Bank of Ireland

Interim Report

for the six months ended 30 June 2011

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Forward-Looking Statement

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the Group) plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates, and its future capital requirements. These forward looking statements 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. 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 of the Irish Government, loan to deposit ratios, expected Impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, estimated discounts on transfers of assets to NAMA, margins, future payment of dividends, the implementation of proposed changes in respect of certain of the Group's defined benefit 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, the following:

- *general economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;*
- *the ability of the Group to generate additional capital in accordance with the 2011 PCAR requirements announced on 31 March 2011;*
- *the effects of the 2011 PCAR, the 2011 PLAR and the deleveraging reviews conducted by the Central Bank;*
- *property market conditions in Ireland and the UK;*
- *the potential exposure of the Group to various types of market risks, such as interest rate risk, foreign exchange rate risk, credit risk and commodity price risk;*
- *the implementation of the Irish Government's austerity measures relating to the financial support package from the EU / IMF;*
- *the availability of customer deposits to fund the Group's loan portfolio;*
- *the outcome of the Group's participation in the ELG Scheme;*
- *financial uncertainties in the EU and in member countries and the potential effects of those uncertainties on the Group;*
- *the performance and volatility of international capital markets;*
- *the effects of the Irish Government's stockholding in the Group (through the NPRFC) and possible increases in the level of such stockholding;*
- *the impact of further downgrades in credit ratings of the Group's and the Irish national debt;*
- *changes in the Irish banking system;*
- *the impact of transfers of assets to NAMA including the level of such asset transfers;*
- *changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates;*
- *the outcome of any legal claims brought against the Group by third parties;*
- *development and implementation of the Group's strategy, including the Group's deleveraging plan, competition for customer deposits and the Group's ability to achieve estimated net interest margins and cost reductions; and*
- *the Group's ability to address information technology issues.*

Analyses of asset quality and impairment in addition to liquidity and funding is set out in the Risk Management Report. Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 58)

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward looking statements speak only as at the date they are 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. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.

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This document constitutes the Interim Management Report required by Regulation 6 of the Transparency (Directive 2004 / 109 / EC) Regulations 2007.

View this report online
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www.bankofireland.com

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Performance Summary

	6 months ended 30 June 2011 €m	*Restated 6 months ended 30 June 2010 €m
Group performance on an underlying ** basis		
Operating profit before impairment charges on financial assets and loss on sale of assets to NAMA	**163**	**479**
Impairment charges on loans and advances to customers	(842)	(1,082)
Impairment charge on available for sale (AFS) financial assets	(16)	-
Assets sold or held for sale to NAMA:		
- Impairment charge on assets sold or held for sale to NAMA	(43)	(277)
- Loss on sale of assets to NAMA	-	(466)
Share of results of associates and joint ventures (after tax)	15	26
Underlying ** loss before tax	**(723)**	**(1,320)**
Total non-core items	167	1,436
(Loss) / profit before tax	**(556)**	**116**
Group performance (underlying **)		
Net interest margin	1.33%	1.41%
Cost income ratio	83%	61%
Impairment charges on loans and advances to customers (excluding NAMA)	145bps	173bps
Per unit of €0.10 ordinary stock		
Basic earnings per share (€ cent)	(11.3)	1.3
Underlying ** earnings per share (€ cent)	(14.3)	(51.8)
Divisional performance		
Underlying ** operating profit / (loss) before impairment charges on financial assets and loss on sale to NAMA (€ million)		
Retail Republic of Ireland	161	204
Bank of Ireland Life	(28)	30
UK Financial Services	95	122
UK Financial Services (Stg£ million equivalent)	*82*	*107*
Capital Markets	277	303
Group Centre	(342)	(180)
Underlying ** operating profit before impairment charges on financial assets and loss on sale to NAMA	**163**	**479**
Impairment charges on loans and advances to customers (€ million)		
Residential mortgages	159	142
Non-property SME and corporate	251	356
Property and construction	386	504
Consumer	46	80
Impairment charges on loans and advances to customers	**842**	**1,082**

* *A number of reclassifications have been made to this Income Statement presentation for the six months ended 30 June 2010:*

- *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in note 12 and 13).*
- *The gains of €74 million arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss' has been reclassified as a non-core item.*

** *Underlying 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: gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss', gain on disposal of business activities, gain on liability management exercises, impact of changes in pension benefits, gross-up for policyholder tax in the Life business, impact of 'coupon stopper' on subordinated debt and investment return on treasury stock held for policyholders. See page 17 for further information.*

Balance sheet and funding metrics	**30 June 2011**	31 December 2010
Stockholders' equity (€ billion)	6.5	7.4
Total assets (€ billion)	155	167
Total loans and advances to customers* (excluding assets held for sale to NAMA) (net of impairment provisions) (€ billion)	107	114
Total customer deposits (€ billion)	65	65
Loans and advances to customers (excluding assets held for sale to NAMA) / customer deposits**	164%	175%
Wholesale funding (€ billion)	61	70
Wholesale funding > 1 year to maturity (€ billion)	19	22
Wholesale funding < 1 year to maturity (€ billion)	42	48
Drawings from Monetary Authorities (net) (€ billion)	29	31
Capital		
Core tier 1 ratio	9.5%	9.7%
Total capital ratio	11.0%	11.0%
Risk weighted assets (€ billion)	71	79

* *On the balance sheet on page 67, these amounts are presented on two lines being Loans and advances to customers and Other assets classified as held for sale.*

** *The loan to deposit ratio in the table above includes €3 billion of National Treasury Management Agency ('NTMA') deposits which were repaid following the 2011 Capital Raise in July 2011. The loan to deposit ratio excluding NTMA deposits is 172%. (Further details are set out on page 20)*

Group Chief Executive's Review

Overview

The first half of 2011 presented ongoing and some new challenges for the Group against which we made good progress. Included amongst our specific challenges in the first half of this year were the 2011 PCAR / PLAR process and the incremental capital requirements arising therefrom. We have considerably strengthened our capital base, have continued to reduce the size of the Group's balance sheet, have seen further evidence that loan losses, whilst still high, had peaked in 2009 and we are delivering against our cost targets. Funding costs and Government guarantee fees continue to place pressure on operating income but our net interest margin is broadly in line with expectations. Operating income was also adversely impacted by two discrete items namely the impact in our life business of widening yields on Irish Government bonds accounted for on a mark-to-market basis and by the accounting impact of fair value movements in currency swaps that hedge the funding of the Group's sterling balance sheet.

Financial Performance

Our trading environment continues to be challenging and while operating income remains under pressure we are reporting a significant reduction in our underlying loss before tax for the six month period ended 30 June 2011 of €723 million compared to an underlying loss before tax of €1,320 million for the first six months of 2010. This has been driven by reduced impairment charges on loans and advances to customers, and lower impairment charges and losses on disposal of assets sold or held for sale to NAMA given that the transfer of assets to NAMA was largely completed in 2010.

Capital

Under the March 2011 Prudential Capital Assessment Review (PCAR), the Group was required to generate incremental equity capital of €4.2 billion including a regulatory buffer of €0.5 billion, together with an additional €1.0 billion of contingent capital. Accordingly, we commenced a Capital Programme comprising a liability management exercise and a rights issue.

The most significant elements of the Capital Programme were completed in July 2011 and generated a total of €3.8 billion (after taking account of fees and costs of c.€150 million) comprising €2.0 billion from our liability management exercise and €1.9 billion in equity capital following the completion of the Rights Issue. Further equity capital of up to €0.4 billion is anticipated from liability management and subordinated debt burden sharing by the year end.

As part of the Capital Programme, a group of significant institutional investors and fund managers have agreed to acquire c.10.5 billion units of ordinary stock in the Bank from the State for c.€1.05 billion on receipt of normal regulatory approvals which will give them a stockholding of c.34.9%. On completion of the capital raising programme, existing shareholders, former bondholders (who accepted the equity exchange in our June 2011 Liability Management exercise) and new investors will own 85% of the Bank, with the State maintaining a minimum 15% stockholding in the Bank.

We very much appreciate the opportunity which the Irish State provided to the Group to maximise the quantum which could be generated from private capital sources thereby minimising the contribution by the State to the Capital Programme and enabling our existing shareholders to participate in the Capital Programme through the Rights Issue which the State underwrote on commercial terms.

At 30 June 2011, our Core tier 1, and total capital ratios were 9.5% and 11.0% respectively, are broadly in line with our 31 December 2010 Core tier 1, and total capital ratios of 9.7%, and 11.0% respectively. On a pro-forma basis, assuming the €4.2 billion (net) equity capital requirement had been completed at 30 June 2011, the Group's Core tier 1 ratio would have been 15.4%.

Funding

With continuing concerns regarding sovereign debt levels for certain euro zone countries, the wholesale funding environment has remained difficult in 2011. However, further reductions in the Group's loans and advances to customers, achieved through customer repayments / redemptions, our deleveraging initiatives, and some foreign exchange movements together with lower liquid asset requirements resulted in a reduction in the Group's wholesale borrowing requirement of €9 billion during the six months ended 30 June 2011. The Group's deleveraging initiatives are on track with sales processes underway in respect of a number of our non-core loan portfolios.

Despite ongoing intense competition during the six months ended 30 June 2011, the Group's retail customer deposit base in Ireland has been broadly stable. Retail deposit gathering activities in the joint ventures with the UK Post Office continue to perform well. Primarily reflecting the reduction in loan assets and the receipt of the NTMA deposits in the six months to 30 June 2011, the Group's loan to deposit ratio improved from 175% at 31 December 2010 to 164% at 30 June 2011.

In June and July 2011, and despite the difficult funding environment, the Group has accessed term funding of €2.9 billion with an average maturity of 2.2 years through bi-lateral secured repo transactions utilising securities backed by our UK mortgage portfolios. Although the pricing reflects a market premium, the transactions represent an important step on the path to funding normalisation, and reflects the capacity of the Group to access term wholesale funding.

EU Restructuring Plan

We have continued to proactively implement our EU restructuring plan which was approved by the European Commission in July 2010, and we are ahead of plan with respect to business disposals and asset deleveraging. The additional deleveraging measures included in the Group's deleveraging plan augment the Group's 2010 EU restructuring and viability plan. A revised EU plan has been submitted following the PCAR / PLAR process which incorporates the incremental portfolio / business disposals indented under the approved PCAR / PLAR plans. Bearing this in mind and the very significant private capital involvement in our Capital Programme we do not anticipate that the conditions attaching to the European Commission's approval for the revised 2011 EU restructuring plan will be detrimental to the long term interests of the Group.

Summary

Net interest margin remains under pressure and the competitive environment for deposits is intense. While the cost of wholesale funding is high, we have continued to demonstrate our ability to term out funding in line with our targets and we are reducing the quantum of wholesale funding. Costs are being very tightly managed. We have effectively completed the restructuring / transitioning of our major infrastructural contracts and staff related costs are reducing reflecting lower numbers employed by the Group, continued remuneration restraint and the steps taken in 2010 to deal with the structural deficit in our pension funds. Credit quality is being closely monitored and managed and is in line with our expectations. Asset deleveraging is on track. With respect to our Capital Programme, €3.8 billion (net) of the €4.2 billion (net) of equity capital required has been generated putting us in a strong position to deliver on our financial and strategic objectives and in particular our over-riding requirement to sensibly, efficiently and empathetically assist and serve our existing customers and win new customers in our core franchises. This enables us to continue to play a pivotal role in supporting the economic recovery in Ireland which is underway, notwithstanding ongoing issues in international sovereign and capital markets, which may impact on global economic growth.

In June 2011 we set out our financial targets which we are focussed on achieving by December 2014. These targets are fully aligned with our strategic objectives and are grounded on the progress we have made in our task of restructuring and repositioning the Bank. Whilst the outlook for the second half of 2011 continues to be challenging we are broadly in line with our strategic and financial target milestones.

Richie Boucher
Group Chief Executive
9 August 2011

Operating and Financial Review

Basis of Presentation

The income statements for the Group are presented for the six months ended 30 June 2011 compared to the six months ended 30 June 2010. The balance sheets are 30 June 2011 compared to 31 December 2010.

Reclassifications have been made to the income statement presentation for two items in the six months ended 30 June 2010. The impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011, with no change to the total impairment charge. Separately, the gains and losses arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss' has been reclassified as a non-core item in the six months ended 30 June 2010, consistent with its classification in the year ended 31 December 2010 and in the six months ended 30 June 2011.

This Operating and Financial Review is presented on an underlying basis. For an explanation of underlying see page 10.

Percentages presented throughout this document are calculated on the absolute underlying figures and so may differ from the percentage variances calculated on the rounded numbers presented.

A detailed analysis and commentary on asset quality and impairment is set out in the Risk Management Report, together with updates on the Group's risk management framework and the Group's principal risks and uncertainties.

Overview and Market Environment

Global economy

Despite some negative developments, the global economy grew by 4.3% on an annualised basis during the first quarter of 2011. However, since May 2011, the outlook for the global economy has become more uncertain and financial markets have become more volatile.

This reflects market concerns about the outlook for global economic growth, concerns about sovereign risks related to developments in certain euro zone countries and the recent softening in activity and persistent weakness observed in the United States housing market. Symptoms include rising sovereign credit default swap spreads for certain euro zone economies, retreating global stock prices, and falling long-term bond yields in certain more advanced economies.

These concerns intensified during late July 2011 and early August 2011 leading to sharp falls in global equity markets. Increased pressure on the sovereign debt position of Spain and Italy led to the ECB decision to actively implement its Securities Markets Programme and start to buy Spanish and Italian government bonds on 8 August 2011. On 5 August 2011 Standard & Poor's lowered the credit rating of the United States from 'AAA' to 'AA+'. The medium term economic impacts of these recent developments are not yet clear.

Irish Economy

In relation to the Irish economy, recently published data for the first quarter of 2011 incorporated revisions to and improvements on previously published economic data. The result is that the Irish recession is now anticipated to be less severe than originally expected; real GDP fell by 0.4% in 2010[1] after declining by 7% in 2009[1] and 3% in 2008[1]. The consensus forecast is for Irish GDP to increase by 0.7% in 2011[2]. As a consequence the peak to trough fall in GDP is now considered to be 12.6% instead of 14.6%[1]. A key driver of this improving trend in GDP is attributable to a strong level of growth in the export sector, where the volume of exports grew by 3.8%[1] in the first quarter of 2011.

Although the Irish export sector has been experiencing strong growth, domestic consumption and consumer sentiment remain weak and unemployment remains at elevated levels. GNP has increased by 0.3% in 2010, contracted by 9.8% in 2009 and is expected to be flat in 2011. Consumer spending is weak with households cutting discretionary spending in response to a rise in prices, lower disposable income and further falls in employment.

Annual inflation in June 2011 was 2.7%. The unemployment rate stood at 14.2% in June 2011[1] and according to the latest consensus forecast is expected to stabilise at this level before falling to an average unemployment rate of 13% by the end of 2012[2].

The current average price of residential properties in Ireland is 41% lower than its highest level in 2007[1]. Commercial property prices have fallen by over 60% between the third quarter in 2007 and the first quarter in 2011[3].

The Government finances remain under pressure, with an estimated underlying* general Government balance deficit of under 10% of GDP in 2011[1], 11.6% of GDP in 2010[1] and 14.6% of GDP in 2009[1]. The Exchequer deficit stood at €10.8 billion at the end of June 2011[4] which is in line with budget forecasts.

On 13 July 2011, Moody's downgraded Irish sovereign debt by one notch to 'Ba1' with the outlook remaining 'negative'. However in early August 2011, despite the tensions in European and global financial markets, Standard & Poor's affirmed Ireland's investment grade credit rating at 'BBB+' with a stable outlook noting that, in their view, the Irish economy was 'prosperous and open'.

UK Economy

Having returned to growth in the fourth quarter of 2009, GDP in the UK economy in the first quarter of 2011 is now 1.6% higher when compared with the first quarter of 2010[5]. Inflation at end of June 2011 was 4.2%[5] due to rising food, drink and fuel prices. Unemployment in the UK stood at 7.7% at the end of May 2011[5] and the consensus forecast is for an average unemployment rate of 7.9% in 2011 and 2012[2]. The consensus view is that the UK economy will grow by 1.3% in 2011 and by 2.0% in 2012[2].

The UK property sectors showed some signs of recovery in 2010 although some uncertainty remains around the pace and scale of future recovery. The current average price of residential properties in the UK is 9.3% lower than it's highest level in October 2007 having recovered by 14.2% since February 2009[6]. Commercial property values rose by 8.8% in 2010[3].

[1] *Source: CSO*
[2] *Source: Reuters*
[3] *Source: IPD UK & Irish Commercial Property Index*
[4] *Source: Department of Finance*
[5] *Source: Office for National Statistics*
[6] *Source: Nationwide UK House Prices*

* *Underlying excludes the amounts relating to the recapitalisation of Anglo Irish Bank and Irish Nationwide Building Society*

2011 PCAR / PLAR

As part of the EU / IMF programme the Central Bank of Ireland ('Central Bank') undertook a Prudential Capital Assessment Review (2011 PCAR) which incorporated a Prudential Liquidity Assessment Review (2011 PLAR) in the first quarter of 2011. The PCAR is an assessment of forward-looking prudential capital requirements, arising under a base case and stress case, with potential stressed loan losses, and other financial developments, over a three year (2011-2013) time horizon. The PLAR is an assessment of the deleveraging measures that the banking system is required to implement in order to reduce its reliance on short term wholesale funding and liquidity support from Monetary Authorities. The Group's deleveraging plan was agreed with the Central Bank as part of the PLAR exercise.

The 2011 PCAR was based on future loan loss estimates under stress scenarios undertaken by BlackRock Solutions (BlackRock) on behalf of the Central Bank with aggressively conservative assumptions on the performance of the Group's loans under these stress conditions. For the Residential mortgage and Investment property portfolios, the BlackRock methodology applies, in the Group's view, a 'repossess and sale' approach under stress scenarios where stressed residential and commercial property values are the primary driver of loan losses and where less emphasis is placed on customers' repayment capacity including contracted income streams. The approach is materially different to the methodology used in previous reviews of potential future loan losses by the Group and other leading international risk consultants, including Oliver Wyman.

As with any stress test, the adverse stress scenario is designed to cover 'what-if' situations reflecting even more stressed macroeconomic conditions than might reasonably be expected to prevail.

On 31 March 2011 the Central Bank announced the results of the 2011 PCAR, which required the Group to generate incremental equity capital of €4.2 billion (including a regulatory buffer of €0.5 billion).

The equity capital requirement was set to cover:

- the higher target capital ratios set by the Central Bank of a minimum Core tier 1 ratio of 10.5% on an ongoing basis and a Core tier 1 ratio of 6% under the adverse stress scenario;
- a prudent regulatory buffer of €0.5 billion for additional conservatism;
- the adverse stress scenario loan loss estimates based on aggressively conservative assumptions;
- a conservative loss on disposal assumption for relevant loans[1] previously expected to transfer to NAMA (these loans are no longer expected to transfer to NAMA); and
- a prudent estimate of losses arising from deleveraging under an adverse stress scenario.

In addition €1.0 billion of contingent capital was also required through the issue of a debt instrument which, under certain circumstances, would convert to equity capital.

Details of the Group's 2011 Capital Raise are set out on page 8.

[1] *Relevant loans are the Group's land and development loans where an individual customer / sponsor exposure was less than €20 million at 31 December 2010.*

2011 Capital Raise

Core tier 1 capital generated	€m	€m
Gain on Debt for Equity Offers, net of tax[1]	1,375	
Equity issued as part of Debt for Equity Offers	654	
Proceeds from the Rights Issue	1,908	
		3,937
Less:		
Fees and other costs		(150)
Core tier 1 capital generated[2,3]		**3,787**

Tier 2 capital generated	€m	€m
Contingent capital note (nominal value)	1,000	
Less placing fee	(15)	
Tier 2 capital generated[2]		**985**

[1] *Consists of income statement gains of €1,342 million and an amount of €33 million transferred from other reserves to retained earnings (see note 36).*
[2] *Excludes the impact of the capital contribution arising on the issue of the Contingent capital note (see note 36).*
[3] *Includes the results of the Debt for equity and Debt for cash offers notified to the Group up to 5 August 2011.*

Summary

- The Group's 2011 Capital Raise has generated €3.8 billion of additional Core tier 1 capital to date.
- Adjusting for the capital generated to date of €3.8 billion, the pro-forma Core tier 1 ratio at 30 June 2011 would be 14.8% (15.4% adjusting for the 2011 PCAR capital requirement of €4.2 billion).
- As a result of the take up by and rump placing with non-Government investors in the rights issue and through the sale of stock by the State to institutional investors and fund managers, the stockholding of the State is expected to reduce from 36% before the 2011 Capital Raise to 15.1%.
- The remaining Core tier 1 capital required under the 2011 PCAR must be generated by 31 December 2011.
- A Contingent capital note with a nominal value of €1.0 billion and which qualifies as Tier 2 capital was issued to the State in July 2011.

2011 Capital Raise

The Group's 2011 Capital Raise was announced in June 2011 and included a number of elements:

(i) debt for equity offers (including a cash offer) and the compulsory acquisition of eligible debt securities;
(ii) further burden sharing with remaining subordinated bondholders;
(iii) a potential State Placing;
(iv) a Rights Issue; and
(v) the issue of a Contingent Capital note.

Debt for Equity offers

On 8 July 2011, the Group announced the results of the Debt for Equity offers (excluding certain Canadian Dollar 2015 notes). A total of 78.7% of eligible note holders (representing €1.9 billion nominal value) elected to exchange their securities, of which 74.3% elected to receive ordinary equity and 4.4% cash. This resulted in a net gain of €1.4 billion and the issue of allotment instruments which will convert to ordinary stock on 12 August 2011 amounting to €0.65 billion.

State Placing and Rights Issue

While the National Pensions Reserve Fund Commission (NPRFC) were originally granted an option to make a direct placing of up to 795 million units of ordinary stock at €0.10, it was announced on 8 July 2011 that the NPRFC would not be proceeding with this option.

On 8 July 2011 the Group announced a rights issue, underwritten by the NPRFC, of 19.1 billion units of ordinary stock at a price of €0.10 per unit to generate gross proceeds of €1.9 billion.

The rights issue closed on 26 July 2011 and the results were as follows:

- Valid acceptances were received from the State in respect of its 36% holding of ordinary stock (representing 6.9 billion units).
- Valid acceptances were received from other non-Government shareholders in respect of their 23.5% holding of ordinary stock (representing 4.5 billion units)
- 1.4 billion units of ordinary stock (7.5%) was placed in the rump issue.
- In accordance with the transaction agreement with the State (see note 35), the State subscribed for the remaining 6.3 billion units of ordinary stock (33%) at the issue price of €0.10 cent per unit.

Fees and Other Costs
Total fees and other costs of €150 million were payable in connection with the Debt for equity offers (including the Debt for cash offers) and the underwritten rights issue.

Pro-forma Core tier 1 ratio
Adjusting for the capital generated by the Group's 2011 Capital Raise to date of €3.8 billion, the pro-forma Core tier 1 ratio at 30 June 2011 would be 14.8% (15.4% adjusting for the full 2011 PCAR capital requirement of €4.2 billion)

On 8 July 2011 the Central Bank extended the deadline for the Group to generate the remaining Core tier 1 capital required to 31 December 2011. This capital is expected to be generated from a combination of the remaining liability management offers, further burden sharing with bondholders or other means.

Significant investment in Bank of Ireland
On 25 July 2011, the Irish Government announced its agreement to sell up to 10.5 billion units of ordinary stock at €0.10 per unit (subject to certain conditions) to a group of significant institutional investors and fund managers. These investors are Fairfax Financial Holdings, WL Ross, Capital Research, Fidelity Investments and Kennedy Wilson. The Bank has been advised that each of these investors will manage their individual stockholdings independently.

Certain elements of this transaction requires the approval of stockholders at an Extraordinary General Court which is expected to be held on 9 September 2011.

Reduction in Government stockholding
Following the completion of the 2011 Capital Raise and the Significant investment in Bank of Ireland, the State's stockholding in the Bank is expected to be 15.1% of the Bank's fully diluted ordinary stock while the combined stockholding of the new group of significant institutional investors and fund managers is expected to be 34.9%.

Contingent capital note
In July 2011 the Group issued a Contingent Capital note to the State with a nominal amount of €1 billion and a maturity of five years. This Contingent capital note is classified as a subordinated liability and it qualifies as Tier 2 capital. Further details are set out in note 36.

A placing fee of €15 million is payable to the State.

Summary Consolidated Income Statement on an Underlying ** Basis

	Table	6 months ended 30 June 2011 €m	*Restated 6 months ended 30 June 2010 €m	Change %
Net interest income (excluding cost of the ELG Scheme)	1	1,034	1,204	(14%)
Government guarantee fees	2	(239)	(151)	58%
Net other income	3	212	342	(38%)
Operating Income (net of insurance claims)		**1,007**	**1,395**	**(28%)**
Operating expenses	4	(844)	(916)	(8%)
Operating profit before impairment charges on financial assets and loss on sale of assets to NAMA		**163**	**479**	**(66%)**
Impairment charges on loans and advances to customers	5	(842)	(1,082)	(22%)
Impairment charge on available for sale (AFS) financial assets		(16)	-	-
Assets sold or held for sale to NAMA:				
- Impairment charges on assets sold or held for sale to NAMA	6	(43)	(277)	(84%)
- Loss on sale of assets to NAMA	7	-	(466)	-
Share of results of associates and joint ventures (after tax)		15	26	(42%)
Underlying ** loss before tax		**(723)**	**(1,320)**	**(45%)**
Non-core items:				
- Gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'		81	74	
- Gain on disposal of business activities		74	-	
- Gain on liability management exercises		11	699	
- Impact of changes in pension benefits		1	676	
- Gross-up for policyholder tax in the Life business		(2)	17	
- Impact of 'coupon stopper' on subordinated debt		-	(36)	
- Investment return on treasury stock held for policyholders		2	6	
(Loss) / profit before tax		**(556)**	**116**	
Tax credit		49	27	
(Loss) / profit for the period		**(507)**	**143**	
Profit attributable to non-controlling interests		1	3	
(Loss) / profit attributable to stockholders		(508)	140	
(Loss) / profit for the period		**(507)**	**143**	

* *A number of reclassifications have been made to this Income Statement presentation for the six months ended 30 June 2010:*

- *CIFS fees of €57 million have been reclassified from Net other income to Government guarantee fees.*
- *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*
- *Gains of €74 million arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss' have been reclassified as non-core.*

** *Underlying 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: gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss', gain on disposal of business activities, gain on liability management exercises, impact of changes in pension benefits, gross-up for policyholder tax in the Life business, impact of 'coupon stopper' on subordinated debt and investment return on treasury stock held for policyholders. See page 17 for further information.*

Operating income (net of insurance claims)

Net interest income

TABLE: 1

Net interest income / Net interest margin	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Change %
Net interest income (excluding cost of the ELG Scheme)	1,034	1,204	(14%)
IFRS income classifications	(68)	(47)	-
Net interest income (excluding cost of the ELG Scheme) after IFRS income classifications	**966**	**1,157**	**(17%)**
Average interest earning assets (€bn)	**146**	**164**	**(11%)**
Net interest margin (annualised)	**1.33%**	**1.41%**	**(8 bps)**

The period on period changes in 'net interest income' and 'net other income' are affected by certain IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss' (FVTPL). Where the Group has designated liabilities at 'fair value through profit or loss', the total fair value movements on these liabilities, including interest expense, are reported in 'net other income'. However, the interest income on any assets which are funded by these liabilities is reported in the 'net interest income'. In addition, debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is 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.

Net interest income (excluding the cost of the Eligible Liability Guarantee (ELG) Scheme and after IFRS income classifications) of €966 million for the six months ended 30 June 2011 has decreased by €191 million compared to €1,157 million for the six months ended 30 June 2010 due primarily to:

- lower net interest income due to an 11% reduction in average interest earning assets arising from sale of assets to NAMA, loan repayments and disposal of loan portfolios; and
- a lower net interest margin of 1.33% (annualised) in the six months ended 30 June 2011 compared with 1.41% (annualised) in the six months ended 30 June 2010.

The key drivers of the margin decrease of 8 basis points (annualised) were as follows:

- 19 basis points decrease due to higher costs of wholesale funding;
- 4 basis points decrease due to margin attrition on customer deposits as a result of intense competition and the low interest rate environment; and
- 3 basis points decrease due to balance sheet structure, being the change in mix of both assets and liabilities in the six months ended 30 June 2011 compared to the comparable prior period.

partly offset by:

- 18 basis points increase due to higher asset pricing.

Government guarantee fees

TABLE: 2

Government guarantee fees	6 months ended 30 June 2011 €m	*Restated 6 months ended 30 June 2010 €m	Change %
- ELG	239	94	154%
- CIFS	-	57	-
Total Government guarantee fees	**239**	**151**	**58%**

Government guarantee fees of €239 million for the six months ended 30 June 2011 compares to a charge of €151 million for the six months ended 30 June 2010. The increase of €88 million reflects the higher fees payable following the various extensions of the ELG scheme together with the impact of the downgrades to the Group's credit ratings.

Net other income

TABLE: 3

Net other income	6 months ended 30 June 2011 €m	*Restated 6 months ended 30 June 2010 €m	Change €m
Net other income	212	342	(130)
IFRS income classifications	68	47	21
Net other income after IFRS income classifications	**280**	**389**	**(109)**

Net other income after IFRS income classifications	6 months ended 30 June 2011 €m	*Restated 6 months ended 30 June 2010 €m	Change €m
Other income from Bank of Ireland Life	90	83	7
Other income from Banking and Capital Markets businesses	283	269	14
	373	352	21
Other items:			
Change in valuation of Irish sovereign bonds held by Bank of Ireland Life	(50)	-	(50)
Fair value movements in currency swaps hedging the Group's sterling balance sheet	(60)	-	(60)
Economic assumption changes - Bank of Ireland Life	(8)	(8)	-
BIAM and BOISS (disposed during the six months ended 30 June 2011)	20	45	(25)
Change in valuation of international investment properties	15	28	(13)
Investment variance - Bank of Ireland Life	(10)	2	(12)
Impact of credit deterioration on the fair value of derivatives held for sale to NAMA	-	(30)	30
	(93)	37	(130)
Net other income after IFRS income classifications	**280**	**389**	**(109)**

* *A number of reclassifications have been made to this Income Statement presentation for the six months ended 30 June 2010:*

- *CIFS fees of €57 million have been reclassified from Net other income to Government guarantee fees.*
- *Gains of €74 million arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss' have been reclassified as non-core.*

Net other income, after adjusting for IFRS income classifications, for the six months ended 30 June 2011 decreased by €109 million compared to the six months ended 30 June 2010.

Operating income in Bank of Ireland Life increased by €7 million.

Other income from Banking and Capital Markets businesses increased by €14 million reflecting increased fees on products and services.

Other items within Net other income, after adjusting for IFRS income classifications, which amount to a net charge of €93 million for the six months ended 30 June 2011 were €130 million lower than the net gain of €37 million for the six months ended 30 June 2010, reflecting:

- a negative movement in Bank of Ireland Life of €50 million in the six months ended 30 June 2011 primarily arising from the fall in the value of Irish sovereign bonds which the Company holds on its own account;
- a charge of €60 million in the six months ended 30 June 2011 due to the accounting impact of fair value movements in currency swaps that economically hedge the funding of the Group's sterling balance sheet, which will unwind over the life of the swaps;
- reduced fees from asset management activities of €25 million arising from the disposal of BIAM and BOISS in the six months ended 30 June 2011;
- a movement of €13 million due to the change in value of investment properties in the six months ended 30 June 2011 being lower than the six months ended 30 June 2010;
- a negative movement of €12 million in the investment variance in Bank of Ireland Life reflecting a charge of €10 million in the six months ended 30 June 2011 compared to a gain of €2 million in the six months ended 30 June 2010; and
- a positive movement of €30 million due to a charge of €30 million in the six months ended 30 June 2010 arising from the impact of credit deterioration on the fair value of derivatives held for sale to NAMA.

Operating expenses

TABLE: 4 Operating expenses	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Change %
Staff costs (excluding pension costs)	396	425	(7%)
Pension costs	44	107	(59%)
Other costs	404	384	5%
Operating expenses	**844**	**916**	**(8%)**
Average staff numbers (full time equivalents)	**14,004**	**14,350**	**(2%)**
Cost income ratio	**83%**	**61%**	

Operating expenses of €844 million for the six months ended 30 June 2011 were €72 million lower compared to operating expenses of €916 million for the six months ended 30 June 2010 due to lower staff numbers, lower pension costs and continued tight management of all costs partly offset by an increase in regulatory and other costs.

Staff costs (excluding pension costs) of €396 million for the six months ended 30 June 2011 were €29 million lower when compared to €425 million for the six months ended 30 June 2010 as a result of lower staff numbers. Average staff numbers (full time equivalents) for the six months ended 30 June 2011 of 14,004 were 346 lower than average staff numbers (full time equivalents) for the six months ended 30 June 2010 of 14,350.

Pension costs of €44 million for the six months ended 30 June 2011 were €63 million lower when compared to the pension costs for the six months ended 30 June 2010 reflecting the implementation of benefit changes in the Group's defined benefit pension schemes in 2010.

Other costs of €404 million for the six months ended 30 June 2011 were €20 million higher when compared to €384 million for the six months ended 30 June 2010 primarily due to one off costs relating to the transition of IT outsourcing contracts and costs related to the 2011 PCAR process.

The Group continues to maintain its tight focus on cost management and the implementation of certain new outsourcing contracts together with ongoing increases in the levels of consolidation, standardisation and simplification of the Group's operations is expected to lead to further cost reductions over the medium term.

While the Group reduced its operating expenses by 8% in the six months ended 30 June 2011 compared to the six months ended 30 June 2010, the increase in the cost income ratio from 61% in the six months ended 30 June 2010 to 83% in the six months ended 30 June 2011 primarily reflects the decrease in operating income from €1,395 million in the six months ended 30 June 2010 to €1,007 million in the six months ended 2011.

Impairment charges on loans and advances to customers

TABLE: 5

Impairment charges on loans and advances to customers	6 months ended 30 June 2011 €m	*Restated 6 months ended 30 June 2010 €m	Change %
Residential mortgages	159	142	12%
- Retail Republic of Ireland	*140*	*108*	*30%*
- UK	*19*	*34*	*(44%)*
Non-property SME and corporate	251	356	(29%)
Property and construction	386	504	(23%)
- Land and development	*191*	*316*	*(40%)*
- Investment property	*195*	*188*	*4%*
Consumer	46	80	(43%)
Total impairment charges on loans and advances to customers	**842**	**1,082**	**(22%)**
Total impairment charges on loans and advances to customers - bps	**145bps**	**173bps**	**(28bps)**

* *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*

Credit conditions remained challenging and demand for new lending was subdued in the six months ended 30 June 2011. The Irish domestic economy remains weak with low levels of domestic investment, fragile consumer sentiment and elevated levels of unemployment. Mortgage arrears, SME insolvencies and the continued stagnation of property markets in Ireland, both commercial and residential, were key contributors to impairment charges for the six months ended 30 June 2011. In the UK, rising inflation and concerns regarding the impact of fiscal austerity have combined to leave economic conditions subdued.

As set out on page 6, the Group believes that there are indications that the Irish economy may have begun to stabilise. The Group maintains its previous guidance that the impairment charge on its non-NAMA designated loans and advances to customers peaked in 2009, reduced in 2010, with anticipated further reductions in subsequent years. The Group's experience in the first six months of 2011 supports this view.

Impairment charges on loans and advances to customers of €842 million (145bps) for the six months ended 30 June 2011 reduced by €240 million or 22% compared to impairment charges of €1,082 million (173bps) for the six months ended 30 June 2010. Lower impairment charges on the Non–property SME and corporate, Property and construction and Consumer portfolios were partly offset by higher impairment charges on Residential mortgages in Ireland which were broadly in line with expectations.

The impairment charge on **Residential mortgages** increased by €17 million from €142 million for the six months ended 30 June 2010 to €159 million for the six months ended 30 June 2011.

The increase in impairment charges on Irish Residential mortgages of €32 million in 2011 reflects higher arrears (particularly for Buy to let customers), elevated unemployment levels, lower disposable incomes, falling house prices and the general economic downturn in Ireland. Further details are set out on pages 28 and 29.

Impairment charges on UK Residential mortgages of €19 million are continuing to trend downwards, with losses in the six months to 30 June 2011 lower than the same period in 2010.
The impairment charge on the **Non-property SME and corporate** loan portfolio was €251 million for the six months ended 30 June 2011 compared to €356 million for the six months ended 30 June 2010. Further details are set out on page 33.

Larger corporate customers trading internationally have continued to experience more favourable conditions. In particular, the leveraged acquisition finance portfolio, which is well spread geographically and sectorally, continued to benefit from the global economic recovery.

Stressed economic conditions, a continuation of poor consumer sentiment and the heightened level of business insolvencies have negatively impacted trading conditions and caused general pressure on the SME sector in Ireland. Those sectors correlated with consumer spending are particularly impacted. As a

result, the level of impaired loans and associated impairment charges continue to be at elevated levels.
The impairment charge of €386 million on the **Property and construction** portfolio for the six months ended 30 June 2011 has decreased by €118 million compared to the impairment charge of €504 million for the six months ended 30 June 2010.

The Property and construction portfolio amounted to €23 billion at 30 June 2011 comprising €19 billion of investment property loans and €4 billion of land and development loans. The impairment charge on the investment property element of the Property and construction portfolio was €195 million for the six months ended 30 June 2011 compared to €188 million for the six months ended 30 June 2010. The impairment charge on the land and development element of the Property and construction portfolio was €191 million for the six months ended 30 June 2011 compared to €316 million for the six months ended 30 June 2010. The impairment charge on the Property and construction portfolio continues to be elevated due to lower property prices, an over supply of residential housing stock and illiquid property markets.

The impairment charge of €46 million on **Consumer** loans for the six months ended 30 June 2011 is €34 million lower compared to the impairment charge of €80 million for the six months ended 30 June 2010. Consumer loans have reduced significantly reflecting accelerated repayments and subdued demand for new loans and other credit facilities. Arrears were better than anticipated in the six months to 30 June 2011 and the impairment charges were better than expectations, in both Republic of Ireland and the UK.

A detailed analysis and commentary on asset quality is set out in the Risk Management Report - See page 45.

Impairment charge on available for sale (AFS) financial assets

During the six months ended 30 June 2011, the Group incurred an impairment charge of €16 million on a €20 million holding of subordinated debt issued by Irish Life and Permanent which reflects the liability management exercise announced by Irish Life and Permanent in respect of these securities.

Impairment charges on assets sold or held for sale to NAMA

TABLE: 6

Impairment charges on assets sold or held for sale to NAMA	**6 months ended 30 June 2011 €m**	*Restated 6 months ended 30 June 2010 €m	Change %
Residential mortgages	1	10	(90%)
Non-property SME and corporate	-	10	-
Property and construction	42	257	(84%)
Impairment charges on assets sold or held for sale to NAMA	**43**	**277**	**(84%)**

* *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*

Assets held for sale to NAMA continue to be assessed for impairment and may incur further impairment charges up to the date of sale to NAMA on a basis and methodology consistent with loans and advances to customers and in accordance with standard accounting practice.

Impairment charges on assets sold or held for sale to NAMA of €43 million for the six months ended 30 June 2011 reduced by €234 million or 84% compared to the impairment charge of €277 million for the six months ended 30 June 2010, reflecting the net impact of changes in NAMA eligibility criteria.

Loss on sale of assets to NAMA

TABLE: 7

Loss on sale of assets to NAMA		**6 months ended 30 June 2011 €m**		6 months ended 30 June 2010 €m
Fair value of consideration[1]		-		1,498
Assets transferred				
- Loans sold to NAMA (nominal value)	-		(2,215)	
- Derivatives sold to NAMA (fair value)	-		(27)	
- Impairment provisions at date of sale	-	-	308	(1,934)
Other items[2]		-		(30)
Loss on sale of assets to NAMA		**-**		**(466)**

[1] *Fair value of consideration consists of NAMA senior bonds (representing 95% of the nominal consideration) and non-Government guaranteed subordinated bonds (representing 5% of the nominal consideration) (see note 20 and note 21).*

[2] *Other items includes provision for servicing liability, other related sale costs and adjustments in respect of movements in assets between the due diligence valuation date and the date at which they transferred to NAMA.*

There were no transfers to NAMA in the six months ended 30 June 2011. During the six months ended 30 June 2010 the Group incurred a loss of €466 million on assets sold to NAMA. For more information see note 14.

Non-core items

Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core in the six months ended 30 June 2011:

Gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'

The gains of €81 million recognised during the six months ended 30 June 2011, arising from the impact of the change in credit spreads relating to the Group's own debt and deposits accounted for at 'fair value through profit or loss', has been classified as non-core. These liabilities consist of certain subordinated debt, certain structured Senior debt and tracker deposits.

The Group has reclassified as non-core the gains of €74 million on these liabilities arising from changes in the Group's credit spreads which had previously being recognised as Other income, during the six months ended 30 June 2010.

Gain on disposal of business activities

The gain on disposal of business activities in the six months ended 30 June 2011 primarily reflects the sale of BIAM in January 2011 which generated a non-core gain of €43 million and the sale of BOISS in June 2011 which generated a non-core gain of €37 million.

Gain on liability management exercises

A gain of €11 million was recognised in the six months ended 30 June 2011 as the Group successfully completed liability management exercises involving the repurchase of Lower tier 2 Canadian subordinated debt. This gain was partly offset by costs incurred on liability management exercises settled after 30 June 2011. See note 8.

In the six months ended 30 June 2010 the Group recognised a gain of €699 million following the completion in February 2010 of an exchange of certain Lower tier 2 securities (a gain of €423 million) and following the completion of the Debt for Equity Exchange Offers launched in June 2010 (a gain of €276 million).

Impact of changes in pension benefits

During 2010, the Group implemented a number of changes to its defined benefit pension schemes.

Based on the status of implementation of these changes, the Group recognised a gain of €676 million in the six months ended 30 June 2010. A further gain of €1 million has been recognised in the six months ended 30 June 2011.

Gross-up for policyholder tax in the Life business

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

Impact of 'coupon stopper' on subordinated debt

The Group recognised a charge of €36 million in the six months ended 30 June 2010. There was no impact in the six months ended 30 June 2011. For further information see page 27 of the 2010 Annual Report.

Investment return on treasury stock held for policyholders

Under accounting standards, the Group income statement excludes the impact of the change in value of Bank of Ireland stock held by Bank of Ireland Life for policyholders. The gain of €2 million reflects the impact of the stock price movement between 31 December 2010 and 30 June 2011 and the number of units of Bank of Ireland stock held by Bank of Ireland Life during that period. Units of stock held by Bank of Ireland Life for policyholders at 30 June 2011 were 5 million units (31 December 2010: 6 million units).

Taxation

The taxation credit for the Group was €49 million for the six months ended 30 June 2011 compared to a taxation credit of €27 million for the six months ended 30 June 2010. The main factor contributing to the tax credit is the loss incurred in the period. Excluding the impact of non-core items the effective tax rate for the six months ended 30 June 2011 is 8.5% (taxation credit) which is lower than the comparable rate for the six months ended 30 June 2010 of 12.9% (taxation credit) due to changes in the geographic mix of profits and losses and the effect on deferred tax of the reduction in the UK corporation tax rate from 27 per cent to 26 per cent with effect from 1 April 2011.

Summary Consolidated Balance Sheet

Summary Consolidated Balance Sheet	Table	30 June 2011 €bn	31 December 2010 €bn	Change %
Loans and advances to customers* (after impairment provisions)	8	107	114	(6%)
Assets held for sale to NAMA (after impairment provisions)	9,10	1	1	-
Liquid assets		26	30	(13%)
Other assets	14	21	22	-
Total assets		**155**	**167**	**(7%)**
Customer deposits	11	65	65	-
Wholesale funding	12	61	70	(13%)
Subordinated liabilities		3	3	-
Other liabilities	14	19	22	(14%)
Total liabilities		**148**	**160**	**(7%)**
Stockholders' equity	13	7	7	-
Total liabilities and stockholders' equity		**155**	**167**	**(7%)**

* *On the balance sheet on page 67, these amounts are presented on two lines being Loans and advances to customers and Other assets classified as held for sale.*

Loans and advances to customers

TABLE: 8

Composition by portfolio Loans and advances to customers	30 June 2011 €bn	30 June 2011 %	31 December 2010 €bn	31 December 2010 %
Residential mortgages	58	52%	60	51%
- Retail Republic of Ireland	*28*		*28*	
- UK Financial Services	*30*		*32*	
- UK Financial Services (Stg£bn equivalent)	*27*		*28*	
Non-property SME and corporate	28	25%	31	26%
Property and construction	23	20%	24	20%
- Investment	*19*		*20*	
- Land and development	*4*		*4*	
Consumer	3	3%	4	3%
Loans and advances to customers (before impairment provisions)	**112**	**100%**	**119**	**100%**
Impairment provisions	(5)		(5)	
Loans and advances to customers (after impairment provisions)	**107**		**114**	**(6%)**
This is shown in the balance sheet on page 67 as;				
Loans and advances to customers	101		114	
Other assets classified as held for sale	6		-	

The Group's loans and advances to customers (after impairment provisions) at 30 June 2011 of €107 billion reflects a decrease of 6% when compared to the Group's loans and advances to customers of €114 billion at 31 December 2010. The key drivers of the decrease include foreign exchange movements, loan repayments, disposal of loan portfolios and generally subdued demand for new loans, notwithstanding the Group's efforts to generate new business opportunities from the Group's core franchises.

On a constant currency basis the Group's loans and advances to customers (after impairment provisions) at 30 June 2011 fell by €5.7 billion or 5% when compared to the Group's loans and advances to customers of €114 billion at 31 December 2010.

The composition of the Group's loans and advances to customers by division at 30 June 2011 was broadly consistent with the composition at 31 December 2010 as set out in the table above.

The stock of impairment provisions on loans and advances to customers of €5.4 billion at 30 June 2011 reflects an increase of €0.4 billion when compared to the stock of impairment provisions of €5 billion on loans and advances to customers at 31 December 2010.

For further information on the assets held for sale see note 24. A detailed analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the Risk Management Report. See page 45 to 47.

Assets held for sale to NAMA

TABLE: 9
Composition by portfolio
Assets held for sale to NAMA

	30 June 2011 €bn	30 June 2011 %	31 December 2010 €bn	31 December 2010 %
Land and development loans	0.3	38%	0.2	22%
Associated loans	0.5	62%	0.7	78%
Assets held for sale to NAMA (before impairment provisions)	**0.8**	**100%**	**0.9**	**100%**
Impairment provisions	(0.2)	-	(0.1)	-
Assets held for sale to NAMA (after impairment provisions)	**0.6**	**-**	**0.8**	**-**

The Group's **assets held for sale to NAMA** (after impairment provisions) at 30 June 2011 of €0.6 billion reflects a decrease of €0.2 billion from €0.8 billion at 31 December 2010. During the six months ended 30 June 2011, the reduction of €0.2 billion reflected changes in eligibility of €137 million and impairment charges of €43 million.

TABLE: 10
30 June 2011
Movement in assets held for sale to NAMA

	Assets Gross €bn	Impairment provision €bn	Carrying value €bn
Balance at 31 December 2010	0.9	(0.1)	0.8
Sale of assets to NAMA	-	-	-
New impairment provisions	-	-	-
Change in eligibility criteria, net	(0.1)	(0.1)	(0.2)
Balance at 30 June 2011	**0.8**	**(0.2)**	**0.6**

The Group expects to incur a loss on disposal of these assets to NAMA arising from the difference between the fair value of the consideration to be received and the carrying value of the assets together with the costs of disposal and any provision that may be required due to the ongoing cost of servicing these assets on behalf of NAMA.

The consideration received will be measured at fair value at initial recognition. Uncertainties remain as to the final discount which will be applicable. The Group estimates that the discount to gross loan value on the remaining loans held for sale to NAMA may be in a range of 35% to 45%. The Group will only be able to accurately quantify the ultimate gross loss on the sale of all the Group's Eligible Bank Assets to NAMA on completion of the relevant due diligence and the sale of the final portfolio of assets to NAMA.

Liquid assets

The Group's holding of liquid assets at 30 June 2011 of €26 billion, of which NAMA senior bonds amounted to €5 billion, has decreased by €4 billion when compared to 31 December 2010. A detailed analysis of the AFS portfolio and information on the NAMA senior bonds is set out on pages 51 and 51.

Customer deposits

TABLE: 11 Customer deposits	**30 June 2011 €bn**	31 December 2010 €bn
Retail Republic of Ireland	34	35
- Deposits	*24*	*24*
- Current account credit balances	*10*	*11*
UK Financial Services	21	21
UK Financial Services (Stg£bn equivalent)	*19*	*18*
- UK Post Office	*13*	*11*
- Business Banking	*6*	*7*
Capital Markets	10	9
Total customer deposits	**65**	**65**
Loan to deposit ratio (excluding assets held for sale to NAMA)	**164%**	**175%**

Customer deposits were €65 billion at 30 June 2011 compared to €65 billion at 31 December 2010 as set out in table above.

During the first six months of 2011, despite intense competition, the Group's retail customer deposit base in Ireland has remained relatively stable. Current account credit balances amounted to €10.4 billion at 30 June 2011 as compared with €11.4 billion 31 December 2010.

The Group's retail deposit gathering activities in its joint venture with the UK Post Office exceeded expectations and balances amounted to £13.3 billion at 30 June 2011, which represents an increase of £2.2 billion since 31 December 2010.

Capital Markets deposits amounted to €9.7 billion at 30 June 2011 as compared with €9.2 billion at 31 December 2010. The net increase of €0.5 billion reflects the receipt of €3 billion deposits from the National Treasury Management Agency (which were repaid following the 2011 Capital Raise in late July 2011) partly offset by loss of deposits as a result of the disposal of BOISS whose customers had placed deposits of €1 billion with the Group at 31 December 2010 and an outflow of other Capital Markets deposits of €1.5 billion during the six months ended 30 June 2011.

The Group's loan to deposit ratio (excluding assets held for sale to NAMA) was 164% at 30 June 2011, compared to 175% at 31 December 2010, primarily reflecting the reduction in loans and advances to customers and the receipt of the NTMA deposits which were repaid in late July 2011.

The loan to deposit ratio at 30 June 2011 excluding the NTMA deposits was 172%.

Customer deposits at 30 June 2011 of €65 billion (31 December 2010: €65 billion) do not include €2.1 billion (31 December 2010: €1.9 billion) of savings and investment-type products sold by BoI Life. These products have a fixed term (typically of five years) and consequently are a stable source of funding for the Group.

Wholesale funding

TABLE: 12 Wholesale funding sources	30 June 2011 €bn	 %	31 December 2010 €bn	 %
Secured funding	49	100%	50	100%
- Asset covered securities	*7*	*14%*	*7*	*14%*
- Deposits from banks	*37*	*76%*	*38*	*76%*
- Securitisations	*5*	*10%*	*5*	*10%*
Unsecured funding	12	100%	20	100%
- Senior debt	*10*	*83%*	*16*	*80%*
- Deposits from banks	*2*	*17%*	*3*	*15%*
- Commercial Paper and Certificates of Deposits	*-*	*-*	*1*	*5%*
Total Wholesale funding	**61**	**100%**	**70**	**100%**
Wholesale funding > 1 year to maturity	19	31%	22	32%
Wholesale funding < 1 year to maturity	42	69%	48	68%
Drawings from Monetary Authorities (net)	29	-	31	-

Wholesale funding was €61 billion at 30 June 2011 compared to €70 billion at 31 December 2010 as set out in the table above.

During 2011 the Group issued secured term funding amounting to €2.9 billion with an average maturity (at date of issue) of 2.2 years and an average spread equivalent to 265 basis points over three month Euribor. Of this amount €0.8 billion was issued by 30 June 2011 and is reflected in the amounts above.

At 30 June 2011, 31% of wholesale funding had a term to maturity of greater than one year which is broadly in line with 31 December 2010.

As a result of continuing challenging funding markets the Group continues to make significant use of liquidity facilities provided by Monetary Authorities through both its pool of eligible collateral with the ECB and the exceptional liquidity facilities provided by the Central Bank. Total drawings from Monetary Authorities at 30 June 2011 amounted to €22 billion (net), (31 December 2010: €23 billion (net)). Exceptional liquidity facilities from the Central Bank at 30 June 2011 amounted to €7 billlion (31 December: €8 billion).

Further details are included in the Risk Management report on page 57.

Subordinated liabilities

At 30 June 2011, the Group's subordinated liabilities amounted to €2.6 billion compared to €2.8 billion at 31 December 2010.

In February 2011, the Group exchanged €103 million nominal value of certain Canadian dollar Lower tier 2 securities for €56 million of euro and Canadian dollar medium term notes due in 2012. This generated additional Core tier 1 capital of €46 million whilst reducing Total capital by a net €56 million.

In June 2011, the Group launched a Liability Management Exercise in respect of €2.6 billion of subordinated liabilities, further details of which are set out in note 36. Since 30 June 2011, €1.8 billion of subordinated liabilities were exchanged for allotment instruments convertible into ordinary stock in the Bank in August 2011, and approximately €0.1 billion of subordinated liabilities were exchanged for cash. This generated €1.93 billion of Core tier 1 capital for the Bank. In addition, the Group exercised call options in respect of €0.1 billion of subordinated liabilities which generated further Core tier 1 capital for the Bank of €0.1 billion.

To the extent that eligible subordinated debt securities have not been acquired or exchanged pursuant to the liability management exercise (including those acquired pursuant to the exercise of the call options), the Minister of Finance stated on 31 May 2011 that the levels of burden sharing in the liability management exercises were the minimum acceptable to the Government and that the Government would take whatever steps are necessary under the Credit Institutions (Stabilisation) Act 2010 or otherwise to ensure that burden sharing is achieved. The Minister also stated that any further action would result in severe measures being taken in respect of the outstanding subordinated liabilities. In these circumstances, the Bank believes the level of return to the holders of the outstanding eligible subordinated debt securities could be materially below that received under the liability management exercises.

In July 2011 the Group issued a Contingent Capital note to the State, with a principal amount of €1 billion and a maturity of five years, and received cash of €985 million, (net of a fee of €15 million). For further information see note 36)

Stockholders' equity

TABLE: 13 Movements in stockholders' equity	6 months ended 30 June 2011 €m	12 months ended 31 December 2010 €m
Stockholders' equity at beginning of period	**7,351**	**6,387**
Movements:		
Loss attributable to stockholders	(508)	(614)
Dividends on preference stock	(218)	-
Capital Raising		
- Net new equity capital raised from public markets	-	1,006
Foreign exchange movements	(211)	157
Cash flow hedge reserve movement	100	275
Pension fund obligations	185	391
Available for sale (AFS) reserve movements	(159)	(220)
Reissue of stock / treasury stock	-	(7)
Other movements	(23)	(24)
Stockholders' equity at end of period	**6,517**	**7,351**

Stockholders' equity decreased from €7,351 million at 31 December 2010 to €6,517 million at 30 June 2011.

The loss attributable to stockholders of €508 million for the six months ended 30 June 2011 compares to the loss attributable to stockholders of €614 million in the year ended 31 December 2010.

On 21 February 2011 the Group paid the dividends due of €3.7 million on its euro and sterling Preference Stock. In addition, on 21 February 2011 the Group paid a dividend of €214.5 million on the 2009 Preference Stock (€1.8 billion outstanding) held by the NPRFC.

Foreign exchange movements relate primarily to the impact on the translation of the Group's net investments in foreign operations arising primarily from the 5% weakening of the euro against sterling in the six months ended 30 June 2011.

The cash flow hedge reserve movement reflects the impact of changes in interest rates on the mark to market value of cash flow hedge accounted derivatives. Over time, the reserve will flow through the income statement in line with the underlying hedged instruments, with no net income statement impact.

The movement in pension fund obligations is primarily as a result of changes in key assumptions used in the calculation of the schemes' liabilities, including the inflation rate, the discount rate, the rate of increase in salaries and in pensions in payment.

The AFS reserve movement in the six months ended 30 June 2011 is driven by the impact of wider credit spreads and interest rate changes on the value of the AFS portfolio, partly offset by the transfer of €16 million to the income statement arising on the impairment of an Irish Life and Permanent bond. The AFS reserve is expected to reverse as the underlying financial assets mature.

Other assets and other liabilities

TABLE: 14 **Other assets and other liabilities**	**30 June 2011 €bn**	31 December 2010 €bn
Other assets	21	22
- Bank of Ireland Life assets	*14*	*14*
- Derivative financial instruments	*6*	*6*
- Deferred tax asset	*1*	*1*
- Other assets	*-*	*1*
Other liabilities	19	22
- Bank of Ireland Life liabilities	*14*	*14*
- Derivative financial instruments	*4*	*5*
- Other liabilities	*1*	*3*

Capital

Regulatory capital and key capital ratios

	30 June 2011 €m	31 December 2010 €m
Capital Base		
Share Capital and Reserves	6,574	7,407
Regulatory retirement benefit obligation adjustments	163	424
Available for sale reserve and cash flow hedge reserve	1,122	1,063
Goodwill and other intangible assets	(373)	(435)
Preference stock	(1,877)	(1,877)
Other adjustments	(723)	(782)
- Own credit spread adjustment (net of tax)	*(410)*	*(366)*
- Pension supplementary contributions	*(172)*	*(174)*
- Dividend required on 2009 Preference Stock	*(68)*	*(188)*
- Other	*(73)*	*(54)*
Equity tier 1 capital	**4,886**	**5,800**
Preference stock	1,877	1,877
Core tier 1 capital	**6,763**	**7,677**
Innovative hybrid debt	296	299
Non-innovative hybrid debt	277	280
Supervisory deductions	(509)	(580)
- Expected loss deduction	*(380)*	*(454)*
- First loss deduction	*(78)*	*(80)*
- Unconsolidated investments deduction	*(51)*	*(46)*
Total tier 1 capital	**6,827**	**7,676**
Tier 2		
Undated Loan Capital	170	183
Dated Loan Capital	1,850	2,018
IBNR provisions	141	174
Revaluation reserves	25	14
Supervisory deductions	(509)	(580)
- Expected loss deduction	*(380)*	*(454)*
- First loss deduction	*(78)*	*(80)*
- Unconsolidated investments deduction	*(51)*	*(46)*
Other adjustments	66	54
Total tier 2 capital	**1,743**	**1,863**
Total capital before supervisory deductions	**8,570**	**9,539**
Supervisory deductions		
Life and pension business	(731)	(816)
Total Capital	**7,839**	**8,723**

Risk Weighted Assets (RWA) - Basel II	30 June 2011 €bn	31 December 2010 €bn
Credit risk	64.0	71.4
Market risk	1.6	1.9
Operational risk	5.5	5.7
Total RWA	**71.1**	**79.0**

Key Capital Ratios	30 June 2011 €bn	30 June 2011 % of RWA	31 December 2010 €bn	31 December 2010 % of RWA
Core tier 1 ratio	6.8	9.5%	7.7	9.7%
Tier 1 ratio	6.8	9.6%	7.7	9.7%
Total capital ratio	7.8	11.0%	8.7	11.0%

Risk Weighted Assets at 30 June 2011 are €8 billion lower than 31 December 2010. This decrease is mainly due to a reduction in the quantum of loans and advances to customers, together with the impact of FX rates and the impact of the higher level of impaired loans at 30 June 2011 compared to 31 December 2010.

The **Core tier 1 ratio** at 30 June 2011 of 9.5% compares to 9.7% at 31 December 2010. The decrease in the ratio is primarily as a result of the loss after tax incurred during the six months ended 30 June 2011 partly offset by a reduction in RWA's.

The **Tier 1 ratio** at 30 June 2011 of 9.6% compares to 9.7% at 31 December 2010. The decrease in the ratio is primarily due to the loss after tax incurred during the six months ended 30 June 2011 partly offset by the reduction in RWA's at 30 June 2011 as compared to 31 December 2010 and by a decrease in the expected loss adjustment at 30 June 2011 as compared with 31 December 2010.

The **Total capital ratio** at 30 June 2011 of 11% remains the same as at 31 December 2010.

Pro-forma Core tier 1 ratio - adjusting for the capital generated by the Group's 2011 Capital Raise to date of €3.8 billion, the pro-forma Core tier 1 ratio at 30 June 2011 would be 14.8% (15.4% adjusting for the full 2011 PCAR capital requirement of €4.2 billion).

Divisional Performance - on an Underlying Basis

Income statement - underlying (loss) / profit before tax	**6 months ended 30 June 2011 €m**	*Restated 6 months ended 30 June 2010 €m	Change %
Retail Republic of Ireland	(373)	(548)	(32%)
Bank of Ireland Life	(28)	30	-
UK Financial Services	(114)	(202)	(44%)
Capital Markets	134	(401)	-
Group Centre	(342)	(199)	72%
Underlying loss before tax	**(723)**	**(1,320)**	**(45%)**
Non-core items	167	1,436	(89%)
(Loss) / profit before tax	**(556)**	**116**	**-**

Underlying excludes the impact of non-core items (see page 10). The individual divisional income statements have been presented on an underlying basis.

* *The gains of €74 million arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss' has been reclassified as a non-core item.*

Retail Republic of Ireland

Retail Republic of Ireland: Income statement	**6 months ended 30 June 2011 €m**	*Restated 6 months ended 30 June 2010 €m	Change %
Net interest income	422	491	(14%)
Net other income	170	180	(6%)
Operating income	**592**	**671**	**(12%)**
Operating expenses	(431)	(467)	(8%)
Operating profit before impairment charges on financial assets and loss on sale of assets to NAMA	**161**	**204**	**(21%)**
Impairment charges on loans and advances to customers	(525)	(633)	(17%)
Assets sold or held for sale to NAMA:			
- Impairment charges on assets sold or held for sale to NAMA	(9)	(94)	(90%)
- Loss on sale of assets to NAMA	-	(33)	-
Share of results of associates and joint ventures (after tax)	-	8	-
Underlying loss before tax	**(373)**	**(548)**	**(32%)**

* *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*

Retail Republic of Ireland incorporates the Group's Branch Network, Mortgage Business, Consumer Banking, Business Banking and Private Banking activities in the Republic of Ireland and is built on a broad distribution platform and a comprehensive suite of retail and business products and services.

The six months ended 30 June 2011 were particularly difficult for the Group's Retail businesses in Ireland which continued to be adversely impacted by the ongoing economic downturn. The current economic environment together with lower disposable incomes has resulted in subdued demand for lending and other financial services products. Intense competition for deposits and the low interest rate environment resulted in a reduction in deposit margins. The impairment charge on loans and advances to customers remained elevated due to the economic downturn, high levels of unemployment and low levels of transactions in both the residential and commercial property markets.

Retail Republic of Ireland reported an **underlying loss before tax** of €373 million for the six months ended 30 June 2011 compared to an underlying loss before tax of €548 million for the six months ended 30 June 2010.

Net interest income of €422 million for the six months ended 30 June 2011 was €69 million or 14% lower than the Net interest income of €491 million for the six months ended 30 June 2010. This decrease is primarily a result of lower loan volumes following the transfer of loans to NAMA during 2010, the general book decline arising from loan repayments and subdued demand for new lending together with higher cost of wholesale funding and the higher cost of deposits arising from intense competition. These are partly offset by improved asset pricing.

Net other income of €170 million for the six months ended 30 June 2011 was €10 million lower than net other income of €180 million for the six months ended 30 June 2010. This decrease is primarily due to a movement arising from the gain in value of investment properties in the six months ended 30 June 2011 being lower than the gain arising in the six months ended 30 June 2010 together with a fair value charge on securitised assets. These movements are partly offset by an increase in retail banking fees and commissions.

Operating expenses of €431 million for the six months ended 30 June 2011 have decreased by €36 million compared to €467 million for the six months ended 30 June 2010. This decrease is primarily driven by lower pension costs together with reduced staff costs as a result of lower staff numbers together with continued tight management of all other costs.

Average staff numbers (full time equivalents) of 5,519 for the six months ended 30 June 2011 were 101 lower when compared to the average staff numbers (full time equivalents) of 5,620 for the six months ended 30 June 2010.

Impairment charges on loans and advances to customers of €525 million for the six months ended 30 June 2011 is €108 million lower compared to the impairment charge of €633 million for the six months ended 30 June 2010. The impairment charge remained elevated due to the economic downturn, high levels of unemployment, fragile consumer sentiment (leading to a high savings ratio and weak consumer spending) together with the level of business insolvencies and the low levels of transactions in both the residential and commercial property markets.

Impairment charges on loans and advances to customers	6 months ended 30 June 2011 €m	*Restated 6 months ended 30 June 2010 €m	Change %
Residential mortgages	140	108	30%
- Owner-occupied mortgages	*51*	*58*	*(12%)*
- Buy to let mortgages	*89*	*50*	*78%*
Non-property SME and corporate	141	147	(4%)
Property and construction	213	315	(32%)
- Investment	*125*	*125*	*-*
- Land and development	*88*	*190*	*(54%)*
Consumer	31	63	(51%)
Impairment charges on loans and advances to customers	**525**	**633**	**(17%)**

* *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*

The impairment charge on **Residential mortgages** of €140 million for the six months ended 30 June 2011 is €32 million higher compared to the impairment charge of €108 million for the six months ended 30 June 2010. Impairment charges on the Buy to let element of the Residential mortgages book has increased from €50 million at 30 June 2010 to €89 million at 30 June 2011. This increase reflects higher arrears, lower disposable incomes, falling house prices and the general economic downturn in Ireland.

Residential mortgage loan book (before impairment provisions)	30 June 2011 €bn	31 December 2010 €bn
Owner-occupied mortgages	21	21
Buy to let mortgages	7	7
Residential mortgages	**28**	**28**

At 30 June 2011, Owner-occupied mortgages amounted to €21 billion and Buy to let mortgages amounted to €7 billion, both of which are broadly equivalent to balances at 31 December 2010.

Mortgage Arrears - more than 90 days (number of cases)	30 June 2011 %	31 December 2010 %	30 June 2010 %	31 December 2009 %
Owner-occupied mortgages	4.55%	3.76%	3.23%	2.61%
Buy to let mortgages	7.84%	5.91%	4.55%	3.40%
Residential mortgages	**5.18%**	**4.17%**	**3.49%**	**2.76%**

Arrears of more than 90 days on Owner-occupied mortgages increased from 3.76% at 31 December 2010 to 4.55% at 30 June 2011 and arrears of more than 90 days on Buy to let mortgages increased from 5.91% at 31 December 2010 to 7.84% at 30 June 2011.

The impairment charge on **Non-property SME and corporate** of €141 million for the six months ended 30 June 2011 is €6 million lower compared to the impairment charge of €147 million for the six months ended 30 June 2010. Challenging economic conditions in Ireland, a continuation of poor consumer sentiment and the heightened level of business insolvencies have negatively impacted trading conditions and caused general pressure on the SME sector. Those sectors correlated with consumer spending are particularly impacted. As a result, the level of impaired loans and associated impairment charges continue to be at elevated levels.

The impairment charge on **Property and construction** of €213 million for the six months ended 30 June 2011 is €102 million lower compared to the impairment charge of €315 million for the six months ended 30 June 2010. The impairment charge on the investment property element of the Property and construction portfolio was impacted by lower property prices and illiquid markets. The impairment charge on the land and development element of the Property and construction portfolio continues to be elevated due to falling values, an over supply of residential housing stock and illiquid property markets.

The impairment charge of €31 million on **Consumer** loans for the six months ended 30 June 2011 is €32 million lower compared to the impairment charge of €63 million for the six months ended 30 June 2010. Consumer loans have reduced significantly reflecting accelerated repayments and subdued demand for new loans and other credit facilities. Arrears were better than anticipated in the six months ended 30 June 2011 and the impairment charges are better than expectations.

The **impairment charges on assets sold or held for sale to NAMA** of €9 million for the six months ended 30 June 2011 compares to the impairment charge of €94 million for the six months ended 30 June 2010. In the six months ended 30 June 2010 there was a **loss on sale of assets to NAMA** of €33 million.

Assets sold or held for sale to NAMA	**6 months ended 30 June 2011 €m**	*Restated 6 months ended 30 June 2010 €m
Impairment charges on assets sold or held for sale to NAMA	9	94
Loss on sale of assets to NAMA	-	33

Share of results of associates and joint ventures of €nil for the six months ended 30 June 2011 compares to a gain of €8 million for the six months ended 30 June 2010 reflecting the Group's share of increase in market value of an international investment property which did not repeat in the current period.

Bank of Ireland Life

Bank of Ireland Life: Income statement (IFRS performance)	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Change %
Operating Income	90	89	1%
Operating expenses	(50)	(53)	(6%)
Operating profit	**40**	**36**	**11%**
Change in valuation of Irish sovereign bonds	(50)	-	-
Economic assumption changes	(8)	(8)	-
Investment variance	(10)	2	-
Underlying loss / (profit) before tax	**(28)**	**30**	**-**

Bank of Ireland Life comprises the life assurer, New Ireland Assurance Company plc, and the business unit which distributes New Ireland investment and insurance products through the Group's branch network. New Ireland offers protection, investment and pension products to the Irish market through independent brokers, its direct sales force and the Group's branch network. Under the terms of the Group's EU restructuring plan, the Group has committed to dispose of its shareholding in New Ireland but retains the ability to distribute life, pensions and investment products.

Operating profit of €40 million for the six months ended 30 June 2011 is 11% higher than the six months ended 30 June 2010, driven by higher income and lower costs.

Operating income has increased primarily due to a stronger performance from new business, where annual premium equivalent (APE) sales were 17% ahead of the comparable prior period, relative to the market which increased by 3%. Policy persistency levels (reflecting continuing affordability issues amongst customers) continues below long term trends albeit at a better experience than in the same period last year.

Operating expenses are 6% lower than the same period last year, reflecting tight management of costs, lower staff costs and the benefit of a lower pension charge.

Average staff numbers (full time equivalents) of 1,091 for the six months ended 30 June 2011 were 80 higher compared to the average staff numbers (full time equivalents) of 1,011 for the six months ended 30 June 2010 due to the internal Group transfer in preparation for the disposal of New Ireland.

The underlying loss before tax for the six months ended 30 June 2011 has been impacted by:

- a charge of €50 million arising from the fall in the value of Irish sovereign bonds which the Company holds on its own account;
- The impacts of economic assumption changes. The discount rate applied to future cash flows was 7.75% at 30 June 2011 (no change in the six months ended from 31 December 2010) compared to 8.75% at 30 June 2010. The unit growth assumption was 5.75% at 30 June 2011 (no change in the six months ended from 31 December 2010) compared to 7.0% at 30 June 2010.

The performance of investment markets in the six months ended 30 June 2011 is lower than the growth assumption and has given rise to a negative **investment variance** of €10 million (30 June 2010: positive €2 million).

Bank of Ireland Life's financial position exceeded the statutory solvency margin required by the Central Bank throughout 2011.

Embedded Value Performance

Bank of Ireland Life: Income Statement (Embedded value performance)	**6 months ended 30 June 2011 €m**	6 months ended 30 June 2010 €m	Change %
New Business profits	13	3	333%
Existing business profits	34	34	-
Expected return	*38*	*39*	*(3%)*
Experience variance	*(2)*	*(10)*	*(80%)*
Assumption changes	*(2)*	*5*	-
Inter company payments	(5)	(6)	(17%)
Operating profit	**42**	**31**	**35%**
Change in valuation of Irish sovereign bonds	(50)	-	-
Economic assumption changes	(8)	(7)	-
Investment variance	(25)	8	-
Underlying (loss) / profit loss before tax	**(41)**	**32**	**-**

The alternative method of presenting the performance of the Life business is on an Embedded Value basis. This method is widely used in the life assurance industry.

Under this approach, **operating profit** for the six months ended 30 June 2011 of €42 million compares to an operating profit of €31 million for the six months ended 30 June 2010. New business profits were €13 million for the six months ended 30 June 2011 compared to €3 million for the six months ended 30 June 2010. Existing business profits were €34 million for the six months ended 30 June 2011, reflecting the improved persistency on insurance contract policies partly offset by the change in mortality assumptions, compared to €34 million for the six months ended 30 June 2010.

The underlying loss before tax for the six months ended 30 June 2011 has been impacted by:

- a charge of €50 million arising from the fall in the value of Irish sovereign bonds which the Company holds on its own account;
- The impacts of economic assumption changes. The discount rate applied to future cash flows was 7.75% at 30 June 2011 (no change in the six months ended from 31 December 2010) compared to 8.75% at 30 June 2010. The unit growth assumption was 5.75% at 30 June 2011 (no change in the six months ended from 31 December 2010) compared to 7.0% at 30 June 2010.

The performance of investment markets in the six months ended 30 June 2011 is lower than the growth assumption and has given rise to a negative **investment variance** of €25 million (30 June 2010: positive €8 million).

UK Financial Services (Sterling)

UK Financial Services: Income statement	6 months ended 30 June 2011 £m	*Restated 6 months ended 30 June 2010 £m	Change %
Net interest income	189	260	(27%)
Net other income	54	12	350%
Operating income	**243**	**272**	**(11%)**
Operating expenses	(161)	(165)	(2%)
Operating profit before impairment charges on financial assets and loss on sale of assets to NAMA	**82**	**107**	**(23%)**
Impairment charges on loans and advances to customers	(173)	(257)	(33%)
Impairment charges on assets sold or held for sale to NAMA	(23)	(32)	(28%)
Share of results of associates and joint ventures (after tax)	13	14	(7%)
Underlying loss before tax	**(101)**	**(168)**	**(40%)**
Underlying loss before tax (€m equivalent)	**(114)**	**(202)**	**(44%)**

* *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*

The UK Financial Services (UKFS) Division incorporates the joint ventures with the UK Post Office, the UK Residential mortgage business, the Group's branch network in Northern Ireland and the Group's Business Banking business in Great Britain and Northern Ireland. On 1 November 2010, the Group transferred a substantial part of its UK banking business to a UK, wholly owned licensed banking subsidiary, Bank of Ireland (UK) plc. This had no impact on segmental reporting.

UK Financial Services reported an **underlying loss before tax** of £101 million for the six months ended 30 June 2011 compared to an underlying loss before tax of £168 million for the six months ended 30 June 2010.

Net interest income of £189 million for the six months ended 30 June 2011 is £71 million lower than the six months ended 30 June 2010 primarily due to lower loan volumes following the transfer of loans to NAMA during 2010, and the general book decline arising from loan repayments and subdued demand for new lending, higher cost of wholesale funding partly offset by improved asset pricing, particularly on the Residential mortgage book.

Net other income of £54 million for the six months ended 30 June 2011 increased by £42 million compared to Net other income of £12 million for the six months ended 30 June 2010. A number of one off charges (including NAMA related charges) were incurred in the six months ended 30 June 2010 which did not reoccur in 2011.

Operating expenses for the six months ended 30 June 2011 of £161 million are £4 million or 2% lower than operating expenses of £165 million for the six months ended 30 June 2010 due to lower staff numbers, lower pension costs and continued tight management of other costs.

Average staff numbers (full time equivalents) of 2,326 for the six months ended 30 June 2011 were 223 lower compared to the average staff numbers (full time equivalents) of 2,549 for the six months ended 30 June 2010.

Impairment charges on loans and advances to customers of £173 million for the six months ended 30 June 2011 are £84 million lower compared to the impairment charge of £257 million for the six months ended 30 June 2010. The impairment charge remained elevated primarily due to economic conditions and low levels of transactions in both the residential and commercial property markets particularly in Northern Ireland.

Impairment charges on loans and advances to customers	**6 months ended 30 June 2011 £m**	*Restated 6 months ended 30 June 2010 £m	Change %
Residential mortgages	16	30	(47%)
- Standard mortgages	*7*	*(2)*	*45%*
- Buy to let mortgages	*5*	*27*	*(81%)*
- Self certified mortgages	*4*	*5*	*(20%)*
Non-property SME and corporate	21	89	(76%)
Property and construction	123	123	-
- Investment	*50*	*7*	-
- Land and development	*73*	*116*	-
Consumer	13	15	(13%)
Impairment charges on loans and advances to customers	**173**	**257**	**(33%)**

* *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*

Residential mortgage volumes	**30 June 2011 £bn**	31 December 2010 £bn
Standard mortgages	13	14
Buy to let mortgages	10	10
Self certified mortgages	4	4
Residential mortgage volumes	**27**	**28**

At 30 June 2011, Standard mortgages amounted to £13 billion which reflects deleveraging of £1 billion when compared to 31 December 2010. Buy to let and Self certified of £10 billion and £4 billion respectively at 30 June 2011 are broadly equivalent to 31 December 2010.

Mortgage Arrears - more than 90 days (number of cases)	**30 June 2011 %**	31 December 2010 %	30 June 2010 %	31 December 2009 %
Standard mortgages	1.26%	1.27%	1.21%	0.97%
Buy to let mortgages	1.91%	1.92%	1.81%	1.85%
Self certified mortgages	5.28%	5.45%	5.20%	4.54%
Mortgage arrears	**1.96%**	**1.99%**	**1.89%**	**1.71%**

Arrears of more than 90 days of 1.96% at 30 June 2011 are broadly equivalent to arrears of more than 90 days of 1.99% at 31 December 2010.

The impairment charge on the **Residential mortgages** portfolio of £16 million for the six months ended 30 June 2011 is £14 million lower compared to the impairment charge of £30 million for the six months ended 30 June 2010 due primarily to the reduction in the impairment charges on Buy to let mortgages.

The impairment charge on the **Non-property SME and corporate** portfolio of £21 million for the six months ended 30 June 2011 is £68 million lower compared to the impairment charge of £89 million for the six months ended 30 June 2010. This primarily reflects the impairment charges on a small number of large individual cases in business banking in the six months ended 30 June 2010.

The impairment charge on the **Property and construction** portfolio of £123 million for the six months ended 30 June 2011 is unchanged compared to the six months ended 30 June 2010. The impairment charge on the investment property element of the Property and construction portfolio increased from £7 million in the six months ended 30 June 2010 to £50 million in the six months ended 30 June 2011 due to the impact of the current economic conditions, particularly in Northern Ireland. The impairment charge on the land and development element of the Property and construction portfolio reduced from £116 million to £73 million but remains elevated due to the stressed conditions principally in the Northern Ireland housing market.

The impairment charge of £13 million on **Consumer** loans for the six months ended 30 June 2011 is £2 million lower compared to the impairment charge of £15 million for the six months ended 30 June 2010. The consumer loan book has reduced and arrears levels were better than anticipated.

The impairment charges on assets sold or held for sale to NAMA of £23 million for the six months ended 30 June 2011 compares to a charge of £32 million for the six months ended 30 June 2010, reflecting the net impact of changes in NAMA eligibility criteria.

Assets sold or held for sale to NAMA	6 months ended 30 June 2011 £m	*Restated 6 months ended 30 June 2010 £m	Change %
Impairment charges on assets sold or held for sale to NAMA	23	32	(28%)

UK Financial Services **share of results of associates and joint ventures (after tax)**, which primarily relates to First Rate Exchange Services (FRES) was £13 million for the six months ended 30 June 2011 which is broadly unchanged compared to the six months ended 30 June 2010.

Business unit Underlying (loss) / profit before tax	6 months ended 30 June 2011 £m	6 months ended 30 June 2010 £m	Change %
Residential mortgages	21	58	(64%)
Business Banking	(115)	(196)	(41%)
Consumer Financial Services	24	21	14%
Division Centre	(31)	(51)	(39%)
Underlying loss before tax	**(101)**	**(168)**	**(40%)**

Residential mortgages
The underlying profit before tax in Residential mortgages for the six months ended 30 June 2011 of £21 million has decreased from a profit of £58 million for the six months ended 30 June 2010. This decrease is primarily due to the increased cost of wholesale funding, partly offset by improved asset pricing and lower impairment charges.

Business Banking
The underlying loss before tax in Business Banking for the six months ended 30 June 2011 of £115 million has decreased by £81 million or 41% when compared to the loss before tax for the six months ended 30 June 2010 of £196 million. This is primarily due to a lower impairment charge, and a lower volume of loss making deposits, partly offset by the impact of lower loan volumes as a result of transfers to NAMA during 2010 and the increased cost of wholesale funding.

Consumer Financial Services
The underlying profit before tax of £24 million in the six months ended 30 June 2010 is £3 million or 14% higher compared to the six months ended 30 June 2010, due principally to increased activity in the Post Office joint ventures.

Division Centre
The underlying loss before tax in Division Centre of £31 million for the six months ended 30 June 2011 compares to an underlying loss before tax of £51 million for the six months ended 30 June 2010, primarily due to a number of one off charges in the six months ended 30 June 2010 which did not repeat in the current period.

Capital Markets

Capital Markets: Income statement	**6 months ended 30 June 2011 €m**	*Restated 6 months ended 30 June 2010 €m	Change %
Net interest income	420	400	5%
Net other income	(30)	49	-
Operating income	**390**	**449**	**(13%)**
Operating expenses	(113)	(146)	(23%)
Operating profit before impairment charges on financial assets and loss on sale of assets to NAMA	**277**	**303**	**(9%)**
Impairment charges on loans and advances to customers	(118)	(146)	(19%)
Impairment charge on available for sale (AFS) financial assets	(16)	-	
Assets sold or held for sale to NAMA:			
- Impairment charges on assets sold or held for sale to NAMA	(9)	(145)	(94%)
- Loss on sale of assets to NAMA	-	(414)	-
Share of results of associates and joint ventures (after tax)	-	1	-
Underlying profit / (loss) before tax	**134**	**(401)**	**-**

* *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*

Capital Markets Division comprises Corporate Banking, Global Markets and IBI Corporate Finance, having disposed of Bank of Ireland Asset Management (BIAM), Bank of Ireland Securities Service (BOISS) and Paul Capital during the six months ended 30 June 2011.

Capital Markets reported an **underlying profit before tax** of €134 million for the six months ended 30 June 2011 compared with an underlying loss before tax of €401 million for the six months ended 30 June 2010.

The change in 'Net interest income' and 'Net other income' is impacted by IFRS income classifications between the two income categories (see page 11).

Net interest income	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Change %
Net interest income	420	400	5%
IFRS income classifications	(63)	(42)	(50%)
Net interest income (after IFRS income classifications)	**357**	**358**	**-**

Net interest income (after IFRS income classifications) amounted to €357 million for the six months ended 30 June 2011 and compares with the Net interest income after IFRS income classifications, of €358 million for the six months ended 30 June 2010. The impact of Net interest income from lower interest earning assets and the increased cost of wholesale funding is offset by increased asset pricing.

Net other income	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Change %
Net other income	(30)	49	-
IFRS income classifications	63	42	50%
Net other income (after IFRS income classifications)	**33**	**91**	**(64%)**

Net other income (after IFRS income classifications) amounted to €33 million for the six months ended 30 June 2011 and has decreased by €58 million or 64% compared to Net other income (after IFRS income classifications) of €91 million for the six months ended 30 June 2010. This decrease is driven primarily by the accounting impact of fair value movements in currency swaps that hedge the funding of the Group's sterling balance sheet and the loss of income following the disposal of the asset management businesses BIAM and BOISS. This is partly offset by higher fees in Corporate Banking.

Operating expenses of €113 million for the six months ended 30 June 2011 are lower by €33 million or 23% compared to operating expenses of €146 million for the six months ended 30 June 2010 primarily due to lower pension costs and lower costs following the sale of BIAM and BOISS.

Average staff numbers (full time equivalents) of 1,105 for the six months ended 30 June 2011 were 291 lower compared to the average staff numbers (full time equivalents) of 1,396 for the six months ended 30 June 2010.

Operating profit (before impairment charges on financial assets and loss on sale of assets to NAMA) of €277 million for the six months ended 30 June 2011 has decreased by €26 million compared to an operating profit of €303 million for the six months ended 30 June 2010.

Impairment charges on loans and advances to customers of €118 million for the six months ended 30 June 2011 have decreased by €28 million or 19% compared to the impairment charge of €146 million for the six months ended 30 June 2010.

The Group incurred an **impairment charge on available for sale (AFS) financial assets** of €16 million in the six months ended 30 June 2011 (30 June 2010: €nil). This charge related to a €20 million holding of subordinated debt issued by Irish Life and Permanent.

Impairment charges on loans and advances to customers	**6 months ended 30 June 2011 €m**	*Restated 6 months ended 30 June 2010 €m	Change %
Non-property SME and corporate	86	103	(17%)
Property and construction	32	43	(26%)
Total impairment charges on loans and advances to customers	**118**	**146**	**(19%)**

* *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in notes 12 and 13).*

The impairment charge on **Non-property SME and corporate** of €86 million for the six months ended 30 June 2011 is €17 million lower compared to the impairment charge of €103 million for the six months ended 30 June 2010. Larger corporate customers trading internationally have continued to experience more favourable conditions, with the charge in the six months ended 30 June 2011 lower than in the same period last year. The charge in the six months ended 30 June 2011 was heavily influenced by losses incurred on some larger specific exposures in Ireland and the UK.

The impairment charge of €32 million on the **Property and construction** portfolio for the six months ended 30 June 2011 has decreased by €11 million compared to the impairment charge of €43 million for the six months ended 30 June 2010.

The **impairment charges on assets sold or held for sale to NAMA** of €9 million for the six months ended 30 June 2011 was a decrease of €136 million compared to the impairment charge of €145 million for the six months ended 30 June 2010. In the six months ended 30 June 2010 there was a **loss on sale of assets to NAMA** of €414 million. No assets were transferred to NAMA during six months ended 30 June 2011.

Assets sold or held for sale to NAMA	**6 months ended 30 June 2011 £m**	*Restated 6 months ended 30 June 2010 £m	Change %
Impairment charges on assets sold or held for sale to NAMA	9	145	(94%)
Loss on sale of assets to NAMA	-	414	-

Business Unit Underlying profit / (loss) before tax	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Change %
Corporate Banking	79	(462)	-
Global Markets	60	38	58%
Asset Management Services	10	17	(41%)
Division Centre	(15)	6	-
Underlying profit / (loss) before tax	**134**	**(401)**	**-**

Corporate Banking underlying profit before tax of €79 million for the six months ended 30 June 2011 compares to an underlying loss of €462 million for the six months ended 30 June 2010 primarily due to impairment charges on assets sold or held for sale to NAMA together with the loss on sale of assets to NAMA in the six months ended 30 June 2010 and reflects lower interest earning assets and the increased cost of wholesale funding partly offset by increased asset pricing.

Global Markets underlying profit before tax of €60 million for the six months ended 30 June 2011 compares to an underlying profit of €38 million for the six months ended 30 June 2010 primarily due to higher income in the liquid asset book and lower operating expenses.

Asset Management Services underlying operating profit before tax of €10 million for the six months ended 30 June 2011 is 41% lower than the underlying profit before tax of €17 million for the six months ended 30 June 2010 due to the sale of BIAM and BOISS in the six months ended 30 June 2011.

Division Centre includes central management costs, IBI Corporate Finance together with an impairment charge of €16 million on a €20 million holding of subordinated debt issued by Irish Life and Permanent.

Group Centre

Group Centre: Income statement	6 months ended 30 June 2011 €m	*Restated 6 months ended 30 June 2010 €m	Change %
Net interest (expense) / income (excluding ELG guarantee fees)	(23)	15	-
Net other (expense) / income (excluding CIFS guarantee fees)	(15)	16	-
Government guarantee fees:			
- ELG	(239)	(94)	154%
- CIFS	-	(57)	-
Net operating income	**(277)**	**(120)**	**131%**
Operating expenses	(65)	(60)	8%
Operating loss before impairment charges on financial assets and loss on sale of assets to NAMA	**(342)**	**(180)**	**90%**
Charges arising on the sale of assets to NAMA	-	(19)	-
Underlying loss before tax	**(342)**	**(199)**	**72%**

* *The gains of €74 million arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss' has been reclassified as a non-core item.*

Group Centre comprises capital management activities, Government guarantee fees and unallocated group support costs.

Group Centre reported an **underlying loss before tax** of €342 million for the six months ended 30 June 2011, compared to an underlying loss before tax of €199 million for the six months ended 30 June 2010.

Net operating income was a charge of €277 million for the six months ended 30 June 2011 compared to a charge of €120 million for the six months ended 30 June 2010. The €157 million higher charge in the current period is driven primarily by:

- higher **Government guarantee fees** which amounted to a charge of €239 million in the six months ended 30 June 2011, as compared to a combined charge (ELG and CIFS) of €151 million in the six months ended 30 June 2010. The increase of €88 million reflects the higher fees payable following the various extensions of the ELG scheme together with the impact of the downgrades to the Group's credit ratings.

- higher interest expense on subordinated liabilities. In February 2010, the Group completed a liability management exercise where it exchanged certain existing subordinated liabilities for new subordinated liabilities which had a significantly higher coupon attaching (see note 8 for more details).

- the accounting impact of fair value movements in currency swaps that hedge the funding of the Group's sterling balance sheet.

Operating expenses of €65 million for the six months ended 30 June 2011 compares to operating expenses of €60 million for the six months ended 30 June 2010. The increase of €5 million is primarily driven by one off regulatory costs in the six months ended 30 June 2011 and is partly offset by the continued tight management of costs.

Average staff numbers (full time equivalents) of 3,963 for the six months ended 30 June 2011 were 189 higher, due to intergroup transfers, compared to the average staff numbers (full time equivalents) of 3,774 for the six months ended 30 June 2010.

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Income Statement - Operating Segments

6 months ended 30 June 2011	Net interest income €m	Insurance net 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 before impairment charge on financial assets and loss on sale to NAMA €m**	Impairment charge on loans and advances to customers €m	Impairment charge on available for sale assets €m	Impairment charge on assets held for sale to NAMA €m	Loss on sale of assets to NAMA €m	Share of results of associates and joint ventures (after tax) €m	Disposal of business activities €m	**Profit / (loss) before taxation €m**
Retail Republic of Ireland	422	-	170	**592**	-	**592**	(431)	**161**	(525)	-	(9)	-	-	-	**(373)**
Bank of Ireland Life	2	475	(142)	**335**	(313)	**22**	(50)	**(28)**	-	-	-	-	-	-	**(28)**
UK Financial Services	218	-	62	**280**	-	**280**	(185)	**95**	(199)	-	(25)	-	15	-	**(114)**
Capital Markets	420	-	(30)	**390**	-	**390**	(113)	**277**	(118)	(16)	(9)	-	-	-	**134**
Group Centre	(261)	6	(14)	**(269)**	(8)	**(277)**	(65)	**(342)**	-	-	-	-	-	-	**(342)**
Eliminations	(6)	-	6	**-**	-	**-**	-	**-**	-	-	-	-	-	-	-
Group - underlying *	**795**	**481**	**52**	**1,328**	**(321)**	**1,007**	**(844)**	**163**	**(842)**	**(16)**	**(43)**	**-**	**15**	**-**	**(723)**
- Gain on liability management exercises	-	-	11	**11**	-	**11**	-	**11**	-	-	-	-	-	-	**11**
- Impact of changes in pension benefits	-	-	-	**-**	-	**-**	1	**1**	-	-	-	-	-	-	**1**
- Gains arising on the on movement in credit spreads on the Group's own debt and deposits accounted for at fair value through profit or loss	-	-	81	**81**	-	**81**	-	**81**	-	-	-	-	-	-	**81**
- Impact of 'coupon stopper' on subordinated debt	-	-	-	**-**	-	**-**	-	**-**	-	-	-	-	-	-	**-**
- Gross-up for policyholder tax in the Life business	-	-	(2)	**(2)**	-	**(2)**	-	**(2)**	-	-	-	-	-	-	**(2)**
- Investment return on treasury stock held for policyholders	-	-	2	**2**	-	**2**	-	**2**	-	-	-	-	-	-	**2**
- Profit on disposal of business activities	-	-	-	**-**	-	**-**	(6)	**(6)**	-	-	-	-	-	80	**74**
Group total	**795**	**481**	**144**	**1,420**	**(321)**	**1,099**	**(849)**	**250**	**(842)**	**(16)**	**(43)**	**-**	**15**	**80**	**(556)**

* Underlying performance excludes the impact of non-core items (see page 10).

6 months ended 30 June 2010*	Net interest income €m	Insurance net 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 before impairment charge on financial assets and loss on sale to NAMA €m**	Impairment charge on loans and advances to customers €m	Impairment charge on available for sale assets €m	Impairment charge on assets held for sale to NAMA €m	Loss on sale of assets to NAMA €m	Share of results of associates and joint ventures (after tax) €m	Disposal of business activities €m	**Profit / (loss) before taxation €m**
Retail Republic of Ireland	491	-	180	**671**	-	**671**	(467)	**204**	(633)	-	(94)	(33)	8	-	**(548)**
Bank of Ireland Life	(2)	411	236	**645**	(562)	**83**	(53)	**30**	-	-	-	-	-	-	**30**
UK Financial Services	300	-	12	**312**	-	**312**	(190)	**122**	(303)	-	(38)	-	17	-	**(202)**
Capital Markets	400	-	49	**449**	-	**449**	(146)	**303**	(146)	-	(145)	(414)	1	-	**(401)**
Group Centre	(79)	12	(33)	**(100)**	(20)	**(120)**	(60)	**(180)**	-	-	-	(19)	-	-	**(199)**
Eliminations	-	-	-	**-**	-	**-**	-	-	-	-	-	-	-	-	-
Group - underlying *	**1,110**	**423**	**444**	**1,977**	**(582)**	**1,395**	**(916)**	**479**	**(1,082)**	**-**	**(277)**	**(466)**	**26**	**-**	**(1,320)**
- Gain on liability management exercises	-	-	699	**699**	-	**699**	-	**699**	-	-	-	-	-	-	**699**
- Impact of changes in pension benefits	-	-	-	**-**	-	**-**	676	**676**	-	-	-	-	-	-	**676**
- Gains arising on the on movement in credit spreads on the Group's own debt and deposits accounted for at fair value through profit or loss	-	-	74	**74**	-	**74**		**74**	-	-	-	-	-	-	**74**
- Impact of 'coupon stopper' on subordinated debt	(35)	-	(1)	**(36)**	-	**(36)**	-	**(36)**	-	-	-	-	-	-	**(36)**
- Gross-up for policyholder tax in the Life business	-	-	17	**17**	-	**17**	-	**17**	-	-	-	-	-	-	**17**
- Investment return on treasury stock held for policyholders	-	-	6	**6**	-	**6**	-	**6**	-	-	-	-	-	-	**6**
- Profit on disposal of business activities	-	-	-	**-**	-	**-**	-	**-**	-	-	-	-	-	-	-
Group total	**1,075**	**423**	**1,239**	**2,737**	**(582)**	**2,155**	**(240)**	**1,915**	**(1,082)**	**-**	**(277)**	**(466)**	**26**	**-**	**116**

* *Underlying performance excludes the impact of non-core items (see page 10).*

A number of reclassifications have been made to this Income Statement presentation for the six months ended 30 June 2010:

- *CIFS fees of €57 million have been reclassified from Net other income to Government guarantee fees.*
- *Impairment charges on loans and advances to customers and assets sold or held for sale to NAMA have been restated for the six months ended 30 June 2010 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge (further details are set out in note 13).*
- *Gains of €74 million arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss' have been reclassified as non-core.*

Risk Management Report

The Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into account and that its risk management and capital management strategies are aligned with its overall business strategy. Risks are managed in accordance with the Group's Risk Management Framework, detailed in pages 89 to 150 of the Group's Annual Report for the year ended 31 December 2010.

There has been no significant change to the Risk Management Framework or the Risk Governance Structure since 31 December 2010. A detailed update is provided below on the current status of credit risks (including asset quality and impairment), and on liquidity and funding risks. Other material risks are listed on pages 104 to 145 of the Group's Annual Report for the year ended 31 December 2010 and the principal risks and uncertainties facing the Group in the next six months are set out on pages 58 to 62.

The Group Deleveraging Committee (GDC), a sub-committee of the Court, was established in June 2011 to monitor and oversee the delivery of the Group's deleveraging commitments under the Group's business plan, the Central Bank 2011 PCAR / PLAR process and the EU / IMF Programme of Financial Support for Ireland. The committee is chaired by a non-executive director and is comprised of a number of the Group's executives and senior managers.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 71.

Credit Risk (Asset quality and impairment)

The Group uses internal ratings, based on an assessment of the credit quality of the customer, as part of its credit risk management system. A thirteen point credit grade rating scale is used for more complex, individually managed exposures, including wholesale, corporate and business lending. A seven point credit grade rating scale is used for standard products (including mortgages, personal and small business loans). Both credit scales have a defined relationship with the Group's Probability of Default (PD) scale. Other financial assets are assigned an internal rating supported by external ratings of the major rating agencies. Loans and advances to customers and assets held for sale to NAMA are assigned an internal credit grade by the Group based on an assessment of the credit quality of the borrower.

'Neither past due nor impaired' ratings are summarised as set out below:

Mappings to external rating agencies are indicative only, as additional factors such as collateral will be taken into account by the Group in assigning a credit grade to a counterparty.

- high quality ratings apply to highly rated financial obligors, strong corporate and business counterparties and consumer banking borrowers (including residential mortgages) with whom the Group has an excellent repayment experience. High quality ratings are derived from grades 1 to 4 on the thirteen point grade scale, grades 1 and 2 on the seven point grade scale and ratings equivalent to AAA, AA+, AA, AA-, A+, A, A-, BBB+ and BBB for the external major rating agencies;
- satisfactory quality ratings apply to good quality financial assets that are performing as expected, including loans and advances to small and medium sized enterprises, leveraged entities and more recently established businesses. Satisfactory quality ratings also include some element of the Group's retail portfolios. Satisfactory quality ratings are derived from grades 5 to 7 on the thirteen point grade scale, grade 3 on the seven point grade scale and external ratings equivalent to BBB-, BB+, BB and BB-. In addition, satisfactory quality ratings also apply to modified mortgages that are neither past due nor impaired;
- acceptable quality ratings apply to customers with increased risk profiles that are subject to closer monitoring and scrutiny by lenders with the objective of managing risk and moving accounts to an improved rating category. Acceptable quality ratings are derived from grades 8 and 9 on the thirteen point grade scale, grade 4 outstandings within the seven point scale and external ratings equivalent to B+; and
- the lower quality but neither past due nor impaired rating applies to those financial assets that are neither in arrears nor impaired but where the Group requires a work down or work out of the relationship unless an early reduction in risk is achievable. Lower quality ratings are derived from outstandings within rating grades 10 and 11 on the thirteen point grade scale and grade 5 on the seven point grade scale and external ratings equivalent to B or below.

'Past due but not impaired loans' are defined as follows:

- loans where repayment of interest and / or principal are overdue by at least one day but which are not impaired.

'Impaired loans' are defined as follows:

- loans with a specific impairment provision attaching to them together with loans (excluding residential mortgages) which are more than 90 days in arrears.
- all assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale are impaired.

Loans and advances to customers

The Group's loans and advances to customers at 30 June 2011 of €112 billion reflects a decrease of 6% when compared to the Group's loans and advances to customers of €119 billion at 31 December 2010. The key drivers of the decrease include foreign exchange movements, loan repayments, disposal of loan portfolios and generally subdued demand for new loans.

* *Loans and advances in the following tables are presented before taking account of impairment provisions. On the balance sheet on page 67, these amounts are presented on a net of impairment basis on two lines being Loans and advances to customers and Other assets classified as held for sale.*

Loans and advances to customers* Book composition (pre-impairment provisions)	**30 June 2011 €m**	**%**	31 December 2010 €m	%
Residential mortgages	57,872	52%	60,266	51%
- Republic of Ireland	*27,914*	*25%*	*28,067*	*24%*
- UK	*29,958*	*27%*	*32,199*	*27%*
Non-property SME and corporate	28,038	25%	31,073	26%
Property and construction	22,704	20%	24,394	20%
- Investment	*18,642*	*17%*	*19,819*	*17%*
- Land and development	*4,062*	*3%*	*4,575*	*3%*
Consumer	3,288	3%	3,699	3%
Total loans and advances to customers	**111,902**	**100%**	**119,432**	**100%**

30 June 2011 Risk profile of loans and advances to customers (pre-impairment provisions)	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total loans and advances to customers €m**	**Total loans and advances to customers %**
High quality	51,060	5,849	1,696	1,986	60,591	54%
Satisfactory quality	1,541	11,536	6,234	716	20,027	18%
Acceptable quality	-	4,473	4,354	54	8,881	8%
Lower quality but not past due nor impaired	-	2,001	2,348	-	4,349	4%
Neither past due nor impaired	**52,601**	**23,859**	**14,632**	**2,756**	**93,848**	**84%**
Past due but not impaired	4,079	410	1,077	177	5,743	5%
Impaired	1,192	3,769	6,995	355	12,311	11%
Past due but not impaired and Impaired	**5,271**	**4,179**	**8,072**	**532**	**18,054**	**16%**
Total	**57,872**	**28,038**	**22,704**	**3,288**	**111,902**	**100%**

31 December 2010 Risk profile of loans and advances to customers (pre-impairment provisions)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
High quality	54,009	6,987	2,085	2,268	65,349	55%
Satisfactory quality	1,566	12,777	7,595	788	22,726	19%
Acceptable quality	-	4,989	5,114	63	10,166	8%
Lower quality but not past due nor impaired	-	2,173	2,144	-	4,317	4%
Neither past due nor impaired	**55,575**	**26,926**	**16,938**	**3,119**	**102,558**	**86%**
Past due but not impaired	3,614	490	1,579	209	5,892	5%
Impaired	1,077	3,657	5,877	371	10,982	9%
Past due but not impaired and Impaired	**4,691**	**4,147**	**7,456**	**580**	**16,874**	**14%**
Total	**60,266**	**31,073**	**24,394**	**3,699**	**119,432**	**100%**

Loans and advances to customers (continued)

Loans and advances to customers classified as **'neither past due nor impaired'** were €93.8 billion at 30 June 2011 compared to €102.6 billion at 31 December 2010. The decrease of €8.8 billion is due primarily to the reduction in size of the loan book (as loan repayments and book disposals exceeded new lending), together with the movement of loans into the **'past due but not impaired'** and **'impaired'** categories. Loans that were classified as 'past due but not impaired' and 'impaired' has increased by €1.2 billion from €16.9 billion or 14% of the loan book at 31 December 2010 to €18.1 billion or 16% of the loan book at 30 June 2011. This increase of €1.2 billion is primarily due to Residential mortgages (€0.6 billion) and Property and construction (€0.6 billion).

30 June 2011 **Loans and advances to customers** **Composition and impairment**	**Advances (pre-impairment) €m**	**Impaired loans €m**	**Impaired loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of impaired loans %**
Residential mortgages	57,872	1,192	2.1%	857	72%
- Republic of Ireland	*27,914*	*1,054*	*3.8%*	*718*	*68%*
- UK	*29,958*	*138*	*0.5%*	*139*	*100%*
Non-property SME and corporate	28,038	3,769	13.4%	1,594	42%
Property and construction	22,704	6,995	30.8%	2,679	38%
- Investment	*18,642*	*3,972*	*21.3%*	*1,155*	*29%*
- Land and development	*4,062*	*3,023*	*74.4%*	*1,524*	*50%*
Consumer	3,288	355	10.8%	297	84%
Total loans and advances to customers	**111,902**	**12,311**	**11.0%**	**5,427**	**44%**

31 December 2010 Loans and advances to customers Composition and impairment	Advances (pre-impairment) €m	Impaired loans €m	Impaired loans as % of advances %	Impairment provisions €m	Impairment provisions as % of impaired loans %
Residential mortgages	60,266	1,077	1.8%	725	67%
- Republic of Ireland	*28,067*	*921*	*3.3%*	*575*	*62%*
- UK	*32,199*	*156*	*0.5%*	*150*	*96%*
Non-property SME and corporate	31,073	3,657	11.8%	1,474	40%
Property and construction	24,394	5,877	24.1%	2,455	42%
- Investment	*19,819*	*2,806*	*14.2%*	*951*	*34%*
- Land and development	*4,575*	*3,071*	*67.1%*	*1,504*	*49%*
Consumer	3,699	371	10.0%	321	87%
Total loans and advances to customers	**119,432**	**10,982**	**9.2%**	**4,975**	**45%**

Impaired loans increased from €11.0 billion or 9% of loans and advances to customers at 31 December 2010 to €12.3 billion or 11% of loans and advances to customers at 30 June 2011. The overall increase in impaired loans primarily reflects the significant increase in impaired loans in the Property and construction portfolio and Residential mortgages portfolio (primarily in the Republic of Ireland).

The ratio of impaired loans to total loans and advances to customers has increased for all portfolios since 31 December 2010 with the most significant increase being in the Property and construction portfolio.

Total impairment provisions against loans and advances to customers were €5.4 billion at 30 June 2011, an increase of €0.4 billion compared to €5.0 billion at 31 December 2010. The Property and construction portfolio accounts for 49% of the impairment provisions, with the Non-property SME and corporate portfolio accounting for 29%, the Residential mortgage portfolio accounting for 16% and the Consumer portfolio accounting for 6%.

Loans and advances to customers (continued)

The increase in impairment provisions primarily reflects the impact of the stressed economic environment and weak consumer sentiment in Ireland which has led to an increase in the savings ratio and a reduction in consumer spending. In Ireland, mortgage arrears are continuing to rise and SME and property businesses that have a correlation with consumer spending remain under pressure.

Property and construction remains the most heavily impacted portfolio in the loan book with falling house prices, an over supply of residential housing stock and illiquid property markets remaining the key drivers of impairment. The level of transactions in the Irish commercial property sector remains low due to a lack of demand from investors and continued uncertainties, including potential legislative changes around 'upward only' rent reviews.

Further information on the profile of the mortgage portfolio in the Republic of Ireland, including the level of arrears in this portfolio, is set out on page 28 and 29. Further information on the profile of the mortgage portfolio in the UK, including the level of arrears in this portfolio, is set out on page 33 and 34.

Coverage ratios, which vary considerably by portfolio, are influenced by the nature of the loan assets and the extent and quality of underlying collateral held by the Group in support of the loan. Impairment provisions as a percentage of impaired loans reduced from 45% at 31 December 2010 to 44% at 30 June 2011.

The coverage ratio on Residential mortgages increased from 67% at 31 December 2010 to 72% at 30 June 2011. In line with general market practice, Residential mortgages that are '90 days past due', where no loss is expected to be incurred, are not included in 'impaired loans'. If all Residential mortgages that are '90 days past due' were included in 'impaired loans', the coverage ratio for Residential mortgages would be 29% at 30 June 2011, unchanged from 31 December 2010.

At 30 June 2011 the Non-property SME and corporate coverage ratio has increased to 42% from 40% at 31 December 2010.

The coverage ratio on the Property and construction portfolio was 38% at 30 June 2011 down from 42% at 31 December 2010 primarily due to an increase in Investment property loans which are '90 days past due' that are currently being renegotiated but where a loss is not anticipated.

The coverage ratio on Consumer loans was 84% at 30 June 2011, down from 87% at 31 December 2010. These loans are generally unsecured (with the exception of asset backed lending such as motor finance).

Assets held for sale to NAMA

Assets held for sale to NAMA **Book composition (pre-impairment provisions)**	**30 June 2011** **€m**	 **%**	31 December 2010 €m	 %
Residential mortgages	16	2%	-	-
Non-property SME and corporate	2	-	-	-
Property and construction	808	98%	868	100%
Total assets held for sale to NAMA	**826**	**100%**	**868**	**100%**

The Group's assets held for sale to NAMA at 30 June 2011 were €826 million (before impairment provisions), down from €868 million at 31 December 2010. The net reduction of €42 million is due to the net impact of changes in NAMA eligibility.

30 June 2011 **Assets held for sale to NAMA** **Composition and impairment**	**Advances (pre-impairment)** **€m**	**Impaired loans** **€m**	**Impaired loans as % of advances** **%**	**Impairment provisions** **€m**	**Impairment provisions as % of impaired loans** **%**
Residential mortgages	16	5	31%	4	80%
Non-property SME and corporate	2	2	100%	1	50%
Property and construction	808	523	65%	202	39%
- Investment	*545*	*294*	*54%*	*79*	*27%*
- Land and development	*263*	*229*	*87%*	*123*	*54%*
Assets held for sale to NAMA	**826**	**530**	**64%**	**207**	**39%**

31 December 2010 Assets held for sale to NAMA Composition and impairment	Advances (pre-impairment) €m	Impaired loans €m	Impaired loans as % of advances %	Impairment provisions €m	Impairment provisions as % of impaired loans %
Residential mortgages	-	-	-	-	-
Non-property SME and corporate	-	-	-	-	-
Property and construction	868	402	46%	75	19%
- Investment	*715*	*290*	*41%*	*35*	*12%*
- Land and development	*153*	*112*	*73%*	*40*	*36%*
Assets held for sale to NAMA	**868**	**402**	**46%**	**75**	**19%**

Impairment provisions on assets held for sale to NAMA increased from €75 million at 31 December 2010 to €207 million at 30 June 2011. This increase is primarily driven by new assets being brought into scope which had provisions of €89 million attaching to them at 31 December 2010 and additional provisions of €43 million in the period. Of the €43 million new provisions, approximately €24 million related to increases in provisions on assets that were in scope for NAMA at 31 December 2010 with €19 million related to the new 'in scope' assets.

The ratio of impairment provisions to total assets held for sale to NAMA at 30 June 2011 is 25% up from 9% at 31 December 2010, largely due to the change in the underlying assets that are classified as Held for Sale.

Other financial assets

Other financial assets	30 June 2011 €m	30 June 2011 %	31 December 2010 €m	31 December 2010 %
High quality	24,921	70%	35,487	92%
Satisfactory quality	10,531	29%	2,025	6%
Acceptable quality	210	1%	857	2%
Lower quality but not past due nor impaired	153	-	114	-
Neither past due nor impaired	35,815	100%	38,483	100%
Impaired	131	-	158	-
Total	**35,946**	**100%**	**38,641**	**100%**

Other financial assets include available for sale financial assets, NAMA senior bonds, derivative financial instruments, other financial assets at fair value through profit or loss, loans and advances to banks, interest receivable and the reinsurance assets. The table analyses the Group's exposure to other financial assets based on the gross amount before provisions for impairment.

On 13 July 2011, Moody's downgraded Irish sovereign debt by one notch to Ba1 from Baa3. The Group had exposure to Irish sovereign bonds at 30 June 2011 of €8.5 billion (31 December 2010: €8.9 billion) and reflecting this downgrade, these bonds were classified as satisfactory quality at 30 June 2011 (31 December 2010: High quality).

Total other financial assets at 30 June 2011 of €35.9 billion reflects a decrease of €2.7 billion from the total other financial assets of €38.6 billion at 31 December 2010. This decrease primarily reflects the lower levels of available for sale financial assets, derivative financial instruments and loans and advances to banks. Virtually all of the Group's exposure to other financial instruments were classified as 'neither past due nor impaired' at both 30 June 2011 and 31 December 2010.

The uncertain outlook for the global economy and volatility in the financial markets have had a negative impact on the fair values of the Group's available for sale financial instruments during the period, including those issued by the Irish sovereign. Operating income was also adversely impacted by the impact in our life business of widening yields on Irish Government bonds accounted for on a mark-to-market basis. In addition, the fair values of the Group's tracker deposits and issued debt instruments, including those measured at fair value through profit or loss (see note 6), have also been impacted by the same market conditions.

Mortgage arrears, SME insolvencies and the continued stagnation of property markets in Ireland, both commercial and residential, were key contributors to impairment charges for the six months ended 30 June 2011. Customer deposits have been impacted as a result of intense competition and the low interest rate environment.

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 71.

Challenged Loans

Challenged loans (pre-impairment provisions)	**30 June 2011 €m**	**30 June 2011 %**	31 December 2010 €m	31 December 2010 %
Residential mortgages	3,238	13%	2,852	12%
- Republic of Ireland	*2,161*	*9%*	*1,746*	*7%*
- UK	*1,077*	*4%*	*1,106*	*5%*
Non-property SME and corporate	8,032	33%	8,082	34%
Property and construction	11,806	48%	11,439	48%
- Investment	*7,773*	*32%*	*7,048*	*30%*
- Land and development	*4,033*	*16%*	*4,391*	*18%*
Consumer	1,388	6%	1,414	6%
Total loans and advances to customers	**24,464**	**100%**	**23,787**	**100%**

'Challenged' loans include 'impaired loans', together with elements of 'past due but not impaired', 'lower quality but not past due nor impaired' and loans at the lower end of 'acceptable quality' which are subject to increased credit scrutiny. The Group's 'challenged' loans, including both loans and advances to customers and assets held for sale to NAMA, are €24.5 billion at 30 June 2011 compared to €23.8 billion at 31 December 2010.

The increase since 31 December 2010 of €0.7 billion is due to the continued impact of the weaker economic conditions on arrears and downward grade migration. Analysed by portfolio at 30 June 2011, Property and construction exposures represent 48% of all challenged loans (31 December 2010: 48%). The Investment property loans element of the increase in the Property and construction challenged loans is due to continued stressed conditions in the Irish property market together with '90 days past due' loans where expired facilities are currently being renegotiated but where a loss is not anticipated. The Non property SME and corporate loan book accounts for 33% of challenged loans (31 December 2010: 34%), Residential mortgages account for 13% (31 December 2010: 12%) and Consumer loans account for 6% of challenged loans at 30 June 2011 (31 December 2010: 6%).

Available for sale financial assets (AFS) and NAMA senior bonds

The following table sets out the Group's available for sale financial assets (AFS) portfolio and NAMA senior bonds and details the Group's exposure to each asset class together with the valuations at 30 June 2011 with comparisons at 31 December 2010.

Portfolio	Carrying Value	Asset Type	Profile	Key Movements	Fair Value expressed as % of Underlying Nominal
Liquid Asset Portfolio	€18.1 billion (31 December 2010: €19.5 billion)	€3.2 billion Irish Government bonds (31 December 2010: €3.2 billion)	Average credit rating BBB+ (31 December 2010 Average credit rating BBB+)	Total negative mark to market adjustment to reserves of €0.6 billion, (31 December 2010, €0.3 billion negative) No impairments were recognised in the current or prior periods	82% (31 December 2010: 91%)
		€2.7 billion UK Treasury Bills (31 December 2010: €0.5 billion)	Average credit rating AAA (31 December 2010 Average credit rating AAA)		100% (31 December 2010: 100%)
		€7.3 billion bank debt and covered bonds (31 December 2010: €10.7 billion)	FRNs / CPS / CDs / Covered Bonds - Average Credit Rating A. (31 December 2010 - Average Credit Grade A+)	Total negative mark to market adjustment to reserves of €0.2 billion (31 December 2010, €0.3 billion negative) An impairment charge of €16 million was recognised in the current period (31 December 2010: €98 million of impairments recognised)	98% (31 December 2010, 98%)
		€4.9 billion NAMA Senior bonds (31 December 2010: €5.1 billion)	Average Credit Rating BBB+ (31 December 2010: average credit rating BBB+)	No mark to market recognised in reserves.	94% (31 December 2010: 99%)
Asset Backed Securities Portfolio	€1.0 billion (31 December 2010: €1.2 billion)	€0.3 billion RMBS (31 December 2010: €0.3 billion)	86% rated AAA / AA all prime (31 December 2010: 91%)	Total negative mark to market adjustments to reserves of €0.1 billion (31 December 2010: €0.1 billion) No impairments were recognised in the current period (31 December 2010: €nil)	94% (31 December 2010: 93%)
		€0.3 billion CMBS (31 December 2010: €0.4 billion)	75% rated AAA / AA all prime (31 December 2010: 81%)		
		€0.1 billion Student Loans / SME / Whole Business securitisations (31 December 2010: €0.1 billion)	82% rated AAA / AA all prime (31 December 2010: 38%)		
		€0.2 billion other categories including loans in syndication, CDO's and financials (31 December 2010: €0.3 billion)			
		€0.1 billion NAMA subordinated bonds (31 December 2010: €0.1 billion)	Not rated	Total negative mark market adjustments to reserves of €8 million (31 December 2010: €nil) No impairment was recognised in the current period (31 December 2010: €0.1 billion)	38% (31 December 2010: 38%)

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 71.

Available for sale financial assets (AFS) and NAMA senior bonds (continued)

The following table sets out, by country of issuer, the Group's exposures to Government bonds, senior bank debt and covered bonds together with asset backed securities and AFS equity securities as at 30 June 2011.

Country of Issuer	Government bonds (net of impairment) €m	Senior bank debt and covered bonds (net of impairment) €m	Total liquid asset portfolio (net of impairment) €m	Asset backed securities portfolio (net of impairment) €m
Australia	-	154	154	28
Austria	-	74	74	-
Belgium	-	156	156	
Bulgaria	-	-	-	-
Bermuda	-	-	-	2
Canada	-	283	283	-
Cayman Islands	-	-	-	-
Cyprus	-	-	-	-
Czech Republic	-	-	-	-
Denmark	-	214	214	-
Estonia	-	-	-	-
Finland	-	81	81	-
France	21	1,007	1,028	7
Germany	-	195	195	11
Guernsey	-	-	-	1
Greece	-	-	-	-
Hungary	-	-	-	-
Iceland	-	-	-	-
Ireland*	3,208	308	3,516	126
Ireland - NAMA Senior Bonds**	4,872	-	4,872	-
Italy	29	540	569	13
Jersey	-	-	-	26
Liechtenstein	-	-	-	-
Lithuania	-	-	-	-
Luxembourg	-	10	10	5
Malta	-	-	-	-
Netherlands	-	550	550	188
Norway	-	168	168	-
Poland	-	-	-	-
Portugal	-	146	146	-
Romania	-	-	-	-
Singapore	-	-	-	17
Slovakia	-	-	-	-
Slovenia	-	-	-	-
Spain	-	1,301	1,301	77
Sweden	-	265	265	-
Switzerland	-	-	-	-
United Kingdom	2,670	1,318	3,988	385
United States	-	555	555	102
Other	-	-	-	-
Total	**10,800**	**7,325**	**18,125**	**988**

* *Excludes Irish Government bonds with a carrying value of €441 million that are accounted for at fair value through profit or loss and that are held by BoI Life. See page 53.*
** *NAMA Senior Bonds are secured on NAMA assets and are accounted for as 'loans and receivables' rather than as 'available for sale financial assets'.*

The exposures in the table above are the carrying value of the assets as reported in the balance sheet at 30 June 2011.

Exposure to the Irish sovereign

As at 30 June 2011 Irish Government bonds	Nominal value €m	Fair value €m
Classified as:		
Available for sale financial assets	3,921	3,208
Other financial assets at fair value through profit or loss held by BoI Life	625	441
- held for solvency margin purposes	*257*	*180*
- backing non-linked policyholder liabilities	*194*	*133*
- linked to policyholder liabilities	*174*	*128*
Total	**4,546**	**3,649**

As set out in the Group's accounting policies on pages 197 to 216 of the 31 December 2010 Annual Report, the Group accounts for each of these assets as follows:

- Available for sale financial assets are carried in the balance sheet at their fair value. Other than in respect of impairment, any change in fair value is treated as a movement in the AFS reserve in Stockholders equity.
- Other financial assets at fair value through profit or loss - any changes in the fair value of these assets are treated as gains or charges in the Group's income statement. Assets with a nominal value of €625 million and a fair value of €441 million are held on behalf of the Group and comprise assets held by BoI Life for solvency margin purposes (nominal value of €257 million; fair value of €180 million), bonds that back non-linked liabilities to BoI Life policyholders (nominal value of €194 million; fair value of €133 million) and bonds that are linked to BoI Life policyholder liabilities (nominal value of €174 million; fair value of €128 million).

The maturity profile of the Irish Government bonds is set out below.

Available for sale financial assets As at 30 June 2011 Maturity profile	0-6 months €m	6-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	301	678	717	1,376	849	-	3,921
Fair value	300	664	630	1,051	563	-	3,208
Cumulative charge to AFS reserve (before deferred tax) In respect of AFS financial assets at 30 June 2011	(3)	(15)	(73)	(289)	(284)	-	(664)

Other financial assets at fair value through profit or loss As at 30 June 2011 Maturity profile	0-6 months €m	6-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	-	1	52	421	101	50	625
Fair value	-	1	45	301	63	31	441

Separately, at 30 June 2011, the Group had holdings of NAMA senior bonds, which are issued by NAMA and guaranteed by the Irish Government, with a nominal value of €4,973 million and a fair value at that date of €4,687 million.

NAMA senior bonds are classified as 'Loans and receivables' and accounted for at amortised cost which includes any provisions for impairment. The carrying value of these assets is not adjusted for changes in their fair value.

At 30 June 2011, the carrying value of the NAMA senior bonds in the Group's balance sheet was €4,872 million. The maturity date of the NAMA senior bonds is March 2012. NAMA may, with the consent of the Group, settle the bonds by issuing new bonds with the same terms and conditions and a maturity date of up to 364 days.

Liquidity and Funding

General

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, among other things, by the maturity structure of loans and investments held by the Group, while cash outflows are driven by the term of the debt issued by the Group and the outflows from deposit accounts held for customers.

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 which are often associated with times of distress or adverse events such as a credit rating downgrade(s) or economic or financial turmoil.

Further information is set out on pages 128 to 134 of the Group's Annual Report for the year ended 31 December 2010 and details of the principal liquidity and funding risks facing the Group in the next six months are included on page 61 of this Interim Report.

The Central Bank prescribes regulatory liquidity ratios for Irish financial institutions. Compliance with these regulatory liquidity ratios can be adversely impacted by a range of factors including the term of borrowings, the split between unsecured and secured funding and the mix of facilities provided by Monetary Authorities. The Group had four temporary breaches of regulatory liquidity requirements; in January 2011 (which was remediated later in January 2011), in April 2011 (which was remediated later in April 2011) June and July 2011 (which were remediated in July 2011). The breaches, which were notified to the Central Bank, were associated with the contraction in unsecured wholesale funding, changes in the eligibility criteria of the ECB and increased usage of Monetary Authority and Central Bank funding facilities.

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 71.

Overview and market environment

The funding markets in 2011 were dominated by concerns over the further intensification of stress in euro area sovereign bond markets including Ireland and the outlook for the global economy.

In April 2011 Portugal became the third euro area country to enter the EU / IMF Programme for financial assistance. In June 2011 it became clear that further programme support would be required for Greece and uncertainty increased over the nature of possible private-sector involvement in addressing the Greek debt situation.

The credit ratings of Ireland and the Group which were subject to further downgrades during 2011 are set out in the following tables:

Ireland - Senior debt	30 June 2011	31 December 2010
Standard & Poor's*	BBB+ (Stable)	A (CreditWatch Negative)
Moody's**	Baa3 (Negative)	Baa1 (Negative)
Fitch	BBB+ (Negative)	BBB+ (Stable)
DBRS	A (High) (Negative trend)	A (High) (Negative trend)

BOI - Senior debt	30 June 2011	31 December 2010
Standard & Poor's	BB+ (Negative)	BBB+ (CreditWatch Negative)
Moody's**	Ba2 (Negative)	Baa2 (Negative)
Fitch	BBB (Negative)	BBB (Stable)
DBRS	BBB (High) (Negative trend)	A (High) (Negative trend)

* *Standard & Poor's affirmed Ireland's sovereign debt at BBB+ (Stable) on 5 August 2011.*
** *Moody's Investors Service downgraded Irish sovereign debt by one notch to Ba1 from Baa3 on 13 July 2011 with the outlook on the rating remaining 'negative'. Following the downgrade Moody's affirmed the rating for Bank of Ireland as Ba2 for Senior debt (Ba1 for Deposits).*

These downgrades together with the impact of the growing intensity of the sovereign debt crises in Europe led to a widening of the yield on the benchmark 10 year Irish government bond from 9.1% at 31 December 2010 to 11.7% at 30 June 2011. As the sovereign debt crises intensified in July 2011, this yield increased further to a peak of 14.1% on 18 July 2011.

However following the statement of support for the euro currency by the Heads of State or Government of the euro area and the EU institutions on 21 July 2011 yields have tightened significantly – at 8 August 2011, the yield on 10 year Irish government bonds had eased to 9.95%.

Due to the outflow of ratings sensitive deposits that occurred during the second half of 2010 and due to the ongoing significant difficulties in sourcing market-based funding, the Irish banking system (including the Group) continues to be reliant on Monetary Authorities and on the exceptional liquidity facilities from the Central Bank.

At 31 December 2010, the Irish banks (covered by the Government guarantee) had drawings of €91 billion from the ECB[1]. In addition, the Central Bank had provided to Irish banks exceptional liquidity facilities of c.€51 billion at 31 December 2010. At 30 June 2011, drawings from the ECB had decreased to €70 billion[1] while the exceptional liquidity facilities provided by the Central Bank had increased to c.€56 billion.

The objective of the 2011 PLAR exercise is that the Irish banks will progressively, albeit at a measured pace, divest their non-core assets, in order to bring down their loan to deposit ratios and reduce their dependence on funding from Monetary Authorities and the Central Bank.

Overall the level of Irish private sector deposits[2] at 30 June 2011 has remained stable at €168 billion when compared to 31 December 2010. The level of competition in the customer deposit market in Ireland remains intense despite of the transfer in February 2011 of the deposit books from Anglo Irish Bank and Irish Nationwide to AIB and Irish Life and Permanent respectively.

Against this background, on 1 June 2011, the European Commission approved the extension of the systemic Government guarantee scheme (ELG) to 31 December 2011.

[1] Source: Central Bank
[2] Incorporates deposits from Households, Non-financial corporations and Insurance corporations and pension funds / other financial intermediaries. Source: Central Bank.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 71.

Summary Consolidated Balance Sheet	**Table**	**30 June 2011 €bn**	31 December 2010 €bn	Change %
Loans and advances to customers (after impairment provisions)	1	107	114	(6%)
Assets held for sale to NAMA (after impairment provisions)		1	1	-
Liquid assets		26	30	(13%)
Other assets		21	22	-
Total assets		**155**	**167**	**(7%)**
Customer deposits	2	65	65	-
Wholesale funding	3	61	70	(13%)
Subordinated liabilities		3	3	-
Other liabilities		19	22	(14%)
Total liabilities		**148**	**160**	**(7%)**
Stockholders' equity		7	7	-
Total liabilities and stockholders' equity		**155**	**167**	**(7%)**
Loan to deposit ratio (excluding assets held for sale to NAMA)		**164%**	**175%**	**(12%)**

TABLE: 1 Loans and advances to customers (after impairment provisions)	**30 June 2011 €bn**	31 December 2010 €bn
Loans and advances to customers (after impairment provisions)	**107**	**114**
- Loans and advances to customers	*101*	*114*
- Other assets classified as held for sale	*6*	*-*

Since 2008, the Group has been focussed on reducing the size of its loan books. Since that time the Group's loans and advances to customers have reduced by €30 billion from €144 billion at 30 September 2008 to €114 billion at 31 December 2010.

Loans and advances to customers (after impairment provisions) have reduced by a further €7 billion during the six months ended 30 June 2011 from €114 billion at 31 December 2010 to €107 billion at 30 June 2011 due to foreign exchange movements, loan repayments, disposal of loan portfolios and generally subdued demand for new loans. The Group's loan to deposit ratio (excluding assets held for sale to NAMA) at 30 June 2011 was 164% which reflects a reduction of 11% from the Group's loan to deposit ratio of 175% at 31 December 2010.

As part of the 2011 PLAR, the Group agreed a Deleveraging plan with the Central Bank. The implementation of the Deleveraging plan is expected to ensure that the Group complies with the liquidity requirements and targets of the Central Bank including, but not limited to, a loan to deposit ratio of 122.5% by 31 December 2013. In addition the successful implementation of the Deleveraging plan will enable the Group to reduce its reliance on the wholesale funding markets and to substantially repay its drawings from Monetary Authorities and the Central Bank.

The Deleveraging plan envisages a reduction of c.€25 billion in loans and advances to customers from €114 billion at 31 December 2010. This reduction is expected to include asset disposals of c.€10 billion and loan repayments of c.€15 billion over the period of the plan.

TABLE: 2 Customer deposits	**30 June 2011 €bn**	31 December 2010 €bn
Retail Republic of Ireland	34	35
- Deposits	*24*	*24*
- Current account credit balances	*10*	*11*
UK Financial Services	21	21
UK Financial Services (Stg£bn equivalent)	*19*	*18*
- UK Post Office	*13*	*11*
- Business Banking	*6*	*7*
Capital Markets	10	9
Total customer deposits	**65**	**65**

Customer deposits were €65 billion at 30 June 2011 compared to €65 billion at 31 December 2010 as set out in table above. The granularity of deposits continues to improve, at 30 June 2011, the Group's largest 20 customer deposits (excluding the NTMA deposit of €3 billion) amounted to 2% of the total customer deposits (31 December 2010: 4%).

During the first six months of 2011, despite intense competition, the Group's retail customer deposit base in Ireland has remained stable supported by the launch of a number of successful personal and business deposit products including the 'double your interest' personal deposit product. Current account credit balances amounted to €10.4 billion at 30 June 2011 as compared with €11.4 billion 31 December 2010.

The Group's retail deposit gathering activities in its joint venture with the UK Post Office exceeded expectations and deposits amounted to £13.3 billion at 30 June 2011, which represents an increase of £2.2 billion since 31 December 2010.

The Group's deposit gathering strategy in the UK has been successfully underpinned by the incorporation in November 2010 of the Group's licensed banking subsidiary – Bank of Ireland (UK) plc.

Capital Markets deposits amounted to €9.7 billion at 30 June 2011 as compared with €9.2 billion at 31 December 2010. The net increase of €0.5 billion reflects deposits of €3 billion from the National Treasury Management Agency ('NTMA') partly offset by loss of deposits as a result of the disposal of BOISS whose customers had placed deposits of €1 billion with the Group at 31 December 2010 and an outflow of other Capital Markets deposits of €1.5 billion during the six months ended 30 June 2011. On recapitalisation of the Bank, these NTMA deposits were repaid in July 2011.

Customer deposits at 30 June 2011 of €65 billion (31 December 2010: €65 billion) do not include €2.1 billion (31 December 2010: €1.9 billion) of savings and investment-type products sold by BoI Life. These products have a fixed term (typically of five years) and consequently are a stable source of funding for the Group.

TABLE: 3
Wholesale funding sources

	30 June 2011 €bn	%	31 December 2010 €bn	%
Secured funding	49	100%	50	100%
- Deposits from banks	*37*	*76%*	*38*	*76%*
- Asset covered securities	*7*	*14%*	*7*	*14%*
- Securitisations	*5*	*10%*	*5*	*10%*
Unsecured funding	12	100%	20	100%
- Senior debt	*10*	*83%*	*16*	*80%*
- Deposits from banks	*2*	*17%*	*3*	*15%*
- Commercial Paper and Certificates of Deposits	*-*	*-*	*1*	*5%*
Total Wholesale Funding	**61**	**100%**	**70**	**100%**
Of which:				
Drawings from Monetary Authorities (net)	*22*	*-*	*23*	*-*
Exceptional liquidity facilities from Central Bank	*7*	*-*	*8*	*-*
Wholesale funding maturity profile				
> 1 year to maturity	19	31%	22	32%
< 1 year to maturity	42	69%	48	68%

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 71.

Wholesale funding was €61 billion at 30 June 2011 compared to €70 billion at 31 December 2010 as set out in the table above.

During 2011 to date the Group issued secured term funding amounting to €2.9 billion with an average maturity (at date of issue) of 2.2 years and an average spread equivalent to 265 basis points over three month Euribor. Of this amount €0.8 billion was issued by 30 June 2011 and is reflected in the amounts above.

At 30 June 2011, 31% of wholesale funding had a term to maturity of greater than one year which is broadly in line with 31 December 2010.

The Group's Senior debt at 30 June 2011 of €10 billion has reduced by €6 billion from €16 billion at 31 December 2010. This reflects the difficult wholesale funding environment as well as scheduled repayments.

As a result of continuing challenging funding markets the Group continues to make significant use of liquidity facilities provided by Monetary Authorities through both its pool of eligible collateral with the ECB and the exceptional liquidity facilities provided by the Central Bank. Total drawings from Monetary Authorities at 30 June 2011 amounted to €22 billion (net), (31 December 2010: €23 billion (net)). Exceptional liquidity facilities from the Central Bank at 30 June 2011 amounted to €7 billlion (31 December: €8 billion).

In January 2011 the ECB eligibility criteria for sterling denominated collateral changed such that previously eligible collateral with a liquidity value of €8 billion was no longer eligible for ECB operations. However the collateral available to the Group was replenished by the issue of Government guaranteed, own-use bonds that were retained by the Group but which are eligible for ECB monetary policy operations. These bonds have a liquidity value of €8 billion, they roll-over on a three monthly basis and are currently due to expire in October 2011.
The Group's collateral that is eligible for the exceptional liquidity facilities of the Central Bank was increased by the arrangements and counter-indemnities in place with the Minister for Finance, see page 21. While the arrangements have been in place throughout 2011, they are reviewed on a regular basis and the next review is due in late August 2011.

The Group expects to substantially repay the ECB and Central Bank facilities over the period of the Deleveraging plan as its customer loan books repay, as relevant non-core assets are sold, as additional deposits are gathered and as the Group returns to the wholesale funding markets.

The Group expects that its access to the funding markets will improve following the recapitalisation of the Group at the end of July 2011, as progress is made by the Group on achieving its deleveraging targets set out in the 2011 PLAR, as visibility and confidence emerges on the timing of the Group's return to profitability and as economic growth returns to the Irish economy.

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 71.

Principal Risks and Uncertainties

Given the challenging conditions that remain in financial markets, heightened concerns over sovereign debt levels and the continuing weakness of the economies in which it operates, the precise nature of all of the risks and uncertainties the Group faces cannot be predicted and many of these risks are outside the Group's control.

The overall risks and uncertainties for the Group are set out in pages 89 to 98 of the Group's Annual Report for the for the year ended 31 December 2010 and pages 10 to 47 of the Group's 20-F, both of which are available on the Group's website at www.bankofireland.com.

In the next six months the Group regards the following risks and uncertainties to be particularly important, any of which could have a material adverse impact on the Group's results, financial condition and prospects. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties; some risks are not yet known and some that are not currently considered material could later turn out to be material.

Euro zone stability and geopolitical / sovereign risk

Despite the establishment in May 2010 of the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM) and the announcement in March 2011 of the European Stability Mechanism (ESM) to provide funding and support to euro zone countries in financial difficulty, concerns persist regarding the debt burden of certain euro zone countries and their ability to meet future financial obligations. This has resulted in concerns regarding the overall stability of the euro zone and the suitability of the euro itself to be able to deal appropriately with specific circumstances in individual Member States. These concerns continued despite the formal Statement, on 21 July 2011, by the Heads of State or Government of the euro area and the EU institutions in which they reaffirmed their commitment to the euro and to do whatever was needed to ensure the financial stability of the euro area as a whole and its Member States. On 7 August 2011, the ECB decided to actively implement its Securities Markets Programme and the ECB started to buy Spanish and Italian government bonds on 8 August 2011.

Continued concerns regarding the stability of the euro zone, the euro and geopolitical / sovereign risk could materially adversely impact the Group's financial position and outlook.

Irish banking system / regulatory environment

The Group is subject to a number of risks associated with the Irish banking system and regulatory environment, including:

Credit (Institutions) Stabilisation Act 2010
The introduction of the Credit Institutions (Stabilisation) Act 2010 ('Stabilisation Act') provides extensive powers to the Minister for Finance to recapitalise and restructure the Irish banking system. The exercise of these powers could have a material adverse impact on the Group's results, financial condition and prospects notwithstanding that the objectives of the exercise of such powers may be to preserve, restore or stabilise the Group or the Irish financial system generally. In addition, the statutory duties imposed on Directors by the Stabilisation Act to have regard to, amongst other things, the interests of the State, could require the Directors to act in a manner which is not always aligned with the interests of stockholders as a whole.

Banking system
The Irish banking system is required to restructure and change significantly which could have an adverse impact on the Group's results, financial condition and prospects.

The implementation of the Financial Measures Programme, which requires each domestic Irish bank to meet liquidity requirements including, but not limited to, a loan to deposit ratio of 122.5% by 31 December 2013, will require deleveraging measures such as the run-off and disposal of non-core assets. A failure by the Group to achieve these and other interim liquidity requirements could have an adverse impact on the Group's results, financial condition and prospects.

Irish banking system / regulatory environment (continued)

The introduction of new government policies or the amendment of existing policies in Ireland or the UK including supervision, regulation, capital levels and industry structure could have an adverse impact on the Group's results, financial condition and prospects.

Regulation

The Group is subject to extensive regulation and oversight. New regulatory obligations could have an adverse impact on the Group's results, financial condition and prospects.

The Group may also be subject to regulatory investigations which could have an adverse impact on its results, financial condition and prospects.

The Group's licensed banking subsidiary in the UK, Bank of Ireland (UK) plc, comprises the Group's Post Office joint ventures, its branch business in Northern Ireland, assets from its former intermediary mortgage business and other parts of its UK business banking operations. Bank of Ireland (UK) plc could be subject to the special resolution regime powers under the UK Banking Act 2009.

State Aid

The Government Guarantee Schemes, the NPRFC Investment and the transfer of assets by the Group to NAMA were determined by the European Commission to involve the provision of State Aid to the Group and resulted in a European Commission decision on 15 July 2010 approving the State Aid received by the Group, on the basis of the 2010 EU Restructuring Plan submitted. Following the 2011 PCAR, the Group has submitted a revised restructuring plan (2011 EU Restructuring Plan) to the European Commission for approval under State Aid rules. At this stage, there is no certainty that the European Commission will not require additional measures to limit any competition distortions that might result from any State Aid received by the Group, over and above those already included in the approved 2010 EU Restructuring Plan or envisaged in the 2011 EU Restructuring Plan as submitted. Any measures that may be required are likely to be implemented over various timeframes up to 31 December 2015.

NPRFC Investment

The Government, through the NPRFC, is currently in a position to exert a significant level of influence over the Group. The NPRFC could exercise its voting rights in a manner which is not aligned with the interests of the Group or its other stockholders.

In addition, the Group's participation in the ELG Scheme, the NPRFC Investment, the NAMA Scheme, the transaction agreements entered into with the Government and the Ministers Letter could require the Group to implement operational policies that could adversely impact the Group's results, financial condition and prospects.

NAMA

Participation in the NAMA Scheme may subject the Group to directions from the Central Bank, NAMA, the Minister for Finance or the European Commission which could have an adverse impact on the Group's results, financial condition and prospects.

Additionally, uncertainty remains over the final scope of Eligible Assets to be transferred to NAMA and over the consideration that may be received on transfer of these Eligible Assets to NAMA and for some assets that have already been transferred.

Fit and Proper Regime	Pursuant to Part 3 of the Central Bank Reform Act 2010, the Central Bank has announced that it will carry out a review of the fitness and probity of persons performing certain designated functions (including Directors and Senior Executives) in credit institutions that have received financial support from the State (including the Group), for persons intending to perform those functions after 1 January 2012. Where the review causes the Head of Regulation of the Central Bank to form the opinion that there is reason to suspect the person's fitness and probity to perform the relevant function, an investigation may be conducted which may result in a prohibition notice being issued preventing the person from carrying out the function. If any issues were to arise under the Fit and Proper Regime they could impact on the Group's reputation, results, financial condition and prospects.
Business / economic recovery	The Group's businesses are subject to risks arising from general and sector specific economic conditions in Ireland which have already had a material adverse impact on the Group. It is expected that the Government's four year plan (the National Recovery Plan 2011 – 2014), the EU / IMF Programme and, given the open nature of the Irish economy, the pace of and outlook for global economic growth are likely to continue to impact Irish economic conditions. In addition, certain of the Group's businesses are subject to inherent risks arising from general and sector specific economic conditions in other countries to which the Group has an exposure, particularly the UK. For further information see page 6.
Credit rating changes	As at 8 August 2011, the long-term (outlook) / short-term sovereign credit ratings for Ireland were BBB+ (Stable) / A-2 from Standard & Poor's, Ba1 (Negative) / N-P from Moody's, BBB+ (Negative) / F2 from Fitch, A (Negative) / R-1(low) from DBRS. The current ratings are the result of a number of ratings downgrades since early 2009, the most recent of which occurred on 12 July 2011. Further downgrades to the Irish sovereign credit ratings or outlook or the restructuring of, or inability to meet Irish sovereign liabilities would be likely to delay a return to normal market funding for the State. As the guarantor of certain liabilities of the Group under the ELG Scheme, this could further impact the Group's own credit rating, delay its access to market sources of wholesale funding, trigger additional collateral requirements and weaken its competitive position. As at 8 August 2011, the long-term (outlook) / short-term (outlook) credit ratings for the Group were BB+ (Negative) / B from Standard & Poor's, Ba2 (Deposit rating Ba1) (Negative)) / N-P (Not Prime) (Deposit Rating N-P) from Moody's BBB (Negative) / F2 from Fitch and BBB high (Negative) / R-2 high (Negative) from DBRS. These current ratings are the result of a number of downgrades (since early 2009), the most recent of which occurred on 18 April 2011. Further downgrades to the Group's own credit ratings or outlook could further delay its access to market sources of wholesale funding, or increase the cost of such funding, either through access to capital or deposit markets, trigger additional collateral requirements or associated obligations in derivative contracts or other secured-funding arrangements, lower the liquidity value of pledged securities and weaken the Group's competitive position in certain markets. In addition, the availability of some deposits is dependent on credit ratings and further downgrades for the Group could lead to further withdrawals of corporate or retail deposits which could result in deterioration in the Group's funding and liquidity position.

Liquidity and funding

The Group has suffered periods of market-wide and / or firm-specific liquidity constraints and is exposed to liquidity risk.

The Group relies on customer deposits to fund a considerable portion of its assets. Loss of customer confidence in the Group's business or in banking businesses generally, could result in unexpectedly high levels of customer deposit withdrawals.

The termination or non-renewal on or before 31 December 2011 of, or changes to the operation of, or the participation by the Group in, the ELG Scheme or changes in the terms of the Group's participation in this scheme could have an adverse impact on the Group's results, financial condition and prospects.

Continued concerns regarding the stability of the euro zone and the euro could adversely impact the Group by increasing its cost of funding, reducing its access to the wholesale funding markets and / or increasing its reliance on funding from Monetary Authorities.

The Central Bank prescribes regulatory liquidity ratios for Irish financial institutions. Compliance with these ratios can be adversely impacted by a range of factors, including the term of borrowings, the split between unsecured and secured funding and quantum and mix of liquidity facilities provided by Monetary Authorities. The Group had temporary breaches in January, April, June and July 2011 of liquidity requirements which were subsequently remediated. If the Group fails to achieve the deleveraging plans agreed with the Central Bank as part of the 2011 PLAR exercise, which are expected to reduce the Group's funding and liquidity risk, this may jeopardise the Group's ability to comply with regulatory liquidity ratios in the future.

Credit risk

Deterioration in the credit quality of the Group's borrowers and counterparties, as well as increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties, have resulted in significant increases, and could result in further significant increases, in the Group's impaired loans and impairment charges.

Increased volatility in financial markets has resulted in, and may continue to result in, reduced asset valuations which could further adversely impact the Group's results, financial condition and prospects.

The Group is exposed to declining property values and a deterioration in the performance of the residential and commercial property markets, particularly in Ireland and the UK.

Market risk

Market risks, including interest rate risk, foreign exchange risk, bond and equity price risk and other market risks, could adversely impact the Group's results, financial condition and prospects.

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately turn out to be inaccurate.

Changes in interest rate levels and spreads could impact the Net interest margin realised from the Group's borrowing and lending activities with its customers or the Group's net other income. Changes in currency exchange rates, particularly in the euro / sterling exchange rate, affect the value of the Group's assets and liabilities denominated in foreign currencies, when translated to euros for consolidation. Changes in currency exchange rates also impact on the translation of earnings reported by the Group's non-euro denominated businesses.

Reputation risk	Reputation risk is inherent in the Group's business. Negative public or industry opinion can result from the actual or perceived manner in which the Group conducts its business activities or from actual or perceived practices in the banking industry, such as corporate governance failures, remuneration practices, anti-money laundering or mis-selling of financial products. Negative public or industry opinion may adversely impact the Group's ability to keep and attract customers and, in particular, depositors and to have a positive relationship with stakeholders which could adversely impact the Group's business, financial condition and prospects.
People risk	The Group may not be able to recruit, retain and develop appropriate senior management and skilled personnel which may have an adverse impact on the Group's results, financial condition and prospects. If the Group becomes subject to employment disputes or industrial action regarding pay, pensions, work practices, organisation change and conditions of employment, this could adversely impact its business and the financial condition and prospects of the Group. The Group has been subject to a recent review by the Department of Finance on some of the Group's incentive and retention arrangements. If the Group is unable to make such payments the Group could face legal actions from employees and / or could lose the commitment from, or services of, key employees which could impact on the reputation of the Group and the Group's business, financial condition and prospects. In addition, the Group has made certain commitments in relation to its remuneration practices in the Minister's Letter. Any of these commitments could impact on the Group's ability to recruit and retain qualified personnel.
Litigation	The Group may be subject to litigation proceedings which could have an adverse impact on its results, financial condition and prospects. In addition to one set of legal proceedings, the Group has received a number of complaints from holders of Eligible Debt Securities and solicitors claiming to act for holders of Eligible Debt Securities. Were any such legal proceedings to be successful this could prejudice or delay the 2011 Capital Raising and could also result in the Minister deciding to take proceedings under the Stabilisation Act in respect of the Group or its securities.

Responsibility Statement

for the six months ended 30 June 2011

The Directors are responsible for preparing the Interim Statement in accordance with International Accounting Standard 34 on Interim Financial Reporting (IAS 34) and the Transparency (Directive 2004 / 109 / EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

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

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year (see pages 58 to 62); and
- details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2011 (see note 35 to the financial statements).

Signed on behalf of the Court by

Patrick J Molloy	***Patrick O'Sullivan***	***Richie Boucher***
Governor	*Deputy Governor*	*Group Chief Executive*

9 August 2011

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

Introduction

We have been engaged by the Governor and Company of the Bank of Ireland (the 'Bank') to review the condensed set of financial statements ('the interim financial statements') in the Interim Statement for the six months ended 30 June 2011, which comprises the Consolidated income statement, Consolidated statement of other comprehensive Income, Consolidated balance sheet, Consolidated condensed statement of changes in equity, Consolidated condensed cash flow statement, Basis of preparation and accounting policies, the related notes on pages 77 to 118 and the information in the sections of the Risk Management Report that are described as being an integral part of the interim financial statements. We have read the other information contained in the Interim Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Directors' responsibilities

The Interim Statement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Statement in accordance with the Transparency (Directive 2004 / 109 / EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

As disclosed on page 71, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The interim financial statements included in this Interim Statement have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and in accordance with International Accounting Standard 34 as issued by the International Accounting Standards Board.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the interim financial statements in the Interim Statement based on our review. This report, including the conclusion, has been prepared for and only for the Bank for the purpose of the Transparency (Directive 2004 / 109 / EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements in the Interim Statement for the six months ended 30 June 2011 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, International Accounting Standard 34 as issued by the International Accounting Standards Board, the Transparency (Directive 2004 / 109 / EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

PricewaterhouseCoopers
Chartered Accountants
Dublin
9 August 2011

Consolidated income statement (unaudited)

for the six months ended 30 June 2011

	Notes	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Interest income	2	2,350	2,592	5,179
Interest expense	3	(1,555)	(1,517)	(2,960)
Net interest income		795	1,075	2,219
Net insurance premium income	4	481	423	969
Fee and commission income	5	318	329	633
Fee and commission expense	5	(106)	(144)	(257)
Net trading (expense) / income	6	(44)	93	225
Life assurance investment income and (losses) / gains	7	(115)	189	474
Gain on subordinated liability management	8	11	699	1,402
Other operating income	9	80	73	199
Total operating income		**1,420**	**2,737**	**5,864**
Insurance contract liabilities and claims paid	10	(321)	(582)	(1,268)
Total operating income, net of insurance claims		**1,099**	**2,155**	**4,596**
Other operating expenses	11	(850)	(916)	(1,803)
Impact of amendments to defined benefit pension schemes	31	1	676	733
Operating profit before impairment charges on financial assets and loss on NAMA		**250**	**1,915**	**3,526**
Impairment charges on financial assets (excluding assets sold or held for sale to NAMA)	12	(858)	(1,082)	(2,016)
Impairment charges on assets sold or held for sale to NAMA	13	(43)	(277)	(268)
Loss on sale of assets to NAMA including associated costs	14	-	(466)	(2,241)
Operating (loss) / profit		**(651)**	**90**	**(999)**
Share of results of associates and joint ventures (after tax)		15	26	49
Profit on disposal of business activities	15	80	-	-
(Loss) / profit before taxation		**(556)**	**116**	**(950)**
Taxation credit	16	49	27	341
(Loss) / profit for the period		**(507)**	**143**	**(609)**
Attributable to non-controlling interests		1	3	5
Attributable to stockholders		(508)	140	(614)
(Loss) / profit for the period		**(507)**	**143**	**(609)**
Earnings per unit of €0.10 ordinary stock (cent)	17	(11.3c)	1.3c	(21.7c)
Diluted earnings per unit of €0.10 ordinary stock (cent)	17	(11.3c)	1.2c	(21.7c)

Consolidated statement of other comprehensive income (unaudited)

for the six months ended 30 June 2011

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
(Loss) / profit for the period	**(507)**	**143**	**(609)**
Other comprehensive income, net of tax:			
Revaluation of property, net of tax	-	-	(15)
Net change in cashflow hedge reserve	100	125	275
Net change in available for sale reserve	(159)	(48)	(220)
Net actuarial gains / (loss) on defined benefit pension schemes	185	(215)	391
Foreign exchange translation (losses) / gains	(211)	399	157
Other comprehensive income for the period, net of tax	**(85)**	**261**	**588**
Total comprehensive income for the period, net of tax	**(592)**	**404**	**(21)**
Total comprehensive income attributable to equity stockholders	(593)	401	(26)
Total comprehensive income attributable to non-controlling interests	1	3	5
Total comprehensive income for the period, net of tax	**(592)**	**404**	**(21)**

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

Consolidated balance sheet (unaudited)

as at 30 June 2011

	Notes	As at 30 June 2011 €m	As at 31 December 2010 €m
ASSETS			
Cash and balances at central banks		531	1,014
Items in the course of collection from other banks		398	491
Trading securities		112	151
Derivative financial instruments		5,933	6,375
Other financial assets at fair value through profit or loss	18	9,428	10,045
Loans and advances to banks	19	6,911	7,458
Available for sale financial assets	20	14,241	15,576
NAMA senior bonds	21	4,872	5,075
Loans and advances to customers	22	100,686	114,457
Assets held for sale to NAMA	23	624	804
Other assets classified as held for sale	24	5,862	119
Interest in associates		28	26
Interest in joint ventures		176	199
Intangible assets - goodwill	26	-	44
Intangible assets - other		387	408
Investment properties		1,252	1,304
Property, plant and equipment		351	372
Current tax assets		109	125
Deferred tax assets	30	1,165	1,128
Other assets		2,351	2,291
Retirement benefit assets	31	21	11
Total assets		**155,438**	**167,473**
EQUITY AND LIABILITIES			
Deposits from banks	27	38,720	41,075
Customer accounts	28	65,143	65,443
Items in the course of transmission to other banks		232	293
Derivative financial instruments		4,279	5,445
Debt securities in issue		22,140	28,693
Liabilities to customers under investment contracts		5,124	5,271
Insurance contract liabilities		7,112	7,188
Other liabilities		3,002	3,102
Current tax liabilities		156	139
Provisions		36	64
Deferred tax liabilities	30	69	91
Retirement benefit obligations	31	184	435
Subordinated liabilities	29	2,633	2,775
Other liabilities classified as held for sale	24	34	52
Total liabilities		**148,864**	**160,066**
Equity			
Capital stock		1,210	1,210
Stock premium account		3,906	3,926
Retained earnings		3,211	3,740
Other reserves		(1,796)	(1,510)
Own stock held for the benefit of life assurance policyholders		(14)	(15)
Stockholders' equity		6,517	**7,351**
Non-controlling interests		57	56
Total equity		6,574	**7,407**
Total equity and liabilities		**155,438**	**167,473**

Consolidated condensed statement of changes in equity

(unaudited)

for the six months ended 30 June 2011

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Capital stock			
Balance at the beginning of the period	1,210	699	699
Dividend on 2009 preference stock paid in ordinary stock	-	118	118
Issue of ordinary stock	-	232	238
Conversion of 2009 preference stock	-	155	155
Balance at the end of the period	**1,210**	**1,204**	**1,210**
Stock premium account			
Balance at the beginning of the period	3,926	4,092	4,092
Dividend on 2009 preference stock paid in ordinary stock	-	(118)	(118)
Premium on issue of ordinary stock	-	1,366	1,409
Transaction costs	(20)	(121)	(121)
Reduction in stock premium on conversion of preference stock	-	(155)	(155)
Reduction in stock premium transferred to retained earnings	-	-	(800)
Loss on cancellation of warrants	-	(381)	(381)
Balance at the end of the period	**3,906**	**4,683**	**3,926**
Retained earnings			
Balance at the beginning of the period	3,740	3,263	3,263
(Loss) / profit for period attributable to stockholders	(508)	140	(614)
Dividends on preference stock	(218)	-	-
Transfer from / (to) capital reserve	24	(12)	(46)
(Loss) / profit retained	(702)	128	(660)
Repurchase of capital note	1	24	24
Buyback of treasury stock	(1)	(15)	(79)
Transfer from revaluation reserve	(12)	-	-
Transfer from share based payment reserve	-	-	4
Transfer from stock premium account	-	-	800
Net actuarial gain / (loss) on defined benefit pension schemes	185	(215)	391
Other movements	-	4	(3)
Balance at the end of the period	**3,211**	**3,189**	**3,740**
Other Reserves:			
Available for sale reserve			
Balance at the beginning of the period	(828)	(608)	(608)
Net changes in fair value	(187)	(54)	(402)
Deferred tax on reserve movements	22	5	29
Transfer to income statement (pre tax)	6	1	153
Balance at the end of the period	**(987)**	**(656)**	**(828)**
Cash flow hedge reserve			
Balance at the beginning of the period	(235)	(510)	(510)
Changes in fair value net of transfers to income statement	113	136	315
Deferred tax on reserve movements	(13)	(11)	(40)
Balance at the end of the period	**(135)**	**(385)**	**(235)**
Foreign exchange reserve			
Balance at the beginning of the period	(1,042)	(1,199)	(1,199)
Exchange adjustments during the period	(211)	399	157
Balance at the end of the period	**(1,253)**	**(800)**	**(1,042)**

Consolidated condensed statement of changes in equity

(continued) (unaudited)

for the six months ended 30 June 2011

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Capital reserve			
Balance at the beginning of the period	508	462	462
Transfer (to) / from retained earnings	(24)	12	46
Balance at the end of the period	**484**	**474**	**508**
Share based payment reserve			
Balance at the beginning of the period	12	22	22
Charge / (Credit) to the income statement	-	3	(6)
Transfer to retained earnings	-	-	(4)
Balance at the end of the period	**12**	**25**	**12**
Revaluation reserve			
Balance at the beginning of the period	14	29	29
Transfer to retained earnings	12	-	-
Revaluation of property	-	-	(18)
Deferred tax on revaluation of property	-	-	3
Other	(1)	-	-
Balance at the end of the period	**25**	**29**	**14**
Other equity reserves			
US$150 million capital note			
Balance at the beginning of the period	61	114	114
Repurchase of capital note	(3)	(53)	(53)
Balance at the end of the period	**58**	**61**	**61**
Core and secondary tranche warrants			
Balance at the beginning of the period	-	110	110
Cancellation of warrants	-	(110)	(110)
Balance at the end of the period	**-**	**-**	**-**
Total other reserves	**(1,796)**	**(1,252)**	**(1,510)**
Own stock held for the benefit of life assurance policyholders			
Balance at the beginning of the period	(15)	(87)	(87)
Changes in value and amount of stock held	1	(1)	72
Balance at the end of the period	**(14)**	**(88)**	**(15)**
Total stockholders' equity excluding non-controlling interests	**6,517**	**7,736**	**7,351**
Non-controlling interests			
Balance at the beginning of the period	56	50	50
Share of total comprehensive income	1	3	6
Balance at the end of the period	**57**	**53**	**56**
Total equity	**6,574**	**7,789**	**7,407**
Total comprehensive income included within the above:			
Total comprehensive income attributable to equity stockholders	(593)	401	(26)
Total comprehensive income attributable to non-controlling interests	1	3	5
Total comprehensive income for the period, net of tax	**(592)**	**404**	**(21)**

Consolidated condensed cash flow statement (unaudited)

for the six months ended 30 June 2011

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Cash flows from operating activities			
Loss before taxation	(556)	116	(950)
Share of results of associates and joint ventures	(15)	(26)	(49)
Profit on disposal of business activities	(80)	-	(15)
Depreciation and amortisation	67	70	147
Impairment charges on financial assets (excluding assets sold or held for sale to NAMA)	858	1,082	2,016
Impairment charges on assets sold or held for sale to NAMA	43	277	268
Loss on sale of assets to NAMA including associated costs	-	466	2,241
Interest expense on subordinated liabilities and other capital instruments	88	171	312
Charge / (credit) for share based payments	-	3	(6)
Gain on repurchase of subordinated debt	(11)	(699)	(1,402)
Impact of amendments to defined benefit pension scheme	(1)	(676)	(733)
Gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	(81)	(74)	(360)
Other non cash items	17	242	285
Cash flows from operating activities before changes in operating assets and liabilities	**329**	**952**	**1,754**
Net cash flow from operating assets and liabilities	(3,516)	(6,859)	(7,780)
Net cash flow from operating activities before taxation	**(3,187)**	**(5,907)**	**(6,026)**
Taxation refunded	9	8	2
Net cash flow from operating activities	**(3,178)**	**(5,899)**	**(6,024)**
Investing activities:			
Net disposals / (additions) of available for sale financial assets	916	2,974	5,269
Disposal of business activities	108	-	-
Purchase of property, plant and equipment, investment property and intangible assets	(39)	(35)	(91)
Disposal of property, plant and equipment, investment property and intangible assets	15	-	15
Dividends received from joint ventures	-	-	35
Net change in interest in associates	-	-	2
Cash flows from investing activities	**1,000**	**2,939**	**5,230**
Financing activities:			
Dividend paid on preference stock	(218)	-	-
Interest paid on subordinated liabilities	(121)	(137)	(218)
Net proceeds from institutional placing and rights issue	-	908	908
Redemption of subordinated liabilities	-	(750)	(750)
Cancellation of warrants	-	(491)	(491)
Buyback of treasury stock	-	(15)	(7)
Cash flows from financing activities	**(339)**	**(485)**	**(558)**
Net change in cash and cash equivalents	(2,517)	(3,445)	(1,352)
Opening cash and cash equivalents	8,135	9,187	9,187
Effect of exchange translation adjustments	1,314	703	300
Closing cash and cash equivalents	**6,932**	**6,445**	**8,135**

Basis of Preparation and Accounting Policies

Basis of preparation

The interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as published by the International Accounting Standards Board ('IASB') and adopted by the European Union ('EU'). These financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2010, which are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS, with the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with the Asset Covered Securities Acts, 2001 to 2007. The version of IAS 39 adopted by the EU currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments – Recognition and Measurement'. The Group has not availed of this, hence the financial statements for the year ended 31 December 2010 comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

Statutory accounts

These interim financial statements do not comprise statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The statutory accounts for the year ended 31 December 2010 were approved by the Court of Directors on 13 April 2011, contained an unqualified audit report and are due to be filed with the Companies Registration Office on or before 15 August 2011.

Interim financial statements

The interim financial statements comprise the Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated balance sheet, Consolidated condensed statement of changes in equity, Consolidated condensed cash flow statement, the notes to the interim financial statements together with the information in the Risk Management Report that is described as being an integral part of the interim financial statements.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the six months ended 30 June 2011 is a period of twelve months from the date of approval of these interim financial statements ('the period of assessment').

In making this assessment, the Directors considered the Group's business, funding and capital plans, including under base and stress scenarios, together with a range of factors such as the Irish economy and the period over which it is likely to recover, the impact of the EU / IMF Programme, the availability of collateral to access the Eurosystem, the possible impacts of the current sovereign debt crisis together with the outlook for global economic growth, the ability of the Group to meet the targets set out in the PCAR and PLAR and in particular the Directors have focussed on the matters set out below:

Context

The continued deterioration of the Irish economy throughout 2010 culminating in the EU / IMF Programme for Government has adversely affected the Group's financial condition and performance and poses challenges for the future.

Following a number of downgrades to the credit ratings of the Irish Sovereign and of the Group since August 2010 and the withdrawal of the Irish Sovereign from the funding markets, the Group experienced a significant outflow of ratings sensitive customer deposits and it has had very limited access to market sources of wholesale funding. As a result the Group is currently dependent on secured funding from the ECB (€22 billion (net) at 30 June 2011) and emergency liquidity assistance from the Central Bank (€7 billion at 30 June 2011). These challenges caused the Group to notify the Central Bank of temporary breaches of regulatory liquidity requirements in January 2011, April 2011, June 2011 and July 2011. All breaches have subsequently been remediated.

It is expected that the Group will continue to be dependent on the ECB and the Central Bank for funding during the period of assessment. The Group understands that, under its Charter, the ECB and the Central Bank cannot provide medium or long term funding and, therefore, the funding received from the ECB and the Central Bank rolls over on a short term basis. This poses a liquidity risk for the Group which the Directors addressed in detail as part of the going concern assessment.

The Programme for the Recovery of the Banking System announced by the Irish Government on 28 November 2010 (the 'EU / IMF programme') provided for a fundamental downsizing and reorganisation of the banking sector so that it was proportionate to the size of the economy. The EU / IMF programme envisaged that the banking sector would be capitalised to the highest international standards, and in a position to return to normal market sources of funding. As a result, the Group had to generate additional capital to meet these requirements.

As part of the EU / IMF programme, the Central Bank undertook a Prudential Capital Assessment Review ('2011 PCAR') and a Prudential Liquidity Assessment Review ('2011 PLAR') and the results were announced on 31 March 2011.

Capital

The 2011 PCAR is a stress test of the capital resources of the bank. The resultant capital requirements are derived from the results of BlackRock's independent assessment of forecast loan losses through to the end of 2013, the outputs from the Group's deleveraging plans under the 2011 PLAR (including the phased sales of certain non-core assets) and the estimated income and expenditure items based on conservative, Central Bank specified, economic and other factors together with prudent additional regulatory buffers. The process was conducted in close consultation with the staff of the EC, ECB and the IMF, who have reviewed the methodology utilised.

As a result of the PCAR and the PLAR exercises, the Central Bank assessed that the Group needs to generate an additional €4.2 billion (including a prudent regulatory buffer of €0.5 billion) of equity capital. In addition €1.0 billion of contingent capital is required via the issue of a debt instrument which under certain circumstances would convert to equity capital.

Since the announcement of the 2011 PCAR on 31 March 2011, the Group has successfully generated €3.8 billion of equity capital and in July 2011, the Group issued a €1 billion debt instrument to the Irish Government which under certain circumstances will convert to equity capital. The Central Bank have informed the Group that the remaining capital required under PCAR must be generated by 31 December 2011.

The Group expects to generate this remaining capital by way of further liability management exercises and burden sharing with subordinated bondholders or from other private sources. The Minister for Finance confirmed that the Group is a 'Pillar Bank' and therefore of systemic importance to the Irish economy. The Department of Finance and the NTMA have confirmed to the Group that it is Irish Government policy to provide any capital that the Group is unable to generate or raise from non-Governmental sources.

As set out in their public announcement of 31 March 2011, the EC, ECB and IMF strongly support the authorities' plans to ensure that the capital needs of the Irish banks are met in a timely manner and they further noted that the capital needs can be funded comfortably under the program supported by the EU and IMF. The Directors believe that this satisfactorily addresses the capital risk identified above.

Liquidity and funding

The 2011 PLAR established funding targets in order to reduce the leverage of the Group, reduce its reliance on short-term, largely ECB and Central Bank funding, and ensure convergence to Basel III liquidity standards over time.

The results of the 2011 PLAR were announced on 31 March 2011 and the Group must achieve a target loan to deposit ratio of 122.5% by December 2013.

The Central Bank's objective in the 2011 PLAR was to ensure that the required improvement in banks' loan to deposit ratios would be by way of deleveraging i.e. the reduction of loans through the disposal and run-down of non-core portfolios.

The Group submitted its deleveraging plan (under both base and stress scenarios) for 2011 to 2013 to the Central Bank as part of the 2011 PLAR process. This deleveraging plan sets out the Group's estimates of new lending in its core markets, its plans to dispose or run down non-core assets on a phased basis over time in order to avoid excessive capital losses and its need for liquidity and funding from both the ECB and the Central Bank over the period of the plan. The successful implementation of the plan will reinforce the benefits of higher capital and help the Group to regain access to market sources of financing.

In its public announcement of 31 March 2011, the Governing Council of the ECB supports the overall plans to deleverage and downsize the balance sheets of the four Irish banks which it noted would help such banks over time to regain market access and play an important role in providing credit to the Irish economy.

The liquidity and funding advanced by the ECB and the Central Bank rolls-over on a short term basis. Continued access to Eurosystem refinancing requires that the Group is solvent. The additional €4.2 billion of equity capital and €1.0 billion of contingent capital will substantially strengthen the Group and give it a sound capital base, particularly given the conservative nature of the assumptions and methodologies that were used in the 2011 PCAR process. Against this background the ECB have confirmed that the Eurosystem will continue to provide liquidity to banks in Ireland and hence the Group.

The ECB noted that the aforementioned measures are to ensure the full implementation of the EU / IMF programme.

Tensions in European sovereign bond markets (including Ireland) intensified during 2011. In response, on 21 July 2011, a formal Statement by the Heads of State or Government of the euro area and EU institutions reaffirmed their commitment to the euro and to do whatever was needed to ensure the financial stability of the euro area as a whole and its Member States. Despite this Statement the concerns of financial markets in respect of the Spanish and Italian sovereign debt postions intensified in late July and early August 2011 which ultimately led to the decision by the ECB to actively implement its Securities Markets Programme and the ECB started to buy Spanish and Italian government bonds on 8 August 2011.

The Statement of 21 July 2011 included a number of announcements that are positive for Ireland including a reduction in the interest rates on loans under the EU / IMF Programme and an extension to the maturity date of these loans. It also noted the commitment of the Heads of State or Government of the euro area and the EU institutions to the success of the EU / IMF Programme and critically it confirmed their determination to provide support to countries under such programmes until they have regained market access, provided they successfully implement those programmes.

Following their regular quarterly review under the EU / IMF Programme, the IMF announced in July 2011, that in their assessment, the programme for Ireland remains on track, is well financed and that the Irish authorities have continued to steadfastly implement programme policies.

Irish sovereign bond yields have tightened significantly since the Statement of 21 July 2011.

In addition, in the context of its assessment of going concern, the Group discussed the relevant public announcements from the ECB, the EC and the IMF and the Minister for Finance (together 'the announcements') with the Central Bank, the Department of Finance and the NTMA (together 'the State authorities') and it sought assurance on the continued availability of required liquidity from the Eurosystem during the period of assessment. The Directors are satisfied, based on the announcements and the clarity of confirmations received from the State authorities, that, in all reasonable circumstances, the required liquidity and funding from the ECB and the Central Bank will be available to the Group during the period of assessment.

The Directors believe that this satisfactorily addresses the liquidity risk above.

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.

Accounting policies

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 196 to 218 of the Annual Report for the year ended 31 December 2010.

Comparatives

The impairment charges in respect of assets sold or held for sale to NAMA for the six months ended 30 June 2011, six months ended 30 June 2010 and the year ended 31 December 2010 is based on loans sold to NAMA together with loans classified as held for sale to NAMA at 30 June 2011. The analyses of the impairment charges for the six months ended 30 June 2010 and for the year ended 31 December 2010 between loans and advances to customers (note 22) and assets sold or held for sale to NAMA have been re-presented on this basis to allow comparability, with no change to the total impairment charge.

In the Group's interim financial statements at 30 June 2010, the loss in cancellation of warrants of €381 million was presented as a reduction in retained earnings. Having subsequently clarified the legal position in respect of the relevant sections of company law applicable to the Bank at the date of the cancellation of the warrants in May 2010, the amount has now been classified as a reduction in stock premium. This treatment is consistent with that adopted in the Annual Report for the year ended 31 December 2010.

Comparative figures have been adjusted where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period.

Recently adopted accounting pronouncements

The following amendments to, and interpretations of, standards have been adopted by the Group during the six months ended 30 June 2011:

- IFRIC 14 (Amendment) - 'Prepayments of a Minimum Funding Requirement'
- IFRIC 19 -'Extinguishing Financial Liabilities with Equity Instruments'
- IAS 32 (Amendment) – Classification of Rights Issues
- IAS 24 (Amendment) – 'Related Party Disclosures'
- 'Improvements to IFRSs 2010'

None of the above amendments or interpretations has had a significant impact on the Group.

New accounting pronouncements

For details of new standards, interpretations and amendments to standards which had been issued by 31 December 2010 and which will be effective for periods beginning on or after 1 July 2011 or later, see pages 217 and 218 of the 31 December 2010 Annual Report.

The following standards or amendments to standards were issued in the six months ended 30 June 2011 and will be effective for periods beginning on or after 1 January 2012.

IAS 19

In June 2011, the IASB issued amendments to IAS 19, 'Employee Benefits'. The amended standard eliminates the option for deferred recognition of all changes in the present value of the defined benefit obligation and in the fair value of plan assets (including the corridor approach, which is not applied by the Group). In addition, the amended standard requires a net interest approach, which will replace the expected return on plan assets and will enhance the disclosure requirements for defined benefit plans. The amendments are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The amendments have yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the amendments will have on presentation of its consolidated financial statements.

IAS 1

In June 2011, the IASB issued amendments to IAS 1, 'Presentation of Financial Statements' to require companies to group together items within other comprehensive income ('OCI') that may be reclassified to the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two separate statements. The amendments are effective for annual periods beginning on or after 1 July 2012, with earlier application permitted. The amendments have yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the amendments will have on presentation of its consolidated financial statements.

IFRS 9

In August 2011 the IASB issued an exposure draft that proposes to delay the effective date of IFRS 9, 'Financial instruments', to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This proposal is a result of the extension of the Board's timeline for completing the remaining phases (for example, impairment and hedge accounting) of its project to replace IAS 39 beyond June 2011. The Group is currently evaluating the potential impact that the adoption of this standard will have on its consolidated financial statements.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28

In May 2011, the IASB issued IFRS 10, 'Consolidated Financial Statements', IFRS 11, 'Joint Arrangements', IFRS 12, 'Disclosures of Interests in Other Entities', a revised version of IAS 27, 'Separate Financial Statements' which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements, and a revised version of IAS 28, 'Investment in Associates and Joint Ventures' which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 replaces IAS 27, 'Consolidated and Separate Financial Statements' and SIC-12, 'Consolidation – Special Purpose Entities', and establishes a single control model that applies to all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when it is exposed, or has rights to variable returns from the investee, and has the ability to affect those returns through its power over the investee. The assessment of control is based on all facts and circumstances and the conclusion is reassessed if there is an indication that there are changes in facts and circumstances.

IFRS 11 supersedes IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly-controlled Entities – Nonmonetary Contributions by Venturers'. IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. IFRS 11 requires the use of the equity method of accounting for joint arrangements by eliminating the option to use the proportionate consolidation method, which is not applied by the Group.

IFRS 12 establishes the provision of information on the nature, associated risks, and financial effects of interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities, as disclosure objectives. IFRS 12 requires more comprehensive disclosure, and specifies minimum disclosures that an entity must provide to meet the disclosure objectives.

Each of the standards is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted as long as each of the other standards are also early applied. However, entities are permitted to include any of the disclosure requirements in IFRS 12 into their consolidated financial statements without early adopting IFRS 12. Each of the standards has yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the standards will have on its consolidated financial statements.

IFRS 13

In May 2011, the IASB issued IFRS 13, ‘Fair Value Measurement’ which establishes a single source of guidance for fair value measurement under IFRS. IFRS 13 provides a revised definition of fair value and guidance on how it should be applied where its use is already required or permitted by other standards within IFRS and introduces more comprehensive disclosure requirements on fair value measurement. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Each of the standards has yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the standards will have on its consolidated financial statements.

Critical accounting estimates and judgements

The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets and liabilities, income and expense. There have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2010, as set out on pages 219 to 222 of the 31 December 2010 Annual Report.

Index to the notes to the consolidated financial statements

(unaudited)

1 Operating segments

The Group has five reportable operating segments detailed in the table below. These segments reflect the internal financial reporting structure which is used by management to assess performance and to allocate resources. They are organised as follows:

Retail Republic of Ireland

Retail Republic of Ireland includes all of the Group's branch operations in the Republic of Ireland. The branches offer a wide range of financial products and services in addition to the deposit, lending, current account and other money transmission services traditionally offered by banks. It also includes Bank of Ireland Mortgage Bank, ICS Building Society, Private Banking, an instalment credit and leasing business, credit card operations, commercial finance / factoring businesses, along with direct telephone and online banking services.

Bank of Ireland Life (BoI Life)

The Group operates in the life and pensions market in Ireland through its wholly owned subsidiary New Ireland Assurance Company plc which trades as Bank of Ireland Life. BoI Life offers life assurance, protection, pensions and investment products to the Group's customers in Ireland via the Bank of Ireland Life network. These products are manufactured by New Ireland Assurance Company plc. New Ireland Assurance Company plc also operates in the independent intermediary market under the New Ireland brand and through a direct sales force.

UK Financial Services

UK Financial Services (UKFS) comprises Business Banking in Great Britain and Northern Ireland, the branch network in Northern Ireland, the UK residential mortgage business and the joint ventures with the UK Post Office. The business banking unit provides loan facilities to medium and large corporate clients in addition to international banking, working capital financing, leasing and electronic banking services. Offshore deposit taking services are offered in the Isle of Man. The business activities with the UK Post Office provides a range of retail financial services.

On 1 November 2010, the Group transferred a substantial part of its UK banking business to a new wholly owned UK licensed banking subsidiary, Bank of Ireland (UK) plc. The main businesses that transferred were portions of Business Banking UK, the UK residential and commercial mortgage books together with selected Bank of Ireland branded deposits, Post Office branded deposits and business activities with the UK Post Office. This had no impact on segmental reporting.

Capital Markets

This division comprises Corporate Banking, Global Markets and IBI Corporate Finance.

Corporate Banking provides integrated relationship banking services to a significant number of the major Irish corporations, financial institutions and multinational corporations operating in, or out, of Ireland. The range of lending products provided includes overdraft and short term loan facilities, term loans, project finance and structured finance. Corporate Banking is also engaged in international lending, with offices located in the UK, France, Germany and the US. Its international lending business includes acquisition finance, project finance, term lending and asset based financing, principally in the UK, Continental Europe and the US.

Global Markets is responsible for managing the Group's interest rate and foreign exchange risks, while also executing the Group's liquidity and funding requirements. Global Markets trades in a range of market instruments on behalf of the Group itself and the Group's customers. The trading activities include dealing in inter-bank deposits and loans, foreign exchange spot and forward contracts, options, financial futures, bonds, swaps, forward rate agreements and equity tracker products. Global Markets has offices located in the UK and the US, as well as in the Republic of Ireland.

IBI Corporate Finance provides independent financial advice to the public and private companies on takeovers, mergers and acquistions, disposals and restructurings, in addition to fund raising, public flotation's and stock exchange listings.

During the six months ended 30 June 2011, the capital markets businesses, BIAM, BOISS and Paul Capital were disposed of - see note 15.

Group Centre

Group Centre comprises capital management activities, unallocated support costs and the cost of the Irish Government Guarantee Schemes.

Eliminations

Other reconciling items represent inter segment transactions which are eliminated upon consolidation.

1 Operating segments (continued)

Basis of preparation of segmental information

The analysis of results by operating segment is based on the information used by management to allocate resources and assess performance. 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 Group's management reporting and controlling systems use accounting policies that are the same as those referenced in 'Accounting policies and basis of preparation' on pages 197 to 218 of the 31 December 2010 Annual Report. Allocation methods are also unchanged other than a modification to the method used to allocate funding expense between segments. The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Underlying profit' in its internal management reporting systems. Underlying profit or loss excludes:

- gains on liability management exercises;
- impact of amendments to defined benefit pension schemes;
- gains / (charges) arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss[1]';
- impact of 'coupon stopper' on certain subordinated debt[2];
- gross-up for policyholder tax in the Life business;
- investment return on treasury stock held for policyholders in the Life business;
- the cost of restructuring programmes; and
- profit / (loss) on disposal of business activities.

Gross revenue comprises interest income, net insurance premium income, fee and commission income, net trading income / expense, life assurance investment income and gains / (losses), gain on subordinated liability management, other operating income, insurance contract liabilities and claims paid and income from associates and joint ventures.

[1] *This item was included in underlying profit / (loss) in the interim report for the six months ended 30 June 2010. Underlying profit / loss has been restated accordingly. There is no impact on the income statement on page 65.*

[2] *In January 2010 the European Commission imposed restrictions on the Group's ability to make coupon payments on certain subordinated liabilities unless under a binding legal obligation to do so (a 'coupon stopper' provision). On 31 December 2009 the Group expected that it would be precluded from making coupon payments on these instruments for two years leading to the recognition of a gain of €67 million during the nine months ended 31 December 2009. The European Commission confirmed on 15 July 2010 that the 'coupon stopper' provision would cease on 31 January 2011. Consequently the Group recognised a charge of €36 million in the six months ended 30 June 2010 to reflect this change. Of this amount €35 million was reported in interest expense, under the effective interest method, while €1 million was reported in net trading income as a change in fair value (note 6).*

1 Operating segments (continued)

6 months ended 30 June 2011	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Group Centre €m	Eliminations €m	Group €m
Interest income	2,262	11	1,462	2,208	(384)	(3,209)	2,350
Interest expense	(1,840)	(9)	(1,244)	(1,788)	123	3,203	(1,555)
Net interest income	**422**	**2**	**218**	**420**	**(261)**	**(6)**	**795**
Other income, net of insurance claims	170	20	62	(30)	(16)	6	212
Total operating income, net of insurance claims	**592**	**22**	**280**	**390**	**(277)**	**-**	**1,007**
Other operating expenses	(409)	(47)	(166)	(108)	(47)	-	(777)
Depreciation and amortisation	(22)	(3)	(19)	(5)	(18)	-	(67)
Total operating expenses	**(431)**	**(50)**	**(185)**	**(113)**	**(65)**	**-**	**(844)**
Operating profit / (loss) before impairment charges on financial assets and loss on NAMA	**161**	**(28)**	**95**	**277**	**(342)**	**-**	**163**
Impairment charges on financial assets (excluding assets sold or held for sale to NAMA)	(525)	-	(199)	(134)	-	-	(858)
Impairment charges on assets sold or held for sale to NAMA	(9)	-	(25)	(9)	-	-	(43)
Share of results of associates and joint ventures	-	-	15	-	-	-	15
Underlying (loss) / profit before tax	**(373)**	**(28)**	**(114)**	**134**	**(342)**	**-**	**(723)**

Reconciliation of underlying loss before tax to loss before taxation	Group €m
Underlying loss before tax	(723)
Gain on liability management exercises	11
Impact of amendments to defined benefit pension schemes	1
Gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	81
Gross-up for policyholder tax in the Life business	(2)
Investment return on treasury stock held for policyholders in the Life business	2
Profit on disposal of business activities	74
Loss before taxation	**(556)**

1 Operating segments (continued)

6 months ended 30 June 2010*	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Group Centre €m	Eliminations €m	Group €m
Interest income	1,894	8	1,385	2,004	(189)	(2,510)	2,592
Interest expense	(1,403)	(10)	(1,085)	(1,604)	110	2,510	(1,482)
Net interest income	491	(2)	300	400	(79)	-	1,110
Other income, net of insurance claims	180	85	12	49	(41)	-	285
Total operating income, net of insurance claims	671	83	312	449	(120)	-	1,395
Other operating expenses	(439)	(51)	(174)	(140)	(42)	-	(846)
Depreciation and amortisation	(28)	(2)	(16)	(6)	(18)	-	(70)
Total operating expenses	(467)	(53)	(190)	(146)	(60)	-	(916)
Operating profit / (loss) before impairment charges on financial assets and loss on NAMA	204	30	122	303	(180)	-	479
Impairment charges on financial assets (excluding assets sold or held for sale to NAMA)	(633)	-	(303)	(146)	-	-	(1,082)
Impairment charges on assets sold or held for sale to NAMA	(94)	-	(38)	(145)	-	-	(277)
Loss on sale of assets to NAMA including associated costs	(33)	-	-	(414)	(19)	-	(466)
Share of results of associates and joint ventures	8	-	17	1	-	-	26
Underlying (loss) / profit before tax	**(548)**	**30**	**(202)**	**(401)**	**(199)**	**-**	**(1,320)**

Reconciliation of underlying loss before tax to profit before taxation	Group €m
Underlying loss before tax	(1,320)
Gain on liability management exercises	699
Impact of amendments to defined pension schemes	676
Gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	74
Impact of 'coupon stopper' on certain subordinated debt	(36)
Gross-up of policyholder tax in the Life business	17
Investment return on treasury stock held for policyholders in the Life business	6
Profit before taxation	**116**

* *A number of reclassifications have been made to the income statement presentation for the six months ended 30 June 2010:*

- *The gain of €74 million arising on the movement in credit spreads on the Group's own debt and deposits accounted for at fair value through profit or loss has been reclassified as a non-core item.*
- *The impairment charges on financial assets and assets sold or held for sale to NAMA have been adjusted for the six months ended 31 June 2010 to reflect changes in the eligibility criteria for loans transferring to NAMA during 2010 with no change to the total impairment charge (see note 13).*

1 Operating segments (continued)

Year ended 31 December 2010*	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Group Centre €m	Eliminations €m	Group €m
Interest income	3,853	19	2,818	4,048	(400)	(5,174)	5,164
Interest expense	(2,843)	(21)	(2,226)	(3,163)	151	5,174	(2,928)
Net interest income	**1,010**	**(2)**	**592**	**885**	**(249)**	**-**	**2,236**
Other income, net of insurance claims	347	175	62	43	(61)	-	566
Total operating income, net of insurance claims	**1,357**	**173**	**654**	**928**	**(310)**	**-**	**2,802**
Other operating expenses	(865)	(95)	(336)	(275)	(67)	-	(1,638)
Depreciation and amortisation	(54)	(8)	(36)	(12)	(37)	-	(147)
Total operating expenses	**(919)**	**(103)**	**(372)**	**(287)**	**(104)**	**-**	**(1,785)**
Operating profit / (loss) before impairment charges on financial assets and loss on NAMA	**438**	**70**	**282**	**641**	**(414)**	**-**	**1,017**
Impairment charges on financial assets (excluding assets sold or held for sale to NAMA)	(1,142)	-	(448)	(356)	(70)	-	(2,016)
Impairment charges on assets sold or held for sale to NAMA	(100)	-	(31)	(137)	-	-	(268)
Loss on sale of assets to NAMA including associated costs	(675)	-	(398)	(1,121)	(47)	-	(2,241)
Share of results of associates and joint ventures	12	-	37	-	-	-	49
Underlying (loss) / profit before tax	**(1,467)**	**70**	**(558)**	**(973)**	**(531)**	**-**	**(3,459)**

Reconciliation of underlying loss before tax to loss before taxation	Group €m
Underlying loss before tax	(3,459)
Gain on liability management exercises	1,413
Impact of amendments to defined benefit pension schemes	733
Gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	360
Impact of 'coupon stopper' on certain subordinated debt	(36)
Gross-up for policyholder tax in the Life business	22
Investment return on treasury stock held for policyholders in the Life business	20
Cost of restructuring programmes	(18)
Gain on disposal of business activities[1]	15
Loss before taxation	**(950)**

[1] *This relates to a gain of €15 million arising on the re-measurement of a loan note received as consideration for the disposal of a business activity in the nine months ended 31 December 2009, due to an increase in the expected cash flows. Consistent with the Group's definition of underlying profit, this item has been classified as non-core and excluded from underlying profit. In the statutory income statement, this has been included within interest income.*

* *The impairment charges on financial assets and assets sold or held for sale to NAMA have been adjusted for the year ended 31 December 2010 to reflect changes in the eligibility criteria for loans transferring to NAMA during 2010 with no change to the total impairment charge (see note 13).*

1 Operating segments (continued)

Gross revenue by operating segments

6 months ended 30 June 2011	**Retail Republic of Ireland €m**	**BoI Life €m**	**UK Financial Services €m**	**Capital Markets €m**	**Group Centre €m**	**Eliminations €m**	**Group €m**
External customers	1,051	79	997	587	61	-	2,775
Inter-segment revenue	1,392	(13)	599	1,645	(354)	(3,269)	-
Total gross revenue	**2,443**	**66**	**1,596**	**2,232**	**(293)**	**(3,269)**	**2,775**

6 months ended 30 June 2010	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Group Centre €m	Eliminations €m	Group €m
External customers	823	70	1,157	1,048	727	-	3,825
Inter-segment revenue	1,275	63	314	1,032	(131)	(2,553)	-
Total gross revenue	**2,098**	**133**	**1,471**	**2,080**	**596**	**(2,553)**	**3,825**

Year ended 31 December 2010	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Group Centre €m	Eliminations €m	Group €m
External customers	1,936	279	2,269	1,598	1,780	-	7,862
Inter-segment revenue	2,310	11	769	2,664	(368)	(5,386)	-
Total gross revenue	**4,246**	**290**	**3,038**	**4,262**	**1,412**	**(5,386)**	**7,862**

2 Interest income

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Loans and advances to customers (including loans held for sale to NAMA)	1,964	2,201	4,387
Available for sale financial assets	292	279	584
Finance leases	58	80	141
Loans and advances to banks	36	32	67
Interest income	**2,350**	**2,592**	**5,179**

3 Interest expense

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Customer accounts	705	786	1,467
Debt securities in issue	375	464	895
Subordinated liabilities	88	171	312
Deposits from banks	387	96	286
Interest expense	**1,555**	**1,517**	**2,960**

Included within interest expense for the six months ended 30 June 2011 is an amount of €239 million (30 June 2010: €94 million, 31 December 2010: €275 million) relating to the cost of the Credit Institutions (Eligible Liabilities Guarantee) Scheme (ELG). The cost of this scheme is classified as interest expense as it is directly attributable and incremental to the issue of specific financial liabilities. Further information on this scheme is outlined in note 35.

4 Net insurance premium income

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Gross premiums written	530	478	1,069
Ceded reinsurance premiums	(50)	(59)	(112)
Net premiums written	480	419	957
Change in provision for unearned premiums	1	4	12
Net insurance premium income	**481**	**423**	**969**

5 Fee and commission income and expense

Income	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Retail banking customer fees	181	179	362
Asset management fees	24	46	83
Insurance commissions	42	45	81
Credit related fees	37	25	52
Brokerage fees	5	5	8
Other	29	29	47
Fee and commission income	**318**	**329**	**633**

The reduction in asset management fees to €24 million in the six months ended 30 June 2011 reflect the sale of BIAM and BOISS in that period.

Expense	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Government Guarantee fee	-	57	68
Other	106	87	189
Fee and commission expense	**106**	**144**	**257**

The Government Guarantee fee relates to the fee paid under the CIFS Scheme, which commenced on 30 September 2008 and expired on 29 September 2010. This fee is included as a fee and commission expense as it is not both directly attributable and incremental to the issue of specific financial liabilities. The cost of the ELG Scheme for the six months ended 30 June 2011 of €239 million (year ended 31 December 2010: €275 million) is recognised in interest expense (note 3).

Other fee expenses of €106 million (30 June 2010: €87 million; 31 December 2010; €189 million) primarily comprise brokerage fees, sales commissions and other fees to third parties.

6 Net trading (expense) / income

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Financial assets designated at fair value	2	8	19
Financial liabilities designated at fair value	99	55	189
Related derivatives held for trading	(58)	23	67
	43	86	275
Other financial instruments held for trading	(92)	(3)	(76)
Net fair value hedge ineffectiveness	6	10	26
Cash flow hedge ineffectiveness	(1)	-	-
Net trading (expense) / income	**(44)**	**93**	**225**

Net trading (expense) / income includes the gains and losses on financial instruments held for trading and those designated at fair value through profit or loss (other than unit linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €33 million (30 June 2010: €57 million; 31 December 2010: €124 million) in relation to net gains arising from foreign exchange.

6 Net trading (expense) / income (continued)

Net trading (expense) / income includes the total fair value movement (including interest receivable and payable) on liabilities that have been designated at fair value through profit or loss. The interest receivable on amortised cost assets, which are funded by those liabilities, is reported in net interest income. Net trading (expense) / income also includes the total fair value movements on derivatives that are economic hedges of assets and liabilities which are measured at amortised cost, the net interest receivable or payable on which is also reported within net interest income. The net amount reported within net interest income relating to these amortised cost instruments was €68 million (30 June 2010: €47 million, 31 December 2010: €175 million).

Net fair value hedge ineffectiveness comprises a net loss from hedging instruments of €41 million (30 June 2010: net gain €248 million, 31 December 2010: net gain €280 million) offsetting a net gain from hedged items of €47 million (30 June 2010: net loss €238 million, 31 December 2010: net loss €254 million).

The net gain from the change in credit spreads relating to the Group's liabilities designated at fair value through profit or loss was €81 million (30 June 2010: €79 million, 31 December 2010: €360 million). Of this amount, €57 million has been recognised within net trading (expense) / income, with a further €22 million included within insurance contract liabilities and claims paid and €2 million included in other operating income. During the six months ended 30 June 2011, subordinated liabilities which had generated €37 million of the cumulative fair value gain were extinguished at fair value as part of the Group's liability management exercises. As a result, the cumulative impact at 30 June 2011 from the change in credit spreads relating to liabilities recognised on the balance sheet at that date is a net gain of €469 million (30 June 2010: €169 million, 31 December 2010: €425 million).

7 Life assurance investment income and (losses) / gains

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Gross life assurance investment income and (losses) / gains	(116)	187	464
Elimination of investment return on treasury stock held for the benefit of policyholders in the Life businesses	1	2	10
Life assurance investment income and (losses) / gains	**(115)**	**189**	**474**

8 Gain on subordinated liability management

As part of its ongoing capital management activities, including the recapitalisation of the Bank (as detailed in note 36), the Group has repurchased and / or exchanged a substantial portion of its subordinated liabilities. This involved a number of transactions as follows:

Post balance sheets events

- as set out in more detail in note 36, the Group undertook significant liability management exercises which was substantially completed in July 2011. The impact of these exercises will be recognised in the financial statements for year ended 31 December 2011 as set out in note 36.

The liability management exercises up to 30 June 2011 are:

6 months ended 30 June 2011

- a Debt for Debt exchange relating to two Canadian dollar subordinated notes, in February 2011; and
- the repurchase of a euro subordinated note, in March 2011.

6 months ended 30 June 2010

- a Debt for Debt exchange relating to five subordinated notes, in February 2010;
- a Debt for Equity offer as part of the 2010 Capital Raising, under which holders of certain notes exchanged these notes for (a) cash proceeds from the allotment of ordinary stock on behalf of such holders in the rights issue or (b) allotment instruments which automatically converted into ordinary stock on 10 September 2010, or (c) a combination thereof.

Year ended 31 December 2010

In addition to the two transactions in the six months ended 30 June 2010 (see above), the following transactions took place in the year ended 31 December 2010:

- a Debt for Debt exchange in July 2010 in relation to US dollar subordinated notes;
- a Debt for Debt exchange in September 2010 in relation to Canadian dollar subordinated notes; and
- a Debt for Debt exchange relating to nine subordinated notes, in December 2010.

The gains arising on these transactions are summarised below:

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Debt for debt exchange	17	423	1,126
Debt for equity offer	-	276	276
Transaction costs relating to subordinated liability management activities*	(6)	-	-
Gain on subordinated liability management	**11**	**699**	**1,402**

* *These transaction costs relate to the liability management activities which completed in July 2011.*

8 Gain on subordinated liability management (continued)

Debt for debt exchanges (Dated) during the 6 months ended 30 June 2011 **Description**	**Nominal Amount prior to debt for debt exchange**	**Nominal Amount exchanged**	**Residual Nominal Amount**	**Price (%)***	**Nominal and fair value of new notes Issued**
CAD$400 million					
Fixed / Floating Rate Subordinated					CAD$22m [(a)]
Notes 2015	CAD$221m	CAD$83m	CAD$138m	52%	€15m [(b)]
CAD$145 million					
Fixed / Floating Rate Subordinated					CAD$12m [(a)]
Notes 2018	CAD$145m	CAD$55m	CAD$90m	59%	€15m [(b)]

The new senior notes (included within debt securities in issue) issued in relation to the February 2011 transaction were:
[(a)] *CAD, 6.75% with a maturity of 30 January 2012;*
[(b)] *EUR 6.75% with a maturity of 30 January 2012;*

The net gain after transaction costs amounted to €16 million (€16 million after taxation) being the net of fair value of the new notes issued of €56 million and the carrying value of the notes repurchased of €72 million.

Repurchase of subordinated liability (Dated) for cash during the 6 months ended 30 June 2011 **Description**	**Nominal Amount prior to debt for debt exchange**	**Nominal Amount exchanged**	**Residual Nominal Amount**	**Price (%)***
€750 million				
Floating Rate Subordinated				
Notes 2017	€93m	€2m	€91m	53%

The net gain after transaction costs on the repurchase of the subordinated liabilities amounted to €1 million (€1 million after taxation) being the net of the consideration paid of €1 million and the carrying value of the note of €2 million.

* *This column shows the price paid as a percentage of the nominal amount exchanged.*

8 Gain on subordinated liability management (continued)

The following tables summarise the results of the debt for debt exchanges and the debt for equity offer in the year ended 31 December 2010.

Debt for debt exchanges (Dated) during the year ended 31 December 2010 Description	Nominal Amount prior to debt for debt exchange	Nominal Amount exchanged	Residual Nominal Amount	Price (%)*	Nominal and fair value of new notes Issued
€650 million					
Fixed / Floating Rate Subordinated Note due 2019					
February 2010 transaction**	€650m	€230m	€420m	78%	€179m[(a)]
December 2010 transaction	€420m	€218m	€202m	51%	€111m[(e)]
€600 million					
Subordinated Floating Rate Notes 2017					
February 2010 transaction**	€600m	€442m	€158m	72%	€319m[(a)]
December 2010 transaction	€158m	€110m	€48m	48%	€53m[(e)]
€750 million					
Floating Rate Subordinated Notes 2017					
February 2010 transaction**	€750m	€502m	€248m	73%	€366m[(a)]
December 2010 transaction	€248m	€155m	€93m	48%	€74m[(e)]
€1,002 million					
Fixed Rate Subordinated Notes 2020					
December 2010 transaction	€1,002m	€255m	€747m	57%	€141m[(e)]
Stg£400 million					
Fixed / Floating Rate Subordinated Notes 2018					
February 2010 transaction**	Stg£400m	Stg£245m	Stg£155m	79%	Stg£194m[(b)]
December 2010 transaction	Stg£155m	Stg£98m	Stg£57m	52%	Stg£45m[(f)] & €7m[(e)]
Stg£450 million					
Fixed / Floating Rate Subordinated Notes 2020					
December 2010 transaction	Stg£450m	Stg£178m	Stg£272m	53%	Stg£60m[(f)] & €40m[(e)]
Stg£75 million					
10 ¾% Subordinated Note 2018					
December 2010 transaction	Stg£75m	Stg£48m	Stg£27m	58%	Stg£27m[(f)] & €1m[(e)]
Stg£197 million					
Fixed Rate Subordinated Notes 2020					
December 2010 transaction	Stg£197m	Stg£110m	Stg£87m	57%	Stg£41m[(f)] & €24m[(e)]
US$600 million					
Subordinated Floating Rate Notes due 2018					
February 2010 transaction**	US$600m	US$227m	US$373m	70%	€114m[(a)] and Stg£3m[(b)]
July 2010 transaction	US$373m	US$45m	US$328m	68%	€24m[(c)]
December 2010 transaction	US$328m	US$143m	US$185m	46%	€50m[(e)]
CAD$400 million					
Fixed / Floating Rate Subordinated Notes 2015					
September 2010 transaction	CAD$400m	CAD$179m	CAD$221m	81%	CAD$145m[(d)]

* *this column shows the price paid as a percentage of the nominal amount exchanged*
** *these transactions took place during the 6 months ended 30 June 2010.*

For the six months ended 30 June 2010, the net gain, on the debt for debt exchanges on subordinated liabilities after transaction costs amounted to €423 million (€405 million after taxation) being the fair value of the new notes issued of €1,202 million, less the carrying value of the notes exchanged of €1,633 million and transaction costs of €8 million.

For the year ended 31 December 2010, the net gain, on the debt for debt exchanges on subordinated liabilities after transaction costs amounted to €1,126 million (€1,103 million after taxation) being the net of fair value of the new notes issued of €1,934 million and the carrying value of the notes repurchased of €3,073 million, less transaction costs of €13 million.

The new subordinated liabilities issued in relation to the February 2010 transaction were:
(a) €978 million, 10% coupon with a maturity of 12 February 2020, and
(b) Stg£197 million, 10% coupon with a maturity of 12 February 2020
The new subordinated liability issued in relation to the July 2010 transaction was:
(c) €24 million, 10% coupon with a maturity of 12 February 2020
The new subordinated liability issued in relation to the September 2010 transaction was:
(d) CAD$145 million Fixed / Floating with a maturity of 22 September 2018
The new senior notes (included within debt securities in issue) issued in relation to the December 2010 transaction were:
(e) €500 million, 6.75% with a maturity of 30 January 2012, and
(f) Stg£173 million, 6.75% with a maturity of 30 January 2012

8 Gain on subordinated liability management (continued)

Debt for equity offer (Undated) during the year ended 31 December 2010 Description	Nominal Amount prior to debt for equity offer	Nominal Amount exchanged	Price (%)*	Residual Nominal Amount
Recognised in the income statement				
€600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	€476m	€223m	86%	€253m
Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities	Stg£46m	Stg£6m	63%	Stg£40m
€600 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	€350m	€134m	60%	€216m
US$800 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	US$400m	US$339m	73%	US$61m
US$400 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	US$200m	US$180m	72%	US$20m
Stg£500 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	Stg£37m	Stg£32m	58%	Stg£5m

**this column shows the price paid as a percentage of the nominal amount exchanged*

The net gain after transaction costs on the debt for equity offer on subordinated liabilities amounted to €276 million (€269 million after taxation) being the net of the fair value of the consideration of €588 million and the carrying value of the securities of €871 million less transaction costs of €7 million.

Recognised in retained earnings				
US$150 million Floating Rate Note (FRN) (accounted for as preference equity)	US$150m	US$70m	58%	US$80m

The difference between the fair value of the consideration of €29 million and the carrying value of the notes of €53 million is shown as credit in retained earnings and is included in the Statement of Changes in Equity.

9 Other operating income

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Other insurance income	28	35	70
Other income	42	37	55
Movement in value of in force (VIF) asset	3	(2)	41
Transfer from available for sale reserve on asset disposal	5	(1)	15
Elimination of investment return on treasury stock held for the benefit of policyholders in the Life business (see note 7)	1	4	10
Dividend income	1	-	8
Other operating income	**80**	**73**	**199**

10 Insurance contract liabilities and claims paid

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Surrenders	(347)	(249)	(597)
Death and critical illness	(77)	(60)	(108)
Annuities	(20)	(23)	(65)
Maturities	(2)	(1)	(3)
Other	(13)	(25)	(35)
Gross claims	(459)	(358)	(808)
Reinsurance recoveries	31	23	47
Net claims	**(428)**	**(335)**	**(761)**
Change in liabilities:			
Gross	76	(270)	(530)
Reinsurance	31	23	23
	107	**(247)**	**(507)**
Insurance contract liabilities and claims paid	**(321)**	**(582)**	**(1,268)**

11 Other operating expenses

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Administrative expenses			
- Staff costs (see analysis below)	444	533	1,003
- Other administrative expenses	339	313	643
Depreciation			
- Intangible assets	49	51	107
- Property, plant and equipment	18	19	40
Revaluation of property	-	-	10
Total other operating expenses	**850**	**916**	**1,803**
Staff costs are analysed as follows:			
Wages and salaries	353	374	748
Social security costs	37	39	76
Retirement benefit costs – defined benefit plans (note 31)	44	106	174
Share based payment schemes	-	3	(6)
Other	10	11	11
Staff costs	**444**	**533**	**1,003**

Excluded from Retirement benefit costs is a gain of €1 million (30 June 2010: €676 million; 31 December 2010: €733 million) in relation to the impact of amendments to defined benefit pension schemes. Further information is outlined in note 31.

Staff numbers

In the six months ended 30 June 2011 the average number of staff full time equivalents was 14,004 (6 months ended 30 June 2010: 14,350; year ended 31 December 2010: 14,284).

12 Impairment charges on financial assets (excluding assets sold or held for sale to NAMA)

Impairment charges	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Loans and advances to customers (note 22)	842	1,082	1,848
Available for sale financial assets	16	-	168
Impairment charges on financial assets (excluding assets sold or held for sale to NAMA)	**858**	**1,082**	**2,016**

The impairment charges in respect of assets sold or held for sale to NAMA for the six months ended 30 June 2011, six months ended 30 June 2010 and the year ended 31 December 2010 is based on loans sold to NAMA together with loans classified as held for sale to NAMA at 30 June 2011. The analyses of the impairment charges for the six months ended 30 June 2010 and for the year ended 31 December 2010 between loans and advances to customers (note 22) and assets sold or held for sale to NAMA (note 23) have been re-presented on this basis to allow comparability, with no change to the total impairment charge.

The amount previously disclosed in respect of impairment charges on financial assets (excluding assets sold or held for sale to NAMA) for the six months ended 30 June 2010 was €893 million (year ended 31 December 2010: €2,055 million).

13 Impairment charges on assets sold or held for sale to NAMA

Impairment charges	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Impairment charges on assets sold or held for sale to NAMA (note 23)	43	277	268

The impairment charges in respect of assets sold or held for sale to NAMA for the six months ended 30 June 2011, six months ended 30 June 2010 and the year ended 31 December 2010 is based on loans sold to NAMA together with loans classified as held for sale to NAMA at 30 June 2011. The analyses of the impairment charges for the six months ended 30 June 2010 and for the year ended 31 December 2010 between loans and advances to customers (note 22) and assets sold or held for sale to NAMA (note 23) have been re-presented on this basis to allow comparability, with no change to the total impairment charge.

The amount previously disclosed in respect of impairment charges on assets sold or held for sale to NAMA for the six months ended 30 June 2010 was €466 million (year ended 31 December 2010: €229 million).

14 Loss on sale of assets to NAMA including associated costs

During the six months ended 30 June 2011, there was no sale of assets to NAMA.

Loss on sale of assets to NAMA		**6 months ended 30 June 2011 €m**		6 months ended 30 June 2010 €m		Year ended 31 December 2010 €m
Fair value of consideration[1]		-		1,498		5,046
Assets transferred						
- Loans sold to NAMA (nominal value)	-		(2,215)		(9,340)	
- Derivatives sold to NAMA (fair value)	-		(27)		(61)	
- Impairment provisions at date of sale	-	-	308	(1,934)	2,237	(7,164)
Other items[2]		-		(30)		(123)
Loss on sale of assets to NAMA		**-**		**(466)**		**(2,241)**

[1] *Fair value of consideration consists of NAMA senior bonds (representing 95% of the nominal consideration) and non-Government guaranteed subordinated bonds (representing 5% of the nominal consideration) (see note 20 and note 21).*

[2] *Other items includes provision for servicing liability, other related sale costs and adjustments in respect of movements in assets between the due diligence valuation date and the date at which they transferred to NAMA.*

At 30 June 2011, the Group still held as eligible for transfer to NAMA €0.8 billion of assets (before impairment provisions) (31 December 2010: €0.9 billion). At 30 June 2011, these assets are classified as assets held for sale to NAMA (note 23) as the Group expects to transfer them to NAMA. As set out in note 23, the Group expects to incur a loss on the sale of these assets to NAMA.

Further details are set out in note 23.

15 Profit on disposal of business activities

	6 months ended 30 June 2011 €m
Bank of Ireland Asset Management (BIAM)	43
Bank of Ireland Securities Services (BOISS)	37
Paul Capital Investments LLC	-
Profit on disposal of business activities	**80**

There were no disposals during the six months ended 30 June 2010 or the year ended 31 December 2010.

Bank of Ireland Asset Management (BIAM)
In line with the commitments given in the EU Restructuring plan, on 22 October 2010, the Group announced the sale of BIAM (which formed part of the Capital Markets division) to State Street Global Advisors for cash consideration of approximately €57 million, subject to certain conditions. On 10 January 2011, all conditions of the sale were satisfied and the sale was completed with a resulting profit on disposal of €43 million.

Bank of Ireland Securities Services (BOISS)
On 24 February 2011, the Group announced the sale of BOISS a securities services business, wholly owned by the Group which formed part of the Capital Markets division, to Northern Trust Corporation for cash and deferred consideration. The fair value of the consideration was estimated to be €51 million and the sale was completed on 1 June 2011 with a resulting profit on disposal of €37 million.

Paul Capital Investments LLC
In line with the commitments given in the EU Restructuring plan, on 21 April 2011, the Group completed the sale of its 50% holding in Paul Capital Investments LLC to the firm's existing management team for consideration of approximately €9 million, €2 million in cash and €7 million in two promissory notes. The profit on sale amounted to less than €1 million.

Foreign Currency Exchange (FCE) Corporation
In line with the commitments given in the EU Restructuring plan on 9 May 2011, the Group announced the sale of FCE Corporation to Wells Fargo N.A. for consideration of approximately €44 million. This sale completed on 2 August 2011. The profit on disposal is estimated at €8 million and is not recognised in the income statement for the six months ended 30 June 2011. For further information see note 38.

16 Taxation

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Current tax			
Irish Corporation Tax			
- Current year	(18)	(30)	(21)
- Prior year	9	(1)	11
Double taxation relief	-	-	2
Foreign tax			
- Current year	(23)	(37)	(29)
- Prior year	(11)	(13)	(2)
	(43)	(81)	(39)
Deferred tax credit			
Origination and reversal of temporary differences (note 30)	92	108	380
Taxation credit	**49**	**27**	**341**

The taxation credit for the Group was €49 million for the six months ended 30 June 2011 compared to a taxation credit of €27 million for the six months ended 30 June 2010 and a credit of €341 million for the year ended 31 December 2010. The main factor contributing to the tax credit is the loss incurred in the period.

The effective tax rate for the six months ended 30 June 2011 is 9% (tax rate credit). The comparable rate for the six months ended 30 June 2010 was 23% (tax credit) and 36% (tax credit) for the year ended 31 December 2010.

The tax effects relating to each component of other comprehensive income are as follows:

	6 months ended 30 June 2011			6 months ended 30 June 2010			Year ended 31 December 2010		
	Pre tax €m	**Tax €m**	**Net of tax €m**	Pre tax €m	Tax €m	Net of tax €m	Pre tax €m	Tax €m	Net of tax €m
Revaluation of property	-	-	-	-	-	-	(18)	3	(15)
Cash flow hedge									
Changes in fair value	141	(21)	120	(102)	52	(50)	(205)	100	(105)
Transfer to income statement	(28)	8	(20)	238	(63)	175	520	(140)	380
Net change in cash flow hedge reserve	113	(13)	100	136	(11)	125	315	(40)	275
Available for sale									
Changes in fair value	(187)	23	(164)	(54)	4	(50)	(402)	48	(354)
Transfer to income statement	6	(1)	5	1	1	2	153	(19)	134
Net change in reserve	(181)	22	(159)	(53)	5	(48)	(249)	29	(220)
Net actuarial gain / (loss) on defined benefit pension funds	218	(33)	185	(254)	39	(215)	465	(74)	391
Foreign exchange translations (losses) / gains	(211)	-	(211)	399	-	399	157	-	157
Other comprehensive income for the period	**(61)**	**(24)**	**(85)**	**228**	**33**	**261**	**670**	**(82)**	**588**

17 Earnings per share

The calculation of basic earnings per unit of €0.10 ordinary stock is based on the (loss) / profit attributable to ordinary stockholders divided by the weighted average number of units of ordinary stock in issue excluding treasury stock and own shares held for the benefit of life assurance policyholders.

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Basic			
(Loss) / profit attributable to stockholders	(508)	140	(614)
Dividend on 2009 preference stock	(94)	(134)	(231)
Repurchase of capital note	1	24	24
(Loss) / profit attributable to ordinary stockholders	**(601)**	**30**	**(821)**
	Units (millions)	Units (millions)	Units (millions)
Weighted average number of shares in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders*	5,294	2,291	3,781
Basic earnings per share (cent)	**(11.3c)**	**1.3c**	**(21.7c)**

Diluted

The diluted earnings per share is based on the profit attributable to ordinary stockholders divided by the weighted average number of units of ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders adjusted for the effect of all dilutive potential ordinary stock.

	6 months ended 30 June 2011 €m	6 months ended 30 June 2010 €m	Year ended 31 December 2010 €m
Diluted			
(Loss) / profit attributable to stockholders	(508)	140	(614)
Dividend on 2009 preference stock	(94)	(134)	(231)
Repurchase of capital note	1	24	24
(Loss) / profit attributable to ordinary stockholders	**(601)**	**30**	**(821)**
	Units (millions)	Units (millions)	Units (millions)
Weighted average number of units of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	5,294	2,291	3,781
Effect of all dilutive potential ordinary stock	-	191	-
	5,294	**2,482**	**3,781**
Diluted earnings per share (cent)	**(11.3c)**	**1.2c**	**(21.7c)**

17 Earnings per share (continued)

For the six months ended 30 June 2011 and the year ended 31 December 2010 there was no difference in the weighted average number of units of stock used for basic and diluted earnings per share as the effect of all potentially dilutive ordinary units of stock outstanding was anti-dilutive.

As at 30 June 2011 there were stock options over 6 million units of potential ordinary stock at that date (30 June 2010: 9 million units, 31 December 2010: 9 million units) which could potentially have a dilutive impact in the future, but which were anti-dilutive.

Dividend on 2009 preference stock

Where a dividend on the 2009 preference stock is not paid in either cash or units of ordinary stock, that dividend must subsequently be paid in the form of units of ordinary stock before a subsequent dividend on the 2009 preference stock or dividend on ordinary stock can be paid. The dividend required for the six months to 30 June 2011 has been deducted in the calculation of basic and diluted earnings per share.

18 Other financial assets at fair value through profit or loss

	30 June 2011 €m	31 December 2010 €m
Equity securities	6,504	7,186
Government bonds	1,719	1,776
Unit trusts	923	786
Debt securities	206	202
Loans and advances	76	95
Other financial assets at fair value through profit or loss	**9,428**	**10,045**

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 30 June 2011, such assets amounted to €8,555 million (31 December 2010: €9,074 million).

19 Loans and advances to banks

	30 June 2011 €m	31 December 2010 €m
Placements with other banks	4,560	4,062
Mandatory deposits with central banks	1,821	3,102
Funds placed with central banks	214	216
Securities purchased with agreement to resell	316	79
	6,911	7,459
Less allowance for impairment on loans and advances to banks	-	(1)
Loans and advances to banks	**6,911**	**7,458**

Placements with other banks includes cash collateral of €1.3 billion (31 December 2010: €1.8 billion) placed with derivative counterparties in relation to net derivative liability positions.

The Bank is authorised to issue bank notes in Northern Ireland under the Bankers (Ireland) Act, 1845 and the Bankers (Northern Ireland) Act, 1928. An amount of €825 million included within mandatory deposits with central banks relates to collateral in respect of these notes in circulation (31 December 2010: €967 million).

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. The fair value of this collateral at 30 June 2011 was €316 million (31 December 2010: €79 million).

20 Available for sale financial assets

	30 June 2011 €m	31 December 2010 €m
Government bonds	5,928	3,736
Other debt securities		
- listed	7,723	11,197
- unlisted	540	593
Equity securities		
- listed	1	1
- unlisted	49	49
Available for sale financial assets	**14,241**	**15,576**

At 30 June 2011, available for sale financial assets with a fair value of €10.3 billion (31 December 2010: €12.9 billion) had been pledged to third parties in sale and repurchase agreements.

Included within unlisted debt securities are subordinated bonds issued by NAMA with a fair value of €101 million (31 December 2010: €98 million).

21 NAMA senior bonds

	30 June 2011 €m	31 December 2010 €m
NAMA senior bonds	**4,872**	**5,075**

The NAMA Senior bonds are guaranteed by the Irish Government. At 30 June 2011 and 31 December 2010, all NAMA senior bonds had been pledged to Monetary Authorities in sale and repurchase agreements.

The maturity date of these bonds is March 2012. NAMA may, with the consent of the Group, settle the bonds by issuing new bonds with the same terms and conditions and a maturity date of up to 364 days. The interest rate on the bonds is six month Euribor, reset semi-annually on 1 March and 1 September.

22 Loans and advances to customers

	30 June 2011 €m	31 December 2010 €m
Loans and advances to customers	104,285	117,510
Finance leases and hire purchase receivables	1,806	1,922
	106,091	119,432
Less allowance for impairment charges on loans and advances to customers (note 25)	(5,405)	(4,975)
Loans and advances to customers	**100,686**	**114,457**

Following on from the 2011 PLAR, at 30 June 2011 the Group considered that it was highly probable that certain loan portfolios amounting to €5.8 billion (31 December 2010: €nil) would be disposed of within twelve months and accordingly, these assets are classified as assets held for sale (note 24)

Prior to the date of approval of these interim financial statements, but subsequent to 30 June 2011 (see note 38), UK property loans and related derivatives with a carrying value of approximately €2 billion met the criteria under accounting standards for classification as assets held for sale (note 24).

In addition, the Group expects, under the terms of the 2011 PLAR, to dispose of other loans of up to €2.2 billion, which do not currently meet the accounting standards' criteria for classification as held for sale.

As at 30 June 2011, loans and advances to customers of €619 million (31 December 2010: €793 million) (net of impairment provision of €207 million (31 December 2010 : €75 million)) were classified as loans held for sale to NAMA (note 23).

See pages 44 to 49 of the Risk Management Report for an assessment of credit quality.

23 Assets held for sale to NAMA

Assets held for sale to NAMA	30 June 2011 €m	31 December 2010 €m
Land and development loans	263	153
Associated loans (primarily investment loans)	563	715
	826	868
Impairment provisions	(207)	(75)
	619	793
Derivatives	2	7
Accrued interest	3	4
Total assets held for sale to NAMA	**624**	**804**
Analysed by operating segment		
Retail Republic of Ireland	76	5
UK Financial Services	407	618
Capital Markets	141	181
Total assets held for sale to NAMA	**624**	**804**

At 30 June 2011 and 31 December 2010, the Group considered that the Eligible Bank Assets which are expected to be transferred to NAMA met the criteria for classification as assets held for sale.

The following table shows the movement in the assets held for sale to NAMA during the six months ended 30 June 2011.

30 June 2011	Assets Gross €m	Impairment provision €m	Carrying value €m
Opening balance at 1 January 2011			
Loans held for sale (including accrued interest of €4 million)	872	(75)	797
Derivatives held for sale	7	-	7
	879	(75)	804
Movements during the year			
Changes in eligibility and other items (net)	(48)	(89)	(137)
Impairment charges during the period (note 25)	-	(43)	(43)
Closing balance at 30 June 2011	**831**	**(207)**	**624**
Of which			
Loans held for sale (including accrued interest of €3 million)	829	(207)	622
Derivatives held for sale	2	-	2
Closing balance at 30 June 2011	**831**	**(207)**	**624**

During the six months ended 30 June 2011, there was no transfer of assets to NAMA. During the year ended 31 December 2010, the Group transferred €9.4 billion of assets (before impairment provision of €2.2 billion) to NAMA.

These assets continue to be measured on the same basis as prior to their classification as assets held for sale. In particular, loans and advances to customers continue to be measured at amortised cost less any incurred impairment losses. In accordance with accounting standards, derecognition of these assets will occur when substantially all the risks and rewards of ownership have been transferred to NAMA. This will only occur when ownership of the beneficial interest is legally transferred to NAMA. At the same time as recognition of such losses, the Bank will benefit from a reduction in its risk weighted assets for regulatory capital purposes. Derivatives held for sale to NAMA continue to be measured at fair value through profit or loss.

23 Assets held for sale to NAMA (continued)

The Group expects to incur a loss on disposal of these assets to NAMA arising from the difference between the fair value of the consideration to be received and the carrying value of the assets together with the costs of disposal and any provision that may be required due to the ongoing cost of servicing these assets on behalf of NAMA.

The consideration received will be measured at fair value at initial recognition. Uncertainties remain as to the final discount which will be applicable. The Group estimates that the discount to gross loan value on the remaining loans held for sale to NAMA may be in a range of 35% to 45%. The Group will only be able to accurately quantify the ultimate gross loss on the sale of all the Group's Eligible Bank Assets to NAMA on completion of the relevant due diligence and the sale of the final portfolio of assets to NAMA.

The principal determinant of the expected loss on disposal is the difference between the discount applied to the original gross asset values in arriving at NAMA's valuation and the impairment provisions recorded against the assets under accounting standards. This discount or haircut to original asset values is calculated on a different basis and using a different methodology to the determination of impairment provisions.

Changes in eligibility and other items include:
- assets originally expected to be eligible which became ineligible following consultation with NAMA
- assets originally deemed ineligible but which became eligible due to the borrower having eligible assets with other NAMA participating financial institutions; and
- changes where assets were originally deemed to be eligible but following an individual review of the assets, they were subsequently deemed ineligible.

24 Other assets and liabilities classified as held for sale

Assets classified as held for sale	**30 June 2011 €m**	31 December 2010 €m
Loan portfolios	5,182	-
Assets of Burdale	655	-
Assets of FCE Corporation	25	59
Assets of BIAM	-	44
Assets of BOISS	-	6
Share of net assets of Paul Capital Investments LLC	-	10
Total	**5,862**	**119**

Liabilities classified as held for sale	**30 June 2011 €m**	31 December 2010 €m
Liabilities of Burdale	31	-
Liabilities of FCE Corporation	3	23
Liabilities of BIAM	-	29
Total	**34**	**52**

The Group's restructuring plan was formally approved by the European Commission in July 2010. (See note 37 for an update in relation to the Group's Revised 2011 Restructuring Plan).

As outlined in note 37 the 2010 EU Restructuring Plan included, amongst other actions, the disposal of BIAM (asset management business), Paul Capital Investments LLC (a private equity fund of funds manager), both of which are included in the Capital Markets Division, FCE Corporation (a US foreign exchange business), and the Group's stake in the Irish Credit Bureau Limited (whose net assets amount to less than €1 million), both of which are included within Retail Republic of Ireland.

On 22 October 2010, the sale of BIAM was announced to State Street Global Advisors for a cash consideration of €57 million. On 10 January 2011, all conditions of the sale were satisfied and the sale was completed.

24 Other assets and liabilities classified as held for sale (continued)

On 24 February 2011, the Group announced the sale of BOISS a securities services business, wholly owned by the Group which formed part of the Capital Markets division, to Northern Trust Corporation for cash and deferred consideration, the fair value of the consideration was estimated to be €51 million and the sale was completed on 1 June 2011 with a resulting profit on disposal of €37 million.

On 21 April 2011, the Group announced the sale of its 50% holding in Paul Capital Investments LLC for a cash consideration of approximately €2 million and €7 million in two promissory notes. The sale was completed on 21 April 2011.

On 9 May 2011, the Group announced the sale of FCE Corporation to Wells Fargo N.A. for consideration of approximately €44 million. The sale completed on 2 August 2011. For further information see note 38.

For further information see note 15.

Following on from the 2011 PLAR, at 30 June 2011 the Group considered that it was highly probable that the following loan portfolios would be disposed of within twelve months and accordingly, the assets and liabilities of these businesses are classified as assets and liabilities held for sale:

- Burdale, an asset-based lending business forming part of the Capital Markets division, with net assets consisting primarily of loans and advances to customers of €0.6 billion.
- The project finance business (excluding its Irish business), forming part of the Capital Markets division, with assets consisting of loans and advances to customers of €2.7 billion.
- The US Commercial Real Estate Loan Portfolio, forming part of the Capital Markets division, with assets consisting of loans and advances to customers of €0.8 billion.
- Certain asset portfolios forming part of the UK Financial Services division, consisting of loans of advances to customers of €1.7 billion.

The loan portfolios continue to be measured on the same basis as prior to their classification as assets held for sale. In particular, loans and advances to customers continue to be measured at amortised cost less any incurred impairment losses. Associated derivatives continue to be measured at fair value through the profit or loss.

The Group expects to incur a loss on disposal of the above loan portfolios. The equity capital requirement of €4.2 billion as set out as part of the 2011 PCAR covered a prudent estimate of losses arising on these disposals.

25 Impairment provisions

The Group's loan portfolios and related impairment provisons at 30 June 2011 are classified as follows:

30 June 2011	Assets Gross €m	Impairment provision €m	Carrying value €m
Loans and advances to customers	106,091	(5,405)	100,686
Assets held for sale to NAMA	826	(207)	619
Other assets classified as held for sale	5,811	(22)	5,789
Total	**112,728**	**(5,634)**	**107,094**

The following tables show the movement in the impairment provisions on total loans and advances to customers, including loans and advances classified as assets held for sale to NAMA and other assets classified as held for sale.

25 Impairment provisions (continued)

30 June 2011	Residential Mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Impaired financial assets	1,197	3,770	7,518	355	12,840
Provisions at 1 January 2011	725	1,475	2,529	321	5,050
Exchange adjustments	(7)	(22)	(39)	(2)	(70)
Amounts written off	(23)	(100)	(80)	(79)	(282)
Recoveries	(1)	1	(1)	5	4
Charges against income statement	160	251	428	46	885
Other movements	7	(10)	44	6	47
Provisions at 30 June 2011	**861**	**1,595**	**2,881**	**297**	**5,634**
The provisions at 30 June 2011 is split as follows:					
Loans and advances to customers (including other assets classified as held for sale)	857	1,594	2,679	297	5,427*
Loans held for sale to NAMA	4	1	202	-	207
Provisions at 30 June 2011	**861**	**1,595**	**2,881**	**297**	**5,634**

* *Of this amount €22 million relates to other assets classified as held for sale.*

31 December 2010	Residential Mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Impaired financial assets	1,077	3,657	6,279	371	11,384
Provisions at 1 January 2010	359	1,152	3,884	380	5,775
Exchange adjustments	4	(5)	29	1	29
Amounts written off	(44)	(287)	(201)	(202)	(734)
Recoveries	1	2	(2)	4	5
Charges against income statement	417	623	949	127	2,116
Release of provisions on sale of assets to NAMA	(20)	(22)	(2,195)	-	(2,237)
Other movements	8	12	65	11	96
Provisions at 31 December 2010	**725**	**1,475**	**2,529**	**321**	**5,050**
The provision at 31 December 2010 is split as follows:					
Loans and advances to customers	725	1,475	2,454	321	4,975
Loans held for sale to NAMA	-	-	75	-	75
Provisions at 31 December 2010	**725**	**1,475**	**2,529**	**321**	**5,050**

Provisions include specific and 'incurred but not reported' (IBNR) provisions. IBNR provisions are recognised on all categories of loans for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

The impairment provisions of €5,634 million at 30 June 2011 comprise specific provisions (including collective provisions) of €4,749 million (31 December 2010: €4,239 million) and IBNR provisions of €885 million (31 December 2010: €811 million).

26 Intangible assets - goodwill

Goodwill at 31 December 2010 related to Burdale. This business has been reclassified to assets held for sale during the six months ended 30 June 2011 (see note 24).

27 Deposits from banks

	30 June 2011 €m	31 December 2010 €m
Deposits from banks	6,534	4,685
Securities sold under agreement to repurchase	31,887	35,978
Other bank borrowings	299	412
Deposits from banks	**38,720**	**41,075**

Deposits from banks include cash collateral of €1.1 billion (31 December 2010: €0.7 billion) received from derivative counterparties in relation to net derivative asset positions.

As a result of challenging funding markets the Group continues to make significant use of liquidity facilities provided by Monetary Authorities through both its pool of eligible collateral with the ECB of €22 billion net (31 December 2010: €23 billion net) and the exceptional liquidity facilities provided by the Central Bank of €7 billion (31 December 2010: €8 billion).

28 Customer accounts

	30 June 2011 €m	31 December 2010 €m
Term deposits and other products	35,214	33,066
Demand deposits	16,213	16,541
Current accounts	13,716	15,836
Customer accounts	**65,143**	**65,443**

Included within customer deposits as at 30 June 2011 is €3.2 billion of deposits from the NTMA (31 December 2010 €0.2 billion). At 30 June 2011, the Group's largest 20 customer deposits (excluding the NTMA deposits of €3.2 billion which were repaid following the 2011 Capital Raise in late July 2011), amounted to 2% (31 December 2010: 4%) of customer accounts.

29 Subordinated liabilities

	30 June 2011 €m	31 December 2010 €m
Opening balance	2,775	6,053
Exchange adjustments	(53)	190
Redeemed during the period	-	(750)
Nominal exchanged or repurchased during the period	(105)	(3,976)
Issued during the period	-	1,338
Fair value movements and impact of hedge accounting adjustments	16	(91)
Amortisation of deferred expenses	-	11
Closing balance	**2,633**	**2,775**

Full details of the Group's subordinated liabilities can be found on pages 265 to 267 of the 31 December 2010 Annual Report. Information on the subordinated liabilities repurchased or exchanged during the six months ended 30 June 2011 and during the year ended 31 December 2010 is shown in note 8.

Information on the liability management exercise which completed after June 2011 is outlined in note 8.

To comply with the requirements of the 2011 PCAR, in July 2011 the Group issued a debt instrument of €1 billion (nominal) to the Irish Government which under certain circumstances would convert to equity capital and which will be classified in the financial statements for the year ended 31 December 2011 as a subordinated liability (see note 36 for further details).

30 Deferred tax

The deferred tax asset of €1,165 million (31 December 2010: €1,128 million) shown on the balance sheet is after jurisdictional netting (€1,185 million before jurisdictional netting, 31 December 2010 €1,144 million). This includes an amount of €963 million at 30 June 2011 (31 December 2010: €898 million) in respect of operating losses which are available to relieve future profits from tax. This deferred tax asset has been recognised on the basis that it is probable it will be recovered as the Directors are satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred tax can be utilised to the extent it has not already reversed. Under current Irish and UK tax legislation, there is no time restriction on the utilisation of these losses. Under accounting standards, these assets are measured on an undiscounted basis.

The UK Budget 2011, published on 23 March 2011, announced plans to ultimately reduce the corporation tax rate to 23% from 1 April 2014. This budget announced the reduction in the rate of corporation tax from 28% to 26% (rather than to 27% as previously enacted). Budget Resolution 5, substantively enacted on 29 March 2011, reduced the main rate of corporation tax to 26% from 1 April 2011. The reduction to 25% (effective from 1 April 2012) was not substantively enacted until 19 July 2011 as a result of the Royal Assent of the Finance Act 2011 on this date, and has therefore not been reflected in these financial statements. The impact of the changes enacted by Budget Resolution 5 has been to reduce the deferred tax asset at 30 June 2011 by €11 million. The proposed reductions in the main rate of corporation tax by 1% per annum to 23% by 1 April 2014 are to be enacted separately each year, the impact of which would be to reduce the deferred tax asset at 30 June 2011 by an additional €27 million.

31 Retirement benefit obligations

The net IAS 19 pension deficit across the Group's defined benefit schemes at 30 June 2011 was €163 million (31 December 2010: €424 million). This is shown on the balance sheet as retirement benefit assets of €21 million (31 December 2010: €11 million) and retirement benefit obligations of €184 million (31 December 2010: €435 million).

The principal changes in the assumptions used to calculate the value of pension obligations at 30 June 2011 as compared to 31 December 2010 are set out in the table below.

	30 June 2011 % p.a.	31 December 2010 % p.a.
RoI Schemes		
Inflation Rate	2.10	2.00
Discount Rate	6.05	5.50
UK Schemes		
Inflation Rate (Consumer Price Inflation)	2.70	3.00
Discount Rate	5.60	5.50

All other financial and demographic assumptions remain consistent with those used at 31 December 2010 - see note 45 of the 31 December 2010 Annual Report.

Pension levy
The Irish Finance (No. 2) Act 2011 introduced a stamp duty levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014 (inclusive). The levy is based on scheme assets as at 30 June in each year or as at the end of the preceding scheme financial year. No decision has yet been taken as to who will bear this levy. Accounting standards require that a charge for the 0.6% levy for 2011, amounting to €20 million, be included in the financial statements for the six months ended 30 June 2011 in the form of a reduction in scheme assets. The accounting will be updated to reflect the final decision once it is taken.

This charge of €20 million has been recognised within Other Comprehensive Income as it did not form part of the Expected Return on Assets for 2011, which was determined at the start of the year.

Group pensions review
During 2010, the Group completed a review of the IAS 19 pension deficit in the defined benefit pension schemes sponsored by the Group and full details of this review are outlined in note 45 of the 31 December 2010 Annual Report.

By 31 December 2010, the amendments to scheme benefits arising from this review had been implemented in respect of five of the Group's defined benefit pension schemes, (including the Bank of Ireland Staff Pensions Fund), which cover the substantial majority of defined benefit scheme members.

Active members in each scheme were asked individually to formally accept the changes. At 31 December 2010 the level of acceptances received amounted to greater than 99% of the active members of the impacted schemes. The total impact of the amendments in the year ended 31 December 2010, net of directly related expenses, amounted to a gain of €733 million.

Additional acceptances received in the six months ended 30 June 2011 resulted in an additional curtailment gain of €1 million (30 June 2010: gains of €676 million; 31 December 2010: gains of €737 million).

32 Contingent liabilities and commitments

The table below gives the contractual 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.

Contingent Liabilities	30 June 2011 €m	31 December 2010 €m
Acceptances and endorsements	8	35
Guarantees and irrevocable letters of credit	1,191	1,482
Other contingent liabilities	432	599
	1,631	**2,116**

Commitments	30 June 2011 €m	31 December 2010 €m
Documentary credits and short-term trade-related transactions	150	185
Undrawn note issuance and revolving underwriting facilities	100	100
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- irrevocable or revocable with original maturity of 1 year or less	15,355	16,655
- irrevocable with original maturity of over 1 year	4,958	6,601
	20,563	**23,541**

33 Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities, (excluding derivatives and liabilities arising from insurance and investment contracts in BoI Life) at 30 June 2011 and 31 December 2010 based on contractual undiscounted repayment obligations. Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,124 million and €7,112 million respectively (31 December 2010: €5,271 million and €7,188 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cashflows. The contractual balances will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

As at 30 June 2011 **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	162	35,238	1,982	1,395	84	38,861
Customer accounts	29,978	21,622	10,634	3,507	621	66,362
Debt securities in issue	-	2,681	2,475	13,259	7,297	25,712
Subordinated liabilities*	-	47	179	1,073	3,165	4,464
Contingent liabilities	1,631	-	-	-	-	1,631
Commitments	15,605	-	-	4,958	-	20,563
Total	**47,376**	**59,588**	**15,270**	**24,192**	**11,167**	**157,593**

As at 31 December 2010 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	359	37,892	433	2,467	85	41,236
Customer accounts	32,377	17,913	10,893	4,666	522	66,371
Debt securities in issue	-	4,902	3,935	15,480	7,756	32,073
Subordinated liabilities	-	176	138	1,196	3,631	5,141
Contingent liabilities	2,116	-	-	-	-	2,116
Commitments	16,940	-	-	6,601	-	23,541
Total	**51,792**	**60,883**	**15,399**	**30,410**	**11,994**	**170,478**

* *Refer to note 36 for information on the repurchase of a significant portion of the Group's subordinated liabilities after 30 June 2011.*

34 Fair value of assets and liabilities

Fair value hierarchy
The table below shows the Group's financial assets and liabilities that are recognised and subsequently measured at fair value, together with their classification within a three-level fair value hierarchy.

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data.

Level 3 comprises financial assets and liabilities valued using techniques where the impact of the non-observable market data is significant in determining the fair value of the instrument. Non-observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

30 June 2011	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	112	-	-	112
Derivative financial instruments	-	5,897	36	5,933
Assets held for sale to NAMA - derivatives	-	-	2	2
Other financial assets at FVTPL	8,851	560	17	9,428
AFS financial assets	13,190	739	312	14,241
Interest in associates	-	-	28	28
	22,153	7,196	395	29,744
As a % of financial assets at fair value	**74.5%**	**24.2%**	**1.3%**	**100%**
Financial liabilities held at fair value				
Deposits from banks	-	298	-	298
Customer accounts	-	1,623	16	1,639
Derivative financial instruments	-	4,248	31	4,279
Liabilities to customers under investment contracts	-	5,124	-	5,124
Insurance contract liabilities	-	7,112	-	7,112
Debt securities in issue	-	-	366	366
Subordinated liabilities	-	-	40	40
Short positions in other liabilities	3	-	-	3
	3	18,405	453	18,861
As a % of fair value liabilities	**-**	**97.6%**	**2.4%**	**100%**

There were no significant transfers between levels of the fair value hierarchies during the period.

The movement in level 3 assets between 31 December 2010 and 30 June 2011 is primarily attributable to acquisitions to AFS financial assets.

The movement in level 3 liabilities between 31 December 2010 and 30 June 2011 is primarily attributable to fair value movements and redemptions of debt securities in issue together with the exchange of certain subordinated liabilities.

34 Fair value of assets and liabilities (continued)

31 December 2010	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	151	-	-	151
Derivative financial instruments	-	6,343	32	6,375
Assets held for sale to NAMA - derivatives	-	-	7	7
Other financial assets at FVTPL	9,428	600	17	10,045
AFS financial assets	14,167	1,209	200	15,576
Interest in associates	-	-	26	26
	23,746	**8,152**	**282**	**32,180**
As a % of financial assets at fair value	**73.8%**	**25.3%**	**0.9%**	**100%**
Financial liabilities held at fair value				
Deposits from banks	-	412	-	412
Customer accounts	-	1,429	42	1,471
Derivative financial instruments	-	5,418	27	5,445
Liabilities to customers under investment contracts	-	5,271	-	5,271
Insurance contract liabilities	-	7,188	-	7,188
Debt securities in issue	-	-	545	545
Subordinated liabilities	-	-	83	83
	-	**19,718**	**697**	**20,415**
As a % of fair value liabilities	**-**	**96.6%**	**3.4%**	**100%**

35 Summary of relations with the Irish Government

The Irish Government, through both the Group's participation in the Government Guarantee Schemes and the investment by the NPRFC in the ordinary stock and the 2009 Preference Stock of the Bank, is a related party of the Group.

Details of the Group's relations with the Irish Government are set out in note 56 of the 31 December 2010 Annual Report.

(a) Ordinary stock
At 30 June 2011, the Irish Government owned 36% of the ordinary stock of the Group. As set out in more detail in note 36 the Irish Government's shareholding in the Bank has changed significantly since 30 June 2011, as a result of the rights issue, the liability management exercises and the agreement for the sale of units of ordinary stock by the Government to a group of significant institutional investors and fund managers. Following the completion of these transactions (which are subject to normal regulatory approval) and the issuance of ordinary stock pursuant to the debt for equity offers on 12 August 2011, the Government is expected to own 15.1% of the Bank's ordinary stock.

An update on significant changes in the current period is given below.

(b) Guarantee schemes

Credit Institutions (Eligible Liabilities Guarantee) Scheme
Details on the ELG scheme are outlined on page 305 of the 31 December 2010 Annual Report.

On 1 June 2011, the European Commission approved an extension of the ELG scheme for a further issuance period of six months to 31 December 2011.

A fee is payable in respect of each liability guaranteed under the ELG Scheme. This fee amounted to €239 million for the six months ended 30 June 2011 (six months ended 30 June 2010: €94 million; year ended 31 December 2010: €275 million). Refer to note 3.

At 30 June 2011, €43 billion of customer deposits and wholesale funding (excluding subordinated liabilities) continue to be covered under the ELG Scheme (31 December 2010: €39 billion). In addition to the deposits covered by the ELG Scheme, other deposits are guaranteed under the deposit protection schemes operating in the various jurisdictions in which the Group operates, including the Irish Government Deposit Scheme, the UK Financial Services Compensation Scheme and the IOM Depositors Compensation Scheme.

(c) 2009 Preference Stock: Dividend
On 21 February 2011, the Group paid a cash dividend of €214.5 million on the 2009 Preference Stock held by the NPRFC.
In February 2010, the Bank issued 184,394,378 units of ordinary stock to the NPRFC, being payment of the 2010 dividend on the 2009 Preference Stock.

(d) Recapitalisation 2011
As part of the 2011 Recapitalisation of the Bank, outlined in note 36, the Bank entered into a Transaction and Underwriting Agreement with the Irish Government in July 2011. The key aspects of this agreement were as follows:

(i) The Rights Issue would be fully underwritten by the NPRFC
(ii) The Group would issue a Contingent Capital note to the State, with a principal amount of €1 billion, with fees of €15 million. Further details are outlined in note 36.
(iii) State Placing: the NPRFC were given an option to make a direct placing of up to 795 million units of ordinary stock at €0.10. It was announced on 8 July 2011 that the NPRFC would not be proceeding with this option.
(iv) The estimated aggregate fees payable to the State in connection with the recapitalisation (including amounts in respect of VAT) amounted to €83 million.

As a further condition of the transaction agreement entered into with the Government, the Group has given a number of commitments and undertakings to the Minister for Finance ('the Minister's letter') in respect of its lending, corporate governance, dividends and remuneration practices. These were set out in a letter dated 8 July 2011 from the Minister to the Bank.

35 Summary of relations with the Irish Government (continued)

(e) Indemnity on Ministerial Guarantee

As outlined on page 308 of the 31 December 2010 Annual Report, on 23 December 2010, the Bank entered into a facility deed (the deed) with the Central Bank. This provides for an uncommitted facility to the Group, guaranteed by the Minister for Finance up to a maximum amount of €10 billion or such increased amount as the Central Bank and the Minister may, in their absolute discretion determine. The facility has rolled on a continuous basis during 2011 and it was increased to €14 billion in July 2011 with a one month term. The Group is currently seeking to have the facility rolled over again in August 2011.

In entering into the deed, the Bank entered into a counter indemnity agreement with the Minister for Finance. This agreement, dated 23 December 2010, indemnifies the Minister for Finance in respect of any payments made by him under the guarantee in favour of the Central Bank in respect of any indebtedness under the deed. It is co-terminous with payment of interest and prepayment of principal in full under the deed.

(f) Bonds issued by or guaranteed by the Irish Government

In addition to bonds issued by the entities set out in section (g) below, the Group held bonds issued or guaranteed by the Irish Government with a carrying value of €8,521 million at 30 June 2011, as follows:

	30 June 2011 €m	31 December 2010 €m
Irish Government bonds	3,649	3,807
NAMA senior bonds	4,872	5,075
Total	**8,521**	**8,882**

(g) Other transactions with the Irish Government and entities under its control or joint control

At 30 June 2011, the Group held senior bonds with a carrying value of €309 million issued by the following entities which are related parties of the Group, as follows:

	30 June 2011 €m	31 December 2010 €m
Allied Irish Banks plc	204	222
Anglo Irish Bank plc (renamed Irish Bank Resolution Corporation)	40	89
EBS	1	-
Housing Finance Agency	64	8
Total	**309**	**319**

In addition, at 30 June 2011, the Group had loans of €34 million (31 December 2010: €36 million) to AIB which were included within loans and advances to banks.

Included within customer deposits as at 30 June 2011 is €3.2 billion of deposits from the NTMA which were subsequently repaid in July 2011.

35 Summary of relations with the Irish Government (continued)

(h) The Credit Institutions (Stabilisation) Act, 2010

As set out on pages 302 to 304 of the 31 December 2010 Annual Report, the Credit (Stabilisation) Act, 2010 gives the Government extensive powers to recapitalise and restructure the Irish banking system. While the Group has not been subject to any orders under the Act to date, as set out in note 36 the Minister for Finance stated on 31 May 2011 that the Government would take whatever steps are necessary under the Credit Institutions (Stabilisation) Act 2010, for example through a Subordinated Liabilities Order (SLO) (see note 36 (ii)), or otherwise to ensure that burden sharing is achieved. The following orders have been made since 31 December 2010:

- In February 2011, the High Court issued two transfer orders facilitating the immediate transfer of the deposit books and corresponding assets of Anglo Irish Bank Corporation Limited (Anglo) and Irish Nationwide Building Society (INBS) to Allied Irish Banks plc and Irish Life & Permanent plc (ILP) respectively. Certain employees who dealt with the deposit taking activities in Anglo and INBS also transferred to the acquiring banks.
- In April 2011, the High Court issued a Subordinated Liability Order in relation to AIB. The SLO will amend certain subordinated debt coupon terms and maturity dates and permit the purchase by AIB of debt instruments.
- On 1 July 2011, the Minister announced that the High Court had issued a transfer order under the Credit institutions (Stabilisation) Act 2010 to transfer the assets and liabilities of INBS to Anglo.
- On 26 July 2011, the Government was granted a High Court order for the recapitalisation of ILP. The court order was made on an application by the Minister for Finance under the Credit Institutions (Stabilisation) Act 2010 to facilitate the necessary recapitalisation of ILP by 31 July 2011 to meet with the Central Bank's Regulatory requirements.

Central Bank and Credit Institutions (Resolution) (No.2) Bill 2011

On 20 May 2011 the Central Bank and Credit Institutions (Resolution) (No.2) Bill 2011 was introduced. Further information on the Bill is outlined in note 56 (a) (vi) of the 31 December 2010 Annual Report.

36 Recapitalisation of the Bank

2011 PCAR / PLAR

The Central Bank undertook a Prudential Capital Assessment Review (2011 PCAR) which incorporated a Prudential Liquidity Assessment Review (2011 PLAR) in the first quarter of 2011. The PCAR is an assessment of forward-looking prudential capital requirements arising under a base case and stress case with potential stressed loan losses, and other financial developments, over a three year (2011-2013) time horizon. The PLAR is an assessment of measures to be implemented with a view to deleveraging the banking system and reducing reliance on short term wholesale funding and liquidity support from Monetary Authorities. The Group's deleveraging plan was agreed with the Central Bank as part of the PLAR exercise.

The 2011 PCAR was based on future loan loss estimates under stress scenarios undertaken by BlackRock Solutions (BlackRock) on behalf of the Central Bank with aggressively conservative assumptions on the performance of the Group's loans under these stress conditions. The BlackRock methodology applies, in the Group's view, a 'repossess and sale' approach under stress scenarios with stressed residential and commercial property values as the primary driver of loan losses in both mortgage and investment property portfolios and places less emphasis on customers' repayment capacity including contracted income streams. The approach is materially different to the methodology used in previous reviews of potential future loan losses by the Group and other leading international risk consultants, including Oliver Wyman.

As with any stress test, the adverse stress scenario is designed to cover 'what-if' situations reflecting even more stressed macroeconomic conditions than might reasonably be expected to prevail.

On 31 March 2011 the Central Bank announced the results of the 2011 PCAR, which requires the Group to generate incremental equity capital of €4.2 billion including a regulatory buffer of €0.5 billion.

36 Recapitalisation of the Bank (continued)

The equity capital requirement was set to cover:
- the higher target capital ratios set by the Central Bank of a minimum Core tier 1 ratio of 10.5% on an ongoing basis and Core tier 1 ratio of 6% under the adverse stress scenario;
- a prudent regulatory buffer of €0.5 billion for additional conservatism;
- the adverse stress scenario loan loss estimates based on aggressively conservative assumptions;
- notwithstanding that the land and development loans of the Group where an individual customer / sponsor exposure less than €20 million at 31 December 2010 are no longer expected to transfer to NAMA, the 2011 PCAR process was prepared under an assumption that the relevant loans would transfer to NAMA using prudent loss on disposal assumptions; and
- a prudent estimate of losses arising from deleveraging.

In addition €1.0 billion of contingent capital was also required through the issue of a debt instrument which under certain circumstances would convert to equity capital.

The 2011 PCAR led to the agreement of a Deleveraging plan which targets among other requirements, the achievement by the Group of a loan to deposit ratio of 122.5% for the Group by 31 December 2013. This Deleveraging plan augments the asset reductions contained in the Group's approved 2010 EU Restructuring Plan. The deleveraging plan envisages portfolios of customer loans continuing to be wound down or disposed of on an orderly basis over a three year period resulting in an expected reduction in the Group's non-core loan portfolios of approximately €30 billion between December 2010 and December 2013. A prudent estimate of losses arising on deleveraging is incorporated within the capital requirement of €4.2 billion.

The loan portfolios / lending businesses of the Group, that are being / will be run down or disposed of over time, include:
- portfolios of UK Intermediary sourced mortgages;
- selected international niche businesses such as project finance, asset based lending and certain previously identified international corporate banking portfolios;
- certain international commercial investment property portfolios; and
- land and development loans where the Group has an individual customer / sponsor exposure of less than €20 million.

At 30 June 2011, the Group has reclassified a number of these loan portfolios and lending businesses as assets classified as held for sale. Further information is outlined in note 24.

2011 Capital Raise
The Group's 2011 Capital Raise was announced in June 2011 subject to stockholder approval which was received in July 2011 and included a number of elements:

(i) Debt for equity offers (including a cash offer) and the compulsory acquisition of eligible debt securities;
(ii) Further burden sharing with remaining subordinated bondholders;
(iii) A potential State Placing (which did not proceed);
(iv) A Rights Issue; and
(v) The issuance of a Contingent Capital note.

(i) Debt for equity offers (including cash offer) and the compulsory acquisition of eligible debt securities
On 8 June 2011, the Group announced that it had invited certain bondholders to exchange their bonds for cash or ordinary shares, or a combination of both. This offer included bonds with a nominal value of €2.5 billion and the outstanding balance of US$75 million of the US$150 million FRN (which is included within other reserves). Where the bondholders chose to take shares, they initially received Allotment Instruments which will convert to a fixed number of units of ordinary stock on 12 August 2011.

On 8 July 2011, the Group announced the results of the Debt for Equity offers (excluding the Canadian Dollar 2015 notes). A total of 78.7% of eligible holders (representing €1.9 billion nominal value) elected to exchange their securities, of which 74.3% elected to receive equity and 4.4% cash. This resulted in an additional €1.90 billion of equity being generated for the Group, comprising income statement gains of approximately €1.25 billion and the issue of Allotment Instruments of approximately €0.65 billion. In addition, an amount of €0.03 billion was transferred from other reserves to retained earnings.

As a result of the outcome of the debt for equity offers (including cash offers) the Group was granted the right to insert a call option to compulsorily acquire €0.1 billion of debt securities for cash at 0.001% of their nominal value. The exercise of these call options by the Group generated additional equity for the Group of approximately €0.10 billion (after tax).

Consequently, the liability management exercise will generate a total of approximately €2.00 billion of equity for the Group in respect of exercises completed during July 2011, in addition to an amount of €0.03 billion transferred from other reserves to retained earnings.

36 Recapitalisation of the Bank (continued)

The following table sets out the aggregate nominal amount of each security offered for exchange for allotment instruments and cash respectively.

Description	Outstanding amount	Amount offered for allotment instruments	Amount offered for cash
Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities	€216m	€96m	€54m
Fixed Rate / Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities	US$61m	US$55m	US$3m
Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities	US$20m	US$14m	US$2m
Fixed Rate / Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities	Stg£5m	Stg£4m	Stg£0.8m
6.25 per cent. Guaranteed Callable Perpetual Preferred Securities	Stg£40m	Stg£39m	Stg£0.5m
7.40 per cent. Guaranteed Step-up Callable Perpetual Preferred Securities	€253m	€108m	€17m
13.375 per cent. Unsecured Perpetual Subordinated Bonds *	Stg£75m	N/A	N/A
Undated Floating Rate Primary Capital Notes	US$75m	US$65m	US$10m
Fixed / Floating Dated Subordinated Notes due September 2015 **	CAD$139m	N/A	N/A
Fixed / Floating Dated Subordinated Notes due September 2018	CAD$90m	CAD$38m	CAD$0.002m
Callable Step-up Floating Rate Subordinated Notes due January 2017	€91m	€87m	€Nil
Callable Step-up Floating Rate Subordinated Notes due 2017	€48m	€33m	€2m
Callable Fixed / Floating Dated Subordinated Notes due January 2018	Stg£58m	Stg£57m	Stg£0.1m
10.75 per cent. Subordinated Bonds due 2018	Stg£27m	Stg£25m	Stg£0.6m
Callable Step-up Floating Rate Subordinated Notes due July 2018	US$184m	US$180m	US$0.4m
Fixed / Floating Rate Subordinated Notes due 2019	€201m	€178m	€5m
10 per cent. Subordinated Notes due 2020	Stg£87m	Stg£62m	Stg£0.4m
10 per cent. Subordinated Notes due 2020	€747m	€530m	€11m
Callable Subordinated Step-up Notes due September 2020	Stg£272m	Stg£268m	Stg£2m

* *The Exchange Offer in respect of the Bank's 13.375 per cent Unsecured Perpetual Subordinated Bonds was terminated by the Bank on 28 June 2011. (The Bank will make a new offer on these bonds in due course).*

** *The Expiration Deadline for the Exchange Offer in respect of the Bank's Fixed / Floating Dated Subordinated Notes due September 2015 was 8 August 2011.*

A group of parties claiming to hold approximately US$750 million of Lower tier 2 Eligible Debt Securities commenced legal proceedings in England on 17 June 2011 against the Bank and The Law Debenture Trust Corporation p.l.c. to obtain declarations including that the proposed resolutions in relation to these Eligible Debt Securities would be invalid and that a subordinated liabilities order under the Stabilisation Act in relation to these Eligible Debt Securities would not be enforceable under English law. The legal proceedings also seek an injunction by way of final relief restraining the Bank from accepting offers to participate in the Debt for Equity Offers, taking any further steps in relation to the Debt for Equity Offers and acting on the outcome of the Debt for Equity Offers including tabling the proposed resolutions and exercising the call option. In early July thirteen of the twenty three plaintiffs served discontinuance notices. The Bank intends to vigorously defend the proceedings by the remaining plaintiffs.

36 Recapitalisation of the Bank (continued)

(ii) Further burden sharing with remaining subordinated bondholders:
To the extent that eligible subordinated debt securities have not been acquired or exchanged pursuant to the liability management exercise (including those acquired pursuant to the exercise of the call options), the Minister of Finance stated on 31 May 2011 that the levels of burden sharing in the liability management exercises were the minimum acceptable to the Government and that the Government would take whatever steps are necessary under the Credit Institutions (Stabilisation) Act 2010, (see note 35(h)), or otherwise to ensure that burden sharing is achieved. The Minister also stated that any further action would result in severe measures being taken in respect of the outstanding subordinated liabilities, in which circumstances, the Bank believes the level of return to the holders of the outstanding eligible subordinated debt securities could be materially below that received under the liability management exercises.

On 8 July 2011 the Central Bank extended the deadline to 31 December 2011 in respect of the remaining Core tier 1 capital which is expected to be generated from a combination of the further burden sharing with bondholders and the remaining liability management offers.

(iii) State Placing
The NPRFC were given an option to make a direct placing of up to 795 million units of ordinary stock at €0.10. It was announced on 8 July 2011 that the NPRFC would not be proceeding with this option.

(iv) Rights Issue
On 8 July 2011 the Group announced an 18 for 5 rights issue of 19.1 billion units of ordinary stock at a rights issue price of €0.10 per unit of ordinary stock to raise gross proceeds of €1.91 billion.

The rights issue closed on 26 July 2011 and the results were as follows:

- Valid acceptances were received from the State in respect of 6.9 billion units of ordinary stock (36% stockholding)
- Valid acceptances were received in respect of 4.5 billion of non-State stockholders (23.5% stockholding)
- 1.4 billion units of ordinary stock (7.5%) was placed in the rump issue.
- In accordance with transaction agreement with the State (see note 35), the State subscribed for the remaining 6.3 billion units of ordinary stock (33%) at the issue price of €0.10 per unit.

Significant investment in Bank of Ireland and reduction in Irish Government stockholding
On 25 July 2011, the Irish Government announced its agreement in relation to the sale of 10.5 billion units of ordinary stock at €0.10 per unit of ordinary stock (on receipt of normal regulatory approval) to a group of significant institutional investors and fund managers comprising Fairfax Financial Holdings, WL Ross, Capital Research, Fidelity Investments and Kennedy Wilson. The Bank has been advised that each of these investors will manage their individual stockholdings independently,

Following the completion of these transactions and the issuance of ordinary stock pursuant to the debt for equity offers on 12 August 2011, the State's stockholding in the Bank will be 15.1% of the Bank's fully diluted ordinary stock while the combined stockholding of these investors in aggregate will be 34.9%. Certain elements of this transaction will require approval by stockholders at an Extraordinary General Court expected to be held on 9 September 2011.

(v) Contingent capital note
On 29 July 2011 the Group issued a Contingent Capital note to the State. The nominal value of this note is €1 billion and cash proceeds received (net of costs) amounted to €985 million. The note has a coupon of 10%, which can be increased to 18% if the State wish to remarket the note, and a term of 5 years. This 10% coupon is considered to be below a market rate. If the Core tier 1 capital of the Group's falls below 8.25%, the note automatically converts to units of ordinary stock. The conversion price at which the note would convert is the volume-weighted average price (VWAP) of the ordinary stock over the 30 days prior to conversion, subject to a minimum conversion price of €0.05 per unit. If the Bank's ordinary stock is unlisted at the date of conversion, the conversion price would be €0.05 per unit.

The Group is required to measure the contingent capital note at fair value at initial recognition. As the note does not trade in an active market, and as it has been issued to a related party, its fair value will be measured using a valuation technique. The key inputs into the valuation technique will be the expected interest payments over the life of the note, the estimated market yield for the instrument at the date of issuance and the estimated market yield for a subordinated liability without an equity conversion feature. The Group is currently in the process of completing this valuation.

36 Recapitalisation of the Bank (continued)

The difference between the value of the note and the net amount received from the State will be treated as a capital contribution, as the State is a significant investor in the Group and is considered to be acting in that capacity. The Group expects this capital contribution to be a range of 2% to 4% of the Core tier 1 capital generated in July 2011. The equity conversion feature of the note is considered to be an embedded derivative which will be separated and accounted for at fair value. The fair value of the embedded derivative at the date of issuance will be estimated using an appropriate valuation technique and the host subordinated liability will be measured as the residual.

Renominalisation of ordinary stock
As part of the 2011 recapitalisation of the Bank, the Bank's ordinary stock was renominalised by stockholders at the Extraordinary General Court held on 11 July 2011. This resulted in the nominal value of each unit of ordinary stock being reduced from €0.10 per unit to €0.05 per unit.

Each existing unit of ordinary stock in issue at the date of renominalisation was subdivided into one unit of ordinary stock of €0.05 ('€0.05 Ordinary Stock) and five units of deferred Stock of €0.01. Each existing unit of €0.54 deferred stock at the date of renominalisation was subdivided into 54 units of deferred stock of €0.01 each. The purpose of the issue of deferred stock is to ensure that the reduction in the nominal value of the ordinary stock does not result in a reduction in the capital of the Bank.

Each ordinary stockholder's proportionate interest in the issued ordinary stock of the Bank remains unchanged as a result of the renominalisation. Aside from the change in nominal value, the rights attaching to €0.05 ordinary stock (including voting and dividend rights and rights on a return of capital) are identical to those of the previous €0.10 ordinary stock The deferred stock created on the renominalisation has no voting or dividend rights and, on a return of capital on a winding up of the Bank, will have the right to receive the amount paid up thereon only after stockholders have received, in aggregate, any amounts paid up thereon plus €10 million per unit of ordinary stock, the purpose of which is to ensure that the units of deferred stock have no economic value.

The deferred stock is not transferable at any time, other than with the prior written consent of the Directors.

At the appropriate time, the Bank may redeem or repurchase the deferred stock, make an application to the High Court of Ireland for the deferred stock to be cancelled, or acquire or cancel or seek the surrender of the deferred stock (in each case for no consideration) using such other lawful means as the Directors may determine.

37 EU Restructuring Plan

The Group has made a number of disposals arising from the 2010 EU Restructuring Plan. For further information see note 15.

Following the 2011 PCAR (which incorporated the 2011 PLAR), a revised 2011 EU Restructuring Plan for the period to 31 December 2015 was prepared by the Group and submitted by the Department of Finance to the European Commission.

The revised 2011 EU Restructuring Plan includes the additional sale of assets included in the deleveraging plan, together with the measures already agreed in the 2010 EU Restructuring Plan (see note 60 in the 2010 Annual Report) and the amendments outlined below. However, based on the current status of negotiations with the European Commission through the Department of Finance, the Group expects that the revised 2011 EU Restructuring Plan will not be materially different to the Group's deleveraging plan.

The Plan includes the following key amendments:

- The divestment period for New Ireland Assurance Company plc will be extended to December 2013.
- ICS Building Society will be retained by the Group.
- Certain amendments will be made to the behavioural commitments regarding market opening measures, market spend, dividend payments and restrictions regarding acquisitions.
- Incremental deleveraging agreed as part of the 2011 PLAR process, with the submission by the Group of a deleveraging plan to the Central Bank and which requires a loan to deposit ratio of 122.5% for the Group by 31 December 2013.

38 Post balance sheet events

Recapitalisation of the Bank
See note 36 for further information

Significant investment in Bank of Ireland and reduction in Irish Government stockholding
See note 36 for further information

Funding
The Group issued €2.1 billion of 3 year secured funding in July 2011. This is in addition to funding of €0.8 billion which was issued in June 2011 and which has been recognised on the balance sheet at 30 June 2011.

Sovereign ratings update
On 13 July 2011, Moody's Investors Service downgraded Irish sovereign debt by one notch to Ba1 from Baa3 with the outlook on the rating remaining 'negative'.

On 5 August 2011, Standard & Poor's affirmed Ireland's investment grade credit rating at 'BBB+' with a stable outlook noting that in their view, the Irish economy was 'prosperous and open'.

European Banking Authority (EBA) Stress Test
The results of the 2011 EBA stress test were announced on 15 July 2011.

Bank of Ireland passed the stress test, where under the adverse stress scenario, the Group's Core tier 1 ratio would be 7.1% at 31 December 2012, which is 2.1% or €1.3 billion in excess of the 5% Core tier 1 capital requirement in the adverse stress scenario. The result confirms the adequacy of the Group capital raising proposals and the ability of the Group to remain above the required minimum capital ratio under the EBA severe adverse stress scenario.

UK bank levy
A new bank levy in the UK was introduced by the UK Finance Act 2011, which was enacted in July 2011. As the bill was not substantively enacted by 30 June 2011 no provision has been recognised by the Group at 30 June 2011. The levy for the Group for 2011, which will be based on the Group's chargeable UK liabilities at 31 December 2011, is not expected to be material.

Sale of FCE Corporation
On 9 May 2011, Bank of Ireland announced the sale of its US based foreign currency business, FCE Corporation to Wells Fargo Bank N.A (Wells Fargo) which was conditional on certain regulatory approvals.

On 2 August 2011, the Group announced that all conditions had been satisfied and the sale, which was effected by means of an asset sale of FCE's US business to Wells Fargo, had been completed. The profit on disposal is estimated at €8 million.

Assets and Liabilities classified as held for sale
Prior to the date of approval of these interim financial statements, but subsequent to 30 June 2011 (see note 22), UK property loans and related derivatives with a carrying value of approximately €2 billion met the criteria under accounting standards for classification as assets held for sale.

39 Approval of Interim Report

The Interim Report was approved by the Court of Directors on 9 August 2011.

Other Information

1 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 the six months ended 30 June 2011 and the year ended 31 December 2010. The calculations of average balances are 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 net product margin basis, with funding and interest exposure managed centrally. The explanation of the underlying business trends in the Group's net interest margin, after adjusting for the impact of IFRS income classifications, is explained on page 11. Rates for the six months ended 30 June 2011 are annualised.

Average Balance Sheet

	6 months ended 30 June 2011			Year ended 31 December 2010		
	Average Balance €m	**Interest[1] €m**	**Rate %**	Average Balance €m	Interest[1] €m	Rate %
ASSETS						
Loans and advances to banks	7,379	36	1.0	8,946	67	0.8
Loans and advances to customers*	117,476	2,022	3.4	131,016	4,528	3.5
Available for sale financial assets and NAMA senior bonds	20,649	292	2.8	20,161	584	2.9
Other financial assets at fair value through profit or loss	101	-	-	172	-	-
Total interest earning assets	**145,605**	**2,350**	**3.2**	**160,295**	**5,179**	**3.2**
Allowance for impairment charges	(5,163)	-	-	(5,900)	-	-
Non interest earning assets	20,926	-	-	22,975	-	-
Total Assets	**161,368**	**2,350**	**2.9**	**177,370**	**5,179**	**2.9**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits from banks	40,661	333[1]	1.6	25,695	262[1]	1.0
Customer accounts	55,704	550[1]	2.0	67,979	1,272[1]	1.9
Debt securities in issue	24,020	345[1]	2.9	37,187	839[1]	2.3
Subordinated liabilities	2,661	88	6.6	4,708	312	6.6
Total interest earning liabilities	**123,046**	**1,316**	**2.1**	**135,569**	**2,685**	**2.0**
Current accounts	10,994	-	-	9,564	-	-
Non interest bearing liabilities	20,393	-	-	25,003	-	-
Stockholders' Equity	6,935	-	-	7,234	-	-
Total liabilities and Stockholders' Equity	**161,368**	**1,316**	**1.6**	**177,370**	**2,685**	**1.5**

The balance sheet of the life assurance business has been consolidated and is reflected under 'non-interest earning assets' and 'non-interest bearing liabilities'.

[1] *Excludes the cost of the ELG Scheme of €239 million (31 December 2010: €275 million) which is included within interest expense.*
* *Includes assets held for sale to NAMA and other assets classified as held for sale.*

2 Rates of exchange

Principal rates of exchange used in the preparation of the accounts are as follows:

	30 June 2011		30 June 2010		31 December 2010	
	Closing	Average	Closing	Average	Closing	Average
€ / US$	1.4453	1.4388	1.2271	1.3268	1.3362	1.3258
€ / Stg£	0.9026	0.8874	0.8175	0.8700	0.8607	0.8579

3 Defined Terms

2010 EU Restructuring plan
The EU restructuring plan for the Group which was formally approved by the European Commission in July 2010.

2011 EU Restructuring plan
The revised 2011 EU Restructuring Plan for the Group, for the period to 31 December 2015 which is subject to European Commission approval.

European Financial Stability Mechanism (EFSM)
The emergency funding programme reliant upon funds raised on the financial markets and guaranteed by the European Commission using the budget of the European Union as collateral which runs under the supervision of the European Commission and aims at preserving financial stability in Europe by providing financial assistance to Member States in economic difficulty.

European Financial Stability Facility (EFSF)
The facility agreed by the Member States of the European Union on 9 May 2010, aiming at preserving financial stability in Europe by providing financial assistance to members of the euro zone in economic difficulty.

European Stability Mechanism (ESM)
The permanent rescue funding programme to succeed the temporary EFSF and EFSM, which is due to be launched in mid-2013.

Financial Measures Programme
The financial measures programme announced by the Central Bank on 31 March 2011 comprising the independent loan loss assessment exercise carried out by BlackRock, the March 2011 PCAR and PLAR.

Transaction Agreement
The transaction agreement dated 18 June 2011 between the Bank, the NPRFC and the Minister for Finance in connection with the 2011 Recapitalisation of the Bank

Notes