	21%	36	10%	(32)	(9%)	(60)	(17%)
- Retail Ireland	*307*	*55*	*18%*	*26*	*9%*	*(24)*	*(8%)*	*(45)*	*(15%)*
- Retail UK	*55*	*21*	*37%*	*10*	*17%*	*(8)*	*(15%)*	*(15)*	*(27%)*

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 31 December 2019 to Stage 2 would increase the Group's impairment loss allowance by approximately €24 million.

At 31 December 2019, the impairment loss allowance for residential mortgages of €432 million includes a management adjustment of €56 million (2018: €92 million), €50 million (2018: €75 million) of which relates to Retail Ireland and €6 million (2018: €17 million) to Retail UK.

The management adjustment for the Retail Ireland mortgage portfolio primarily reflects the concentration of Stage 3 assets which are longer in default, where utilisation of alternative recovery strategies to achieve realisation may require higher impairment coverage on disposal that currently cannot be reasonably be reflected in IFRS 9 impairment model methodology. The €50 million (2018: €75 million) management adjustment reflects the size and profile of Stage 3 population at 31 December 2019 and has been calculated and applied through increases to the LGD component of modelled impairment loss allowances for Stage 3 residential mortgages that have been in default for more than five years.

A €6 million (2018: €17 million) management adjustment for the Retail UK mortgage portfolio has been applied across all stages in the Retail UK mortgage portfolio pending further evolution of IFRS 9 impairment model methodology.

The requirement for the application of a management adjustment is reviewed at each financial reporting date to assess if the situation requiring an adjustment in the previous reporting date pertains and whether additional conditions have been identified that may require the application of a new management adjustment. At each financial reporting date, the adequacy of the Group's quantum of impairment loss allowance (including, if required, any Group management adjustment) is reviewed and considered by the GAC.

(b) Taxation

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates, based on a judgement of the application of law and practice in certain cases, to determine the quantification of any liabilities arising. At 31 December 2019, the net DTA was €1,017 million (2018: €1,123 million), of which €1,089 million (2018: €1,162 million) related to trading losses. The closing DTA includes €1,032 million of Irish trading losses, €50 million of UK trading losses, and €7 million of US trading losses.

2 Critical accounting estimates and judgements *(continued)*

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

The recognition of a DTA relies on management's estimate of the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences against which the losses can be utilised. Under current UK and Irish legislation, there is no time limit on the utilisation of these losses.

RoI deferred tax asset

Judgement
The Group's judgement takes into consideration the impact of both positive and negative evidence, including historical financial performance, projections of future taxable income, the impact of tax legislation and future reversals of existing taxable temporary differences. Irish tax legislation does not currently contain any restriction on the use of carried forward tax losses.

Based on the Group's projections, the DTA in respect of tax losses is estimated to be recovered in full by the end of 2037 (2018: 2030). The increase in the recovery period is due to more challenging economic headwinds, including a lower for longer interest rate environment which was not previously anticipated.

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

UK deferred tax assets

UK legislation restricts the proportion of a bank's annual taxable profit that can be offset by carried forward losses to 25%. This restriction significantly lengthens the period over which the Group could use its UK trading losses and has been considered in the context of the measurement and recognition of the DTA at 31 December 2019.

UK Branch

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

The carrying value of the DTA relating to trading losses of the UK Branch has reduced by €2 million in the year ended 31 December 2019 (2018: €nil).

Bank of Ireland (UK) plc

Judgement
The Directors believe that Bank of Ireland (UK) plc will continue to be profitable for the foreseeable future but acknowledge the external challenges facing the banking industry. In particular, during 2019 the economic environment has become more challenging with residual Brexit uncertainty, forecast continuation of a lower for longer interest rate environment and accelerated transformation of banking business models. The risk and implications of these issues have heightened significantly in 2019.

Therefore, notwithstanding the absence of any expiry date for trading losses in the UK, but acknowledging the economic headwinds that have worsened during 2019 and that profit forecasts become increasingly uncertain as the forecast period extends into the future, the Directors have determined that for the purpose of valuing its DTA, the brought forward trading losses of Bank of Ireland (UK) plc will be limited by reference to a ten 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 taxable profits will be available in Bank of Ireland (UK) plc.

As a consequence, the carrying value of the DTA relating to trading losses of Bank of Ireland (UK) plc has been reduced by €45 million in the year ended 31 December 2019 (31 December 2018: €nil).

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

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

The Group's assessment of deferred tax recoverability is based on forecasts covering its five year initial planning period. The forecast for year five onwards is based on the projections within that fifth year of the initial planning period and the deferred tax recoverability is most sensitive to the forecast in the initial planning period. The Group's profitability projections are based on its strategic priorities where the focus will be to increase overall returns, improve cost efficiencies and grow sustainable profits. The projections also reflect the external challenges facing the banking industry including the lower for longer interest rate environment and the uncertainty around the impact of Brexit on the UK economy (note 19).

Liability management exercise

Judgement
Another significant judgement relates to a series of liability management exercises that the Group conducted between 2009 and 2011 in order to enhance its equity capital which involved the repurchase or exchange of certain of its external liabilities in the UK at less than par, thus generating gains. The Group determined, with the benefit of opinions from external tax advisors and legal counsel that these gains were not subject to taxation. The Group has proactively engaged with the UK tax authority, HM Revenue & Customs (HMRC), over the last number of years as it considers these transactions. HMRC has concurred with the Group's tax assessment in

2 Critical accounting estimates and judgements *(continued)*

respect of certain of the gains that arose and its review continues in respect of others. HMRC has challenged the tax treatment of gains in the amount of £168 million (€189 million) arising in respect of one transaction. The Group continues to believe that all of the gains arising from these transactions are not subject to tax and hence that it is not probable that a liability will arise. No provisions have therefore been made (note 19).

(c) Retirement benefit obligations

The Group sponsors a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial values of the liabilities of the schemes are calculated by external actuaries. This involves modelling their future development and requires management to make assumptions as to discount rates, price inflation, salary and pensions increases, member mortality and other demographic assumptions.

Sources of estimation uncertainty

There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. A quantitative analysis of the sensitivity of the defined benefit pension liability to changes in the key assumptions is set out in note 46.

(d) Life assurance operations

The Group accounts for the value of the shareholders' interest in its long-term assurance business using MCEV Principles and Guidelines. Embedded value is comprised of the net tangible assets of Bank of Ireland Wealth and Insurance and the ViF asset. The ViF asset represents the expected future profits on insurance contracts and this is calculated using an embedded value approach with market consistent assumptions. The ViF asset is measured by projecting expected future surpluses using best estimate and market consistent assumptions and a risk free interest rate curve.

Sources of estimation uncertainty

The estimation of future surpluses will depend on experience in a number of areas such as investment returns, lapse rates, mortality and investment expenses. Surpluses are projected by making assumptions about future experience, having regard to both actual experience and projected long-term economic trends.

Changes to these assumptions may cause the present value of future surpluses to differ from those assumed at the reporting date and could significantly affect the value attributed to the in force business. The ViF asset could also be affected by changes in the amounts and timing of other net cash flows (principally annual management charges and other fees levied upon the policyholders) or the rate at which the future surpluses and cash flows are discounted. In addition, the extent to which actual experience is different from that assumed will be recognised in the income statement for the period. A quantitative analysis of the sensitivity of profit to changes in the key life assurance assumptions is set out in note 37.

(e) IFRS 16 'Leases'

Judgement in determining the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease (break option), if it is reasonably certain not to be exercised.

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

Judgement in determining the incremental borrowing rate

The Group uses the IBR (note 62) at the lease commencement to calculate the present value of lease payments. The Group derives the IBR from its internal Funds Transfer Pricing mechanism, as adjusted to reflect the cost of wholesale funding for a similar term, with a similar security and in a similar economic environment to the RoU asset. The weighted average IBR applied to lease liabilities recognised on the balance sheet at the date of initial recognition was 2.7%.

(f) Tracker Mortgage Examination Review

At 31 December 2019 the Group holds a provision of €75 million (2018: €42 million) in respect of the industry wide Tracker Mortgage Examination. While the supervisory phase of the examination was concluded by the CBI in July 2019, the provision covers the estimated costs of remediation of any remaining impacted customers, addressing customer appeals and closing out all other outstanding costs of the exercise, in particular, any sanction that may be incurred as a result of Central Bank of Ireland enforcement actions.

Judgement

The Group has exercised judgement in particular in determining the level of potential appeals and the impact of any potential administrative sanction. With respect to the latter, the Group considers that there is a range of potential sanction outcomes based on general and specific circumstances and the amount of any sanction imposed may differ from the amount provided at 31 December 2019.

Sources of estimation uncertainty:
- the level of costs to be incurred by the Group in concluding the examination, in particular, any potential fine;
- estimates of the level of appeals; and
- appeal success rates.

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 264 branches, phone contact centre, c.1,550 self-serve devices, and online, smartphone and tablet banking applications. Retail Ireland offers a broad range of financial products and services including current accounts, savings, mortgages, credit cards, motor finance and loans to personal and business banking customers and is managed through a number of business units, namely Distribution Channels, Customer Segments and Propositions, Products (including BoIMB) and Business Banking (including Bank of Ireland Finance).

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

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

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

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

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

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

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

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

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

External revenue comprises interest income including that arising on finance leases and hire purchase receivables, net insurance premium income, fee and commission income, net trading income, life assurance investment income gains and losses, other operating income, other leasing income and share of results of associates and joint ventures.

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

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

3 Operating segments *(continued)*

2019	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	Group €m
Net interest income	990	(8)	563	609	(6)	2	2,150
Other income, net of insurance claims	268	312	(15)	123	1	(3)	686
Total operating income, net of insurance claims	**1,258**	**304**	**548**	**732**	**(5)**	**(1)**	**2,836**
Other operating expenses	(670)	(128)	(281)	(182)	(349)	1	(1,609)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	(670)	(126)	(277)	(182)	(130)	1	(1,384)
- Transformation Investment charge	-	-	-	-	(108)	-	(108)
- Levies and regulatory charges	-	(2)	(4)	-	(111)	-	(117)
Depreciation and amortisation	(75)	(7)	(48)	(13)	(151)	1	(293)
Total operating expenses	**(745)**	**(135)**	**(329)**	**(195)**	**(500)**	**2**	**(1,902)**
Underlying operating profit / (loss) before impairment charges on financial assets	**513**	**169**	**219**	**537**	**(505)**	**1**	**934**
Net impairment (losses) / gains on financial instruments	(50)	-	(82)	(82)	(1)	-	(215)
Share of results of associates and joint ventures	5	-	34	-	-	-	39
Underlying profit / (loss) before tax	**468**	**169**	**171**	**455**	**(506)**	**1**	**758**

2019 **Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax	758
Customer redress charges	(74)
Cost of restructuring programme	(59)
Gross-up for policyholder tax in the Wealth and Insurance business	35
(Loss) on disposal / liquidation of business activities	(25)
UK portfolio divestments	12
Investment return on treasury shares held for policyholders	(2)
Profit before tax	**645**

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

3 Operating segments *(continued)*

2018	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	Group €m
Net interest income	992	(9)	596	555	10	2	2,146
Other income, net of insurance claims	272	203	21	166	14	(17)	659
Total operating income, net of insurance claims	**1,264**	**194**	**617**	**721**	**24**	**(15)**	**2,805**
Other operating expenses	(719)	(121)	(363)	(182)	(361)	5	(1,741)
- Other operating expenses (before Transformation Investment and levies and regulatory charges)	*(719)*	*(119)*	*(361)*	*(182)*	*(151)*	*5*	*(1,527)*
- Transformation Investment charge	-	-	-	-	*(113)*	-	*(113)*
- Levies and regulatory charges	-	*(2)*	*(2)*	-	*(97)*	-	*(101)*
Depreciation and amortisation	(57)	(6)	(35)	(12)	(103)	1	(212)
Total operating expenses	**(776)**	**(127)**	**(398)**	**(194)**	**(464)**	**6**	**(1,953)**
Underlying operating profit / (loss) before impairment charges on financial assets	**488**	**67**	**219**	**527**	**(440)**	**(9)**	**852**
Net impairment gains / (losses) on financial instruments	157	-	(74)	(41)	-	-	42
Share of results of associates and joint ventures	4	-	37	-	-	-	41
Underlying profit / (loss) before tax	**649**	**67**	**182**	**486**	**(440)**	**(9)**	**935**

2018 Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	935
Cost of restructuring programme	(111)
Gain on disposal of property	7
Gross-up for policyholder tax in the Wealth and Insurance business	(7)
Investment return on treasury shares held for policyholders	6
Gain / (loss) on disposal / liquidation of business activities	5
Profit before tax	**835**

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

3 Operating segments *(continued)*

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

2018 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**53**	**-**	**69**	**-**	**-**	**-**	**122**
External assets	35,507	17,062	33,755	32,643	4,705	(3)	123,669
Inter segment assets	63,747	727	2,580	86,609	25,316	(178,979)	-
Total assets	**99,254**	**17,789**	**36,335**	**119,252**	**30,021**	**(178,982)**	**123,669**
External liabilities	52,124	16,830	26,236	14,243	4,180	5	113,618
Inter segment liabilities	44,936	257	7,486	103,958	22,334	(178,971)	-
Total liabilities	**97,060**	**17,087**	**33,722**	**118,201**	**26,514**	**(178,966)**	**113,618**

2019 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
External revenue	**1,360**	**2,965**	**1,164**	**733**	**17**	**(16)**	**6,223**
Inter segment revenues	476	83	(14)	360	248	(1,153)	-
Revenue before claims paid	**1,836**	**3,048**	**1,150**	**1,093**	**265**	**(1,169)**	**6,223**
Insurance contract liabilities and claims paid	-	(2,642)	-	-	(5)	-	(2,647)
Revenue	**1,836**	**406**	**1,150**	**1,093**	**260**	**(1,169)**	**3,576**
Interest expense	**(78)**	**-**	**(239)**	**129**	**(189)**	**7**	**(370)**
Capital expenditure	**18**	**20**	**64**	**-**	**205**	**-**	**307**

3 Operating segments *(continued)*

2018 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
External revenue	**1,359**	**1,253**	**1,097**	**677**	**61**	**(3)**	**4,444**
Inter segment revenues	486	(38)	47	422	238	(1,155)	-
Revenue before claims paid	**1,845**	**1,215**	**1,144**	**1,099**	**299**	**(1,158)**	**4,444**
Insurance contract liabilities and claims paid	-	(951)	-	-	(4)	-	(955)
Revenue	**1,845**	**264**	**1,144**	**1,099**	**295**	**(1,158)**	**3,489**
Interest expense	**(92)**	**-**	**(199)**	**80**	**(175)**	**7**	**(379)**
Capital expenditure	**12**	**12**	**70**	**3**	**182**	**-**	**279**

2019 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	Total €m
External revenue	4,924	1,192	107	-	6,223
Inter segment revenues	154	70	32	(256)	-
Revenue before claims paid	**5,078**	**1,262**	**139**	**(256)**	**6,223**
Insurance contract liabilities and claims paid	(2,642)	-	(5)	-	(2,647)
Revenue	**2,436**	**1,262**	**134**	**(256)**	**3,576**
Capital expenditure	**258**	**49**	**-**	**-**	**307**
External assets	93,285	37,025	1,573	-	131,883
Inter segment assets	11,086	4,258	1,008	(16,352)	-
Total assets	**104,371**	**41,283**	**2,581**	**(16,352)**	**131,883**
External liabilities	93,604	27,736	110	-	121,450
Inter segment liabilities	3,119	10,941	2,294	(16,354)	-
Total liabilities	**96,723**	**38,677**	**2,404**	**(16,354)**	**121,450**

2018 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	Total €m
External revenue	3,196	1,148	101	(1)	4,444
Inter segment revenues	(94)	(115)	(25)	234	-
Revenue before claims paid	**3,102**	**1,033**	**76**	**233**	**4,444**
Insurance contract liabilities and claims paid	(951)	-	(4)	-	(955)
Revenue	**2,151**	**1,033**	**72**	**233**	**3,489**
Capital expenditure	**209**	**70**	**-**	**-**	**279**
External assets	86,915	35,458	1,296	-	123,669
Inter segment assets	10,457	4,518	1,053	(16,028)	-
Total assets	**97,372**	**39,976**	**2,349**	**(16,028)**	**123,669**
External liabilities	86,636	26,901	81	-	113,618
Inter segment liabilities	3,419	10,508	2,101	(16,028)	-
Total liabilities	**90,055**	**37,409**	**2,182**	**(16,028)**	**113,618**

4 Interest income

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

Interest income on loans and advances to customers is shown net of charge of €10 million arising from the Tracker Mortgage Examination Review. In 2018 the charge was €nil, however €12 million Tracker Mortgage Examination charge recognised in operating expenses was reallocated to interest income.

Interest income recognised on loans and advances to customers
In 2019, €68 million of interest was recognised on credit-impaired loans and advances to customers (2018: €86 million).

In 2019, €73 million of interest income was received on credit-impaired loans and advances to customers (2018: €93 million).

In 2019, interest income received on total forborne loans and advances to customers was €134 million (2018: €158 million).

In 2019, interest recognised on total forborne loans and advances to customers was €140 million (2018: €162 million).

Transferred from cash flow hedge reserve
Interest income includes a charge of €98 million (2018: €61 million charge) transferred from the cash flow hedge reserve (page 211).

Interest income recognised on debt securities at fair value through other comprehensive income
Interest income on FVOCI financial assets is recognised net of negative interest on derivatives which are in a hedge relationship with the relevant financial asset of €28 million (2018: €27 million)

	2019 €m	2018 €m
Financial assets measured at amortised cost		
Loans and advances to customers	2,261	2,249
Loans and advances to banks	31	28
Debt securities at amortised cost	9	12
Interest income on financial assets measured at amortised cost	**2,301**	**2,289**
Financial assets at fair value through other comprehensive income		
Debt securities at FVOCI	30	46
	2,331	**2,335**
Negative interest on financial liabilities	19	19
Interest income calculated using the effective interest method	**2,350**	**2,354**
Interest income on finance leases and hire purchase receivables	175	159
Interest income	**2,525**	**2,513**

5 Interest expense

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

Interest expense recognised on subordinated liabilities
Interest expense on subordinated liabilities is recognised on an Effective Interest Rate basis, net of interest income of €16 million (2018: €19 million) on derivatives which are in a hedge relationship with the relevant liability.

Interest expense recognised on debt securities in issue
Interest expense on debt securities in issue is recognised on an Effective Interest Rate basis net of interest income of €51 million (2018: €58 million) on derivatives which are in a hedge relationship with the relevant liability.

From 1 January 2019 the Group adopted IFRS 16 ‘Leases’ and has recognised interest expense on lease liabilities of €15 million. The effect of the adoption of IFRS 16 is further explained in note 62.

	2019 €m	2018 €m
Customer accounts	135	164
Debt securities in issue	103	89
Subordinated liabilities	90	100
Deposits from banks	20	14
Lease liabilities	15	-
Interest expense on financial liabilities	**363**	**367**
Negative interest on financial assets	7	12
Interest expense	**370**	**379**

6 Net insurance premium income

	2019 €m	2018 €m
Gross premiums written	1,704	1,807
Ceded reinsurance premiums	(186)	(311)
Net premium written	**1,518**	**1,496**

7 Fee and commission income and expense

2019 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Group €m
Retail banking customer fees	274	-	89	44	-	407
Credit related fees	8	-	4	17	-	29
Insurance commissions	-	12	1	-	-	13
Asset management fees	-	3	-	-	-	3
Brokerage fees	1	-	1	-	-	2
Other	11	5	16	24	-	56
Fee and commission income	**294**	**20**	**111**	**85**	**-**	**510**

2018 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Group €m
Retail banking customer fees	277	-	106	42	-	425
Credit related fees	8	-	6	16	-	30
Insurance commissions	-	13	2	-	-	15
Asset management fees	-	3	-	-	-	3
Brokerage fees	1	-	1	-	-	2
Other	11	7	5	23	-	46
Fee and commission income	**297**	**23**	**120**	**81**	**-**	**521**

Expense
Fee and commission expense of €205 million (2018: €224 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

8 Net trading income

Net trading income includes the gains and losses on financial instruments held for trading and those designated at FVTPL (other than unit linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €18 million in relation to a net gain arising from FX (2018: net gain €13 million).

Net fair value hedge ineffectiveness reflects a net charge from hedging instruments of €78 million (2018: net charge of €63 million) offsetting a net gain from hedged items of €76 million (2018: net gain of €63 million).

The total hedging ineffectiveness on cash flow hedges reflected in the income statement in 2019 amounted to €nil (2018: €nil).

	2019 €m	2018 €m
Financial liabilities designated at fair value	(159)	62
Related derivatives held for trading	156	(77)
	(3)	**(15)**
Net income from financial instruments mandatorily measured at fair value through profit or loss[1]		
Other financial instruments held for trading	88	28
Equities[2]	36	10
Loans and advances	11	14
Non-trading debt securities[2]	8	18
	140	**55**
Net fair value hedge ineffectiveness	(2)	-
Cash flow hedge ineffectiveness	-	-
Net trading income	**138**	**55**

9 Life assurance investment income, gains and losses

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

Life assurance investment income, gains and losses of €1,311 million for the year ended 31 December 2019 (2018: losses of €331 million) is consistent with favourable investment market performance. Movement in insurance contract liabilities (note 12) is consistent with the higher investment returns in the year.

	2019 €m	2018 €m
Gains / (losses) on other financial assets held on behalf of Wealth and Insurance policyholders	1,284	(342)
Gains on investment property held on behalf of Wealth and Insurance policyholders	27	11
Life assurance investment income, gains and losses	**1,311**	**(331)**

10 Other leasing income and expense

Other leasing income and expense relate to the business activities of MLL, a wholly owned subsidiary of the Group. MLL is a car and commercial leasing and fleet management company based in the UK. Other leasing income includes; €35 million (2018: €31 million) of operating lease payments received (note 34), €20 million arising from the sale of leased assets (2018: €14 million), and €7 million relating to other income (2018: €6 million). Other leasing expense includes; depreciation of €28 million related to rental vehicles (2018: €23 million) and other selling and disposal costs of €24 million (2018: €18 million).

	2019 €m	2018 €m
Other leasing income	62	52
Other leasing expense	(52)	(41)
Net other leasing income	**10**	**11**

[1] Net income from other financial assets mandatorily measured at fair value through profit or loss includes interest income from debt instruments and dividend income from equities. It also includes realised and unrealised gains and losses.

[2] Non-trading equities and debt securities mandatorily measured at fair value through profit or loss are reported in the balance sheet under the caption other financial assets at fair value through profit or loss. The income from life assurance investments which also comprise other financial assets at fair value through profit or loss is reported in note 9 Life assurance investment income, gains and losses.

11 Other operating income

	2019 €m	2018 €m
Movement in Value of in Force asset (note 37)	60	6
Other insurance income	52	53
Transfer from debt instruments at FVOCI reserve on asset disposal (note 25)	3	2
Dividend income	1	2
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	(1)	3
Other income	5	19
Other operating income	**120**	**85**

12 Insurance contract liabilities and claims paid

	2019 €m	2018 €m
Claims paid		
Policy surrenders	897	824
Death and critical illness claims	171	158
Annuity payments	90	83
Policy maturities	2	-
Other claims	79	70
Gross claims paid	**1,239**	**1,135**
Recovered from reinsurers	(116)	(103)
Net claims paid	**1,123**	**1,032**
Change in insurance contract liabilities		
Change in gross liabilities	1,690	125
Change in reinsured liabilities	(166)	(202)
Net change in insurance contract liabilities	**1,524**	**(77)**
Insurance contract liabilities and claims paid	**2,647**	**955**

13 Other operating expenses

Administrative expenses and staff costs	2019 €m	2018 €m
Staff costs excluding restructuring and Transformation Investment staff costs	855	867
Amortisation of intangible assets (note 32)	193	178
Levies and regulatory charges	117	101
- *Irish bank levy*	*34*	*29*
- *Other*	*83*	*72*
Transformation Investment charge	108	113
Depreciation of property, plant and equipment (note 34)	96	34
Lease expenses	11	-
- *Variable lease payments* (note 62)	*8*	-
- *Short-term leases* (note 62)	*3*	-
Reversal of impairment on property (note 34)	-	(4)
Other administrative expenses excluding cost of restructuring programme	626	652
Total	**2,006**	**1,941**
Total staff costs are analysed as follows:		
Wages and salaries	659	650
Retirement benefit costs (defined benefit plans) (note 46)	103	120
Social security costs	74	74
Retirement benefit costs (defined contribution plans)	31	27
Other staff expenses	8	9
	875	**880**
Staff costs capitalised	(20)	(13)
Staff costs excluding restructuring and Transformation Investment staff costs	**855**	**867**
Additional restructuring and Transformation Investment staff costs:		
Included in cost of restructuring programme (note 14)	34	74
Included in Transformation Investment charge	17	15
Total staff costs recognised in the income statement	**906**	**956**

The Group has incurred levies and regulatory charges of €117 million (2018: €101 million). The other levies and regulatory charges for 2019 primarily reflect the Group's contribution to the SRF and the DGS fund, along with the charges for the FSCS levy.

Transformation Investment income statement charge of €108 million (2018: €113 million) includes associated application and infrastructure costs which will be included as part of the Transformation Investment charge until it is customer supporting.

From 1 January 2019, the Group adopted IFRS 16 'Leases'. In 2019, there was €69 million depreciation of RoU assets under IFRS 16 included within depreciation of property, plant and equipment, a charge of €8 million relating to variable lease payments, and a charge of €3 million under the short-term lease exemption.

In 2018, other administrative expenses included an amount of €60 million relating to operating lease expenses under IAS 17 and €33 million relating to expenses on service contracts classified as leases under IFRS 16 from 1 January 2019. The effect of adoption of IFRS 16 is further explained in note 62.

During 2019, the Group incurred a charge of €57 million in other administrative expenses relating to the Tracker Mortgage Examination Review. In 2018, the charge was €nil, however €12 million Tracker Mortgage Examination charge recognised in operating expenses was reallocated to interest income (note 4).

Staff numbers
At 31 December 2019, the number of staff (full time equivalents) was 10,440 (2018: 10,367).

In addition to the reduction in the average number of staff employed by the Group, the table also reflects the ongoing restructuring of support functions. A number of customer delivery operations moved from Group Centre primarily to Retail Ireland to ensure a streamlined approach to customer service and maximise operating efficiencies.

Average number of staff (full time equivalents)	2019	2018
Retail Ireland	4,139	2,875
Retail UK	1,490	1,607
Wealth and Insurance	902	899
Corporate and Treasury	691	610
Group Centre	3,202	4,604
Total	**10,424**	**10,595**

14 Cost of restructuring programme

	2019 €m	2018 €m
Transformation Investment costs	55	93
- Staff costs (note 13)	*34*	*74*
- Property related costs	*4*	*11*
- Programme management costs	*17*	*8*
Other restructuring charges	4	18
- Impairment of property, plant and equipment (note 34)	*4*	*9*
- Impairment of intangible assets (note 32)	*-*	*6*
- Other related costs	*-*	*3*
Total	**59**	**111**

During 2019, the Group recognised a charge of €59 million (2018: €111 million) of which €55 million relates to Transformation Investment costs (2018: €93 million) as set out in the table above.

15 Auditor’s remuneration (excluding Value Added Tax)

	Note	RoI (i) €m	Overseas (ii) €m	2019 €m	2018 €m
Audit and assurance services					
Statutory audit		2.8	0.7	3.5	3.3
Assurance services	(iii)	1.0	0.1	1.1	0.6
Total Auditor’s remuneration		**3.8**	**0.8**	**4.6**	**3.9**

Disclosure of Auditor's fees is made in accordance with Section 322 of the Companies Act which mandates the disclosure of fees in particular categories and that fees paid to the Group Auditor (KPMG) for services provided to the Group be disclosed in this format. All years presented are on that basis.

The GAC has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

(i) Fees paid to the Statutory Auditor, KPMG.

(ii) Fees paid to overseas auditors consist of fees paid to KPMG UK in the UK; and

(iii) Assurance services consist primarily of review of the interim financial statements, fees in connection with reporting to regulators including the CBI, IT governance review with regards to Payment Services Directive 2, letters of comfort and review of compliance with the Government Guarantee Schemes.

16 Net impairment (losses) / gains on financial instruments

	2019 €m	2018 €m
Loans and advances to customers	(209)	36
- Cash recoveries	*48*	*49*
- Movement in impairment loss allowances (note 27)	*(257)*	*(13)*
Loan commitments	(5)	6
Net impairment (losses) / gains on financial instruments	**(214)**	**42**

Loans and advances to customers at amortised cost

Net impairment (losses) / gains

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

As outlined in note 27, in 2019, the Group completed three transactions whereby it derecognised or disposed of €479 million of loans and advances to customers (after impairment loss allowance). As outlined in the Group Accounting Policies on page 184, 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 each transaction satisfied these conditions, the cash flows have been included in the impairment calculation. As a result, net impairment (losses) / gains on financial instruments includes a net impairment loss of €23 million arising on these transactions.

	2019 €m	2018 €m
Residential mortgages	(52)	47
- Retail Ireland	*(60)*	*60*
- Retail UK	*8*	*(13)*
Non-property SME and corporate	(76)	14
- Republic of Ireland SME	*(18)*	*54*
- UK SME	*9*	*1*
- Corporate	*(67)*	*(41)*
Property and construction	(24)	12
- Investment	*(30)*	*17*
- Land and development	*6*	*(5)*
Consumer	(57)	(37)
Total	**(209)**	**36**

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

	2019 €m	2018 €m
First Rate Exchange Services (note 31)	34	37
Associates (note 30)	5	4
Share of results of associates and joint ventures (after tax)	**39**	**41**

18 (Loss) / gain on disposal / liquidation of business activities

The loss on disposal of business activities reflects the sale of the Retail UK credit card portfolio. The assets were classified as assets held for sale up to the date of disposal (note 26). In July 2019, the portfolio was sold for total consideration of €580 million resulting in a net loss on disposal of €21 million. On the date of disposal, the assets had a gross carrying value of €587 million (gross of ECL allowance) and a net book value of €562 million (net of ECL allowance). The net loss on disposal also includes a provision of €39 million related to the costs of migration and other costs associated with the disposal.

In addition, as part of the Group's focus on simplifying its corporate structure, the Group has an ongoing programme of winding up a number of wholly owned, dormant and non-trading companies, a number of which are foreign operations. During 2019, the Group voluntarily appointed a liquidator to manage the winding up of a number of foreign operations. Upon appointment of the liquidator, the Group is considered to have lost control of the foreign operations and has accounted for this loss of control as a disposal. In accordance with IAS 21, the Group has reclassified net cumulative FX losses of €4 million relating to these foreign operations from the FX reserve to the income statement during 2019 (2018: gains of €4 million).

	2019 €m	2018 €m
Disposal of Retail UK card portfolio	(21)	-
Transfer of foreign exchange reserve to income statement on liquidation of non-trading entities	(4)	4
Other	-	1
(Loss) / gain on disposal / liquidation of business activities	**(25)**	**5**

19 Taxation

The effective taxation rate on a statutory profit basis for 2019 is 31% (2018: 19%).

The increased rate is primarily due to the re-assessment of the tax value of the UK tax losses carried forward and the tax impact of the gross-up for policyholder tax in the Wealth and Insurance business. Excluding both of these items, the effective taxation rate in 2019 was 17% (2018: 19%).

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

Recognised in income statement	2019 €m	2018 €m
Current tax		
Irish Corporation Tax		
- Current year	48	23
- Adjustment in respect of prior year	(1)	3
Foreign tax		
- Current year	49	57
- Adjustments in respect of prior year	(5)	(5)
Current tax charge	**91**	**78**
Deferred tax		
Current year profits	33	91
Adjustments in respect of prior year	1	10
Origination and reversal of temporary differences	25	(19)
Reassessment of value of tax losses carried forward	47	-
Deferred tax charge	**106**	**82**
Taxation charge	**197**	**160**

19 Taxation *(continued)*

Reconciliation of tax on the profit before taxation at the standard Irish corporation tax rate to actual tax charge	2019 €m	2018 €m
Profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2018: 12.5%)	81	104
Effects of:		
Reassessment of value of tax losses carried forward	47	-
Foreign earnings subject to different rates of tax	35	42
Wealth and Insurance companies - different basis of accounting	16	(15)
Adjustments in respect of prior year	(5)	8
Share of results of associates and joint ventures shown post tax in the income statement	(4)	(5)
Other adjustments for tax purposes	27	26
Taxation charge	**197**	**160**

	2019			Restated[1] 2018		
	Pre-tax €m	Tax €m	Net of Tax €m	Pre-tax €m	Tax €m	Net of Tax €m
Debt instruments at FVOCI reserve						
Changes in fair value	32	(4)	28	(157)	20	(137)
Transfer to income statement						
- Asset disposal	(3)	-	(3)	(2)	-	(2)
Net change in debt instruments at FVOCI reserve	**29**	**(4)**	**25**	**(159)**	**20**	**(139)**
Remeasurement of the net defined benefit pension liability	**44**	**(5)**	**39**	**156**	**(27)**	**129**
Cash flow hedge reserve						
Changes in fair value	(440)	50	(390)	(1)	-	(1)
Transfer to income statement	442	(56)	386	(56)	6	(50)
- Net trading income / (expense)	*344*	*(44)*	*300*	*(117)*	*13*	*(104)*
- Net interest income	*98*	*(12)*	*86*	*61*	*(7)*	*54*
Net change in cash flow hedge reserve	**2**	**(6)**	**(4)**	**(57)**	**6**	**(51)**
Net change in foreign exchange reserve	**130**	**-**	**130**	**10**	**-**	**10**
Net change in revaluation reserve	**3**	**-**	**3**	**11**	**(6)**	**5**
Liability credit reserve						
Changes in fair value of liabilities designated at fair value through profit or loss due to own credit risk	(22)	4	(18)	43	(6)	37
Other comprehensive income for the year	**186**	**(11)**	**175**	**4**	**(13)**	**(9)**

[1] *As outlined in the Group accounting policies on page 179, comparative figures have been restated to reflect a restatement of the pre-tax net change in the revaluation reserve for 2018.*

20 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 treasury shares (own shares held for the benefit of life assurance policyholders).

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.

For 2019 and 2018, there was no difference in the weighted average number of units of share used for basic and diluted earnings per share as the effect of all potentially dilutive ordinary shares outstanding was anti-dilutive.

	2019 €m	2018 €m
Basic and diluted earnings per share		
Profit attributable to shareholders	386	620
Profit attributable to ordinary shareholders	**386**	**620**
	Shares (millions)	**Shares (millions)**
Weighted average number of shares in issue excluding treasury shares	1,075	1,075
Basic and diluted earnings per share (cent)	35.9c	57.7c

21 Derivative financial instruments

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in the Risk Management Report on pages 110 to 160. The notional amounts of certain types of derivatives do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit risk. The derivative instruments give rise to assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

The notional amounts and fair values of derivative instruments held by the Group are set out in the table on the next page.

Derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Group does not apply hedge accounting. Derivatives classified as held for hedging comprise only those derivatives to which the Group applies hedge accounting.

The Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €2.0 billion at 31 December 2019 (2018: €1.7 billion):

- €1.7 billion (2018: €1.3 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities. At 31 December 2019, cash collateral of €0.2 billion (2018: €0.2 billion) was held against these assets and is reported within deposits from banks (note 38); and
- €0.3 billion (2018: €0.4 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the reporting date.

At 31 December 2019, placements with other banks include cash collateral of €0.8 billion (2018: €0.4 billion) and loans and advances to customers include cash collateral of €0.1 billion placed with derivative counterparties in respect of a net derivative liability position of €0.9 billion (2018: €0.4 billion) and is reported within loans and advances to banks (note 23) and loans and advances to customers (note 27).

21 Derivative financial instruments *(continued)*

	2019			2018		
	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m
Derivatives held for trading						
Foreign exchange derivatives						
Currency swaps	3,427	21	22	4,027	38	34
Currency forwards	3,746	45	41	2,068	14	26
Over the counter currency options	370	1	1	356	3	3
Total foreign exchange derivatives held for trading	**7,543**	**67**	**64**	**6,451**	**55**	**63**
Interest rate derivatives						
Interest rate swaps	144,223	1,103	1,347	148,350	1,000	1,214
Cross currency interest rate swaps	2,349	84	132	1,185	106	95
Over the counter interest rate options	11,875	3	6	9,815	17	33
Interest rate futures	99	-	-	6,038	1	2
Forward rate agreements	4,020	1	1	10,575	2	2
Total interest rate derivatives held for trading	**162,566**	**1,191**	**1,486**	**175,963**	**1,126**	**1,346**
Equity contracts, commodity contracts and credit derivatives						
Equity index-linked contracts held	1,766	135	11	1,812	65	56
Commodity contracts	-	-	-	24	21	21
Credit derivatives	100	5	5	100	1	-
Total equity contracts and credit derivatives	**1,866**	**140**	**16**	**1,936**	**87**	**77**
Total derivative assets / liabilities held for trading	**171,975**	**1,398**	**1,566**	**184,350**	**1,268**	**1,486**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	47,165	572	560	44,205	361	306
Total designated as fair value hedges	**47,165**	**572**	**560**	**44,205**	**361**	**306**
Derivatives designated as cash flow hedges						
Cross currency interest rate swaps	9,933	3	346	8,136	81	15
Interest rate swaps	1,383	26	6	2,012	14	12
Total designated as cash flow hedges	**11,316**	**29**	**352**	**10,148**	**95**	**27**
Total derivative assets / liabilities held for hedging	**58,481**	**601**	**912**	**54,353**	**456**	**333**
Total derivative assets / liabilities	**230,456**	**1,999**	**2,478**	**238,703**	**1,724**	**1,819**

Interest rate benchmark reform
At 31 December 2019, EURIBOR, GBP LIBOR and USD LIBOR represented the most significant interest rate benchmark reform (IBOR) interest rate benchmarks to which the Group's fair value and cash flow hedge relationships of interest rate risk are exposed.

As EURIBOR has been reformed and complies with the EU Benchmarks Regulation under a new hybrid methodology, the Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future and, therefore, does not consider interest rate hedge relationships of EURIBOR to be directly affected by IBOR reform as at 31 December 2019. It is currently expected that Sterling Overnight Index Average will replace GBP LIBOR and Secured Overnight Financing Rate will replace USD LIBOR.

The process being used by the Group to manage the transition to alternative benchmark rates is included in the Risk Management report on page 114.

The Group has applied judgement in relation to market expectations when determining the fair value of the hedging instrument and the present value of the estimated cash flows of the hedged item. The key judgement is that the cash flows for contracts currently indexing IBOR are currently expected to be broadly equivalent to the cash flows when those contracts transition to IBOR replacement rates. However, as the date of the transition gets closer, this may no longer be the case. Hedge accounting relationships impacted by IBOR reform may experience increased ineffectiveness due to the following reasons:

- Market participants' expectations for when the transition from the existing IBOR benchmark rate to an alternative benchmark interest rate may occur. This could give rise to hedge ineffectiveness in the prospective assessment, in particular where the replacement of the benchmark rate is expected to occur at different times in the hedged item and the hedging instrument.

21 Derivative financial instruments *(continued)*

- Modification to the terms of the existing IBOR contracts that results in the derecognition of a hedged item or the hedging instrument. If a modification is deemed to substantial, the hedging instrument and/or hedged item will be required to be derecognised, which would imply discontinuation of the corresponding hedge accounting relationship. Any subsequent re-designation of such hedge relationships may increase hedge ineffectiveness.

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships. The timing of the nominal amounts of hedging instruments (excluding those subject to a dynamic macro-hedging process) and the applicable average rates were as follows.

	2019				2018			
Hedging strategy	**Up to 1 year €m**	**1-2 years €m**	**2-5 years €m**	**>5 years €m**	**Up to 1 year €m**	**1-2 years €m**	**2-5 years €m**	**>5 years €m**
Fair value hedge								
Interest rate risk								
- Interest rate swap - notional amount	3,386	1,851	9,738	6,771	3,847	3,549	9,271	6,725
- Average fixed interest rate	0.92%	0.39%	0.58%	0.72%	0.76%	0.88%	0.69%	0.78%
Cash flow hedge								
Interest rate risk								
- Interest rate swap - notional amount	-	434	139	810	-	-	644	1,368
- Average fixed interest rate	-	0.86%	1.20%	1.18%	-	-	0.95%	1.21%
Foreign exchange risk								
- Cross currency interest rate swap - notional amount	5,297	4,631	5	-	3,157	4,974	5	-
- Average EUR - GBP foreign exchange rate	0.89	0.89	0.87	-	0.88	0.89	0.87	-

Fair value hedges
Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and FX exposure on the Group's fixed rate debt held, fixed rate mortgages, customer accounts and debt issued portfolios. The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year were as follows.

Items designated as hedging instruments and hedge ineffectiveness			**Carrying amount of the hedging instrument**				
2019 Risk category	**Hedging instrument**[1]	**Nominal amount of the hedging instrument €m**	**Assets €m**	**Liabilities €m**	**Changes in value used to calculate hedge ineffectiveness**[2,3] **€m**	**Ineffectiveness recognised in profit or loss**[2,3] **€m**	**Nominal amount of the hedging instruments affected by IBOR reform €m**
Interest rate risk	Interest rate swaps	47,165	572	(560)	(78)	(2)	10,133
Total		**47,165**	**572**	**(560)**	**(78)**	**(2)**	**10,133**

Items designated as hedging instruments and hedge ineffectiveness			**Carrying amount of the hedging instrument**			
2018 Risk category	**Hedging instrument**[1]	**Nominal amount of the hedging instrument €m**	**Assets €m**	**Liabilities €m**	**Changes in value used to calculate hedge ineffectiveness**[2,4] **€m**	**Ineffectiveness recognised in profit or loss**[2,4] **€m**
Interest rate risk	Interest rate swaps	44,205	361	(306)	(63)	-
Total		**44,205**	**361**	**(306)**	**(63)**	**-**

[1] *All hedging instruments are included within derivative financial instruments on the balance sheet.*
[2] *Ineffectiveness is included within net trading income on the income statement.*
[3] *The main cause of ineffectiveness in the Group's fair value hedge relationships are differences in interest indicies or maturities between certain interest rate swaps and their related hedged items.*
[4] *There are no material causes of ineffectiveness in the Group's fair value hedges.*

21 Derivative financial instruments *(continued)*

2019 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	 Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI	10,571	-	232	-	116	61
Debt securities at amortised cost	4,144	-	160	-	121	-
Loans and advances to customers	8,807	-	30	-	46	(3)
Deposits from banks	-	-	-	-	-	-
Customer accounts	-	17,287	-	(244)	(156)	(28)
Debt securities in issue	-	8,438	-	(153)	(51)	(2)
Total	**23,522**	**25,725**	**422**	**(397)**	**76**	**28**

2018 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	 Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI[1]	10,937	-	142	-	(53)	77
Debt securities at amortised cost	3,479	-	32	-	(37)	-
Loans and advances to customers	7,305	-	(14)	-	21	(4)
Deposits from banks	-	385	-	-	(1)	-
Customer accounts	-	13,837	-	(120)	143	(1)
Debt securities in issue	-	9,382	-	(107)	(10)	-
Total	**21,721**	**23,604**	**160**	**(227)**	**63**	**72**

[1] *In the table above the carrying amount of debt instruments measured at fair value through other comprehensive income that are designated as hedged items in fair value hedges have been restated as the fair value hedge adjustment was not separately disclosed as required by IFRS 7 in 2018. The carrying amount of the hedged item has reduced from €11,079 million by €142 million to €10,937 million and the accumulated amount of fair value adjustments on the hedged item included in the value of the hedged item has increased from €nil by €142 million to €142 million.*

21 Derivative financial instruments *(continued)*

Cash flow hedges
The Group designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from floating rate assets and liabilities and from foreign currency assets. The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year were as follows.

2019 Risk category and hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or loss[2,3] €m	Amount reclassified from the cash flow hedge reserve to profit or loss[3,4] €m	Nominal amount of the hedging instruments affected by IBOR reform €m
Interest rate risk								
Interest rate swaps	1,383	26	(6)	(19)	19	-	(39)	950
Foreign exchange risk								
Cross currency interest rate swaps	9,933	3	(346)	4	(4)	-	481	9,933
Total	**11,316**	**29**	**(352)**	**(15)**	**15**	**-**	**442**	**10,883**

2018 Risk category and hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or loss[2,3] €m	Amount reclassified from the cash flow hedge reserve to profit or loss[3,4] €m
Interest rate risk							
Interest rate swaps	2,012	14	(12)	29	(29)	-	(67)
Foreign exchange risk							
Cross currency interest rate swaps	8,136	81	(15)	(3)	3	-	12
Total	**10,148**	**95**	**(27)**	**26**	**(26)**	**-**	**(55)**

[1] *All hedging instruments are included within derivative financial instruments on the balance sheet.*
[2] *Ineffectiveness is included within net trading income on the income statement.*
[3] *There are no material causes of ineffectiveness in the Group's cash flow hedges.*
[4] *Balances include €nil (2018: €nil) amounts transferred to profit or loss for which hedge accounting was previously applied but for which hedged future cash flows are not expected to occur. The line items affected in profit or loss because of the reclassification are net interest income and net trading income / (expense).*

21 Derivative financial instruments *(continued)*

2019 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discontinued hedges €m
Interest rate risk	19	(16)	31
Foreign exchange risk	(4)	3	-
Total	**15**	**(13)**	**31**

2018 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discontinued hedges €m
Interest rate risk	(30)	2	19
Foreign exchange risk	3	(1)	-
Total	**(27)**	**1**	**19**

In 2019 and 2018, there were no forecast transactions to which the Group had applied hedge accounting which were no longer expected to occur.

Movements in the cash flow hedge reserve are shown in note 19 (page 211).

Movement in cash flow hedge reserve	2019 €m	2018 €m
Changes in fair value		
- Interest rate risk	45	8
- Foreign exchange risk	(485)	(9)
Transfer to income statement		
Interest income		
- Interest rate risk	(7)	(25)
- Foreign exchange risk	105	86
Net trading income / (expense)		
- Interest rate risk	(32)	(43)
- Foreign exchange risk	376	(74)
Deferred tax on reserve movements	(6)	6
Net decrease in cash flow hedge reserve	**(4)**	**(51)**

22 Other financial assets at fair value through profit or loss

Other financial assets at FVTPL include assets managed on a fair value basis by the life assurance business and those assets which do not meet the requirements in order to be measured at FVOCI or amortised cost.

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the policyholders. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal change in the value of the amounts due to policyholders. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet. At 31 December 2019, such assets were €14,425 million (2018: €12,314 million). Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €10,029 million (2018: €8,283 million) (note 55).

Other financial assets of €2,028 million (2018: €1,821 million) of which €1,809 million (2018: €1,626 million) relates to assets held by the Group's life assurance business for solvency margin purposes or as backing for non-linked policyholder liabilities. Further details on financial assets mandatorily measured at FVTPL is set out in note 57. Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €147 million (2018: €116 million) (note 55).

Included within other financial assets are subordinated bonds issued by NAMA with a nominal value of €70 million (2018: €70 million) and a fair value of €73 million (2018: €76 million). These bonds represented 5% of the nominal consideration received for assets sold to NAMA in 2010, with the remaining 95% received in the form of NAMA senior bonds. The subordinated bonds are not guaranteed by the State and the payment of interest and repayment of capital is dependent on the performance of NAMA.

	2019 €m	2018 €m
Assets linked to policyholder liabilities		
Equity securities	10,792	9,244
Debt securities	1,543	1,089
Unit trusts	1,364	1,142
Government bonds	726	839
	14,425	**12,314**
Other financial assets		
Debt securities	916	844
Government bonds	854	804
Equity securities	139	84
Unit trusts	119	89
	2,028	**1,821**
Other financial assets at fair value through profit or loss	**16,453**	**14,135**

23 Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost or financial assets mandatorily at FVTPL. The associated impairment loss allowance on loans and advances to banks is measured on a 12-month or lifetime ECL approach.

Loans and advances to banks at FVTPL include assets managed on a fair value basis by the life assurance business and those assets which do not meet the requirements in order to be measured at FVOCI or amortised cost. At 31 December 2019, the Group's loans and advances to banks includes €198 million (2018: €213 million) of assets held on behalf of Wealth and Insurance life policyholders.

Mandatory deposits with central banks includes €1.4 billion relating to collateral in respect of the Group's issued bank notes in NI (2018: €1.4 billion).

Placements with other banks includes cash collateral of €0.8 billion (2018: €0.4 billion) placed with derivative counterparties in relation to net derivative liability positions (note 21).

The Group has entered into transactions to purchase securities with agreement to resell and has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. At 31 December 2019, the fair value of this collateral was €nil (2018: €16 million) and is included in the loans and advances to banks at FVTPL.

	2019 €m	2018 €m
Mandatory deposits with central banks	1,519	1,449
Placements with banks	1,474	831
Funds placed with the Central Bank of Ireland not on demand	30	28
	3,023	**2,308**
Less impairment loss allowance on loans and advances to banks	(1)	(1)
Loans and advances to banks at amortised cost	**3,022**	**2,307**
Loans and advances to banks at FVTPL	306	318
Loans and advances to banks	**3,328**	**2,625**

There has been no significant change in the impairment loss allowance on loans and advances to banks held at amortised cost during the year. The composition of loans and advances to banks at amortised cost by stage is set out on page 235 and the asset quality of loans and advances to banks at amortised cost is set out on page 242.

Loans and advances to banks at FVTPL are not subject to impairment under IFRS 9.

24 Debt securities at amortised cost

The following table details the significant categories of debt securities at amortised cost.

At 31 December 2019, debt securities at amortised cost with a fair value of €18 million (2018: €nil) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

There are no significant changes in the impairment loss allowance on debt securities at amortised cost, assets are Stage 1. The composition of debt securities at amortised cost by stage is set out on page 235 and the asset quality of debt securities at amortised cost is set out on page 242.

	2019 €m	2018 €m
Government bonds	3,767	3,313
Other debt securities at amortised cost	687	559
Asset backed securities	58	57
Less impairment loss allowance	(1)	(1)
Debt securities at amortised cost	**4,511**	**3,928**

25 Financial assets at fair value through other comprehensive income

At 31 December 2019, debt instruments at FVOCI with a fair value of €17 million (2018: €67 million) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

The impairment loss allowance for ECL on debt instruments at FVOCI does not reduce the carrying amount but an amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the income statement.

The impairment loss allowance on debt instruments at FVOCI was €3 million at 31 December 2019 (2018: €3 million). The composition of debt instruments at FVOCI by stage is set out on page 235 and the asset quality of debt instruments at FVOCI is set out on page 241.

In 2019, the Group disposed of debt instruments at FVOCI of €1,178 million (2018: €85 million) which resulted in a transfer of €3 million (2018: €2 million) from the debt instruments at FVOCI reserve to the income statement.

At 31 December 2019, financial assets at FVOCI included €664 million (2018: €543 million) placed with Monetary Authorities as contingency, to access intraday and other funding facilities.

	2019 €m	2018 €m
Debt instruments at FVOCI		
Government bonds	5,849	6,074
Other debt securities		
- listed	4,948	5,974
Total debt instruments at FVOCI	**10,797**	**12,048**
Impairment loss allowance on debt instruments at FVOCI	**(3)**	**(3)**

Fair value	2019 €m	2018 €m
Opening balance	**12,048**	**10,118**
Additions	1,525	4,652
Redemptions and disposals	(2,827)	(2,541)
Revaluation, exchange and other adjustments	51	(181)
Closing balance	**10,797**	**12,048**

26 Assets classified as held for sale

Assets classified as held for sale in 2018 represented the gross carrying value of the Retail UK credit card portfolio net of related impairment loss allowance together with related accrued interest receivable of €2 million. This portfolio continued to be classified as such during 2019 up to its disposal in July 2019. See note 18 for further details.

	2019 €m	2018 €m
Retail UK credit card portfolio	-	602
At end of year	**-**	**602**

27 Loans and advances to customers

Loans and advances to customers includes cash collateral of €0.1 billion (2018: €0.1 billion) placed with derivative counterparties in relation to net derivative liability positions.

Of loans and advances to customers at FVTPL, €246 million (2018: €261 million) represent the Life Loan mortgage product, which was offered by the Group until November 2010. The cash flows of the Life Loans are not considered to consist solely of payments of principal and interest, and as such are classified as FVTPL.

During the year, the Group completed three transactions whereby it derecognised or disposed of €479 million of loans and advances to customers (after impairment loss allowance) as follows:

- In April 2019, the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs through an unconsolidated special purpose vehicle named Mulcair Securities Designated Activity Company (DAC) ('Mulcair Securities'), see note 55. The portfolio had a gross carrying value of €370 million (before impairment loss allowance) and a net carrying value of €326 million (after impairment loss allowance).

  The Group transferred the beneficial interest in the loans to Mulcair Securities. In accordance with IFRS 9, the residential mortgage assets have been derecognised from the balance sheet.

- In August 2019, the Group sold a portfolio of residential and commercial property NPEs to Promontoria 2019 DAC, a party unconnected to the Group. The portfolio had a gross carrying value of €239 million (before impairment loss allowance) and a net carrying value of €151 million (after impairment loss allowance). The Group has not retained any interest in the assets sold.

- In December 2019, the Group sold a portfolio of UK personal loan NPEs to Intrum Finance Limited, a party unconnected to the Group. The portfolio had a gross carrying value of €13 million (before impairment loss allowance) and a net carrying value of €2 million (after impairment loss allowance). The Group has not retained any interest in the assets sold.

The Group has recognised a net impairment loss of €23 million on these transactions which has been reported through net impairment (losses) / gains on financial instruments, as required by IFRS 9 (note 16).

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

	2019 €m	2018 €m
Loans and advances to customers at amortised cost	76,543	74,428
Finance leases and hire purchase receivables	4,000	3,372
	80,543	77,800
Less allowance for impairment charges on loans and advances to customers	(1,308)	(1,698)
Loans and advances to customers at amortised cost	**79,235**	**76,102**
Loans and advances to customers at fair value through profit or loss[1]	252	261
Total loans and advances to customers	**79,487**	**76,363**
Amounts include		
Due from joint ventures and associates	142	119

The Group's portfolios of loans and advances to customers at amortised cost are set out below. The 2018 comparative table includes loans and advances to customers held for sale at 31 December 2018.

	2019			2018		
	Gross carrying amount at amortised cost €m	Impairment loss allowance €m	Total loans and advances to customers at amortised cost €m	Gross carrying amount at amortised cost €m	Impairment loss allowance €m	Total loans and advances to customers at amortised cost €m
Loans and advances to customers at amortised cost	80,543	(1,308)	79,235	77,800	(1,698)	76,102
Loans and advances to customers classified as held for sale (note 26)	-	-	-	630	(30)	600
Total	**80,543**	**(1,308)**	**79,235**	**78,430**	**(1,728)**	**76,702**

[1] *Loans and advances to customers at fair value through profit or loss are not subject to impairment under IFRS 9.*

27 Loans and advances to customers *(continued)*

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

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

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

2018 **Gross carrying amount at amortised cost (before impairment loss allowance) including held for sale**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	41,096	16,547	6,343	4,816	68,802
Stage 2 - Lifetime ECL (not credit-impaired)	1,873	1,850	1,102	250	5,075
Stage 3 - Lifetime ECL (credit-impaired)	2,465	1,067	843	108	4,483
Purchased / originated credit-impaired	3	1	66	-	70
Gross carrying amount at 31 December 2018	**45,437**	**19,465**	**8,354**	**5,174**	**78,430**

2018 **Impairment loss allowance including held for sale**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Stage 1 - 12 month ECL (not credit-impaired)	14	50	4	52	120
Stage 2 - Lifetime ECL not credit-impaired	31	74	38	33	176
Stage 3 - Lifetime ECL credit-impaired	492	501	369	70	1,432
Purchased / originated credit-impaired	-	-	-	-	-
Impairment loss allowance at 31 December 2018	**537**	**625**	**411**	**155**	**1,728**

27 Loans and advances to customers *(continued)*

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

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a 'significant increase in credit risk' or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in the credit risk section of the Risk Management Report on page 137 and the Group accounting policies note on page 183.

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

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

'Net impairment (losses) / gains in income statement' does not include the impact of cash recoveries which are recognised directly in the income statement (note 16).

'Re-measurements' includes the impact of re-measurement on stage transfers noted above, changes in management adjustments and re-measurement 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.

'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.

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

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

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

27 Loans and advances to customers *(continued)*

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

Total gross loans and advances to customers increased during the period by €2.1 billion from €78.4 billion as at 31 December 2018 to €80.5 billion as at 31 December 2019.

Stage 1 loans have increased by €3.0 billion reflecting the impact of net new lending and FX movements with a corresponding increase in impairment loss allowances. Coverage on Stage 1 loans has remained consistent at 0.2% with the impact of transfers from Stage 2 at a higher coverage rate offset by re-measurement to 12-month ECL in Stage 1.

Stage 2 loans have increased by €0.5 billion with net repayments of €0.7 billion offset by net transfers from other Stages of €1.2 billion. Stage 2 increases mainly reflect migration in the corporate and property and construction portfolios due to a combination of case specific credit events and the evolution of FLI / impairment model parameter updates. Coverage on Stage 2 loans has remained consistent at 3.4% with an increase in impairment loss allowances due to the impact of parameter changes offset by net repayments.

Stage 3 loans have decreased by €1.4 billion with the key drivers being a net reduction in exposures of €1.1 billion and the utilisation of impairment loss allowances of €0.7 billion, offset by net transfers from other stages of €0.4 billion. The reduction reflects ongoing resolution activity including the securitisation and disposal of non-performing portfolios (primarily BTL residential mortgages) during the year which contributed €0.6 billion of a decrease in gross carrying amount.

Stage 3 impairment losses have reduced by €0.5 billion primarily due to the utilisation of impairment loss allowances of €0.7 billion offset by the impact of updated FLI / impairment model parameters (including refreshed cure rates) and re-measurement primarily reflecting losses on a small number of large exposures. €0.1 billion of the reduction relates to the securitisation and disposal of non-performing portfolios (primarily BTL residential mortgages) during the year. Cover on Stage 3 loans has decreased slightly from 32% to 31%.

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

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

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

27 Loans and advances to customers *(continued)*

2018 Gross carrying amount (before impairment loss allowance) including held for sale	Stage 1 - 12 month ECL (not credit impaired) €m	Stage 2 - Lifetime ECL (not credit impaired) €m	Stage 3 - Lifetime ECL (credit impaired) €m	Purchased / originated credit impaired [1] €m	Total gross carrying amount €m
Opening balance 1 January 2018	**66,175**	**5,814**	**5,923**	**118**	**78,030**
Total net transfers	(430)	143	287	-	-
- to 12-month ECL not credit-impaired	*3,119*	*(3,093)*	*(26)*	-	-
- to lifetime ECL not credit-impaired	*(3,301)*	*3,956*	*(655)*	-	-
- to lifetime ECL credit-impaired	*(248)*	*(720)*	*968*	-	-
Net changes in exposure	3,211	(875)	(984)	(7)	1,345
Impairment loss allowances utilised	-	-	(748)	(42)	(790)
Exchange adjustments	(191)	(12)	(6)	(1)	(210)
Measurement reclassification and other movements	37	5	11	2	55
Gross carrying amount at 31 December 2018	**68,802**	**5,075**	**4,483**	**70**	**78,430**

2018 Impairment loss allowance including held for sale	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2018	**121**	**189**	**2,102**	**38**	**2,450**
Total net transfers	7	44	(51)	-	-
- to 12-month ECL not credit-impaired	*56*	*(46)*	*(10)*	-	-
- to lifetime ECL not credit-impaired	*(43)*	*125*	*(82)*	-	-
- to lifetime ECL credit-impaired	*(6)*	*(35)*	*41*	-	-
Net impairment (losses) / gains in income statement	1	(53)	61	4	13
- Re-measurement	*(1)*	*(38)*	*166*	*4*	*131*
- Net changes in exposure	*15*	*(25)*	*(138)*	-	*(148)*
- ECL model parameter changes	*(13)*	*10*	*33*	-	*30*
Impairment loss allowances utilised	-	-	(748)	(42)	(790)
Exchange adjustments	-	-	(2)	-	(2)
Measurement reclassification and other movements	(9)	(4)	70	-	57
Impairment loss allowance at 31 December 2018	**120**	**176**	**1,432**	**-**	**1,728**
Impairment coverage at 31 December 2018 (%)	**0.17%**	**3.47%**	**31.94%**	**-**	**2.20%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2018 includes €352 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 31 December 2018, Purchased or Originated Credit-impaired assets included €68 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2018 is €nil.*

27 Loans and advances to customers *(continued)*

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

Residential Mortgages

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

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

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

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

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

27 Loans and advances to customers *(continued)*

2018 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 impairment loss allowance €m
Opening balance 1 January 2018	**41,168**	**2,319**	**2,875**	**3**	**46,365**
Total net transfers	158	(192)	34	-	-
- to 12-month ECL not credit-impaired	*2,388*	*(2,388)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(2,168)*	*2,643*	*(475)*	-	-
- to lifetime ECL credit-impaired	*(62)*	*(447)*	*509*	-	-
Net changes in exposure	(70)	(251)	(364)	-	(685)
Impairment loss allowances utilised	-	-	(76)	-	(76)
Exchange adjustments	(169)	(4)	(4)	-	(177)
Measurement reclassification and other movements	9	1	-	-	10
Gross carrying amount at 31 December 2018	**41,096**	**1,873**	**2,465**	**3**	**45,437**

2018 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 2018	**13**	**30**	**599**	**-**	**642**
Total net transfers	(7)	32	(25)	-	-
- to 12-month ECL not credit-impaired	*28*	*(28)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(34)*	*75*	*(41)*	-	-
- to lifetime ECL credit-impaired	*(1)*	*(15)*	*16*	-	-
Net impairment (losses) / gains in income statement	8	(31)	(17)	-	(40)
- Re-measurement	*20*	*(29)*	*(36)*	-	*(45)*
- Net changes in exposure	*(12)*	*(7)*	*(14)*	-	*(33)*
- ECL model parameter changes	-	*5*	*33*	-	*38*
Impairment loss allowances utilised	-	-	(76)	-	(76)
Exchange adjustments	-	-	(1)	-	(1)
Measurement reclassification and other movements	-	-	12	-	12
Impairment loss allowance at 31 December 2018	**14**	**31**	**492**	**-**	**537**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2018 includes €69 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 31 December 2018, Purchased or Originated Credit-impaired assets included €2 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2018 is €nil.*

27 Loans and advances to customers *(continued)*

Non-property SME and corporate

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

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

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

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

27 Loans and advances to customers *(continued)*

2018 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 impairment loss allowance €m
Opening balance 1 January 2018	**15,209**	**1,909**	**1,457**	**48**	**18,623**
Total net transfers	(485)	325	160	-	-
- to 12-month ECL not credit-impaired	*368*	*(350)*	*(18)*	-	-
- to lifetime ECL not credit-impaired	*(736)*	*806*	*(70)*	-	-
- to lifetime ECL credit-impaired	*(117)*	*(131)*	*248*	-	-
Net changes in exposure	1,792	(387)	(250)	(7)	1,148
Impairment loss allowances utilised	-	-	(287)	(42)	(329)
Exchange adjustments	4	(1)	(1)	-	2
Measurement reclassification and other movements	27	4	(12)	2	21
Gross carrying amount at 31 December 2018	**16,547**	**1,850**	**1,067**	**1**	**19,465**

2018 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 2018	**60**	**84**	**754**	**37**	**935**
Total net transfers	8	1	(9)	-	-
- to 12-month ECL not credit-impaired	*17*	*(10)*	*(7)*	-	-
- to lifetime ECL not credit-impaired	*(6)*	*22*	*(16)*	-	-
- to lifetime ECL credit-impaired	*(3)*	*(11)*	*14*	-	-
Net impairment (losses) / gains in income statement	(11)	(9)	22	5	7
- Re-measurement	*(13)*	*(3)*	*94*	*4*	*82*
- Net changes in exposure	*4*	*(10)*	*(73)*	*1*	*(78)*
- ECL model parameter changes	*(2)*	*4*	*1*	-	*3*
Impairment loss allowances utilised	-	-	(287)	(42)	(329)
Exchange adjustments	-	-	-	-	-
Measurement reclassification and other movements	(7)	(2)	21	-	12
Impairment loss allowance at 31 December 2018	**50**	**74**	**501**	**-**	**625**

Impairment loss allowances utilised on non-property SME and corporate during 2018 includes €149 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2018 is €nil.*

27 Loans and advances to customers *(continued)*

Property and construction

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

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

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

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

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

27 Loans and advances to customers *(continued)*

2018 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2018	**5,850**	**1,313**	**1,494**	**67**	**8,724**
Total net transfers	(68)	29	39	-	-
- to 12-month ECL not credit-impaired	*313*	*(309)*	*(4)*	*-*	*-*
- to lifetime ECL not credit-impaired	*(340)*	*448*	*(108)*	*-*	*-*
- to lifetime ECL credit-impaired	*(41)*	*(110)*	*151*	*-*	*-*
Net changes in exposure	567	(234)	(361)	-	(28)
Impairment loss allowances utilised	-	-	(350)	-	(350)
Exchange adjustments	(1)	(6)	(1)	(1)	(9)
Measurement reclassification and other movements	(5)	-	22	-	17
Gross carrying amount at 31 December 2018	**6,343**	**1,102**	**843**	**66**	**8,354**

2018 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2018	**7**	**42**	**685**	**1**	**735**
Total net transfers	2	18	(20)	-	-
- to 12-month ECL not credit-impaired	*5*	*(4)*	*(1)*	*-*	*-*
- to lifetime ECL not credit-impaired	*(2)*	*26*	*(24)*	*-*	*-*
- to lifetime ECL credit-impaired	*(1)*	*(4)*	*5*	*-*	*-*
Net impairment (losses) / gains in income statement	(3)	(21)	21	(1)	(4)
- Re-measurement	*(3)*	*(15)*	*67*	*-*	*49*
- Net changes in exposure	*-*	*(9)*	*(47)*	*(1)*	*(57)*
- ECL model parameter changes	*-*	*3*	*1*	*-*	*4*
Impairment loss allowances utilised	-	-	(350)	-	(350)
Exchange adjustments	-	-	(1)	-	(1)
Measurement reclassification and other movements	(2)	(1)	34	-	31
Impairment loss allowance at 31 December 2018	**4**	**38**	**369**	**-**	**411**

Impairment loss allowances utilised on Property and construction during 2018 includes €111 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 31 December 2018, Purchased or Originated Credit-impaired assets included €66 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2018 is €nil.*

27 Loans and advances to customers *(continued)*

Consumer

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

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

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

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

27 Loans and advances to customers *(continued)*

2018 **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 impairment loss allowance €m**
Opening balance 1 January 2018	**3,948**	**273**	**97**	**-**	**4,318**
Total net transfers	(35)	(19)	54	-	-
- to 12-month ECL not credit-impaired	*50*	*(46)*	*(4)*	-	-
- to lifetime ECL not credit-impaired	*(57)*	*59*	*(2)*	-	-
- to lifetime ECL credit-impaired	*(28)*	*(32)*	*60*	-	-
Net changes in exposure	922	(3)	(9)	-	910
Impairment loss allowances utilised	-	-	(35)	-	(35)
Exchange adjustments	(25)	(1)	-	-	(26)
Measurement reclassification and other movements	6	-	1	-	7
Gross carrying amount at 31 December 2018	**4,816**	**250**	**108**	**-**	**5,174**

2018 **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 2018	**41**	**33**	**64**	**-**	**138**
Total net transfers	4	(7)	3	-	-
- to 12-month ECL not credit-impaired	*6*	*(4)*	*(2)*	-	-
- to lifetime ECL not credit-impaired	*(1)*	*2*	*(1)*	-	-
- to lifetime ECL credit-impaired	*(1)*	*(5)*	*6*	-	-
Net impairment (losses) / gains in income statement	7	8	35	-	50
- Re-measurement	*(5)*	*9*	*41*	-	*45*
- Net changes in exposure	*23*	*1*	*(4)*	-	*20*
- ECL model parameter changes	*(11)*	*(2)*	*(2)*	-	*(15)*
Impairment loss allowances utilised	-	-	(35)	-	(35)
Exchange adjustments	-	-	-	-	-
Measurement reclassification and other movements	-	(1)	3	-	2
Impairment loss allowance at 31 December 2018	**52**	**33**	**70**	**-**	**155**

Impairment loss allowances utilised on consumer during 2018 includes €23 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially Purchased or Originated Credit-impaired during 2018 is €nil.*

27 Loans and advances to customers *(continued)*

Finance leases and hire purchase receivables

The Group's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and business customers. As outlined in the Group accounting polices note on page 179, from 1 January 2019, the Group adopted IFRS 16 'Leases'.

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed in the table below. The net investment in finance leases at 31 December 2019 was €4 billion, an increase of €0.6 billion since 31 December 2018. This was primarily driven by volume increases in the Northridge business in Retail UK.

	2019 €m
Gross investment in finance leases	
Not later than 1 year	1,289
1 to 2 years	1,085
2 to 3 years	984
3 to 4 years	743
4 to 5 years	209
Later than 5 years	20
	4,330
Unearned future finance income on finance leases	(330)
Net investment in finance leases	**4,000**
The net investment in finance leases is analysed as follows:	
Not later than 1 year	1,191
1 to 2 years	1,002
2 to 3 years	909
3 to 4 years	686
4 to 5 years	194
Later than 5 years	18
	4,000

Comparative figures for the prior year have not been restated and are set out on an IAS 17 classification and measurement basis.

	2018 €m
Gross investment in finance leases	
Not later than 1 year	1,114
Later than 1 year and not later than 5 years	2,526
Later than 5 years	12
	3,652
Unearned future finance income on finance leases	(280)
Net investment in finance leases	**3,372**
The net investment in finance leases is analysed as follows:	
Not later than 1 year	1,029
Later than 1 year and not later than 5 years	2,332
Later than 5 years	11
	3,372

Securitisations

Loans and advances to customers include balances that have been securitised but not derecognised, comprising both residential mortgages and commercial loans. In general, the assets, or interests in the assets, are transferred to structured entities, which then issue securities to third party investors or to other entities within the Group. With the exception of Mulcair Securities, all of the Group's securitisation structured entities are consolidated. See note 55 for further details.

28 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the credit risk methodologies are set out on pages 134 to 139.

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 sections 3.1 (credit risk), 3.2 (funding and liquidity risk), 3.3 (market risk), 3.4 (life insurance risk) and 4 (capital management) of the Risk Management Report.

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

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

Financial assets

Composition and risk profile

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

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

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

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

28 Credit risk exposures *(continued)*

Loans and advances to customers excludes €252 million (2018: €261 million) of loans mandatorily at FVTPL at 31 December 2019 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (note 27).

At 31 December 2019, other financial assets includes: cash and balances at central banks of €8,327 million (2018: €6,035 million) and items in the course of collection from other banks of €223 million (2018: €259 million). The above tables exclude loan commitments, guarantees and letters of credit of €14,671 million at 31 December 2019 (2018: €15,505 million) that are subject to impairment (note 45).

2018 **Financial assets exposure by stage (before impairment loss allowance) including held for sale**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	68,802	5,075	4,483	70	78,430
Loans and advances to banks	2,302	6	-	-	2,308
Debt securities	3,929	-	-	-	3,929
Other financial assets	6,294	-	-	-	6,294
Total financial assets measured at amortised cost	**81,327**	**5,081**	**4,483**	**70**	**90,961**
Debt instruments at FVOCI	12,048	-	-	-	12,048
Total	**93,375**	**5,081**	**4,483**	**70**	**103,009**

2018 **Impairment loss allowance on financial assets including held for sale**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	120	176	1,432	-	1,728
Loans and advances to banks	1	-	-	-	1
Debt securities	1	-	-	-	1
Other financial assets	2	-	-	-	2
Total financial assets measured at amortised cost	**124**	**176**	**1,432**	**-**	**1,732**
Debt instruments at FVOCI	3	-	-	-	3
Total	**127**	**176**	**1,432**	**-**	**1,735**

[1] *At 31 December 2018, Purchased or Originated Credit-impaired assets included €68 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

28 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]	2019 Not credit-impaired €m	2019 Credit-impaired €m	2019 Total €m	2019 Total %	2018[2] Not credit-impaired €m	2018[2] Credit-impaired €m	2018[2] Total €m	2018[2] Total %
Residential mortgages	44,575	1,693	46,268	58%	42,969	2,465	45,434	58%
- Retail Ireland	*21,743*	*1,289*	*23,032*	*29%*	*21,688*	*2,025*	*23,713*	*30%*
- Retail UK	*22,832*	*404*	*23,236*	*29%*	*21,281*	*440*	*21,721*	*28%*
Non-property SME and corporate	19,649	757	20,406	25%	18,397	1,067	19,464	25%
- Republic of Ireland SME	*6,810*	*495*	*7,305*	*9%*	*6,871*	*729*	*7,600*	*10%*
- UK SME	*1,607*	*78*	*1,685*	*2%*	*1,491*	*79*	*1,570*	*2%*
- Corporate	*11,232*	*184*	*11,416*	*14%*	*10,035*	*259*	*10,294*	*13%*
Property and construction	7,498	549	8,047	10%	7,445	843	8,288	11%
- Investment	*6,669*	*519*	*7,188*	*9%*	*6,892*	*760*	*7,652*	*10%*
- Land and development	*829*	*30*	*859*	*1%*	*553*	*83*	*636*	*1%*
Consumer	5,627	100	5,727	7%	5,066	108	5,174	6%
Total	**77,349**	**3,099**	**80,448**	**100%**	**73,877**	**4,483**	**78,360**	**100%**
Impairment loss allowance on loans and advances to customers	**330**	**976**	**1,306**	**2%**	**296**	**1,432**	**1,728**	**2%**

Asset quality - not credit-impaired

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

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

[1] Excluded from the table above are Purchased or Originated Credit-impaired assets of €95 million (2018: €70 million), €67 million (2018: €68 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.

[2] Including held for sale.

28 Credit risk exposures *(continued)*

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

The table below provides analysis of the asset quality of loans and advances to customers at amortised cost that are not credit-impaired based on mapping the IFRS 9 twelve month PD of each loan to a PD grade based on the table provided on page 235.

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

[1] *Excluded from the table above are Purchased or Originated Credit-impaired assets of €95 million, €67 million of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as Purchased or Originated Credit-impaired until derecognition.*

28 Credit risk exposures *(continued)*

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

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]	2019 Credit-impaired loans €m	 CI loans as % of total advances %	 Impairment loss allowance €m	 ILA as % of loans %	2018[2] Credit-impaired loans €m	 CI loans as % of total advances %	 Impairment loss allowance €m	 ILA as % of loans %
Residential mortgages	1,693	2%	380	22%	2,465	3%	492	20%
- Retail Ireland	*1,289*	*2%*	*340*	*26%*	*2,025*	*2%*	*444*	*22%*
- Retail UK	*404*	*-*	*40*	*10%*	*440*	*1%*	*48*	*11%*
Non-property SME and corporate	757	1%	353	47%	1,067	1%	501	47%
- Republic of Ireland SME	*495*	*1%*	*225*	*45%*	*729*	*1%*	*340*	*47%*
- UK SME	*78*	*-*	*38*	*49%*	*79*	*-*	*37*	*47%*
- Corporate	*184*	*-*	*90*	*49%*	*259*	*-*	*124*	*48%*
Property and construction	549	1%	180	33%	843	1%	369	44%
- Investment	*519*	*1%*	*162*	*31%*	*760*	*1%*	*321*	*42%*
- Land and development	*30*	*-*	*18*	*60%*	*83*	*-*	*48*	*58%*
Consumer	100	-	63	63%	108	-	70	65%
Total credit-impaired	**3,099**	**4%**	**976**	**31%**	**4,483**	**5%**	**1,432**	**32%**

[1] *Excluded from the table above are Purchased or Originated Credit-impaired assets of €95 million (2018: €70 million), €67 million (2018: €68 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*

[2] *Including held for sale.*

28 Credit risk exposures *(continued)*

Segmental analysis

The tables below provide an analysis of the risk profile of loans and advances to customers at amortised cost by division.

2019 **Risk profile of loans and advances to customers (before impairment loss allowance)**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Treasury €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit-impaired)	29,654	27,514	14,610	71,778
Stage 2 - Lifetime ECL (not credit-impaired)	2,653	1,146	1,772	5,571
Stage 3 - Lifetime ECL (credit-impaired)	2,141	765	193	3,099
Purchased / originated credit-impaired	3	67	25	95
Gross carrying amount at 31 December 2019	**34,451**	**29,492**	**16,600**	**80,543**

2018 **Risk profile of loans and advances to customers including held for sale (before impairment loss allowance)**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Treasury €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit-impaired)	29,482	25,337	13,983	68,802
Stage 2 - Lifetime ECL (not credit-impaired)	2,753	1,378	944	5,075
Stage 3 - Lifetime ECL (credit-impaired)	3,430	781	272	4,483
Purchased / originated credit-impaired	4	66	-	70
Gross carrying amount at 31 December 2018	**35,669**	**27,562**	**15,199**	**78,430**

2019 **Risk profile of loans and advances to customers - non-performing exposures**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Treasury €m**	**Total Group €m**
Credit-impaired[1]	2,143	766	218	3,127
Not credit-impaired[2]	259	106	27	392
Total	**2,402**	**872**	**245**	**3,519**

2018 **Risk profile of loans and advances to customers including held for sale - non-performing exposures**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Treasury €m**	**Total Group €m**
Credit-impaired[1]	3,432	781	272	4,485
Not credit-impaired[2]	407	80	12	499
Total	**3,839**	**861**	**284**	**4,984**

[1] *Credit-impaired loans include Stage 3 and Purchased or Originated Credit-impaired assets which remain credit-impaired at the reporting date.*
[2] *Other / probationary loans, including forborne loans that have yet to satisfy exit criteria in line with Eurpoean Banking Authority guidance to return to performing.*

28 Credit risk exposures *(continued)*

Geographical and industry analysis of loans and advances to customers

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

Geographical / industry analysis[1]	2019 RoI €m	2019 UK €m	2019 RoW €m	2019 Total €m	2018[2] RoI €m	2018[2] UK €m	2018[2] RoW €m	2018[2] Total €m
Personal	25,240	26,758	-	51,998	25,875	24,736	-	50,611
- Residential mortgages	*23,035*	*23,236*	-	*46,271*	*23,716*	*21,721*	-	*45,437*
- Other consumer lending	*2,205*	*3,522*	-	*5,727*	*2,159*	*3,015*	-	*5,174*
Property and construction	7,065	1,047	-	8,112	7,099	1,255	-	8,354
- Investment	*6,269*	*984*	-	*7,253*	*6,518*	*1,200*	-	*7,718*
- Land and development	*796*	*63*	-	*859*	*581*	*55*	-	*636*
Business and other services	6,888	1,310	499	8,697	6,191	1,487	413	8,091
Manufacturing	4,263	363	577	5,203	3,935	415	458	4,808
Distribution	2,213	246	53	2,512	2,234	195	51	2,480
Agriculture	1,641	237	-	1,878	1,653	233	-	1,886
Transport	938	110	55	1,103	891	129	61	1,081
Financial	580	55	-	635	498	59	22	579
Energy	345	60	-	405	467	58	15	540
Total	**49,173**	**30,186**	**1,184**	**80,543**	**48,843**	**28,567**	**1,020**	**78,430**

Repossessed collateral

At 31 December 2019, the Group had collateral held as security, as follows:

Repossessed collateral is sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

Repossessed collateral	2019 €m	2018 €m
Residential properties		
Ireland	10	19
UK and other	11	7
	21	26
Other	1	1
Total	**22**	**27**

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	2019 Stage 1 €m	2019 Stage 1 %	2019 Stage 2 €m	2019 Stage 2 %	2019 Total €m	2019 Total %	2018 Stage 1 €m	2018 Stage 1 %	2018 Stage 2 €m	2018 Stage 2 %	2018 Total €m	2018 Total %
PD Grade												
1-4	9,987	92%	-	-	9,987	92%	11,115	92%	-	-	11,115	92%
5-7	810	8%	-	-	810	8%	933	8%	-	-	933	8%
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**10,797**	**100%**	**-**	**-**	**10,797**	**100%**	**12,048**	**100%**	**-**	**-**	**12,048**	**100%**

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

28 Credit risk exposures *(continued)*

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	2019 Stage 1 €m	2019 Stage 1 %	2019 Stage 2 €m	2019 Stage 2 %	2019 Total €m	2019 Total %	2018 Stage 1 €m	2018 Stage 1 %	2018 Stage 2 €m	2018 Stage 2 %	2018 Total €m	2018 Total %
PD Grade												
1-4	4,499	100%	-	-	4,499	100%	3,917	100%	-	-	3,917	100%
5-7	2	-	-	-	2	-	12	-	-	-	12	-
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	11	-	-	-	11	-	-	-	-	-	-	-
Total	**4,512**	**100%**	**-**	**-**	**4,512**	**100%**	**3,929**	**100%**	**-**	**-**	**3,929**	**100%**

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

Loans and advances to banks at amortised cost before impairment loss allowance) Asset quality	2019 Stage 1 €m	2019 Stage 1 %	2019 Stage 2 €m	2019 Stage 2 %	2019 Total €m	2019 Total %	2018 Stage 1 €m	2018 Stage 1 %	2018 Stage 2 €m	2018 Stage 2 %	2018 Total €m	2018 Total %
PD Grade												
1-4	2,948	98%	-	-	2,948	98%	2,244	97%	-	-	2,244	97%
5-7	3	-	5	83%	8	-	1	-	-	-	1	-
8-9	66	2%	1	17%	67	2%	57	3%	6	100%	63	3%
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,017**	**100%**	**6**	**100%**	**3,023**	**100%**	**2,302**	**100%**	**6**	**100%**	**2,308**	**100%**

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

Other financial instruments with ratings equivalent to:	2019 €m	2019 %	2018 €m	2018 %
AAA to AA-	4,619	50%	3,693	46%
A+ to A-	2,943	32%	2,773	34%
BBB+ to BBB-	1,070	11%	1,077	13%
BB+ to BB-	259	3%	203	3%
B+ to B-	323	4%	313	4%
Lower than B-	5	-	23	-
Total	**9,219**	**100%**	**8,082**	**100%**

29 Modified financial assets

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

	2019 €m	2018 €m
Financial assets modified during the year		
Amortised cost before modification	387	923
Net modification gains (i.e. net of impairment gains impact)	-	6
Financial assets modified since initial recognition		
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month expected credit losses during the year	608	894

30 Interest in associates

The Group has availed of the venture capital exemption in accounting for its interests in associates. In line with the accounting policy set out on page 186, these interests have been designated at initial recognition at FVTPL. Changes in the fair value of these interests are included in the share of results of associates (after tax) line on the income statement.

In presenting details of the associates of the Group, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Group will annex a full listing of associates to its annual return to the Companies Registration Office.

	2019 €m	2018 €m
At beginning of year	53	59
Decrease in investments	(10)	(15)
Increase in investments	8	5
Share of results after tax (note 17)	5	4
At end of year	**56**	**53**

31 Interest in joint ventures

For further information on joint ventures refer to note 55 Interests in other entities.

	2019 €m	2018 €m
At beginning of year	69	69
Share of results after tax (note 17)	34	37
- First Rate Exchange Services	*34*	*37*
Dividends received	(31)	(36)
Exchange adjustments	4	(1)
At end of year	**76**	**69**

32 Intangible assets and goodwill

	2019					2018				
	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost										
At 1 January	**34**	**71**	**1,768**	**204**	**2,077**	**31**	**71**	**1,560**	**208**	**1,870**
Additions	-	-	223	-	223	-	-	207	-	207
Acquisitions	-	-	-	-	-	-	-	-	-	-
Disposals / write-offs	-	-	-	-	-	-	-	-	(1)	(1)
Reclassifications	-	-	-	-	-	3	-	-	(3)	-
Exchange adjustments	2	1	12	7	22	-	-	1	-	1
At 31 December	**36**	**72**	**2,003**	**211**	**2,322**	**34**	**71**	**1,768**	**204**	**2,077**
Accumulated amortisation										
At 1 January	**-**	**(71)**	**(1,060)**	**(144)**	**(1,275)**	**-**	**(70)**	**(893)**	**(128)**	**(1,091)**
Disposals / write-offs	-	-	-	-	-	-	(1)	-	2	1
Impairment (note 14)	-	-	-	-	-	-	-	(6)	-	(6)
Amortisation charge for the year (note 13)	-	-	(173)	(20)	(193)	-	-	(158)	(20)	(178)
Exchange adjustments	-	(1)	(10)	(5)	(16)	-	-	(3)	2	(1)
At 31 December	**-**	**(72)**	**(1,243)**	**(169)**	**(1,484)**	**-**	**(71)**	**(1,060)**	**(144)**	**(1,275)**
Net book value	**36**	**-**	**760**	**42**	**838**	**34**	**-**	**708**	**60**	**802**

The category 'computer software internally generated' includes the Transformation Investment asset with a carrying value of €331 million (2018: €253 million). This asset reflects investment in technical infrastructure, applications and software licences. €173 million (2018: €183 million) of this is an amortising asset with amortisation periods normally ranging from five to ten years with the majority being amortised over ten years. At 31 December 2019, the remaining amortisation period for these assets ranges between 1 and 9.5 years. The remaining €158 million (2018: €70 million) represents assets under construction on which amortisation will commence once the assets are put into use.

The useful lives of intangible assets were reviewed by management at 31 December 2019 following which the useful lives of a number of intangible were revised from five to ten years. In accordance with IAS 8, the change in the useful lives of the intangible assets is treated as a change in accounting estimate and recognised prospectively from the date of change. There was no impact on the amortisation charge for the year.

Goodwill
Goodwill was recognised on the acquisition of MLL; a car commercial leasing and fleet management company in the UK.

Impairment Review - Goodwill
Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the asset.

Impairment testing of goodwill
Goodwill is allocated to cash generating units (CGU) at a level which represents the smallest identifiable group of assets that generate largely independent cash flows.

The calculation of the recoverable amount of goodwill for each of these CGU is based upon a VIU calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the CGU. The determination of both requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance.

The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a growth factor appropriate for the business is applied. Initial cash flows are based on performance in the twelve month period ended 31 December 2019 and the next four years' cash flows are consistent with approved plans for each business.

Growth rates
Growth rates beyond five years are determined by reference to local economic growth, inflation projections or long term bond yields. The assumed long term growth rate for MLL is 0%.

32 Intangible assets and goodwill *(continued)*

Discount rate
The discount rate applied to MLL is the pre-tax weighted average cost of capital for the Group increased to include a risk premium to reflect the specific risk profile of the CGU to the extent that such risk is not already reflected in the forecast cash flows. A rate of 12% has been used in the model.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. The Directors consider that reasonably possible changes in key assumptions used to determine the recoverable amount of MLL would not result in any impairment of goodwill. No impairment has been identified as at 31 December 2019 (2018: €nil).

Impairment review - intangible assets
Intangible assets have been reviewed for any indication that impairment may have occurred. Where any such indication exists impairment has been measured by comparing the carrying value of the intangible asset to its recoverable amount.

There was €nil impairment identified in the year ended 31 December 2019 (2018: €6 million).

33 Investment properties

In 2019, rental income from investment property amounted to €52 million (2018: €48 million). Expenses directly attributable to investment property generating rental income was €6 million (2018: €5 million). There were no expenses directly attributable to investment properties which are not generating rental income for 2019 or 2018.

In 2019, the Group reclassified €21 million from investment properties to property, plant and equipment (note 34). In 2018, a number of real estate funds totalling €15 million were reclassified from investment properties to other financial assets at FVTPL.

At 31 December 2019, the Group held investment property of €999 million (2018: €1,037 million) on behalf of Wealth and Insurance policyholders.

	2019 €m	2018 €m
At beginning of year	1,037	912
Disposals	(39)	(13)
Reclassifications	(21)	(15)
Exchange adjustment	14	(3)
Additions	11	123
Revaluation	(3)	33
At end of year	**999**	**1,037**

34 Property, plant and equipment

2019	Freehold land & buildings & long leaseholds (FV) of which; own-use €m	Freehold land & buildings & long leaseholds (FV) of which; subject to operating lease €m	Adaptations (at cost) of which; own-use €m	Adaptations (at cost) of which; subject to operating lease €m	Computer & other equipment (at cost) of which; own-use €m	Computer & other equipment (at cost) of which; subject to operating lease €m	Finance lease assets (at cost) €m	Payments on accounts & assets in the course of construction (at cost) €m	Total owned assets €m	Right of Use assets, excluding investment property Buildings €m	Right of Use assets, excluding investment property Computer & other equipment €m	Total right of use assets €m	Total property plant and equipment €m
Cost or valuation at 31 December 2018	156	14	158	6	260	126	17	13	750	-	-	-	750
Impact of adopting IFRS 16 at 1 January 2019 (note 62)	-	-	-	-	-	-	(17)	-	(17)	555	78	633	616
Opening balance at 1 January 2019	**156**	**14**	**158**	**6**	**260**	**126**	**-**	**13**	**733**	**555**	**78**	**633**	**1,366**
Exchange Adjustments	2	-	2	-	3	6	-	-	13	-	-	-	13
Additions	-	-	-	-	1	53	-	27	81	1	2	3	84
Disposals/ write offs	-	-	(5)	-	(4)	(40)	-	-	(49)	-	(1)	(1)	(50)
Revaluation recognised in OCI	2	1	-	-	-	-	-	-	3	-	-	-	3
Reclassifications	21	-	10	-	9	-	-	(19)	21	(5)	-	(5)	16
Adjustment of lease liability	-	-	-	-	-	-	-	-	-	(4)	(1)	(5)	(5)
As at 31 December 2019	**181**	**15**	**165**	**6**	**269**	**145**	**-**	**21**	**802**	**547**	**78**	**625**	**1,427**
Accumulated Depreciation at 31 December 2018	**-**	**-**	**(94)**	**(2)**	**(181)**	**(23)**	**(12)**	**-**	**(312)**	**-**	**-**	**-**	**(312)**
Impact of adopting IFRS 16 at 1 January 2019 (note 62)	-	-	-	-	-	-	12	-	12	-	(12)	(12)	-
Accumulated Depreciation at 1January 2019	**-**	**-**	**(94)**	**(2)**	**(181)**	**(23)**	**-**	**-**	**(300)**	**-**	**(12)**	**(12)**	**(312)**
Exchange Adjustments	-	-	(1)	-	(3)	(1)	-	-	(5)	(1)	-	(1)	(6)
Impairment (note 14)	-	-	-	-	(2)	-	-	-	(2)	(2)	-	(2)	(4)
Disposals / Write-offs	-	-	4	-	2	21	-	-	27	-	1	1	28
Charge for the year (notes 10,13)	-	-	(11)	-	(16)	(28)	-	-	(55)	(40)	(29)	(69)	(124)
As at 31 December 2019	**-**	**-**	**(102)**	**(2)**	**(200)**	**(31)**	**-**	**-**	**(335)**	**(43)**	**(40)**	**(83)**	**(418)**
Net Book Value at 31 December 2019	**181**	**15**	**63**	**4**	**69**	**114**	**-**	**21**	**467**	**504**	**38**	**542**	**1,009**

At 31 December 2019, property, plant and equipment held at fair value was €196 million (2018: €170 million). A revaluation of Group property was carried out as at 31 December 2019 by an independent external valuer. The historical cost of property, plant and equipment held at fair value was €78 million (2018: €76 million). The net book value of property, plant and equipment held at cost less accumulated depreciation and impairment (excluding RoU assets) was €271 million (2018: €268 million). As outlined in the Group accounting policies note on page 179, the Group adopted IFRS 16 'Leases' from 1 January 2019. On transition to IFRS 16, the Group recognised €621 million RoU assets on 1 January 2019 which have a net book value of €542 million at 31 December 2019. The effect of adoption of IFRS 16 is further explained in note 62.

34 Property, plant and equipment *(continued)*

Future capital expenditure
This table shows future capital expenditure in relation to both property, plant and equipment and intangible assets.

Group as lessor
Computer and other equipment of which subject to an operating lease, relates to the business activities of MLL. MLL enters into non-cancellable operating leases, as lessor, through its car and commercial leasing activities. The terms of the leases vary but the majority of the leases typically run for a non-cancellable period of two to four years through which MLL is exposed to residual value risk on the vehicles leased.

MLL ensures that residual value risk is effectively managed to minimise exposure. The residual values used mirror those utilised in the creation of the original client contract. Residual values for MLL's fleet of vehicles are benchmarked against industry standards using third party valuation tools. The residual values for the entire portfolio are reassessed using an independent valuation tool on a monthly basis throughout the life of the underlying contracts to determine if impairment is required. The process of realising asset values at the end of lease contracts is effectively managed to maximise net sale proceeds. MLL received operating lease income of €35 million in 2019 (note 10).

The Group has also entered into a small number of operating leases and operating sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements. The Group received operating lease income on these leases of €1 million in 2019.

The table sets out the future undiscounted operating lease payments receivable.

Future capital expenditure	2019 €m	2018 €m
Contracted but not provided for in the financial statements	10	11
Authorised by the Directors but not contracted	236	199

Operating lease receivables	2019 €m
Not later than 1 year	27
1 to 2 years	18
2 to 3 years	9
3 to 4 years	3
4 to 5 year	1
Later than 5 years	-
Total operating lease receivables	**58**

2018	Freehold land and buildings and long leaseholds (held at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 January 2018	**155**	**156**	**385**	**15**	**11**	**722**
Exchange adjustments	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Additions	-	-	50	2	20	72
Disposals / write-offs	-	(2)	(57)	-	-	(59)
Reversal of impairment (note 13)	4	-	-	-	-	4
Revaluation recognised in OCI	11	-	-	-	-	11
Reclassifications	-	10	8	-	(18)	-
At 31 December 2018	**170**	**164**	**386**	**17**	**13**	**750**
Accumulated depreciation						
At 1 January 2018	**-**	**(88)**	**(192)**	**(8)**	**-**	**(288)**
Exchange adjustments	-	-	(3)	-	-	(3)
Impairment (note 14)	-	-	(9)	-	-	(9)
Disposals / write-offs	-	2	43	-	-	45
Charge for the year (notes 10,13)	-	(10)	(43)	(4)	-	(57)
At 31 December 2018	**-**	**(96)**	**(204)**	**(12)**	**-**	**(312)**
Net book value at 31 December 2018	**170**	**68**	**182**	**5**	**13**	**438**

34 Property, plant and equipment *(continued)*

Until 31 December 2018 the Group's leases under IAS 17 were as follows:

Operating leases
The Group leases a number of branch and office premises to carry out its business. The commercial leases typically are 25 to 35 year operating leases with five-yearly rent reviews. The majority of the rent reviews are on an upwards only basis. Some leases also include break options. The Group also holds a number of short-term leases for less than ten years and a number of long-term leases at market rent with less than 135 years unexpired.

Minimum future rentals are the rentals payable under operating leases up to the next available break option where this exists or to expiry date of the lease. Both the required break option notice period and the amount of any penalty rent have been included in the amounts payable below.

The Group has entered into a small number of sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements.

Minimum future rentals under non-cancellable operating leases
Included in receivable, for 2018, is an amount of €8 million in relation to sub-lease rental.

Also included in receivable for 2018 is €49 million for future income receivable from existing car rental contracts relating to MLL.

2018	Payable €m	Receivable €m
Not later than 1 year	63	28
Later than 1 year (not later than 5 years)	223	32
Later than 5 years	394	1

Finance leases
The Group leases computer equipment under finance lease agreements. The leases range from one to five years, contain no material contingent rents or restrictions imposed by lease agreements and contain standard terms of renewal. At 31 December 2018, the net carrying amount of the assets held under finance leases was €5 million (2017: €7 million).

2018	Total minimum future payments €m	Future finance charges €m	Present value of finance lease commitments €m
Not later than 1 year	4	-	4
Later than 1 year not later than 5 years	1	-	1

35 Deferred tax

	2019 €m	2018 €m
The movement on the deferred tax account is as follows		
At beginning of year	1,123	1,184
Impact of adopting IFRS 9 at 1 January 2018	-	33
Income statement charge (note 19)	**(106)**	**(82)**
Credit recognised in equity		
Additional tier 1 (note 49)	-	7
Credit / (charge) recognised in other comprehensive income		
Cash flow hedges	(6)	6
Pensions and other retirement benefits	(5)	(27)
Debt instruments at FVOCI	(4)	20
Liability credit reserve	4	(6)
Revaluation of property	-	(6)
Other movements (including foreign exchange)	11	(6)
At end of year	**1,017**	**1,123**
Deferred tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Unutilised tax losses	1,089	1,162
Accelerated capital allowances on equipment used by the Group	30	26
Impact of adopting IFRS 9	18	19
Pensions and other post retirement benefits	14	28
Cash flow hedge reserve	5	11
Liability credit reserve	1	-
Other temporary differences	26	21
Deferred tax assets	**1,183**	**1,267**
Deferred tax liabilities		
Wealth and Insurance	(59)	(35)
Debt instruments at FVOCI	(23)	(20)
Property revaluation surplus	(21)	(20)
Liability credit reserve	-	(6)
Other temporary differences	(63)	(63)
Deferred tax liabilities	**(166)**	**(144)**
Represented on the balance sheet as follows:		
Deferred tax assets	1,088	1,165
Deferred tax liabilities	(71)	(42)
	1,017	**1,123**

In accordance with IAS 12, when presenting the deferred tax balances, the Group offsets DTAs and deferred tax liabilities where:

- an entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the DTAs and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The DTAs of €1,088 million (2018: €1,165 million) shown on the balance sheet is after netting by jurisdiction. The total DTAs before netting by jurisdiction is €1,183 million (2018: €1,267 million). This includes an amount of €1,089 million (2018: €1,162 million) in respect of operating losses which are available to shelter future profits from tax, of which €1,032 million relates to Irish tax losses carried forward by the Bank, €50 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the Bank, and €7 million relates to US tax losses carried forward by the US branch of the Bank.

The recognition of a DTA in respect of tax losses carried forward requires the Directors to be satisfied that it is probable that the Group will have sufficient future taxable profits against which the losses can be utilised. In that regard, the Group estimates the period over which it will utilise its tax losses carried forward. These estimates are based on the Group's profitability projections which cover a five year planning period. These profitability projections are based on its strategic priorities where the focus will be to increase overall returns, improve cost efficiencies and grow sustainable profits and incorporates estimates and assumptions on economic factors such as employment levels and interest rates as well as other measures such as loan volumes, margins, costs and impairment losses. For the purposes of estimating when its tax losses will be utilised, the Group does not assume any annual growth in profits after the Group's five year planning period.

Based on the Group's projections, the DTA in respect of Irish tax losses, is estimated to be recovered in full by the end of 2037 (2018: 2030). The increase in the recovery period is due to more challenging economic headwinds, including a lower for longer interest rate environment.

35 Deferred tax *(continued)*

Based on the Group's proven earnings history, its strong position within the Irish financial services market and its strategic priorities to deliver sustained future Irish profits, the Group continues to recognise the Irish DTA in full. The use of alternative assumptions representing reasonably possible alternative outcomes could increase or decrease the estimated recovery period.

The Group believe that Bank of Ireland (UK) plc will continue to be profitable for the foreseeable future but acknowledge the external challenges facing the banking industry including the lower for longer interest rate environment and residual Brexit uncertainty. Therefore, notwithstanding the absence of any expiry date for trading losses in the UK, but acknowledging the economic headwinds that have worsened during 2019 and that profit forecasts become increasingly uncertain as the forecast period extends into the future, the Group have determined that, at 31 December 2019, the recognition of DTAs in respect of tax losses of Bank of Ireland (UK) plc will be limited by reference to the amount of losses that are expected to be utilised within a ten year period of projected profits. This ten year timescale is supported by forecast taxable profits and takes into account the Group's long-term financial and strategic plans and reflects the period over which the Group believes it can conclude that it is probable that future taxable profits will be available in Bank of Ireland (UK) plc.

As a consequence, the carrying value of the DTA relating to trading losses of Bank of Ireland (UK) plc and the UK branch of the Bank have reduced by €45 million and €2 million respectively in the year ended 31 December 2019 (2018: €nil).

The Group has not recognised a DTA of €136 million (2018: €96 million) in respect of temporary differences, unused tax losses and tax credits of which €47 million (2018: €46 million) relates to US losses which are subject to a 20 year life and are scheduled to expire unused in the period 2026 to 2029 due to an annual limitation of use. The balance relates to UK losses which have no expiry date but are currently not projected to be recovered within ten years.

Net DTAs at 31 December 2019 of €1.0 billion (2018: €1.1 billion) are expected to be recovered after more than one year.

Deferred tax liabilities have not been recognised for tax that may be payable if distributable reserves of certain overseas subsidiaries and joint ventures were remitted to Ireland as the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Distributable reserves for overseas subsidiaries and joint ventures totalled €1.5 billion at 31 December 2019 (2018: €0.5 billion).

36 Other assets

	2019 €m	2018 €m
Reinsurance asset	1,108	942
Value of in Force asset (note 37)	631	571
Sundry and other debtors	345	331
Interest receivable[1]	280	278
Accounts receivable and prepayments	88	106
Trade receivables and contract assets	45	52
Other assets	**2,497**	**2,280**
Trade receivables and contract assets		
Trade receivables	40	48
Contract assets	5	4
Less: impairment loss allowance on trade receivables and contract assets	-	-
Total trade receivable and contract assets	**45**	**52**
Other assets are analysed as follows:		
Within 1 year	722	707
After 1 year	1,775	1,573
	2,497	**2,280**
The movement in the reinsurance asset is noted below:		
At beginning of year	942	740
New business	108	217
Changes in business	58	(15)
At end of year	**1,108**	**942**

For the purpose of disclosure of credit risk exposures, the reinsurance asset is included within other financial instruments of €9.2 billion (2018: €8.1 billion) in note 28 on page 235.

[1] *Interest receivable is subject to impairment under IFRS 9; the impairment loss allowance on interest receivable is presented in the balance sheet along with the financial asset to which it relates.*

37 Life assurance business

The Group recognises the ViF life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. The ViF asset, which is presented gross of attributable tax, represents the present value of future profits, less an allowance for the cost of required capital, expected to arise from insurance contracts written by the reporting date. It is determined by projecting the future surpluses and other cash flows attributable to the shareholder arising from these contracts and discounting using risk free interest rates as specified under the Solvency II directive.

The process used in determining the key economic and experience assumptions is as follows:

Interest rates and unit growth rate
Interest rates and unit-growth rates are based on a range of duration specific rates determined by a risk free yield curve. This yield curve is provided by the EIOPA.

Shareholder tax rate
The current rate of corporation tax is assumed to be maintained over the term of the business. Deferred tax has been allowed for on future surpluses attributable to shareholders estimated to arise from insurance contracts.

Mortality and morbidity
The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant market data.

Persistency rate
Persistency rates refer to the rate of policy termination for insurance policies. Best estimate policy lapse rate assumptions are set with regard to the Group's actual experience and other relevant market data.

Maintenance expenses
Allowance is made for future policy costs and expense inflation explicitly.

Sensitivities
This table indicates the standalone impact of changes in the key assumptions on profit.

Value of in Force asset	2019 €m	2018 €m
At beginning of year	571	565
Income statement movement in Value of in Force asset (gross of tax)	60	6
At end of year	**631**	**571**

Sensitivities: Impact on annual profit before tax	2019 €m	2018 €m
1% increase in interest rates and unit growth rates	(19)	(26)
1% decrease in interest rates and unit growth rates	3	18
10% improvement in mortality	22	25
10% improvement in longevity[1]	(37)	(31)
10% improvement in morbidity	12	10
10% deterioration in persistency	(16)	(21)
10% increase in equity and property markets	35	35
5% improvement in maintenance expenses	19	19
0.5% widening in bond spreads[2]	(61)	(51)

While this table shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Volatility Adjustment
The Volatility Adjustment (VA) is an addition to the risk-free curve under the Solvency II regulations which is designed to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. The VA is based on a risk-corrected spread on the assets in a reference portfolio.

38 Deposits from banks

Deposits from banks include cash collateral of €0.2 billion (2018: €0.2 billion) received from derivative counterparties in relation to net derivative asset positions (note 21).

	2019 €m	2018 €m
Monetary Authority secured funding	1,736	2,037
Deposits from banks	443	445
Deposits from banks	**2,179**	**2,482**

[1] *Impact on Annuity book of business.*
[2] *Includes impact of Volatility Adjustment.*

38 Deposits from banks *(continued)*

Monetary Authority secured funding	2019 TLTRO €m	2019 TFS €m	2019 ILTR €m	2019 Total €m	2018 TLTRO €m	2018 TFS €m	2018 ILTR €m	2018 Total €m
Deposits from banks	-	1,501	235	1,736	386	1,427	224	2,037
Debt securities in issue (note 40)	-	-	-	-	617	-	-	617
Total	**-**	**1,501**	**235**	**1,736**	**1,003**	**1,427**	**224**	**2,654**

On 25 September 2019, the Group repaid its TLTRO borrowings secured funding in line with the conditions of the TLTRO facility. As at 31 December 2019, the Group had no secured funding from the ECB.

Drawings under the Term Funding Scheme (TFS) from the BoE will be repaid between October 2020 and February 2022. Index Long Term Repo (ILTR) funding from the BoE has a maturity of less than one year.

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

39 Customer accounts

The movement in own credit risk related to the Group's customer accounts designated at FVTPL for the year is shown below.

There were no (2018: €nil) amounts presented in OCI relating to liabilities that the Group designated at FVTPL which were derecognised during the year.

The carrying amount of the customer accounts designated at FVTPL as at 31 December 2019 is equivalent to the contractual amount due at maturity (2018: €31 million lower). This is set out in note 57.

At 31 December 2019, the Group's largest 20 customer deposits amounted to 4% (2018: 3%) of customer accounts. Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products. Information on the contractual maturities of customer accounts is 144 in the Risk Management Report.

Term deposits and other products include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the liquidity risk and profile note (page 278).

Term deposits and other products include €35 million (2018: €67 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

Under the European Communities (Deposit Guarantee Scheme) Regulations 2015, eligible deposits of up to €100,000 per depositor per credit institution are covered. Eligible deposits includes credit balances in current accounts, demand deposit accounts and term deposit accounts. The scheme is administered by the CBI and is funded by the credit institutions covered by the scheme.

	2019 €m	2018 €m
Current accounts	37,351	33,127
Demand deposits	27,736	26,828
Term deposits and other products	17,951	18,057
Customer accounts at amortised cost	**83,038**	**78,012**
Term deposits at fair value through profit or loss	930	887
Total customer accounts	**83,968**	**78,899**
Amounts include:		
Due to associates and joint ventures	3	10

Movement in own credit risk on deposits at FVTPL	2019 €m	2018 €m
Balance at beginning of the year	(18)	12
Recognised in other comprehensive income	18	(30)
Balance at end of the year	**-**	**(18)**

On 24 November 2015, the EC released a proposal, European Deposit Insurance Scheme (EDIS), designed to achieve a common European deposit protection scheme by 2024.

The EU (Bank Recovery and Resolution) Regulations 2015, which transposed the BRRD into Irish Law, provides that covered deposits (i.e. eligible deposits up to €100,000) are excluded from the scope of the bail-in tool. The bail-in tool enables a resolution authority to write down the value of certain liabilities or convert them into equity, to the extent necessary to absorb losses and recapitalise an institution. It also introduces 'depositor preference', where shareholders' equity and other unsecured creditors (including senior bondholders) will have to be fully

39 Customer accounts *(continued)*

written down before losses are imposed on preferred depositors. The bail-in rules allow in exceptional circumstances for the exclusion or partial exclusion of certain liabilities (with a key focus being eligible deposits) from the application of the write down or conversion powers.

In addition to the deposits covered by these Regulations, certain other Group deposits are covered by the deposit protection schemes in other jurisdictions, chiefly the UK FSCS (in respect of eligible deposits with Bank of Ireland (UK) plc).

40 Debt securities in issue

As set out in note 38, the Group has repaid all of its TLTRO borrowings in line with the terms and conditions of the TLTRO facility and there were no such debt securities outstanding at the end of 2019 (2018: €615 million).

During the year the Group repurchased and derecognised debt securities in issue held at fair value through profit and loss in the amount of €122 million (2018: €nil). This resulted in €9 million (2018: €nil) being transferred from the liability credit reserve to retained earnings, being the cumulative gain recognised through OCI relating to these liabilities.

The carrying amount of the debt securities in issue designated as at FVTPL at 31 December 2019 was €35 million higher than the contractual amount due at maturity (2018: €19 million higher). This is set out in note 57 on page 280.

	2019 €m	2018 €m
Bonds and medium term notes	6,886	6,792
Monetary Authorities secured funding (note 38)	-	617
Other debt securities in issue	1,559	973
Debt securities in issue at amortised cost	**8,445**	**8,382**
Debt securities in issue at fair value through profit or loss	364	522
Total debt securities in issue	**8,809**	**8,904**

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

	2019 €m	2018 €m
Balance at beginning of the year	8,904	8,390
Issued during the year	1,928	2,048
Redemptions	(1,938)	(1,501)
Repurchases	(194)	(42)
Other movements[1]	109	9
Balance at end of the year	**8,809**	**8,904**

Movement in own credit risk on debt securities in issue at FVTPL	2019 €m	2018 €m
Balance at beginning of the year	(10)	3
Transferred to retained earnings	9	-
Recognised in other comprehensive income	4	(13)
Balance at end of the year	**3**	**(10)**

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

41 Liabilities to customers under investment and insurance contracts

The Wealth and Insurance division writes the following life assurance contracts that contain insurance risk:

Non-unit linked life assurance contracts
These contracts provide the policyholder with insurance in the event of death, critical illness or permanent disability (principally mortality and morbidity risk).

Non-unit linked annuity contracts
These contracts provide the policyholder with an income until death (principally longevity and market risk).

Unit linked insurance contracts
These contracts include both policies primarily providing life assurance protection and policies providing investment but with a level of insurance risk deemed to be significant (principally mortality and market risk).

Insurance contract liabilities, which consist of both unit linked and non-unit linked liabilities, are calculated based on recognised actuarial methods with due regard to the applicable actuarial principles recognised in the European framework for the prudential and financial monitoring of direct life assurance business.

Unit linked liabilities reflect the value of the underlying funds in which the policyholder is invested. Non-unit linked liabilities are calculated using a gross premium method of valuation.

The key assumptions used in the valuation of insurance contract liabilities are:

Interest rate:
The interest rates used are based on risk free rates published by EIOPA in line with the Solvency II Directive.

Mortality and morbidity:
The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.

Maintenance expenses:
Allowance is made for future policy costs and expense inflation explicitly.

Options and guarantees
The Group has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit linked without investment guarantees. Where investment guarantees do exist they are either hedged with an outside party or matched through appropriate investment assets.

Investment contract liabilities	2019 €m	2018 €m
Liabilities to customers under investment contracts, at fair value	**5,890**	**5,239**

The movement in gross life insurance contact liabilities can be analysed as follows:

Insurance contract liabilities	2019 €m	2018 €m
At beginning of year	11,003	10,878
New business	1,524	1,496
Changes in existing business	167	(1,371)
At end of year	**12,694**	**11,003**

Uncertainties associated with insurance contract cash flows and risk management activities
For life assurance contracts where death is the insured risk, the most significant factors that could adversely affect the frequency and severity of claims are the incidence of disease and general changes in lifestyle. Where the insured risk is longevity, advances in medical care is the key factor that increases longevity. The Group manages its exposures to insurance risks through a combination of applying strict underwriting criteria, asset and liability matching, transferring risk to reinsurers and the establishment of insurance contract liabilities.

Credit risk
Reinsurance programmes are in place to restrict the amount of exposure on any single life. The Group uses a panel of highly rated reinsurance companies to diversify credit risk.

Capital management and available resources
The Solvency II framework came into full effect from 1 January 2016 and introduced new capital, risk management, governance and reporting requirements for all European insurance entities. Under Solvency II, insurance entities are required to hold technical provisions to meet liabilities to policyholders using best estimate assumptions plus a risk margin. In addition, entities are required to hold a risk based SCR which is calculated by considering the capital required to withstand a number of shock scenarios.

As part of the disclosure requirements, the Group's life assurance entity, NIAC, annually publishes a public document called the Solvency and Financial Condition Report setting out more detail on its solvency and capital management.

42 Other liabilities

	2019 €m	2018 €m
Notes in circulation	1,261	1,278
Sundry creditors	322	285
Accrued interest payable	195	228
Accruals and deferred income	52	33
Short position in trading securities	-	16
Finance lease obligations	-	4
Other	583	616
Other liabilities	**2,413**	**2,460**
Other liabilities are analysed as follows:		
Within 1 year	2,397	2,417
After 1 year	16	43
	2,413	**2,460**

43 Provisions

	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
Closing balance 31 December 2018	**20**	**2**	**62**	**84**
Impact of adopting IFRS 16 on 1 January 2019 (note 62)	(4)	(1)	(1)	(6)
Opening balance as at 1 January 2019	**16**	**1**	**61**	**78**
Exchange adjustment	-	-	3	3
Charge to income statement	73	(1)	78	150
Utilised during the year	(39)	-	(40)	(79)
Unused amounts reversed during the year	(4)	-	(5)	(9)
As at 31 December 2019	**46**	**-**	**97**	**143**

Of the €46 million (2018: €20 million) closing provision for restructuring, €34 million (2018: €nil) relates to the disposal of the UK credit card portfolio, see page 256 for further information, €10 million (2018: €14 million) relates to staff exits and €2 million (2018: €6 million) relates to other costs .

Expected utilisation	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
Less than 1 year	44	-	90	134
1 to 2 years	1	-	4	5
2 to 5 years	-	-	2	2
5 to 10 years	1	-	1	2
Total	**46**	**-**	**97**	**143**

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.

43 Provisions *(continued)*

In July 2019, the Group disposed of its UK credit card portfolio and recognised a net loss on disposal of €21 million (note 18). The net loss on disposal included a charge for a provision of €39 million related to the costs of migration and other costs associated with the disposal, of which €34 million is remaining as at 31 December 2019 and is included in the restructuring provision.

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

The Group has determined in 2019 that a further €67 million provision is required to cover the additional redress and compensation costs, operational costs and estimated costs of closing out the Tracker Mortgage Examination review. €55 million was provided at 30 June 2019 with the remaining €12 million charged to the income statement at 31 December 2019.

Considerable progress has been made in 2019 in contacting and remediating remaining impacted customers. Since 31 December 2018 €34 million of the provision has been utilised covering redress, compensation and related costs leaving a residual provision of €75 million at 31 December 2019.

While the redress and compensation element of the provision is largely known, there are still a number of uncertainties as to the eventual total cost of the examination and in particular, the administrative sanctions proceedings. Management has therefore exercised judgement to determine the appropriate provision in respect of certain key items in addition to the core elements of the redress and compensation to be paid to customers. These key judgemental items principally comprise the following:

- **appeals:** customers can pursue certain other options in respect of the determination as to whether they are impacted and the quantum of redress and compensation offered by the Group including lodging appeals to an independent appeals panel in the 12 months after receiving their letter offering redress and compensation. In arriving at the provision, management has made estimates of the level of appeals and the associated costs of processing and settling such appeals;
- **programme costs:** in determining the provision in respect of the examination, management has had to consider a range of costs associated with bringing the examination to an ultimate conclusion. This includes costs associated with various oversight and governance processes, in particular any potential fine relating to the conclusion of the ongoing CBI administrative sanctions proceedings and the running of the appeals panel, tax liabilities that the Bank will settle on behalf of customers, data system costs and tracing agents.

44 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 €30 million (2018: €29 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 45. Provisions on all other contingent liabilities are shown in note 43.

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

An **acceptance** is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. **Endorsements** are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

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

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

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Included within total commitments is an amount of €22 million of undrawn loan commitments to the Group's joint ventures (2018: €57 million).

44 Contingent liabilities and commitments *(continued)*

	2019 €m	2018[1] €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	428	354
Acceptances and endorsements	5	6
Other contingent liabilities	267	247
	700	**607**
Loan commitments		
Documentary credits and short-term trade related transactions	46	59
Undrawn formal standby facilities, credit lines and other commitments to lend	14,197	15,392
- Revocable or irrevocable with original maturity of 1 year or less	*9,315*	*11,569*
- Irrevocable with original maturity of over 1 year	*4,882*	*3,523*
	14,243	**15,151**

45 Loss allowance provision on loan commitments and financial guarantees

	2019		2018	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 44)	14,243	29	15,151	28
Guarantees and irrevocable letters of credit (note 44)	428	1	354	1
	14,671	**30**	**15,505**	**29**

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

At 31 December 2019, the Group held a loss allowance provision of €30 million (2018: €29 million) on loan commitments and financial guarantees, of which €18 million (2018: €18 million) are classified as Stage 1, €10 million (2018: €9 million) as Stage 2 and €2 million (2018: €2 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 31 December 2019, credit-impaired loan commitments are €50 million (2018: €61 million) while credit-impaired guarantees and irrevocable letters of credit are €8 million (2018: €8 million) .

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

45 Loss allowance provision on loan commitments and financial guarantees *(continued)*

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

46 Retirement benefit obligations

The Group sponsors a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement, the Group has been advised by independent actuaries, which in the case of the majority of the Group's schemes is Willis Towers Watson.

The most significant defined benefit scheme in the Group is the BSPF which accounts for approximately 74% of the total liabilities across all Group sponsored defined benefit schemes at 31 December 2019. The BSPF and all of the Group's other RoI and UK defined benefit schemes were closed to new members during 2007, and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in late 2014 and a new defined contribution scheme, RetireWell, was introduced for new entrants to the Group from that date.

Retirement benefits under the BSPF and a majority of the other defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date.

Regulatory Framework
The Group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the BSPF are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation. These responsibilities include ensuring that contributions are received, investing the scheme assets and making arrangements to pay the benefits. Plan assets are held in trusts and are governed by local regulations and practice in each country.

In order to assess the level of contributions required, triennial valuations are carried out with plan obligations generally measured using prudent assumptions and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

The BSPF is also subject to an annual valuation under the Irish Pensions Authority Minimum Funding Standard (MFS). The MFS valuation is designed to assess whether the scheme has sufficient funds to provide a minimum level of benefits in a wind-up scenario. If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS by a specified future point in time.

BSPF plan details at last valuation date (31 December 2018)	Number of members	Proportion of funding liability
Active members	4,535	31.9%
Deferred members	8,077	26.4%
Pensioner members	4,646	41.7%
Total	**17,258**	**100%**

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

Financial assumptions	2019 % p.a.	2018 % p.a.
Irish schemes		
Discount rate	1.30	2.00
Inflation rate	1.25	1.35
Rate of general increase in salaries[1]	1.75	1.85
Rate of increase in pensions in payment[1]	0.73	0.78
Rate of increase to deferred pensions	1.25	1.30
UK schemes		
Discount rate	2.10	2.95
Consumer Price Inflation	1.95	2.20
Retail Price Inflation	2.95	3.20
Rate of general increase in salaries[1]	3.45	3.70
Rate of increase in pensions in payment[1]	2.04	2.16
Rate of increase to deferred pensions	1.95	2.20

[1] *Weighted average increase across all Group schemes in the relevant jurisdiction.*

46 Retirement benefit obligations *(continued)*

The responsibilities of the Trustees, and the regulatory framework, are broadly similar for the Group's other defined benefit schemes and take account of pension regulations in each specific jurisdiction. The Group works closely with the Trustees of each scheme to manage the plans.

The nature of the relationship between the Group and the Trustees is governed by local regulations and practice in each country and by the respective legal documents underpinning each plan.

Actuarial Valuation of the BSPF
The last formal valuation of BSPF was carried out as at 31 December 2018.

The triennial valuation disclosed the fair value of the scheme assets represented 97% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions.

As a result of the valuation discussions with the Trustees, the Group agreed to pay €19.4 million per annum in contributions over the 3 years to the next triennial valuation date, plus a contribution to the annual scheme expenses. The total of these payments will equate to the remaining committed contributions arising from the 2013 Group Pensions Review.

In respect of future service, the actuary recommended an employer contribution of €59.5 million per annum over the period to the next valuation (decreased from €63.6 million at the last valuation).

The next formal triennial valuation of the BSPF will be carried out during 2022 based on the position at 31 December 2021.

The actuarial valuations are available for inspection by members but are not available for public inspection.

Plan details
The table on page 258 sets out details of the membership of the BSPF.

Guaranteed Minimum Pensions
Included in past service cost is an amount of €nil (2018: €4 million) related to Guaranteed Minimum Pensions equalisation which impacts certain of the Group's UK pension schemes.

Financial and Demographic assumptions
The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension plans, as detailed below, are set by the Directors after consultation with independent actuaries.

Discount rates are determined in consultation with the Group's independent actuary, with reference to market yields at the reporting date on high quality corporate bonds (AA rated or equivalent) with a term corresponding to the term of the benefit payments.

The assumption for RoI price inflation is set by reference to the long-term expectation for eurozone inflation as implied by the difference between eurozone fixed interest and index-linked bonds. The assumptions for UK price inflation are determined with reference to the Group's independent actuary's standard cash flow matching inflation assumption methodology, except for UK Consumer Price Index (CPI) inflation, which is set by reference to retail price index (RPI) inflation, with an adjustment applied, as there are insufficient CPI-linked bonds from which to derive an assumption.

The salary assumption takes into account inflation, promotion and current employment markets relevant to the Group. Other financial assumptions are reviewed in line with changing market conditions to determine best estimate assumptions. Demographic assumptions are reviewed periodically in line with the actual experience of the Group's schemes.

Mortality assumptions
The mortality assumptions adopted for Irish pension arrangements reflect both a base table and projected table developed from various Society of Actuaries in Ireland mortality investigations that are considered a best fit for the Group's expected future mortality experience.

Mortality assumptions	2019 years	2018 years
Longevity at age 70 for current pensioners		
Males	18.0	17.8
Females	19.4	19.3
Longevity at age 60 for active members currently aged 60 years		
Males	27.5	27.3
Females	29.2	29.1
Longevity at age 60 for active members currently aged 40 years		
Males	29.8	29.7
Females	31.3	31.2

46 Retirement benefit obligations *(continued)*

Amounts recognised in financial statements
The table below outlines where the Group's defined benefit plans are recognised in the financial statements:

	2019			2018		
	Irish Pension Plans €m	UK Pension Plans[1] €m	Total €m	Irish Pension Plans €m	UK Pension Plans[1] €m	Total €m
Income statement credit / (charge)						
Other operating expenses	(88)	(15)	(103)	(99)	(21)	(120)
Cost of restructuring programme	1	1	2	1	1	2
Statement of OCI						
Impact of remeasurement	54	(10)	44	155	1	156
Balance sheet obligations	**(171)**	**32**	**(139)**	**(252)**	**24**	**(228)**
This is shown on the balance sheet as:						
Retirement benefit obligation			(268)			(274)
Retirement benefit asset			129			46
Total net liability			**(139)**			**(228)**

[1] *The UK Pension Plans include a portion of the Bank of Ireland Staff Pension Fund which relates to UK members.*

46 Retirement benefit obligations *(continued)*

The movement in the net defined benefit obligation over the year in respect of the Group's defined benefit plans is as follows:

	2019			2018		
	Present value of obligation €m	**Fair value of plan assets €m**	**Surplus/ (deficit) of plans €m**	**Present value of obligation €m**	**Fair value of plan assets €m**	**Surplus/ (deficit) of plans €m**
At 1 January	**(7,475)**	**7,247**	**(228)**	**(7,726)**	**7,248**	**(478)**
Cost of restructuring programme						
- Negative past service cost	2	-	2	2	-	2
Other operating expenses	(238)	135	(103)	(277)	157	(120)
- Current service cost	*(100)*	-	*(100)*	*(109)*	-	*(109)*
- Past service cost	-	-	-	*(4)*	-	*(4)*
- Interest (expense) / income	*(138)*	*135*	*(3)*	*(164)*	*157*	*(7)*
- Impact of settlements	-	-	-	-	-	-
Return on plan assets not included in income statement	-	1,032	1,032	-	(101)	(101)
Change in demographic assumptions	1	-	1	-	-	-
Change in financial assumptions	(1,035)	-	(1,035)	202	-	202
Experience gains	65	-	65	53	-	53
Employer contributions	-	146	146	-	212	212
- Deficit reducing[1]	-	*51*	*51*	-	*117*	*117*
- Other	-	*95*	*95*	-	*95*	*95*
Employee contributions	(9)	9	-	(10)	10	-
Benefit payments	275	(275)	-	271	(271)	-
Changes in exchange rates	(81)	62	(19)	10	(8)	2
At 31 December	**(8,495)**	**8,356**	**(139)**	**(7,475)**	**7,247**	**(228)**
The above amounts are recognised in the financial statements as follows: (charge) / credit						
Other operating expenses	(238)	135	(103)	(277)	157	(120)
Cost of restructuring programme	2	-	2	2	-	2
Total amount recognised in income statement	**(236)**	**135**	**(101)**	**(275)**	**157**	**(118)**
Changes in financial assumptions	(1,035)	-	(1,035)	202	-	202
Return on plan assets not included in income statement	-	1,032	1,032	-	(101)	(101)
Change in demographic assumptions	1	-	1	-	-	-
Changes in exchange rates	(81)	62	(19)	10	(8)	2
Experience gains	65	-	65	53	-	53
Total remeasurements in OCI	**(1,050)**	**1,094**	**44**	**265**	**(109)**	**156**
Total past service cost comprises						
Cost of restructuring programme	2	-	2	2	-	2
Other operating expenses	-	-	-	(4)	-	(4)
Total	**2**	**-**	**2**	**(2)**	**-**	**(2)**

[1] *Deficit-reducing contributions consist principally of additional contributions related to the Group's Pensions Reviews.*

46 Retirement benefit obligations *(continued)*

The retirement benefit schemes' assets include BOIG plc shares amounting to €5 million (2018: €5 million) and one property occupied by Group companies to the value of €40 million (2018: €41 million).

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

While the defined benefit obligation sensitivity table shows the estimated impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Some of the reasonably possible changes in defined benefit obligation assumptions may have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

The table on the following page sets out the estimated sensitivity of plan assets to changes in equity markets, interest rates and inflation rates.

The sensitivity analysis is prepared by the independent actuaries calculating the defined benefit obligation under the alternative assumptions and the fair value of plan assets using alternative asset prices.

Future cash flows
The plans' liabilities represent a long-term obligation and most of the payments due under the plans will occur several decades into the future.

The duration or average term to payment for the benefits due, weighted by liability, is c.21 years for the Irish plans and c.21 years for the UK plans.

Expected employer contributions for 2020 are €127 million in respect of future service. This excludes any additional contributions arising from the 2013 Group Pensions Review. The remaining committed contributions from this Review are estimated to be €38.8 million for the BSPF and are payable before the end of 2020 in the form of cash or other suitable assets.

Expected employee contributions for 2020 are €9 million.

Risks and risk management
The Group's defined benefit pension plans have a number of areas of risk.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Changes in bond yields, interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. As part of its risk management, the largest Group sponsored pension scheme, the BSPF has invested 47% of its assets in a Liability Driven Investment (LDI) approach to help manage its interest rate and inflation risk.

Asset breakdown	2019 €m	2018 €
Liability Driven Investment (unquoted)	3,119	2,280
Equities (quoted)	1,005	896
Cash and other (quoted)	835	1,016
Property (unquoted)	810	724
Corporate bonds (quoted)	561	457
Property and infrastructure (quoted)	428	331
Private equities (unquoted)	402	357
Senior secured loans (unquoted)	310	292
Government bonds (quoted)	308	354
Hedge funds (unquoted)	300	279
Reinsurance (unquoted)	278	261
Total fair value of assets	**8,356**	**7,247**

Impact on defined benefit obligations	Increase / (decrease) 2019 €m	Increase / (decrease) 2018 €m
RoI schemes		
Discount rate		
- Increase of 0.25%	(337)	(288)
- Decrease of 0.25%	363	310
Inflation rate		
- Increase of 0.10%	96	80
- Decrease of 0.10%	(94)	(70)
Salary growth		
- Increase of 0.10%	33	27
- Decrease of 0.10%	(33)	(26)
Life expectancy		
- Increase of 1 year	218	183
- Decrease of 1 year	(216)	(182)
UK schemes		
Discount rate		
- Increase of 0.25%	(83)	(67)
- Decrease of 0.25%	90	72
RPI inflation		
- Increase of 0.10%	24	19
- Decrease of 0.10%	(21)	(17)
Salary growth		
- Increase of 0.10%	5	3
- Decrease of 0.10%	(5)	(5)
Life expectancy		
- Increase of 1 year	54	42
- Decrease of 1 year	(53)	(42)

46 Retirement benefit obligations *(continued)*

Impact on plan assets	Increase / (decrease) 2019 €m	Increase / (decrease) 2018 €m
All schemes		
Sensitivity of plan assets to a movement in global equity markets with allowance for other correlated diversified asset classes		
- Increase of 5.00%	102	90
- Decrease of 5.00%	(102)	(90)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
- Increase of 0.25%	(325)	(264)
- Decrease of 0.25%	344	280
Sensitivity of liability-matching assets to a 10bps movement in inflation rates		
- Increase of 0.10%	82	71
- Decrease of 0.10%	(80)	(70)

The key areas of risk, and the ways in which the Group has sought to manage them, are set out below:

Asset volatility
The defined benefit pension plans hold a proportion of their assets in equities and other return-seeking assets. The returns on such assets tend to be volatile. For the purposes of the triennial valuation, the defined benefit liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio.

For measurement of the obligation in the financial statements under IAS 19, however, the defined benefit obligation is calculated using a discount rate set with reference to high-quality corporate bond yields.

The movement in the asset portfolio is not fully correlated with the movement in the two liability measures and this means that the funding level is likely to be volatile in the short-term, potentially resulting in short-term cash requirements and an increase in the net defined benefit deficit recorded on the balance sheet.

In order to limit the volatility in asset returns, the schemes' assets are well-diversified by investing in a range of asset classes, including listed equity, private equity, hedge funds, infrastructure, reinsurance, property, government bonds and corporate bonds.

The investment in bonds is discussed further below.

Changes in bond yields
The LDI approach invests in cash, government bonds, interest rate and inflation swaps, and other financial derivatives to create a portfolio which is both inflation-linked and of significantly longer duration than possible in the physical bond market. It also provides a closer match to the expected timing of cash flow / pension payments. The portfolio broadly hedges against movements in long-term interest rates although it only hedges a portion of the BSPF's interest rate risks. Furthermore, the portfolio does not hedge against changes in the credit spread on corporate bonds used to derive the accounting liabilities.

However, the investment in corporate and government bonds offers a further degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is further reduced.

Inflation risk
The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although, in most cases, caps on the level of inflationary increases are in place to protect the plans against high inflation and the 2013 Group Pensions Review changes have further limited this exposure. The LDI portfolio broadly hedges against movements in inflation expectations although it only hedges a portion of the BSPF's inflation risks.

Furthermore, the portfolio does not protect against differences between expectations for eurozone average inflation and the fund's Irish inflation exposure.

Life expectancy
The majority of the plans' obligations are to provide a pension for the life of the member, which means that increases in life expectancy will result in an increase in the plans' liabilities.

Investment decisions are the responsibility of the Trustees and the Group supports the efficient management of risk including through the appointment of a Group Pensions Chief Investment Officer. The role of Group Pensions Chief Investment Officer is to advise and support the Trustees of the Group sponsored pension schemes in the design, implementation and management of investment strategy to meet the various scheme liabilities. The duties include, but are not limited to, the identification and management of risks such as the risk of insufficient asset returns, changing interest rates, inflation, FX risk, counterparty exposures, geographical risk, asset concentration risk, liquidity risk, regulatory risk, manager risk and longevity risk.

47 Subordinated liabilities

		2019 €m	2018 €m
Undated loan capital			
The Governor and Company of the Bank of Ireland			
Stg£75 million 13⅜% Perpetual Subordinated Bonds	(a)	89	85
Bristol & West plc			
Stg£32.6 million 8⅛% Non-Cumulative Preference Shares	(b)	38	36
		127	**121**
Dated loan capital			
The Governor and Company of the Bank of Ireland			
€1,002 million 10% Fixed Rate Subordinated Notes 2020	(c)	207	214
Stg£197 million 10% Fixed Rate Subordinated Notes 2020	(c)	2	2
€250 million 10% Fixed Rate Subordinated Notes 2022	(d)	263	264
€750 million 4.25% Fixed Rate Reset Callable Subordinated Notes 2024	(e)	-	753
Bank of Ireland Group plc			
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	(f)	351	328
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	(f)	445	422
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes 2029	(f)	295	-
		1,563	**1,983**
Total subordinated liabilities		**1,690**	**2,104**

Subordinated liabilities in issue at 31 December 2019

Undated loan capital

The principal terms and conditions of the subordinated liabilities which were in issue by the Group at 31 December 2019 are set out below.

(a) The 13³/₈% Perpetual Subordinated Bonds were revalued as part of the fair value adjustments on the acquisition by Bristol & West plc of the business of Bristol & West Building Society in July 1997. The Bank became the issuer of these bonds in 2007 in connection with the transfer of the business of Bristol & West plc to the Bank.

(b) These preference shares, which are non-redeemable, non-equity shares, rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc.

Holders of the preference shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. This preference dividend will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Acts.

On 1 October 2007 in connection with the transfer of the business of Bristol & West plc to the Bank, the Bank entered into a Guarantee and Capital Maintenance Commitment (the Guarantee) with respect to the preference shares. Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of business would be protected. Under the Guarantee, the Bank agreed, subject to certain conditions, to (i) contribute capital to Bristol & West plc to the extent required to ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends on the preference shares and to the extent required, repay the preference share capital and (ii) guarantee Bristol & West plc's obligations to make repayment of the dividends and preference share capital.

The Guarantee contains provisions to the effect that the rights of the Bank's creditors under the Guarantee are subordinated to (i) unsubordinated creditors and debtors of the Bank and (ii) subordinated creditors of the Bank other than those whose claims rank, or are expressed to rank, pari passu or junior to the payments under the Guarantee.

Dated loan capital

Dated loan capital instruments, which includes bonds and notes, constitute unsecured obligations of the Bank subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

The table above provides a description of the dated loan capital, including:

- the currency of the issue;
- if the issue is fixed, floating or a combination of both; and
- maturity.

All of the dated notes in issue in 2019 were issued under the Group's Euro Note Programme.

47 Subordinated liabilities *(continued)*

(c) *€1,002 million 10% Fixed Rate Subordinated Notes 2020 and Stg£197 million 10% Fixed Rate Subordinated Notes 2020*
On 12 February 2010, the Bank issued Euro and Sterling 10 year fixed rate subordinated notes with a coupon rate of 10%. The notes matured on 12 February 2020.

(d) *€250 million 10% Subordinated Notes 2022*
On 18 December 2012, the Bank issued 10 year fixed rate notes with a coupon rate of 10% and a maturity date of December 2022. The notes rank pari passu with all other dated Bank subordinated debt.

(e) *Fixed Rate Reset Callable Subordinated Notes 2024*
On 11 June 2014, the Bank issued a €750 million 10 year (callable at the end of year five) Tier 2 capital instrument. The bond carried a coupon of 4.25%.

The debt was redeemed at par on the call date of 11 June 2019.

(f) *Bank of Ireland Group plc subordinated notes*
On 19 September 2017, the Company completed a dual tranche issuance of Stg£300 million and US$500 million 10 year (callable at the end of year five) Tier 2 capital instruments. The sterling bond has a coupon of 3.125% and the US dollar bond has a coupon of 4.125%.

On 14 October 2019, the Company issued a €300 million 10 year (callable at the end of year five) Tier 2 capital instrument. The bond carries a coupon of 2.375%.

Following the implementation in Ireland of the EU (Bank Recovery and Resolution) Regulations 2015, these instruments are loss absorbing at the point of non-viability 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 Company 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 Company.

48 Share capital

Ordinary shares
All of the company's issued share capital comprising 1,078,822,872 ordinary shares of €1.00 each are listed on the Irish Stock Exchange and the London Stock Exchange.

All ordinary shares carry the same voting rights.

There were no outstanding options on ordinary shares under employee schemes as at 31 December 2019 or 2018.

As at 31 December 2019, New Ireland Assurance Company plc held 4,951,358 ordinary shares of BOIG plc as 'own shares' (2018: 3,307,259).

The consideration paid for these shares amounted to €31 million (2018: €26 million).

Authorised	2019 €m	2018 €m
Bank of Ireland Group plc		
10 billion ordinary shares of €1.00 each	10,000	10,000
100 million preference shares of €0.10 each	10	10

Allotted and fully paid	2019 €m	2018 €m
Bank of Ireland Group plc		
1.074 billion ordinary shares of €1.00 each (2018: 1.076 billion units)	1,074	1,076
4.951 million treasury shares of €1.00 each (2018: 3.307 million units)	5	3
	1,079	**1,079**

Movement in ordinary and treasury shares	2019 Ordinary shares	2019 Treasury shares	2018 Ordinary shares	2018 Treasury shares
At the beginning of the year	1,075,515,613	3,307,259	1,074,619,291	4,203,581
Change in shares held for the benefit of life assurance policyholders	(1,644,099)	1,644,099	896,322	(896,322)
At end of year	**1,073,871,514**	**4,951,358**	**1,075,515,613**	**3,307,259**

49 Non-controlling interests

Additional tier 1 securities
The AT1 securities issued by the Bank in June 2015 with a par value of €750 million at an issue price of 99.874%, are not attributable to the owners of the Parent BOIG and are classified as non-controlling interests.

From 1 January 2019, any coupons paid on the Bank's AT1 securities are recognised directly in equity with the income tax credit effect recognised in the income statement. In 2018, the coupon paid was recognised directly in equity together with the related income tax credit, see page 173 for further information.

The principal terms of the AT1 securities are as follows:
- the securities constitute direct, unsecured and subordinated obligations of the Bank, rank behind Tier 2 instruments, pari passu with preference shareholders and in priority to ordinary shareholders;
- the securities bear a fixed rate of interest of 7.375% until the first call date (on 18 June 2020). After the initial call date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;
- the Bank may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date;
- the securities have no fixed redemption date, and the security holders will have no right to require the Bank to redeem or purchase the securities at any time;
- the Bank may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities on the initial call date or semi-annually on any interest payment date thereafter. In addition, the AT1 securities are repayable, at the option of the Bank, due to certain regulatory or tax reasons. Any repayments require the prior consent of the regulatory authorities;
- the securities will be written down together with any accrued but unpaid interest if the Group's CET1 ratio or the Bank's CET1 ratio (calculated on an individual consolidated basis) falls below 5.125%; and
- subsequent to any write-down event the Bank may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

	2019 €m	2018 €m
Balance at the beginning of the year	808	808
Profit attributable to non-controlling interest	62	55
Distribution to non-controlling interests - AT1	(55)	(48)
Dividends paid to non-controlling interests - preference stock	(7)	(7)
Balance at the end of the year	**808**	**808**

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

As at 31 December 2019 and 2018, 1,876,090 units of sterling preference stock and 3,026,598 units of euro preference stock were in issue.

The preference stock is non-redeemable. The holders of preference stock are entitled to receive at the discretion of the Bank a non-cumulative preferential dividend, which in the case of the sterling preference stock is payable in sterling, in a gross amount of Stg£1.2625 per unit per annum and in the case of euro preference stock is payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on 20 February and 20 August in each year.

On a winding up of, or other return of capital, by the Bank (other than on a redemption of stock of any class in the capital of the Bank) the holders of preference stock will be entitled to receive an amount equal to the amount paid up or credited as paid up on each unit of the preference stock held (including the premium) out of the surplus assets available for distribution to the Bank's members. Subject to the Bank's Bye-Laws, the preference stockholders may also be entitled to receive a sum in respect of dividends payable.

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances. Such circumstances did not arise during 2019 and consequently the preference stockholders were not entitled to vote at the Annual General Court (AGC) held on 14 May 2019.

50 Cash and cash equivalents

Cash and cash equivalents are classified as amortised cost financial assets, and measuring the impairment loss allowance on cash and cash equivalents 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 December 2019 was €681 million (2018: €621 million).

Cash and cash equivalents for the Group in 2019 increased by €2,977 million during the year including an increase of €250 million due to the effect of foreign currency exchange translation (2018: reduced by €1,850 million including a decrease of €27 million due to the effect of foreign currency translation).

There has been no significant change in the impairment loss allowance on cash and balances at central banks during the year. The composition of cash and balances at central banks by stage is included in other financial assets set out in note 28 on page 235.

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

	2019 €m	2018 €m
Cash and balances at central banks	8,327	6,035
Less impairment loss allowance on cash and balances at central banks	(2)	(2)
Cash and balances at central banks net of impairment loss allowance	**8,325**	**6,033**
Loans and advances to banks (with an original maturity of less than 3 months)	3,001	2,316
Cash and cash equivalents at amortised cost	**11,326**	**8,349**

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

	2019 €m	2018 €m
Republic of Ireland (Central Bank of Ireland)	5,096	2,582
United Kingdom (Bank of England)	2,526	2,872
United States (Federal Reserve)	264	143
Other (cash holdings)	439	436
Total	**8,325**	**6,033**

51 Changes in liabilities arising from financing activities

	2019				2018			
	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m
At beginning of year	2,104	53	-	-	2,107	49	-	-
Impact of adopting IFRS 16 on 1 January 2019 (note 62)	-	-	637	-	-	-	-	-
Cash flows	(450)	(107)	(69)	(15)	-	(115)	-	-
- Proceeds from issue of subordinated liabilities	*300*	-	-	-	-	-	-	-
- Repayment of subordinated liabilities	*(750)*	-	-	-	-	-	-	-
- Interest paid on subordinated liabilities	-	*(107)*	-	-	-	*(115)*	-	-
- Payment of lease liability	-	-	*(69)*	-	-	-	-	-
- Interest paid on lease liabilities	-	-	-	*(15)*	-	-	-	-
Non-cash changes	36	106	(3)	15	-	119	-	-
- Charge to income statement	-	*106*	-	*15*	-	*119*	-	-
- Exchange adjustments	*31*	-	*(1)*	-	*18*	-	-	-
- Lease liability adjustment	-	-	*(5)*	-	-	-	-	-
- Additions to lease liabilities	-	-	*3*	-	-	-	-	-
- Fair value hedge adjustments	*3*	-	-	-	*(21)*	-	-	-
- Other movements	*2*	-	-	-	-	-	-	-
At end of year	**1,690**	**52**	**565**	**-**	**2,104**	**53**	**-**	**-**

This table sets out the changes in liabilities arising from financing activities between cash and non-cash items. For more information on subordinated liabilities, see note 47. For more information on lease liabilities, see note 62. Interest accrued on subordinated liabilities is included within other liabilities.

52 Related party transactions

Related parties in the Group include the parent company, BOIG plc, subsidiary undertakings, associated undertakings, joint arrangements, post-employment benefits, the State, KMP and connected parties. A number of banking transactions are entered into between the Company and its subsidiaries in the normal course of business. These include extending secured and unsecured loans, investing in debt securities issued by subsidiaries, taking of deposits and undertaking foreign currency transactions.

(a) *Associates, joint ventures and joint operations*

The Group provides to and receives from its associates, joint ventures and joint operations certain banking and financial services, which are not material to the Group, on similar terms to third party transactions. These include loans, deposits and foreign currency transactions. The amounts outstanding during 2019 are set out in notes 30 and 31.

(b) *Pension funds*

The Group provides a range of normal banking and financial services, which are not material to the Group, to various pension funds operated by the Group for the benefit of its employees (principally to the BSPF), which are conducted on similar terms to third party transactions. Details on the Group's contributions to the pension funds are set out in note 46.

The Group occupies one property owned by the BSPF. At 31 December 2019, the total value of this property was €40 million (2018: €41 million). In 2019, the rental income paid to BSPF was €2 million (2018: €2 million).

At 31 December 2019, the BSPF assets included BOIG plc shares amounting to €5 million (2018: €5 million).

(c) *Transactions with the State*

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

Details of individually or collectively significant transactions with the State and entities under its control or joint control are set out in note 53.

(d) *Transactions with Directors and Key Management Personnel*

(i) Loans to Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Acts disclosures, Directors means the Board of Directors and any past Directors who were Directors during the relevant period.
Directors' emoluments are set out in the Remuneration Report on page 107.

52 Related party transactions *(continued)*

Where no amount is shown in the tables below, this indicates either a credit balance, a balance of €nil, or a balance of less than €500. The value of arrangements at the beginning and end of the financial year as stated below in accordance with Section 307 of the Companies Act 2014, expressed as a percentage of the net assets of the Group at the beginning and end of the financial year, is less than 1%.

Companies Acts disclosure Loans	Balance as at 1 January 2019[1] €'000	Balance as at 31 December 2019[1] €'000	Aggregate maximum amount outstanding during the year ended 31 December 2019[2] €'000	Repayments during the year ended 31 December 2019[3] €'000
Directors at 31 December 2019				
E Bourke				
Credit card total	3	6	5	-
Current account total	-	-	-	-
Total	**3**	**6**	**5**	**-**
P Kennedy				
Credit card total	2	5	5	-
Current account total	-	-	-	-
Total	**2**	**5**	**5**	**-**
F McDonagh				
Mortgage total	981	953	980	56
Credit card total	-	2	4	-
Total	**981**	**955**	**984**	**56**
F Muldoon				
Mortgage total	103	82	103	24
Credit card total	4	7	8	-
Current account total	-	-	-	-
Total	**107**	**89**	**111**	**24**
E Fitzpatrick				
Loan total	28	20	28	8
Total	**28**	**20**	**28**	**8**
M Greene				
Mortgage total	29	24	29	7
Total	**29**	**24**	**29**	**7**
P Mulvihill				
Credit card total	-	-	-	-
Current account total	-	-	-	-
Total	**-**	**-**	**-**	**-**
Directors no longer in service at 31 December 2019				
A Keating				
Credit card total[4]	2	5	12	-
Total	**2**	**5**	**12**	**-**

P Haren, K Atkinson (resigned 14 May 2019), R Goulding, I Buchanan and S Pateman had no loans from the Group in 2019. No advances were made during the year. No amounts were waived during 2019.

None of the loans were credit-impaired as at 31 December 2019 or at 31 December 2018. There is no interest which having fallen due on the above loans has not been paid in 2019 (2018: €nil).

[1] *Balances include principal and interest.*
[2] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*
[3] *Repayments include principal and interest; revolving credit facilities are not included.*
[4] *On terms, including interest rates and collateral, similar to those available to staff generally.*

52 Related party transactions *(continued)*

All Directors have other transactions with the Bank. The nature of these transactions includes investments, pension funds, deposits, general insurance, life assurance and current accounts with credit balances. The relevant balances on these accounts are included in the aggregate figure for deposits on page 272.

Other than as indicated, all loans to Directors are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected with the Group and of similar financial standing and do not involve more than normal risk of collectability.

Companies Acts disclosure Loans	Balance as at 1 January 2018[1] €'000	Balance as at 31 December 2018[1] €'000	Aggregate maximum amount outstanding during the year ended 31 December 2018[2] €'000	Repayments during the year ended 31 December 2018[3] €'000
Directors at 31 December 2018				
E Bourke				
Credit card total	2	3	6	-
Current account total	-	-	-	-
Total	**2**	**3**	**6**	**-**
A Keating				
Credit card total[4]	-	2	6	-
Total	**-**	**2**	**6**	**-**
P Kennedy				
Mortgages total	2,981	-	2,980	2,988
Credit card total	1	2	14	-
Current account total	-	-	-	-
Total	**2,982**	**2**	**2,994**	**2,988**
F McDonagh				
Mortgage total	-	981	986	14
Total	**-**	**981**	**986**	**14**
F Muldoon				
Mortgage total	135	103	134	36
Credit card total	9	4	15	-
Total	**144**	**107**	**149**	**36**
P Mulvihill				
Credit card total	-	-	-	-
Current account total	-	-	-	-
Total	**-**	**-**	**-**	**-**

[1] *Balances include principal and interest.*
[2] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*
[3] *Repayments include principal and interest; revolving credit facilities are not included.*
[4] *On terms, including interest rates and collateral, similar to those available to staff generally.*

52 Related party transactions *(continued)*

(ii) Loans to connected persons on favourable terms

2019 Loans to connected persons[1] on favourable terms[2]	Balance as at 31 December 2019[3] €'000	Maximum amounts outstanding during 2019[4] €'000	Number of persons as at 31 December 2019	Maximum number of persons during 2019
E Bourke	2	6	2	2

2018 Loans to connected persons[1] on favourable terms[2]	Balance as at 31 December 2018[3] €'000	Maximum amounts outstanding during 2018[4] €'000	Number of persons as at 31 December 2018	Maximum number of persons during 2018
E Bourke	1	4	2	2

(iii) Loans to connected persons - Central Bank licence condition disclosures

Under its banking licence, the Bank is required to disclose in its annual audited financial statements details of:

- the aggregate amount of lending to all connected persons, as defined in Section 220 of the Companies Act 2014; and
- the aggregate maximum amount outstanding during the year for which those financial statements are being prepared.

Disclosure is subject to certain de minimis exemptions and to exemptions for loans relating to principal private residences where the total of such loans to an individual connected person does not exceed €1 million.

The following information is presented in accordance with this licence condition.

2019 Connected persons[1] of the following Directors	Balance as at 31 December 2019[3] €'000	Maximum amounts outstanding during 2019[4] €'000	Number of persons as at 31 December 2019	Maximum number of persons during 2019
Persons connected to P Kennedy	2,256	3,531	1	1
Persons connected to E Bourke[5]	-	355	2	2

2018 Connected persons[1] of the following Directors	Balance as at 31 December 2018[3] €'000	Maximum amounts outstanding during 2018[4] €'000	Number of persons as at 31 December 2018	Maximum number of persons during 2018
Persons connected to P Kennedy	1,574	1,656	1	1
Persons connected to F Muldoon	-	-	-	-
Persons connected to E Bourke[5]	508	594	2	2

[1] *Connected persons of Directors are defined by Section 220 of the Companies Act 2014.*
[2] *On terms, including interest rates and collateral, similar to those available to staff generally.*
[3] *Balances include principal and interest.*
[4] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*
[5] *All loans to person connected to E Bourke were below disclosure thresholds.*

52 Related party transactions *(continued)*

(iv) Key management personnel - loans and deposits (IAS 24)
For the purposes of IAS 24 'Related party disclosures', the Group has 30 KMP (2018: 28) which comprise the Directors, the members of the GEC, the Group Secretary and any past KMP who was a KMP during the relevant period. In addition to Executive Directors, the GEC comprises Chief Executive Markets and Treasury, Chief Executive - Retail (UK), Chief Marketing Officer, Chief People Officer, Chief Executive - Corporate Banking, Chief Executive - Retail Ireland, Group CFO, Group CRO, Chief Operating Officer, Chief Strategy Officer. KMP, including Directors, hold products with Group companies in the ordinary course of business.

Other than as indicated, all loans to NEDs are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons, and do not involve more than the normal risk of collectability. Loans to KMP other than NEDs are made on terms similar to those available to staff generally and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding, in respect of all loans, quasi-loans and credit transactions between the Bank and its KMP, as defined above, together with members of their close families and entities influenced by them are shown in the following table.

IAS 24 Disclosures 2019 Key management personnel	Balance as at 1 January 2019[1,2] €'000	Balance as at 31 December 2019[1] €'000	Maximum amounts outstanding during 2019[3] €'000	Total number of relevant KMP as at 1 January 2019	Total number of relevant KMP as at 31 December 2019
Loans	4,635	3,381	3,963	21	21
Deposits	11,479	6,736	11,027	28	27

2018 Key management personnel	Balance as at 1 January 2018[1,2] €'000	Balance as at 31 December 2018[1] €'000	Maximum amounts outstanding during 2018[3] €'000	Total number of relevant KMP as at 1 January 2018	Total number of relevant KMP as at 31 December 2018
Loans	6,031	4,635	8,076	16	21
Deposits	6,421	11,479	19,956	23	28

KMP have other protection products with the Bank. The nature of these products includes mortgage protection, life assurance and critical illness cover. It also includes general insurance products which are underwritten by a number of external insurance companies and for which the Bank acts as an intermediary only. None of these products has any encashment value at 31 December 2019 or 31 December 2018.

Included in the above IAS 24 loan disclosure figures are loans to KMP and close family members of KMP on preferential staff rates, amounting to €24,938 (2018: €47,785).

None of the loans were credit-impaired as at 31 December 2019 or at 31 December 2018. There is no interest which having fallen due on the above loans has not been paid in 2019 (2018: €nil).

There are no guarantees entered into by the Bank in favour of KMP of the Bank and no guarantees in favour of the Bank have been entered into by the KMP of the Bank.

(v) Compensation of KMP
Details of compensation paid to KMP are provided below:

Remuneration	2019 €'000	2018 €'000
Salaries and other short-term benefits[4]	8,275	8,936
Post employment benefits[5]	796	767
Termination benefits[6]	596	1,065
Total	**9,667**	**10,768**
Number of KMP	30	28

[1] *Balance includes principal and interest.*
[2] *The opening balance includes balances and transactions with key management personnel who retired during 2018 and are not related parties during 2019. Therefore these key management personnel are not included in the maximum amounts outstanding.*
[3] *These figures include credit card exposures at the maximum statement balance. In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €25,400 (2018: €30,000). The maximum amount outstanding was calculated using the maximum balance on each account. The highest maximum outstanding liability for any member of key management personnel, close family and entities influenced by them did not exceed €3.5 million during 2019 (2018: €2.9 million). In some cases with investment type products (i.e. funds based products, life assurance and other policies) the maximum balance amounts were not available, in which case the greater of the balance at the start of the year and the balance at the end of the year has been included as the maximum balance amount. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.*
[4] *Comprises gross salary, Employer Pay Related Social Insurance contributions, fees, cash in lieu of pension, car allowance and other short-term benefits paid in the year.*
[5] *This comprises Employer contributions paid to pension funds.*
[6] *These include, inter alia, contractual payments due in lieu of notice periods.*

53 Summary of relations with the State

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

A relationship framework between the Minister for Finance and the Bank has been in place since 30 March 2012. The purpose of this framework is to provide the basis on which the relationship shall be governed. This framework is available on the Department of Finance website.

(a) Ordinary shares

At 31 December 2019, the State held through the ISIF 13.95% of the ordinary shares of the Company (31 December 2018: 13.95%).

(b) Guarantee schemes

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

Although the Group no longer has any guaranteed liabilities under the Eligible Liabilities Guarantee (ELG) Scheme, the ELG Scheme shall continue to exist until terminated by the Minister for Finance. Pending that termination, the Bank, BoIMB and Bank of Ireland (UK) plc continue to be bound by the terms of the ELG Scheme including the provision of certain covenants and an indemnity for the costs of the ELG Scheme in favour of the Minister pursuant to the Scheme documents of the ELG Scheme. No fees were payable in respect of the year ended 2019 (2018: €nil).

European Communities (Deposit Guarantee Scheme) Regulations 2015

Details of the deposits protected by these schemes are set out in note 39.

(c) National Asset Management Agency Investment DAC

The Group, through its wholly-owned subsidiary NIAC, holds 17 million B shares in National Asset Management Agency Investment DAC (NAMAID), corresponding to one-third of the 51 million B shares issued by NAMAID, acquired at a cost of €17 million. NAMAID also issued 49 million A shares to NAMA. As a result the Group holds 17% of the total ordinary share capital of NAMAID.

NAMAID is a holding company and its subsidiaries include the entities to which NAMA Participating Institutions transferred eligible bank assets and which issued the NAMA senior bonds and NAMA subordinated debt as consideration for those assets. The A shares and B shares generally rank equally, except as otherwise provided in the Articles of Association of NAMAID. As holder of the A shares, NAMA has veto rights in relation to: the declaration of dividends; the appointment or removal of Directors; the exercise of voting rights in respect of any subsidiary of NAMAID and the appointment of a Chairman. A holder of the B shares may not sell the shares without the consent of NAMA.

On a winding-up, the return on B shares is capped at 110% of the capital invested, (€19 million in the case of the Group), and the maximum loss that may be suffered is limited to the original amount invested (€17 million in the case of the Group). A discretionary non-cumulative dividend on the capital invested may be paid on an annual basis and is limited to the yield on ten year State bonds. A dividend of €90,780 was received by the Group on 31 March 2019 (31 March 2018: €151,470).

(d) Other transactions with the State and entities under its control or joint control

In addition to the matters set out above, the Group enters into other transactions in the normal course of business with the State, its agencies and entities under its control or joint control. This includes transactions with AIB, Permanent TSB Group Holdings plc, Government departments, local authorities, county councils, embassies, NAMA, NAMAID and the NTMA which are all considered to be ‘controlled’ by the Government. These transactions include the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks. The amounts outstanding at 31 December 2019 and 2018 in respect of these transactions, which are considered individually significant, are set out below.

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

	2019 €m	2018 €m
Assets		
Unguaranteed senior bonds issued by AIB	196	232
Unguaranteed subordinated bonds issued by AIB	11	15
NAMA subordinated bonds (note 22)	73	76
Bonds issued by the State	5,790	5,472
Other financial assets at fair value through the profit and loss		
Bonds issued by the State	263	245
Loans and advances to banks		
AIB	3	17
Liabilities		
Customer Accounts		
State (including agencies & entities under its control or joint control)	932	1,070
Debt securities in issue		
State (including agencies & entities under its control or joint control)	25	134

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

(e) Irish bank levy
The Finance Act (No 2) 2013 introduced a bank levy on certain financial institutions, including the Group. An income statement charge is recognised annually on the date on which all of the criteria set out in the legislation are met. The Finance Act 2019, enacted in December 2019, revised the basis on which the levy would be calculated for the years 2019 to 2021. The revised levy currently equals 170% of each financial institution's Deposit Interest Retention Tax (DIRT) payments in a particular year with the revised levy for 2019 and 2020 to be based on the DIRT payments made in 2017 and the revised levy for 2021 to be based on the DIRT payments made in 2019. The annual levy paid by the Group in October 2019 was €35 million (October 2018: €29 million).

54 Principal undertakings

The Parent company of the Group is Bank of Ireland Group plc.

The principal Group undertakings for 2019 were:

Group

Name	Principal activity	Registered office	Country of incorporation	Statutory year end
The Governor and Company of the Bank of Ireland[1]	Banking and financial services	40 Mespil Road, Dublin 4	Ireland	31 December
Bank of Ireland (UK) plc[2]	Retail financial services	Bow Bells House, 1 Bread Street, London, EC4M 9BE	England and Wales	31 December
New Ireland Assurance Company plc	Life assurance business	5-9 Frederick Street South, Dublin 2	Ireland	31 December
Bank of Ireland Mortgage Bank[2]	Mortgage lending and mortgage covered securities	40 Mespil Road, Dublin 4	Ireland	31 December
First Rate Exchange Services Limited[3]	Foreign exchange	Great West House, Great West road, Brentford, London, TW8 9DF	England and Wales	31 March
N.I.I.B. Group Limited	Personal finance and leasing	1 Donegall Square South, Belfast, BT1 5LR	Northern Ireland	31 December

All the Group undertakings are included in the consolidated financial statements. Unless stated otherwise, the Group owns 100% of the equity of the principal Group undertakings and 100% of the voting shares of all these undertakings.

In presenting details of the principal subsidiary undertakings, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Company will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

Bank of Ireland Mortgage Bank
BoIMB's principal activities are the issuance of Irish Residential mortgages and mortgage covered securities in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007. BoIMB asset covered securities may be purchased by the Bank and other members of the Group or third parties.

In 2019, the total amount outstanding in respect of mortgage covered securities issued was €7.4 billion (2018: €8.3 billion).

In 2019, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €11.5 billion (2018: €12.8 billion).

BoIMB issues other debt securities under BoIMB's obligation to the CBI within the terms of the Special Mortgage Backed Promissory Note programme. At 31 December 2019, BoIMB had no such debt securities in issue (2018: €nil).

1 Direct subsidiary of BOIG plc.
2 Direct subsidiary of The Governor and Company of the Bank of Ireland.
3 This entity is a subsidiary of First Rate Exchange Services Holdings Limited, a joint venture with the UK Post Office, in which the Group holds 50% of the equity of the business.

55 Interests in other entities

(a) General

The Group holds ordinary shares and voting rights in a significant number of entities. Management has assessed its involvement in all such entities in accordance with the definitions and guidance in:

- IFRS 10 'Consolidated financial statements';
- IFRS 11'Joint arrangements';
- IAS 28 'Investments in associates and joint ventures'; and
- IFRS 12 'Disclosure of interests in other entities'.

See Group accounting policies on page 186.

(b) Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

Regulated banking and insurance subsidiaries are required to maintain minimum regulatory liquidity and solvency ratios and are subject to other regulatory restrictions that may impact on transactions between these subsidiaries and the Company, including on the subsidiaries' ability to make distributions.

Certain transactions between Bank of Ireland (UK) plc and the Bank are subject to regulatory limits and approvals agreed with the PRA. Total assets of Bank of Ireland (UK) plc at 31 December 2019 were €31.7 billion (2018: €29.9 billion) and liabilities were €29.3 billion (2018: €27.6 billion).

The activities of BoIMB are subject to the Asset Covered Securities Act 2001 to 2007 which imposes certain restrictions over the assets of BoIMB. Total assets of BoIMB at 31 December 2019 were €19.8 billion (2018: €19.6 billion) and liabilities were €18.3 billion (2018: €18.0 billion).

The Group's life assurance entity, NIAC, is required to hold shareholder equity that exceeds a solvency capital requirement, see note 41 for details. In addition, the Group's Isle of Man insurance entity is required to hold shareholder equity that exceeds the solvency requirements specified by the Isle of Man Financial Services Authority.

Under Section 357 (1)(b) of the Companies Act 2014, the Bank has given an irrevocable guarantee to meet the liabilities, commitments and contingent liabilities entered into by certain Group undertakings. At 31 December 2019, the commitments of these undertakings amounted to €62 million (2018: €132 million).

(c) Consolidated structured entities

In the case of structured entities, in considering whether it controls the investee, the Group applies judgement around whether it has the ability to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. The Group considers it has control over the investee in the following situations:

- securitisation vehicles whose purpose is to finance specific loans and advances to customers; or
- defeasance companies set up to facilitate big-ticket leasing transactions.

In the case of some venture capital investments, in considering whether it controls the investee the Group applies judgement around whether it has the ability to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. The Group may hold 50% or more of the voting power of an entity, but has been considered to have significant influence, rather than control of the entity because the Group is not involved in directing the relevant activities of the entity and does not have the right to remove the manager of the entity.

In each case the Group considers that it has power over the entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, even though the Group normally owns less than half of the voting rights of those entities.

The Group does not consider it controls an investee when:

- the Group's only involvement in the arrangement is to administer transactions, for which the Group receives a fixed fee, on the basis that the Group is acting as an agent for the investors; or
- an entity is in the process of being liquidated, on the basis that the entity is controlled by the liquidator.

The Group holds interests in a number of structured entities (Brunel Residential Mortgage Securitisation No. 1 plc, Bowbell No. 1 plc and Bowbell No 2 plc) whose purpose is to acquire mortgage loans and other financial assets and issue mortgage backed securities. Bowbell No 1 plc redeemed its outstanding debt securities in November 2018. Bowbell No 2 plc issued new debt securities in June 2019. All of the assets and liabilities of these entities are restricted. Total assets amounted to €3.5 billion (2018: €1.1 billion) and liabilities amounted to €3.5 billion (2018: €1.0 billion).

In 2016, the Group entered into a CDS transaction transferring a portion of the credit risk on a reference portfolio of performing Irish SME and corporate exposures to Grattan Securities DAC (Grattan). The Group delivered notice of its intention to call the transaction during December 2019 and the transaction was terminated during January 2020.

During 2017, the Group entered into a further CDS transaction transferring a portion of the credit risk on a reference portfolio of performing leveraged acquisition finance exposures to Mespil Securities DAC (Mespil). During 2019, the Group transferred an additional portion of the credit risk on the portfolio to Mespil.

In 2019, the Group entered into a credit protection deed (CPD) transaction transferring a portion of the credit risk on a reference portfolio of performing loans originated by the Group's Corporate Banking team to Vale Securities Finance DAC (Vale).

No assets or liabilities were transferred to Grattan, Mespil or Vale as part of the transactions. Grattan, Mespil and Vale each cash collateralised their exposure under the respective transactions through the issue of credit linked notes to third party investors. The protection provided by Grattan matured in 2020, while that provided by Mespil matures in 2025 and Vale matures in 2029.

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support. In 2019 and 2018 the Group did not provide financial or other support, nor does it expect or intend to do so.

55 Interests in other entities *(continued)*

All of these entities are consolidated in the Group's financial statements.

(d) Treatment of changes in control of a subsidiary during the reporting period

From time to time, the Group may wind up a wholly owned company. During this process, the Group voluntarily appoints a liquidator to manage the winding up of relevant entities. Upon appointment of the liquidator, the Group is considered to have lost control of the companies and accounts for this loss of control as a disposal. In accordance with IAS 21, the Group must reclassify net cumulative FX gains / losses relating to these companies from the FX reserve to the income statement. In 2019, €4 million loss was transferred (2018: €4 million gain) (note 18).

(e) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control i.e. contractually agreed sharing of control of an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control. These arrangements are identified by reference to the power sharing agreements, ensuring that unanimous consent of all parties is a requirement. Where the arrangement has been structured through a separate vehicle, the Group has accounted for it as a joint venture.

The table below shows the Group's principal joint arrangements for the year ended 31 December 2019.

All joint ventures investments are unquoted and are measured using the equity method of accounting. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group. Nor is there any unrecognised share of losses either for 2019 or cumulatively in respect of these entities. Other than disclosed in note 44, the Group does not have any further commitments or contingent liabilities in respect of these entities other than its investment to date.

Joint arrangement	Holding	Classification	Country of operation	Nature of activities
First Rate Exchange Services Holdings Limited	50%	Joint venture	UK	Sale of financial products through the UK Post Office relationship
Enterprise 2000 Fund	50%	Joint venture	Ireland	Investment in venture capital companies

(f) Associates

An associated undertaking is an entity over which the Group has significant influence, but not control, over the entity's operating and financial policy decisions. If the Group holds 20% or more of the voting power of an entity, it is presumed that the Group has significant influence, unless it could be clearly demonstrated that this was not the case. There are no such cases where the Group holds 20% or more of the voting power of an entity, and is not considered to have significant influence over that entity.

The Group holds a number of investments in associates, none of which is individually material. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group. Nor is there any unrecognised share of losses either for 2019 or cumulatively in respect of these entities. The Group does not have any contingent liabilities in respect of these entities other than its investment to date.

(g) Unconsolidated structured entities

Unconsolidated collective investment vehicles

The company holds investments in unconsolidated structured entities arising from investments in collective investment undertakings, carried at fair value of €10,176 million (2018: €8,399 million). The value included in assets held to cover unit linked policyholder liabilities is €10,029 million (2018: €8,283 million) and €147 million (2018: €116 million) is held for non-unit linked liabilities (note 22).

At 31 December 2019, the total asset value of these unconsolidated structured entities, including the portion in which the Group has no interest, was €56.7 billion (2018: €64.7 billion).

The Group's maximum exposure to loss is equal to the carrying value of the investment. However, the Group's investments in these entities are primarily held to match policyholder liabilities in the Group's life assurance business and the majority of the risk from a change in the value of the Group's investment is matched by a change in policyholder liabilities. The collective investment vehicles are primarily financed by investments from investors in the vehicles.

During the year the Group has not provided any non-contractual financial or other support to these entities and has no current intention of providing any financial or other support. The Group does not sponsor any of these unconsolidated structured entities.

Mulcair Securities DAC

In April 2019, the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs, through an unconsolidated special purpose vehicle, Mulcair Securities. The portfolio transferred had a gross carrying value of €370 million (before ECL allowance) and a net carrying value of €326 million (after ECL allowance). The Group transferred the beneficial interest in the loans to Mulcair Securities which in turn issued notes backed by these loans. The Group considers that it sponsors this company as it continues to be involved with it as Servicer of the

55 Interests in other entities *(continued)*

transferred assets and as it is in receipt of income from the provision of these services. The total asset value of Mulcair Securities at 31 December 2019 was €339 million.

The Group holds 5% of each class of notes issued by Mulcair securities as a retained issuance, these notes are held as debt securities at amortised cost with the exception of notes with a nominal value of €2 million which are held as at FVTPL.

Mulcair Securities is not consolidated but the associated income in relation to the services provided to the company is recognised in the Group's financial statements as follows:

	2019 €m
Interest income	-
Trading income	1
Fee and commission income	1
Total income related to Mulcair Securities	**2**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2019 €m
Debt securities at amortised cost	15
Other financial assets held at fair value through profit or loss	2
Total carrying value of assets held related to Mulcair Securities	**17**

The Group's maximum exposure to loss in respect of Mulcair Securities is equal to the carrying value of the retained issuance which is €17 million at 31 December 2019. There are no contractual arrangements that require the Group to provide financial support to Mulcair Securities.

Investment companies
The Group has incorporated certain entities to provide investment opportunities to clients in international commercial properties. The Group considers that it sponsors these entities where it continues to be involved in the entity or if it is in receipt of income from the entity during the year. At 31 December 2019, there were three entities (2018: one). At 31 December 2019, the total gross asset value of these entities was €16 million (2018: €32 million).

With regard to the above unconsolidated structured entities, they are infrastructure fund managers whose principal activity is managing property investments. In 2019 and 2018, the Group did not receive asset management fees from these entities.

The structured entities are not consolidated, the associated fee and commission income in relation to these entities was €nil for 2019 (2018: €nil). The carrying amount of assets and liabilities in relation to these entities in the Group's financial statements is €nil (2018: €nil).

The Group's maximum exposure to loss in respect of these unconsolidated entities is €nil (2018: €nil).

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support.

(h) Coterminous year end dates
The Group consolidates certain entities where the entity does not have the same year end reporting date as the Group. This is to ensure the reporting dates of these Group entities are kept consistent with the principal legal agreements used to engage in its core business.

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

56 Liquidity risk and profile

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

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,890 million and €12,694 million respectively (2018: €5,239 million and €11,003 million respectively) are excluded from this analysis as their repayment is linked 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 table below.

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

56 Liquidity risk and profile *(continued)*

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

2018 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	78	367	-	-	-	445
Monetary Authorities secured funding	-	254	234	2,197	-	2,685
Customer accounts	65,369	6,135	4,306	2,919	215	78,944
Debt securities in issue	-	1,234	158	5,238	2,370	9,000
Subordinated liabilities	-	30	88	844	1,814	2,776
Contingent liabilities	364	49	70	109	15	607
Commitments	14,206	36	852	57	-	15,151
Total	**80,017**	**8,105**	**5,708**	**11,364**	**4,414**	**109,608**

As set out in note 21, derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered with economic hedging intent to which the Group does not apply hedge accounting. Derivatives held with hedging intent also include all derivatives to which the Group applies hedge accounting.

The following tables summarise the maturity profile of the Group's derivative liabilities. The Group manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

2019 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	3,331	5,096	4,310	-	12,737
Gross settled derivative liabilities - inflows	-	(3,286)	(4,833)	(4,078)	-	(12,197)
Gross settled derivative liabilities - net flows	**-**	**45**	**263**	**232**	**-**	**540**
Net settled derivative liabilities	-	91	262	836	278	1,467
Total derivatives held with hedging intent	**-**	**136**	**525**	**1,068**	**278**	**2,007**
Derivative liabilities held with trading intent	626	-	-	-	-	626
Total derivative cash flows	**626**	**136**	**525**	**1,068**	**278**	**2,633**

56 Liquidity risk and profile *(continued)*

2018 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	124	589	1,830	-	2,543
Gross settled derivative liabilities - inflows	-	(108)	(523)	(1,802)	-	(2,433)
Gross settled derivative liabilities - net flows	**-**	**16**	**66**	**28**	**-**	**110**
Net settled derivative liabilities	-	113	265	733	121	1,232
Total derivatives held with hedging intent	**-**	**129**	**331**	**761**	**121**	**1,342**
Derivative liabilities held with trading intent	627	-	-	-	-	627
Total derivative cash flows	**627**	**129**	**331**	**761**	**121**	**1,969**

57 Measurement basis of financial assets and financial liabilities

The table below analyses the carrying amounts of the financial assets and financial liabilities by accounting treatment and by balance sheet heading.

	At fair value through profit or loss		Debt instruments at fair value through other comprehensive income	Held at amortised cost	Derivatives designated as hedging instruments	Insurance contracts	Total
2019	Mandatorily €m	Designated €m	€m	€m	€m	€m	€m
Financial assets							
Cash and balances at central banks	-	-	-	8,325	-	-	8,325
Items in the course of collection from other banks	-	-	-	223	-	-	223
Trading securities	32	-	-	-	-	-	32
Derivative financial instruments	1,398	-	-	-	601	-	1,999
Other financial assets at FVTPL	16,453	-	-	-	-	-	16,453
Loans and advances to banks	306	-	-	3,022	-	-	3,328
Debt securities at amortised cost	-	-	-	4,511	-	-	4,511
Financial assets at FVOCI	-	-	10,797	-	-	-	10,797
Assets classified as held for sale	-	-	-	-	-	-	-
Loans and advances to customers	252	-	-	79,235	-	-	79,487
Interest in associates	-	56	-	-	-	-	56
Other financial assets	-	-	-	280	-	-	280
Total financial assets	**18,441**	**56**	**10,797**	**95,596**	**601**	**-**	**125,491**
Financial liabilities							
Deposits from banks	-	-	-	2,179	-	-	2,179
Customer accounts	-	930	-	83,038	-	-	83,968
Items in the course of transmission to other banks	-	-	-	219	-	-	219
Derivative financial instruments	1,566	-		-	912	-	2,478
Debt securities in issue	-	364	-	8,445	-	-	8,809
Liabilities to customers under investment contracts	-	5,890	-	-	-	-	5,890
Insurance contract liabilities	-	-	-	-	-	12,694	12,694
Other financial liabilities	-	-	-	2,413	-	-	2,413
Lease liabilities	-	-	-	565	-	-	565
Loss allowance provision on loan commitments and financial guarantees	-	-	-	30	-	-	30
Subordinated liabilities	-	-	-	1,690	-	-	1,690
Short positions in trading securities	-	-	-	-	-	-	-
Total financial liabilities	**1,566**	**7,184**	**-**	**98,579**	**912**	**12,694**	**120,935**

57 Measurement basis of financial assets and financial liabilities *(continued)*

2018	At fair value through profit or loss Mandatorily €m	At fair value through profit or loss Designated €m	Debt instruments at fair value through other comprehensive income €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	-	-	-	6,033	-	-	6,033
Items in the course of collection from other banks	-	-	-	259	-	-	259
Trading securities	29	-	-	-	-	-	29
Derivative financial instruments	1,268	-	-	-	456	-	1,724
Other financial assets at FVTPL	14,135	-	-	-	-	-	14,135
Loans and advances to banks	318	-	-	2,307	-	-	2,625
Debt securities at amortised cost	-	-	-	3,928	-	-	3,928
Financial assets at FVOCI	-	-	12,048	-	-	-	12,048
Assets classified as held for sale	-	-	-	602	-	-	602
Loans and advances to customers	261	-	-	76,102	-	-	76,363
Interest in associates	-	53	-	-	-	-	53
Other financial assets	-	-	-	278	-	-	278
Total financial assets	**16,011**	**53**	**12,048**	**89,509**	**456**	**-**	**118,077**
Financial liabilities							
Deposits from banks	-	-	-	2,482	-	-	2,482
Customer accounts	-	887	-	78,012	-	-	78,899
Items in the course of transmission to other banks	-	-	-	268	-	-	268
Derivative financial instruments	1,486	-	-	-	333	-	1,819
Debt securities in issue	-	522	-	8,382	-	-	8,904
Liabilities to customers under investment contracts	-	5,239	-	-	-	-	5,239
Insurance contract liabilities	-	-	-	-	-	11,003	11,003
Other financial liabilities	-	-	-	2,444	-	-	2,444
Loss allowance provision on loan commitments and financial guarantees	-	-	-	29	-	-	29
Subordinated liabilities	-	-	-	2,104	-	-	2,104
Short positions in trading securities	16	-	-	-	-	-	16
Total financial liabilities	**1,502**	**6,648**	**-**	**93,721**	**333**	**11,003**	**113,207**

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

	2019		2018	
	Fair values €m	Contractual amount due on maturity €m	Fair values €m	Contractual amount due on maturity €m
Customer accounts	930	930	887	918
Liabilities to customers under investment contracts	5,890	5,890	5,239	5,239
Debt securities in issue	364	329	522	503
Financial liabilities designated at fair value through profit or loss	**7,184**	**7,149**	**6,648**	**6,660**

For financial assets and financial liabilities which are measured at FVTPL or through OCI, a description of the methods and assumptions used to calculate those fair values is set out in note 58.

58 Fair values of assets and liabilities

Fair value of assets and liabilities
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include DCF models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or of recent arm's length market transactions. These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1
Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable inputs for the asset or liability.

Transfers between different levels are assessed at the end of all reporting periods.

(a) Financial assets and financial liabilities recognised and subsequently measured at fair value
All financial instruments are initially recognised at fair value. The Group subsequently measures the following instruments at FVTPL or at FVOCI: trading securities, other financial assets and financial liabilities designated at FVTPL, derivatives, loans and advances to customers held at fair value, loans and advances to banks held at fair value, financial assets held at FVOCI, customer accounts held at fair value and debt securities in issue held at fair value.

A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below. For fair value measurements categorised within level 3 of the fair value hierarchy, the valuation policies and procedures are developed by the management of the relevant business unit. The valuation process is documented before being reviewed and approved by senior management to ensure that the valuation method is consistent with market practice, that the output is reasonable and that the methodology is consistent both across the Group and compared to prior reporting periods.

Loans and advances to customers held at fair value
These consist of assets mandatorily measured at FVTPL, which predominantly relate to 'Life loan mortgage products'. Unlike a standard mortgage product, borrowers do not make any periodic repayments and the outstanding loan balance increases through the life of the loan as interest due is capitalised. The mortgage is typically repaid out of the proceeds of the sale of the property. These assets are valued using DCF models which incorporate unobservable inputs (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Loans and advances to banks held at fair value
These consist of assets mandatorily measured at FVTPL, and include assets managed on a fair value basis by the life assurance business and those assets that do not meet the requirements in order to be measured at FVOCI or amortised cost.

The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Financial assets at fair value through other comprehensive income
Financial assets at FVOCI predominantly consist of government bonds and listed debt securities. For these assets where an active market exists, fair value has been determined directly from observable market prices (level 1 inputs) or yields through a recognised pricing source or an independent broker, price-provider or investment bank (level 2 inputs).

Financial assets and financial liabilities held for trading
These instruments are valued using observable market prices (level 1 inputs), directly from a recognised pricing source or an independent broker or investment bank.

Derivative financial instruments
The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of DCF and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, FX rates, equity prices and counterparty credit (level 2 inputs).

The fair values of the Group's derivative financial liabilities reflect the impact of changes in own credit spreads derived from observable market data (debit valuation adjustment (DVA)). The impact of the cost of funding derivative positions is also taken into account in determining the fair value of derivative financial instruments (funding valuation adjustment (FVA)). The funding cost is derived from observable market data; however the model may perform numerical procedures in the pricing such as interpolation when market data input values do not directly correspond to the exact parameters of the trade. Both methodologies are considered to use level 2 inputs.

Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives as at 31 December 2019 is immaterial. At 31 December 2018 effect was to increase their fair value by up to €4 million with a corresponding impact on the income statement. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

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

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

Other financial assets at fair value through profit or loss
These consist of assets mandatorily at FVTPL, which are predominantly held for the benefit of unit linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have readily available prices. Substantially all of these assets are valued using valuation techniques which use observable market data i.e. level 1 or level 2 inputs. A small number of assets have been valued using DCF models, which incorporate unobservable inputs (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

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

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. Previously, the Group estimated this spread by reference to recent transactions in the same instrument or in similar instruments issued by the Group or other comparable financial institutions (level 2 inputs). During the year, the Group moved to source own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads were not available. Where the impact of unobservable inputs is material to the valuation of a customer account, that account is categorised as level 3 on the fair value hierarchy.

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

Liabilities to customers under insurance and investment contracts
In line with the accounting policy set out on page 192, the fair value of liabilities to customers under both insurance and investment unit linked contracts is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the reporting date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Debt securities in issue
Debt securities in issue with a fair value of €364 million (2018: €522 million) are measured at FVTPL, in order to reduce an accounting mismatch which would otherwise arise from hedging derivatives. Their fair value is typically based on valuation techniques incorporating observable market data. The Group incorporates the effect of changes in its own credit spread when valuing these instruments. Previously, the Group estimated this spread by reference to market observable credit spreads of similar instruments issued by the Group or other comparable financial institutions (level 2 inputs). During the year, the Group moved to source own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads were not available. Where the impact of unobservable inputs is material to the valuation of a debt security in issue, that issuance is categorised as level 3 on the fair value hierarchy.

A small number of the debt securities in issue are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these debt securities in issue would not have a significant impact.

(b) Financial assets and liabilities held at amortised cost
For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

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

Loans and advances to banks
The estimated fair value of floating rate placements and overnight placings which are held at amortised cost is their carrying amount. The estimated fair value of fixed interest bearing placements which are held at amortised cost is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers held at amortised cost
The fair value of both fixed and variable rate loans and advances to customers held at amortised cost is estimated using valuation techniques which include the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the reporting date and estimates of market participants' expectations of credit losses over the life of the loans (level 3 inputs).

Debt securities at amortised cost
For debt securities at amortised cost for which an active market exists, fair value has been determined directly from observable market prices (level 1 inputs). Debt securities at amortised cost consist mainly of government bonds, asset backed securities and other debt securities.

Deposits from banks and customer accounts
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on DCFs using interest rates for new deposits with similar remaining maturity (level 2 inputs).

Debt securities in issue and subordinated liabilities
The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). For those notes where quoted market prices are not available, a DCF model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 2 and level 3 inputs).

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

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

Property
A revaluation of Group property was carried out as at 31 December 2019. All freehold and long leasehold commercial properties were valued by Lisney (or its partner, Sanderson Weatherall) as external valuers, with the exception of some select properties which were valued internally by the Group's qualified surveyors. External valuations were made on the basis of observable inputs such as comparable lettings and sales (level 2 inputs).

Unobservable inputs such as profile, lot size, layout and presentation of accommodation are also used (level 3 inputs). All properties are valued based on highest and best use.

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

The following table sets out the level of the fair value hierarchy for assets and liabilities held at fair value. Information is also given for items carried at amortised cost where the fair value is disclosed.

	2019				2018			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value								
Trading securities	32	-	-	32	29	-	-	29
Derivative financial instruments	-	1,996	3	1,999	1	1,705	18	1,724
Other financial assets at FVTPL	15,725	592	136	16,453	13,534	478	123	14,135
Loans and advances to banks	-	306	-	306	-	318	-	318
Financial assets at FVOCI	10,797	-	-	10,797	11,996	52	-	12,048
Loans and advances to customers	-	-	252	252	-	-	261	261
Interest in associates	-	-	56	56	-	-	53	53
Non-financial assets held at fair value								
Investment property	-	-	999	999	-	-	1,037	1,037
Property held at fair value	-	-	196	196	-	-	170	170
	26,554	**2,894**	**1,642**	**31,090**	**25,560**	**2,553**	**1,662**	**29,775**
Financial liabilities held at fair value								
Customer accounts	-	916	14	930	-	860	27	887
Derivative financial instruments	-	2,474	4	2,478	2	1,810	7	1,819
Debt securities in issue	-	362	2	364	-	520	2	522
Liabilities to customers under investment contracts	-	5,890	-	5,890	-	5,239	-	5,239
Insurance contract liabilities	-	12,694	-	12,694	-	11,003	-	11,003
Short positions in trading securities	-	-	-	-	16	-	-	16
	-	**22,336**	**20**	**22,356**	**18**	**19,432**	**36**	**19,486**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	2	3,020	-	3,022	5	2,302	-	2,307
Debt securities at amortised cost	4,496	29	11	4,536	3,901	-	12	3,913
Loans and advances to customers	-	-	76,487	76,487	-	-	73,220	73,220
Fair value of financial liabilities held at amortised cost								
Deposits from banks	-	2,179	-	2,179	-	2,482	-	2,482
Customer accounts	-	83,062	-	83,062	-	78,017	-	78,017
Debt securities in issue	6,894	838	718	8,450	5,627	2,368	351	8,346
Subordinated liabilities	51	1,650	107	1,808	42	2,005	102	2,149

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

Movements in level 3 assets **2019**	**Loans advances customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Investment property €m**	**Property held at fair value €m**	**Total €m**
Opening balance	**261**	**123**	**18**	**53**	**1,037**	**170**	**1,662**
Exchange Adjustment	-	-	1	-	14	2	17
Total gains or losses in:							
Profit or loss							
- Net trading income / (expense)	11	42	7	-	-	-	60
- Revaluation	-	-	-	-	(3)	-	(3)
- Share of results of associates	-	-	-	5	-	-	5
Other comprehensive income	-	-	-	-	-	3	3
Additions	6	11	-	8	11	-	36
Disposals	-	(10)	(7)	(10)	(39)	-	(66)
Redemptions	(26)	(9)	-	-	-	-	(35)
Reclassifications	-	-	-	-	(21)	21	-
Transfers out of level 3							
- from level 3 to level 2	-	(21)	(16)	-	-	-	(37)
Transfers into level 3							
- from level 2 to level 3	-	-	-	-	-	-	-
Closing balance	**252**	**136**	**3**	**56**	**999**	**196**	**1,642**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**10**	**33**	**-**	**5**	**10**	**-**	**58**
- Net trading income / (expense)	*10*	*33*	*-*	*-*	*-*	*-*	*43*
- Life assurance investment income and gains	*-*	*-*	*-*	*-*	*7*	*-*	*7*
- Share of results of associates	*-*	*-*	*-*	*5*	*-*	*-*	*5*
- Other operating income	*-*	*-*	*-*	*-*	*3*	*-*	*3*
- Reversal of impairment charges	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Revaluation	*-*	*-*	*-*	*-*	*-*	*-*	*-*

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

There were no transfers between level 1 and 2.

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

Movements in level 3 assets **2018**	**Loans advances customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Investment property €m**	**Property held at fair value €m**	**Assets classified as held for sale €m**	**Total €m**
Opening balance	**269**	**139**	**44**	**59**	**912**	**155**	**28**	**1,606**
Exchange Adjustment	-	-	-	-	-	-	-	-
Total gains or losses in:								
Profit or loss								
- Net trading income / (expense)	14	14	(4)	-	-	-	-	24
- Reversal of impairment charges	-	-	-	-	-	4	-	4
- Revaluation	-	-	-	-	29	-	-	29
- Impairment gains / (losses) on financial instruments	-	-	-	-	-	-	-	-
- Share of results of associates	-	-	-	4	-	-	-	4
- Life assurance investment income and gains	-	-	-	-	-	-	-	-
- Other operating income	-	2	-	-	-	-	-	2
- Gain on disposal of assets held for sale	-	-	-	-	-	-	7	7
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**11**	**-**	**11**
Additions	-	2	-	5	123	-	-	130
Disposals	-	(22)	-	(15)	(12)	-	(35)	(84)
Redemptions	(22)	(12)	-	-	-	-	-	(34)
Reclassifications	-	-	-	-	(15)	-	-	(15)
Transfers out of level 3								
- from level 3 to level 2	-	-	(27)	-	-	-	-	(27)
Transfers into level 3								
- from level 2 to level 3	-	-	5	-	-	-	-	5
Closing balance	**261**	**123**	**18**	**53**	**1,037**	**170**	**-**	**1,662**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**14**	**(5)**	**(16)**	**4**	**29**	**-**	**-**	**26**
- Net trading income / (expense)	*14*	*(5)*	*(16)*	*-*	*-*	*-*	*-*	*(7)*
- Life assurance investment income and gains	*-*	*-*	*-*	*-*	*29*	*-*	*-*	*29*
- Other operating income	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Share of results of associates	*-*	*-*	*-*	*4*	*-*	*-*	*-*	*4*

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

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

There were no transfers between level 1 and 2.

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

Movements in level 3 liabilities	**2019**				**2018**			
	Customer accounts €m	**Derivative financial instruments €m**	**Debt securities in issue €m**	**Total €m**	**Customer accounts €m**	**Derivative financial instruments €m**	**Debt securities in issue €m**	**Total €m**
Opening balance	**27**	**7**	**2**	**36**	**3**	**1**	**2**	**6**
Total gains or losses in:								
Profit or loss								
- Net trading (income) / expense	5	-	-	5	(2)	9	-	7
Other comprehensive income	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Additions	23	-	-	23	30	-	-	30
Disposals	-	(3)	-	(3)	-	-	-	-
Transfers out of level 3								
- from level 3 to level 2	(41)	-	-	(41)	(3)	(6)	-	(9)
Transfers into level 3								
- from level 2 to level 3	-	-	-	-	-	3	-	3
Closing balance	**14**	**4**	**2**	**20**	**27**	**7**	**2**	**36**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 liabilities at the end of the year								
- Net trading (income) / expense	1	(1)	-	-	2	(6)	-	(4)

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

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

There were no transfers between levels 1 and 2.

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

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

Level 3 assets	Valuation technique	Unobservable input	Fair value 2019 €m	Fair value 2018 €m	Range 2019 %	Range 2018 %
Loans and advances to customers	Discounted cash flow	Discount on market rate[1] Collateral charges	252	261	2.75%-4.5% 0.50%-5.8%	2.75%-4.5% 1.50%-7.5%
Other financial assets at fair value through profit or loss	Discounted cash flow Equity Value less discount	Discount rate[1] Discount	136	123	Third party pricing 0%-50%	Third party pricing 0%-50%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[2]	3	18	0.0%-0.3% Third party pricing	0%-4%
Interest in associates	Market comparable companies	Price of recent investment Earnings multiple[3] Revenue multiple[3]	56	53	Third party pricing	Third party pricing
Investment property	Market comparable property transactions	Property valuation assumptions	999	1,037	Third party pricing	Third party pricing
Property held at fair value	Market comparable property transactions	Property valuation assumptions	196	170	Third party pricing	Third party pricing

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

Note: 100 basis points = 1%

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

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

			Fair value		Range	
Level 3 liabilities	**Valuation technique**	**Unobservable input**	**2019 €m**	**2018 €m**	**2019 %**	**2018 %**
Customer accounts	Discounted cash flow Option pricing model	Own credit spread[1]	14	27	0.6%-0.9% Third party pricing	0%-4%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[1]	4	7	0.0%-0.3% Third party pricing	0%-4%
Debt securities in issue	Discounted cash flow	Own credit spread[1]	2	2	0.0%-0.2%	0%-0.5%

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

	2019		2018	
Non-trading financial instruments	**Carrying amount €m**	**Fair values €m**	**Carrying amount €m**	**Fair values €m**
Assets				
Loans and advances to banks	3,022	3,022	2,307	2,307
Debt securities at amortised cost	4,511	4,536	3,928	3,913
Loans and advances to customers (including assets held for sale)	79,235	76,487	76,102	73,220
Liabilities				
Deposits from banks	2,179	2,179	2,482	2,482
Customer accounts	83,038	83,062	78,012	78,017
Debt securities in issue	8,445	8,450	8,382	8,346
Subordinated liabilities	1,690	1,808	2,104	2,149

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

Note: 100 basis points = 1%

59 Transferred financial assets

	Carrying amount of transferred assets €m	Carrying amount of associated liabilities[1] €m	Fair value of transferred assets €m	Fair value of associated liabilities[1] €m	Net fair value position €m
2019					
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	486	547	448	535	(87)
Residential mortgages book[2] (Bowbell II SPE)	402	361	411	363	48
Sale and repurchase / similar products[3]					
Debt securities at amortised cost	18	18	-	-	-
Financial assets at FVOCI	17	17	-	-	-
2018					
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	531	610	497	595	(98)
Residential mortgages book[2] (Bowbell II SPE)	-	-	-	-	-
Sale and repurchase / similar products[3]					
Debt securities at amortised cost	28	28	-	-	-
Financial assets at FVOCI	38	39	-	-	-

The Group has transferred certain financial assets that are not derecognised from the Group's balance sheet. Such arrangements are securitisations and sale or repurchase agreements. The Group is exposed to substantially all risks and rewards including credit and market risk associated with the transferred assets.

The Group has not entered into any agreements on the sale of assets that entail the Group's continuing involvement in derecognised financial assets other than assets transferred to Mulcair Securities (note 55).

[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by securitisation special purpose entity, held by other Group entities.*

[2] *For each securitisation the relevant loan book / pool is ring-fenced whereby the cash flows associated with these assets can only be used to repay the related notes holders plus associated issuance fees / costs.*

[3] *Assets sold or transferred subject to repurchase agreements or similar products are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate. The difference between the original sale price of the bonds and the repurchase price is the repo rate.*

60 Offsetting financial assets and liabilities

The following tables set out the effect or potential effect of netting arrangements on the Group's financial position. This includes the effect or potential effect of rights of set-off associated with the Group's recognised financial assets and recognised financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are set off in accordance with paragraph 42 of IAS 32.

Assets	Gross amounts of recognised financial assets €m	Gross amounts of recognised financial liabilities set off in the balance sheet €m	Net amounts of financial assets presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[1] instruments €m	Related amounts not set off in the balance sheet: Cash[2] collateral received €m	Net amount €m
2019						
Derivative financial assets	1,994	-	1,994	(1,550)	(155)	289
Loans and advances to customers	313	(313)	-	-	-	-
Total	**2,307**	**(313)**	**1,994**	**(1,550)**	**(155)**	**289**
2018						
Derivative financial assets	1,723	-	1,723	(1,307)	(169)	247
Loans and advances to customers	376	(376)	-	-	-	-
Total	**2,099**	**(376)**	**1,723**	**(1,307)**	**(169)**	**247**

The following financial liabilities are subject to offsetting, enforceable master netting arrangements.

Liabilities	Gross amounts of recognised financial liabilities €m	Gross amounts of recognised financial assets set off in the balance sheet €m	Net amounts of financial liabilities presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[3] instruments €m	Related amounts not set off in the balance sheet: Cash[4] collateral pledged €m	Net amount €m
2019						
Derivative financial liabilities	2,469	-	2,469	(1,550)	(821)	98
Customer deposits	313	(313)	-	-	-	-
Total	**2,782**	**(313)**	**2,469**	**(1,550)**	**(821)**	**98**
2018						
Derivative financial liabilities	1,806	-	1,806	(1,307)	(409)	90
Customer deposits	376	(376)	-	-	-	-
Total	**2,182**	**(376)**	**1,806**	**(1,307)**	**(409)**	**90**

The 'Financial Instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements such as an International Swaps and Derivatives Association (ISDA) Master agreement. The agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis: however each party to the master netting agreement has the option to settle all such amounts on a net basis in the event of default of the other party.

1 *Amounts of €1,550 million represent recognised derivatives assets at fair value that do not meet the offsetting criteria (2018: €1,307 million).*
2 *Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported within deposits from banks (note 38).*
3 *Amounts of €1,550 million represent recognised derivatives liabilities at fair value that do not meet the offsetting criteria (2018: €1,307 million).*
4 *Cash collateral amounts disclosed reflect the maximum collateral available for offset.*

61 Dividend per ordinary share

On 22 February 2019, the Board recommended a dividend of 16.0 cent per ordinary share, €173 million in total, which was approved at the Annual General Meeting (AGM) on 14 May 2019 and paid on 10 June 2019. This dividend has been accounted for in shareholders' equity as an appropriation of retained earnings for 2019.

	2019		2018	
	Cent per share	€m	Cent per share	€m
Final dividend paid in respect of the years ended 31 December 2019 and 2018	16.0	173	11.5	124

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

As outlined in the Group accounting policies note on page 179, from 1 January 2019, the Group adopted IFRS 16 'Leases'. On transition to IFRS 16, the Group recognised RoU assets within Property, plant and equipment (note 34) and lease liabilities by adjusting the opening balances of the relevant assets and liabilities on the balance sheet, with no adjustment required to opening retained earnings. The impact on transition is summarised below:

	€m
Operating lease commitments under IAS 17 as at 31 December 2018	**680**
Less	
Value added tax included in operating lease commitments as at 31 December 2018	(42)
Operating lease commitments as at 31 December 2018 excluding value added tax	**638**
Weighted average incremental borrowing rate as at 1 January 2019 (note 2)	*2.7%*
Discounted operating lease commitments as at 1 January 2019 excluding value added tax under IFRS 16	**528**
Less	
Commitments relating to contracts outside the scope of IFRS 16	(15)
Add	
Commitments relating to leases previously classified as finance leases	4
Service contracts not previously classified as leases under IAS 17	62
Commitments in optional extension periods not recognised as at 31 December 2018	58
Lease liabilities as at 1 January 2019	**637**

	Carrying amount under IAS 17 as at 31 December 2018[1] €m	Impact of new accounting standard €m	Carrying amount under IFRS 16 as at 1 January 2019 €m
Assets			
Property, plant and equipment	438	616	1,054
Other assets	2,280	(16)	2,264
Liabilities			
Lease liabilities	-	637	637
Other liabilities	2,460	(31)	2,429
Provisions	84	(6)	78

[1] *Includes €5 million of finance lease assets as at 31 December 2018 reclassified as Right of Use assets under IFRS 16 on 1 January 2019.*

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

Group as lessee
The principal contracts where the Group is a lessee under IFRS 16 are in relation to property leases that the Group previously classified as operating leases under IAS 17 and a number of items of computer equipment which were previously classified as finance leases under IAS 17. The Group also reassessed contracts that were not identified as leases under IAS 17. As a result of this assessment service contracts for computer equipment were deemed to meet the definition of a lease under IFRS 16 resulting in the recognition of lease liabilities and RoU assets. Further qualitative information on the nature of the leases is set out in the Group accounting policies (note 1) and the undiscounted contractual maturity of total lease liabilities is set out on page 278.

The Group recognised variable lease expenses of €8 million and rent expense from short-term leases of €3 million for the year ended 31 December 2019. Variable lease payments on RoU assets relates to computer equipment that has a varying cost dependant on usage with the contracts on which the payments arise maturing within two years.

Total cash outflows on leases amounted to €95 million in 2019.

Group as lessor
As outlined in the Group accounting policies (note 1), the accounting for lessors has not materially changed under IFRS 16. The Group is engaged in finance lease and operating lease activities.

Finance leasing activity and a maturity analysis of the Group's net investment in finance leases are included within Loans and advances to customers (note 27) along with a gross to net reconciliation of the investment in finance leases. Associated income on finance leases is included in Interest income (note 4).

Operating leases where the Group is a lessor primarily relate to the business activities of MLL. Further detail on the nature of the company's leasing activities, risks and risk management is outlined in note 34.

In addition, the Group has also entered into a small number of operating leases and operating sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements.

A maturity analysis of undiscounted operating lease receivables set out on an annual basis is included in note 34. Income and expense associated with the Group's operating lease activities is included in note 10.

Amounts recognised in the balance sheet and income statement
Set out below are the carrying amounts of the Group's RoU assets and lease liabilities and the movements during the period:

	RoU assets			
Balance sheet under IFRS 16	**Buildings €m**	**Computer and other equipment[1] €m**	**Total €m**	**Lease liabilities €m**
As at 1 January 2019 (net book value)	555	66	621	637
Payments	-	-	-	(84)
Interest expense (note 5)	-	-	-	15
Reclassifications	(5)	-	(5)	-
Remeasurement of lease liabilities	(4)	(1)	(5)	(5)
Additions	1	2	3	3
Impairment	(2)	-	(2)	-
Depreciation expense	(40)	(29)	(69)	-
Exchange adjustments	(1)	-	(1)	(1)
As at 31 December 2019	**504**	**38**	**542**	**565**

[1] *Includes €5 million of finance lease assets as at 31 December 2018 reclassified as Right of Use assets under IFRS 16 on 1 January 2019.*

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

Summary of amounts recognised in the income statement under IFRS 16 compared to equivalent amounts under IAS 17	2019 €m	2018 €m
Amounts recognised in interest expense		
Interest expense on lease liabilities	15	-
Amounts recognised in other operating expenses		
Depreciation of RoU assets in property, plant and equipment	69	-
Depreciation of Finance lease assets in property, plant and equipment	-	4
Operating lease payments	-	60
Variable lease expenses	8	-
Short-term lease expenses	3	-
Expenses on service contracts classified as leases under IFRS 16	-	33
	80	**97**
Amounts recognised in cost of restructuring		
Impairment	2	-
Total	**97**	**97**

63 Post balance sheet events

On 21 February 2020, the Board recommended a dividend of 17.5 cent per ordinary share, €189 million in total, to be paid on 9 June 2020 to those ordinary shareholders who appear on the Company's register on 11 May 2020, the record date for the dividend, subject to ordinary shareholder approval.

64 Approval of financial statements

The Board of Directors approved the consolidated and Company financial statements on 21 February 2020.

Company balance sheet *(as at 31 December 2019)*

	Note	2019 €m	2018 €m
Assets			
Loans and advances to banks	b	3,612	2,022
Shares in Group undertakings	c	7,035	7,035
Other assets	d	641	820
Total assets		**11,288**	**9,877**
Equity and liabilities			
Debt securities in issue	f	2,435	1,182
Subordinated liabilities	e	1,092	766
Other liabilities	g	19	18
Total liabilities		**3,546**	**1,966**
Equity			
Share capital	h	1,079	1,079
Share premium account		456	456
Retained earnings		6,207	6,376
Total equity		**7,742**	**7,911**
Total equity and liabilities		**11,288**	**9,877**

The Company recorded a profit after tax of €4 million for the year ended 31 December 2019 (2018: €1 million).

Patrick Kennedy
Chairman

Patrick Haren
Deputy Chairman

Francesca McDonagh
Group Chief Executive

Sarah McLaughlin
Group Secretary

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

	2019				2018			
	Share capital €m	**Share premium account €m**	**Retained earnings €m**	**Total €m**	**Share capital €m**	**Share premium account €m**	**Retained earnings €m**	**Total €m**
Balance at 1 January	**1,079**	**456**	**6,376**	**7,911**	**1,079**	**456**	**6,499**	**8,034**
Profit for the year	-	-	4	4	-	-	1	1
Total comprehensive income for the year	**-**	**-**	**4**	**4**	**-**	**-**	**1**	**1**
Transactions with owners								
- Dividends on ordinary shares	-	-	(173)	(173)	-	-	(124)	(124)
Total transactions with owners	**-**	**-**	**(173)**	**(173)**	**-**	**-**	**(124)**	**(124)**
Balance at 31 December	**1,079**	**456**	**6,207**	**7,742**	**1,079**	**456**	**6,376**	**7,911**

a Accounting policies and critical accounting estimates and judgements

The Company financial statements have been prepared in accordance with FRS 101 ‘Reduced disclosure framework’ and in accordance with Section 290 (1) of the Companies Act 2014.

These financial statements are financial statements of the Company only and do not consolidate the results of any subsidiaries.

In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of IFRS as adopted by the EU (but makes amendments where necessary in order to comply with the Companies Act 2014). The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- statement of Cash Flows;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- certain requirements of IAS 1 ‘Presentation of financial statements’;
- disclosures required by IFRS 7 ‘Financial Instruments: disclosures’;
- disclosures required by IFRS 13 ‘Fair value measurement’; and
- the effects of new but not yet effective IFRSs.

The financial statements are presented in euro millions except where otherwise indicated. They have been prepared under the historical cost convention. The accounting policies of the Company are the same as those of the Group which are set out in the Group accounting policies section of the Annual Report on pages 178 to193, where applicable. The Company’s investment in its subsidiary is stated at cost less any impairment.

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

Shares in Group undertakings
Cost
The cost of the Company’s investment in the ordinary stock of its subsidiary undertaking, the Bank, was measured at the Company’s share of the carrying value of the equity items reflected in the separate financial statements of the Bank at 7 July 2017, the date on which the Company became the Parent entity of the Bank. The Company’s share of these equity items, as holder of 100% of the ordinary stock of the Bank, was assessed in accordance with the rights attaching to other equity instruments, comprising preference stock and an AT1 instrument, and measured on a relative fair value basis.

Impairment review
The Company carries its investment in its subsidiary undertaking at cost and reviews for impairment at each reporting date. Impairment testing involves the comparison of the carrying value of the investment with its recoverable amount. The recoverable amount is the higher of the investment’s fair value or it’s VIU.

VIU is the present value of expected future cash flows from the investment. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Judgement
Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of the investment; and the valuation of the separable assets comprising the overall investment in the Group undertaking.

Sources of estimation uncertainty
Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a long-term growth rate appropriate for the business is applied. The next five years’ cash flows are consistent with approved plans for each business.

Growth rates
Growth rates beyond five years are determined by reference to local economic growth rates. The assumed long term growth rate for the purpose of the impairment assessment is 3%.

Discount rate
The discount rate applied is the pre-tax weighted average cost of capital for the Group which is 12% at 31 December 2019 (31 December 2018: 12%).

The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. No impairment has been identified at 31 December 2019 (31 December 2018: €nil).

Applying a long-term growth rate of 0% in the model would not result in impairment of the investment. The Directors consider that the use of reasonably possible alternative assumptions would not materially impact the carrying value of the investment.

See note c for further information.

b Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost with the associated impairment loss allowance measured on a 12 month and lifetime ECL approach.

The increase in impairment loss is due to additional lending to the Bank in the year.

The impairment loss allowance on loans and advances to banks is all held against Stage 1 (not credit-impaired assets) with a PD 1-4.

	2019 €m	2018 €m
Placements with banks	3,615	2,024
Less impairment loss allowance on loans and advances to banks	(3)	(2)
Loans and advances to banks at amortised cost	**3,612**	**2,022**
Amounts include:		
Due from Group undertakings	**3,612**	2,022

c Shares in Group undertakings

	2019 €m	2018 €m
Balance at beginning and end of the year	7,035	7,035
Group undertakings of which:		
Credit Institutions	7,035	7,035

The Company's investment in the Bank is reviewed for impairment if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of the investment to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount. No impairment charge was recognised in 2019.

The recoverable amount of the investment is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the investment, based upon a VIU calculation that discounts expected pre-tax cash flows at a discount rate appropriate to the investment. The determination of both requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance. The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement.

The recoverable amount calculation performed is sensitive to changes in the following key assumptions:

Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a long-term growth rate appropriate for the business is applied (see below). The next five years' cash flows are consistent with approved plans for each business.

Growth rates
Growth rates beyond five years are determined by reference to long-term economic growth rates.

Discount rate
The discount rate applied is the pre-tax weighted average cost of capital for the Company increased to include a risk premium to reflect the specific risk profile of the investment to the extent that such risk is not already reflected in the forecast cash flows.

The forecast cash flows reflect management's view of future business prospects. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed in the review.

d Other assets

In 2017, the Bank declared and approved a €1 billion dividend payment to BOIG plc. The Bank paid €173 million of this dividend in 2019 (2018: €200 million). A total of €373 million has been paid to date, the balance remains outstanding and payable on demand by the company. As the declaration and approval of the dividend is an irrevocable commitment by the Bank, the full amount of the dividend has been accounted for by the Company.

	2019 €m	2018 €m
Dividend receivable from the Bank[1]	627	800
Other assets	14	20
Total	**641**	**820**
Amounts include:		
Due from Group undertakings	641	820
Other assets are analysed as follows:		
Within 1 year	641	820

e Subordinated liabilities

	2019 €m	2018 €m
Dated loan capital		
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	350	333
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	443	433
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes 2029	299	-
Total subordinated liabilities	**1,092**	**766**

Further details on subordinated liabilities are contained in note 47 to the consolidated financial statements.

f Debt securities in issue

	2019 €m	2018 €m
Bonds and medium term notes	2,435	1,182
Debt securities in issue at amortised cost	**2,435**	**1,182**
Debt securities are analysed as follows:		
After 1 year	2,435	1,182
	2,435	**1,182**

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

	2019 €m	2018 €m
Opening balance	1,182	-
Issued during the year	1,250	1,177
Other movements	3	5
Closing balance	**2,435**	**1,182**

[1] *Dividend receivable is subject to 12-month expected credit losses impairment loss allowance of €55,385 at 31 December 2019 (2018: €71,000).*

g Other liabilities

	2019 €m	2018 €m
Accrued interest payable	19	18
Other liabilities	**19**	**18**
Other liabilities are analysed as follows:		
Within 1 year	19	18
	19	**18**

h Share capital

Ordinary shares
All ordinary shares carry the same voting rights.

There were no outstanding options on ordinary shares under employee schemes as at 31 December 2019 or 2018.

Authorised	2019 €m	2018 €m
10 billion ordinary shares of €1.00 each	10,000	10,000
100 million preference shares of €0.10 each	10	10
Total	**10,010**	**10,010**

Allotted and fully paid	2019 €m	2018 €m
1.079 billion ordinary shares of €1.00 each	**1,079**	**1,079**

i Dividend per ordinary share

On 22 February 2019, the Board recommended a dividend of 16.0 cent per ordinary share, €173 million in total, which was approved at the AGM on 14 May 2019 and paid on 10 June 2019. This dividend has been accounted for in shareholders' equity as an appropriation of retained earnings for 2019.

	2019		2018	
	Cent per share	€m	Cent per share	€m
Final dividend paid in respect of the years ended 31 December 2019 and 2018	16.0	173	11.5	124

j Other

(i) BOIG plc is incorporated in Ireland as a public limited company with registration number 593672. Its registered office is situated at 40 Mespil Road, Dublin 4.

(ii) The Company is domiciled in Ireland.

(iii) Company income statement:
In accordance with Section 304 of the Companies Act, the Company is availing of the exemption to not present its individual income statement to the AGM and from filing it with the Registrar of Companies. The Company's profit after tax for the year ended 31 December 2019 determined in accordance with FRS 101 is €4 million (2018: €1 million).

(iv) Information in relation to the Company's principal subsidiaries is contained in note 54 to the consolidated financial statements.

(v) Auditor's Remuneration:
In accordance with Section 322 of the Companies Act, the fees paid in the year to the statutory Auditor for work engaged by the Company comprised audit fees of €nil (2018: €nil) and other assurance services of €nil (2018: €nil).

(vi) BOIG plc had no employees at any time during the year (2018: no employees).

(vii) Post balance sheet events are shown in note 63 to the consolidated financial statements.

k Directors and secretary

Directors
Kent Atkinson *(resigned 14 May 2019)*
Patrick Haren
Andrew Keating *(resigned 18 October 2019)*
Patrick Kennedy
Francesca McDonagh
Fiona Muldoon
Patrick Mulvihill
Michele Greene *(appointed 5 December 2019)*
Richard Goulding
Steve Pateman
Evelyn Bourke
Eileen Fitzpatrick *(appointed 15 May 2019)*
Ian Buchanan
Myles O'Grady *(appointed 15 January 2020)*

Company Secretary
Helen Nolan *(resigned 31 July 2019)*
Sarah McLaughlin *(appointed 18 September 2019)*
Peter Gray *(Interim) (appointed 31 July 2019, resigned 18 September 2019)*

The names of the persons who were Directors or Company Secretary of the Company at any time during the year ended 31 December 2019 and up to the date of the approval of the financial statements are set out in this note.

Other Information

Contents

Group exposures to selected countries

The information in Group exposures to selected countries forms an integral part of the audited financial statements as described in the Basis of preparation on page 178.

Set out in the tables below is a summary of the Group's exposure to sovereign debt and other country exposures for selected balance sheet line items at 31 December 2019. These include exposures to Ireland, the UK, the US and those other countries that have a S&Ps credit rating of AA or below where the Group has an exposure of over €470 million.

2019 Assets	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Other[1] €m	Total €m
Cash and balances at central banks	5,095	2,570	264	-	-	-	396	8,325
Trading securities	-	-	-	-	-	-	32	32
Derivative financial instruments[2] (net)	62	164	16	1	5	-	40	288
Other financial assets at FVTPL[3]	714	129	322	16	418	120	561	2,280
Loans and advances to banks[4]	256	2,055	19	16	511	27	246	3,130
Financial assets at FVOCI	2,534	251	1	1,304	1,760	818	4,129[5]	10,797
- Government bonds	*2,327*	*-*	*1*	*1,233*	*715*	*623*	*950*	*5,849*
- Other	*207*	*251*	*-*	*71*	*1,045*	*195*	*3,179*	*4,948*
Debt securities at amortised cost	3,475	593	5	13	-	-	425[6]	4,511
- Government bonds	*3,460*	*307*	*-*	*-*	*-*	*-*	*-*	*3,767*
- Asset backed securities	*15*	*25*	*5*	*13*	*-*	*-*	*-*	*58*
- Other	*-*	*261*	*-*	*-*	*-*	*-*	*425*	*686*
Total	**12,136**	**5,762**	**627**	**1,350**	**2,694**	**965**	**5,829**	**29,363**

2018 Assets	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Other[7] €m	Total €m
Cash and balances at central banks	2,582	2,905	143	-	-	-	403	6,033
Trading securities	-	6	-	-	-	-	23	29
Derivative financial instruments[2] (net)	25	193	13	5	20	6	105	367
Other financial assets at FVTPL[3]	659	143	261	19	368	118	514	2,082
Loans and advances to banks[4]	25	1,875	45	-	307	-	160	2,412
Financial assets at FVOCI	2,866	392	1	931	1,977	897	4,984[8]	12,048
- Government bonds	*2,619*	*-*	*1*	*851*	*794*	*726*	*1,082*	*6,073*
- Other	*247*	*392*	*-*	*80*	*1,183*	*171*	*3,902*	*5,975*
Debt securities at amortised cost	2,848	745	8	18	-	-	309[9]	3,928
- Government bonds	*2,848*	*464*	*-*	*-*	*-*	*-*	*-*	*3,312*
- Asset backed securities	*-*	*30*	*8*	*18*	*-*	*-*	*1*	*57*
- Other	*-*	*251*	*-*	*-*	*-*	*-*	*308*	*559*
Total	**9,005**	**6,259**	**471**	**973**	**2,672**	**1,021**	**6,498**	**26,899**

[1] *In 2019, other is primarily made up of exposures to the following countries: Sweden: €0.9 billion, Netherlands: €0.5 billion, Portugal: €0.5 billion, Germany: €0.4 billion, Italy €0.4 billion, Norway: €0.3 billion, Austria: €0.3 billion, Denmark: €0.3 billion, Canada: €0.2 billion, Finland: €0.1 billion, Rest of world: €0.9 billion and Supranational institutions: €1.1 billion. Also included in other is the Group's euro cash holding in branches.*

[2] *Net Derivative exposure is calculated after the application of master netting arrangements and associated cash collateral received.*

[3] *This excludes €14.4 billion of assets held by the Group's life assurance business which are linked to policyholder liabilities (2018: €12.3 billion) and includes loans and advances to customers held at fair value through profit or loss of €0.3 billion (2018: €0.3 billion).*

[4] *This excludes €198 million of assets held by the Group's life assurance business which are linked to policyholder liabilities (2018: €213 million) .*

[5] *In 2019, Other financial assets at fair value through other comprehensive income is primarily made up of exposures to the following countries: Sweden: €0.8 billion, Netherlands: €0.4 billion, Portugal: €0.4 billion, Italy: €0.4 billion, Norway: €0.3 billion, Rest of world: €1.8 billion.*

[6] *In 2019, Debt securities at amortised cost Other category is made up of exposures to Germany: €0.1 billion and the Rest of world: €0.3 billion.*

[7] *In 2018, other is primarily made up of exposures to the following countries: Sweden: €0.8 billion, Netherlands: €0.5 billion, Germany: €0.4 billion, Portugal: €0.4 billion, Canada: €0.3 billion, Norway: €0.3 billion, Austria: €0.3 billion, Denmark: €0.2 billion, Finland: €0.1 billion, Turkey €nil, Italy €0.5 billion, Rest of world: €1.0 billion and Supranational institutions: €1.7 billion. Also included in other is the Group's euro cash holding in branches.*

[8] *In 2018, Other financial assets at fair value through other comprehensive income` is primarily made up of exposures to the following countries: Sweden: €0.8 billion, Netherlands: €0.4 billion, Canada: €0.3 billion, Portugal: €0.4 billion, Italy: €0.4 billion and Rest of world: €2.7 billion.*

[9] *In 2018, other is primarily made up of exposures to the Rest of world: €0.3 billion.*

Set out in the following tables is more detailed analysis of the Group's exposures at 31 December 2019 by asset class.

2019 Derivative financial instruments	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Other[1] €m	Total €m
Gross derivative assets								
Financial institutions	1	232	23	3	97	7	178	541
Corporate	100	1,280	47	1	5	-	25	1,458
Total	**101**	**1,512**	**70**	**4**	**102**	**7**	**203**	**1,999**
Net Derivative Assets[2]								
Financial institutions	1	-	-	-	-	-	16	17
Corporate	61	164	16	1	5	-	24	271
Total	**62**	**164**	**16**	**1**	**5**	**-**	**40**	**288**

2018 Derivative financial instruments	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Other[3] €m	Total €m
Gross derivative assets								
Financial institutions	1	317	17	6	172	6	194	713
Corporate	80	877	33	3	1	-	17	1,011
Total	**81**	**1,194**	**50**	**9**	**173**	**6**	**211**	**1,724**
Net Derivative Assets[2]								
Financial institutions	1	14	-	2	20	6	89	132
Corporate	24	179	13	3	-	-	16	235
Total	**25**	**193**	**13**	**5**	**20**	**6**	**105**	**367**

[1] *In 2019, other Net Derivative Assets exposure is primarily made up of exposures to the following countries: Germany: €80 million, Canada: €16 million, Switzerland €9 million, Luxembourg: €5 million, Jersey €2 million, Netherlands: €1 million and Other: €1 million.*
[2] *Net Derivative Assets exposure is calculated after the application of master netting arrangements and associated cash collateral received.*
[3] *In 2018, other Net Derivative Assets exposure is primarily made up of exposures to the following countries: Canada: €16 million, Finland €5 million, Germany: €80 million, Luxembourg: €1 million, Austria: €nil and Netherlands: €1 million.*

Supplementary asset quality and forbearance disclosures

The tables below (except where denoted unaudited) in the Supplementary asset quality and forbearance disclosures form an integral part of the audited financial statements as described in the basis of preparation on page 178. All other information in the Supplementary asset quality and forbearance disclosures is additional information and does not form part of the audited 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;
- 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 31 December 2019 (2018: €0.3 billion) which are not subject to impairment under IFRS 9 (note 27).

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 31 December 2019.

Table: 1a **Retail Ireland mortgages - Volumes (before impairment loss allowance) by interest rate type[1]**	**2019**		**2018**	
	€m	**%**	**€m**	**%**
Tracker	8,709	38%	9,829	42%
Variable rates	3,173	14%	4,355	18%
Fixed rates	11,153	48%	9,532	40%
Total Retail Ireland mortgages	**23,035**	**100%**	**23,716**	**100%**

[1] *The above table excludes undrawn loan commitments relating to Retail Ireland mortgages of €895 million at 31 December 2019 (2018: €774 million) that are subject to impairment under IFRS 9.*

Book composition *(continued)*

Loan volumes *(continued)*

Table: 1b

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

Table: 1b

2018 **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[3] €m**
Owner occupied mortgages	18,277	1,005	19,282	1,015	2	20,299
Buy to let mortgages	2,126	280	2,406	1,010	1	3,417
Total Retail Ireland mortgages	**20,403**	**1,285**	**21,688**	**2,025**	**3**	**23,716**

At 31 December 2019, Retail Ireland mortgages were €23.0 billion (2018: €23.7 billion), a decrease of €0.7 billion or 3%, of which €0.4 billion relates to the securitisation of non-performing mortgages and €0.2 billion relates to disposal of non-performing mortgages (note 27). There was a €1.1 billion decrease in the tracker portfolio, a €1.2 billion decrease in the variable rate portfolio and an increase of €1.6 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'[4] repayment basis at 31 December 2019 was 97% (2018: 95%) with the balance of 3% on an 'interest only'[5] repayment basis (2018: 5%). Of the Owner occupied mortgages of €20.5 billion, 98% were on a 'full principal and interest' repayment basis (2018: 97%), while 90% of the BTL mortgages of €2.5 billion were on a 'full principal and interest' repayment basis (2018: 79%). 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 €895 million at 31 December 2019 (31 December 2018: €774 million) that are subject to impairment under IFRS 9.*

2 *At 31 December 2019, Purchased or Originated Credit-impaired loans included €2 million (31 December 2018: €2 million) of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvements in credit risk. These loans will remain classified as Purchased or Originated Credit-impaired until derecognition.*

3 *Excluded from the above tables at 31 December 2019 are €0.2 billion (31 December 2018: €0.3 billion) of loans mandatorily held at fair value through profit or loss which are not subject to impairment under IFRS 9.*

4 *'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.*

5 *'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	2019				2018			
	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[2] (before impairment loss allowance)	Balance €m	Number of accounts[3]	Balance €m	Number of accounts[3]	Balance €m	Number of accounts[3]	Balance €m	Number of accounts[3]
2000 and before	143	5,879	22	559	188	7,903	28	675
2001	126	3,604	14	221	156	3,978	18	290
2002	266	5,283	36	342	327	5,837	47	444
2003	535	7,998	64	613	638	8,728	94	828
2004	986	11,491	111	885	1,172	13,070	170	1,242
2005	1,685	16,057	206	1,284	1,999	17,483	326	1,788
2006	2,633	20,643	367	2,025	3,140	22,547	615	3,017
2007	2,370	17,475	337	1,729	2,798	18,942	543	2,490
2008	1,688	12,704	196	1,085	1,943	13,612	289	1,459
2009	915	7,591	57	431	1,024	8,298	72	529
2010	673	5,316	12	102	747	5,666	16	126
2011	597	4,769	7	55	661	5,111	8	55
2012	530	4,318	3	23	587	4,617	3	19
2013	497	3,835	3	20	550	4,079	3	20
2014	787	5,414	1	10	886	5,832	1	9
2015	1,115	9,274	6	76	1,261	10,152	4	66
2016	1,269	8,460	12	90	1,427	9,004	10	74
2017	1,829	9,105	3	23	1,960	9,434	2	18
2018	2,214	9,993	-	3	2,252	10,213	-	1
2019	2,177	9,870	-	-	-	-	-	-
Total	**23,035**	**179,079**	**1,457**	**9,576**	**23,716**	**184,506**	**2,249**	**13,150**

The table above illustrates that at 31 December 2019, €3.7 billion or 16% of the Retail Ireland mortgage loan book originated before 2006, €6.7 billion or 29% between 2006 and 2008 and €12.6 billion or 55% in the years since 2008. At 31 December 2019, total non-performing exposures were €1.5 billion (2018: €2.2 billion) or 6% of the Retail Ireland mortgage loan book, of which €0.9 billion originated between 2006 and 2008. There has been a decrease in total NPEs in 2019 reflecting the securitisation of €0.4 billion of NPEs, disposal of €0.2 billion of NPEs (note 27) 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] *Excluded from the above tables at 31 December 2019 are €0.2 billion (31 December 2018: €0.3 billion) of loans mandatorily held at fair value through profit or loss which are not subject to impairment under IFRS 9.*
[3] *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 *(unaudited)*

Mortgage arrears Greater than 90 days past due	**December 2019 %**	**September 2019 %**	**June 2019 %**	**December 2018 %**
Number of accounts				
Retail Ireland[1] Owner occupied mortgages	1.9%	1.9%	2.0%	2.1%
Industry[2] Owner occupied (number of accounts)	n/a	6.9%	7.1%	7.2%
Retail Ireland[1] Buy to let mortgages	3.7%	3.6%	5.4%	4.9%
Industry[2] Buy to let (number of accounts)	n/a	16.5%	17.4%	16.9%
Value				
Retail Ireland[1] Owner occupied mortgages	2.5%	2.5%	2.7%	2.7%
Industry[2] Owner occupied (value)	n/a	10.0%	10.3%	10.4%
Retail Ireland[1] Buy to let mortgages	9.3%	8.8%	12.2%	10.9%
Industry[2] Buy to let (value)	n/a	24.6%	24.9%	24.7%

Table: 3a-(i) *(unaudited)*

Mortgage arrears 720 days past due	**December 2019 %**	**September 2019 %**	**June 2019 %**	**December 2018 %**
Number of accounts				
Retail Ireland[1] Owner occupied mortgages	1.0%	1.0%	1.1%	1.1%
Industry[2] Owner occupied (number of accounts)	n/a	4.5%	4.6%	4.5%
Retail Ireland[1] Buy to let mortgages	2.1%	1.9%	2.7%	2.4%
Industry[2] Buy to let (number of accounts)	n/a	12.3%	13.5%	12.6%
Value				
Retail Ireland[1] Owner occupied mortgages	1.6%	1.6%	1.7%	1.7%
Industry[2] Owner occupied (value)	n/a	7.3%	7.4%	7.3%
Retail Ireland[1] Buy to let mortgages	5.9%	5.5%	7.0%	5.8%
Industry[2] Buy to let (value)	n/a	19.8%	20.7%	19.5%

The latest information published by the CBI is for the quarter ended 30 September 2019.

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 (28% of industry average) and BTL (22% of industry average) mortgages. At 30 September 2019, 1.9% and 3.6% 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 6.9%[2] and 16.5%[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 (22% of industry average) and BTL (15% of industry average) mortgages. At 30 September 2019, 1.0% and 1.9% 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 4.5%[2] and 12.3%[2] respectively for the industry.

[1] *The table above includes €0.2 billion (2018: €0.3 billion) of loans mandatorily held at fair value through the profit or loss at 31 December 2019 which are not subject to impairment under IFRS 9.*
[2] *Industry source: CBI Mortgage Arrears Statistics Report, September 2019 - adjusted to exclude Bank of Ireland.*

Book composition *(continued)*

Loan to value profiles - total loans

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

Table: 3b	**Owner occupied**			**Buy to let**			**Total**		
2018 Loan to value ratio of total Retail Ireland mortgages[1,2]	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	7,165	154	7,319	1,016	54	1,070	8,181	208	8,389
51% to 70%	6,660	168	6,828	797	86	883	7,457	254	7,711
71% to 80%	2,761	100	2,861	229	71	300	2,990	171	3,161
81% to 90%	1,986	105	2,091	205	195	400	2,191	300	2,491
91% to 100%	550	102	652	60	96	156	610	198	808
Subtotal	**19,122**	**629**	**19,751**	**2,307**	**502**	**2,809**	**21,429**	**1,131**	**22,560**
101% to 120%	108	143	251	47	138	185	155	281	436
121% to 150%	30	100	130	20	107	127	50	207	257
Greater than 151%	22	143	165	32	263	295	54	406	460
Subtotal	**160**	**386**	**546**	**99**	**508**	**607**	**259**	**894**	**1,153**
Total	**19,282**	**1,015**	**20,297**	**2,406**	**1,010**	**3,416**	**21,688**	**2,025**	**23,713**
Weighted average LTV[3]:									
Stock of Retail Ireland mortgages at year end			59%			76%			61%
New Retail Ireland mortgages during the year			72%			51%			71%

[1] *Excluded from the above table are Purchased or Originated Credit-impaired loans of €3 million (2018: €3 million), €2 million (2018: €2 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase of origination. These loans will remain classified as Purchased or Originated Credit-impaired until derecognition.*

[2] *Excluded from the above tables at 31 December 2019 are €0.2 billion (31 December 2018: €0.3 billion) of loans mandatorily held at fair value through profit or loss which are not subject to impairment under IFRS 9.*

[3] *Weighted average loan to value ratios 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)*

The tables on the previous page set out the weighted average indexed LTV for the total Retail Ireland mortgage loan book which showed positive movements during 2019 and was, on average, 59% at 31 December 2019, 58% for Owner occupied mortgages and 66% for BTL mortgages. The weighted average indexed LTV for new Residential mortgages written during 2019 was 74%, being 74% for Owner occupied mortgages and 54% for BTL mortgages.

Property values are determined by reference to the property valuations held, indexed to the CSO RPPI. The indexed LTV profile of the Retail Ireland mortgage loan book contained in table 3b is based on the CSO RPPI at October 2019.

The RPPI for October 2019 reported that average national residential property prices were 16.9% below peak (2018: 17.6% below peak), with Dublin residential prices and outside of Dublin residential prices 21.3% and 20.1% below peak respectively (2018: 20.1% and 22.7% below peak respectively). In the 10 months to October 2019, residential property prices at a national level increased by 1.6%.

At 31 December 2019, €22.3 billion or 97% of Retail Ireland mortgages were classified as being in positive equity, 98% for Owner occupied mortgages and 88% for BTL mortgages.

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	2019						2018					
	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[1,2]	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	15,719	-	385	-	16,104	-	13,976	-	336	-	14,312	-
5-7	2,477	-	1,191	-	3,668	-	3,632	-	1,468	-	5,100	-
8-9	413	-	167	-	580	-	467	-	188	-	655	-
10-11	154	-	104	-	258	-	202	-	134	-	336	-
Total Stage 1	**18,763**	**-**	**1,847**	**-**	**20,610**	**-**	**18,277**	**-**	**2,126**	**-**	**20,403**	**-**
Stage 2												
1-4	68	1	1	-	69	1	77	2	-	-	77	2
5-7	108	4	18	2	126	6	117	5	22	4	139	9
8-9	193	31	41	3	234	34	267	49	35	2	302	51
10-11	395	72	141	55	536	127	392	96	151	66	543	162
Total Stage 2	**764**	**108**	**201**	**60**	**965**	**168**	**853**	**152**	**208**	**72**	**1,061**	**224**
Not credit-impaired (Stage 1 & Stage 2)												
1-4	15,787	1	386	-	16,173	1	14,053	2	336	-	14,389	2
5-7	2,585	4	1,209	2	3,794	6	3,749	5	1,490	4	5,239	9
8-9	606	31	208	3	814	34	734	49	223	2	957	51
10-11	549	72	245	55	794	127	594	96	285	66	879	162
Subtotal - not credit-impaired	**19,527**	**108**	**2,048**	**60**	**21,575**	**168**	**19,130**	**152**	**2,334**	**72**	**21,464**	**224**
Credit-impaired (Stage 3)												
12	-	874	-	415	-	1,289	-	1,015	-	1,010	-	2,025
Subtotal - credit-impaired	**-**	**874**	**-**	**415**	**-**	**1,289**	**-**	**1,015**	**-**	**1,010**	**-**	**2,025**
Total	**19,527**	**982**	**2,048**	**475**	**21,575**	**1,457**	**19,130**	**1,167**	**2,334**	**1,082**	**21,464**	**2,249**

[1] *Excluded from the above table are Purchased or Originated Credit-impaired loans of €3 million (2018: €3 million), €2 million (2018: €2 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase of origination. These loans will remain classified as Purchased or Originated Credit-impaired until derecognition.*
[2] *Excluded from the above tables at 31 December 2019 are €0.2 billion (31 December 2018: €0.3 billion) of loans mandatorily held at fair value through profit or loss which are not subject to impairment under IFRS 9.*

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 2019 Retail Ireland mortgages[1,2]	Advances (before impairment loss allowance) €m	Non-performing exposures €m	Non-performing exposures as % of advances %	Impairment loss allowance €m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Owner occupied mortgages	18,763	-	-	5	-	-
Buy to let mortgages	1,847	-	-	2	-	-
Total	**20,610**	**-**	**-**	**7**	**-**	**-**
Stage 2 not credit-impaired						
Owner occupied mortgages	872	108	12%	14	13%	2%
Buy to let mortgages	261	60	23%	8	13%	3%
Total	**1,133**	**168**	**15%**	**22**	**13%**	**2%**
Stage 3 credit-impaired						
Owner occupied mortgages	874	874	100%	206	24%	24%
Buy to let mortgages	415	415	100%	134	32%	32%
Total	**1,289**	**1,289**	**100%**	**340**	**26%**	**26%**
Total						
Owner occupied mortgages	20,509	982	5%	225	23%	1%
Buy to let mortgages	2,523	475	19%	144	30%	6%
Total	**23,032**	**1,457**	**6%**	**369**	**25%**	**2%**

Table: 4 2018 Retail Ireland mortgages[1,2]	Advances (before impairment loss allowance) €m	Non-performing exposures €m	Non-performing exposures as % of advances %	Impairment loss allowance €m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Owner occupied mortgages	18,277	-	-	3	-	-
Buy to let mortgages	2,126	-	-	2	-	-
Total	**20,403**	**-**	**-**	**5**	**-**	**-**
Stage 2 not credit-impaired						
Owner occupied mortgages	1,005	152	15%	9	6%	1%
Buy to let mortgages	280	72	26%	6	8%	2%
Total	**1,285**	**224**	**17%**	**15**	**7%**	**1%**
Stage 3 credit-impaired						
Owner occupied mortgages	1,015	1,015	100%	186	18%	18%
Buy to let mortgages	1,010	1,010	100%	258	26%	26%
Total	**2,025**	**2,025**	**100%**	**444**	**22%**	**22%**
Total						
Owner occupied mortgages	20,297	1,167	6%	198	17%	1%
Buy to let mortgages	3,416	1,082	32%	266	25%	8%
Total	**23,713**	**2,249**	**9%**	**464**	**21%**	**2%**

1 *Excluded from the above table are Purchased or Originated Credit-impaired loans of €3 million (2018: €3 million), €2 million (2018: €2 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase of origination. These loans will remain classified as Purchased or Originated Credit-impaired until derecognition.*

2 *Excluded from the above tables at 31 December 2019 are €0.2 billion (31 December 2018: €0.3 billion) of loans mandatorily held at fair value through profit or loss which are not subject to impairment under IFRS 9.*

Asset quality *(continued)*

Composition and impairment *(continued)*

Total NPEs of €1.5 billion were €0.8 billion lower than at 31 December 2018.

Owner occupied NPEs of €1.0 billion were €0.2 billion lower than at 31 December 2018 with BTL mortgages decreasing to €0.5 billion at 31 December 2019 from €1.1 billion at 31 December 2018. The reduction in NPEs reflects the securitisation of €0.4 billion of NPEs and disposal of €0.2 billion of NPEs (note 27), 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.

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]	2019 £m	2019 %	2018 £m	2018 %
Tracker	5,607	28%	6,271	32%
Variable rates	2,245	12%	2,711	14%
Fixed rates	11,917	60%	10,452	54%
Total Retail UK mortgages	**19,769**	**100%**	**19,434**	**100%**

At 31 December 2019, Retail UK mortgages were £19.8 billion (2018: £19.4 billion). The increase of £0.4 billion or 2% reflects new business generation partially offset by redemptions in the book.

New mortgage business continues to be sourced through the Group's relationship with the UK Post Office, through distribution arrangements with other selected strategic partners and the Group's branch network in NI.

Tracker mortgages were £5.6 billion or 28% of the Retail UK mortgages compared to £6.3 billion or 32% at 31 December 2018, a decrease of £0.7 billion. Variable rate mortgages were £2.2 billion or 12% of the Retail UK mortgages compared to £2.7 billion or 14% at 31 December 2018, a decrease of £0.5 billion.

Fixed rate mortgages were £11.9 billion or 60% of the Retail UK mortgages compared to £10.5 billion or 54% at 31 December 2018, an increase of £1.5 billion.

[1] *The above tables exclude undrawn loan commitments relating to Retail UK mortgages of £951million at 31 December 2019 (2018: £763 million) that are subject to impairment.*

Book composition

Loan volumes *(continued)*

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

Table: 1b

2019 **Retail UK mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) £m**	**Stage 2 (not credit-impaired) £m**	**Subtotal (not credit-impaired) £m**	**Stage 3 (credit-impaired) £m**	**Purchased or originated credit-impaired £m**	**Total £m**
Standard mortgages	10,531	173	10,704	121	-	10,825
Buy to let mortgages	7,135	166	7,301	93	-	7,394
Self certified mortgages	1,297	124	1,421	129	-	1,550
Total Retail UK mortgages	**18,963**	**463**	**19,426**	**343**	**-**	**19,769**

Table: 1b

2018 **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	9,908	181	10,089	136	-	10,225
Buy to let mortgages	7,142	214	7,356	110	-	7,466
Self certified mortgages	1,462	132	1,594	149	-	1,743
Total Retail UK mortgages	**18,512**	**527**	**19,039**	**395**	**-**	**19,434**

[1] *The above tables exclude undrawn loan commitments relating to Retail UK mortgages of £951 million at 31 December 2019 (2018: £763 million) that are subject to impairment.*

Book composition *(continued)*

Origination profile

Table: 2	2019				2018			
	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	98	3,146	7	175	131	4,079	9	211
2001	83	1,455	5	38	97	1,656	4	43
2002	109	1,695	2	24	126	1,902	4	36
2003	252	3,196	15	125	286	3,592	15	141
2004	300	3,632	17	155	350	4,236	18	149
2005	888	8,878	39	340	998	9,827	44	366
2006	1,307	12,579	67	514	1,467	13,906	69	501
2007	2,044	18,776	94	736	2,300	20,825	99	772
2008	2,818	24,982	128	990	3,142	27,492	150	1,132
2009	271	2,849	10	96	323	3,326	8	81
2010	197	1,941	4	28	230	2,214	4	29
2011	128	1,260	2	16	154	1,463	2	16
2012	129	1,175	1	8	156	1,355	-	4
2013	169	1,422	1	6	215	1,680	1	7
2014	362	2,962	1	12	659	4,603	2	13
2015	1,046	7,426	4	31	1,240	8,439	3	25
2016	1,092	7,844	3	18	1,380	9,503	2	14
2017	1,970	14,687	4	31	2,947	20,425	2	17
2018	2,988	21,959	2	15	3,233	22,956	1	6
2019	3,518	24,325	1	5	-	-	-	-
Total	**19,769**	**166,189**	**407**	**3,363**	**19,434**	**163,479**	**437**	**3,563**

The table above illustrates that at 31 December 2019, £1.7 billion or 9% of the Retail UK mortgage loan book originated before 2006, £6.2 billion or 31% between 2006 and 2008 and £11.9 billion or 60% in the years since.

Non-performing Retail UK mortgages were £0.4 billion or 2.1% (2018: £0.4 billion or 2.3%) of the Retail UK mortgage loan book in 2019, of which £0.3 billion or 1.5% were originated between 2006 and 2008 (2018: £0.3 billion or 1.6%).

[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 the number of customers or the number of properties.*

Book composition *(continued)*

Arrears profile

Table: 3a *(unaudited)*

Mortgage arrears Greater than 90 days past due	December 2019 %	June 2019 %	December 2018 %
Number of accounts			
Standard mortgages	0.76%	0.76%	0.78%
Buy to let mortgages	0.84%	0.77%	0.82%
Self certified mortgages	3.98%	3.61%	3.88%
Value			
Standard mortgages	0.63%	0.69%	0.69%
Buy to let mortgages	0.86%	0.78%	0.83%
Self certified mortgages	5.05%	4.64%	4.86%

Loan to value profiles - total loans

Table: 3b

2019

	Standard		Buy to let		Self certified		Total		
Loan to value ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,132	28	2,090	20	484	26	4,706	74	4,780
51% to 70%	3,033	40	3,521	33	608	50	7,162	123	7,285
71% to 80%	2,080	19	1,270	19	192	23	3,542	61	3,603
81% to 90%	2,598	14	383	14	110	18	3,091	46	3,137
91% to 100%	815	11	27	5	15	6	857	22	879
Subtotal	**10,658**	**112**	**7,291**	**91**	**1,409**	**123**	**19,358**	**326**	**19,684**
101% to 120%	27	4	8	2	7	2	42	8	50
121% to 150%	16	3	2	-	5	3	23	6	29
Greater than 150%	3	2	-	-	-	1	3	3	6
Subtotal	**46**	**9**	**10**	**2**	**12**	**6**	**68**	**17**	**85**
Total	**10,704**	**121**	**7,301**	**93**	**1,421**	**129**	**19,426**	**343**	**19,769**
Weighted average LTV[1]:									
Stock of Retail UK mortgages at year end	67%	67%	58%	65%	57%	67%	63%	67%	63%
New Retail UK mortgages during year	76%	87%	61%	53%	n/a	n/a	73%	68%	73%

[1] *Weighted average loan to value ratios 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)*

Table: 3b

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

The table above sets out the weighted average indexed LTV for the total Retail UK mortgage loan book, which was 63% at 31 December 2019. The weighted average LTV for new Residential mortgages written during 2019 was 73%, 76% for Standard mortgages and 61% for BTL mortgages.

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

At 31 December 2019, £19.7 billion or 99.6% of the Retail UK mortgage book was in positive equity (2018: £19.3 billion or 99%), comprising £10.8 billion or 99.5% of Standard mortgages (2018: £10.2 billion or 99%), £7.4 billion or 99.8% of BTL mortgages (2018: £7.5 billion or 99%) and £1.5 billion or 98.8% of Self certified mortgages (2018: £1.7 billion or 99%).

This improvement reflects the upward movement in house prices in the year with house prices increasing by 0.8% on average across the UK, with significant regional variances, together with capital reductions and principal repayments.

[1] *Weighted average loan to value ratios 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

2019 Risk profile of Retail UK mortgage loan book (before impairment loss allowance) PD Grade	Standard Performing £m	Standard Non-performing £m	Buy to let Performing £m	Buy to let Non-performing £m	Self certified Performing £m	Self certified Non-performing £m	Total Performing £m	Total Non-performing £m
Not credit-impaired								
Stage 1								
1-4	6,376	-	1,105	-	11	-	7,492	-
5-7	4,037	-	5,277	-	910	-	10,224	-
8-9	44	-	547	-	270	-	861	-
10-11	74	-	205	1	106	-	385	1
Total Stage 1	**10,531**	**-**	**7,134**	**1**	**1,297**	**-**	**18,962**	**1**
Stage 2								
1-4	13	3	2	-	-	-	15	3
5-7	21	3	23	4	18	5	62	12
8-9	5	2	13	3	5	2	23	7
10-11	116	10	105	16	79	15	300	41
Total Stage 2	**155**	**18**	**143**	**23**	**102**	**22**	**400**	**63**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	6,389	3	1,107	-	11	-	7,507	3
5-7	4,058	3	5,300	4	928	5	10,286	12
8-9	49	2	560	3	275	2	884	7
10-11	190	10	310	17	185	15	685	42
Subtotal - not credit-impaired	**10,686**	**18**	**7,277**	**24**	**1,399**	**22**	**19,362**	**64**
Credit-impaired (Stage 3)								
12	-	121	-	93	-	129	-	343
Subtotal - credit-impaired	**-**	**121**	**-**	**93**	**-**	**129**	**-**	**343**
Total	**10,686**	**139**	**7,277**	**117**	**1,399**	**151**	**19,362**	**407**

Book composition *(continued)*

Risk profile *(continued)*

Table: 3c

2018 Risk profile of Retail UK mortgage loan book (before impairment loss allowance) PD Grade	Standard Performing £m	Standard Non-performing £m	Buy to let Performing £m	Buy to let Non-performing £m	Self certified Performing £m	Self certified Non-performing £m	Total Performing £m	Total Non-performing £m
Not credit-impaired								
Stage 1								
1-4	4,571	-	2,750	-	13	-	7,334	-
5-7	5,186	-	3,674	-	1,158	-	10,018	-
8-9	59	-	556	-	171	-	786	-
10-11	92	-	162	-	120	-	374	-
Total Stage 1	**9,908**	**-**	**7,142**	**-**	**1,462**	**-**	**18,512**	**-**
Stage 2								
1-4	10	1	3	1	-	-	13	2
5-7	26	5	19	3	15	7	60	15
8-9	10	-	6	1	3	2	19	3
10-11	124	5	172	9	97	8	393	22
Total Stage 2	**170**	**11**	**200**	**14**	**115**	**17**	**485**	**42**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	4,581	1	2,753	1	13	-	7,347	2
5-7	5,212	5	3,693	3	1,173	7	10,078	15
8-9	69	-	562	1	174	2	805	3
10-11	216	5	334	9	217	8	767	22
Subtotal - not credit-impaired	**10,078**	**11**	**7,342**	**14**	**1,577**	**17**	**18,997**	**42**
Credit-impaired (Stage 3)								
12	-	136	-	110	-	149	-	395
Subtotal - credit-impaired	**-**	**136**	**-**	**110**	**-**	**149**	**-**	**395**
Total	**10,078**	**147**	**7,342**	**124**	**1,577**	**166**	**18,997**	**437**

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 2019 Retail UK mortgages	Advances (before impairment loss allowance) £m	Non-performing exposures £m	Non-performing exposures as % of advances %	Impairment loss allowance £m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Standard mortgages	10,531	-	-	2	-	-
Buy to let mortgages	7,135	1	-	5	n/m	-
Self certified mortgages	1,297	-	-	1	-	-
Total	**18,963**	**1**	**-**	**8**	**n/m**	**-**
Stage 2 not credit-impaired						
Standard mortgages	173	18	10%	3	17%	2%
Buy to let mortgages	166	23	14%	7	30%	4%
Self certified mortgages	124	22	18%	2	9%	2%
Total	**463**	**63**	**14%**	**12**	**19%**	**3%**
Stage 3 credit-impaired						
Standard mortgages	121	121	100%	12	10%	10%
Buy to let mortgages	93	93	100%	14	15%	15%
Self certified mortgages	129	129	100%	9	7%	7%
Total	**343**	**343**	**100%**	**35**	**10%**	**10%**
Total						
Standard mortgages	10,825	139	1%	17	12%	-
Buy to let mortgages	7,394	117	2%	26	22%	-
Self certified mortgages	1,550	151	10%	12	8%	1%
Total	**19,769**	**407**	**2%**	**55**	**14%**	**-**

Total NPEs of £407 million were £30 million lower than at 31 December 2018, primarily reflecting a decrease in greater than 90 days past due and past contractual maturity balances.

Owner occupied NPEs of £290 million were £23 million lower than at 31 December 2018.

BTL NPEs of £117 million were £7 million lower than at 31 December 2018.

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 2018 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	9,908	-	-	3	n/a	-
Buy to let mortgages	7,142	-	-	4	n/a	-
Self certified mortgages	1,462	-	-	1	n/a	-
Total	**18,512**	**-**	**-**	**8**	**n/a**	**-**
Stage 2 not credit-impaired						
Standard mortgages	181	11	6.1%	3	27%	2%
Buy to let mortgages	214	14	6.5%	9	64%	4%
Self certified mortgages	132	17	12.9%	2	12%	2%
Total	**527**	**42**	**8.0%**	**14**	**33%**	**3%**
Stage 3 credit-impaired						
Standard mortgages	136	136	100%	14	10%	10%
Buy to let mortgages	110	110	100%	19	17%	17%
Self certified mortgages	149	149	100%	9	6%	6%
Total	**395**	**395**	**100%**	**42**	**11%**	**11%**
Total						
Standard mortgages	10,225	147	1.4%	20	14%	-
Buy to let mortgages	7,466	124	1.7%	32	26%	-
Self certified mortgages	1,743	166	9.5%	12	7%	1%
Total	**19,434**	**437**	**2.2%**	**64**	**15%**	**-**

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 31 December 2019 of €80.5 billion is available in note 28 on page 235. Exposures are before impairment loss allowance.

Table: 1

2019 Loans and advances to customers at amortised cost - Composition	Stage 1 (not credit-impaired) €m	Stage 2 (not credit-impaired) €m	Stage 3 (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Non-forborne loans and advances to customers					
Residential mortgages	42,884	822	560	2	44,268
- Retail Ireland	*20,598*	*413*	*251*	*2*	*21,264*
- Retail UK	*22,286*	*409*	*309*	*-*	*23,004*
Non-property SME and corporate	17,473	1,121	172	-	18,766
- Republic of Ireland SME	*5,798*	*597*	*164*	*-*	*6,559*
- UK SME	*1,382*	*133*	*8*	*-*	*1,523*
- Corporate	*10,293*	*391*	*-*	*-*	*10,684*
Property and construction	5,985	818	10	-	6,813
- Investment	*5,418*	*572*	*9*	*-*	*5,999*
- Land and development	*567*	*246*	*1*	*-*	*814*
Consumer	5,421	202	88	-	5,711
Total non-forborne loans and advances to customers	**71,763**	**2,963**	**830**	**2**	**75,558**
Forborne loans and advances to customers					
Residential mortgages	14	855	1,133	1	2,003
- Retail Ireland	*12*	*720*	*1,038*	*1*	*1,771*
- Retail UK	*2*	*135*	*95*	*-*	*232*
Non-property SME and corporate	1	1,054	585	27	1,667
- Republic of Ireland SME	*1*	*414*	*331*	*-*	*746*
- UK SME	*-*	*92*	*70*	*2*	*164*
- Corporate	*-*	*548*	*184*	*25*	*757*
Property and construction	-	695	539	65	1,299
- Investment	*-*	*679*	*510*	*65*	*1,254*
- Land and development	*-*	*16*	*29*	*-*	*45*
Consumer	-	4	12	-	16
Total forborne loans and advances to customers	**15**	**2,608**	**2,269**	**93**	**4,985**

[1] *At 31 December 2019, forborne Purchased or Originated Credit-impaired loans included €65 million (2018: €2 million) of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvement in credit risk. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*

Risk profile of forborne loans and advances to customers *(continued)*

Table: 1

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

Table: 2

2019 Risk profile of loans and advances to customers at amortised cost - non-performing exposures	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Credit-impaired	560	172	10	88	830
Not credit-impaired	47	28	4	-	79
Total non-forborne loans and advances to customers	**607**	**200**	**14**	**88**	**909**
Forborne loans and advances to customers					
Credit-impaired	1,134	612	539	12	2,297
Not credit-impaired	198	76	39	-	313
Total forborne loans and advances to customers	**1,332**	**688**	**578**	**12**	**2,610**

[1] *At 31 December 2018, forborne Purchased or Originated Credit-impaired loans included €2 million of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvement in credit risk. These loans will remain classified as Purchased or Originated Credit-impaired loans until derecognition.*

Risk profile of forborne loans and advances to customers *(continued)*

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

Consolidated average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for 2019 and 2018. 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 42.

	2019			2018		
	Average Balance[1] €m	Interest[2,3] €m	Rate %	Average Balance[1] €m	Interest[2,3] €m	Rate %
Assets						
Loans and advances to banks	7,042	25	0.36%	7,802	16	0.21%
Loans and advances to customers at amortised cost including loans and advances to customers held for sale[4,5]	77,652	2,523	3.25%	76,184	2,464	3.23%
Debt securities at amortised cost and financial assets at FVOCI	16,389	38	0.23%	14,582	57	0.39%
Total interest earning assets	**101,083**	**2,586**	**2.56%**	**98,568**	**2,537**	**2.57%**
Non interest earning assets	25,432	-	-	23,288	-	-
Total assets	**126,515**	**2,586**	**2.04%**	**121,856**	**2,537**	**2.08%**
Liabilities and shareholders' equity						
Deposits from banks[6]	2,541	16	0.63%	3,900	7	0.18%
Customer accounts[6]	44,360	224	0.50%	44,214	203	0.46%
Debt securities in issue	7,583	100	1.32%	7,736	86	1.11%
Subordinated liabilities	1,751	90	5.14%	2,077	100	4.81%
Lease liabilities	603	15	2.49%	-	-	-
Total interest bearing liabilities	**56,838**	**445**	**0.78%**	**57,927**	**396**	**0.68%**
Current accounts	35,517	(9)	(0.03%)	31,637	(5)	(0.02%)
Total interest bearing liabilities and current accounts	**92,355**	**436**	**0.47%**	**89,564**	**391**	**0.44%**
Non interest bearing liabilities[7]	24,002	-	-	22,456	-	-
Shareholders' equity and non-controlling interests	10,158	-	-	9,836	-	-
Total liabilities and shareholders' equity	**126,515**	**436**	**0.34%**	**121,856**	**391**	**0.32%**
Euro and sterling reference rates (average)						
ECB base rate			0.00%			0.00%
3 month Euribor rate			(0.35%)			(0.32%)
Bank of England base rate			0.75%			0.60%
3 month Libor rate			0.81%			0.72%

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 such as UK portfolio divestments, see page 46 for further details.*
2. *Represents underlying interest income or underlying interest expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. Interest income of €20 million and interest expense of €5 million relating to UK portfolio divestments, and a charge of €10 million (2018: €12 million) to interest income relating to customer redress charges are excluded as non-core items.*
3. *Interest expense of €7 million (2018: €12 million) arising from assets subject to negative interest rates has been reclassified to interest income, whereas in the consolidated income statement it is presented as interest expense. Interest income of €19 million (2018: €19 million) arising from liabilities subject to negative interest rates has been reclassified to interest expense, whereas in the consolidated income statement it is presented as interest income.*
4. *Average loans and advances to customers volumes are presented net of Stage 3 impairment loss allowances.*
5. *The Group has availed of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. In order that yields on products are presented on a consistent basis year on year and are not impacted by the resulting change in hedge accounting designations, net interest flows of €97 million on all derivatives designated as fair value hedges of current accounts continue to be presented together with gross interest income on 'Loans and advances to customers' and is not included in 'Customer accounts'.*
6. *Excludes deposits carried at fair value through profit or loss.*
7. *Includes liabilities carried at fair value through profit or loss.*

Shareholder information
Holders of ordinary shares

Listings
BOIG plc is a public limited company incorporated in Ireland in 2016. 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.

Registrar
The Company's Registrar is:
Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82
Telephone: + 353 1 247 5414
Facsimile: + 353 1 447 5571
or
Contact via website: www.computershare.com/ie/contact-us

Shareholders may view their shareholding on Computershare's website at: www.investorcentre.com/ie by registering their details with Computershare. Once registered, shareholders will be sent a Computershare activation code and will then be able to view and amend their account details using the above link.

Amalgamating your shareholdings
If you receive more than one copy of a shareholder mailing with similar details on your accounts, it may be because the Company has more than one record of shareholdings in your name. To ensure that you do not receive duplicate mailings in future and to reduce the cost and waste associated with this, please have all your shareholdings amalgamated into one account by contacting the Company's Registrar (joint accounts cannot be merged with sole accounts or vice versa).

Shareholder profile	2019 % by value	2018 % by value
Ireland	15%	16%
UK	27%	23%
North America	33%	37%
Europe / other	13%	11%
Retail	12%	13%
Total	**100%**	**100%**

Shareholder enquiries
All enquiries concerning shareholdings should be addressed to the Company's Registrar.

Communication
It is the policy of the Company to communicate with shareholders by electronic means or through the www.bankofireland.com website in the interest of protecting the environment. Those shareholders who do not wish to receive documents or information by electronic means may request to receive the relevant information in paper form.

Bank of Ireland website
Further information about the Bank of Ireland Group can be obtained from the internet at www.bankofireland.com

	2019				2018			
Shareholding range - units of shares	Number of shareholders	% of total holders	Shares held units	% of total shares	Number of shareholders	% of total holders	Shares held units	% of total shares
Up to 500	76,830	79.05%	8,212,090	0.76%	78,589	78.53%	8,479,156	0.79%
501 to 1,000	8,096	8.33%	5,853,741	0.55%	8,448	8.44%	6,108,860	0.57%
1,001 to 5,000	9,285	9.56%	19,829,050	1.85%	9,889	9.88%	21,257,261	1.98%
5,001 to 10,000	1,315	1.35%	9,358,588	0.87%	1,425	1.42%	10,184,353	0.95%
10,001 to 50,000	1,020	1.05%	21,063,979	1.96%	1,050	1.05%	21,924,270	2.04%
50,001 to 100,000	168	0.17%	12,063,398	1.12%	180	0.18%	12,787,614	1.19%
100,001 to 500,000	270	0.28%	59,798,353	5.57%	299	0.30%	66,872,266	6.22%
Over 500,000[1]	204	0.21%	937,692,315	87.32%	197	0.20%	927,901,833	86.28%
Total	**97,188**	**100.00%**	**1,073,871,514**	**100.00%**	**100,077**	**100.00%**	**1,075,515,613**	**100.00%**

[1] *Excludes shareholdings held by New Ireland Assurance Company plc.*

Forward looking statement

This document contains forward-looking statements with respect to certain of the 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, LDRs, 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, UK, European and other regulators and plans and objectives for future operations. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, those as set out in the Risk Management Report. Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 111.

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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Other disclosures

TARGET 2

1. On 15 February 2008 a first floating charge (the Floating Charge) was placed in favour of the CBI over all The Governor and Company of the Bank of Ireland's right, title, interest and benefit, present and future, in and to (i) the balances now or at any time standing to the credit of The Governor and Company of the Bank of Ireland's account held as a TARGET 2 participant with the CBI; and (ii) certain segregated securities listed in an Eligible Securities Schedule kept by The Governor and Company of the Bank of Ireland for purposes of participating in TARGET 2 ((i) and (ii) together the Charged Property) where TARGET 2 is a real time gross settlement system for payments in euro with settlement in central bank money.

   This Floating Charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBI, The Governor and Company of the Bank of Ireland shall:

   (a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the Charged Property or any part thereof; or

   (b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the Charged Property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

   On 14 September 2018, The Governor and Company of the Bank of Ireland entered into an Agreement in respect of Continued Participation in Target 2 Ireland with the CBI to restate and modify the terms and conditions applicable to The Governor and Company of the Bank of Ireland's existing participation in TARGET 2 with effect from 14 September 2018. This Agreement provided that The Governor and Company of the Bank of Ireland would continue to participate in TARGET 2 in accordance with the Agreement and the TARGET 2 Ireland terms and conditions as published on the CBI's website and that the Floating Charge would continue in full force and effect with respect to such continued and amended participation in TARGET 2.

Alternative performance measures

This section contains further information related to certain measures referred to in the Strategic Report, Financial Review and summary of Group results.

The Financial Review is prepared using IFRS and non-IFRS measures to analyse the Group's performance, providing comparability year on year. These performance measures are consistent with those presented to the 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 161.

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 42 and 328 for further information.

Calculation	Source	2019 €m	2018 €m
Interest expense	Income statement	370	379
Exclude negative interest on financial assets	Note 5	(7)	(12)
Include negative interest on financial liabilities	Note 4	(19)	(19)
Exclude impact of FV hedges of current accounts	Average balance sheet	97	46
Exclude interest expense related to UK portfolio divestments	Average balance sheet	(5)	-
Other		-	(3)
Underlying interest expense		**436**	**391**
Average interest bearing liabilities	Average balance sheet	92,355	89,564
Average cost of funds %		**(0.47%)**	**(0.44%)**

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 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 year average in year interest rate to Retail UK lending flows in both years so that the impact of movements in foreign exchange rates is eliminated.

Calculation	Source	2019 €m	2018 €m
New lending in the period	Loans and advances to customers (OFR)	16,501	15,927
Impact of foreign exchange movements		(19)	128
New lending on a constant currency basis		**16,482**	**16,055**
Growth in new lending (%)		**2.66%**	

Growth in customer deposits on a constant currency basis

The Group calculates growth in customer deposits on a constant currency basis. For this calculation the Group applies the prior year end rate in both years so that the impact of movements in foreign exchange rates is eliminated.

Calculation	Source	2019 €m	2018 €m
Customer deposits	Note 39	83,968	78,899
Impact of foreign exchange movements		(1,168)	-
Customer deposits on a constant currency basis		**82,800**	**78,899**
Growth in customer deposits		**3,901**	

Alternative performance measures *(continued)*

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 42 and 328 for further information.

Calculation	Source	2019 €m	2018 €m
Interest income	Income statement	2,525	2,513
Exclude negative interest on financial liabilities	Note 4	(19)	(19)
Include negative interest on financial assets	Note 5	(7)	(12)
Exclude customer redress charges	Note 4	10	12
Include impact of FV hedges of current accounts	Average balance sheet	97	46
Exclude interest income related to UK portfolio divestments	Average balance sheet	(20)	-
Other		-	3
Underlying interest income		**2,586**	**2,537**
Average interest earning assets	Average balance sheet	101,083	98,568
Average gross yield % (annualised)		**2.56%**	**2.57%**

Gross yield - customer lending

Calculation	Source	2019 €m	2018 €m
Interest income on loans and advances to customers	Note 4	2,261	2,249
Interest income on finance leases and hire purchase receivables	Note 4	175	159
Exclude customer redress charges	Note 4	10	12
Include impact of FV hedges of current accounts	Average balance sheet	97	46
Exclude interest income related to UK portfolio divestments	Non-core items (OFR)	(20)	-
Other		-	(2)
Underlying interest income on customer lending		**2,523**	**2,464**
Average customer lending assets	Average balance sheet	77,652	76,184
Average gross yield on customer lending % (annualised)		**3.25%**	**3.23%**

Gross yield- liquid assets

Calculation	Source	2019 €m	2018 €m
Interest income on loans and advances to banks	Note 4	31	28
Interest income on debt securities at amortised cost	Note 4	9	12
Interest income on debt securities at FVOCI	Note 4	30	46
Include negative interest on financial assets	Note 5	(7)	(12)
Other		-	(1)
Underlying interest income on liquid assets		**63**	**73**
Loans and advances to banks	Average balance sheet	7,042	7,802
Debt securities at amortised cost and financial assets at FVOCI	Average balance sheet	16,389	14,582
Average interest earning liquid assets		**23,431**	**22,384**
Average gross yield on liquid assets % (annualised)		**0.27%**	**0.33%**

Alternative performance measures *(continued)*

Net interest margin is stated on an underlying basis after adjusting for IFRS income classifications. See page 42 for further details.

Calculation	Source	2019 €m	2018 €m
Net interest income	Income statement	2,155	2,134
Exclude customer redress charges	Note 4	10	12
Exclude net interest income related to UK portfolio divestments	Non-core items (OFR)	(15)	-
IFRS income classifications	Net interest income (OFR)	17	34
Underlying net interest income after IFRS income classifications		**2,167**	**2,180**
Average interest earning assets	Average balance sheet	**101,083**	**98,568**
IFRS classification volumes		411	431
Total volumes		**101,494**	**98,999**
Net interest margin % (annualised)		**2.14%**	**2.20%**

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

Calculation	Source	2019 €m	2018 €m
Loans and advances to customers	Balance sheet	79,487	76,363
Loans and advances to customers (held for sale)	Note 26	-	600
Net loans and advances to customers		**79,487**	**76,963**
Customer deposits	Balance sheet	83,968	78,899
Loan to deposit ratio %		**95%**	**98%**

Net Impairment losses / gains on loans and advances to customers at amortised cost (basis points) is the net impairment loss / gain on loans and advances to customers at amortised cost divided by average gross loans and advances to customers at amortised cost.

Calculation	Source	2019 €m	2018 €m
Net impairment (loss) / gain on loans & advances to customers at amortised cost	Impairment (OFR)	(210)	36
Average gross loans and advances to customers		79,269	76,184
Net Impairment (losses) / gains on loans and advances to customers at amortised cost (bps) (annualised)		**(26)**	**5**

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	2019 €m	2018 €m
Non-performing exposures	Asset quality (OFR)	3,519	4,984
Loans and advances to customers at amortised cost	Note 27	80,543	77,800
Loans and advances to customers at FVTPL	Note 27	252	261
Loans and advances to customers held for sale	Note 27	-	630
Total loans and advances to customers		**80,795**	**78,691**
NPE ratio %		**4.4%**	**6.3%**

Alternative performance measures *(continued)*

Return on Tangible Equity is calculated as being profit attributable to ordinary shareholders less non-core items (net of tax) divided by average shareholders' equity less average intangible assets and goodwill.

Return on Tangible Equity (adjusted) is calculated by adjusting the RoTE to exclude other gains and other valuation items (net of tax) and to adjust the impairment gain or loss on financial instruments (net of tax) to a more 'normalised' impairment level of impairment loss, net of tax. The average shareholders tangible equity is adjusted to a maximum CET1 ratio of 13%, reflecting the Group target CET1 ratio.

	Reported		Adjusted	
	2019 €m	**2018 €m**	**2019 €m**	**2018 €m**
Profit for the year attributable to shareholders	386	620	386	620
Non-core items, including tax	177	78	177	78
Other gains and other valuation items, net of tax	-	-	(3)	38
Adjustment for current year impairment gain, net of tax	-	-	-	(34)
Normalised impairment charge, net of tax	-	-	-	(127)
Adjusted profit after tax	**563**	**698**	**560**	**575**
Shareholders' equity	**9,625**	**9,243**	**9,625**	**9,243**
Intangible assets and goodwill	(838)	(802)	(838)	(802)
Shareholders' tangible equity	**8,787**	**8,441**	**8,787**	**8,441**
Average shareholders' tangible equity	**8,528**	**8,229**	**8,528**	**8,229**
Adjustment for CET1 ratio at 13.0%	-	-	(235)	(296)
Adjusted Average shareholders tangible equity	**8,528**	**8,229**	**8,293**	**7,933**
Return on Tangible Equity	**6.6%**	**8.5%**	**6.8%**	**7.2%**

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**	**2019 €m**	**2018 €m**
Other operating expenses	Income statement	2,006	1,941
Cost of restructuring programme	Income statement	59	111
Costs		**2,065**	**2,052**
Operating income net of insurance claims	Income statement	2,910	2,792
Total operating income		**2,910**	**2,792**
Statutory cost / income ratio %		**71%**	**73%**

Alternative performance measures *(continued)*

Tangible Net Asset Value 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 policyholders.

Calculation	Source	2019 €m	2018 €m
Shareholder equity	Balance sheet	9,625	9,243
Less - Intangible assets	Note 32	(802)	(768)
Less - Goodwill	Note 32	(36)	(34)
Adjust for own shares held for the benefit of life assurance policyholders	Balance sheet	30	25
Tangible net asset value		**8,817**	**8,466**
Number of ordinary shares in issue	Note 48	1,079	1,079
Treasury shares held for the benefit of life assurance policyholders	Note 48	(5)	(3)
		1,074	**1,076**
Tangible net asset value per share (cent)		**821**	**787**

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	2019 €m	2018 €m
Other operating expenses	Income statement	2,006	1,941
Cost of restructuring programme	Income statement	59	111
		2,065	**2,052**
Exclude:			
- cost of restructuring programme	Non-core items (OFR)	(59)	(111)
- customer redress charges	Non-core items (OFR)	(64)	12
- UK portfolio divestments	Non-core items (OFR)	(40)	-
- levies and regulatory charges	Note 13	(117)	(101)
Underlying costs		**1,785**	**1,852**
Operating income net of insurance claims	Income statement	2,910	2,792
Exclude:			
- customer redress charges	Non-core items (OFR)	10	12
- UK portfolio divestments	Non-core items (OFR)	(51)	-
- gross up of policyholder tax in the W&I business	Non-core items (OFR)	(35)	7
- investment return on treasury stock held for policyholders	Non-core items (OFR)	2	(6)
- transfers from reserves on asset disposal	Note 11	(3)	(2)
- net gain on disposal and revaluation of investments	Other income (OFR)	(4)	(6)
- gain on disposal and revaluation of investment properties	Note 33	1	1
- financial instrument valuation adjustments (CVA, DVA, FVA) and other	Other income (OFR)	37	9
- unit-linked investment variance - Wealth and Insurance	Other income (OFR)	(30)	27
- Interest rate movements - Wealth and Insurance	Other income (OFR)	(5)	20
Underlying income		**2,832**	**2,854**
Underlying cost / income ratio %		**63%**	**65%**

Alternative performance measures *(continued)*

Underlying earnings per share is calculated as profit attributable to shareholders adjusted for non-core items, divided by the weighted average number of ordinary shares in issue, adjusted for treasury shares held for the benefit of life assurance policyholders.

Calculation	Source	2019 €m	2018 €m
Profit attributable to shareholders	Income statement	386	620
Non-core items, including tax		177	78
Underlying profit attributable to shareholders		**563**	**698**
Weighted average number of ordinary shares in issue	Note 20	1,079	1,079
Treasury shares held for the benefit of life assurance policyholders	Note 20	(4)	(4)
		1,075	**1,075**
Underlying earnings per share (cent)		**52.4**	**64.8**

'Annual Premium Equivalent' 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.

Business income is net other income after IFRS income classifications before other gains and other valuation items. See page 43 for further details.

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

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

Liquid assets are comprised of cash and balances at central banks, loans and advances to banks, debt securities at amortised cost, financial assets at FVOCI and certain financial assets at FVTPL (excluding balances in Wealth and Insurance). See page 49 for further details.

Liquid asset spread is calculated as gross yield on interest bearing liquid assets less the average cost of funds. See page 42 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 42 for further detail.

'Non-performing exposures'
These are:
(i) **credit-impaired loans** (which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, including FCR cases, and loans where the borrower is greater than 90 days past due and the arrears amount is material; and); and
(ii) **other / probationary loans** that have yet to satisfy exit criteria in line with EBA guidance to return to performing.

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.

PE 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.

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

Sustainable earnings is calculated as profit for the year attributable to shareholders adjusted for non-core items, other gains and other valuation items and impairment.

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 46 for further information.

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

Abbreviations

AA	Automobile Association
AGC	Annual General Court
AGM	Annual General Meeting
AIB	Allied Irish Banks Group plc and subsidiaries
ALCO	Group Asset and Liability Committee
AML	Anti-Money Laundering
APE	Annual Premium Equivalent
APIs	Application Programming Interfaces
AT1	Additional tier 1
ATM	Automated Teller Machine
AWOW	Agile Ways of Working
Bank	The Governor and Company of the Bank of Ireland
BCBS	Basel Committee on Banking Supervision
BITCI	Business In The Community Ireland
BoE	Bank of England
BOIG plc	Bank of Ireland Group plc
BoIGM	Bank of Ireland Global Markets
BoIMB	Bank of Ireland Mortgage Bank
bps	Basis points
BRC	Board Risk Committee
BRRD	Bank Recovery and Resolution Directive
BSA	Balance Sheet Assessment
BSPF	Bank of Ireland Staff Pensions Fund
BTL	Buy to let
CBI	Central Bank of Ireland
CCB	Capital Conservation Buffer
CCyB	Countercyclical capital buffer
CDEAs	Cleared Derivatives Execution Agreements
CDS	Credit default swap
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFO	Chief Financial Officer
CGU	Cash generating units
CPI	Consumer Price Index
CRD	Capital Requirements Directive (EU)
CRMF	Conduct Risk Management Framework
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRT	Credit Risk Transfer
CSAs	Credit Support Annexes
CSO	Central Statistics Office
CVA	Credit Valuation Adjustment
DAC	Designated Activity Company
DCF	Discounted Cash Flow
DGS	Deposit Guarantee Scheme
DIRT	Deposit Interest Retention Tax
DRP	Director’s Remuneration Policy
DTA	Deferred tax asset
DVA	Debit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit losses
EDIS	European Deposit Insurance Scheme
EGM	Extraordinary General Meeting
EIOPA	European Insurance and Occupational Pensions Authority
ELG	Eligible Liabilities Guarantee
ESMA	European Securities and Markets Authority
EU	European Union
EURIBOR	Euro Inter Bank Offered Rate
FCA	Financial Conduct Authority
FCC	Financial Crime Compliance
FCR	Forborne collateral realisation
FIRB	Foundation Internal Rating Based
FLI	Forward looking information
FPC	Financial Policy Committee
FRES	First Rate Exchange Services Limited
FRS	Financial Reporting Standards
FSCS	Financial Services Compensation Scheme
FVA	Funding Valuation Adjustment
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX	Foreign exchange
GAC	Group Audit Committee
GB	Great Britain
GCC	Group Credit Committee
GCR	Group Credit Review
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GEC	Group Executive Committee
GIA	Group Internal Audit
GN&GC	Group Nomination and Governance Committee
GM&LR	Group Market and Liquidity Risk
GORC	Group Operational Risk Committee
GRC	Group Remuneration Committee
GRCRC	Group Regulatory and Conduct Risk Committee
GRPC	Group Risk Policy Committee
GTOC	Group Transformation Oversight Committee
HMRC	HM Revenue & Customs
I&D	Inclusion and Diversity
IAASA	Irish Auditing Accounting Supervisory Authority
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Inter Bank Offered Rate
IBR	Incremental borrowing rate
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
ILTR	Index Long Term Repo
IMF	International Monetary Fund
IPO	Initial Public Offering
IRB	Internal Rating Based

Abbreviations *(continued)*

IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivative Association
ISIF	Ireland Strategic Investment Fund
KMP	Key management personnel
KPIs	Key performance indicators
LCR	Liquidity Coverage Ratio
LDI	Liability Driven Investment
LDR	Loan to deposit ratio
LGD	Loss Given Default
LIBOR	London Inter Bank Offered Rate
LTI	Loan to income
LTV	Loan to Value
MCEV	Market Consistent Embedded Value
MFS	Minimum Funding Standard
MLL	Marshall Leasing Limited
MREL	Minimum Requirement for own Funds and Eligible Liabilities
MRT	Material Risk Taker
NAMA	National Asset Management Agency
NAMAID	National Asset Management Agency Investment DAC
NED	Non-Executive Director
NETA	National Enterprise Town Awards
NGO	Non-governmental organisation
NGRB	Group Nomination, Governance and Responsible Business Committee
NI	Northern Ireland
NIAC	New Ireland Assurance Company plc
NIM	Net interest margin
NPEs	Non-performing exposures
NSFR	Net Stable Funding Ratio
NTMA	National Treasury Management Agency
OCI	Other Comprehensive Income
ORSA	Own Risk and Solvency Assessment
O-SII	Other Systemically Important Institutions
OTC	Over the Counter
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PD	Probability of Default
POCI	Purchased or Originated Credit-impaired financial asset
PRA	Prudential Regulation Authority
PRC	Portfolio Review Committee
RAROC	Risk Adjusted Return on Capital
RCF	Revolving Credit Facility
RCSA	Risk and Control Self Assessment
RMC	Risk Measurement Committee
RoI	Republic of Ireland
RoTE	Return on Tangible Equity
RoU	Right of Use
RoW	Rest of World
RPI	Retail Price Index
RPPI	Residential Property Price Index
RSB	Responsible and Sustainable Business
RSBF	Responsible and Sustainable Business Forum
RWAs	Risk weighted assets
SCR	Solvency Capital Requirement
SEAI	Sustainable Energy Authority of Ireland
SID	Senior Independent Director
SIP	Stock Incentive Plan
SME	Small and Medium Enterprise
SPE	Special purpose entity
SREP	Supervisory Review & Evaluation Process
SRB	Single Resolution Board
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
S&P	Standard and Poor's
TCFD	Task Force for Climate-related Financial Disclosure
TFS	Term Funding Scheme
TLTRO	Targeted Longer Term Refinancing Operation
TSA	The Standardised Approach
TtC	Through-the-Cycle
UK	United Kingdom
UN	United Nations
US	United States
VA	Volatility Adjustment
VaR	Value at Risk
VCU	Vulnerable Customers Unit
ViF	Value of in Force
VIU	Value in Use