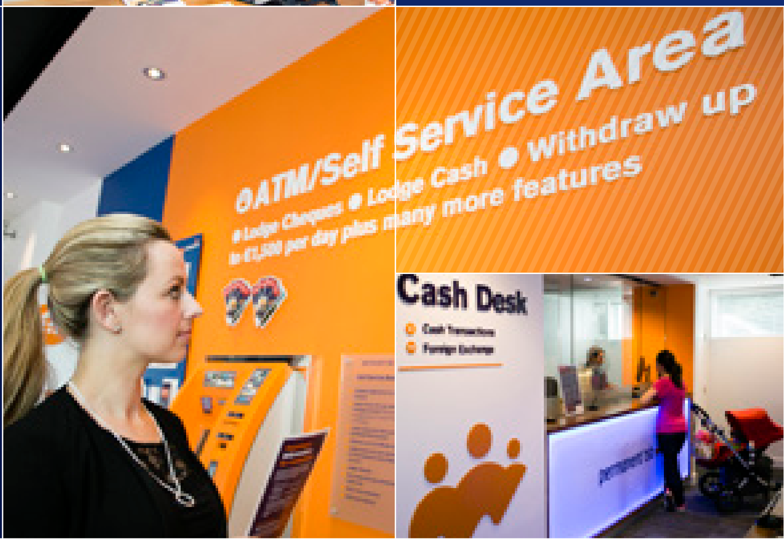
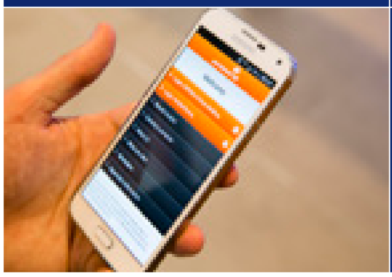
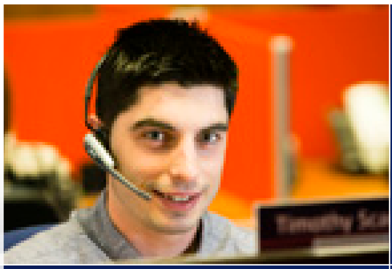
2015







INTERIM FINANCIAL REPORT

For the 6 months ended 30 June 2015

permanent tsb
Group Holdings plc

Forward Looking Statements

This document contains "forward looking statements" with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward looking statements involve risk and uncertainty because they relate to future events that are often beyond the Group's control. For example, the potential exposure of the Group to various types of market risks, such as interest rate risk, foreign exchange rate risk and credit risk. Actual future gains and losses could differ materially from those that have been estimated. Other factors that could cause actual results to differ materially from those estimated by the forward looking statements include, but are not limited to, Irish domestic and global economic business conditions, equity and property prices, the impact of competition, inflation and deflation, changes to customers' savings, spending and borrowing habits and the Group's success in managing the above factors.

As a result, the actual future financial condition and performance of the Group may differ from the targets and goals set out in the forward looking statements. The Group has no obligation to update any forward looking statement contained in this report.

Investor and shareholder information and services including these Half Year Reports, are available on-line at www.permanenttsbgroup.ie.

Contents

Permanent TSB Group Holdings plc

Financial Highlights

Summary Consolidated Income Statement

	Half year ended 30 June 2015	Half year ended 30 June 2014
	€m	€m
Total operating income	**172**	159
Total operating expenses (before exceptional items and impairment charges)	**(147)**	(181)
Operating profit/ (loss) before impairment charge and exceptional items	**25**	(22)
Impairment charge on loans and advances to customers	**(23)**	(148)
Impairment charge on repossessed assets	**(1)**	(1)
Operating profit/ (loss) before exceptional items	**1**	(171)
Exceptional items (net)	**(432)**	-
Loss before taxation	**(431)**	(171)
Taxation	**21**	(29)
Loss for the year	**(410)**	(200)
Group Performance Metrics		
Net Interest Margin % (Pre government guarantee fees)	**1.00%**	0.88%
Return on Equity (1)	**-17.5%**	-8.0%
Cost to Income Ratio (2)	**85.5%**	113.8%
Cost of Risk Ratio (3)	**18bps**	100bps
Impairment writeback/ (charge) by portfolio		
ROI Residential Mortgages	**(21)**	(114)
UK Residential Mortgages	**(3)**	(18)
Commercial Mortgages	**(1)**	(19)
Consumer Finance	**2**	3
Impairment charge on loans and advances to customers	**(23)**	(148)

Key Balance Sheet and Funding Metrics	**30 June 2015**	31 December 2014
	€m	€m
Total Shareholders' Funds	**2,357**	2,280
Total Assets	**33,730**	36,293
Total Net Loans and Advances to Customers (including Assets Held For Sale)	**23,970**	28,236
Impairment Provisions	**(3,012)**	(3,722)
Impairment Provisions % of Gross Loans	**11.2%**	11.7%
Provision Coverage Ratio (4)	**48%**	48%
Weighted average LTV of stock of residential mortgages		
ROI Home Loan	**91%**	92%
ROI Buy-To-Let	**116%**	118%
UK Home Loan	**81%**	73%
UK Buy-To-Let	**78%**	74%
Total Customer Deposits	**19,581**	20,438
Funding from Monetary Authorities	**3,650**	4,870
Wholesale Funding	**7,340**	7,662
Loan to Deposit Ratio ("LDR")	**122%**	138%
Regulatory capital		
Available Regulatory Capital (transitional basis)	**2,303**	2,212
Risk Weighted Assets	**13,559**	14,830
Common Equity Tier 1 Ratio (transitional basis)	**15.4%**	14.2%
Total Capital Ratio (transitional basis)	**17.0%**	14.9%

(1) Defined as loss for the period after tax as a percentage of total average equity.
(2) Defined as operating expenses excluding exceptional items divided by total operating income.
(3) Defined as annualised impairment charges on loans and advances to customers divided by the average balance – based on the opening and closing balance - of net loans and advances to customers (including assets held for sale).
(4) Defined as impairment provision as a % of loans greater than 90 days in arrears and/or impaired.

Group Chief Executive's Review

There is still a long way to travel but we are making good progress in delivering innovation and strong competition to the Irish retail banking market and a sustainable, profitable, attractive banking business for our shareholders.

The Group took a significant step forward in the first half of 2015, successfully completing a €527m capital raise and obtaining European Commission approval for the Restructuring Plan.

Reaching these milestones, in tandem with our improved results, demonstrates the positive strides made by the Group. As our progress gathers momentum, we remain focused on maximising value for our shareholders over time.

During the first half, we met the requirements of the SSM Capital Plan by raising €402 million of new equity capital and €125 million of Additional Tier 1 capital. We were pleased by the level of global investor interest in the Group. In addition, we obtained listings on the Main Securities Market of the Irish Stock Exchange and the London Stock Exchange.

Following the capital raise, we repaid the €400 million Contingent Convertible Capital Note which the Minister for Finance invested in 2011 as part of the recapitalisation of the Group. This repayment, together with proceeds from the sale of Irish Life, fees and interest paid since government ownership, and from the Minister selling 21.8 million additional shares in the Group, means that the Irish taxpayer has now recouped more than half of the €4bn invested by the State in the Group in 2011.

On April 9th, we received formal approval from the European Commission for the Restructuring Plan. This was an important endorsement of the Group's extensive restructuring and a significant validation of the progress we have made.

Our success in achieving the twin milestones of the Capital Raise and Restructuring Plan is a testament to the enormous efforts of our staff and the patience of our customers; we are humbled by both and commit to repaying this trust by fixing and rebuilding the Group.

Economic Overview

As a focused domestic Irish Retail Bank, the performance of the Irish economy has a significant influence on the Group's prospects. In the first half of 2015, the Irish economy continued to be the fastest growing in the Eurozone. In addition, Irish economic confidence as measured by a number of data points including the Purchasing Managers Indices ("PMI") are back to 2006 levels, with unemployment continuing to trend downwards. This positive momentum is encouraging and we remain prepared to meet increased consumer demand by providing best in class customer propositions. However, we remain mindful of the volatility in international markets in recent weeks and the positive and negative effects capital markets can have on Ireland and the Group.

Results Overview

We delivered a significantly improved underlying financial performance in the first half of 2015. The Group reported a Profit Before Exceptional Items of €1 million, an improvement of €172 million compared to the first half of 2014.

The average Net Interest Margin for the first half of 2015 improved by 10 basis points. The increase in margin reflects, in the main, a reduction in the cost of funds which include the repurchase of the Contingent Convertible Capital Notes. The full benefit of various rate actions taken by the Group and also the repurchase of the Contingent Convertible Capital Notes will materialise more evidently in the second half of 2015.

In the medium term, we will continue to drive our cost base down, while recognising the requirement for appropriate investment in our business, infrastructure and people. However, we remain wary of the increased cost of regulation in the form of European-wide levies or contributions and the scale of these costs relative to the size of the Group. Changes in the cost of regulation are likely to have a significant impact on our and our peers cost bases and will likely require both business model and industry adjustments over time.

Impairment charges reduced by €125 million compared to the first half of 2014 and Non-Performing Loans have continued to decline, reducing further by €1.5 billion. These reductions are driven mainly by lower new defaults, a higher level of loan cures and deleveraging.

House prices in Ireland declined in January and February 2015 before recovering in the next four months to end June. We also note house prices in Dublin declined in the second quarter. We think this volatility justifies the Group's current approach to HPI-linked provisioning. Accordingly in the current period, we have continued to maintain a buffer in the provisioning models with respect to collateral valuations against the CSO Residential Property Price Index. That said, HPI linked impairment write-backs remains a potential upside to our business plan and we will continue to review this position over the coming reporting periods.

The Restructuring Plan requires the Group to deleverage its Non-Core ROI and UK portfolios by June 30th 2016. In this regard, we completed the sale of a €1.5 billion Irish Commercial Real Estate loan portfolio in June and we expect to complete the previously announced sale of £2.5 billion of loans held by our UK business, Capital Home Loans (which have been derecognised in these accounts), along with the entity and the platform shortly. Furthermore, we agreed the sale on the residual €0.5 billion Irish Commercial Real Estate non-performing loan portfolio which we announced on July 9 2015. This sale is expected to complete in the third quarter.

At June 30 2015, the Group's Common Equity Tier 1 capital ratio increased to 13.4% and 15.4% on a Fully Loaded Basis and Transitional basis, respectively. The increased capital ratios are primarily due to the €402 million capital raise and the reduction in the level of risk weighted assets primarily from the impact of deleveraging.

New Business

We continue to acquire new customers and develop our relationships with our existing customers.

The strong growth in Current Accounts in 2014 has continued through into the first half of 2015. We opened over 16,000 Current Accounts. We view this as an opportunity to deepen our relationships with customers over time.

Irish Retail Deposit volumes reduced marginally to €11.4 billion. This was a satisfactory performance in light of carefully-planned measures we took to reduce our cost of funds by reducing deposit rates.

New Mortgage Lending volumes were up by 5% in the first half of 2015 compared to the same period last year. However, we remain cautious that the impact of Central Bank of Ireland's new macro-prudential lending limits, which came into effect earlier this year, has yet to materialise fully. We believe that this may adversely affect mortgage lending volumes across the industry in 2015.

We rolled out a revised mortgage pricing strategy for our existing customers earlier this month. The new strategy sets us apart from competitors by removing the SVR and offering the same MVR rates to both new and existing customers. This pricing strategy cements our reputation as an innovative, customer-focused retail bank. We have also introduced a series of new Discounted MVR products as we are actively focussed on acquiring new customers and offering competitive pricing points to the Irish customer.

Term Lending has also shown growth circa 44% from the first six months of 2014.

We have continued to invest not only in our branches but also in our telephony and digital services. Customers increasingly value the convenience of the digital channel. Our active online user base grew to over 352,000 customers, which includes more than 180,000 active mobile users.

We are constantly looking at new ways to increase our customer base and find new and better ways to provide our customers with the highest standards of service.

Staff

Our staff remain focussed on providing a market-leading customer experience. I would like to thank them for their contribution to the recent accomplishments of the Group. I am confident they will continue to demonstrate their huge commitment to meeting the challenges and opportunities that will arise in the future.

Legacy Issues

On the 28 July the Group commenced a Mortgage Redress Programme (MRP) in respect of 1,372 mortgage customers. This programme is being implemented as a result of an on-going investigation by the Central Bank of Ireland.

In the case of Permanent TSB, the MRP addresses the position of certain customers (1,152) who lost a contractual right to be offered a tracker rate mortgage as a result of failures on the part of Permanent TSB.

In the case of Springboard Mortgages Ltd, the MRP addresses the position of certain customers (220) who were on an incorrect interest rate as a result of failure by Springboard.

The failures had serious consequences for impacted customers, the majority of which occurred between 2006 and 2011. At the commencement of the MRP, the Chairman and I expressed our regret at what has occurred and apologised unreservedly to all customers who were impacted by this issue.

This has been a difficult and complex issue to resolve and we are now firmly focussed on moving forward to implement the MRP as a matter of urgency.

Summary & Outlook

We increased the Net Interest Margin and reduced Impairments substantially. We reported a Profit Before Exceptionals of €1 million, an improvement of €172 million on the first half of 2014. We have a strong Capital Ratio and we remain on track to meet our Deleveraging commitment by end June 2016. H1 2015 can be labelled as "On Track To Meet Medium Term Targets".

However, whilst I am pleased with the enormous progress we have made in the first half of 2015, I am conscious that we still have a long way to go in fixing and rebuilding the bank.

There is still a long way to travel but we are making good progress in delivering innovative product and strong competition to the Irish retail banking market and a sustainable, profitable, attractive banking business for our shareholders.

Jeremy Masding
Group Chief Executive

28 July 2015

Operating and Financial Review

Summary Consolidated Income Statement

	30 June 2015	30 June 2014	Change
	€m	€m	%
Net interest income (before ELG fees)	167	158	5.7%
ELG fees	(9)	(32)	-71.9%
Net other income	14	33	-57.6%
Total operating income	172	159	8.2%
Total operating expenses (excl. exceptional items)	(147)	(181)	-18.8%
Operating profit / (loss) before impairment charges and exceptional items	25	(22)	-213.6%
Impairment charge on loans and advances to customers	(23)	(148)	-84.5%
Impairment charge on repossessed assets	(1)	(1)	0.0%
Operating profit / (loss) before exceptional items	1	(171)	-100.6%
Exceptional items (net)	(432)	-	100.0%
- Loss on disposal of assets	(380)	-	100.0%
- Repurchase of Contingent Capital Notes	(52)	-	100.0%
Loss before taxation	(431)	(171)	152.0%
Taxation	21	(29)	-172.4%
Loss for the period	(410)	(200)	105.0%

Financial Performance Headlines

- **Net interest income** (pre-ELG) increased by 5.7% for the six months to 30 June 2015 to €167m. This growth was driven by a 12 basis points increase in net interest margin, more than offsetting a 6.3% decrease in average interest earning assets.

- **Net other income** of €14m decreased by 57.6% compared to six months to 30 June 2014. This was due to higher one-off gains in 2014 due to mark-to-market movements on fair value accounted instruments, gains on sales of certain CRE loans and lower commissions on ancillary services in 2015.

- **Total operating expenses** (excluding exceptional items) are €147m for the six months to 30 June 2015 which represents a €34m decrease compared to 2014 which is mainly due to a lower provision charge for legacy legal and compliance related liabilities in H1 2015.

- **Impairment charges** on loans and advances to customers of €23m is a decrease of €125m compared to the six months to 30 June 2014. This reflects higher levels of loan cures, improved arrears treatment outcomes, and lower new default experience across all portfolios, together with the improved macro-economic conditions in Ireland.

- **Exceptional items** of €432m include €380m in relation to net loss on disposals of Non-Core loans and advances to customers together with the recognition of the loss on repurchase of the Contingent Capital Note of €52m.

Operating and Financial Review

Interest Income

The following table sets out the components of the Group's interest income in the periods ended 30 June 2015 and 2014, and the change in each of the components between these two periods.

	Half year ended		
	30 June 2015	30 June 2014	Change
	€m	€m	%
Loans and advances to customers	**313**	362	-13.5%
Loans and advances to banks	**1**	2	-50.0%
Debt securities and other fixed-income securities			
- Held to maturity	**26**	30	-13.3%
- Available for sale ("AFS")	**28**	46	-39.1%
- Loans and receivables	**8**	17	-52.9%
- Amortisation of AFS securities reclassified to loans and receivables	**1**	(4)	-125.0%
Gains on interest rate hedges on assets	**1**	-	100.0%
Total interest income	**378**	453	-16.6%

Interest income from loans and advances to customers was €313m in the period to the 30 June 2015, a decrease of €49m, or 13.5% compared to €362m in the period ended 30 June 2014, due primarily to both reducing loan volumes including the sales of Commercial Real Estate and Springboard portfolios (reduced by 17%) and lower asset yields, including the effect of lower ECB rates on trackers.

In addition with interest from loans & advances to customers, interest recognised on impaired loans has fallen by €8m compared to the period ended 30 June 2014. This is due to a reduction of impaired loans, primarily due to the Non-Core deleveraging implemented by the Group. Interest income from debt securities and other fixed-income securities of €63m for the six months to 30 June 2015 is a decrease of €26m, or 29.2%, compared to €89m in the period to the 30 June 2015, principally due to a reduction of Debt Securities held, (reduced by 20%) primarily due to the redemption of Government Gilts and NAMA bonds.

Interest Expense (excluding ELG fees)

The following table sets out the components of the Group's interest expense (excluding ELG fees) in the periods ended 30 June 2015 and 2014, and the percentage change in each of the components between these two periods.

	Half year ended		
	30 June 2015	30 June 2014	Change
	€m	€m	%
Deposits from banks (including central banks)	**(39)**	(41)	-4.9%
Due to customers	**(126)**	(176)	-28.4%
Interest on debt securities in issue	**(6)**	(30)	-80.0%
Interest on subordinated liabilities	**(24)**	(32)	-25.0%
Amortisation of core deposit intangibles	**(16)**	(16)	0.0%
Total interest expense (excluding ELG fees)	**(211)**	(295)	-28.5%

Interest expense on customer accounts was €126m in the period ended 30 June 2015, a decrease of €50m, or 28.4% compared to €176m in the period ended 30 June 2014, due to the management of rates paid on the Group’s deposit book and the reduction of the balance on total customer accounts by €964m over the period.

Interest expense on debt securities in issue was €6m for the period to 30 June 2015, a decrease of €24m or 80% compared to €30m in the period ended 30 June 2014 as a result of net reduction in bonds and medium term notes (reduced by 46%). The medium term notes reduced following the maturity of €1.5bn of medium term notes during the period which was offset by a €0.3bn issuance.

Operating and Financial Review

Net Interest Income

Net interest income (excluding ELG fees) for the period ended 30 June 2015 increased by €9m, or 5.7%, to €167m from €158m for the period ended 30 June 2014. This increase was driven by a reduction in the cost of customer deposits and reduction in interest paid on debt securities in issue offset by the reduction in asset yields.

Fees payable by the Group under the ELG Scheme were €9m in the period ended 30 June 2015, a decrease of €23m, or 71.9% compared to €32m in the period ended 30 June 2014, due to a decrease in total liabilities covered under the scheme from €6.3bn at 30 June 2014 to €1.0bn at 30 June 2015. This fee will continue to reduce further as guaranteed liabilities mature.

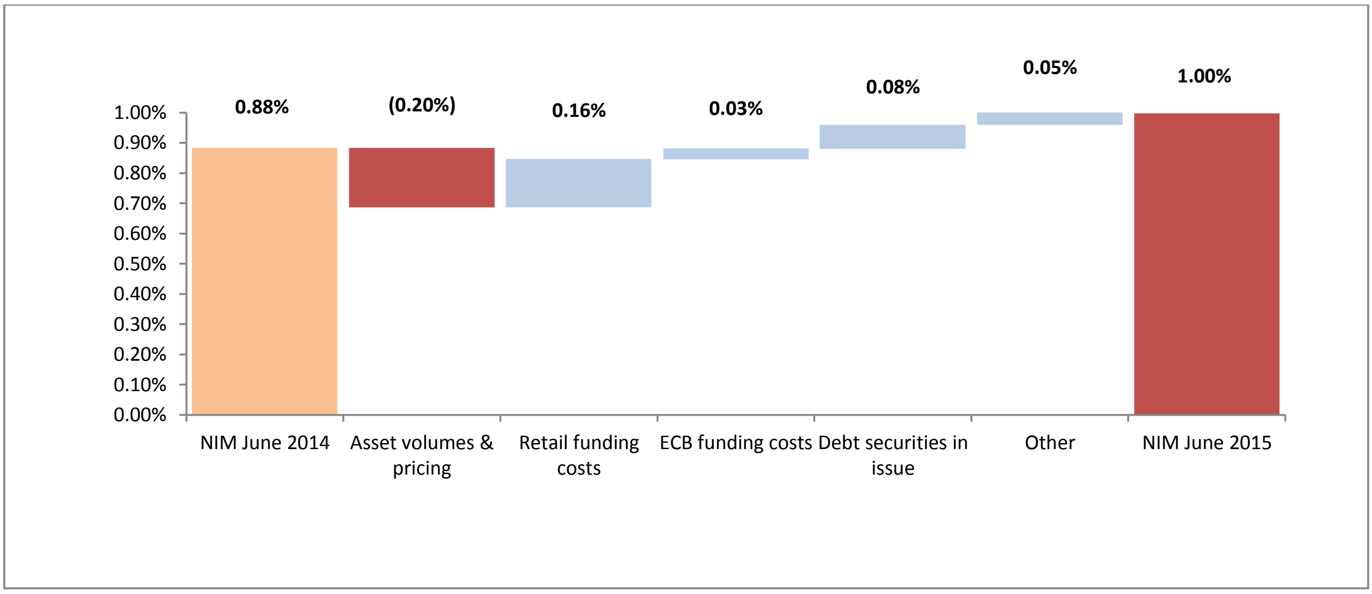
Total average interest-earning assets decreased by €2,255m for the period ended 30 June 2015 compared to the period ended 30 June 2014. Loans and advances to customer balances decreased by €1,672m compared to the prior period primarily due to deleveraging together with redemptions and repayments being higher than new lending. Commercial mortgages balances decreased by €789m in the period due to deleveraging. Average non-lending interest-earning assets (principally debt securities) decreased by €1,165m in the period due primarily to €263m NAMA bond redemptions, maturity of €864m of government bonds and €175m of corporate bonds. This was partially offset by €250m further additions of government bonds.

Average Interest Earning Assets and Liabilities, Yield/Rate and Net Interest Margin

The following table sets out the Group's net average interest-earning assets, net average interest-bearing liabilities and net interest income. The table illustrates the comparative net interest margin for the periods ended 30 June 2015 and 2014.

	Half year ended		**Amount of**	**Percentage**
	30 June 2015	30 June 2014	**change**	**change**
	€m	€m	€m	%
Total average interest-earning assets	**33,824**	36,079	(2,255)	-6.3%
Total average interest-bearing liabilities	**32,764**	34,643	(1,879)	-5.4%
Net interest income	**158**	126	32	25.4%
Net interest income (excluding ELG fees)	**167**	158	9	5.7%
Average yield on average interest earning assets	**2.25%**	2.53%	-28 bps	
Average rate on average interest-bearing liabilities (excluding ELG fees)	**1.30%**	1.72%	-42 bps	
Net interest margin (excluding ELG fees)	**1.00%**	0.88%	12 bps	

NIM movement since June 2014



The Group's net interest margin (excluding ELG fees) increased from 0.88% for the period ended 30 June 2014 to 1.0% for the period ended 30 June 2015.

The key drivers of the movement in period to 30 June 2015 were as follows:

Asset pricing: Changes in asset pricing contributed to 20 basis point decrease in net interest margin, due primarily to the adverse impact on interest income from ECB tracker mortgages of two ECB Base Rate reductions of 10 basis points each, which took effect in June and September 2014.

Deposit Funding Costs: The on-going reduction in the cost of retail and corporate deposits, which reflected normalisation in deposit rates across the Irish market, contributed 16 basis points to net interest margin improvement**.**

ECB Funding Costs: The successive cuts in the ECB Base Rate from 25 basis points at the start of June 2014 to 5 basis points in September 2014 contributed 3 basis points to net interest margin through lower funding costs although this benefit was more than offset by reduced interest income on ECB tracker mortgages discussed above.

Wholesale funding costs: Reduced wholesale funding costs contributed 8 basis points to net interest margin improvement due to the repurchase of certain expensive medium term notes and the early repurchase of the contingent capital notes together with favourable rates achieved on new issuance of mortgage backed securities.

Key NIM Drivers: Average Balance Sheet and Interest Rate Data

The following table sets out the average balances of interest-earning assets and interest bearing liabilities for the periods ended 30 June 2015 and 2014. The table also outlines the amounts of interest income earned and interest expense (excluding ELG fees) incurred by the Group in the periods ended 30 June 2015 and 2014, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purpose of the table below, average balances are calculated from month end positions from 31 December 2014 to 30 June 2015.

For the purpose of the table below, interest expense excludes ELG fees, as a result of which such amount and rates are lower than they would otherwise be.

	Half year ended 30 June 2015			Half year ended 30 June 2014		
	Average Balance	**Interest**	**Average Yield/Rate**	Average Balance	Interest	Average Yield/Rate
Interest-earning assets						
Loans and advances to banks	**1,933**	**1**	**0.10%**	1,351	2	0.30%
Loans and advances to customers	**27,327**	**313**	**2.31%**	28,999	345	2.40%
Debt securities and derivative assets	**4,564**	**64**	**2.83%**	5,729	106	3.73%
Total average interest-earning assets	**33,824**	**378**	**2.25%**	36,079	453	2.53%
Interest-bearing liabilities						
Customer accounts	**20,242**	**142**	**1.41%**	20,081	192	1.93%
Deposits by banks	**9,150**	**39**	**0.86%**	9,823	41	0.84%
Debt securities in issue and derivative liabilities	**3,077**	**6**	**0.39%**	4,364	30	1.38%
Subordinated liabilities	**295**	**24**	**16.41%**	375	32	17.41%
Total average interest-bearing liabilities	**32,764**	**211**	**1.30%**	34,643	295	1.72%
Total average equity attributable to owners	**2,346**			2,294		

The Group's net average balance of loans and advances to customers (which includes assets classified as held for sale at 30 June 2015 of €1,030m) decreased to €27,327m for the period ended 30 June 2015 from €28,999m for the period ended 30 June 2014 (a 5.8% decrease) primarily as a result of deleveraging, being the recognition of the sale of commercial loans with a carrying value of €789m in March 2015 together with the de-recognition of CHL loans with a net value of €3bn in June 2015, €222m of CHL loans on 24 September 2014 and €302m from the sale of Springboard Mortgages Limited on the 22 October 2014. The average interest rate on loans and advances to customers decreased to 2.31% for the period ended 30 June 2015 from 2.40% for the period ended 30 June 2014. This was driven by the adverse impact on interest income of ECB tracker mortgages as a result of maturity of government bonds and ECB Base Rate reductions from 25 basis points at the start of 2014 to 5 basis points from 10 September 2014.

The Group's average balance of debt securities and derivative assets decreased to €4,564m for the period ended 30 June 2015 from €5,729m for the period ended 30 June 2014 (a 20.3% decrease) primarily as a result of NAMA bond redemptions, disposal/maturity of corporate bonds and maturities of government bonds. This was partially offset by further additions of debt securities. The average interest rate on debt securities and derivative assets decreased to 2.83% for the period ended 30 June 2015 from 3.73% for the period ended 30 June 2014, principally as a result of maturity of government bonds and accelerated EIR adjustments on earlier than anticipated redemption of NAMA bonds in the prior period.

The Group's average balance of customer accounts remained broadly unchanged at €20,242m for the period ended 30 June 2015 from €20,081m for the period ended 30 June 2014, driven primarily by continuing strong performance of current account balances and retail deposits. The average interest rate on customer accounts decreased to 1.41% for the period ended 30 June 2015 from 1.93% for the period ended 30 June 2014, reflecting rate reductions implemented on both retail and corporate deposits.

The Group's average balance of deposits by banks decreased to €9,150m for the period ended 30 June 2015 from €9,823m for the period ended 30 June 2014 (a 6.9% decrease) driven by the reduction in ECB funding. The average interest rate on deposits by banks increased from 0.84% for the period ended 30 June 2014 to 0.86% for the period ended 30 June 2015, due to the changes in the Group's funding mix shifting away from ECB funding.

The Group's average balance of debt securities in issue and derivative liabilities decreased to €3,077m for the period ended 30 June 2015 from €4,364m for the period ended 30 June 2014 (a 29.5% decrease) due to maturities, the repurchase by the Group of certain medium term notes partially, offset by new issuance of mortgage backed securities. The average interest rate on debt securities in issue and derivative liabilities decreased to 0.39% for the period ended 30 June 2015 from 1.38% for the period ended 30 June 2014, driven by the repurchase of more expensive funding.

The Group's average balance of subordinated liabilities decreased to €295m for the period ended 30 June 2015 from €375m for the period ended 30 June 2014 due to the repurchase of the Contingent Capital Notes in May 2015 which made up the majority of this balance. The average interest rate on subordinated liabilities for the period ended 30 June 2015 remained broadly in line with that of the period ended 30 June 2014.

Changes in Interest Income and Interest Expense—Volume and Rate Analysis

The following table sets out a comparative analysis of changes in interest income and interest expense of the Group for the period ended 30 June 2015 compared to the period ended 30 June 2014. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume/mix change) of interest-earning assets or interest bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities. Changes in the Group's interest income and expense have been allocated between changes in average volume and changes in the average rates for the period ended 30 June 2015 compared to the period ended 30 June 2014. The Group calculates volume and rate variances based on the movements of average balances over the period and changes in average interest rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances (excluding ELG fees).

	Half year ended 30 June 2015 compared to half year ended 30 June 2014	
	Increase/(decrease) in net interest income due to changes in:	
	Volume/Mix	**Yield/Rate**
	€m	**€m**
Interest income		
Loans and advances to banks	1	(2)
Loans and advances to customers	(20)	(12)
Debt Securities and derivative assets	(25)	(17)
Total increase/(decrease) in interest income	(44)	(31)
Interest expense		
Customer accounts	(2)	52
Deposits by banks	3	(1)
Debt securities in issue and derivative liabilities	11	13
Subordinated liabilities	7	1
Total (increase)/decrease in interest expenses	19	65
Total (decrease)/increase in net interest income	(25)	34

Operating and Financial Review

Net Other Income

The following table sets out the components of the Group's net other income in the periods ended 30 June 2015 and 2014, and the amount of the change and the percentage change in each of the components between these two periods.

	Half year ended		
	30 June 2015	30 June 2014	Change
	€m	€m	%
Fees and commission income	**27**	30	-10.0%
Fees and commission expenses	**(9)**	(8)	12.5%
Net fees and Commission income	**18**	22	-18.2%
Net trading (expense) /income	**(1)**	7	-114.3%
Other income	**-**	8	-100.0%
Other operating Income	**-**	8	-100.0%
Loss on buyback of debt securities issued	**-**	(4)	100.0%
Loss on disposals of debt securities	**(3)**	-	100.0%
Other operating expense	**(3)**	(4)	-25.0%
Total net other income	**14**	33	-57.6%

Net fees and commission income of €18m for the period ended 30 June 2015 reduced by €4m. This is due to lower commissions for ancillary services provided by the Group.

Net trading income/(expense) moved from a net trading income of €7m for the period ended 30 June 2014 to a net trading expense of €1m for the period ended 30 June 2015. The prior period amount was primarily due to mark-to-market adjustment on certain derivative instruments being reclassified to trading for accounting purpose from hedge accounting relationships.

Other operating income decreased by €8m, or 100%, for the period ended 30 June 2015 primarily due to non-recurring gains in 2014 of €3m on debt securities sold and €4m on the sale of certain CRE loans and advances.

Other operating expense decreased by €1m, or 25%, from €4m for the period ended 30 June 2014 to €3m for the period ended 30 June 2015 primarily due to a loss on the sale of debt securities.

Total Operating Expenses (excluding exceptional items)

Total operating expenses (excluding exceptional items) consist of administrative, staff and other expenses, depreciation, amortisation of property and equipment and intangible assets. Total operating expenses (excluding exceptional items) decreased by 18.8% from €181m for the period ended 30 June 2014 to €147m for the period ended 30 June 2015.

The following table sets out the components of the Group's total operating expenses (excluding exceptional items) in the periods ended 30 June 2015 and 2014, and the amount of the change and the percentage change in each of the components between these two periods.

	Half year ended		
	30 June 2015	30 June 2014	Change
	€m	€m	%
Staff Costs:			
Wages and salaries including commission paid to sales staff	**58**	53	9.4%
Social insurance	**6**	7	-14.3%
Pension Costs:			
Payments to defined contribution pension schemes	**5**	6	-16.7%
Total staff costs	**69**	66	4.5%
Other general and administrative expenses	**68**	106	-35.8%
Administrative, staff and other expenses	**137**	172	-20.3%
Depreciation of property and equipment	**7**	5	40.0%
Amortisation of intangible assets	**3**	4	-25.0%
Total Operating Expenses (excluding exceptional items)	**147**	181	-18.8%
Cost to income ratio	**85.5%**	113.8%	-28.3 ppts

Administrative, staff and other expenses decreased by €35m, or 20.3%, from €172m for the period ended 30 June 2014 to €137m for the period ended 30 June 2015, primarily due to a lower provision charge for legacy legal and compliance related liabilities. Further information is disclosed on this in note 19. Total staff cost increased by €3m, or 4.5%, from €66m for the period ended 30 June 2014 to €69m for the period ended 30 June 2015, due primarily to an increase in the number of employees in the Group with an increase in average staff of 85 people to 2,348 due to the investment in regulatory and control related functions.

Depreciation of property and equipment and amortisation of intangible assets increased by €1m, or 11.1%, from €9m for the period ended 30 June 2014 to €10m for the period ended 30 June 2015 in line with additions to property and equipment and intangible assets.

The cost-to-income ratio decreased by 28.3ppts from 113.8% to 85.5% in line with the above decrease in costs supported by rising total income.

The bank levy introduced through the 2013 Finance Act is payable in the second half of 2015 and will, under accounting standards be recognised at this point.

Impairment charges

The following table sets out the components of the Group's impairment charge in the 6 month period ended 30 June 2015 and 6 month period ended 30 June 2014, and the percentage change in each of the components between these two periods.

	Half year ended		
	30 June 2015	30 June 2014	Change
	€m	€m	%
ROI residential mortgages			
- Home loans	**31**	128	-75.8%
- Buy-to-let	**(10)**	(14)	28.6%
Total ROI residential mortgages	**21**	114	-81.6%
- Commercial	**1**	19	-94.7%
- Consumer finance	**(2)**	(3)	-33.3%
	20	130	-84.6%
UK residential mortgages			
- Home loans	**-**	-	-
- Buy-to-let	**3**	18	-83.3%
Total UK residential mortgages	**3**	18	-83.3%
Total impairment charge on loans and advances to customers*	**23**	148	-84.5%
Impairment charge on repossessed assets			
Impairment charge on repossessed assets	**1**	1	0.0%
Total impairment charge	**24**	149	-83.9%
Cost of risk ratio**	**18bps**	100bps	-82bps

*includes impairment writeback/charge on assets held for sale.

**Defined as annualised impairment charges divided by the average balance of net loans and advances to customers (including assets held for sale).

Total impairment charges on loans and advances to customers (including assets held for sale) decreased by €125m, or 84%, from €149m for the period ended 30 June 2014.

Total impairment charges on ROI residential mortgages have decreased by €93m in the period ended 30 June 2015 from €114m for the period ended 30 June 2014. The following should be taken into account when analysing the movement:

(i) During the period the Group continued to make refinements to its provision models based on its loss experience; however the Group has considered it appropriate not to amend the house price assumptions in its provisioning models.

(ii) The annualised costs of risk for the Group is 18bps for the period ended 30 June 2015 from 100bps for the period ended 30 June 2014. This can be analysed as follows;

a. The costs of risk for the total loan portfolio of 18bps can be broken down between new default is 45bps which is offset with write back of (27bps) on the back book;

b. The cost of risk for the total ROI Residential portfolio is 23bps can be broken down between new default is 54bps (HL: 42bps & BTL 89bps) which is offset with write back of (31bps) on the back book (HL: 2bps & BTL (129bps)).

Total impairment charges on commercial mortgages have decreased by €18m to €1m in the period ended 30 June 2015 primarily due to sale of over €1.5bn of this portfolio.

Total impairment write back on consumer finance has decreased by €1m for the period ended 30 June 2015. The Group continues to make progress with customers in difficulty and emergence of new default flows continue to slow.

Total impairment charges on UK mortgages have decreased to €3m from €18m for the period ended 30 June 2015 primarily due to improved collections and recoveries and strengthening economic conditions in the UK.

Repossessed Assets

An impairment charge of €1m was incurred in respect of repossessed assets for the periods ended 30 June 2015 and 30 June 2014 due to a decrease in the carrying value of repossessed properties to their estimated recoverable amount.

Operating and Financial Review

Exceptional items

Exceptional items of €432m for the period ended 30 June 2015 includes a €380m loss in relation to disposals of Non-Core loans and a loss of €52m relating to the repurchase of the contingent capital notes.

Taxation

The taxation credit for the period ended 30 June 2015 is €21m, which reflects an increase in deferred tax assets due to increased carried forward losses, which are judged to be recoverable.

Loss for the period

Loss for the period ended 30 June 2015 increased by €210m, or 105%, from €200m to €410m from the prior period due to the factors discussed above.

Operating and Financial Review

Segmental Performance

The following tables set out selected consolidated income statement data for the periods ended 30 June 2015 and 2014 by Core Bank and Non-Core. The Group has two operating segments as outlined in note 2 to the financial statements namely, Core and Non-Core. The financial performance for these Strategic Business Units ("SBUs") for the 30 June 2015 and 2014 is set out below.

In €m	**Half year ended 30 June 2015**		
	Core Bank	**Non-Core**	**Total**
Interest income	**294**	**84**	**378**
Interest expense	**(136)**	**(84)**	**(220)**
Total net interest income/(expenses)	**158**	**-**	**158**
Other banking income	**19**	**-**	**19**
Net other operating (expense)/income	**(6)**	**1**	**(5)**
Total operating income	**171**	**1**	**172**
Total operating expenses	**(127)**	**(10)**	**(137)**
Depreciation of property and equipment	**(7)**	**-**	**(7)**
Amortisation of intangible assets	**(3)**	**-**	**(3)**
Total operating expenses excluding exceptional items	**(137)**	**(10)**	**(147)**
Operating profit/ (loss) before (charge)/(writeback) for impairments and exceptional items	**34**	**(9)**	**25**
Impairment of loans and advances and repossessed assets	**(25)**	**1**	**(24)**
Operating profit / (loss) before exceptional items	**9**	**(8)**	**1**

In €m	Half year ended 30 June 2014		
	Core Bank	Non-Core	Total
Interest income	356	97	453
Interest expense	(224)	(103)	(327)
Total net interest income/(expenses)	132	(6)	126
Other banking income	22	-	22
Net other operating income/(expense)	8	3	11
Total operating income	162	(3)	159
Total operating expenses	(156)	(16)	(172)
Depreciation of property and equipment	(5)	-	(5)
Amortisation of intangible assets	(4)	-	(4)
Total operating expenses excluding exceptional items	(165)	(16)	(181)
Operating profit / (loss) before writeback/(charge) for impairments and exceptional items	(3)	(19)	(22)
Impairment of loans and advances and repossessed assets	(101)	(48)	(149)
Operating loss before exceptional items	(104)	(67)	(171)

In €m	**30 June 2015**			31 December 2014		
Key Balance Sheet Metrics	**Core**	**Non-Core**	**Group**	Core	Non-Core	Group
Loans and advances to customers (Gross)	**22,002**	**4,880**	**26,882**	22,482	9,338	31,820
Loans and advances to customers (Net)	**19,574**	**4,396**	**23,970**	20,075	8,161	28,236
Non performing loans ("NPLs")	**5,892**	**899**	**6,791**	6,153	2,155	8,308
Provision Coverage Ratio ("PCR")*	**46.7%**	**57.3%**	**48.1%**	44.9%	58.0%	48.3%

The table above includes assets classified as held for sale.

*Provision coverage ratio is calculated as impairment provisions as a % of loans greater than 90 days in arrears and/or impaired.

Operating and Financial Review

Core Bank

The Core Bank focuses on Irish retail consumer business with a gross loan portfolio of €22bn consisting of ROI residential mortgages, primarily funded by customer deposits and wholesale market funding. The Core Bank targets mainstream Irish retail personal and non-personal customers and offers a comprehensive range of retail banking products including deposit accounts, current accounts, mortgages and consumer finance through multiple channels.

The Core Bank reported net interest income of €158m, an increase of €26m from the prior period due to lower ELG fees as covered liabilities decrease, and a lower cost of funds which is offset by decreased income for loans & advances. NIM (pre-ELG fees) increased from 1.21% to 1.31% in period to 30 June 2015.

Total operating expense for the Core Bank was €137m, a decrease of €28m from the prior period mainly due to a lower provision charge for legacy legal and compliance liabilities and offset by marginally increased staff costs. Cost-to-income ratio decreased by 22ppts from 102% to 80% mainly due to decrease in total operating expenses , supported by a small increase in total operating income.

The Core Bank reported an operating profit before exceptional items of €9m in period to 30 June 2015 which is an improvement of €113m on 2014. This is largely driven by significant improvement in impairment charges.

The annualised cost of risk ratio decreased from 98bps to 25bps mainly as a result of the significant decrease in impairment charges.

Net loans and advances to customers reduced by €501m in the six months to 30 June 2015 mainly driven by net repayments. NPLs have decreased by €261m with a PCR of 46.7% at 30 June 2015.

Non-Core

Total Non-Core, which had a gross loan portfolio of €4.9bn as at 30 June 2015, comprised mainly of €0.7bn of ROI commercial real estate portfolio and certain ROI residential mortgages which are connected to the commercial real estate portfolio and €3.4bn of UK residential mortgages originated through CHL and Irish Permanent Isle of Man, which are closed to new business.

Non-Core net interest expense was €84m, a decrease of €19m from the prior period.

Total operating expense for Non-Core was €10m, a decrease of €6m from the prior period mainly as a result of a decrease in general and administrative expenses.

The Non-Core operating loss before exceptional items was €8m for the period to 30 June 2015. A reduction of €59m from the prior period, driven by decreased impairment charges.

The annualised cost of risk ratio reduced from 108bps to -3bps mainly as a result of a writeback in impairment of €1m for the period ended 30 June 2015.

Net loans and advances to customers reduced by €3.8bn in 2015 due to de-recognition of CHL loans & advances of €3.4bn and the sale of €0.8bn of commercial loans which has been offset by €0.4bn movement in exchange rates. NPLs have decreased by 58% in period to 30 June 2015 to €899m, mainly as a result of the disposals.

Operating and Financial Review

Summary Consolidated Statement of Financial Position

	30 June 2015	31 December 2014	Change
	€m	€m	%
Assets			
ROI home loans	14,617	14,972	-2.4%
ROI buy-to-let	4,854	4,924	-1.4%
Total ROI residential mortgages	19,471	19,896	-2.1%
UK home loans	200	385	-48.1%
UK buy-to-let	2,840	6,312	-55.0%
Total UK residential mortgages	3,040	6,697	-54.6%
Commercial mortgages	190	364	-47.8%
Consumer Finance	239	249	-4.0%
Total loans and advances to customers	22,940	27,206	-15.7%
Loans and advances to banks	1,603	1,768	-9.3%
Debt securities	4,200	5,326	-21.1%
Other assets	3,856	963	300.5%
Assets held for sale	1,131	1,030	9.8%
Total assets	33,730	36,293	-7.1%
Liabilities and equity			
Current accounts	2,740	2,639	3.8%
Retail Deposits	12,083	12,251	-1.4%
Corporate & institutional deposits	4,758	5,548	-14.2%
Total customer accounts	19,581	20,438	-4.2%
Deposits by ECB	3,650	4,870	-25.1%
Deposits by banks and other financial institutions	5,169	4,237	22.0%
Deposits by banks	8,819	9,107	-3.2%
Debt Securities in issue	1,395	3,425	-59.3%
Subordinated liabilities	21	387	-94.6%
Liabilities classified as held for sale	776	-	100.0%
Other liabilities	781	656	19.1%
Total liabilities	31,373	34,013	-7.8%
Total equity	2,357	2,280	3.4%
Total equity and liabilities	33,730	36,293	-7.1%

ROI residential mortgages

As at 30 June 2015, ROI residential mortgages represented 84.9% of the total net loans and advances to customers, compared to 73.1% as at 31 December 2014. Of the ROI residential mortgages, 75.1% and 75.2% were home loans as at 30 June 2015 and as at 31 December 2014 respectively, with the remainder consisting of buy-to-let mortgages.

The ROI residential mortgages fell by €0.4bn in the period ended 30 June 2015 due to net repayments.

UK Residential Mortgages

UK residential mortgages fell by €3.7bn in the period ended 30 June 2015 due to de-recognition of CHL assets during the period, loans reclassified to asset held for sale and the exchange rate movements during the period.

Commercial mortgages

The commercial real estate portfolio includes €0.2bn of loans and advances down from € 0.4bn at 30 December 2014. This movement is due to the reclassification of assets to the held for sale line on the Statement of Financial Position.

Asset Quality

The Group uses the Basel II 25 point scale for the internal ratings approach ("IRB") for credit risk. Loans which are neither past due nor impaired are analysed as excellent, satisfactory or fair according to their IRB rating as described below.

- Excellent risk profile (IRB ratings 8 to 16) – includes exposures whose general profiles are considered to be of a very low risk nature.
- Satisfactory risk profile (IRB ratings 17 to 21) – includes exposures whose general profiles are considered to be of a low to moderate risk nature.
- Fair risk profile (IRB ratings 22 to 24) – includes exposures whose general profiles are considered to require some additional monitoring.

Past due but not impaired is defined as loans where repayment of interest and / or principal is overdue by at least one day but which are not impaired.

A loan is considered impaired when there is objective evidence of impairment where the loan is greater than 90 days in arrears and the present value of future cash flows is less than the carrying value of the loan (for residential mortgages this is typically where the indexed LTV is >80%) requiring a specific provision to be recognised in the income statement.

Asset Quality (continued)

The tables below outline total loan and advances to customers (including assets held for sale) for the Group's ROI and UK residential mortgages analysed by home loans, buy-to-let, commercial and consumer finance based on excellent, satisfactory and fair risk in line with the IRB rating system and, neither past due nor impaired, past due but not impaired and impaired in line with IFRS 7.

30 June 2015	**ROI Residential mortgages**		**UK residential mortgages**				
	Home loan	**Buy-to-let**	**Home loan**	**Buy-to-let**	**Comm.**	**Consumer Finance**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Excellent	**9,425**	**2,214**	**50**	**1,991**	**37**	**141**	**13,858**
Satisfactory	**1,771**	**1,275**	**150**	**1,253**	**146**	**56**	**4,651**
Fair Risk	**602**	**655**	**8**	**116**	**52**	**22**	**1,455**
Neither past due nor impaired	**11,798**	**4,144**	**208**	**3,360**	**235**	**219**	**19,964**
Past due but not impaired	**563**	**125**	**42**	**89**	**16**	**12**	**847**
Impaired	**3,731**	**1,528**	**5**	**81**	**623**	**103**	**6,071**
	16,092	**5,797**	**255**	**3,530**	**874**	**334**	**26,882**
Provision for impairment losses	**(1,564)**	**(920)**	**(3)**	**(52)**	**(377)**	**(96)**	**(3,012)**
	14,528	**4,877**	**252**	**3,478**	**497**	**238**	**23,870**
Deferred fees, discounts and fair value adjustments	**99**	**-**	**-**	**-**	**-**	**1**	**100**
	14,627	**4,877**	**252**	**3,478**	**497**	**239**	**23,970**

Total loans and advances to customer (including assets held for sale) as a % of gross loans.

30 June 2015	**ROI Residential mortgages**		**UK residential mortgages**				
	Home loan	**Buy-to-let**	**Home loan**	**Buy-to-let**	**Comm.**	**Consumer Finance**	**Total**
Excellent	**59%**	**38%**	**20%**	**56%**	**4%**	**42%**	**52%**
Satisfactory	**11%**	**22%**	**59%**	**36%**	**17%**	**17%**	**17%**
Fair Risk	**3%**	**11%**	**3%**	**3%**	**6%**	**7%**	**5%**
Neither past due nor impaired	**73%**	**71%**	**82%**	**95%**	**27%**	**66%**	**74%**
Past due but not impaired	**4%**	**3%**	**16%**	**3%**	**2%**	**3%**	**3%**
Impaired	**23%**	**26%**	**2%**	**2%**	**71%**	**31%**	**23%**

31 December 2014	ROI Residential mortgages		UK residential mortgages				
	Home loan	Buy-to-let	Home loan	Buy-to-let	Comm.	Consumer Finance	Total
	€m	€m	€m	€m	€m	€m	€m
Excellent	9,412	2,263	96	4,023	58	140	15,992
Satisfactory	1,691	1,288	225	1,978	303	62	5,547
Fair Risk	714	727	11	151	106	22	1,731
Neither past due nor impaired	11,817	4,278	332	6,152	467	224	23,270
Past due but not impaired	691	137	50	122	54	18	1,072
Impaired	3,947	1,844	7	95	1,483	102	7,478
	16,455	6,259	389	6,369	2,004	344	31,820
Provision for impairment losses	(1,574)	(1,099)	(4)	(57)	(892)	(96)	(3,722)
	14,881	5,160	385	6,312	1,112	248	28,098
Deferred fees, discounts and fair value adjustments	137	-	-	-	-	1	138
	15,018	5,160	385	6,312	1,112	249	28,236

Total loans and advances to customer (including assets held for sale) as a % of gross loans.

31 December 2014	ROI Residential mortgages		UK residential mortgages				
	Home loan	Buy-to-let	Home loan	Buy-to-let	Comm.	Consumer Finance	Total
Excellent	57%	36%	24%	63%	3%	41%	50%
Satisfactory	10%	21%	58%	31%	15%	18%	17%
Fair Risk	5%	12%	3%	2%	5%	6%	6%
Neither past due nor impaired	72%	69%	85%	96%	23%	65%	73%
Past due but not impaired	4%	2%	13%	2%	3%	5%	3%
Impaired	24%	29%	2%	2%	74%	30%	24%

Impairment Provisions

Impairment provisions were €3,012m as at 30 June 2015 compared to €3,722m as at 31 December 2014 resulting in a decrease of 19.1%. This is mainly due to disposal of €1.5bn of CRE loan portfolio in the first half of 2015.

Impairment provisions represent 11.2% of gross loans and advances to customers (including assets held for sale) as at 30 June 2015 which remained broadly in line with 2014 at 11.7%.

Non-Performing Loans

The following tables outlines non-performing loans, non-performing loans as a percentage of loans and advances to customers (including assets held for sale) and provisions coverage ratio by type of loan as at 30 June 2015 and as at 31 December 2014.

Non-performing loans are defined as impaired loans, loans which are greater than 90 days in arrears and loans which are deemed unlikely to pay, or where is expected not to repay the loan in full without the realisation of the collateral.

30 June 2015	**ROI Residential mortgages**		**UK residential mortgages**				
	Home loan	**Buy-to-let**	**Home loan**	**Buy-to-let**	**Commercial**	**Consumer Finance**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Not impaired no arrears	**61**	**365**	**15**	**21**	**10**	**-**	**472**
Not Impaired < 90 days in Arrears	**37**	**13**	**5**	**1**	**-**	**-**	**56**
Not Impaired > 90 days in Arrears	**153**	**12**	**12**	**15**	**-**	**-**	**192**
Impaired loans	**3,731**	**1,528**	**5**	**81**	**623**	**103**	**6,071**
Non-performing loans	**3,982**	**1,918**	**37**	**118**	**633**	**103**	**6,791**
NPLs as % of gross loans	**25%**	**33%**	**15%**	**3%**	**72%**	**31%**	**25%**
Provision coverage ratio*	**40%**	**60%**	**6%**	**56%**	**61%**	**93%**	**48%**

***Provision coverage ratio is calculated as impairment provisions as a % of loans greater than 90 days in arrears and/or impaired.**

31 December 2014	ROI Residential mortgages		UK residential mortgages				
	Home loan	Buy-to-let	Home loan	Buy-to-let	Commercial	Consumer Finance	Total
	€m	€m	€m	€m	€m	€m	€m
Not impaired no arrears	43	356	21	30	46	-	496
Not Impaired < 90 days in Arrears	56	28	5	14	7	-	110
Not Impaired > 90 days in Arrears	180	13	13	18	-	-	224
Impaired loans	3,947	1,844	7	95	1,483	102	7,478
Non-performing loans	4,226	2,241	46	157	1,536	102	8,308
NPLs as % of gross loans	26%	36%	12%	2%	77%	30%	26%
Provision coverage ratio*	38%	59%	20%	50%	60%	94%	48%

*Provision coverage ratio is calculated as impairment provisions as a % of loans greater than 90 days in arrears and/or impaired.

NPLs at 30 June 2015 reduced by €1,517m compared to 2014. This is mainly due to the disposal of €1.5bn of CRE loan portfolio in the first half of 2015.

ROI residential mortgages – Home loans

	30 June 2015	31 December 2014	Change
	€m	€m	%
Not impaired no arrears	**61**	43	41.9%
Not Impaired < 90 days in Arrears	**37**	56	-33.9%
Not Impaired > 90 days in Arrears	**153**	180	-15.0%
Impaired loans	**3,731**	3,947	-5.5%
Non-performing loans	**3,982**	4,226	-5.8%
NPLs as % of gross loans	**25%**	26%	-1 ppts
Provision coverage ratio	**40%**	38%	2 ppts
Total cases #	**138,317**	139,989	-1,672
Early arrears (0-90 days) #	**4,825**	5,314	489
Early arrears (0-90 days) %	**3.5%**	3.8%	-0.3 ppts
Late arrears (over 90 days) #	**12,290**	14,251	-1,961
Late arrears (over 90 days) %	**8.9%**	10.2%	-1.3 ppts

Home loans represent 73.5% of the total gross ROI residential mortgage portfolio with home loan NPLs at 25% of gross ROI home loans at 30 June 2015. ROI home loan impairment provisions decreased by 0.6% and the provision coverage ratio increased marginally by 2 ppts.

At 30 June 2015, home loans early arrears cases, which represented 3.5% of total ROI home loan cases, reduced by 0.3ppts when compared to 31 December 2014. Later arrears cases, which represented 8.9%, decreased by 1.3ppts when compared to 31 December 2014. This highlights the continuing progress made in dealing with early and late arrears cases by the Asset Management Unit (“AMU”).

ROI residential mortgages – Buy-to-Let

	30 June 2015	31 December 2014	Change
	€m	€m	%
Not impaired no arrears	**365**	356	2.5%
Not Impaired < 90 days in Arrears	**13**	28	-53.6%
Not Impaired > 90 days in Arrears	**12**	13	-7.7%
Impaired loans	**1,528**	1,844	-17.1%
Non-performing loans	**1,918**	2,241	-14.4%
NPLs as % of gross loans	**33%**	36%	-3 ppts
Provision coverage ratio	**60%**	59%	1 ppts
Total cases #	**21,726**	22,613	-887
Early arrears (0-90 days) #	**756**	810	-54
Early arrears (0-90 days) %	**3.5%**	3.6%	-0.1 ppts
Late arrears (over 90 days) #	**2,448**	3,003	-555
Late arrears (over 90 days) %	**11.3%**	13.3%	-2.0 ppts

Buy-to-let loans represent 26.5% of the total gross ROI residential mortgage portfolio with buy-to-let NPLs at 33% of gross ROI buy-to-let loans at 30 June 2015. ROI buy-to-let impairment provisions decreased by 16.3% and the provision coverage ratio increased marginally by 1 ppt.

This is mainly as a result of the reduced level of impaired loans during the period as a result of disposal of loan portfolios as discussed previously.

At 30 June 2015, but-to-let early arrears cases, which represented c.3.5% of total cases, reduced by 0.1ppt when compared to 31 December 2014. Also, late arrears cases, which represented 11.3%, decreased by 2.0ppts when compared to 31 December 2014.

UK Residential mortgages
UK mortgages represent 14.1% of loans and advances to customers (including assets held for sale) at 30 June 2015. NPLs in this portfolio have reduced by €48m while the impairment provisions decreased by €6m mainly as a result of improved collections and recoveries due to strengthening economic conditions and property value increases in the UK.

Commercial
These represent 3.3% of the total loan portfolio. At 30 June 2015, the NPLs in this portfolio decreased by 58.8% due to the sale of Non-Core assets during the period. Impairment provisions decreased by 57.8% due to the sales while the PCR remains broadly unchanged at 61%.

Consumer Finance
These represent 1.2% of the total loan portfolio. At 30 June 2015, the NPLs were broadly in line with 2014. Impairment provisions also remained broadly in line with 2014 while the PCR decreased by 1 ppt.

Weighted average LTVs of Residential Mortgage Portfolio

The table below outlines the weighted average LTVs for the total ROI and UK residential mortgage portfolios analysed across home loan and buy-to-let portfolios as at 30 June 2015 and as at 31 December 2014.

	30 June 2015	31 December 2014
	%	**%**
ROI home loan	**91%**	92%
ROI buy-to-let	**116%**	118%
UK home loan	**81%**	73%
UK buy-to-let	**78%**	74%
Total including ROI and UK mortgages	**95%**	93%

The tables below outlines the weighted average LTV of the Group's performing and non-performing ROI residential mortgages as at 30 June 2015 and 31 December 2014.

As at 30 June 2015	**Performing**		**Non-performing**		**Total**
	Home loan	**Buy-to-let**	**Home loan**	**Buy-to-let**	
	%	**%**	**%**	**%**	**%**
Up to 100%	**67%**	**45%**	**38%**	**21%**	**54%**
> 100%	**33%**	**55%**	**62%**	**79%**	**46%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

As at 31 December 2014	Performing		Non-performing		Total
	Home loan	Buy-to-let	Home loan	Buy-to-let	
	%	**%**	**%**	**%**	**%**
Up to 100%	65%	42%	37%	19%	52%
> 100%	35%	58%	63%	81%	48%
Total	100%	100%	100%	100%	100%

Forbearance Arrangements – ROI residential mortgages

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in order to comply with the current Code of Conduct on Mortgage Arrears ("CCMA").

The tables below set out the asset quality and volume of loans for which the Group has entered formal temporary and permanent forbearance arrangements with customers as at 30 June 2015 and 31 December 2014. The balance of forbearance arrangements for residential home loan mortgages and buy-to-let residential mortgages are analysed below.

	All forborne Loans		Loans >90 days in arrears and/or impaired	
	Number	**Balances**	**Number**	**Balances**
		€m		**€m**
ROI Residential home loan mortgages				
As at 30 June 2015	**22,443**	**3,268**	**12,685**	**2,150**
As at 31 December 2014	21,575	3,144	12,986	2,156
ROI Residential buy-to-let mortgages				
As at 30 June 2015	**3,760**	**1,295**	**1,632**	**568**
As at 31 December 2014	3,750	1,346	1,700	620

The tables above reflect an increase of €125m as at 30 June 2015 for the Group in the balance of ROI residential home loans in forbearance arrangements, an increase of 3.9% compared to as at 31 December 2014.

It also reflects a decrease of €51m as at 30 June 2015 for the Group in the volume of ROI residential buy-to-let in forbearance arrangements, decrease of 3.8% compared to as at 31 December 2014.

As at 30 June 2015, 55% of the number of loans in forbearance are greater than 90 days in arrears and / or impaired compared to 58% as at 31 December 2014.

More details on forborne loans are provided in note 24 financial risk management in the consolidated financial statements.

Debt Securities

The following table outlines the group's debt securities as at 30 June 2015 and 31 December 2014.

	30 June 2015	31 December 2014	Change
	€m	€m	%
Irish Government bonds	**3,166**	3,857	-17.9%
NAMA bonds	**1,020**	1,276	-20.1%
Bonds issued by credit institutions	**-**	182	-100.0%
Other bonds	**15**	12	25.0%
Gross debt securities	**4,201**	5,327	-21.1%
Less: impairment provisions	**(1)**	(1)	0.0%
Net debt securities	**4,200**	5,326	-21.1%

The Group's debt securities comprise Irish Government bonds, NAMA bonds and other bank and other bonds.

During the period ended 30 June 2015, the debt securities portfolio decreased by €1,126m, mainly as a result of disposal of and maturities of government bonds and NAMA bond redemptions. This was partially offset by further additions of debt security assets.

Operating and Financial Review

Loans and Advances to Banks

The following table outlines the Group’s loans and advances to banks as at 30 June 2015 and 31 December 2014.

	30 June 2015	31 December 2014	Change
	€m	€m	**%**
Placed with central banks	**188**	309	-39.2%
Placed with other banks	**1,515**	1,459	3.8%
	1,703	1,768	-3.7%
Reclassification to liabilities classified as held for sale (note 27)	**(100)**	-	100.0%
Loans and advances to banks	**1,603**	1,768	-9.3%

Placements with other banks included restricted cash of €1,165m as at 30 June 2015 (31 December 2014: €1,194m) including cash held in the Group's securitisation vehicles of €310m as at 30 June 2015 (31 December 2014: €328m) of which €584m relates to cash collateral placed with counterparties in relation to asset derivative positions and repurchase agreements.

Liabilities

Customer Accounts

The following table outlines the Group's customer accounts as at 30 June 2015 and 31 December 2014.

	30 June 2015	31 December 2014	Change
	€m	€m	%
Term Deposits	**12,172**	13,320	-8.6%
Demand deposits	**2,825**	2,726	3.6%
Current accounts	**2,740**	2,639	3.8%
Notice and other accounts	**1,844**	1,753	5.2%
Total Customer accounts	**19,581**	20,438	-4.2%

The following table sets forth the Group's customer accounts by customer type as at 30 June 2015 and 31 December 2014.

	30 June 2015	31 December 2014	Change
	€m	€m	%
Current accounts	**2,740**	2,639	3.8%
Retail deposits	**11,441**	11,643	-1.7%
Retail deposits total	**14,181**	14,282	**-0.7%**
Corporate deposits	**2,834**	2,713	4.5%
Institutional Deposits	**1,924**	2,835	-32.1%
Isle of Man	**642**	608	5.6%
Total Customer accounts	**19,581**	20,438	-4.2%

At 30 June 2015, customer accounts were reduced to €19,581m, a decrease of €857m/4.2% compared to 31 December 2014 due primarily to the maturity of an institutional term deposit. Retail deposits including current accounts have remained stable in 2015. Corporate deposits increased by €0.1bn in 2015. Institutional deposits decreased by €0.9bn in 2015, reflecting maturing deposits and reduced levels of repos held with a government institution.

The Isle of Man customer accounts increased 5.6% to €642m from €608m at 31 December 2014. This was due to the withdrawal of a number of competitors in the market.

Deposits by banks (including central banks)

The following table outlines the Group's deposits by banks as at 30 June 2015 and 31 December 2014.

	30 June 2015	31 December 2014	Change
	€m	€m	%
Placed by the ECB	3,650	4,870	-25.1%
Placed by other banks and institutions on repurchase agreements	4,787	3,720	28.7%
Other deposits	474	517	-8.3%
	8,911	9,107	-2.2%
Reclassification to liabilities classified as held for sale (note 27)	(92)	-	100%
Net deposits by banks	8,819	9,107	-3.2%

Deposits placed by the ECB decreased by €1,220m from 30 June 2015 to 31 December 2014 reflecting reduced reliance on ECB funding. The proportion of the Group's funding now being sourced from the ECB stood at 12% at 30 June 2015, compared to 15% at 31 December 2014. This reduction has been offset with a 28.7% increase in funds placed by other banks and institutions on repurchase agreements.

Other deposits primarily related to cash collateral placed by the derivative counterparties.

Debt securities in Issue

The following table outlines the Group's debt securities in issue as at 30 June 2015 and 31 December 2014.

	30 June 2015	31 December 2014	Change
	€m	€m	%
Bonds and medium-term notes	517	1,778	-70.9%
Non-recourse funding	1,562	1,647	-5.2%
	2,079	3,425	-39.3%
Debt securities reclassified to held for sale (note 27)	(684)	-	100.0%
Debt securities in issue	1,395	3,425	-59.3%

Bonds and medium term notes consisted of debt instruments issued by the Group while non-recourse funding consists of residential mortgage backed securities issued by the Group.

Bonds and medium term notes reduced by €1,261m between 31 December 2014 and 30 June 2015 due to the maturity of a medium-term note of €1,561m which is offset by the new issuance of a medium-term note of €300m.

Non-recourse funding comprised €1,562m, as at 30 June 2015, of funding by way of residential mortgage-backed securities. Non-recourse funding decreased by €85m between 31 December 2014 and 30 June 2015 due to repayments €684m of non-recourse funding has been reclassified to held for sale.

The debt securities in issue held for sale form part of the agreements to sell €3.5bn of the CHL mortgage book. For further details see note 5 to the financial statements.

Subordinated liabilities

The following table outlines the Group's subordinated liabilities as at 30 June 2015 and 31 December 2014.

	30 June 2015	31 December 2014	Change
	€m	€m	%
€24m 0% Non-callable lower tier 2 capital notes 2018	21	21	0.0%
€400m 10% fixed-rate convertible contingency capital notes 2016	-	366	-100.0%
Subordinated liabilities	21	387	-94.6%

Decrease in subordinated liabilities of €366m is primarily due to the repurchase of the contingent capital note.

Funding and Liquidity

The following table shows the Group's funding profile as at 30 June 2015 and 31 December 2014.

	30 June 2015	31 December 2014	**Change**
	€m	€m	**%**
Customer accounts	**19,581**	20,438	-4.2%
Long-term funding	**2,037**	5,279	-61.4%
Debt securities in issue	**2,016**	1,878	7.3%
Subordinated liabilities	**21**	387	-94.6%
Deposits by banks	**-**	3,014	-100.0%
Short-term funding	**8,974**	7,640	17.5%
ECB funding < 1 year to maturity	**3,650**	4,870	-25.1%
Debt securities in issue	**63**	1,547	-95.9%
Deposits by banks	**5,261**	1,223	330.2%
Total interest bearing liabilities	**30,592**	33,357	-8.3%
ECB funding as a % of total funding	**12%**	15%	-20.0%
Funding mix:			
Customer deposits	**64%**	61%	3 ppts
System funding	**12%**	15%	-3 ppts
Wholesale funding	**24%**	23%	1 ppt
Subordinated liabilities	**0%**	1%	-1 ppt
	100%	100%	

The proportion of customer account funding has increased by 3ppts to 64% in the period. ECB funding comprised 12% of total funding required by the Group for the period ended 30 June 2015, down from 15% at 31 December 2014.

System funding consists of ECB funding with a remaining maturity or call date of less than 12 months.

Wholesale funding consists of debt securities in issue and certain other short term debt. This increased by 1bps in the period to the 30 June 2015

Subordinated liabilities reduced by 94.6% due to the repurchase of the contingent capital note

Regulatory capital[1]

The Group's regulatory capital position as at 30 June 2015 under CRD IV / CRR is summarised as follows.

	30 June 2015[1]		31 December 2014[2]		Change	
	Transitional	**Fully Loaded**	**Transitional**	**Fully Loaded**	**Transitional**	**Fully Loaded**
	€m	**€m**	€m	€m	%	%
Capital resources:						
Common Equity Tier 1	**2,083**	**1,820**	2,103	1,844	(1%)	(1%)
Additional Tier 1	**122**	**122**	-	-	100%	100%
Tier 1 capital	**2,205**	**1,942**	2,103	1,844	5%	5%
Tier 2 capital	**97**	**90**	110	98	(12%)	(8%)
Total capital	**2,302**	**2,032**	2,213	1,942	4%	5%
Risk weighted assets	**13,559**	**13,559**	14,830	14,830	(9%)	(9%)
Capital ratios:						
Common Equity Tier 1	**15.4%**	**13.4%**	14.2%	12.4%	1.2%	1.0%
Tier 1 Capital	**16.3%**	**14.3%**	14.2%	12.4%	2.1%	1.9%
Total Capital	**17.0%**	**15.0%**	14.9%	13.1%	2.1%	1.9%
Leverage ratio[3]	**6.0%**	**5.3%**	5.1%	4.5%	0.9%	0.8%

The Group's Common Equity Tier 1 (CET1) capital ratio (transitional) at 30 June 2015 is 15.4%. This has increased by 1.2% since 31 December 2014 primarily due to the Ordinary Share issuance in May 2015 (+2.7%), decreases in risk weighted assets (RWAs) (+0.7%), partially offset by net deleveraging impacts (-2.1%).

The total capital ratio is 17.0% which is 2.1% higher than the position at 31 December 2014, with the Additional Tier 1 (AT1) issuance in May 2015 contributing 0.9% to the ratio.

The fully loaded CET1 capital ratio is 13.4% at 30 June 2015, 2.4% higher than the Bank's target fully loaded ratio of 11%.

CET1 capital resources are €2,083m at 30 June 2015. This has decreased by €20m due to the loss for the period of €410m offset by the €373m Ordinary Share issuance (net of costs) and lower regulatory adjustments and other reserve movements of €17m. The Group also issued a €122m (net of costs) AT1 instrument. Tier 2 Capital is €13m lower due to a reduction in loan provisions in excess of expected losses.

RWAs decreased by €1.3bn during the period to 30 June 2015 predominately due to CRE deleveraging[2] (€0.6bn), a decrease in risk weightings resulting from improved macroeconomic conditions (€0.6bn) and loan book redemptions (€0.1bn) offset by an increase in Treasury RWAs (€0.1bn).

The leverage ratio on a transitional basis at 30 June 2015 is 6.0%, which is 0.9% higher than the position at 31 December 2014, due to a change in the methodology for calculating the Securities Financing Transaction exposure. This methodology change is captured in Commission Delegated Regulation (EU) 2015/62, which came into force in January 2015.

The following table sets out reconciliation from the statutory shareholders' funds to the Group's regulatory CET1 Capital:

	30 June 2015		31 December 2014	
	Transitional	**Fully Loaded**	**Transitional**	**Fully Loaded**
	€m	**€m**	€m	€m
Total Equity	**2,357**	**2,357**	2,283	2,283
Less: AT1 capital	**(122)**	**(122)**	-	-
CoCo	**-**	**-**	(49)	(49)
Adjusted capital	**2,235**	**2,235**	2,234	2,234
Prudential filters:				
Intangibles	**(47)**	**(47)**	(62)	(62)
Deferred taxation	**(47)**	**(408)**	-	(384)
Cash flow hedge reserve	**40**	**40**	56	56
AFS reserves	**(91)**	**-**	(114)	-
Revaluation reserve	**(7)**	**-**	(11)	-
Common Equity Tier 1	**2,083**	**1,820**	2,103	1,844

[1] Figures are based on the Group's draft COREP which will be completed and submitted to the Central Bank in August.

[2] The loss on derecognition of CHL loans has been reflected in the Loss after Tax; however the associated RWA reduction will only be reflected in the Group's COREP following legal completion of the sale.

[3] The leverage ratio is calculated by dividing Tier 1 Capital by gross balance sheet exposure (total assets and off-balance sheet exposures).

Principal Risks and Uncertainties

The Board considers the following risks to be material for the Group. Additional risks and uncertainties not currently known to the Board, or that the Board currently deems immaterial, may also have an adverse effect on the Group's financial condition, business, prospects and results of operations. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, the potential significance of the risks, or of the scope of any potential harm to the Group.

Credit Risk

Credit Risk is the risk of loss arising from a counterparty failing to meet its contractual obligations to the Group in respect of loans or other financial transactions and includes concentration risk and country risk.

Risks arising from changes in credit quality and the recoverability of both secured and unsecured loans and amounts from counterparties are inherent in a wide range of the Group's businesses.

The majority of the Group's customer exposures was originated and is managed in Ireland and the UK. The Group's principal exposure is to residential mortgages secured by a first legal charge on the property. Changes in economic conditions or in the behaviour of the Group's customers may adversely impact or further deteriorate the credit quality of the Group's loan portfolios. This may give rise to increased difficulties in relation to the recoverability of loans or other amounts due from borrowers, resulting in further increases in the Group's impaired loans and impairment provisions.

The Group is also exposed to credit risk from its counterparties. The Group uses a range of financial instruments to fund and hedge its activities including derivative contracts such as interest rate swaps and cross currency swaps. The Group enters into derivative contracts primarily to hedge the Group's interest rate risk and foreign exchange rate risk in its underlying balance sheet asset & liability positions. The Group does not utilise or provide credit default derivatives.

Risks arising from changes in credit quality and the recoverability of both secured and unsecured loans and amounts due from the Group's borrowers and counterparties are inherent in the Group's businesses. Additional or unanticipated adverse changes in the credit quality or behaviour of the Group's borrowers and counterparties can have an adverse impact on the Group, such changes may arise due to a deterioration in economic conditions or a change in the political environment in Ireland, the UK or elsewhere; a substantive increase in interest rates; a rise in unemployment; decrease in house prices; or a reduction in household disposable income. These changes could increase impaired loans, impairment charges and expected losses for the Group.

Capital Management

Capital adequacy, and its effective management, is critical to the Group's ability to operate its businesses and to pursue its strategy. The Group's business and financial condition could be affected if the amount of capital is insufficient due to materially worse than expected financial performance (including for example, reductions in earnings as a result of impairment charges, increases in risk weighted assets). Capital may also be adversely impacted by changes in the disposal of certain assets and/or the minimum regulatory requirements imposed on the Group, the manner in which existing regulatory capital is calculated and the instruments that qualify as regulatory capital.

Basel III has been implemented in the EEA through regulation and an associated directive together referred to as CRD IV. As a result of CRD IV, the Group is required to hold higher minimum capital ratios and will need to address the requirement for the introduction of conservation, countercyclical and systemic risk buffers (to the extent applied) which have commenced and will be phased in over the period to January 2019.

Capital reduction

As detailed in paragraph 2 of Part VII (Letter from the Group Chairman) of the Equity Prospectus (April 2015), the Company is proposing to undertake a Capital Reduction. This is a proposed balance sheet reorganisation of the Company by way of a reduction of its share premium under sections 72 and 74 of the Companies Act 1963 (as amended) (or from their commencement, sections 84 and 85 of the Companies Act 2014) to reduce accumulated negative distributable reserves in respect of historical trading losses. Under the Irish Companies Acts, such a reallocation of share premium can only be undertaken with shareholder approval and with the confirmation of the High Court of Ireland.

In the absence of sufficient distributable reserves, Irish company law (in addition to any regulatory restrictions) places restrictions on the payment of dividends on issued shares, such as the Ordinary Shares, otherwise than out of the proceeds of a new share issue. The Shareholders of the Company have approved the Capital Reduction at the AGM, but the Capital Reduction remains subject to confirmation by the High Court of Ireland. As such, if the Capital Reduction is not approved by the High Court of Ireland, the Group's ability to resume the payment of dividends on the Ordinary Shares as and when conditions permit (subject to any regulatory or other restrictions that apply, for example under the Capital Plan and the Restructuring Plan Term Sheet) will be severely impaired.

On 22 July 2015, the Group obtained from the High Court of Ireland a court order, allowing a reduction in the share premium account details of which are outlined in note 29.

Economic conditions

The Group's business and financial performance will continue to be affected by global economic conditions. In particular the Group is exposed to specific economic conditions in Ireland and the UK where most of the Group's business is conducted. Specific risks facing the Group's business from these economies include, but are not limited to the following:

- Property price movements: A decrease in house prices could negatively impact the Group's business as a decline would reduce the value of the collateral securing the relevant mortgage and have a negative impact on impairment provisions. Furthermore, it could erode customer confidence, negatively impact arrears and threaten new and targeted mortgage lending levels. An increase in house price may negatively impact the affordability of housing which would impact new business generated by the Group.
- Interest rates: Either a substantial increase in interest rates in the short to medium term, or a prolonged period of continuing low interest rates, could negatively impact the Group's business.
- Unemployment: As a retail bank, the Core Bank's business performance is impacted by employment levels. Although unemployment in Ireland and the UK has fallen recently, it remains relatively high by historical standards. Higher unemployment rates and the resultant decrease in customer income may have a negative impact on the Group's results through lower new business, increased arrears, forbearance, impairment provisions and defaults.
- Constrained disposable income: In Ireland and the UK, household spending remains constrained. Depressed income may impact new business while also affecting the Group's impairments and arrears balances.

The possibility remains that the Euro could be abandoned as a currency by one or more countries that have already adopted its use and, in an extreme scenario, abandonment of the Euro could result in the dissolution of the EMU.

The effects on the European and global economies of the exit of one or more European Union member states from the EMU, the potential dissolution of the EMU and the redenomination of financial instruments from euro to a different currency, are impossible to predict fully. If any such events were to occur they would likely:

- result in significant market dislocation;
- lead to increased borrowing costs;
- heighten counterparty risk; and
- adversely affect the management of market risk and, in particular, asset and liability management due, in part, to redenomination of financial assets and liabilities.

In addition, an outright or partial withdrawal of the United Kingdom from the European Union would likely have profound implications for Ireland. A withdrawal could, among other outcomes, disrupt the free movement of goods, services and people between the two countries, and, undermine bilateral cooperation in key policy areas as well as significantly disrupt trade. In particular, a withdrawal would mean that Ireland would not be able to negotiate bilateral trade agreements with the UK under current EU rules.

If any such events were to occur, the Group anticipates that such an event would be likely to materially adversely impact the cost and availability of funding arrangements, thereby increasing competition for retail funds and adversely impacting the Group's Net Interest Margin, and there may be other unanticipated implications for the Group as a result of any such events.

Funding and Liquidity Risk

Liquidity risk is the risk that the Group may experience difficulty in meeting its contractual obligations as and when they fall due, without incurring excessive cost. The risk is inherent in banking operations and can be heightened by a number of factors, including an over reliance on a particular source of funding (including for example short-term or overnight funding), changes in credit ratings or market dislocation.

Minimum liquidity levels

The Group is required to maintain liquidity levels based on various cash flow stress tests, in order to ensure that the Group's funding profile has an appropriate spread of maturities. The key limits applied are that the Group must have sufficient available liquidity to cover 100 per cent of outflows over the next 8 days and 90 per cent of outflows over the subsequent 9 to 30 days. The Group has been compliant with these key limits over 2014 and 2015.

The Bank for International Settlements ("BIS") finalised proposals for changes to both the regulatory capital and the liquidity management framework for financial institutions, known as Basel III. These regulatory framework changes are being phased-in, commencing with the Liquidity Coverage Ratio (LCR) from 1 October 2015.

These requirements view a strong liquidity base supported by robust supervisory standards as being of equal importance to strong capital requirements. This is intended to be measured by the following:

- The LCR is intended to promote resilience to potential liquidity disruptions over a 30 day time horizon by ensuring that banks have sufficient unencumbered high quality liquid assets to offset net cash outflows under an acute short term stress scenario.
- The Net Stable Funding Ratio (NSFR) requires a minimum amount of stable sources of funding at a bank relative to the liquidity profiles of the assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments, over a one-year horizon. The NSFR aims to limit over-reliance on short-term wholesale funding during times of buoyant market liquidity and encourage better assessment of liquidity risk across all on and off balance sheet items.

Loss of funding including customer deposits

The Group principally raises funding through retail, corporate, and institutional deposits, along with secured funding arrangements. If access to funding is constrained for a prolonged period of time, this could lead to increased competition and costs for the Group. In particular, any material decrease in the Group's customer deposits could have a negative effect on the Group's liquidity position.

Eurosystem Funding

The Group avails of Eurosystem Funding which is an important and low cost source of funding for the Group. Any significant change to the conditions of Eurosystem Funding including a significant reduction or withdrawal of this funding is a risk to the Group.

The Eurosystem comprises the ECB and national central banks of member states of the European Union which have adopted the Euro. Eurosystem Funding is provided through ECB standing facilities – the Main Re-financing Operations ("MRO") and Long Term Refinancing Operation ("LTRO"). Transactions are normally for a week (MRO) but the ECB periodically offers different durations. All transactions require the Group to post adequate collateral. The collateral must meet the criteria set out in the ECB monetary policy framework and may include both marketable assets (e.g. listed bonds) and non-marketable assets (e.g. credit claims). The criteria (which include credit standards) are subject to periodic amendment by the ECB.

Any significant alteration of the conditions of Eurosystem Funding, such as a narrowing of the eligibility criteria for collateral; increase in the pricing; or a reduction or withdrawal of such support may adversely affect the Group. Any such reduction or withdrawal could increase competition for other sources of funding. The Group's access to Eurosystem Funding is dependent on the availability and continued eligibility of the Group's assets to serve as collateral. Accordingly, any adverse changes to the ECB's eligibility criteria or ratings on the Group's collateral could restrict the Group's ability to continue to access this source of funding. This could prevent the Group from meeting its minimum funding requirements.

The Group has reduced its reliance on Eurosystem Funding by more than two thirds from its peak in 2011. Any replacement funding that the Group may need to source may not be available on equally favourable terms and may be at a more expensive rate than the Eurosystem Funding and this could have a negative impact on the Group.

In the unlikely event that the Group could not generate sufficient liquidity from market sources including deposits and standard Eurosystem Funding, it would be necessary to seek an alternative source of funding from the monetary authorities.

Credit Ratings

The Group's credit ratings are subject to change and could be downgraded as a result of many factors, including a reduction in the Group's credit strength and that of its collateral, Group's profitability, Group's capital ratios or the failure of the Group to implement its strategies successfully. Any reduction in ratings could result in an increase in the costs of, and a reduction in the availability of, wholesale funding and deposit arrangements and trigger additional collateral requirements in derivatives contracts and other secured funding arrangements.

As a result, any reductions in the Group's long-term or short-term credit ratings could adversely affect the Group's access to liquidity and its competitive position, increase its funding costs and have a material adverse impact on the Group's earnings, cash-flow and financial condition.

Sovereign Risk

As at 30 June 2015, the long-term (outlook) / short-term sovereign credit ratings for Ireland were Baa1 / P-2 from Moody's and A+ / A-1 Standard and Poor's. These ratings reflect the improved outlook for the state since exiting the EU/IMF bailout in December 2013. However, any downgrades in these ratings would be likely to impact on sourcing market funding for the State. This in turn would likely impact on the Groups' ability to access markets.

If sentiment towards Ireland, the banks and/or other financial institutions operating in Ireland (including the Group) were to deteriorate, this could have a material adverse effect on the Group's results and financial strength, this could also restrict its ability to source regulatory capital and funding.

Market Risk

Market risk is the risk of change in fair value of a financial instrument due to changes in equity prices, property prices, interest rates or foreign currency exchange rates. The Group's earnings or capital, or its ability to meet its business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as interest rates, credit spreads, equity prices or foreign exchanges rates.

Changes in interest rate levels and spreads may affect the interest rate margin realised between lending and borrowing rates, the impact of which may be heightened during periods of liquidity stress, such as those experienced in the past 5-6 years.

The results of the Group's banking operations are affected by the management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of the Group's assets and liabilities and any gap position resulting from this composition can cause income to vary with changes in interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period will, in the event of changes in interest rates, have an effect on the results from the banking business.

In particular a large portion of the Group's mortgage book consists of tracker mortgages where the loans are priced at fixed margins over the ECB refinancing rate, which does not therefore allow the Group the flexibility to vary the rate where it would otherwise be desirable or appropriate to do so, in response to market movements. It is difficult to hedge the basis risk engendered by income being related to ECB rates, whereas funding is related to the higher money market rates.

Interest rates are impacted by factors outside of the Group's control, including the fiscal and monetary policies of governments and central banks as well as political and economic conditions. The mortgage portfolio of the Group includes Irish and UK tracker mortgages with rates defined by the ECB or the Bank of England and also includes variable interest rate mortgages with rates set by the Group. Continual low interest rates will continue to exert downward pressure on net interest income.

Conversely, a rise in interest rates could, in the absence of a corresponding improvement in customer earnings, could put pressure on borrowers who may now be accustomed to the current low interest rate environment.

While the Group has implemented risk management methods to mitigate and control these and other market risks to which it is exposed, it may be difficult, particularly in the current environment, to predict with accuracy changes in economic or market conditions and to anticipate the impact that such changes could have on the Group's financial performance and prospects.

Operational Risk

The Group's businesses are dependent on their ability to process and report, accurately and efficiently, a large number of complex transactions across numerous and diverse products, while complying with different legal and regulatory regimes.

Although the Group has implemented risk controls and loss mitigation actions designed to identify and rectify weaknesses in existing procedures, this system of internal controls is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring.

Any weakness in the Group's internal control systems or breaches or alleged breaches of such laws or regulations could result in increased regulatory supervision, enforcement actions and other disciplinary action, and have a material adverse impact on the Group's results, financial condition and prospects, as well as reputational damage which could exacerbate such adverse impact.

A key objective is to create a culture of risk awareness where all staff have an understanding of operational risk and the role they each play in ensuring that any impacts/losses are minimised.

The Group is exposed to a range of operational risks as a direct and indirect consequence of its daily business activities. These risks are an inherent part of the execution of its business, and include the following:

- Human error:
  - arising from potentially inadequate or failed internal processes (including financial reporting and risk monitoring processes);
  - poor external service delivery or inadequate internal management of third-party service providers;
  - implementation of new products and processes.
- IT or equipment failures:
  - risk of partial or complete failure of some or all of the Group's IT systems, including any potential weaknesses in, or failure of, the Group's 'business continuity' strategy and systems;
  - failure of external systems and controls such as those of the Group's suppliers or counterparties (supplier and counterparty systems, controls, and a significant element of such risks being entirely outside the control of the Group);
  - capture and retention and disposal of customer and Group data;
  - risk of a cyber-attack against the Group and its IT and account management systems and the reputational damage the Group would suffer as a result of any such attack. This would include denial of service attacks;
  - risk of external fraud, being customer or third party fraud against the Group such as card skimming or cloning.

This exposes the Group to customer redress, administrative actions or sanctions, potential loss of customers and the potential requirement to hold additional regulatory capital.

Reputation Risk

Reputation risk, meaning the risk to earnings and capital from negative public opinion, is inherent in the Group's business. Negative public opinion can result from the actual or perceived manner in which the Group conducts its business activities, from the Group's financial performance, from the level of direct and indirect Government support or from actual or perceived practices in the banking and financial industry. It is often observed that reputational risk is in fact a consequence of other risks. Negative public opinion may adversely affect the Group's ability to keep and attract customers and, in particular, corporate and retail deposits which in turn may adversely affect the Group's financial condition and results of operations. The Group cannot be sure that it will be successful in avoiding damage to its business from reputational risk.

Reputational risk may arise due to perceived high mortgage interest rates. The Central Bank has confirmed that the fair treatment of mortgage holders is one of its key priorities. In particular, the Central Bank has stated that it is examining the manner in which lenders are treating new and existing variable rate mortgage holders when determining and implementing rate changes. It has emphasised that mortgage interest rates and charges (in particular the rates set for standard variable rate mortgages, which banks generally have the right to vary unilaterally) should be set in a transparent, fair and consistent manner that does not disadvantage certain groups of customers, especially those that are less able to switch mortgage.

Legal and Regulatory Risk

The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory investigation and other risk. The Group is and may become involved in various disputes and legal proceedings. Disputes and legal proceedings in which the Group may be involved are subject to numerous uncertainties and the outcomes of such disputes are often difficult to predict, particularly in the early stages of a case or investigation.

Adverse regulatory action or adverse judgments in litigation could result in a monetary fine or penalty, adverse monetary judgment or settlement and/or restrictions or limitations on the Group's operations or result in a material adverse effect on the Group's reputation. Relevant internal and external legal expertise is retained to mitigate associated risks as appropriate.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Group operates may adversely affect the Group's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements.

Irish Bank Resolution Corporation ("IBRC")

The Group may be exposed to potential regulatory action arising from certain transactions between the Group and IBRC (formerly known as Anglo Irish Bank Corporation plc) which were made public in February 2009.

The Group has no reason to believe that any such litigation and/or regulatory action in respect of transactions with IBRC will have a material effect on its results of operation, profit or loss and financial condition.

Tracker Mortgages

The mortgage market in Ireland, particularly in relation to the practice of implementing mortgage rate changes, is subject generally to heightened scrutiny.

The Group is at risk by the Central Bank of potential sanctions or penalties, pursuant to the Administrative Sanctions Regime or otherwise, in respect of either perceived or actual failure to act or document appropriately in its dealings with mortgage customers (aside from the question of whether the Group's terms and conditions comply with legal and regulatory requirements). This particularly relates to customers with a tracker mortgage condition at the end of a fixed rate term that were not advised that they would not be provided with that option as a result of their decision to exit the fixed term early.
The tracker mortgage condition issue is subject to an Enforcement investigation by the Central Bank. Any such review or investigation, and any related litigation or regulatory action, could adversely affect the Group's results and could result in negative public opinion towards the Group.

Regulation

The regulatory regime requires the Group to be in compliance with standards applicable to many of its activities. If the Group fails to comply with any relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by regulatory or supervisory authorities.

The Group's current market environment is experiencing increased levels of regulatory and Irish Government intervention in the banking, personal finance and real estate sectors. Future changes in law, regulation, fiscal or other policies are unpredictable and beyond the Group's control and could materially adversely affect the Group, particularly to the extent that the Group fails to comply with such changes, whether by reason of being unaware of them or otherwise.

Regulators and other bodies both in Ireland and worldwide have produced a range of proposals for future legislative and regulatory changes which could impose operational restrictions on the Group, cause the Group to raise further capital, increase the Group's expenses and/or otherwise adversely affect the Group's business, results of operations, financial condition and prospects. These include, amongst others:

- Central Bank Guidelines on Mortgages - On 9 February 2015, the Central Bank introduced new regulations, the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirement) Regulations 2015, which implement new macro-prudential measures in an effort to enhance the resilience of the Irish retail mortgage banking sector and households to housing market developments.
- Supervision by the ECB - Banking activities in Ireland are regulated and supervised by:
    - The ECB under the SSM Regulation - Under the SSM Regulation, the ECB is responsible for all core banking supervisory responsibilities which includes authorisations, capital adequacy, large exposures, liquidity and qualifying holdings. The Group has been designated as a significant credit institution for the purposes of the SSM on the grounds that the total value of the Group's assets exceeds €30bn, and as such, from 4 November 2014 it has been directly supervised by the ECB through the Joint ECB/CBI Supervisory Team.
    - The Central Bank Acts and related legislation - The Central Bank remains responsible in Ireland for all areas of supervision not allocated to the ECB under the SSM Regulation, including conduct of business rules and the protection of customer interests, and all other matters falling outside the scope of the SSM Regulation.

Conduct risk

Conduct risk is the risk of a bank or other licensed institution such as PTSB failing to secure good customer outcomes resulting in detrimental outcome for the Group (such as fines, operational, reputational or brand damage which might lead to requirements to amend sales processes, withdraw products or provide restitution, resulting in significant costs or provisions).

Conduct risk can arise from an institution's failure to ensure that its products and services are suitable for the customers they are sold to, from conflicts of interest embedded into financial structures, processes and management, from poor culture and incentives or flawed documentation, from information asymmetries and from a failure to act in the best interests of customers. Conduct risk is an increasing area of regulatory focus.

Negative public 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 and financial industry. Negative public opinion may adversely affect the Group's ability to keep and attract customers and, in particular, corporate and retail deposits which in turn may adversely affect the Group's financial condition and results of operations.

Failure to adequately address conduct risk in a timely manner, or at all, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Restructuring Risk

On 9 April 2015, the European Commission approved the final decision clearing all State Aid granted to the Group. The Restructuring Plan Term Sheet in relation to that decision sets out the terms for the restructuring of the Group which Ireland has committed to implement. The Restructuring Plan Term Sheet imposes certain restrictions on the Group's ability to operate its business as it would otherwise have done so, which may have a negative impact on the Group.

A failure to comply with the conditions and restrictions set out in the Restructuring Plan Term Sheet could lead to the need for further action by the European Commission, which in turn could lead to material and significant adverse outcomes for the Group. These could include a requirement that the Group dispose of a significantly larger proportion of its assets and/or agree to a significantly more stringent divestment timetable or more onerous behavioural restrictions than those included in the Restructuring Plan Term Sheet. In addition the European Commission could envisage other options which could include in extreme circumstances liquidation of the Group or alternatively the European Commission may require the Irish Government to recover the State aid from the Group.

Additionally, the Group could be subject to a variety of risks as a result of implementing the Restructuring Plan Term Sheet in relation to the deleveraging and disposal measures. In particular, should the Group fail to complete the divestments required by the Restructuring Plan Term Sheet, within the relevant time periods set out in the Restructuring Plan Term Sheet, a divestiture trustee(s) could be appointed by the European Commission to conduct the sale with a mandate to complete any such disposal on terms which could be materially adverse to the Group.

Strategic Risk

Strategic risk is the risk of uncertainties and untapped opportunities embedded in your strategic intent and how well they are executed. The Group has identified and set strategic plans and financial targets for the Group, including, *inter alia*, growing its market share in selected products, such as mortgages and current accounts, while achieving an investible Return on Equity for the Group by 2018 (based on a notionally fully loaded 11% CET1 Ratio).

The targets set out in the Group's strategic plans rely, in part, on the proper implementation of those strategies by the Group, for example, the continuation of reduced deposit pricing combined with competitively priced new lending and reduced wholesale funding costs. There is a risk that the Group may not be able to continue to deliver new products or existing products at acceptable margins. There is also a risk that future regulation may change the nature of product charging and/or sales in a way that impacts the Group's ability to deliver the planned income, that its chosen business model proves to be inappropriate, or that customers are not attracted by the products and services on offer.

Competition may increase in some or all of the Group's principal markets or products and this may have a material adverse effect on the Group's business, results of operation, financial condition and prospects.

The Group's business may be impacted by competitor actions, primarily on competitors deposit and mortgage products. The Group's business could be impacted by reductions in the variable interest rates (potentially driven by increased competition or through regulatory intervention) that it applies to both its Front Book Mortgages and Back Book Mortgages, which could adversely impact the Group's Net Interest Margin. Competition may intensify further in response to consumer demand, technological changes, the impact of consolidation by the Group's competitors, regulatory actions and other factors.

Outsource Risk

The Group is dependent on the performance of third-party service providers for critical aspects of its business. The dependency of the Group on such third-party service providers is a risk to the Group, and in particular risks may arise in any of the following circumstances:

- failure by such third-parties to perform their contractual obligations;
- inadequate business continuity management on the part of the third-party service provider;
- insolvency of such third-parties; and/or
- liability of the Group for the actions or omissions of such third-parties (including without limitation data protection issues).

Third-party service providers could fail to successfully perform the services for which they have been engaged, either as a result of their own fault or negligence, or due to the Group's failure to properly supervise any such service providers. This could have a material adverse effect on the Group's results while having negatively impacted its reputation among customers and counterparties.

Employee Risk

The Group's success depends in part on the continued service of key members of its management team and skilled personnel. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the Group's strategy of building a safe, stable and resilient Group. The successful implementation of this and other elements of the Group's strategy more broadly depends on the availability of skilled management, at its head office, in its branches, and at each of its business units.

The Group's performance, control and operational risks may be adversely affected if the Group or one of its business units or other functions are not adequately staffed, such as losing one or more of its key senior managers and fails to replace them in a satisfactory and timely manner. Likewise, if the Group fails to attract and appropriately train, motivate and retain qualified professionals, its business may also be affected.

Restrictions currently imposed on the remuneration of key executives pursuant to the 2011 Placing Agreement and the Relationship Framework, or any other external constraints which may be placed on the Group in this regard, may also impact on the Group's ability to attract and/or retain appropriately skilled personnel which in turn could have a material adverse effect on the Group.

Data Protection Risk

The Group is subject to regulation regarding the use of personal customer data. The Group processes personal customer data (including for example name, address and bank details of customers) as part of its business, some of which may be sensitive personal data, and therefore the Group must comply with strict data protection and privacy laws and regulations. The Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen, or processed in breach of data protection and privacy laws and regulations.

Government Control, Intervention and Policy

The Irish Government (through the Minister for Finance) is the largest holder of Ordinary Shares in the Company, holding approximately 74.9% of the existing Ordinary Shares. Through the Irish Government's shareholding in the Group and the Minister for Finance's relationships with the Group, the Minister for Finance is in a position to exert significant influence over the Group and its business. The Irish Government (through the Minister for Finance) could exercise its voting rights in a manner which is not aligned with the interests of the Group or its other Shareholders. Such a holding may also adversely impact on liquidity of the Ordinary Shares, or the price at which they may be bought or sold.

The Minister for Finance may subsequently sell all or some of its holding in the Company and such sales, or the perception of the likelihood of future occurrence of such shares, could have an adverse impact on the price of Ordinary Shares.

A general election must be held in Ireland no later than 9 April 2016. As a result of this general election, a new Irish Government consisting of different members or parties may be elected. This new Irish Government may not continue the policies of the current government, and such policy changes could have a significant impact on the Group.

Both Irish Government and UK government policy in respect of the banking sector, including its recapitalisation and structure, has and will continue to have a major impact on the Group. Both the Irish Government and the UK government can implement their policies by utilising their powers under existing legislation, the introduction of new or amended legislation or, in the case of the Group and the Irish Government, the exercise of the Irish Government's shareholder and other rights. The current policies of either government may not be continued and the introduction of new policies or the amendment of existing policies could have a significant impact on the Group.

Irish parliamentary Banking Inquiry

On 7 May 2014, formal steps began to establish the Banking Inquiry under the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013. On 14 May 2014, a Joint Committee of the Oireachtas was appointed and it has proposed the following terms of reference for the Banking Inquiry:

"To inquire into the reasons Ireland experienced a systemic banking crisis, including the political, economic, social, cultural, financial and behavioural factors and policies which impacted on or contributed to the crisis, by investigating relevant matters relating to banking systems and practices, regulatory and supervisory systems and practices, crisis management systems, and policy responses and the preventative reforms implemented in the wake of the crisis."

The Group's reputation is one of its most important assets. The Group's ability to attract and retain customers and conduct business with its counterparties could be adversely affected as a result of the Banking Inquiry, any public debate which will surround it and, ultimately, any findings which it makes.

The Banking Inquiry may also result in the Group incurring costs in facilitating and engaging with the investigation and may result in further investigations into the Group's conduct.

Responsibility Statement

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

Each of the Directors, whose names and functions are listed from page 39 to 41 in the 2014 Annual Report, confirms that to the best of each person's knowledge and belief:

- the condensed consolidated financial statements, prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 30 June 2015, and its loss for the year then ended; and

- that as required by the Transparency (Directive 2004 / 109 / EC) Regulations 2007, the Interim Financial Report includes a fair review of:
  (a) important events that have occurred during the first six months of the year, and their impact on the condensed consolidated financial statements;
  (b) a description of the principal risks and uncertainties for the remaining six months of the financial year (see pages 27 to 33); and
  (c) details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2015, or material changes to related parties transactions described in the 2014 Annual Report for the year ended 31 December 2014.

The Directors are responsible for the integrity of the corporate and financial information as presented on the Bank's website.

On behalf of the Board

Alan Cook
Group Chairman

Jeremy Masding
Group Chief Executive Officer

Glen Lucken
Group Chief Financial Officer

28 July 2015

Independent review report to Permanent TSB Group Holdings plc

Report on the condensed consolidated financial statements

Our conclusion
We have reviewed the condensed consolidated financial statements, defined below, in the Interim Financial Report of Permanent TSB Group Holdings plc for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed
The condensed consolidated financial statements, which are prepared by Permanent TSB Group Holdings plc for, comprise:

- the condensed consolidated statement of financial position as at 30 June 2015;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the condensed consolidated financial statements.

As disclosed in note 1.2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated financial statements included in the Interim Financial Report have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

What a review of condensed consolidated financial statements involves
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.

We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

Responsibilities for the condensed consolidated financial statements and the review

Our responsibilities and those of the directors
The Interim Financial Report, including the condensed consolidated financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

Our responsibility is to express to the company a conclusion on the condensed consolidated financial statements in the Interim Financial Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with 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 giving this conclusion, 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.

PricewaterhouseCoopers
Chartered Accountants
Dublin
28 July 2015

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Condensed Consolidated Income Statement (Unaudited)

For the half year ended 30 June 2015

	Notes	**Half year ended 30 June 2015**	Half year ended 30 June 2014
		€m	€m
Interest income	3	**378**	453
Interest expense	3	**(220)**	(327)
Net interest income		**158**	126
Fees and commission income		**27**	30
Fees and commission expense		**(9)**	(8)
Net trading (expense)/income		**(1)**	7
Other operating income		**-**	8
Other operating expense		**(3)**	(4)
Total operating income		**172**	159
Administrative, staff and other expenses (excluding exceptional items)	4	**(137)**	(172)
Depreciation of property and equipment		**(7)**	(5)
Amortisation of intangible assets		**(3)**	(4)
Exceptional items			
Loss on disposal of assets	5	**(380)**	-
Loss on repurchase of Contingent Capital Notes	20	**(52)**	-
Total operating expenses		**(579)**	(181)
Operating loss before charge for impairment		**(407)**	(22)
Impairment charge			
Loans and advances to customers	13(a)	**(23)**	(148)
Repossessed assets	13(c)	**(1)**	(1)
Total Impairment charge		**(24)**	(149)
Loss before taxation		**(431)**	(171)
Taxation	6	**21**	(29)
Loss for the period		**(410)**	(200)
Attributable to:			
Owners of the holding company		**(410)**	(200)
		(410)	(200)
Loss per share		**€ Cent**	€ Cent
			*Restated
Basic loss per share of €0.5 ordinary shares	7	**(104.2)**	(54.8)
Diluted loss per share of €0.5 ordinary shares	7	**(104.2)**	(54.8)

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the half year ended 30 June 2015

	Notes	**Half year ended 30 June 2015**	Half year ended 30 June 2014
		€m	€m
Loss for the period		**(410)**	(200)
Other comprehensive income, net of tax:			
Items that will not be reclassified to the income statement in subsequent periods			
Tax relating to items that will not be reclassified to income statement	6	**-**	-
Items that may be reclassified to the income statement in subsequent periods			
Change in value of available-for-sale ("AFS") financial assets			
Change in fair value of AFS financial assets	6	**(27)**	17
Transfer to income statement on asset disposals	6	**-**	(3)
Cash flow hedge reserve			
Change in fair value recognised in equity	6	**18**	(24)
Tax relating to items that will be reclassified to income statement	6	**1**	1
Other comprehensive income, net of tax		**(8)**	(9)
Total comprehensive income for the period, net of tax		**(418)**	(209)
Attributable to:			
Owners of the holding company		**(418)**	(209)
		(418)	(209)

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2015

	Notes	30 June 2015	31 December 2014
		€m	€m
Assets			
Cash and balances with central banks	8	**61**	89
Items in course of collection	8	**34**	33
Assets classified as held for sale	27	**1,131**	1,030
Debt securities	9	**4,200**	5,326
Derivative assets	10	**54**	124
Loans and advances to banks	11	**1,603**	1,768
Loans and advances to customers	12,13	**22,940**	27,206
Prepayments and accrued income		**34**	57
Property and equipment		**96**	100
Intangible assets		**50**	68
Other assets	15	**3,117**	103
Deferred tax assets	14	**410**	389
Total assets		**33,730**	36,293
Liabilities			
Deposits by banks (including central banks)*	16	**8,819**	9,107
Customer accounts	17	**19,581**	20,438
Debt securities in issue	18	**1,395**	3,425
Derivative liabilities	10	**492**	435
Accruals		**15**	18
Current tax liability		**3**	2
Liabilities classified as held for sale	27	**776**	-
Other liabilities		**141**	83
Provisions for liabilities and charges	19	**130**	118
Subordinated liabilities	20	**21**	387
Total liabilities		**31,373**	34,013
Equity			
Share capital	21	**1,257**	1,212
Share premium	21	**1,820**	1,492
Other reserves	21	**(677)**	(669)
Retained earnings	21	**(165)**	245
Shareholders' equity		**2,235**	2,280
Other equity instruments	21	**122**	-
Total equity		**2,357**	2,280
Total liabilities and equity		**33,730**	36,293

*Deposits by banks (including central banks) includes €3.7bn (31 December 14: €4.9bn) of ECB funding.

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Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the half year ended 30 June 2015

	Attributable to owners of the holding company											
	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Share based payments reserve	Other capital reserve	Other equity instruments	Retained earnings	Total
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
As at 1 January 2015	**1,212**	**1,492**	**118**	**11**	**114**	**(56)**	**-**	**-**	**(856)**	**-**	**245**	**2,280**
Loss for the period ended 30 June 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(410)**	**(410)**
Other comprehensive income, net of tax (note 22)	**-**	**-**	**-**	**-**	**(24)**	**16**	**-**	**-**	**-**		**-**	**(8)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(24)**	**16**	**-**	**-**	**-**	**-**	**(410)**	**(418)**
Transactions with owners, recorded directly in equity:												
Reorganisation of share capital												
Contributions by and distributions to owners												
Issue of share capital	**45**	**357**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**402**
Issue of other equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**125**	**-**	**125**
Issuance cost of share capital	**-**	**(29)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**	**(32)**
Total contributions by and distributions to owners	**45**	**328**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**122**	**-**	**495**
Balance as at 30 June 2015	**1,257**	**1,820**	**118**	**11**	**90**	**(40)**	**-**	**-**	**(856)**	**122**	**(165)**	**2,357**

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the half year ended 30 June 2014

	Attributable to owners of the holding company										
	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Share based payments reserve	Other capital reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January 2014	1,212	1,492	118	6	122	(56)	(1)	1	(856)	346	2,384
Loss for the period ended 30 June 2014	-	-	-	-	-	-	-	-	-	(200)	(200)
Other comprehensive income, net of tax (note 22)	-	-	-	-	12	(21)	-	-	-	-	(9)
Total comprehensive income for the period	-	-	-	-	12	(21)	-	-	-	(200)	(209)
Transactions with owners, recorded directly in equity:											
Contributions by and distributions to owners											
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2014	1,212	1,492	118	6	134	(77)	(1)	1	(856)	146	2,175

Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the year ended 31 December 2014

	Attributable to owners of the holding company										
	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Share based payments reserve	Other capital reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January 2014	1,212	1,492	118	6	122	(56)	(1)	1	(856)	346	2,384
Loss for the year ended 31 December 2014	-	-	-	-	-	-	-	-	-	(102)	(102)
Other comprehensive income, net of tax (note 22)	-	-	-	5	(8)	-	1	-	-	-	(2)
Total comprehensive income for the period	-	-	-	5	(8)	-	1	-	-	(102)	(104)
Transactions with owners, recorded directly in equity:											
Contributions by and distributions to owners											
Transfer to retained earnings	-	-	-	-	-	-	-	(1)	-	1	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	(1)	-	1	-
Balance as at 31 December 2014	1,212	1,492	118	11	114	(56)	-	-	(856)	245	2,280

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the half year ended 30 June 2015

	Notes	Half year ended 30 June 2015 €m	Half year ended 30 June 2014 €m
Cash flows from operating activities			
Loss before taxation for the period		**(431)**	(171)
Adjusted for:			
Depreciation, amortisation and impairment of property, equipment and intangibles		**27**	26
Impairment losses in period:		**24**	149
Loss on derecognition of loan portfolios		**380**	-
Gain on revaluation of property		**-**	-
Unrealised losses/(profits) on financial assets		**1**	(7)
Interest on subordinated liabilities		**25**	32
Loss on debt securities buyback programmes		**-**	3
Loss on repurchase of subordinated liabilities		**51**	-
Other mortgage related adjustments		**13**	13
Other provisions		**(20)**	5
Movement in debt securities including maturities, purchases and sales		**1,090**	-
Other movements		**(151)**	392
Net cash outflow from operating activities before taxation		**1,009**	644
Tax paid		**-**	
Net cash outflow from operating activities		**1,009**	644
Cash flows from investing activities			
Purchase of property and equipment		**(4)**	(6)
Proceeds from sale of property and equipment		**2**	1
Purchase of intangible assets		**(4)**	(2)
Increase in restricted cash		**(70)**	(561)
Net cash (outflow) / inflow from investing activities		**(76)**	(568)
Cash flows from financing activities			
Interest paid on subordinated liabilities		**(1)**	-
Redemption/maturity of debt securities in issue	18	**(1,513)**	(243)
Redemption of subordinated liabilities		**(442)**	-
Issuance of debt securities in issue	18	**300**	81
Proceeds from issue of ordinary shares	21	**381**	-
Proceeds from AT1 issue	21	**122**	-
Net cash (outflow) / inflow from financing activities		**(1,153)**	(162)
(Decrease) / increase in cash and cash equivalents		**(220)**	(86)
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		**660**	721
(Decrease) / increase in cash and cash equivalents		**(220)**	(86)
Effect of exchange translation adjustments		**58**	16
Cash and cash equivalents as at period end*	8	**498**	651

*The cash and cash equivalents exclude restricted cash as per note 8

Notes to the Condensed Consolidated Financial Statements (Unaudited)

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1. Corporate information, basis of preparation and significant accounting policies and estimates and judgements

1.1 Corporate information

Permanent TSB Group Holdings plc is a holding company domiciled in Ireland. Its registered office is situated at 56 - 59, St. Stephen's Green, Dublin 2, Ireland. The holding company's shares are listed on the main market of the Irish and London Stock Exchanges.

The condensed consolidated interim financial statements ("condensed financial statements") include the financial statements of Permanent TSB Group Holdings plc (the "Company") and its subsidiary undertakings, (together referred to as "the Group" or "PTSBGH" where appropriate), and are prepared for the period up to the end of the half year, 30 June 2015. The condensed financial statements for the half year ended 30 June 2015 are unaudited but have been reviewed by the independent auditor whose report is set out earlier in this report.

Permanent TSB plc ("PTSB"), a 100% owned subsidiary of PTSBGH, is the main trading entity of the Group which is primarily involved in retail banking.

These condensed financial statements were approved by the Directors on 28 July 2015.

The accounting policies applied in the preparation of the financial statements for the half year ended 30 June 2015 are set out below.

1.2 Basis of preparation

Statement of compliance
These condensed financial statements which consist of a condensed consolidated income statement, consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of changes in equity, a condensed consolidated statement of cash flows and the related notes have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and IAS 34, 'Interim Financial Reporting' as published by the International Accounting Standards Board and adopted by the EU. This report should be read in conjunction with the Annual Report and Financial Statements of the Group for year ended 31 December 2014, which was prepared in accordance with International Financial Reporting Standards (IFRSs) and the IFRS Interpretations committee (IFRIC) interpretations as adopted by the EU and with those parts of the Companies Acts 1963-2013 applicable to companies reporting under IFRS.

Basis of measurement
The condensed financial statements have been prepared on the historical cost basis except for derivative financial instruments, trading financial instruments and other financial instruments designated at fair value through profit or loss, certain risks in hedged financial instruments, financial assets classified as available for sale, property and equipment, repossessed assets and share-based payments on initial recognition which are stated at their fair values.

Statutory Accounts
These interim financial statements do not comprise statutory accounts within the meaning of the Companies Act 2014. The statutory accounts for the year ended 31 December 2014 were approved by the Directors on 10 March 2015, contained an unqualified audit report and were filed with the Companies Registration Office on 20 May 2015.

Functional and presentation currency
These financial statements are presented in euro, which is the Company's functional currency. Except where otherwise indicated, financial information presented in euro has been rounded to the nearest million ("m").

Use of estimates and judgements
The preparation of the financial statements, in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets & liabilities and income & expense. Actual results may differ from these estimates.

In preparing the 2015 Interim Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in note 2 in the 2014 Annual Report.

There have been no significant changes to the Group's approach to making critical accounting estimates and judgements from those applied at 31 December 2014.

1.3 Going Concern

Assessment basis
The time period that the Directors and Management have considered in evaluating the appropriateness of the going concern basis in preparing the condensed consolidated financial statements for the six months ended 30 June 2015 is a period of 12 months from the date of approval of these condensed financial statements ("the period of assessment").

In making this assessment, the Directors and Management have considered the Group's 2015-2017 Revised Annual Forecast, profitability forecasts, funding and capital resource projections under base and stress scenarios applied by the Group, together with a number of factors such as the outlook for the Irish economy, Government's fiscal policies, the availability of collateral to access funding through the euro system and ongoing changes in the regulatory environment. Further, the Group's strategic outlook has continued to improve, both from the perspective of the macroeconomic environment and the Group's performance.

Directors and Management have also taken into consideration the following matters in making their assessment of applicability of going concern for the Group:

1. Corporate information, basis of preparation and significant accounting policies and estimates and judgements (continued)

Economic & political environment
The Group continues to be materially reliant on Government and European Union policy in relation to the Irish economy and the financial services sector. In this context it is important to note Ireland's exit from the Programme for External Support at the end of 2013 and the rating upgrade of the Irish sovereign to investment grade. Capital markets have shown continuing signs of stability despite ongoing difficulties facing the Eurozone. The Group has successfully concluded a number of transactions including equity, AT1, unsecured and secured debt, as well as asset disposals. At a macroeconomic level, property prices and unemployment continue to show signs of recovery in 2015.

The potential impact of these economic, political and market risks and uncertainties are inherent in the Group's businesses and continue to impact the Group. These include risk of house price falls and risk of deterioration of unemployment together with lower income levels. The risks have a direct impact on the Group's loan arrears levels, impairment provisions and as a consequence, profitability and regulatory capital levels. Directors and Management have considered these factors, and in particular, further house price falls and potential increase in the level of arrears under a stress case and the impact that these may have on the Group's performance and are satisfied that the Group is adequately capitalised in any such events. Notwithstanding these developments, the Group has continued to incur losses however these losses are mainly due to planned deleveraging sustained by the Group.

Restructuring plan
The Restructuring Plan was approved in April 2015. The Group continues to monitor the progress against the term sheet agreed by the Group, and has concluded that no issues are currently expected to arise which would cast doubt on the ability of the Group to continue as a Going Concern.

Liquidity
The Group's liquidity position has remained broadly unchanged since December 2014. This is despite the repayment of €1.4bn medium term note ("MTN") funding in March 2015. The Group continues to undertake a number of initiatives to further improve its liquidity position in the areas of deposits, collateral optimisation, wholesale markets activity and deleveraging. The Directors and Management have also considered forecasts of the liquidity position over the going concern period under a range of scenarios.

Notwithstanding the above, the Group continues to utilise the normal operations of the ECB for liquidity and funding during the period of assessment and the Directors and Management are aware that the Group's ability to continue to access system liquidity and funding will be dependent on the Group having sufficient eligible collateral. However, the Directors and Management are satisfied, based on review of funding plans, interaction with wholesale markets and deposit trends that the required liquidity and funding will be available to the Group during the period of assessment, and does not cast significant doubt on the ability of the Group to continue on a Going Concern basis for the foreseeable future.

Profitability and capital adequacy
The Group in 2015 continues to be loss making, and therefore uncertainty over the return to profitability needs to be considered. Notwithstanding that, during 2015 there has been a continued improvement in profitability driven by the reduction in impairment charges. Directors and Management have reviewed the Revised Annual Forecast and based on this, the macro economic conditions of the country and the planned resolution of legacy issues Directors and Management are satisfied that the Group is on track to a return to profitability in a sustainable business model in the future.

The Group's Transitional CET1% has improved for the half year 30 June 2015 reflecting the Capital Raise and reducing risk weighted assets. Directors and Management have also considered the forecast sufficiency of this capital base, including further intended deleveraging and its ability to withstand additional stress scenarios, such as the economic environment in Ireland worsening further. On the basis of the above considerations, the Directors and Management have concluded that capital adequacy does not give rise to a material uncertainty which would cast significant doubt on the ability of the Group to continue on a Going Concern basis for the foreseeable future.

Conclusion
As required by IFRS as adopted by the EU, Directors and Management have considered the principal risks/uncertainties facing the Group as outlined above. Based on the latest and projected financial performance and position, the Directors consider it appropriate to prepare the condensed financial statements on a going concern basis.

1.4 Comparative information
The comparative information for 2014 has been prepared on a consistent basis, other than changes to Operating segments (note 2), average staff numbers (note 4) and Loss per share (note 7) to more appropriately reflect and enhance comparability.

Operating segments
During 2015, the Group completed a reorganisation of its operating structure. The Group is now structured into two operating segments which reflect the internal financial and operational reporting structure. Further details of this reorganisation are provided in note 2.

Average staff numbers
The calculation of average staff number was updated during the second half of 2015 to include persons on maternity leave. Further details are provided in note 4.

Loss per share
The number of ordinary shares in issue changed during the period as a result of a Share reorganisation and Capital Raise which took place during the period. Refer to share capital note 21 for further details.

1.5 Summary of significant accounting policies
The accounting policies applied by the Group in the preparation of these condensed financial statements are consistent with those set out in note 1 of the 2014 Annual Report, except for the adoption of any new standards and interpretations effective as of 1 January 2015.

The Group applied, for the first time, certain amendments from the Annual Improvement Cycle 2011-2013 which were effective on the 1 January 2015, none of which resulted in any change to the Group Financial Statements.

2. Operating segments

During 2015, the Group completed a reorganisation of its operating structure. The Group is structured into two operating segments which reflect the internal financial and operational reporting structure, Core Bank and Non-Core Business. Previously, the Group operated on a three SBU ("Strategic Business Unit") structure including PTSB, AMU and Non-Core. PTSB and AMU has been amalgamated into one segment, 'Core Bank' and is reported to key management personnel on this basis.

Core Bank:

The Core Bank is the core commercial part of the Group which offers a comprehensive range of retail banking products through multiple channels, in addition to corporate and institutional deposits, and which manages, through the AMU platform, the Group's non-performing and/or high risk home loans, buy-to-let and unsecured loan portfolios.

Non-Core Business:

The Non-Core Business comprises of UK businesses and Irish portfolios.

Non-Core UK, which comprises (i) a sterling residential mortgage portfolio of mostly buy-to-let loans (predominantly tracker), (the portfolio is managed by the CHL loan servicing platform which the Group has agreed to sell together with CHL itself and a portfolio of approximately €3.5bn of such mortgage loans (de-recognition of €3.5bn of loans has occurred as a result of regulatory approval)); (ii) a legacy portfolio of residential mortgages, held by an Isle of Man based subsidiary, Irish Permanent (IOM) Limited; and (iii) a deposit-taking business in the Isle of Man, operated through Permanent Bank International Limited ("PBI"); and

Non-Core Ireland, which comprises an Irish commercial real estate portfolio incorporating both performing and non-performing components. The Group is in the process of deleveraging this portfolio and a significant proportion has been classified as Held for Sale.

All portfolios comprised within the Non-Core Business are closed for new business, with the exception of PBI, which is included within the Non-Core Business (specifically the UK element thereof) as it facilitates the Group in hedging its foreign exchange exposure more efficiently.

The Executive Committee ("ExCo") as the Chief Operating Decision Maker ("CODM"), is responsible for implementing the strategic management of the Group as guided by the Board. The ExCo reviews key performance indicators and internal management reports on a monthly and quarterly basis.

The accounting policies of the segments are in line with those of the Group. Transactions between the reportable segments are on normal commercial terms and conditions. The primary performance measure utilised by the ExCo for the reportable segments is net interest income, impairments and profit before tax.

The Group operates a funding mechanism which allocates the funding and related costs across the Core/Non-Core SBUs. For the purposes of the segmental analysis the income / (expense) in respect of this intergroup funding is reported in the internal customers in net interest income, while on the balance sheet this funding is reported on the intergroup funding line.

The Group is not reliant on revenue from transactions with a single external customer in the current or comparative reporting periods.

According to IFRS8.29, if an entity changes the structure of its internal organisation that causes the composition of its reportable segment to change, the corresponding information for comparative period shall be restated. The Group has restated the comparative information based on the new structure.

2. Operating segments (continued)

Financial performance of the segments for the period ended 30 June 2015 and 30 June 2014 are presented below.

30 June 2015	**Core Bank**	**Non-Core**		
			Of which is UK*	**Total**
	€m	**€m**	**€m**	**€m**
Net interest income				
From external customers	**74**	**84**	**55**	**158**
From internal customers	**84**	**(84)**	**(76)**	**-**
Total Net interest income / (expenses)	**158**	**-**	**(21)**	**158**
Other banking income	**19**	**-**	**-**	**19**
Net other operating (expense)/income	**(6)**	**1**	**1**	**(5)**
Total operating income / (expenses)	**171**	**1**	**(20)**	**172**
Total operating expenses excluding exceptional items, depreciation and amortisation	**(127)**	**(10)**	**(9)**	**(137)**
Depreciation property and equipment	**(7)**	**-**	**-**	**(7)**
Amortisation of intangible assets	**(3)**	**-**	**-**	**(3)**
Total operating expenses excluding exceptional items	**(137)**	**(10)**	**(9)**	**(147)**
Operating profit / (loss) before provisions for impairments	**34**	**(9)**	**(29)**	**25**
Impairments of loans and advances and repossessed assets	**(25)**	**1**	**(3)**	**(24)**
Operating profit / (loss) before exceptional items	**9**	**(8)**	**(32)**	**1**
Exceptional items (net)				**(432)**
Operating loss before taxation				**(431)**
Taxation				**21**
Loss for the period				**(410)**

* This is based on geographical location and constitutes operations in the UK and IOM.

Financial performance of the segments for the 30 June 2014 are presented below.

30 June 2014 Restated	Core Bank	Non-Core		
			Of which is UK*	Total
	€m	€m	€m	€m
Net interest income				
From external customers	33	93	63	126
From internal customers	99	(99)	(67)	-
Total Net interest income / (expenses)	132	(6)	(4)	126
Other banking income	22	-	-	22
Net other operating income	8	3	-	11
Total operating income / (expenses)	162	(3)	(4)	159
Total operating expenses excluding exceptional items, depreciation and amortisiation	(156)	(16)	(5)	(172)
Depreciation property and equipment	(5)	-	-	(5)
Amortisation of intangible assets	(4)	-	-	(4)
Total operating expenses excluding exceptional items	(165)	(16)	(5)	(181)
Operating (loss) / profit before exceptional items and provisions for impairments	(3)	(19)	(9)	(22)
Impairments of loans and advances and repossessed assets	(101)	(48)	(18)	(149)
Operating (loss) / profit before exceptional items	(104)	(67)	(27)	(171)
Operating loss before taxation				(171)
Taxation				(29)
Loss for the period				(200)

* This is based on geographical location and constitutes operations in the UK and IOM.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

2. Operating segments (continued)

Segment assets and liabilities of the Group's operating segments and capital expenditure as at 30 June 2015 and 31 December 2014

30 June 2015	**Core Bank**	**Non-core**		
			Of which is UK*	**Total**
	€m	**€m**	**€m**	**€m**
Assets				
Held for sale	**-**	**1,131**	**689**	**1,131**
Other assets**	**25,917**	**6,682**	**6,463**	**32,599**
Total segment assets	**25,917**	**7,813**	**7,152**	**33,730**
Total segment liabilities	**23,797**	**7,576**	**7,142**	**31,373**
Total segment liabilities of which are intergroup funding	**6,186**	**(6,186)**	**(5,740)**	**-**
Capital expenditure	**7**	**-**	**-**	**7**

* This is based on geographical locations and constitutes operations in the UK and IOM.
** Included in the non-core other assets is a receivable of €3bn. This relates to loan assets derecognised as part of the CHL deleveraging transaction in 2015.

31 December 2014 Restated	Core Bank	Non-core		
			Of which is UK*	Total
	€m	€m	€m	€m
Assets				
Held for sale	-	1,030	-	1,030
Other assets	27,472	7,791	7,282	35,263
Total segment assets	27,472	8,821	7,282	36,293
Total segment liabilities	25,797	8,216	6,856	34,013
Total segment liabilities of which are intergroup funding	6,783	(6,783)	(5,422)	-
Capital expenditure	29	-	-	29

* This is based on geographical locations and constitutes operations in the UK and IOM.

3. Net interest income

	Half year ended 30 June 2015	Half year ended 30 June 2014
	€m	€m
Interest income		
Loans and advances to customers	**313**	362
Loans and advances to banks	**1**	2
Debt securities and other fixed-income securities		
- Held to maturity	**26**	30
- Available for sale ("AFS")	**28**	46
- Loans and receivables	**8**	17
- Amortisation of AFS securities reclassified to loans and receivables (note 9)	**1**	(4)
Gains on interest rate hedges on assets	**1**	-
	378	453
Interest expense		
Deposits from banks (including central banks)	**(39)**	(41)
Due to customers	**(126)**	(176)
Interest on debt securities in issue	**(6)**	(30)
Interest on subordinated liabilities	**(24)**	(32)
Fees payable on ELG Scheme (note 26)	**(9)**	(32)
Amortisation of core deposit intangibles	**(16)**	(16)
	(220)	(327)
Net interest income	**158**	126

Interest recognised on impaired loans and advances to customers was €39m (30 June 2014: €47m) and the unwind of the discount on impaired loans and advances to customers amounted to €25m (30 June 2014: €27m).

Included in net interest income are net gains / (net losses) on interest rate fair value hedges which include gains on hedging instruments of €14m (30 June 2014: loss €26m), and losses on hedged items attributable to hedged risk of €13m (30 June 2014: gain €26m).

Net interest income includes a charge in respect of deferred acquisition costs on loans and advances to customers of €12m (30 June 2014: €13m).

4. Administrative, staff and other expenses

	Half year ended 30 June 2015	Half year ended 30 June 2014
	€m	€m
Staff costs (as detailed below)	**69**	66
Other general and administrative expenses	**68**	106
Administrative, staff and other expenses	**137**	172

*Other general and administrative expenses include operating lease rentals on land and buildings of €4m (30 June 2014: €4m)

Staff costs

Period ended 30 June	**Half year ended 30 June 2015**	Half year ended 30 June 2014
	€m	€m
Wages and salaries including commission paid to sales staff	**58**	53
Social insurance	**6**	7
Pension/life/health costs	**5**	6
Total staff costs	**69**	66

Staff numbers

The number of staff employed are broken down by geographical location and by their operating segments for 30 June 2015 and 30 June 2014 in the tables below:

Closing and average number of staff (including Executive Directors) employed during the period:

	Closing staff numbers		**Restated average staff numbers***	
	Half year ended 30 June 2015	Half year ended 30 June 2014	**Half year ended 30 June 2015**	Half year ended 30 June 2014
Ireland	**2,350**	2,289	**2,249**	2,151
UK	**99**	112	**99**	112
Total	**2,449**	2,401	**2,348**	2,263

	Closing staff numbers		**Restated average staff numbers***	
Closing and average number of staff employed by the Group split by operating segment	**Half year ended 30 June 2015**	Half year ended 30 June 2014	**Half year ended 30 June 2015**	Half year ended 30 June 2014
Core Bank	**2,345**	2,289	**2,246**	2,151
Non-Core	**104**	112	**102**	112
Total	**2,449**	2,401	**2,348**	2,263

*Average staff numbers include all employees including those on maternity leave.

5. Exceptional items

At 30 June 2015, loss on disposal on deleveraged assets amounted €380m which is analysed below:

Capital Home Loans Limited ("CHL")

On the 10 March 2015, the Group entered into an agreement to sell €3.5bn (£2.5bn) of loans held by its UK business, CHL and to sell its CHL platform for servicing its UK loans. This €3.5bn of loans included £0.7bn of loans which form part of a Group securitisation. CHL is a wholly owned subsidiary of the Group and forms part of the Group's Non-Core segment.

Prior to these assets being eligible for de-recognition from the Statement of Financial Position, certain conditions needed to be fulfilled, the key consideration being regulatory approval of this sale and discharge of certain legal charges over the Company.

Following the agreement to sell announced on the 10 March 2015, the Group no longer has the economic benefits or risks in respect of these assets. Regulatory approval has been obtained during the first half of the 2015 and the legal charges have also been discharged prior to the half year. Consequently these assets have been de-recognised from the Group Statement of Financial Position for the half year ended 30 June 2015. The completion of the sale of CHL is due to finalise in the second half of the year, at which time full consideration will be received. The Group has recognised a receivable from the buyer in other assets on the statement of financial position. See note 15 for further details.

As part of the sale agreement CHL will continue to service the residual UK based assets held in a new entity setup by the Group on normal commercial terms.

The Group is expected to receive consideration of €3.0bn on completion of the sale of these assets and has recognised an anticipated loss of €0.4bn inclusive of costs. These assets sold are predominantly performing low rate interest only tracker mortgages and were sold at a discount due to the low yield on these assets.

Commercial real-estate portfolio

On the 10 March 2015, the Group agreed the sale of two portfolios of non-core loans backed largely by Irish Commercial Real Estate. The portfolios comprise approximately €1.5bn of gross loans spread across Ireland. The sale completed prior to the 30 June 2015.

The net book value of the portfolio disposed was €792m. Costs associated with the transaction were €33m. Consideration received was €831m, giving rise to a gain on sale of €6m being recognised.

Repurchase of the Convertible Contingent Capital Note

The Group recognised a loss on the repurchase of the contingent capital note during the period. See Note 20 for further details.

6. Taxation

(A) Analysis of taxation charge/(credit)

	Half year ended 30 June 2015	Half year ended 30 June 2014
	€m	€m
Current taxation		
Charge for current period	**1**	**1**
Adjustments for prior periods	**-**	**-**
	1	**1**
Deferred taxation		
Origination and reversal of temporary differences	**(22)**	**(14)**
Adjustment for prior periods	**-**	**42**
Taxation charged/(credited) to income statement	**(21)**	**29**
Effective tax rate	**5%**	**(17%)**

Income tax expense is recognised based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The Group taxation credit for the half year ended 30 June 2015 was €21m (30 June 2014: charge €29m). This credit is mainly due to (i) the inclusion of a current tax provision of €1m to cover potential tax charges which may arise on non-trade related income; (ii) a current period deferred tax credit of €22m which arises due to an increase in the deferred tax asset on tax losses carried forward of €17m due to taxable losses arising in the period, a deferred tax credit of €5m arising on other timing differences.

(B) Tax effects of each component of other comprehensive income

Half year ended 30 June 2015

	Gross	**Tax**	**Net**
	€m	**€m**	**€m**
Currency translation adjustment reserve	**-**	**-**	**-**
AFS reserve:			
- Change in AFS securities	**(27)**	**3**	**(24)**
Cash flow hedge reserve:			
- Change in fair value recognised in equity	**18**	**(2)**	**16**
Balance as at 30 June 2015	**(9)**	**1**	**(8)**

Half year ended 30 June 2014

	Gross	Tax	Net
	€m	€m	€m
AFS reserve:			
- Change in AFS securities	17	(2)	15
- Transfer to income statement on asset disposal	(3)	-	(3)
Cash flow hedge reserve:			
- Change in fair value recognised in equity	(24)	3	(21)
Balance as at 30 June 2014	(10)	1	(9)

7. Loss per share

(A) Basic loss per share

	Half year ended 30 June 2015	Restated Half year ended 30 June 2014
Weighted average number of ordinary shares in issue and ranking for dividend excluding treasury shares[1]	**393,392,675**	365,253,393
Loss for the period attributable to equity holders	**(€410m)**	(€200m)
Loss per share (€ cent)	**(104.22)**	(54.76)

(B) Fully diluted loss per share

	Half year ended 30 June 2015	Restated Half year ended 30 June 2014
Weighted average number of potential dilutive ordinary shares arising from the Group's share option schemes	**-**	-
Weighted average number of ordinary shares excluding treasury shares held under employee benefit trust used in the calculation of fully diluted loss per share	**393,392,675**	365,253,393
Loss per share (€ cent)	**(104.22)**	(54.76)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

No adjustment to the weighted average number of ordinary shares for the effects of dilutive potential ordinary shares was required for the period ended 30 June 2015, as the share options lapsed, the convertible contingent capital notes were repurchased in May 2015, and additional tier 1 securities issued during the period were assessed due to the conversion feature within the security and were found to have an anti-dilutive effect.

At 30 June 2014, the share option exercise prices were all higher than the average share price for the period and the convertible Contingent Capital notes issued in 2011 were assessed and found to have an anti-dilutive effect. As a result there was no difference in the basic and diluted loss per share.

[1]Weighted average number of shares

	2015	Restated 2014
Number of shares in issue at 1 January*	**365,257,973**	365,257,973
Treasury shares held	**(4,580)**	(4,580)
	(4,580)	(4,580)
Net movements during the period		
Weighted average shares redesignated*	**29,975**	-
Weighted average shares issued	**28,109,307**	-
Weighted average number of shares at 30 June	**393,392,675**	365,253,393

*As per IAS 33, when calculating the loss per share the weighted average number of ordinary shares outstanding during the period and all periods presented shall be adjusted for events other than the conversion of potential ordinary shares that have changed the number of ordinary shares without a corresponding change in reserves. During the period, the Group carried out a share re-organisation which had no corresponding change in reserves and this has been reflected in the comparatives.

8. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

	30 June 2015	31 December 2014
	€m	€m
Cash and balances with central banks	61	89
Items in the course of collection	34	33
Loans and advances to banks repayable on demand (maturity of less than 3 months) (note 11)	1,668	1,732
	1,763	1,854
Reclassification to liabilities classified as held for sale (note 27)	(100)	-
	1,663	1,854
Restricted cash included in loans and advances to banks repayable on demand	(1,165)	(1,194)
Cash and cash equivalents per statement of cash flows	498	660

As at 30 June 2015, restricted cash of €1,165m (31 December 2014: €1,194m) relates to cash held by the Group's securitisation entities of which €584m (31 December 2014: €474m) relates to cash collateral placed with counterparties in relation to asset derivative positions and repurchase agreement.

Cash and cash equivalents included assets classified as held for sale associated with the deleveraging transaction announced on 10 March 2015 which included an agreement to sell the CHL entity. It is the Group's expectation that derecognition will be achieved on completion which is expected in July 2015.

9. Debt securities

	30 June 2015				31 December 2014			
	HTM securities	AFS securities	Loans and receivables	Total	HTM securities	AFS securities	Loans and receivables	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Government bonds	1,555	1,611	-	3,166	1,299	2,558	-	3,857
NAMA bonds	-	-	1,020	1,020	-	-	1,276	1,276
Bonds issued by credit institutions	-	-	-	-	78	104	-	182
Other bonds	-	-	15	15	-	-	12	12
Gross debt securities	1,555	1,611	1,035	4,201	1,377	2,662	1,288	5,327
Less:								
Collective provisions (note 13(b))				(1)				(1)
Net debt securities per SOFP	1,555	1,611	1,035	4,200	1,377	2,662	1,288	5,326

The carrying value of debt securities can be analysed as follows:

	30 June 2015				31 December 2014			
	HTM securities	AFS securities	Loans and receivables	Total	HTM securities	AFS securities	Loans and receivables	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Listed	1,555	1,611	-	3,166	1,377	2,662	12	4,051
Unlisted	-	-	1,035	1,035	-	-	1,276	1,276
Gross debt securities	1,555	1,611	1,035	4,201	1,377	2,662	1,288	5,327

The impairment provision is analysed in note 13.

Debt securities, representing a mix of Government gilts, with a carrying value of €1.6bn (31 December 2014: €2.1bn) have been pledged to third parties in sale and repurchase agreements. €0.8bn (31 December 2014: €1.9bn) of these debt securities have been placed with a Government Institution. For further details refer to note 17.

As at 30 June 2015, the amount of debt securities remaining available to be used and expected to be eligible (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements as collateral had a carrying value of €2.6bn (31 December 2014: €3.2bn).

HTM securities of €1.6bn are Irish government gilts. They represent securities with fixed maturities and fixed and determinable cash flows, which the Group has the ability and intention to hold until maturity.

Loans and receivables debt securities are comprised of circa €1bn of bonds issued by NAMA and €15m of NTMA investments held by a subsidiary. They have been classified in this category as market prices are not readily available for these bonds.

9. Debt securities (continued)

AFS reclassified to loans and receivables

During the year ended 31 December 2008, the Group availed of the amendment to IAS 39 and IFRS 7 issued in October 2008, effective 1 July 2008, which permitted financial assets classified as AFS that would have met the definition of loans and receivables, had they not been designated as AFS, to be reclassified out of the AFS category to the loans and receivables category as the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

The table below sets out the financial assets reclassified and their carrying and fair values:

	Carrying value		Fair value	
	Half year ended 30 June 2015	Year ended 31 December 2014	**Half year ended 30 June 2015**	Year ended 31 December 2014
	€m	€m	**€m**	€m
AFS debt securities reclassified to loans and receivables	**-**	12	**-**	10

The movement in the carrying value of debt securities classified as loans and receivables is included in the tables below for current and prior periods.

The table below sets out the amounts actually recognised in the income statement and other comprehensive income in respect of assets reclassified out of AFS debt securities into loans and receivables.

	Income statement		Other comprehensive income	
	Half year ended 30 June 2015	Half year ended 30 June 2014	**Half year ended 30 June 2015**	Half year ended 30 June 2014
	€m	€m	**€m**	€m
Interest income	**-**	1	**-**	-
Amortisation	**1**	(4)	**-**	-
Total	**1**	(3)	**-**	-

The table below sets out the amounts that would have been recognised in the periods following reclassification if the reclassification had not been made:

	Income statement		Other comprehensive income	
	Half year ended 30 June 2015	Half year ended 30 June 2014	**Half year ended 30 June 2015**	Half year ended 30 June 2014
	€m	€m	**€m**	€m
Interest income	**-**	1	**-**	-
Fair value movement	**-**	-	**2**	20
Cumulative impact	**184**	187	**-**	(8)

There are no expected remaining cash flows from these securities at 30 June 2015 as they have been disposed of in the current period.
The Group has not reclassified any debt securities from AFS to loans and receivables during the current or prior period.

10. Derivative assets/liabilities

Derivatives are used by the Group to reduce interest, foreign currency exchange risk and cash flow exposures through hedging instruments. Certain derivative instruments do not fulfil the hedging criteria and are consequently classified as held for trading. All derivatives are carried at fair value.

The derivatives used include:
- Currency forward rate contracts which are commitments to purchase and sell currencies, including undelivered spot transactions;
- Currency and interest rate swaps which are commitments to exchange one set of cash flows for another;
- Cross-currency interest rate swaps which are primarily used to reduce the foreign exchange exposure.

Further details on the Group's risk management policies are set out in note 24.

Derivatives, which are not in qualifying hedge accounting relationships, are treated as trading for accounting purposes in accordance with IAS 39. Derivatives held by the Group are analysed as follows:

	30 June 2015			31 December 2014		
	Contract/ notional amount	**Fair value asset**	**Fair value liability**	Contract/ notional amount	Fair value asset	Fair value liability
	€m	**€m**	**€m**	€m	€m	€m
Designated as fair value hedges						
Interest rate swaps	**1,974**	**31**	**124**	3,991	88	165
	1,974	**31**	**124**	3,991	88	165
Designated as cash flow hedges						
Interest rate swaps	**-**	**-**	**-**	50	-	2
Cross-currency interest rate swaps	**2,530**	**-**	**247**	3,081	-	198
	2,530	**-**	**247**	3,131	-	200
Held for trading						
Forwards	**1,057**	**2**	**17**	1,083	1	19
Interest rate swaps	**328**	**21**	**20**	517	35	26
Cross-currency interest rate swaps	**703**	**-**	**69**	-	-	-
	2,088	**23**	**106**	1,600	36	45
Embedded derivatives	**127**	**-**	**15**	292	-	25
	127	**-**	**15**	292	-	25
Derivative assets & liabilities as per the statement of financial position	**6,719**	**54**	**492**	9,014	124	435

11. Loans and advances to banks

	30 June 2015	31 December 2014
	€m	€m
Held at amortised cost		
Placed with central banks	**188**	309
Placed with other banks	**1,515**	1,459
	1,703	1,768
Reclassification to liabilities classified as held for sale (note 27)	**(100)**	-
Loans and advances to banks	**1,603**	1,768

Placements with other banks includes restricted cash of €1,165m (31 December 2014: €1,194m) held by Group's securitisation vehicles of which €584m (31 December 2014: €474m) relates to cash collateral placed with counterparties in relation to asset derivative positions and repurchase agreements.

Loans and advances to banks includes assets classified as held for sale associated with the deleveraging transaction announced on 10 March 2015 which included an agreement to sell CHL entity. It is the Group's expectation that derecognition will be achieved on completion which is expected in July 2015.

Loans and receivables to banks amounting to €1,668m as at 30 June 2015 (31 December 2014: €1,732m) have been treated as cash and cash equivalents for the purpose of the condensed consolidated statement of cash flows, as they have a maturity of less than three months from inception.

12. Loans and advances to customers

Loans and advances by category are set out below:

	30 June 2015	31 December 2014
	€m	€m
ROI residential mortgages		
Held through special purpose entities	11,602	12,165
Held directly	10,387	10,686
UK residential mortgages		
Held through special purpose entities	3,283	6,098
Held directly	502	660
	25,774	29,609
Commercial mortgage loans	874	2,004
Consumer finance		
Term loans / other	334	345
Gross loans and advances to customers	26,982	31,958
Less: provision for impairment (note 13)	(3,012)	(3,722)
Assets classified as held for sale (note 27)	(1,030)	(1,030)
Net loans and advances to customers	22,940	27,206

Net loans and advances to customers is analysed as follows:

	30 June 2015	31 December 2014
	€m	€m
Core	19,574	20,075
Non-core	3,366	7,131
	22,940	27,206

Net loans and advances can be analysed into fixed and variable-rate loans as follows:

	Gross loans and advances to customers		Net loans and advances to customers	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	€m	€m	€m	€m
ROI				
Tracker	14,317	14,889	12,658	13,029
Variable	7,713	8,012	6,758	7,021
Fixed	514	502	483	458
	22,544	23,403	19,899	20,508
UK				
Tracker	3,020	6,625	2,976	6,566
Variable	65	133	65	132
	3,085	6,758	3,041	6,698
	25,629*	30,161*	22,940	27,206

* Excluded from this is €1,353m of commercial and residential loans which are included in assets held for sale (31 December 2014: €1,797m).

The Group has established a number of securitisations which involve the selling of pools of residential mortgages to the special purpose entities which issue mortgage-backed floating-rate notes ("notes") to fund the purchase of these mortgage pools. The notes are secured by a first fixed charge over the residential mortgages in each pool and may be sold to investors or held by the Group and used as collateral for borrowings.

12. Loans and advances to customers (continued)

Details of the residential mortgage pools sold to special purpose entities and the notes issued by the special purpose entities are included below:

	30 June 2015	31 December 2014
	€bn	€bn
Residential mortgages held through special purpose entities	14.9	18.3
Notes issued by special purpose entities		
- rated	13.3	13.6
- unrated	3.9	3.9
	17.2	17.5

The notes issued by these special purpose entities comprise the following:

	30 June 2015	31 December 2014
	€bn	€bn
- Sold to third parties and included within debt securities in issue (non-recourse) on the statement of financial position (note 18)	1.6	1.6
- Held by the ECB as collateral in respect of funds raised under the euro system funding programme (note 16)	2.9	4.4
- Held by other banks and institutions as part of collateralised lending or sale and repurchase agreements (note 16)	6.0	5.2
- Other		
Available collateral[1]	2.8	2.4
Unrated notes	3.9	3.9
	17.2	17.5

[1]The eligibility of available collateral will depend on the criteria of the counterparty.

As at 30 June 2015, the Group had €1.4bn (31 December 2014: €1.3bn) drawn down under the SMBPN programme with the ECB. This was secured by way of a floating charge over €3.4bn (31 December 2014: €3.2bn) of ROI residential mortgages. Refer to note 16.

13. Provision for impairment

(a) Loans and advances to customers

The following table reflects impaired loans for which provisions are held and an analysis of specific and IBNR impairment provision balances across the loans and advances to customers portfolio.

A loan is considered impaired when there is objective evidence of impairment where the loan is greater than 90 days in arrears and the present value of future cash flows is less than the carrying value of the loan (for residential mortgages this is typically where the indexed LTV is >80%) requiring a specific provision to be recognised in the income statement.

The impaired loan balances as at 30 June 2015 were €6,071m (31 December 2014: €7,478m). As at 30 June 2015, there were €192m (31 December 2014: €224m) of loans which are greater than 90 days in arrears that are considered past due but not impaired. Refer to note 24 for further details.

30 June 2015	**Loans and advances to customers**	**Impaired loans**	**Impaired % of total loans**	**Impairment Provisions**			**Total prov as % of impaired loans**	**Total provisions as % of total loans**
				Specific	**IBNR**	**Total**		
	€m	**€m**	**%**	**€m**	**€m**	**€m**	**%**	**%**
Residential:								
ROI:								
- Home loans	**16,092**	**3,731**	**23%**	**1,416**	**148**	**1,564**	**42%**	**10%**
- Buy-to-let	**5,797**	**1,528**	**26%**	**774**	**146**	**920**	**60%**	**16%**
UK:								
- Home loans	**255**	**5**	**2%**	**2**	**1**	**3**	**60%**	**1%**
- Buy-to-let	**3,530**	**81**	**2%**	**32**	**20**	**52**	**64%**	**1%**
Commercial	**874**	**623**	**71%**	**311**	**66**	**377**	**61%**	**43%**
Consumer finance:								
- Term loans / other	**334**	**103**	**31%**	**91**	**5**	**96**	**93%**	**29%**
Total gross loans	**26,882**	**6,071**	**23%**	**2,626**	**386**	**3,012**	**50%**	**11%**
Impairment provision	**(3,012)**							
Assets classified as held for sale (note 27(a), (b))	**(1,030)**							
Deferred fees, discounts and fair value adjustments	**100**							
Balance as at 30 June	**22,940**							

31 December 2014	Loans and advances to customers	Impaired loans	Impaired % of total loans	Impairment Provisions			Total prov as % of impaired loans	Total provisions as % of total loans
				Specific	IBNR	Total		
	€m	€m	%	€m	€m	€m	%	%
Residential:								
ROI:								
- Home loans	16,455	3,947	24%	1,418	156	1,574	40%	10%
- Buy-to-let	6,259	1,844	29%	948	151	1,099	60%	18%
UK:								
- Home loans	389	7	2%	3	1	4	57%	1%
- Buy-to-let	6,369	95	1%	42	15	57	60%	1%
Commercial	2,004	1,483	74%	816	76	892	60%	45%
Consumer finance:								
- Term loans / other	344	102	30%	90	6	96	94%	28%
Total gross loans	31,820	7,478	24%	3,317	405	3,722	50%	12%
Impairment provision	(3,722)							
Assets classified as held for sale (note 27 (a), (b))	(1,030)							
Deferred fees, discounts and fair value adjustments	138							
Balance as at 31 December	27,206							

13. Provision for impairment (continued)

Impairment (write-back)/charge on loans and advances to customers by geographical location	**Half year ended 30 June 2015**	Half year ended 30 June 2014
	€m	€m
Republic of Ireland ("ROI")		
Home loans	**31**	128
Buy-to-let	**(10)**	(14)
Commercial	**1**	19
Consumer finance	**(2)**	(3)
	20	130
United Kingdom ("UK")		
Home loans	**-**	-
Buy-to-let	**3**	18
	3	18
Total impairment (write-back)/charge to the income statement	**23**	148

Impairment charges by nature of impairment provision

	Half year ended 30 June 2015	Half year ended 30 June 2014
	€m	€m
Specific	**5**	207
IBNR	**18**	(59)
Total impairment (write-back)/charge to the income statement	**23**	148

Impairment charges by Segment

	Half year ended 30 June 2015	Half year ended 30 June 2014
	€m	€m
Core	**25**	101
Non-core	**(2)**	47
Total impairment (write-back)/charge to the income statement	**23**	148

A reconciliation of the provision for impairment losses for loans and advances is as follows:

2015	**Residential mortgages**			**Consumer**	
	ROI	**UK**	**Commercial**	**finance**	**Total**
Total	**€m**	**€m**	**€m**	**€m**	**€m**
As at 1 January	**2,673**	**61**	**892**	**96**	**3,722**
(Write-back)/Charge for the period (as per Income Statement)	**21**	**3**	**-**	**(1)**	**23**
Increase due to interest booked but not recognised	**28**	**-**	**9**	**2**	**39**
Unwinding of discount	**(20)**	**-**	**(5)**	**-**	**(25)**
Amounts written off*	**(16)**	**(12)**	**(25)**	**(1)**	**(54)**
Recoveries from the Credit Institutions Resolution Fund (refer to note 26)	**-**	**-**	**-**	**(1)**	**(1)**
Recoveries	**-**	**-**	**-**	**1**	**1**
Disposals	**(202)**	**(3)**	**(494)**	**-**	**(699)**
Exchange movements	**-**	**6**	**-**	**-**	**6**
As at 30 June	**2,484**	**55**	**377**	**96**	**3,012**

*Amounts written off relate to accounting write offs where the prospect of recovery at a certain point in time appears remote. This does not prevent the Group from continuing to pursue this outstanding debt and where circumstances change, may result in the recovery of amounts previously written off.

13. Provision for impairment (continued)

2015	**Residential mortgages**			**Consumer**	
	ROI	**UK**	**Commercial**	**finance**	**Total**
Core	**€m**	**€m**	**€m**	**€m**	**€m**
As at 1 January	**2,448**	**-**	**-**	**96**	**2,544**
(Write-back)/Charge for the period (as per Income Statement)	**26**	**-**	**-**	**(2)**	**24**
Increase due to interest booked but not recognised	**27**	**-**	**-**	**2**	**29**
Unwinding of discount	**(20)**	**-**	**-**	**-**	**(20)**
Amounts written off	**(16)**	**-**	**-**	**(1)**	**(17)**
Recoveries	**-**	**-**	**-**	**2**	**2**
Disposals	**(33)**	**-**	**-**	**-**	**(33)**
Recoveries from the Credit Institutions Resolution Fund (refer to note 26)	**-**	**-**	**-**	**(1)**	**(1)**
As at 30 June	**2,432**	**-**	**-**	**96**	**2,528**

2015	**Residential mortgages**			**Consumer**	
	ROI	**UK**	**Commercial**	**finance**	**Total**
Non-core	**€m**	**€m**	**€m**	**€m**	**€m**
As at 1 January	**225**	**61**	**892**	**-**	**1,178**
(Write-back)/Charge for the period (as per Income Statement)	**(5)**	**3**	**-**	**-**	**(2)**
Increase due to interest booked but not recognised	**1**	**-**	**9**	**-**	**10**
Unwinding of discount	**-**	**-**	**(5)**	**-**	**(5)**
Amounts written off	**-**	**(12)**	**(25)**	**-**	**(37)**
Recoveries	**-**	**-**	**-**	**-**	**-**
Disposals	**(169)**	**(3)**	**(494)**	**-**	**(666)**
Exchange movements	**-**	**6**	**-**	**-**	**6**
As at 30 June	**52**	**55**	**377**	**-**	**484**

2014	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Total	€m	€m	€m	€m	€m
As at 1 January	2,950	76	911	98	4,035
(Write-back)/Charge for the period (as per Income Statement)	(32)	10	(13)	(6)	(41)
Increase due to interest booked but not recognised	71	-	32	8	111
Unwinding of discount	(33)	-	(20)	-	(53)
Amounts written off*	(128)	(37)	(15)	(8)	(188)
Recoveries from the Credit Institutions Resolution Fund (refer to note 26)	-	-	-	(1)	(1)
Recoveries	-	7	-	5	12
Disposals	(155)	-	(4)	-	(159)
Exchange movements	-	5	1	-	6
As at 31 December	2,673	61	892	96	3,722

*Amounts written off relate to accounting write offs where the prospect of recovery at a certain point in time appears remote. This does not prevent the Group from continuing to pursue this outstanding debt and where circumstances change, may result in the recovery of amounts previously written off.

2014	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Core	€m	€m	€m	€m	€m
As at 1 January	2,561	-	-	98	2,659
(Write-back)/Charge for the period (as per Income Statement)	(44)	-	-	(6)	(50)
Increase due to interest booked but not recognised	62	-	-	8	70
Unwinding of discount	(31)	-	-	-	(31)
Amounts written off	(100)	-	-	(8)	(108)
Recoveries	-	-	-	5	5
Recoveries payable to the Credit Institutions Resolution Fund	-	-	-	(1)	(1)
As at 31 December	2,448	-	-	96	2,544

13. Provision for impairment (continued)

2014	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Non-core	€m	€m	€m	€m	€m
As at 1 January	389	76	911	-	1,376
(Write-back)/Charge for the period (as per Income Statement)	12	10	(13)	-	9
Increase due to interest booked but not recognised	9	-	32	-	41
Unwinding of discount	(2)	-	(20)	-	(22)
Amounts written off	(28)	(37)	(15)	-	(80)
Disposals	(155)	-	(4)	-	(159)
Recoveries	-	7	-	-	7
Exchange movements	-	5	1	-	6
As at 31 December	225	61	892	-	1,178

(b) Debt securities

Impairment provision balance on debt securities at 30 June 2015 and 31 December 2014 amounted to €1m. There were no further provisions made in the half year ended 30 June 2015.

(c) Repossessed assets

In the half year ended 30 June 2015, the Group incurred an impairment charge on repossessed assets of €1m (30 June 2014: €1m). Repossessed assets are included in other assets (refer to note 15 for further analysis).

14. Deferred taxation

	2015	2014
	€m	€m
Analysis of movements in deferred tax		
At 1 January	**389**	446
Recognised through income statement (note 6)	**22**	(54)
Recognised through other comprehensive income (note 6)	**1**	(4)
Other	**(1)**	1
	411	389
Deferred tax reclassified to held for sale	**(1)**	-
At 30 June/31 December	**410**	389

In line with the requirements of IAS 12 "Deferred Tax Assets", Management and Directors formed the view that there should be sufficient future taxable profits within the PTSB plc legal entity against which PTSB plc tax losses carried forward can be used. Management and Directors have reviewed this position as at 30 June 2015 and remain of the view that it is necessary to continue to recognised a Deferred Tax Asset on the full quantum of tax losses carried forward in PTSB plc. Approval of the Restructuring Plan in April 2015 provides significant support to the position that PTSB will continue as a single-legal entity.

It should also be noted that under current Irish and UK tax legislation there is no time restriction on the utilisation of trading losses. Therefore, these losses are available for utilisation against profits of the same trade in a future period. Also, the directors are satisfied that taxable future profits should be available to recover the remaining deferred tax assets.

The total unrecognised deferred tax assets on carried forward tax losses at 30 June 2015 amounted to €92m (31 December 2014: €78m) which relates to the subsidiaries.

Under IFRS these balances are recognised on an undiscounted basis.

Deferred tax included assets classified as held for sale associated with the deleveraging transaction announced on 10 March 2015 which included an agreement to sell CHL entity. It is the Group's expectation that derecognition will be achieved on completion which is expected in July 2015.

15. Other assets

	30 June 2015	31 December 2014
	€m	€m
Repossessed assets	**51**	61
Other debtors	**3,066**	42
	3,117	103

During the period a further €24m of assets were repossessed, while €33m of assets were sold. Further, an impairment charge in respect of these assets of €1m was recorded in the income statement. These repossessed assets are held at fair value based on independent valuations received or indexed as appropriate. These valuations are considered to be within level 2 in the IFRS 13 hierarchy. For further details on repossessed assets, see note 24.

Management believes that selling the balance of properties within 12 months is improbable based on historic experience, particularly in Ireland. Therefore, in light of the requirements of IFRS 5, the Group concluded that these repossessed assets do not meet the criteria to be classified as held for sale.

During the period the Group de-recognised €3.5bn of loans associated with its CHL entity. Included in other assets is an amount of €3bn which represents consideration due to Permanent TSB on completion of the sale in the second half of the year.

16. Deposits by banks (including central banks)

	30 June 2015	31 December 2014
	€m	€m
Placed by the ECB	3,650	4,870
Placed by other banks and institutions on repurchase agreements	4,787	3,720
Other deposits	474	517
	8,911	9,107
Reclassification to liabilities classified as held for sale (note 27)	(92)	-
Net deposits by banks	8,819	9,107
Balances placed by the ECB		
Maximum	5,250	7,000
Average	4,432	5,786

The Group received €2.3bn (31 December 2014: €3.6bn) of deposits from the ECB which are secured on €2.9bn (31 December 2014: €4.4bn) of notes issued by special purpose entities controlled by the Group.

Deposits by banks included assets classified as held for sale associated with the deleveraging transaction announced on 10 March 2015 which included an agreement to sell CHL entity. It is the Group's expectation that derecognition will be achieved on completion which is expected in July 2015.

The Group received €1.4bn (31 December 2014: €1.3bn) of deposits under the SMBPN programme which is collateralised on €3.4bn (31 December 2014: €3.2bn) of ROI residential mortgages which are secured by way of a floating charge.

Of the deposits placed on repurchase agreements, €4bn (31 December 2014: €3.5bn) are collateralised on €6bn (31 December 2014: €5.2bn) of notes issued by special purpose entities controlled by the Group. The notes issued by special purpose entities are secured by a first fixed charge over residential mortgages held by the special purpose entities (refer to note 12).

17. Customer accounts

	30 June 2015	31 December 2014
	€m	€m
Term deposits	12,172	13,320
Demand deposits	2,825	2,726
Current accounts	2,740	2,639
Notice and other accounts	1,844	1,753
	19,581	20,438

Within term deposits are €1.3bn of deposits placed by a Government institution (31 December 2014: €2.3bn), of which €0.9bn (31 December 2014: €1.9bn) forms part of a repurchase agreement and is included under term deposits. These deposits are collateralised on €0.8bn (31 December 2014: €1.9bn) of debt securities. See note 9 for further details. The remaining €0.4bn (31 December 2014: €0.4bn) is included within term deposits.

18. Debt securities in issue

	30 June 2015	31 December 2014
	€m	€m
At amortised cost:		
Bonds and medium-term notes	517	1,778
Non-recourse funding	1,562	1,647
	2,079	3,425
Debt securities reclassified to held for sale	(684)	-
	1,395	3,425

Bonds & MTN's

During the period €1.5bn of MTN's matured and on the 18 May 2015 the Group issued €300m of senior unsecured debt for a 3 year term.

Non-recourse funding

As at 30 June 2015, the Group had advances of €1.6bn (31 December 2014: €1.6bn) collateralised on residential property loans of €1.5bn (31 December 2014: €1.6bn) subject to non-recourse funding by way of residential mortgage securitisations. Residential mortgage securitisations involve the selling of pools of mortgages to special purpose entities which issue mortgage-backed floating rate notes to fund the purchase of these mortgage pools. These loans, which have not been de-recognised, are shown within loans and advances to customers while the non-recourse funding is shown as a separate liability.

Under the terms of these securitisations, the rights of the providers of the related funds are limited to the mortgage loans in the securitised portfolios and any related income generated by these portfolios, without recourse to the Group. The Group is not obliged to support any losses in respect of the mortgages subject to the non-recourse funding and does not intend to do so. During the term of the transactions, any amount realised from the portfolios in excess of that due to the providers of the funding, less any related administrative costs, will be paid to the Group. The providers of this funding have agreed in writing (subject to the customary warranties and covenants) that they will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the mortgages and related security, and that they will not seek recourse in any other form.

Held for sale liabilities

Debt securities in issue included liabilities classified as held for sale associated with the deleveraging transaction announced on 10 March 2015 which included an agreement to sell certain securitisation entities of the Group. It is the Group's expectation that derecognition will be achieved on completion which is expected in July 2015.

19. Provisions

	2015				2014			
	Restructuring costs	**Provision for legacy legal and compliance issues**	**Other**	**Total**	Restructuring costs	Provision for legacy legal and compliance issues	Other	Total
	€m	**€m**	**€m**	**€m**	€m	€m	€m	€m
As at 1 January	**5**	**112**	**1**	**118**	13	40	12	65
Provisions made during the period	**1**	**15**	**5**	**21**	2	76	-	78
Write-back of provisions during the period	**-**	**-**	**-**	**-**	-	-	(5)	(5)
Provisions used during the period	**(1)**	**(8)**	**-**	**(9)**	(10)	(4)	(6)	(20)
As at 30 June/31 December	**5**	**119**	**6**	**130**	5	112	1	118

Restructuring costs
Provision for restructuring costs include an onerous leases provision of €5m (31 December 2014: €4m). As a result of the restructuring of its operations, the Group closed a number of branches during 2012 in which the Group remains a lessee in a number of non-cancellable leases over properties that it no longer occupies. The present value of future lease payments on these properties was provided for in 2012. This provision relates to leases on properties ranging between one and twenty years.

Provision for legacy legal and compliance issues
This provision relates to legal and compliance costs of on-going disputes in relation to legacy business issues with certain customers and other actions, including a mortgage redress programme in connection with an on-going investigation by the Central Bank of Ireland. Further disclosure of the information usually required by IAS37, Provisions, Contingent Liabilities and Contingent Assets, is not provided on the grounds that it can be expected to prejudice the position of the Group.

Other
This provision includes costs which relate to deleveraging of assets carried out by the Group during the year and an indemnity provided by the Group on the sale of loans and advances of Permanent TSB Finance (31 December 2014: €1m).

20. Subordinated liabilities

	2015	2014
	€m	€m
As at 1 January	**387**	359
Movement*	**(366)**	28
As at 30 June/31 December**	**21**	387

	2015	2014
Dated	**€m**	€m
€24m 0% non-callable lower tier 2 capital notes 2018	**21**	21
€400m 10% fixed-rate convertible contingent capital notes 2016	**-**	366
As at 30 June/31 December	**21**	**387**

**Included in the closing balance is a hedge accounting adjustment of €2m (31 December 2014: €2m).

All of the above subordinated liabilities are issued by PTSB.

Further details of the Group’s subordinated liabilities can be found on page 118 in the 2014 Annual Report.

* Analysis of movement in respect of contingent convertible notes

As at 31 Dec 2014	**366**
Amortisation up until date of repurchase	**10**
Accelerated discount unwind	**41**
Repayment of principal	**(400)**
Payment of accrued interest	**(17)**
As at 30 June 2015	**-**

The €400m 10% Contingent Convertible Notes ("CoCo") were issued by the Group on 27 July 2011 with a maturity date of 28 July 2016.

On 7 May 2015 the Group repurchased the CoCo from the Minister for Finance. To facilitate this repurchase the Group was required to amend the terms and conditions of this instrument. The Group initiated this repurchase as it does not qualify for capital purposes.

The repurchase was a key element of the capital raise and was possible when the Group completed the Equity Raise and AT1 Issuance. This occurred immediately following the completion of these transactions as detailed in note 21.

The Group agreed a price for the repurchase of €102.6. This represents a premium payable of €11m in addition to the €400m principal. In the condensed Income Statement, an aggregate loss on repurchase of €52m is shown as an exceptional item which represents the premium and the accelerated effective interest rate ("EIR") unwind of €41m.

21. Share capital, reserves and other equity instruments

Share capital
Share capital is the funds raised as a result of a share issue and comprises the ordinary shares of the holding Company.

Authorised share capital

30 June 2015

	Number of shares	m
Ordinary shares of €0.50 each	**1,550,000,000**	**€775**
Deferred shares of €0.289 each	**84,344,636,678**	**€24,376**

31 December 2014

	Number of shares	m
Ordinary shares of €0.031 each	70,400,000,000	€2,182
Deferred shares of €0.289 each	70,400,000,000	€20,346
Preference Shares of €1 each	300,000,000	€300
Preference Shares of US$1 each	200,000,000	$200
Preference Shares of Stg£1 each	100,000,000	£100

Share Reorganisation
At the Group's AGM on 8 April 2015, the Shareholders approved the Share Reorganisation which included;
- subdivision
- consolidation and
- redesignation.

This Share Reorganisation was completed on the 13 April 2015.

Subdivision
Prior to the Share Reorganisation, the nominal value of each of the existing Ordinary share was €0.031. As a result of the subdivision, each existing Ordinary share was subdivided into 31 Ordinary shares with a €0.001 nominal value.

Consolidation and Redesignation
After the subdivision, five of every 31 newly subdivided Ordinary shares of €0.001 each were consolidated into one Ordinary share of €0.005. Every 289 of the remaining subdivided Ordinary Shares of €0.001 each were consolidated and redesignated as one newly created Deferred share of €0.289 with additional €0.001 shares being issued to ensure that all holdings were evenly divisible by 289 (i.e. holdings were rounded up where fractions of shares would otherwise occur).

Immediately thereafter, each Ordinary share of €0.005 was further consolidated such that for every 100 Ordinary shares of €0.005 held by each Shareholder, one newly consolidated Ordinary share of €0.50 was created with additional shares of €0.005 being issued to ensure that all holdings were evenly divisible by 100 (i.e. holdings were rounded up where fractions of shares would otherwise occur).

The issue of additional €0.001 and €0.005 Ordinary shares highlighted above to facilitate the rounding up of shareholdings was funded by way of a transfer of €47 thousand from the Company's Share Premium account to the Company's Share Capital Account.

Issued share capital

The movement in the number of paid up ordinary and deferred shares is as follows:

	€ 0.289 Deferred shares	€ 0.031 Ordinary shares	€ 0.001 Ordinary shares	€ 0.005 Ordinary shares	€ 0.50 Ordinary shares	Total
As at 1 January 2015	**276,782,351**	**36,525,797,323**	**-**	**-**	**-**	
Reorganisation						
Subdivision	**-**	**-**	**1,132,299,717,013**	**36,525,797,323**	**-**	
Rounding	**-**	**-**	**12,505,131**	**6,867,600**	**-**	
Consolidation	**3,286,101,161**	**(36,525,797,323)**	**(1,132,312,222,144)**	**(36,532,664,923)**	**365,326,649**	
Capital Raise						
New ordinary shares issued	**-**	**-**	**-**	**-**	**88,888,889**	
Open offer	**-**	**-**	**-**	**-**	**479,954**	
As at 30 June 2015	**3,562,883,512**	**-**	**-**	**-**	**454,695,492**	
Issued share capital (€m)	**1,030**				**227**	**1,257**
Shares held under employee benefit trust	**499,111**				**4,580**	

21. Share capital, reserves and other equity instruments (continued)

	€ 0.289 Deferred shares	€ 0.031 Ordinary shares	Total
As at 1 January 2014	276,782,351	36,525,797,323	
Movement	-	-	
As at 31 December 2014	276,782,351	36,525,797,323	
Issued share capital (€m)	80	1,132	1,212
Shares held under employee benefit trust	457,914	457,914	

Capital Raise
During the period the Company issued new Ordinary Share Capital of 88,888,889 shares by way of a private placing along with an open offer to existing shareholders of new Ordinary Share Capital of 479,954 shares, all with a nominal value of €0.5 cents. This formed part of a capital transaction carried out by the Group in 2015. The private placement raised €400m and the open offer raised €2.2m.

Following this issuance of additional ordinary shares and the disposal of shares by the State, the Minister for Finance now owns 74.9% of the share capital of the Company.

No shares were issued as a result of the exercise of options under the Group's share option schemes or under the Group's profit sharing scheme during the current or prior period.

Share Premium
The share premium reserve represents the excess of amounts received for share issues less associated issue costs over the par value of those shares for the Company. The Group recognised additional share premium of €357m on completion of the capital raise which can be split between share premium of €328m and costs of €29m.

Other Reserves

- **Capital contribution reserve**
  This reserve comprised of the capital contribution component and fair value adjustment of the mandatory conversion feature of contingent capital notes issued by PTSB which was cancelled as part of the Capital Raise. The conversion feature required the note holder to convert into shares of the Group on the occurrence of a conversion event.
- **Revaluation reserve**
  The revaluation reserve is a non-distributable reserve comprising of unrealised gains or losses, net of tax, on the revaluation of owner occupied properties.
- **AFS reserve**
  The AFS reserve comprises unrealised gains or losses, net of tax, on AFS financial assets which have been recognised at fair value in the statement of financial position.
- **Cash flow hedge reserve**
  The cash flow hedge reserve comprises of the net gains or losses, net of tax, on effective cash flow hedging instruments.
- **Currency translation adjustment reserve**
  The currency translation adjustment reserve represents the cumulative gains and losses, net of hedging on the re-translation of the Group's net investment in foreign operations, at the rate of exchange at the reporting date.
- **Share-based payments reserve**
  This reserve comprises the cost of share options which have been charged to the income statement over the vesting period of the options.
- **Other capital reserves**
  Other capital reserves include €7m capital redemption reserve arising from the repurchase and cancellation of shares. It also includes the cancellation of the share capital and share premium of PTSB on the incorporation of PTSBGH of €224m and issue of share capital by PTSBGH of (€1,087m).

  Under the scheme of arrangement to incorporate PTSBGH and present it as the ultimate holding Company of the Group, the share capital and share premium in PTSB of €2,922m (including the €2,698m already presented in capital reserves) was cancelled and share capital and share premium was issued in the Group at fair value of €1,087m. These changes in share capital are reflected in the other capital reserves.

Retained earnings
The retained earnings include distributable and non-distributable earnings. These reserves represent the retained earnings of the holding Company and subsidiaries after consolidation adjustments.

21. Share capital, reserves and other equity instruments (continued)

Other equity instruments

Additional Tier 1 Securities

	2015	2014
	€m	€m
As at 1 January	-	-
Additional Tier 1 securities issued during the period	125	-
Issuance cost	(3)	-
As at 30 June/31 December	122	-

On the 6th May 2015, PTSB issued €125,000,000 fixed rate resettable additional tier one securities "AT1 Securities" as part of the Capital Raise.

The AT1 Securities are perpetual financial instruments with an annual coupon of 8.625%. PTSB ("the Issuer") may elect at its full discretion at any time to cancel permanently (in whole or in part) the Interest Amount otherwise scheduled to be paid on an Interest Payment Date. The Issuer may use such cancelled payments without restriction, including to make distributions or any other payments to the holders of its shares or any other securities issued by the Issuer's Group. Any cancellation of interest payments will be permanent and on a non-cumulative basis and such cancellation will not give rise to or impose any restriction on the Issuer.

On the occurrence of a Trigger Event the AT1 Securities convert into ordinary shares in PTSBGH at a conversion price of €3 per share subject to certain anti-dilution adjustments. This will occur if the Common Equity Tier 1 Capital Ratio of PTSB or PTSBGH at any time falls below 7%. This conversion feature provides the necessary loss absorption for regulatory capital purposes under the Capital Requirements Regulation (CRR).

Although, the AT1 Securities are perpetual, PTSB may, in its sole discretion, redeem the AT1 Securities in full on the first reset date being 1 April 2021 and on every interest payment date thereafter (subject to the approval of the Supervisory Authority).

22. Analysis of other comprehensive income

The analysis of other comprehensive income below provides additional analysis to the information provided in the primary statements and should be read in conjunction with the consolidated statement of changes of equity.

30 June 2015	**Revaluation reserve**	**Available for sale reserve**	**Cash flow hedge reserve**	**Currency translation adjustment reserve**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
Other comprehensive income (net of tax):					
Revaluation of property	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-
AFS reserve:					
Change in value of AFS financial assets	-	**(24)**	-	-	**(24)**
Cash flow hedge reserve:					
Net change in fair value	-	-	**16**	-	**16**
Total other comprehensive income, net of tax	-	**(24)**	**16**	-	**(8)**

30 June 2014	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Total
	€m	€m	€m	€m	€m
Other comprehensive income (net of tax):					
Revaluation of property	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-
AFS reserve:					
Change in value of AFS financial assets	-	15	-	-	15
Transferred to income statement on asset disposal	-	(3)	-	-	(3)
Amortisation of AFS financial assets reclassified to loans and receivables	-	-	-	-	-
Cash flow hedge reserve:					
Net change in fair value	-	-	(21)	-	(21)
Total other comprehensive income, net of tax	-	12	(21)	-	(9)

31 December 2014	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Total
	€m	€m	€m	€m	€m
Other comprehensive income (net of tax):					
Revaluation of property	5	-	-	-	5
Currency translation adjustment	-	-	-	1	1
AFS reserve:					
Change in value of AFS financial assets	-	(11)	-	-	(11)
Transferred to income statement on asset disposal	-	3	-	-	3
Amortisation of AFS financial assets reclassified to loans and receivables	-	-	-	-	-
Cash flow hedge reserve:					
Net change in fair value	-	-	-	-	-
Total other comprehensive income, net of tax	5	(8)	-	1	(2)

23. Financial instruments

The Group's accounting policy on valuation of financial instruments is described in note 1 of the 2014 Annual Report. The table below sets out an overview of financial instruments held by the Group and their fair values.

30 June 2015	**Held at amortised cost**	**At fair value through equity**	**At fair value through profit or loss**	**Designated as Fair value hedges assets**	**Total carrying value**	**Fair value**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**
Financial assets:						
Cash and balances with central banks (note 8)	**61**	**-**	**-**	**-**	**61**	**61**
Items in course of collection (note 8)	**34**	**-**	**-**	**-**	**34**	**34**
Debt securities* (note 9)	**2,589**	**1,611**	**-**	**-**	**4,200**	**4,299**
Derivative assets** (note 10)	**-**	**-**	**23**	**31**	**54**	**54**
Loans and advances to banks ***(note 11)	**1,703**	**-**	**-**	**-**	**1,703**	**1,703**
Loans and advances to customers**** (note 12)	**23,950**	**-**	**-**	**20**	**23,970**	**20,304**
Financial liabilities:						
Deposits by banks *****(including central banks)(note 16)	**8,911**	**-**	**-**	**-**	**8,911**	**8,912**
Customer accounts (note 17)	**19,576**	**-**	**-**	**5**	**19,581**	**19,675**
Debt securities in issue ******(note 18)	**2,084**	**-**	**(15)**	**10**	**2,079**	**1,984**
Derivative liabilities** (note 10)	**-**	**247**	**121**	**124**	**492**	**492**
Subordinated liabilities (note 20)	**19**	**-**	**-**	**2**	**21**	**21**

31 December 2014	Held at amortised cost	At fair value through equity	At fair value through profit or loss	Designated as Fair value hedges assets	Total carrying value	Fair value
	€m	€m	€m	€m	€m	€m
Financial assets:						
Cash and balances with central banks (note 8)	89	-	-	-	89	89
Items in course of collection (note 8)	33	-	-	-	33	33
Debt securities* (note 9)	2,664	2,662	-	-	5,326	5,450
Derivative assets** (note 10)	-	-	36	88	124	124
Loans and advances to banks (note 11)	1,768	-	-	-	1,768	1,768
Loans and advances to customers**** (note 12)	28,210	-	-	26	28,236	23,886
Financial liabilities:						
Deposits by banks (including central banks)(note 16)	9,107	-	-	-	9,107	9,107
Customer accounts (note 17)	20,431	-	-	7	20,438	20,206
Debt securities in issue (note 18)	3,424	-	(25)	26	3,425	3,343
Derivative liabilities** (note 10)	-	200	70	165	435	435
Subordinated liabilities (note 20)	385	-	-	2	387	444

*Debt securities held at amortised cost include €1,555m of held to maturity securities (31 December 2014: €1,377m)
**Derivative assets and liabilities held at fair value through the profit and loss relate to embedded derivative instruments and derivatives instruments deemed to be held for trading. Derivative liabilities held at fair value through equity relate to instruments that are held as cash flow hedges
*** Loans and advances to banks include assets held for sale of €100m (31 December 2014: €nil)
****Loans and advances to customers include assets held for sale of €1,030m (31 December 2014: €1,030m)
***** Deposits by banks include assets held for sale of €92m (31 December 2014: €nil)
****** Debt securities in issue include assets held for sale of €684m (31 December 2014: €nil)

23. Financial instruments (continued)

Fair value measurement principles
The Group's accounting policy on valuation of financial instruments is described in note 1 and note 2 of the 2014 Annual Report which contains details on the critical accounting estimates and judgements made by management in relation to the fair value measurement of financial instruments. The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques. These techniques are subjective in nature and may involve assumptions which are based upon management's view of market conditions at year end which may not necessarily be indicative of any subsequent fair value. Any minor changes in the assumptions used could have a significant impact on the resulting estimated fair values and, as a result, it may be difficult for the users to make a reasonable comparison of the fair value information disclosed here, against that disclosed by other financial institutions or to evaluate the Group's financial position and therefore are advised to exercise caution in interpreting these fair values. The fair values disclosed above also do not represent nor should they be interpreted to represent, the underlying value of the Group as a going concern at the reporting date.

The fair values of financial instruments are measured according to the following fair value hierarchy:
Level 1 – financial assets and liabilities measured using quoted market prices (unadjusted).
Level 2 – financial assets and liabilities measured using valuation techniques which use observable market data.
Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market data.

A description of the methods, assumptions and processes used to calculate fair values of these assets and liabilities is set out on pages 126 to 127 of the Annual Report for the year ended 31 December 2014. At 30 June 2015, there has been no significant changes to those methods, assumptions or processes.

The following table presents financial instruments that are measured at fair value categorised into the fair value hierarchy.

30 June 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	€m	**€m**	**€m**	**€m**
Financial assets measured at fair value				
AFS Debt securities (note 9)	**1,611**	**-**	**-**	**1,611**
Derivative assets (note 10)	**-**	**54**	**-**	**54**
Financial liabilities measured at fair value				
Derivative liabilities (note 10)	**-**	**492**	**-**	**492**

31 December 2014	Level 1	Level 2	Level 3	Total
	€m	€m	€m	€m
Financial assets measured at fair value				
AFS Debt securities (note 9)	2,662	-	-	2,662
Derivative assets (note 10)	-	124	-	124
Financial liabilities measured at fair value				
Derivative liabilities (note 10)	-	435	-	435

During the half year ended 30 June 2015, there were no transfers between level 1 and level 2 of the fair value hierarchy.

Derivative assets and liabilities
Derivative assets of €54m (31 December 2014: €124m) and derivative liabilities of €492m (31 December 2014: €435m) have been classified as level 2 in the fair value hierarchy above. Valuation techniques used for instruments categorised in level 2 are described in note 32 of the 2014 Annual Report.

24. Financial risk management

The Group's risk management framework, risk identification and assessment process are disclosed in detail in note 33 of the 2014 Annual Report.

Credit risk

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions.

The Group maintains detailed credit policies for each business unit which outlines relevant conditions under which a loan can be made. Credit policies establish coherent limit systems for credit risk. There are various limit structures, which are in place to manage credit default risk, concentration risk, settlement risk and counterparty risk.

The credit risk ratings employed by the Group are designed to highlight exposures requiring management attention. The Group uses the Basel II 25 point scale for the internal ratings approach ("IRB") for credit risk. The scale ranges from 1 to 25 where 1 represents the best risk grade or lowest PD and 25 represents the defaulted exposures or PD = 100% for credit risk. All of the Group's exposures are mapped to the rating scale based on probability of default.

The internal grading below incorporate the IRB rating.
- Investment grade (IRB ratings 1 to 7) – includes very high quality exposures.
- Excellent risk profile (IRB ratings 8 to 16) – includes exposures whose general profiles are considered to be of a very low risk nature.
- Satisfactory risk profile (IRB ratings 17 to 21) – includes exposures whose general profiles are considered to be of a low to moderate risk nature.
- Fair risk profile (IRB ratings 22 to 24) – includes exposures whose general profiles are considered to require some additional monitoring.
- Defaulted (IRB rating 25) – includes exposures that are greater than 90 days past due or judged to be impaired.

Maximum exposure to credit risk before collateral held or other credit enhancements:
The following table outlines the maximum exposure to credit risk before collateral held or other credit enhancements in respect of the assets of the Group as at the statement of financial position date.

	Notes	30 June 2015	31 December 2014
		€m	€m
Cash and balances with central banks	8	61	89
Items in course of collection	8	34	33
Debt securities (i)	9	4,200	5,326
Derivative assets (ii)	10	54	124
Loans and advances to banks (including assets held for sale) (iii)	11	1,703	1,768
Loans and advances to customers (including assets held for sale) (iv)	12	23,970	28,236
		30,022	35,576
Other assets*	15	3,117	103
Commitments and contingencies	25	493	490
		33,632	36,169

*Included in other assets is a €3bn receivable in respect of the CHL sale. See note 5 for further details.

The following tables outline the Group's exposure to credit risk by asset class

(i) Debt securities

The Group is exposed to credit risk on third parties where the Group holds debt securities (including sovereign debt). An IRB approach is applied in managing credit risk and with the exception of Ireland, sovereign debt is restricted to countries with an internally set rating that is equivalent to a Moody's rating of A3 or higher. In addition, restrictions around the holdings of securities in certain euro zone countries have also been put in place. The Group has set counterparty limits for all debts and loans on a Group-wide basis.

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on an internally set rating that is equivalent to Moody's rating. There are no debt securities impaired as at 30 June 2015 (31 December 2014: €nil).

All of the debt securities past due but not impaired have a rating of A for the half year ending 30 June 2015 and year ending 30 December 2014.

	30 June 2015		31 December 2014
	€m	% Change	€m
Rating			
Aaa	-	0%	-
Aa	-	0%	-
A	4,200	-21%	5,326
Baa	-	0%	-
Total	4,200		5,326

24. Financial risk management (continued)

The following table discloses, by country, the Group's exposure to sovereign and corporate debt as at:

	30 June 2015		31 December 2014	
	Sovereign debt	**Corporate debt**	Sovereign debt	Corporate debt
	€m	**€m**	€m	€m
Country				
Ireland	**4,110**	**-**	5,047	182
Poland	**91**	**-**	86	-
United Kingdom	**-**	**-**	-	12
	4,201	**-**	5,133	194
Collective provision for impairment	**(1)**	**-**		(1)
Total	**4,200**			5,326

The Group holds debt securities, included above, of €3.1bn as at 30 June 2015 (31 December 2014: €4.0bn) which carry a guarantee from the Irish Government either directly or under the ELG scheme.

(ii) Derivative assets

	30 June 2015		31 December 2014
	€m	**% Change**	€m
Rating			
A	**3**	**-95%**	56
Covered by netting agreements	**51**	**-25%**	68
Total	**54**		124

The Group has executed Collateral Support Agreements ("CSA") with its counterparties in respect of the majority of derivative instruments to mitigate its credit risk. As part of these agreements the Group exchanges collateral in line with movements in the market values of derivative positions daily. The fair value of collateral that the Group held against derivative positions with a cumulative positive market value of €54m as at 30 June 2015 (31 December 2014: €124m) amounted to €52m as at 30 June 2015 (31 December 2014: €65m).

(iii) Loans and advances to banks

The Group has a policy to ensure that, where possible, loans and advances to banks are held with investment grade counterparties. The following table gives an indication of the level of creditworthiness of the Group's loans and advances to banks and is based on the internally set rating that is equivalent to rating prescribed by Moody's Investor Services Limited.

	30 June 2015		31 December 2014
	€m	**% Change**	€m
Rating			
Aaa	**188**	**-41%**	318
Aa	**156**	**81%**	86
A	**1,258**	**21%**	1,039
Baa	**-**	**-100%**	312
Ba*	**1**	**-92%**	13
Total	**1,603**		1,768

*Ba mainly relates to loans and advances held with an Irish bank which is considered a related party through the Irish Government's controlling interest in both the counterparty and the Group. Related party transactions are further described in note 26.

24. Financial risk management (continued)

(iv) Loans and advances to customers

Asset Quality

The core loans and advances relate to loans and advances to customers in respect of ROI residential mortgages and consumer finance (excluding film finance) originated by PTSB, while the non-core loans and advances to customers relate to commercial mortgages, including residential mortgages which are connected to these commercial mortgages, UK residential mortgages and other ROI residential mortgages originated through subsidiaries.

Loans which are neither past due nor impaired are analysed as excellent, satisfactory or fair according to their IRB rating as described above.

Past due but not impaired is defined as loans where repayment of interest and / or principal are overdue by at least one day but which are not impaired.

A loan is considered impaired when there is objective evidence of impairment where the loan is greater than 90 days in arrears and the present value of future cash flows is less than the carrying value of the loan (for residential mortgages this is typically where the indexed LTV is >80%) requiring a specific provision to be recognised in the income statement.

30 June 2015

	Residential mortgages			**Consumer**			**Analysed as:**	
	ROI*	**UK**	**Comm***	**finance**	**Total**		**Core**	**Non-Core**
	€m	**€m**	**€m**	**€m**	**€m**	**%**	**€m**	**€m**
Excellent	**11,639**	**2,041**	**37**	**141**	**13,858**	**52%**	**11,709**	**2,149**
Satisfactory	**3,046**	**1,403**	**146**	**56**	**4,651**	**17%**	**3,078**	**1,573**
Fair risk	**1,257**	**124**	**52**	**22**	**1,455**	**5%**	**1,271**	**184**
Neither past due nor impaired	**15,942**	**3,568**	**235**	**219**	**19,964**	**74%**	**16,058**	**3,906**
Past due but not impaired	**688**	**131**	**16**	**12**	**847**	**3%**	**689**	**158**
Impaired	**5,259**	**86**	**623**	**103**	**6,071**	**23%**	**5,255**	**816**
	21,889	**3,785**	**874**	**334**	**26,882**	**100%**	**22,002**	**4,880**
Provision for impairment losses	**(2,484)**	**(55)**	**(377)**	**(96)**	**(3,012)**		**(2,528)**	**(484)**
	19,405	**3,730**	**497**	**238**	**23,870**		**19,474**	**4,396**
Deferred fees, discounts and fair value adjustment	**99**	**-**	**-**	**1**	**100**		**100**	**-**
	19,504	**3,730**	**497**	**239**	**23,970**		**19,574**	**4,396**

*Included in the table above are €341m of loans and advances within commercial and ROI residential portfolios and €689m of UK residential mortgages that have been classified as held-for-sale at 30 June 2015.

31 December 2014

	Residential mortgages			Consumer			Analysed as:	
	ROI*	UK	Comm*	finance	Total		Core	Non-Core
	€m	€m	€m	€m	€m	%	€m	€m
Excellent	11,675	4,119	58	140	15,992	50%	11,718	4,274
Satisfactory	2,979	2,203	303	62	5,547	18%	2,996	2,551
Fair risk	1,441	162	106	22	1,731	5%	1,452	279
Neither past due nor impaired	16,095	6,484	467	224	23,270	73%	16,166	7,104
Past due but not impaired	828	172	54	18	1,072	3%	834	238
Impaired	5,791	102	1,483	102	7,478	24%	5,482	1,996
	22,714	6,758	2,004	344	31,820	100%	22,482	9,338
Provision for impairment losses	(2,673)	(61)	(892)	(96)	(3,722)		(2,544)	(1,178)
	20,041	6,697	1,112	248	28,098		19,938	8,160
Deferred fees, discounts and fair value adjustment	137	-	-	1	138		137	1
	20,178	6,697	1,112	249	28,236		20,075	8,161

* Includes €1.03bn of assets classified as held for sale from the ROI residential and Commercial portfolios.

24. Financial risk management (continued)

The Group's core loans after impairment amounted to €19.5bn or 82% of total loans and advances as at 30 June 2015 (31 December 2014: €19.9bn). The Group's non-core loans after impairment amounted to €4.4bn or 18% of total loans and advances as at 30 June 2015 (31 December 2014: €8.2bn).

Loans which are neither past due nor impaired before provision for impairment losses, amounted to €20bn or 74% of the loan book as at 30 June 2015, (73% of the loan book as at 31 December 2014).

As at 30 June 2015, €0.8bn or 3% of the loan portfolios are within past due but not impaired loans category compared to €1.1bn or 3% as at 31 December 2014.

Impaired loan balances as at 30 June 2015 were €6.1bn or 23% of the total loan book (31 December 2014: €7.5bn or 24%). Impaired loans have decreased by 19% in H1 2015.

Impairment provisions are €3bn and represented 11% of total gross loans and advances to customers at 30 June 2015 compared to €3.7bn which represented 12% of total gross loans and advances to customers at 31 December 2014. This is a period-on-period decrease of 19% driven by asset disposals.

Total interest income as at 30 June 2015 on impaired loans in the income statement amounted to €39m (31 December 2014: €94m).

The table below outlines the arrears profile for ROI and UK residential mortgages by asset quality analysed by home loans and buy-to-let:

30 June 2015	**ROI residential mortgages**		**UK residential mortgages**		
	Home loans	**Buy-to-let**	**Home loans**	**Buy-to-let**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
Excellent	**9,425**	**2,214**	**50**	**1,991**	**13,680**
Satisfactory	**1,771**	**1,275**	**150**	**1,253**	**4,449**
Fair risk	**602**	**655**	**8**	**116**	**1,381**
Neither past due nor impaired	**11,798**	**4,144**	**208**	**3,360**	**19,510**
Past due but not impaired	**563**	**125**	**42**	**89**	**819**
Impaired	**3,731**	**1,528**	**5**	**81**	**5,345**
	16,092	**5,797**	**255**	**3,530**	**25,674**
Provision for impairment losses	**(1,564)**	**(920)**	**(3)**	**(52)**	**(2,539)**
	14,528	**4,877**	**252**	**3,478**	**23,135**
Deferred fees, discounts and fair value adjustment	**99**	**-**	**-**	**-**	**99**
	14,627	**4,877**	**252**	**3,478**	**23,234**

31 December 2014	ROI residential mortgages		UK residential mortgages		
	Home loans	Buy-to-let	Home loans	Buy-to-let	Total
	€m	€m	€m	€m	€m
Excellent	9,412	2,263	96	4,023	15,794
Satisfactory	1,691	1,288	225	1,978	5,182
Fair risk	714	727	11	151	1,603
Neither past due nor impaired	11,817	4,278	332	6,152	22,579
Past due but not impaired	691	137	50	122	1,000
Impaired	3,947	1,844	7	95	5,893
	16,455	6,259	389	6,369	29,472
Provision for impairment losses	(1,574)	(1,099)	(4)	(57)	(2,734)
	14,881	5,160	385	6,312	26,738
Deferred fees, discounts and fair value adjustment	137	-	-	-	137
	15,018	5,160	385	6,312	26,875

24. Financial risk management (continued)

Non-performing loans:

Non-performing loans are defined as impaired loans, loans which are greater than 90 days in arrears, loans which are deemed unlikely to pay, or where the borrower is expected not to repay the loan in full without the realisation of the collateral.

30 June 2015	**ROI residential mortgages**		**UK residential mortgages**				
	Home loans	**Buy-to-let**	**Home loans**	**Buy-to-let**	**Comm.**	**Consumer finance**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Not impaired no arrears	**61**	**365**	**15**	**21**	**10**	**-**	**472**
Not impaired <90 days in arrears	**37**	**13**	**5**	**1**	**-**	**-**	**56**
Not impaired >90 days in arrears	**153**	**12**	**12**	**15**	**-**	**-**	**192**
Impaired loans	**3,731**	**1,528**	**5**	**81**	**623**	**103**	**6,071**
Non-performing loans	**3,982**	**1,918**	**37**	**118**	**633**	**103**	**6,791**
NPLs as % of gross loans	**25%**	**33%**	**15%**	**3%**	**72%**	**31%**	**25%**
Provisions coverage ratio	**40%**	**60%**	**6%**	**56%**	**61%**	**93%**	**48%**

Provision coverage ratio is calculated as impairment provisions as a % of loans greater 90 days in arrears and / or impaired.

31 December 2014	ROI residential mortgages		UK residential mortgages				
	Home loans	Buy-to-let	Home loans	Buy-to-let	Comm.	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
Not impaired no arrears	43	356	21	30	46	-	496
Not impaired <90 days in arrears	56	28	5	14	7	-	110
Not impaired >90 days in arrears	180	13	13	18	-	-	224
Impaired loans	3,947	1,844	7	95	1,483	102	7,478
Non-performing loans	4,226	2,241	46	157	1,536	102	8,308
NPLs as % of gross loans	26%	36%	12%	2%	77%	30%	26%
Provisions coverage ratio	38%	59%	20%	50%	60%	94%	48%

Provision coverage ratio is calculated as impairment provisions as a % of loans greater 90 days in arrears and / or impaired.

24. Financial risk management (continued)

Loans and advances which are past due but not impaired:

The table below provides an aged analysis of loans and advances which are past due but not impaired.

30 June 2015	**ROI residential mortgages**		**UK Residential mortgages**				
	Home loans	**Buy-to-let**	**Home loans**	**Buy-to-let**	**Comm.**	**Consumer finance**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
0-30 days	**286**	**93**	**25**	**65**	**11**	**9**	**489**
31-60 days	**86**	**15**	**-**	**5**	**3**	**2**	**111**
61-90 days	**38**	**5**	**5**	**4**	**2**	**1**	**55**
91-180 days	**31**	**2**	**5**	**5**	**-**	**-**	**43**
181-360 days	**26**	**2**	**5**	**6**	**-**	**-**	**39**
> 360 days	**96**	**8**	**2**	**4**	**-**	**-**	**110**
Total past due not impaired	**563**	**125**	**42**	**89**	**16**	**12**	**847**
Fair value of collateral held*	**537**	**115**	**41**	**87**	**10**	**-**	**790**

***Fair value of collateral held**	**ROI residential mortgages**		**UK Residential mortgages**				
	Home loans	**Buy-to-let**	**Home loans**	**Buy-to-let**	**Comm.**	**Consumer finance**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
0-30 days	**269**	**84**	**25**	**64**	**7**	**-**	**449**
31-60 days	**79**	**14**	**-**	**5**	**2**	**-**	**100**
61-90 days	**36**	**5**	**5**	**4**	**1**	**-**	**51**
91-180 days	**31**	**2**	**5**	**4**	**-**	**-**	**42**
181-360 days	**26**	**2**	**5**	**6**	**-**	**-**	**39**
> 360 days	**96**	**8**	**1**	**4**	**-**	**-**	**109**
Total past due not impaired	**537**	**115**	**41**	**87**	**10**	**-**	**790**

Collateral held against residential mortgages is principally comprised of residential properties; the fair value of which has been estimated based upon the last actual valuation, adjusted to take into account subsequent movement in house prices and is capped at the lower of the loan balance or the valuation amount.

31 December 2014	ROI residential mortgages		UK Residential mortgages				
	Home loans	Buy-to-let	Home loans	Buy-to-let	Comm.	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
0-30 days	347	95	20	31	44	13	550
31-60 days	107	18	12	61	7	3	208
61-90 days	57	11	5	12	3	2	90
91-180 days	35	1	7	8	-	-	51
181-360 days	34	2	4	5	-	-	45
> 360 days	111	10	2	5	-	-	128
Total past due not impaired	691	137	50	122	54	18	1,072
Fair value of collateral held*	654	122	49	120	38	-	983

*Fair value of collateral held	ROI residential mortgages		UK Residential mortgages				
	Home loans	Buy-to-let	Home loans	Buy-to-let	Comm.	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
0-30 days	322	85	20	31	31	-	489
31-60 days	99	15	12	60	5	-	191
61-90 days	53	9	5	12	2	-	81
91-180 days	35	1	6	8	-	-	50
181-360 days	34	2	4	4	-	-	44
> 360 days	111	10	2	5	-	-	128
Total past due not impaired	654	122	49	120	38	-	983

24. Financial risk management (continued)

Forbearance arrangements - ROI residential mortgages

The Group has provided information in respect of its key forborne portfolios at the statement of financial position date.

The PD associated with non-defaulted accounts which have been granted forbearance is 3.75% (3.25% for home loans and 4.07% for BTLs). The PDs for non-defaulted accounts excluding cases in forbearance is 1.86% (2.23% for home loans and 1.74% for BTLs). The PDs for defaulted accounts is 100% irrespective of the account status (forbearance or non-forbearance).

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in order to comply with the current Code of Conduct on Mortgage Arrears ("CCMA"). These are set out in the table below.

The tables below set out the volume of loans for which the Group has entered formal temporary and permanent forbearance arrangements with customers as at 30 June 2015 and 31 December 2014.

(a) ROI residential home loan mortgages:

The incidence of the main type of forbearance arrangements for home loan residential mortgages are analysed below:

30 June 2015	**All forborne loans**		**Loans > 90 days in arrears and / or impaired**	
	Number	**Balances €m**	**Number**	**Balances €m**
Interest only	**361**	**56**	**125**	**21**
Reduced payment (less than interest only)	**160**	**26**	**131**	**22**
Reduced payment (greater than interest only)	**5,899**	**787**	**1,700**	**257**
Payment moratorium	**375**	**51**	**55**	**11**
Arrears capitalisation	**3,447**	**497**	**1,872**	**281**
Term extension	**3,276**	**259**	**642**	**60**
Hybrid*	**3,040**	**451**	**2,278**	**358**
Split mortgages	**5,885**	**1,141**	**5,882**	**1,140**
Total	**22,443**	**3,268**	**12,685**	**2,150**

31 December 2014	All forborne loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances €m	Number	Balances €m
Interest only	286	46	98	16
Reduced payment (less than interest only)	231	38	187	32
Reduced payment (greater than interest only)	5,148	685	1,702	246
Payment moratorium	456	63	72	10
Arrears capitalisation	2,567	369	1,292	189
Term extension	3,051	244	623	59
Hybrid*	4,498	668	3,674	573
Split mortgages	5,338	1,031	5,338	1,031
Total	21,575	3,144	12,986	2,156

* Hybrid is a combination of two or more restructuring arrangements.

The tables above reflect an increase of 4% as at 30 June 2015 for the Group in the number of ROI residential home loans in forbearance arrangements, an increase of €124m during the period. The average value of forborne loans is relatively unchanged during the period (30 June 2015: €0.146m versus 31 December 2014: €0.145m). As at 30 June 2015, 57% of the number of loans in forbearance are >90 days for the Group and / or impaired compared to 60% as at 31 December 2014.

24. Financial risk management (continued)

(b) ROI residential buy-to-let mortgages:

The incidence of the main type of forbearance arrangements for residential buy-to-let mortgages only is analysed below:

30 June 2015	**All forborne loans**		**Loans > 90 days in arrears and / or impaired**	
	Number	**Balances**	**Number**	**Balances**
		€m		**€m**
Interest only	**1,237**	**459**	**336**	**112**
Reduced payment (less than interest only)	**25**	**7**	**24**	**5**
Reduced payment (greater than interest only)	**1,111**	**401**	**368**	**141**
Payment moratorium	**6**	**1**	**6**	**1**
Arrears capitalisation	**511**	**168**	**253**	**93**
Term extension	**175**	**29**	**37**	**9**
Hybrid*	**336**	**110**	**249**	**87**
Split mortgages	**359**	**120**	**359**	**120**
Total	**3,760**	**1,295**	**1,632**	**568**

31 December 2014	All forborne loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances	Number	Balances
		€m		€m
Interest only	1,233	461	339	115
Reduced payment (less than interest only)	81	25	79	25
Reduced payment (greater than interest only)	1,035	397	347	137
Payment moratorium	7	1	5	1
Arrears capitalisation	522	191	264	107
Term extension	173	30	42	11
Hybrid*	430	149	355	132
Split mortgages	269	92	269	92
Total	3,750	1,346	1,700	620

*Hybrid is a combination of two or more forbearance arrangements.

ROI - Impairment charge and provisions on loans and advances to customers by product line

The tables below provides the movement in impairment charges from 30 June 2014 to 30 June 2015 and also the provisions in respect of performing and non-performing forborne loans as at 30 June 2015 and 31 December 2014.

Forborne loans - Movement on impairment stock on forborne loans	**Half year ended 30 June 2015**			Half year ended 30 June 2014		
	Performing	**Non-performing**	**Total**	Performing	Non-performing	Total
	€m	**€m**	**€m**	€m	€m	€m
Residential						
- Home loans	**(8)**	**50**	**42**	(27)	191	164
- Buy-to-let	**(36)**	**(20)**	**(56)**	2	3	5
Total impairment charge	**(44)**	**30**	**(14)**	(25)	194	169

Forborne loans - stock of impairment provisions	**30 June 2015**			31 December 2014		
	Performing	**Non-performing**	**Total**	Performing	Non-performing	Total
	€m	**€m**	**€m**	€m	€m	€m
Residential						
- Home loans	**47**	**694**	**741**	55	644	699
- Buy-to-let	**22**	**260**	**282**	58	280	338
Total impairment provisions	**69**	**954**	**1,023**	113	924	1,037

24. Financial risk management (continued)

Repossessed collateral

Properties are repossessed where the obligor either (i) voluntarily surrenders the property or (ii) the Group takes legal repossession due to non-repayment of the loan facility. The Group will seek to maximise the proceeds from the sales of repossessed properties with a view to extinguishing the outstanding loan facility. The following tables outline the main movements in this category during the period.

Stock of repossessions	**30 June 2015**		31 December 2014	
	Number	**Balance outstanding**	Number	Balance outstanding
Residential repossessions		**€m**		€m
ROI:				
- Home loans	**201**	**55**	199	53
- Buy-to-let	**182**	**50**	166	45
Commercial	**10**	**6**	42	31
UK:				
- Home loans	**-**	**-**	5	1
- Buy-to-let	**43**	**7**	97	15
Total	**436**	**118**	509	145

Repossessed assets are sold as soon as practicable, with proceeds offset against any outstanding indebtedness. These assets which total €51m as at 30 June 2015 (31 December 2014: €61m) are included within other assets in the statement of financial position. During the period 218 residential properties were repossessed, comprising ROI and UK properties and can be split as follows:

	ROI	**UK**
Home loans	74	4
BTL	63	75
Commercial	2	-
Total	**139**	**79**

The details of the disposals are provided in the tables below:

	ROI	**UK**
Home loans	71	9
BTL	42	119
Commercial	6	-
*Details of these disposals are included in the tables below	119	128
Properties sold as part of asset disposal (see note 5)	33	-
Other	-	11
Total	**152**	**139**

Half year ended 30 June 2015	**Number of disposals**	**Balance outstanding at repossession**	**Gross sales proceeds**	**Costs to sell**	**Pre provisioning loss on sale***
		€m	**€m**	**€m**	**€m**
ROI:					
- Home loans	**71**	**19**	**7**	**-**	**12**
- Buy-to-let	**42**	**14**	**4**	**-**	**10**
Commercial	**6**	**3**	**1**	**-**	**2**
UK:					
- Home loans	**9**	**3**	**2**	**-**	**1**
- Buy-to-let	**119**	**25**	**21**	**2**	**6**
Period ended 30 June 2015	**247**	**64**	**35**	**2**	**31**

Year ended 31 December 2014	Number of disposals	Balance outstanding at repossession	Gross sales proceeds	Costs to sell	Pre provisioning loss on sale*
		€m	€m	€m	€m
ROI:					
- Home loans	143	34	12	1	23
- Buy-to-let	58	15	5	-	10
Commercial	10	12	4	-	8
UK:					
- Home loans	10	1	2	-	(1)
- Buy-to-let	368	57	44	4	17
Year ended 31 December 2014	589	119	67	5	57

*Calculated as gross sales proceeds less balance outstanding at repossession less costs to sell. These losses are provided for as part of the impairment provisioning process.

24. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group may experience difficulty in financing its assets and / or meeting its contractual obligations as and when they fall due, without incurring excessive cost.

The Group's liquidity risk framework is disclosed in the 2014 Annual Report. There have been no changes to the framework during the half year ended 30 June 2015.

The Assets and Liabilities Committee ("ALCO") monitors sources of funding and reviews short-term and long-term borrowings and their respective maturity profiles. The Group's funding profile based on remaining maturities was:

	30 June 2015	31 December 2014
Customer accounts	**64%**	61%
Long-term debt (> 1 year)	**7%**	16%
Short-term debt (< 1 year)	**29%**	23%
	100%	100%

Long-term funding consists of debt with a remaining maturity or call date of greater than 12 months, including bonds and medium-term notes, non-recourse funding and subordinated liabilities.

Short-term funding consists of debt with a remaining maturity or call date of less than 12 months, including ECB funding, debt securities in issue and certain other short-term debt.

In accordance with IFRS 7, Financial Instruments: Disclosures, the following tables present the maturity analysis of financial liabilities on an undiscounted basis, by remaining contractual maturity at the statement of financial position date. These will not agree directly with the balances on the consolidated statement of financial position due to the inclusion of future interest payments. In this table, derivatives represent the carrying value of derivative instruments that are held as hedging instruments in respect of financial liabilities.

30 June 2015	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**Over 2 years**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Liabilities							
Deposits by banks	**6,566**	**2,349**	**-**	**-**	**-**	**-**	**8,915**
Customer accounts	**8,907**	**2,213**	**1,991**	**4,345**	**2,099**	**247**	**19,802**
Debt securities in issue	**2**	**23**	**38**	**28**	**93**	**2,426**	**2,610**
Subordinated liabilities	**-**	**-**	**-**	**-**	**-**	**24**	**24**
Hedging derivatives	**-**	**(1)**	**-**	**(4)**	**(7)**	**(17)**	**(29)**
Total liabilities	**15,475**	**4,584**	**2,029**	**4,369**	**2,185**	**2,680**	**31,322**

31 December 2014	Up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	Over 2 years	Total
	€m	€m	€m	€m	€m	€m	€m
Liabilities							
Deposits by banks	4,065	2,031	-	-	-	3,146	9,242
Customer accounts	9,243	2,545	2,097	4,407	2,171	207	20,670
Debt securities in issue	2	1,442	58	64	48	2,437	4,051
Subordinated liabilities	-	-	-	40	440	24	504
Hedging derivatives	-	(49)	(5)	(1)	(7)	(28)	(90)
Total liabilities	13,310	5,969	2,150	4,510	2,652	5,786	34,377

For products where the contractual maturity date may be different from actual behaviour, the Group uses statistical methodologies to manage liquidity on an expected or behaviourally adjusted basis.

25. Commitments and contingencies

The table below gives the contractual amounts of capital commitments and operating lease commitments. The maximum exposure to credit loss under 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.

Credit commitments	**30 June 2015**	31 December 2014
	€m	€m
Guarantees and irrevocable letters of credit	**5**	5
Commitments to extend credit		
- less than 1 year	**348**	344
- 1 year and over	**140**	141
Total commitments to extend credit	**488**	485
Total credit commitments	**493**	490

Operating lease commitments

The Group leases various offices under non-cancellable operating leases. The future aggregate minimum lease payments under these leases are as follows:

	30 June 2015	31 December 2014
	€m	€m
Less than 1 year	**7**	7
Greater than 1 year and less than 5 years	**26**	27
Greater than 5 years	**25**	29
Total operating lease commitments	**58**	63

Other contingencies

The Group, like all other banks, is subject to litigation in the normal course of its business. Based on legal advice, other than matters referred to in note 19, the Group does not believe that any such litigation will have a material effect on its income statement or statement of financial position.

Since 31 December 2008, the Group had been subject to investigations by a number of statutory bodies including the Central Bank (Supervision Division) into deposits placed by Irish Life Assurance plc with Irish Bank Resolution Corporation (formerly Anglo Irish Bank) (on 31 March 2008, 26 September 2008, 29 September 2008 and 30 September 2008). At 30 June 2015, these investigations were still on-going.

26. Related parties

The Group has a related party relationship with its Directors, Senior Executives and Group's pension schemes. Also, as a result of the issuance of the Group Ordinary Shares to the Minister for Finance and the Group's participation in Government Guarantee Schemes as described below, the Group has a related party relationship with the Irish Government and Government related entities.

(A) Transactions with key management personnel

Key management personnel include Non-Executive Directors, Executive Directors and members of the Executive Committee (ExCo). The Executive Directors and members of the ExCo are set out in Note 39 of the 2014 Annual Report.

Number of key management personnel

	30 June 2015	31 December 2014
Non-Executive Directors	**7**	7
Executive Directors and Senior Management	**13**	13
	20	20

In the normal course of its business, the Group had loan balances and transactions with key management personnel and their connected persons. The loans are granted on normal commercial terms and conditions with the exception of certain home loans where Executive Directors and Senior Managers may avail of subsidised loans on the same terms as other eligible management of the Group. All of the loans in the scope of the related party guidelines as outlined under the Companies Act 2014, the Central Bank Related Party lending code 2013 and IAS 24, Related party disclosures are secured (with the exception of Visa, Overdraft and Term loans) and all interest and principal due at the statement of financial position date has been repaid on schedule and therefore, no provision for loan impairment is required. Total outstanding balances of loans, credit cards, overdrafts and deposits are as follows:

	30 June 2015	31 December 2014
	€'000	€'000
Outstanding balances		
Loans	**1,883**	1,924
Unsecured credit card balances and overdrafts	**12**	5
Deposits	**1,156**	1,028

(B) Irish Government and Government related entities

Following Permanent TSB Group Holding's share issuance in May 2015, the Minister for Finance continues to be the majority shareholder of the Group. The Irish Government is recognised as a related party as the Government is deemed to have control over the Group as defined by IAS 24. The Group has applied the amended IAS 24 which exempts an entity from the related party disclosure requirements in respect of the Government and Government related entities unless transactions are individually or collectively significant. In the normal course of business, the Group has entered into transactions with the Government and Government related entities involving deposits, senior debt and dated subordinated debt.

The following are transactions and balances between the Group and the Government and Government related entities that are collectively significant:

- As part of the Capital transaction in May 2015 the Group repurchased the Contingent Capital Note from the Minister for Finance. To complete this transaction the Group paid a premium of €10.5m to the Minister for Finance, see details in note 20.

- PTSB and its subsidiary Permanent Bank International Ltd were participating covered institutions under the Government's Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the "ELG Scheme") which guaranteed certain eligible liabilities (including deposits) of up to five years in maturity prior to its withdrawal by the Minister for Finance from 29 March 2013. Under the ELG Scheme, the Group issued a 5 year €2bn bond in March 2010. The charge to the income statement in respect of the ELG Scheme to 30 June 2015 was €9m (31 December 2014: €59m). The liabilities covered by the scheme at 30 June 2015 amounted to €1,047m (31 December 2014: €2,774m).

- The Group holds securities issued by the Government and Government related entities of €4,110m (31 December 2014: €5,047).

- Customer accounts include deposits of €1.3bn placed by a Government institution (31 December 2014: €2.3bn). Further details on these deposits are provided in note 17.

- As at 30 June 2015, the Group held €1.4bn of deposits placed by the CBI under the SMBPN programme (31 December 2014: €1.3bn). The deposits are secured by way of floating charge over €3.4bn (31 December 2014: €3.2bn) of ROI residential mortgages. See note 16 for further details.

- The Group entered into banking transactions in the normal course of business with local Government and Semi-State Institutions such as Local Authorities and County Councils. These transactions principally include the granting of loans, the acceptance of deposits and clearing transactions.

- Bank Levy
  The Finance Bill (No.2) 2013 enacted on 18 December 2013, introduced a bank levy on certain financial institutions, including the Group. In line with the guidance in IFRIC 21 'Levies', the Group expects to incur a charge of €27m in respect of the levy in the second half of this year.

26. Related parties (continued)

- During 2013, following the Transfer Order requested by the Central Bank and issued by the High Court dated 10 November 2013, the Group acquired certain assets, liabilities, books and records and all employees of Newbridge Credit Union ("NCU") transferred to the Group with immediate effect. As part of this transaction, along with the assets and liabilities of NCU, a cash financial incentive of €23m was paid from the Credit Institutions Resolution Fund, which forms part of the Financial Incentives Agreement ("FIA") signed between the Central Bank and the Group dated the 10 November 2013. It was also agreed in the FIA that the Central Bank will use the Credit Institution Resolution Fund to compensate the Group for 50% of any future impairment losses incurred on NCU's loans and advances to customers. Similarly, it was also agreed that if any provision write-backs or future recoveries of previously written off NCU's loans and advances to customers occurs, the Group will pay a cash amount equivalent to 50% of the provision write-back or the recoveries to the Credit Institutions Resolution Fund. As per the FIA, this arrangement will continue for ten years from the transfer date. At 30 June 2015, the Group has booked a receivable of €0.7m from the Credit Institutions Resolution Fund for 50% of the impairment losses and other costs incurred since the acquisition included in other assets, note 15.

The Government also has a controlling interest in Allied Irish Bank plc including EBS Limited, and is judged for the purpose of this disclosure to also have significant influence over Bank of Ireland. Due to the Group's related party relationship with the Irish Government as described above, balances between these financial institutions and the Group are considered related party transactions in accordance with IAS 24.

The following table summarises the balances between the Group and these financial institutions:

		Loans and advances to Banks	Debt securities held	Derivative assets	Derivative liabilities	Deposits by Banks
		€m	€m	€m	€m	€m
EBS Limited						
	30 June 2015	**5**	**16**	**-**	**-**	**-**
	31 December 2014	5	23	-	-	-
Allied Irish Banks p.l.c						
	30 June 2015	**3**	**-**	**1**	**3**	**499**
	31 December 2014	9	-	2	12	-
Bank of Ireland						
	30 June 2015	**-**	**-**	**-**	**-**	**363**
	31 December 2014	2	159	-	-	-

27. Assets held for sale

At 30 June 2015, assets classified as held for sale totalled €1.13bn. In accordance with IFRS 5: Non-Current Assets Held for Sale, none of the loan portfolios outlined below are deemed to be a discontinued operation as they are not considered a major line of business or geographical area. All of these portfolios are measured in accordance with IAS39: Financial instruments as required by IFRS 5. Management expects to complete the sale of each of these portfolios within the next 12 months.

The Assets Held for Sale can be analysed as follows:

(a) Capital Home Loans Limited ("CHL")

i. In 2015, the Group committed as part of its restructuring plan to sell certain parts of its residual UK loan assets. At 30 June 2015, this has resulted in loans & advances to customers with a net book value of €689m from this portfolio being recognised as assets held for sale. This portfolio forms part of the Groups non-core segment as outlined in Operating Segments, note 2.

ii. In addition to the loans & advances to customers outlined in (i) above, the Group has €100m of loans & advances to banks and €1m of deferred tax assets. The Group has also presented €776m of liabilities as held for sale which includes €684m of debt securities in issue and €92m of deposits by banks. These assets and liabilities held for sale are associated with CHL sale which was announced on the 10 March 2015.

(b) Commercial real-estate portfolio

i. Continuing the Groups strategy to sell certain parts of its Non-Core Irish Assets a further €203m of CRE assets have been brought to market. This has resulted in these loans & advances to customers being recognised as Assets Held for Sale in the Statement of Financial Position at 30 June 2015. This €203m is in addition to €138m of commercial loans which were classified as held for sale at the 31 December 2014 and continue to be held in the category on the Statement of Financial Position.

28. Reporting currency and exchange rates

The condensed consolidated financial statements are presented in millions of Euro.

The following tables show the average and closing rates used by the Group:

	30 June 2015	31 December 2014	30 June 2014
€ / Stg£ exchange rate			
Closing	**0.7114**	0.7789	0.8015
Average	**0.7273**	0.8030	0.8189
€ / US$ exchange rate			
Closing	**1.1189**	1.2141	1.3658
Average	**1.1110**	1.3207	1.3703

29. Events after the reporting period

Sale of non-core loans

On 9 July 2015, the Group agreed the sale of a portfolio of non-core Irish based commercial real estate loans with a nominal value of €481m. The loan portfolio comprises of non-performing loans spread across Ireland.

The transaction is profitable by reference to the carrying value of the portfolios as at half year and is capital accretive to the Group. The transaction is expected to close by mid October 2015.

At 30 June 2015, the above loans have been presented on the Statement of Financial Position as assets classified as held for sale.

Transfer of share premium to retained earnings

On 22 July 2015, the Group obtained from the High Court of Ireland a court order, pursuant to Sections 84 and 85 of the Companies Acts 2014, confirming the cancellation and reduction of €1,490m out of its share premium account which amounted to €1,820m at 30 June 2015. This order was confirming a resolution passed at the AGM of the Group on the 08 April 2015. The resulting reserve has been applied to reduce the existing deficit in the retained earnings reserve.