permanent tsb

GROUP HOLDINGS P.L.C.

Half Year Report

Six months ended 30 June 2013

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' saving, 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 Annual Reports, are available on-line at www.permanenttsbgroup.ie.

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	Half year ended 30 June 2013 €m	Restated* Half year ended 30 June 2012 €m
Net interest income	**93**	85
Net other income	**26**	30
Total operating income	**119**	115
Operating expenses	**(138)**	(135)
Provision for impairments	**(430)**	(437)
Operating loss before exceptional items	**(449)**	(457)
Exceptional items	**318**	(130)
Operating loss before taxation	**(131)**	(587)
Taxation	**(10)**	22
Loss for the period	**(141)**	(565)
Net interest margin % (NIM), excluding ELG charge	**0.82**	0.76

Summary Financial Position & Funding Metrics

	30 June 2013 €m	31 December 2012 €m
Total shareholders' funds*	**2,467**	2,650
Total assets*	**38,147**	40,911
Net loans and receivables to customers	**30,198**	31,758
Provisions for impairment	**(3,598)**	(3,150)
Provisions for impairment % of gross loans	**10.6%**	9.0%
Customer accounts	**19,185**	16,639
Monetary authority funding	**7,806**	10,715
Wholesale funding	**7,770**	9,617
Loan to deposit ratio ("LDR")	**157%**	191%
Net stable funding ratio ("NSFR")	**81%**	67%
Capital Ratios		
Available regulatory capital	**2,612**	3,042
Risk weighted assets	**14,641**	14,859
Core Tier 1 capital ratio	**15.7%**	18.0%
Total capital ratio	**17.8%**	20.5%

*Following the adoption of IAS19R the Group has restated the comparative information in accordance with its transitional provisions.

Group Chairman's Statement

Introduction

This report sets out the performance of permanent tsb Group Holdings plc and its subsidiaries (the "Group") for the first six months of 2013.

2013 is a critical year for the Group. Last year, as the new Executive Team came to grips with the challenge of tackling the multiple, and deep-seated, problems facing the Group and began the long journey to recovery, the focus of the Board was fixed firmly on strategic planning, raising capital through the sale of the Irish Life Group and making preparations for a major restructure of the Group.

The goal of the Board is to secure the agreement of relevant stakeholders for, and implementing, a Restructuring Plan for the Group with four overriding objectives:

- Minimising the cost for the Irish taxpayer;
- Maximising the shareholders' future options;
- Working with customers in arrears to find realistic and equitable solutions for their individual situations; and
- Maintaining our competitive position in the Irish financial services marketplace.

In 2012, following detailed analysis and reflection, the Board decided that the optimum way to achieve these objectives was to:

(1) carve a viable, profitable bank out of the former institution;
(2) create a world-class Arrears Management Unit ("AMU"); and
(3) identify a number of non-core businesses that will be managed separately from the rest of the Group with a view to extracting maximum value over time.

As a result we decided to manage the Group as three Strategic Business Units (SBUs): permanent tsb, the core Irish retail bank; Asset Management Unit (AMU), the specialist one stop shop for customer arrears resolution; and Non-Core for run down portfolios; thereby maximising the options for the Minister for Finance (our main shareholder) in the years to come.

This approach is at the core of the Restructuring Plan which was submitted to the European Authorities by the Department of Finance and is the basis on which the Group is now being managed. We remain confident the Restructuring Plan will be approved in this calendar year; this will be a positive step forward for Ireland, our customers, our staff, and the Irish taxpayer, without whose support we would not exist.

While the Group CEO and the Management Team are responsible for the day-to-day execution and delivery of the Restructuring Plan, the Board's role is to ensure that:

(1) we secure full support from the relevant authorities;
(2) we have the right team in place to deliver; and
(3) we have the resources to support delivery.

Progress so far has been good. We are now managing the Group on the agreed basis of three SBUs. This is providing greater clarity around the performance and outlook for individual business areas and will ensure that the shareholders have increased options in regard to the Group's various assets in the years ahead.

permanent tsb bank SBU is making very good progress on re-establishing itself as a viable, competitive banking force for the benefit of the wider economy.

The AMU SBU is making a huge contribution to the efficient and fair treatment of customers in arrears.

The Non-Core SBU now provides a clear line of sight on deleveraging opportunities for the Group.

Operating Environment Remains Challenging

The environment in which we operate remains very challenging. Unemployment remains high which continues to be reflected in the level of arrears. Nevertheless, there are some encouraging signs; in particular, in respect of house prices, which are now beginning to stabilise and, in some locations, even strengthen. In addition, international perceptions of Ireland are clearly improving – there has been strong demand among both domestic and international investors for a number of long-term bond issues by the Irish Government this year.

Group Chairman's Statement

Stakeholder Support

We remain enormously grateful for all the support we have received from the Irish Government since this crisis began. In recent months the Department of Finance has stated on a number of occasions the important role they see permanent tsb Group playing in the banking industry here in Ireland and we are tremendously encouraged by this.

Risk and Governance

The regulatory environment for banking continues to evolve as learnings from the recent crisis are implemented. External regulation is an integral part of a well-functioning banking system. The Board is determined to ensure that the Group operates to the highest standards.

Board Composition

Margaret Hayes and Ray MacSharry retired as Directors at the Company's Annual General Meeting (AGM) held on 22 May 2013. Piotr Skoczylas retired as a director in accordance with the 'retirement by rotation' provisions set out in the Company's Articles of Association and, having offered himself for re-appointment, was not so re-appointed by shareholders at the AGM.

More recently, Sandy Kinney has advised us that she plans to retire from the Board at the conclusion of her three year term at the end of August 2013.

We are currently in the process of the appointing additional Directors.

Staff & Customers

Many of our customers continue to face difficulties with their loans. We are determined to assist them and will work with them to reach an appropriate and sustainable solution. I can assure them that throughout the process we will treat them fairly.

Our people continue to work extremely hard to rebuild our bank. Despite the continued difficult circumstances we face and the impact of cost cutting, the employees continue to deliver to the highest standards.

On behalf of the Group Board, I thank every member of staff for their loyalty and dedication.

Alan Cook
Group Chairman
28 August 2013

Group Chief Executive's Review

Business Overview

There is a long road to recovery ahead for the Group; however, in the first half of 2013 the Group demonstrated clearly that it is up for the challenge and began taking the first, critical steps forward.

Without in any way underestimating the significant challenges we continue to face, there are a number of highlights in the year so far and they are:

- After effectively withdrawing from normal lending for much of the past two years, the permanent tsb SBU is making a significant return to the market this year. We have overhauled almost every part of the operations which impact on lending; from credit approval, to pricing and right through to back office administration. We believe we are in a strong position to resume lending responsibly at levels of our natural market share (dependent upon both demand and creditworthiness).

- In the same vein, we have made a spirited re-entry to the current accounts market with a very competitive fee structure which eliminates transaction fees for many customers.

- We continue to make significant headway with the serious issue of arrears. The AMU, which was set up in the second half of last year, is now adding real value both in terms of assisting customers with arrears problems and in improving the financial performance of the Group by the enhanced management of those arrears.

- In respect of the Group's financial performance we are making headway in controlling costs and managing our net interest margin.

- The Group's employees have made considerable and difficult sacrifices to ensure we have a credible cost base that will underpin our financial performance in the years ahead. We will be striving to create the working environment and conditions where high performance is rewarded within the bounds of public ownership and without the excesses of the past.

Roll Out of "Bank Plus Two" Strategy

After much planning and preparation in 2012, this year sees the practical implementation of the 'Bank Plus Two' strategy. This is designed to ensure that a viable, profitable and competitive bank emerges from the old permanent tsb and that future options for the Minister for Finance are maximised.

At its core, the 'Bank Plus Two' strategy enables us to manage the Group on the basis of three distinct business units; each with a separate Management Team, a discrete strategy, clear objectives and performance measurement which is clear to internal and external stakeholders.

We are committed to rebuilding trust in both our profession and our organisation.

We will rebuild trust only if we are transparent with our customers and shareholders, and deliver on our promises to the highest standards.

I know the new Management Team have the correct values and attitude to put the Group at the heart of a new financial services model for Ireland. We are proud of what we do, what we are rebuilding and what we are achieving. Of course, we do not get it right all the time – that is the nature of a service business – however, we will keep trying to do the right thing for our customers and shareholders.

The business propositions for the three SBUs are as follows:

- The permanent tsb SBU is our 'Good Bank' focussing on Irish retail consumer banking. permanent tsb SBU is one of Ireland's core banks and we intend to drive improved competitiveness across the areas we operate in through innovative and simple banking. In the first six months of 2013 we introduced a number of initiatives to reinstate our presence on the competitive landscape which were clearly well received.

  Our recent 'Back to Basics' message announced to our customers, and those of other banks, that we are open for business. One of our first steps was to launch our new current account that rewards customers with charge free banking when they have their main account with us. It's Back to Basics in that we are saying to our customers: "we benefit from your balances so we won't charge you".

Deposits are and will be the key source of funding for permanent tsb SBU in the future. We continue to manage the difficult transition to a normalised level of interest rates without losing our customer deposits. This is part of the evolution of our banking model to one that is simple, transparent and gives fair value to customers.

The lifeblood of our 'Good Bank' is lending and we started our drive for normal market share with further innovation. We introduced our 'Managed Variable Rate' products to reward mortgage borrowers who are ready to put their own equity to work in buying a property. As with our free current accounts, where we benefit from our customers' own funds, our new mortgage products can reduce the cost of mortgage facilities for our customers. The mortgage market has been through a fundamental change with curbed access to credit. To help our customers we introduced 'Approval In Principle' (AIP) in 15 minutes. This allows them to know very quickly whether borrowing for a property is feasible without going through an arduous application process. €159m of AIPs have been issued since its introduction in May 2013. Obviously not all AIPs will result in completed mortgages but the figure does indicate progress in re-establishing the Group amongst the choices to be considered by prospective house buyers.

- The AMU deals with all our borrowers in distress. In order to deal with customers in difficulty with the highest level of skill and professionalism, we have hired and trained over 200 people in this SBU. The Irish Authorities are also getting to grips with this area and we have seen initiatives such as the Mortgage Arrears Resolution Strategy (MARS), the Personal Insolvency Act (PIA) and quarterly Mortgage Arrears Resolution Targets (MART).

  We welcome all these initiatives and are confident that the AMU will exceed the targets set.

  We are dealing with hundreds of customers every day as they grapple with difficult circumstances. We assist them in assessing how much they can pay each month and then identify the best treatment for them and us.

- The Non-Core SBU contains our businesses which are not related to core Irish consumer banking. This unit contains three main portfolios – Capital Home Loans (CHL), our UK and Isle of Man Buy-to-Let business; Commercial Real Estate; and a smaller Irish portfolio of specialist residential mortgages.

  These portfolios remain closed to new business with the key focus on efficient rundown and effective cost management to extract best value for the shareholders.

  Governance and oversight are the critical watchwords in such a business. In addition we have outsourced the management of some portfolios to ensure we have the relevant expertise available in managing such a diverse set of loans.

Prioritising Recovery

The Group's recovery will require prolonged improvement in four critical areas: net interest margin, arrears management, cost management and funding structure.

- Net Interest Margin (NIM)

  The cornerstone of a successful permanent tsb SBU is profitable funding and lending. This requires sourcing funding at the right price and then charging a sufficient margin on lending to cover credit losses and expenses and give an acceptable return to the shareholders, whose investment makes the enterprise possible. Attaining the appropriate level of NIM leads to organic capital generation thus creating a sustainable, highly-rated bank.

  We have managed down the cost of funds since 2012 and this will continue to remain an area of focus.

  In addition, we also completed a substantial overhaul of our mortgage pricing model and introduced a suite of Managed Variable Rates. This allows us to vary mortgage rates depending on the amount of equity the house buyer is themselves investing in the property and, thereby, rewarding customers who are investing higher amounts of equity in the property with lower variable rates.

  Of course, a return to profitable banking must see the true cost of capital (including both funding and credit losses) reflected in lending prices. We will continue to price both existing and new lending to reflect the on-going costs of business.

Group Chief Executive's Review

- Arrears Management

  No matter how much we improve the NIM it will be futile if we don't control our credit losses.

  Implementing solutions to the problems facing mortgage lenders and borrowers is a complex task that will need to be carefully managed by all stakeholders in the Irish banking system. These solutions will be critical in ensuring that borrowers in difficulty can emerge from the extremely challenging circumstances in which they find themselves and lenders can put the excessive losses they have incurred behind them and move forward.

  Implementing appropriate solutions may result in some very difficult decisions for our customers; however, we will treat each case individually, fairly and professionally.

  To address this, the AMU focuses exclusively on all areas of the arrears and collections process. We have built professional teams across all aspects of the arrears process including cash collections, sustainable treatments, legal and property management.

  The authorities, banks and legal system need to be aligned in solving the Irish distressed mortgage problem. The key stakeholders including the international and domestic monetary authorities, investors and rating agencies are watching us very closely, some with a sceptical eye. An even-handed balance between solving customers' problems, not unduly burdening banks' balance sheets and not hindering access to underlying security involves alignment of objectives by all interested parties.

- Cost Management

  We have made significant cuts to our cost base. Our Restructuring Plan balances cost cutting in some parts of the Group with investment in critical areas such as the AMU. This rebalancing of the cost base will ensure all aspects of the Group are at the correct size for our future growth.

  These changes have impacted all employees. Some have taken voluntary redundancy, while others have been affected by changes to pension schemes or other aspects of our pay structures. We are committed to rebuilding our Group and are making sacrifices that are painful but necessary to achieve this goal.

- Funding Structure

  We have strengthened the Group's funding structure through a combination of continued deposit growth and new capital market transactions. We continue to avail of ECB funding; however, this is now at less than half the peak level. The correct blend of funding will balance the need to improve our NIM with the requirement to diversify our funding sources and increase our liquidity reserves.

Separation

The financial separation from Irish Life occurred in 2012. During the first half of 2013 we completed the project to separate the Group's IT systems, hardware infrastructure and people from Irish Life thus ensuring the Group's capability to independently deliver all its IT services. The programme successfully completed within budget on 8 June.

Financial Performance

The operating loss for the Group (before exceptional items) for the six months to 30 June 2013 was €449 million (2012: €457 million loss). The moderate reduction of 2% in the loss is principally due to marginally lower impairment provisions and slight improvement in total operating income.

Net interest income to 30 June 2013 has increased by €8m to €93 million. Net interest margin (before ELG costs) increased from 0.72% for 2012 to 0.82% in first 6 months of 2013. The primary driver of this improvement in margin was the reduced cost of funds.

Administrative and other expenses (excluding exceptional items) for the period were €138 million, broadly in line with 2012, as savings arising from the Group's Voluntary Severance Scheme ("VSS") were offset by investments in staff and processes particularly within the AMU.

Impairment provisions on loans and receivables for the period were €429 million, showing a marginal reduction of 1% compared to 30 June 2012. Within this, commercial real estate and consumer finance impairments in the period reduced by €88m while residential mortgage impairments increased by €84m.

Group Chief Executive's Review

Exceptional items of €318 million include €327m relating to the impact on wind-up of defined benefit pension schemes. In April 2013, the Group concluded that it would not be possible to continue to contribute to the defined benefit pension schemes and that future pension benefits would be accrued to staff through a defined contribution scheme at a lower level of employer contribution. This approach would provide greater certainty of scheme costs while also avoiding the risks associated with defined benefit schemes, including the impending adverse impact on the Group's capital position. This decision has inevitably led to the wind-up of the defined benefit schemes. This necessitates that the previously recognised liability for these schemes is reversed which is shown in the income statement as an exceptional non-cash item.

The permanent tsb SBU recorded a €39 million operating loss before tax while the AMU and the Non-Core SBU recorded €329 million and €90 million operating loss before tax respectively. Although the loss recorded during the period is significant, it is broadly in line with the medium to long term projections which underpin the Restructuring Plan. Returning to profitability remains our goal and we are on the right track.

Capital

The Group continues to maintain a strong capital base and comply fully with capital adequacy requirements.

At 30 June 2013, the Core Tier 1 ratio of the Bank was 15.7% compared to a regulatory minimum of 10.5%. Regulatory capital available amounted to €2.6 billion at 30 June 2013 (31 December 2012: €3.0bn) giving a Total Capital ratio of 17.8% (31 December 2012: 20.5%).

Funding & Corporate Development

The Group's deposit base has continued to improve through the first half of 2013. Deposits grew by €2.5 billion in the first six months, including a €1.9 billion deposit by a Government institution. Customer deposits now represent 55% of funding, up from 45% in 2012. The Group continues to utilise ECB funding, but this has reduced from €10.7 billion in December 2012 to €7.8 billion at the end of June 2013. This improvement was facilitated by a number of capital market transactions and the continuing deposit growth.

Two significant Government Guaranteed bonds were repaid in the first half of 2013: debt of $1.7bn matured in January and a further €1.2bn matured in April 2013.

The ELG scheme was withdrawn in March 2013 by the Minister for Finance. As a participant in this scheme the Group incurred a cost of €63m to 30 June 2013 (30 June 2012: €81m) which will reduce further as guaranteed liabilities mature. The percentage of funding covered by ELG fell from 38% to 24% in the period.

The increasing deposit base and reducing loan balances contributed to a fall in LDR from 191% in December 2012 to 157% in June 2013. This is also reflected in the NSFR which stood at 81% as at the end of June 2013, up from 67% in December 2012.

Asset Quality

We continue to pay the price for the poor lending decisions of the past as the Group is once again reporting a significant impairment charge.

As detailed previously, the AMU has a best-in-class collections team and is making significant progress dealing with arrears cases. This progress is driven by our investment in people and systems, engagement from customers willing to look for a solution and the system wide approach from the Authorities. We have a wide range of sustainable and affordable treatments and progress has been made in creating a normal banking environment for arrears management.

However, there are still a number of areas that need to be tackled or this good progress will face a severe headwind.

First is a mind-set change that repayment of secured debt must rank ahead of settling unsecured liabilities. Unsecured debt has a higher interest rate because of the riskier nature of this debt; lenders who look to take this reward should, therefore, expect to face the downside when it comes. Secured borrowers must prioritise the repayment of their secured debt should they wish to maintain home ownership.

Secondly, an unfortunate outcome of dealing with a significant level of problem loans is that many will lead to repossession and even bankruptcy. We will treat customers in such positions fairly. An increase in the volume of repossession and bankruptcy cases coming before the courts is likely to place considerable demands on the judicial system.

Group Chief Executive's Review

The tables below provide a high level analysis of Irish Home Loans ("HL") and Buy-to-Let ("BTL") portfolios at 30 June 2013.

HLs	30 June 2013 €m	31 December 2012 €m
Impairment Provisions:		
Provision Charge (period)	**236**	130
Provision Stock	**1,399**	1,198
Total Mortgages No.	**142,827**	144,951
NPL No.	**23,749**	21,131
NPL %	**16.6%**	14.6%
NPL €m	**3,900**	3,502
PCR %	**36%**	34%

BTL	30 June 2013 €m	31 December 2012 €m
Impairment Provisions:		
Provision Charge (period)	**102**	124
Provision Stock	**1,149**	993
Total Mortgages No.	**23,301**	23,455
NPL No.	**4,930**	5,011
NPL %	**21.2%**	21.4%
NPL €m	**1,971**	1,999
PCR %	**58%**	50%

NPL = Non-Performing Loans (arrears are 90 days past due or impaired)
PCR = Provisions Coverage Ratio (impairment provisions as a % of NPL)

The Impairment provisions reflect the continuing view of the Board/Management to ensure that the Group has an adequate level of provisions; this is reflected in all aspects of provisioning including macro-economic inputs, cure rates and write-back periods.
In summary, we are committed to working with our customers during 2013 and beyond to find an appropriate and sustainable solution to fix the arrears management problem.

Outlook

The first half of 2013 has seen significant progress in the return of the Group to its position as a key competitor in Irish Banking. During the remainder of 2013, I expect this progress to accelerate and look forward to the formal approval of our Restructuring Plan by the European Commission. Such approval will likely be aligned with the exit of Ireland from the EU/IMF financial measures programme, a key measure of success for the International Community.

We have already launched mortgage and current account initiatives proving our competitive pedigree is more than just words. More will follow this year as we continue to focus on the needs of the Irish banking consumer.

The SBU structure has brought a renewed focus to the Group allowing us to launch new products while staying at the forefront in dealing with historic problems. This can only improve the Group's ability to drive change in Irish banking.

Customers

We have worked very hard this year to give our customers what they want. Whether the customer is a new current account owner, a depositor, a first time mortgagor or working through a distressed mortgage situation, we focus on a simple banking approach. We cannot always deliver everything a customer desires particularly in an impaired mortgage situation. However, we are committed to dealing with everyone in a transparent and fair manner to ensure customers get treated fairly without endangering the Group's and taxpayers' position.

We intend to be Ireland's best-in-class consumer bank, distinct for great customer service. We will not achieve this without constant focus on employee and customer satisfaction regardless of how difficult the environment is. We are committed to rebuilding a 'great place to work' and a 'great place to bank'.

Staff

We will not deliver our objectives without the continued and extraordinary effort from employees that I have observed so far in 2013. Despite the continued difficult economic climate and related cost cutting, staff continued to deliver on all objectives to rebuild our Group.

I would like to reiterate the Chairman's comments and appreciation to all employees for their extraordinary contribution to our continued recovery.

Group Chief Executive's Review

Summary

In 2012, we began to rebuild the Group, reorganised structurally, apologised for the past and started the long journey of change.

In 2013, we started to prove that our plan works and will deliver a best-in-class class Irish consumer bank. We await sign off by the European Authorities of the Restructuring Plan and are hopeful we will have good news before the end of this year.

We face many hurdles such as a difficult economic environment and continued credit losses. However, I am confident we will overcome these challenges and return to profitability during the lifetime of our plan. This is good news for our customers, shareholders, the Irish taxpayer and the Irish banking system.

In the meantime, we will keep our focus on catering for the needs of the Irish banking consumer with innovative yet simple banking products, agreeing sustainable solutions for as many distressed borrowers as possible and guarding the capital given to us by Ireland's taxpayers.

We are here to serve.

Jeremy Masding
Group Chief Executive Officer
28 August 2013

Operating and Financial Review

Group Income Statement

The Group Income Statement below comprises the combined performance of the Group to the 30 June 2013 with comparatives (as restated) to 30 June 2012.

The Group reported a loss before exceptional items of €449 million for the six months to 30 June 2013 (30 June 2012: €457 million)

The following sections provide further analysis on a line by line basis of these key movements.

Summary Consolidated Income Statement

	Period ended 30 June 2013 €m	Restated* Period ended 30 June 2012 €m
Net interest income	**93**	85
Net other income	**26**	30
Total operating income	**119**	115
Operating expenses	**(138)**	(135)
Operating loss before impairment provision	**(19)**	(20)
Provision for impairment - loans and receivables	**(429)**	(434)
Provision for impairment – repossessed assets	**(1)**	(3)
Operating loss before exceptional items	**(449)**	(457)
Exceptional items		
- Restructuring costs	**(9)**	(130)
- Impact of pension schemes wind up	**327**	-
Loss before taxation	**(131)**	(587)
Taxation	**(10)**	22
Loss for the period	**(141)**	(565)

* Following the adoption of IAS19R, the income statement for the six months ended 30 June 2012 has been restated. As a result of this, the operating expenses decreased by €1 million. Refer to note 1 to the financial statements for further details.

Net Interest Income

Net interest income for the six months to 30 June 2013 was €93 million (2012: €85 million) after €63 million of fees payable under the ELG scheme (2012: €81 million). The liabilities covered under the scheme decreased by €7.2 billion to €8.6 billion. The ELG fee will decrease further as covered liabilities mature following the ending of the scheme in March 2013.

Net interest income to 30 June 2013 has increased by €8 million to €93 million. Net interest margin (before ELG costs) increased from 0.72% for 2012 to 0.82% in the first 6 months of 2013. The key driver of this improvement in margin was the reduced cost of funds, assisted by one-off gains in the debt securities portfolio.

This, together with improvements in wholesale funding mix and price, have offset the full year impact of asset re-pricing following the reductions of the SVR rate in 2012 for ROI Home Loan customers.

Operating and Financial Review

Net Other Income

Net other income comprises retail banking fees including current account fees, debit and credit cards fees, insurance and foreign exchange commission as well as realised gains and losses on debt securities. Net other income to 30 June 2013 was €26 million (30 June 2012: €30 million) and is summarised as follows:

	Half year ended 30 June	
	2013	2012
	€m	€m
Fees and commission income	**24**	28
Fees and commission expenses	**(6)**	(6)
	18	22
Gain on debt buy-back	**5**	9
Gain on disposal of Government gilts	**5**	-
Other	**(2)**	(1)
Net other income	**26**	30

Net fees and commissions of €18 million are €4 million less than the six months to 30 June 2012 largely due to lower activity levels across a range of products with current account activity now focused on the new non-fee generating product range.

A gain of €5 million was realised in the period on the buy-back of debt securities issued by the Group and mortgage backed securities issued by special purpose entities controlled by the Group. A gain of €9 million was realised in the six months to 30 June 2012 on the buy-back and cancellation of debt securities issued by the Group

In the six months to 30 June 2013, a €5 million gain was realised on government gilts held by the Group.

Operating Expenses

	Half year ended 30 June	
	2013	2012
	€m	€m
Payroll	**55**	58
Pension	**14**	13
Legal and professional fees	**17**	12
Depreciation and amortisation	**9**	8
Other	**43**	44
Operating expenses	**138**	135

Operating expenses at €138 million for the six months to 30 June 2013 are €3 million higher than the six months to 30 June 2012. This reflects a number of changes in the Group's cost structure. The Group has invested heavily in the business and in particular the AMU which as at 30 June 2013 has 228 full time employees. Notwithstanding this, more rigorous management of payroll costs, including voluntary severance scheme resulted in a net reduction on this line. Legal and professional fees have increased by €5m over the €12m incurred in the six months to 30 June 2012, primarily driven by activities in the AMU.

Provision for Impairments

Loans and receivables to customers

The charge for impairment provisions on loans and receivables to customers for the six months to 30 June 2013 was €429 million (30 June 2012: €434 million). The charge is analysed across the loan portfolios as follows:

	Half year ended 30 June	
	2013	2012
	€m	€m
ROI Residential mortgages		
- Home Loans	**236**	130
- Buy-to-Let	**102**	124
	338	254
UK Residential mortgages		
- Home Loans	**1**	1
- Buy-to-Let	**10**	11
	11	12
Consumer finance	**8**	30
Commercial mortgages	**72**	138
Total	**429**	434

The charge for ROI residential mortgages for the period to 30 June 2013 has increased by €84m from €254 million at 30 June 2012. This is comprised of an increase of €106m for Home Loan mortgages and a decrease of €22m for Buy-to-Let mortgages. The increase in impairment charges for Home Loan mortgages reflects an update to the Group's provisioning methodology.

Operating and Financial Review

The overall increase in ROI residential mortgages is offset by the decrease in commercial and consumer finance provisions of €88 million for the six months to June 2013. This decrease was driven by the sale of the Group's non-core consumer finance business in 2012 and a fall in impairment provisions in the commercial portfolio.

Repossessed Assets

An impairment provision of €1 million (June 2012: €3 million) was incurred in respect of the write-down of the carrying value of repossessed properties to their estimated recoverable amount.

Exceptional Items

Exceptional items in the first six months of 2013 amounted to a gain of €318 million (June 2012: €130 million loss). These are analysed below:

	Half year ended 30 June	
	2013	2012
	€m	€m
Restructuring costs	**(9)**	(52)
Pension schemes wind-up	**327**	-
Loss on disposal of loans and receivables held for sale	**-**	(6)
Provision for impairment on assets held for sale	**-**	(72)
Exceptional items	**318**	(130)

The Group continued to implement the restructuring of its operations which commenced in 2012 and incurred costs of €9 million to 30 June 2013 (June 2012: €52 million). This includes €2 million in respect of the VSS commenced in 2012.

Exceptional items also include €327m of a non-cash item reflecting the reversal of the defined benefit liability which is no longer required (this is discussed further in note 20 to the condensed consolidated financial statements).

Taxation

The taxation charge for the six months to 30 June 2013 was €10 million (2012: €22 million credit). The charge primarily relates to the release of a deferred tax asset associated with the pension scheme liabilities which have been reversed during the period.

Operating and Financial Review

Group Statement of Financial Position

	30 June 2013	Restated* 31 December 2012
	€m	€m
Assets		
Loans and receivables to customers	**30,198**	31,758
Loans and receivables to banks	**1,292**	1,396
Debt securities	**5,798**	6,827
Other assets	**684**	930
Assets held for sale	**175**	-
Total assets	**38,147**	40,911
Liabilities and equity		
Customer accounts	**19,185**	16,639
Deposits by banks	**11,898**	13,827
Debt Securities in issue	**3,678**	6,505
Subordinated liabilities	**367**	337
Other liabilities	**552**	953
Total liabilities	**35,680**	38,261
Total equity	**2,467**	2,650
Total liabilities and equity	**38,147**	40,911

* Following the adoption of IAS19R, the statement of financial position for 2012 has been restated. As a result of this the other liabilities increased and total equity reduced by €184m. Refer note 1 to the financial statements for further details.

Total assets have decreased by €2.7 billion mainly due to the reduction in loans and receivables to customers and debt security assets.

Operating and Financial Review

Loans and Receivables to Customers

The following table summarises the loans and receivables to customers and the related impairment provisions by portfolio.

	30 June 2013			31 December 2012		
	Loans and receivables balance	**Impairment provisions**	**Net balance**	Loans and receivables balance	Impairment provisions	Net balance
	€m	**€m**	**€m**	€m	€m	€m
ROI residential mortgages						
- Home Loans	**17,692**	**(1,399)**	**16,293**	17,995	(1,198)	16,797
- Buy-to-Let	**6,528**	**(1,149)**	**5,379**	6,593	(993)	5,600
	24,220	**(2,548)**	**21,672**	24,588	(2,191)	22,397
UK residential mortgages						
- Home Loans	**390**	**(3)**	**387**	433	(5)	428
- Buy-to-Let	**6,532**	**(68)**	**6,464**	6,966	(69)	6,897
	6,922	**(71)**	**6,851**	7,399	(74)	7,325
Commercial mortgages	**2,219**	**(817)**	**1,402**	2,248	(735)	1,513
Consumer finance – term / other						
- Film finance	**40**	**-**	**40**	68	-	68
- Term loans / other	**370**	**(162)**	**208**	378	(150)	228
	410	**(162)**	**248**	446	(150)	296
	33,771	**(3,598)**	**30,173**	34,681	(3,150)	31,531
Classified as held for sale			**(175)**			-
Deferred fees, discounts and fair value adjustments			**200**			227
Loans and receivables to customers			**30,198**			31,758

The Group's loans and receivables to customers decreased by €1.6 billion during the first six months of 2013 of which €0.4 billion is due to an increase in the impairment provisions and €0.2 billion is due to the reclassification of the UK residential mortgages to held for sale. The balance of the decrease is attributable to capital repayments and redemptions exceeding new business by €0.6 billion and the weakening of sterling against the euro of €0.4 billion.

ROI Residential Mortgages

ROI residential mortgages represent 72% of the total gross loans and receivables to customers (2012: 71%). 73% of these loans are Home Loans (2012: 73%) with 27% consisting of Buy-to-Let mortgages.

The gross loan balances fell by €368 million in the six months to 30 June 2013 as capital repayments exceeded new business.

NPLs have increased by €0.4 billion which now represent 24% of the total ROI residential mortgages. However, the flow of customers into this category has slowed compared to previous periods. An item of particular note is within the Buy-to-Let loan portfolio NPLs have seen a small decrease due to improved arrears management by the AMU.

The arrears profile of the ROI residential mortgage book is set out below:

	30 June 2013			31 December 2012		
	Home Loans	**Buy-to-Let**	**Total**	Home Loans	Buy-to-Let	Total
	€m	**€m**	**€m**	€m	€m	€m
Neither past due nor impaired	**12,823**	**4,268**	**17,091**	13,337	4,233	17,570
Past due but not impaired*	**1,536**	**330**	**1,866**	1,750	451	2,201
Impaired**	**3,333**	**1,930**	**5,263**	2,908	1,909	4,817
ROI residential mortgages	**17,692**	**6,528**	**24,220**	17,995	6,593	24,588
Impaired	**3,333**	**1,930**	**5,263**	2,908	1,909	4,817
Past due but not impaired greater than 90 days	**567**	**41**	**608**	594	90	684
NPLs	**3,900**	**1,971**	**5,871**	3,502	1,999	5,501
NPLs as % of total	**22%**	**30%**	**24%**	19%	30%	22%
Impairment provisions balance	**1,399**	**1,149**	**2,548**	1,198	993	2,191
Provisions as % of NPL	**36%**	**58%**	**43%**	34%	50%	40%
Total cases – number	**142,827**	**23,301**	**166,128**	144,951	23,455	168,406
NPLs – number	**23,749**	**4,930**	**28,679**	21,131	5,011	26,142
NPLs number % of Total Cases	**16.6%**	**21.2%**	**17.3%**	14.6%	21.4%	15.5%
Weighted Average LTV	**115%**	**140%**		112%	138%	

* 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. For further analysis see note 27.

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

Operating and Financial Review

UK Residential Mortgages

UK mortgages are principally tracker mortgages to the professional landlord market. The business has been closed to new customers since 2008.

In sterling terms, this portfolio has declined from £6.0 billion to £5.9 billion mainly due to redemptions.

£150 million (€175 million) of the portfolio was reclassified to assets held for sale reflecting the Group's decision to reduce its exposure to UK mortgages.

Consumer Finance – term loans/other

The consumer finance portfolio includes credit cards and unsecured personal lending.

Term loans/other gross loan balances fell by €8 million to €370 million as repayments were almost offset by the increase in new lending. Impairment provisions on this portfolio have increased by €12 million reflecting the continued stresses in the unsecured lending market in Ireland.

Commercial Mortgages

The commercial real estate portfolio was closed to new business in 2008 and principally consists of interest only Irish mortgages. The gross loan portfolio at 30 June 2013 is €2.2 billion, in line with the balance at 31 December 2012.

Impairment provisions are €817 million at 30 June 2013 (31 December 2012: €735 million) representing a PCR of 64% (31 December 2012: 66%). The reduction in PCR is reflective of more recent provisions attracting a lower impairment charge.

Loans and Receivables to Banks

The movement in loans and receivables to banks during the period is set out below:

	30 June 2013 €m	31 December 2012 €m
Opening balance	**1,396**	1,623
Net outflow	**(104)**	(227)
Closing balance	**1,292**	1,396

These balances represent collateral held at other banks connected with treasury management transactions.

Debt Securities

The movement in the debt securities portfolio is set out below:

	30 June 2013 €m	31 December 2012 €m
Opening balance	**6,827**	6,657
Maturities / disposals	**(1,131)**	(1,659)
Additions	**91**	1,372
Other movements	**11**	457
Total movement	**(1,029)**	170
Closing balance	**5,798**	6,827

The debt securities are principally attributable to the Group's treasury operations and include €2.9 billion of government bonds and €2.2 billion of NAMA bonds.

The portfolio fell by €1.0 billion during the six months to 30 June 2013 reflecting scheduled maturities as well as disposals driven by the strategic management of the portfolio.

Operating and Financial Review

Customer Accounts

The customer account balances are analysed as follows:

	30 June 2013 €m	31 December 2012 €m
Retail current accounts	**2,106**	2,053
Retail deposits	**11,589**	11,453
Corporate deposits	**5,490**	3,133
Customer accounts	**19,185**	16,639

Customer accounts which include both retail and corporate term, notice and demand accounts as well as current accounts grew to €19.2 billion at 30 June 2013 (31 December 2012: €16.6 billion)

Retail deposits including current account balances increased by €189 million in the six months to 30 June 2013. This represents a strong performance following the withdrawal of the ELG scheme as planned in March 2013.

The increase in corporate deposits includes €1.9 billion of sale and repurchase agreements with a Government institution at 30 June 2013.

The NSFR as at 30 June 2013 improved to 81% (31 December 2012: 67%). This improvement reflects the strong growth in deposits together with increased wholesale funding from third parties.

Wholesale Funding

The Group's wholesale funding is summarised below:

	30 June 2013 €m	31 December 2012 €m
Debt securities in issue		
- Bonds and medium term notes	**2,525**	5,274
- Non-recourse funding	**1,153**	1,231
	3,678	6,505
Debt securities in issue:		
> 1 year to maturity	**3,537**	3,777
< 1 year to maturity	**141**	2,728
Deposits by banks		
- ECB	**7,806**	10,715
- Other banks and institutions	**3,994**	3,009
- Other	**98**	103
	11,898	13,827
Deposits by banks:		
> 1 year to maturity	**3,854**	5,038
< 1 year to maturity	**8,044**	8,789
Drawings from Monetary Authorities	**€ billion**	€ billion
Maximum	**11.9**	14.0
Average	**9.3**	11.1

Debt Securities in Issue

There were no new debt issuances in 2013. Debt securities in issue fell by €2.8 billion in the six months to 30 June 2013 as previously issued debt was repaid at maturity.

Deposits by Banks

The Group reduced its reliance on deposits by banks, including central bank funding by 1.9 billion since 31 December 2012. This reduction reflects the on-going management of the funding mix towards customer deposits, together with a reduction in the assets requiring funding.

The drawings from the ECB have been reduced by €2.9 billion to €7.8 billion at 30 June 2013. Market deposits received from third party banks increased by almost €1.0 billion in the period.

Operating and Financial Review

Regulatory Capital

The Group's Basel II regulatory capital position is summarised as follows:

	30 June 2013	31 December 2012
	€m	€m
Total available capital	**2,612**	3,042
Risk-weighted assets	**14,641**	14,859
Capital ratios		
Core Tier 1	**15.7%**	18.0%
Total capital ratio	**17.8%**	20.5%

The total available capital fell by €0.4 billion to €2.6 billion in the six months to 30 June 2013 reflecting the losses for the period.

The Group's core tier 1 capital ratio at 30 June 2013 is 15.7% (31 December 2012: 18.0%). This compares to a regulatory capital minimum of 10.5%.

Business Structure Review

Segmental information

During the first six months of 2013 the Group has implemented the "Bank Plus Two" strategy. Following this, the business is managed under three SBUs.

- permanent tsb focuses on Irish retail consumer business with a gross loan portfolio of €15 billon largely consisting of performing ROI residential mortgages
- AMU, with a gross loan portfolio of €9 billion focussed on non-performing ROI residential mortgages and lower yielding tracker mortgages.
- The Non-Core SBU, which has a gross loan portfolio of €10 billion, comprises of Group's UK residential mortgages operated through CHL, a smaller deposit business in IOM operated through Group's subsidiary, Permanent Bank International Limited (PBIL) and some smaller loan portfolios. PBIL is currently included in the non-core segment as it currently funds the UK mortgage business. However, the Group views PBIL as core as it could be utilised as a funding platform for permanent tsb and the AMU when non-core operations are deleveraged. All of these portfolios except PBIL are closed to new business.

The overall loss in the period is attributed to business units as set out below.

Operating loss before exceptional items

permanent tsb	**(39)**
AMU	**(329)**
Non-core	**(90)**
Unallocated adjustments	**9**
Group total	**(449)**

As 30 June 2013 is the first period these units report their performance, no comparative information is available. The losses are mainly focused in the AMU reflecting the continued increase in ROI residential impairments while the non-core portfolio losses can be mainly attributed to impairment losses on the commercial real estate portfolio.

Note 2 to the condensed consolidated financial statements provide more details on the segmental information.

Risk Management

Risk Management

The Group operates a proactive Enterprise Risk Management ("ERM") approach in the identification, assessment and management of risk. The Group ERM is designed to ensure that all material risks are identified and managed and the business strategy across the Group is implemented in full recognition of these risks. This Group risk framework underpins profitability and prudent risk taking throughout the Group. Further details of which are outlined on pages 21 to 31 of the 2012 Annual Report.

There have been no significant changes to the Risk Management Framework since 31 December 2012. A detailed analysis of credit and liquidity risk is provided in note 27.

Responsibility Statement

Responsibility Statement

For the six months ended 30 June 2013

We, being the Board of Directors and persons responsible within permanent tsb Group Holdings plc, confirm that to the best of our knowledge the Half Year Report comprising the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related notes to the condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

On behalf of the Board:

Alan Cook	Jeremy Masding
Group Chairman	Group Chief Executive Officer

28 August 2013

Independent Review Report

Independent review report to permanent tsb Group Holdings plc

Introduction
We have been engaged by permanent tsb Group Holdings plc (the company) (together with its subsidiaries the "Group") to review the condensed set of financial statements in the Half Year Report for the six months ended 30 June 2013, which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and related notes. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The Half Year Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Report in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union. As disclosed on page 33, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this Half Year Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the Half Year Report based on our review. This report, including the conclusion, has been prepared for and only for the company and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Year Report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Emphasis of Matter – Going Concern
Without modifying our conclusion, we draw attention to the disclosure made in Note 1 to the condensed set of financial statements which sets out certain factors, risks and uncertainties which have been considered in the directors' assessment of the ability of the Group to continue as a going concern. These disclosures refer to the Group's need for approval of the Restructuring Plan and the Group's continued access to funding provided by the Central Bank of Ireland and the European Central Bank, together with the directors' assessment of these matters. These matters indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The condensed set of financial statements does not include adjustments that would result if the Group was unable to continue as a going concern.

PricewaterhouseCoopers
Chartered Accountants
Dublin
28 August 2013

Condensed Consolidated Financial Statements (Unaudited)

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Condensed Consolidated Financial Statements

Condensed Consolidated Income Statement (Unaudited)

For half year ended 30 June 2013

	Notes	Half year ended 30 June 2013 €m	Restated* Half year ended 30 June 2012 €m
Continuing operations			
Interest receivable	4	**513**	638
Interest payable	4	**(420)**	(553)
Net interest income		**93**	85
Fees and commission income		**24**	28
Fees and commission expense		**(6)**	(6)
Net trading expense		**(1)**	(5)
Other operating income		**12**	13
Other operating expense		**(3)**	-
Total operating income		**119**	115
Administrative and other expenses (excluding exceptional items)		**(129)**	(127)
Depreciation and amortisation		**(9)**	(8)
Exceptional items			
Impact of the wind up of the defined benefit pension schemes	20	**327**	-
Restructuring costs	5	**(9)**	(52)
Impairment of assets and liabilities classified as held for sale		**-**	(72)
Loss on disposal of loans and receivables to customers held for sale		**-**	(6)
Total operating expenses		**180**	(265)
Operating profit/(loss) before provisions for impairment		**299**	(150)
Provisions for impairment			
Loans and receivables to customers	13(a)	**(429)**	(434)
Repossessed assets	13(c)	**(1)**	(3)
Total provisions for impairment		**(430)**	(437)
Operating loss before taxation		**(131)**	(587)
Taxation	6	**(10)**	22
Loss for the period from continuing operations		**(141)**	(565)
Discontinued operations			
Results for the period from discontinued operations	3	**-**	-
Loss for the period		**(141)**	(565)
Attributable to:			
Owners of the parent			
Continuing operations		**(141)**	(565)
Discontinued operations		**-**	-
		(141)	(565)

*Refer to note 1 for further details.

On behalf of the Board:

Alan Cook
Chairman

Jeremy Masding
Group Chief Executive Officer

Glen Lucken
Group Chief Financial Officer

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For half year ended 30 June 2013

	Notes	Half year ended 30 June 2013	Restated* Half year ended 30 June 2012
		€m	€m
Loss for the period		**(141)**	(565)
Other comprehensive income			
Continuing operations			
Items that will not be reclassified to income statement			
Remeasurement of net defined benefit liability	1, 6, 20	**(35)**	(181)
Tax relating to items that will not be reclassified to income statement	1, 6	**-**	-
Items that may be reclassified to income statement			
Currency translation adjustment reserve			
Gains on hedged investments in foreign operations	6	**5**	1
Losses on hedging of investments in foreign operations	6	**(4)**	(1)
Change in value of available-for-sale ("AFS") financial assets			
Change in fair value of AFS financial assets	6	**56**	106
Transfer to income statement on asset disposals	6	**(5)**	41
Amortisation of AFS financial assets reclassified to loans and receivables	6, 9	**7**	2
Cash flow hedge reserve			
Change in fair value recognised in equity	6	**(59)**	(2)
Tax relating to items that may be reclassified to income statement	6	**(7)**	(18)
Other comprehensive income, net of tax, from continuing operations		**(42)**	(52)
Discontinued operations			
Items that will not be reclassified to income statement			
Revaluation of owner occupied property	6	**-**	(1)
Tax relating to items not reclassified to income statement		**-**	-
Items that will be reclassified to income statement			
Currency translation adjustment reserve	6	**-**	1
Tax relating to items that will be reclassified to income statement		**-**	-
Other comprehensive income, net of tax, from discontinued operations		**-**	-
Total comprehensive income for the period		**(183)**	(617)
Loss per share		**€ Cent**	€ Cent
Basic			
From continuing operations	7	**(0.4)**	(1.5)
From discontinued operations	7	**-**	-
Diluted			
From continuing operations	7	**(0.4)**	(1.5)
From discontinued operations	7	**-**	-

*Refer to note 1 for further details.

On behalf of the Board:

Alan Cook
Chairman

Jeremy Masding
Group Chief Executive Officer

Glen Lucken
Group Chief Financial Officer

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2013

	Notes	30 June 2013	Restated* 31 December 2012
		€m	€m
Assets			
Cash and balances with central banks	8	**53**	71
Items in course of collection	8	**86**	76
Assets classified as held for sale	30	**175**	-
Debt securities	9	**5,798**	6,827
Derivative assets	10	**140**	212
Loans and receivables to banks	11	**1,292**	1,396
Loans and receivables to customers	12,13	**30,198**	31,758
Prepayments and accrued income		**73**	179
Property and equipment		**83**	87
Intangible assets	14	**103**	120
Deferred tax assets	15	**28**	50
Other assets		**111**	134
Current tax assets		**7**	1
Total assets		**38,147**	40,911
Liabilities			
Deposits by banks (including central banks)[1]	16	**11,898**	13,827
Customer accounts	17	**19,185**	16,639
Debt securities in issue	18	**3,678**	6,505
Derivative liabilities	10	**329**	361
Accruals		**85**	116
Other liabilities		**101**	120
Provisions	19	**36**	45
Retirement benefit liabilities	20	**1**	311
Subordinated liabilities	21	**367**	337
Total liabilities		**35,680**	38,261
Equity			
Share capital	22,24	**1,212**	1,212
Share premium	22	**1,492**	1,492
Other reserves	22	**(703)**	(695)
Retained earnings	22	**466**	641
Total equity		**2,467**	2,650
Total liabilities and equity		**38,147**	40,911

[1]Deposits by banks (including central banks) includes €7.8bn (31 December 2012: €10.7bn) of ECB funding.

*Refer to note 1 for further details.

On behalf of the Board:

Alan Cook
Chairman

Jeremy Masding
Group Chief Executive Officer

Glen Lucken
Group Chief Financial Officer

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For half year ended 30 June 2013

	Attributable to owners of the parent										
	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 2013 (Restated) (note 1)	**1,212**	**1,492**	**118**	**5**	**37**	**-**	**(1)**	**2**	**(856)**	**641**	**2,650**
Loss for the period ended 30 June 2013	-	-	-	-	-	-	-	-	-	(141)	(141)
Other comprehensive income, net of tax (note 23)	-	-	-	-	51	(59)	1	-	-	(35)	(42)
Total comprehensive income for the period	-	-	-	-	51	(59)	1	-	-	(176)	(183)
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 30 June 2013	**1,212**	**1,492**	**118**	**5**	**88**	**(59)**	**-**	**1**	**(856)**	**466**	**2,467**

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For half year ended 30 June 2012 (Restated*)

	Attributable to owners of the parent											
	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	Own share reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January 2012 as previously reported	1,212	1,495	118	26	(281)	(2)	(2)	6	(856)	(36)	1,837	3,517
Effect of application of IAS 19R (note 1)	-	-	-	-	-	-	-	-	-	-	(102)	(102)
As at 1 January 2012 as restated	1,212	1,495	118	26	(281)	(2)	(2)	6	(856)	(36)	1,735	3,415
Loss for the period ended 30 June 2012	-	-	-	-	-	-	-	-	-	-	(565)	(565)
Other comprehensive income, net of tax (note 23)	-	-	-	(1)	131	(2)	1	-	-	-	(181)	(52)
Total comprehensive income for the period	-	-	-	(1)	131	(2)	1	-	-	-	(746)	(617)
Transactions with owners, recorded directly in equity:												
Contributions by and distributions to owners												
Sale of discontinued operations	-	-	-	(19)	-	-	-	-	-	36	(17)	-
Issue costs associated with share issuance to the Minister for Finance	-	(3)	-	-	-	-	-	-	-	-	-	(3)
Transfer to retained earnings	-	-	-	-	-	-	-	(4)	-	-	4	-
Total contributions by and distributions to owners	-	(3)	-	(19)	-	-	-	(4)	-	36	(13)	(3)
Balance as at 30 June 2012	1,212	1,492	118	6	(150)	(4)	(1)	2	(856)	-	976	2,795

*Refer to note 1 for further details.

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For year ended 31 December 2012 (Restated*)

	Attributable to owners of the parent											
	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	Own share reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January 2012 as previously reported	1,212	1,495	118	26	(281)	(2)	(2)	6	(856)	(36)	1,837	3,517
Effect of application of IAS 19R (note 1)	-	-	-	-	-	-	-	-	-	-	(102)	(102)
As at 1 January 2012 as restated	1,212	1,495	118	26	(281)	(2)	(2)	6	(856)	(36)	1,735	3,415
Loss for the year ended 31 December 2012	-	-	-	-	-	-	-	-	-	-	(996)	(996)
Other comprehensive income, net of tax (note 23)	-	-	-	(2)	318	2	1	-	-	-	(85)	234
Total comprehensive income for the year	-	-	-	(2)	318	2	1	-	-	-	(1,081)	(762)
Transactions with owners, recorded directly in equity:												
Contributions by and distributions to owners												
Sale of discontinued operations	-	-	-	(19)	-	-	-	-	-	36	(17)	-
Issue costs associated with share issuance to the Minister for Finance	-	(3)	-	-	-	-	-	-	-	-	-	(3)
Transfer to retained earnings	-	-	-	-	-	-	-	(4)	-	-	4	-
Total contributions by and distributions to owners	-	(3)	-	(19)	-	-	-	(4)	-	36	(13)	(3)
Balance as at 31 December 2012	1,212	1,492	118	5	37	-	(1)	2	(856)	-	641	2,650

* Refer to note 1 for further details.

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows (Unaudited)

For half year ended 30 June 2013

	Notes	Half year ended 30 June 2013 €m	Half year ended 30 June 2012 €m
Cash flows from operating activities			
Loss before taxation for the period, including discontinued operations		**(131)**	(441)
Adjustments for non-cash movements in net loss for the period		**198**	(303)
Net change in operating assets and liabilities		**2,449**	66
Net cash outflow from operating activities before taxation		**2,516**	(678)
Tax paid		**-**	(1)
Net cash inflow / (outflow) from operating activities		**2,516**	(679)
Cash flows from investing activities			
Net proceeds from sale of discontinued operations (the Life Group)		**-**	1,269
Proceeds from disposal of consumer finance portfolio		**-**	42
Net consideration received/(paid) on acquisition of deposit book of business/subsidiary		**-**	446
Purchase of property and equipment		**(4)**	(14)
Proceeds from sale of property and equipment		**1**	3
Purchase of intangible assets		**(1)**	(8)
Proceeds from sale of intangible assets		**-**	2
Increase in restricted cash		**(5)**	(122)
Dividends received from associated undertaking		**-**	3
Net cash (outflow) / inflow from investing activities		**(9)**	1,621
Cash flows from financing activities			
Interest paid on subordinated liabilities		**-**	(2)
Redemption of debt securities in issue		**(2,621)**	-
Net cash (outflow) / inflow from financing activities		**(2,621)**	(2)
(Decrease) / increase in cash and cash equivalents		**(114)**	940
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		**846**	1,180
(Decrease) / increase in cash and cash equivalents		**(114)**	940
Effect of exchange translation adjustments		**(3)**	(1)
Cash and cash equivalents as at period end*	8	**729**	2,119

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

Notes to the Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements

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

1.1 Corporate information

Introduction
permanent tsb Group Holdings plc is a parent company domiciled in Ireland. Its registered office is situated at 56 - 59, St. Stephen's Green, Dublin 2, Ireland. The parent company's shares are listed on the Enterprise Securities Market of the Irish Stock Exchange. The condensed consolidated interim financial statements (herein after referred to as "condensed financial statements") consolidate the individual financial statements of the Company and its subsidiaries (herein after referred to as the "Group" or "ptsbgh"). The condensed financial statements for the half year ended 30 June 2013 are unaudited but have been reviewed by the independent auditor whose report is set out on page 22.

permanent tsb plc (herein after referred to as "ptsb") is a 100% owned subsidiary of ptsbgh and is the main trading entity of the Group which is primarily involved in retail banking under the permanent tsb brand.

These condensed financial statements do not comprise statutory accounts within the meaning of section 19 of the Companies (Amendment) Act, 1986.

The International Financial Reporting Standard ("IFRSs") financial statements for the financial year ended 31 December 2012 were approved by the Board of Directors on 26 March 2013 and annexed to the annual return and filed with the Registrar of Companies. The audit report, issued by the previous independent auditor KPMG, on those IFRS financial statements was not qualified. However, the audit report contained an emphasis of matter regarding going concern. The financial information in this half year report, presented herein, is not required by Regulation 40(2) of the European Communities (Companies: Group Accounts) Regulations, 1992 to be annexed to the annual return of the Company.

These condensed financial statements were approved by the Directors on 28 August 2013.

1.2 Basis of preparation
These condensed financial statements which consist of a 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 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 2012, which was prepared in accordance with IFRSs as adopted by the EU.

Going concern

Assessment Basis

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the condensed financial statements for the six months ended 30 June 2013 is a period of 12 months from the date of approval of these financial statements ("the period of assessment").

In making this assessment, the Directors have considered the Group's financial plans, profitability forecasts, funding and capital resource projections under base and stress scenarios, together with a number of factors such as the outlook for the Irish economy, Government's fiscal policies, the support provided by the EU/IMF and the availability of collateral to access funding through the euro system.

The Directors have also included in their considerations the Group's current statement of financial position, structure and the associated on-going requirement to continue to access central bank funding. This position has affected the Group's liquidity metrics such as the Loan to Deposit Ratio and the Net Stable Funding Ratio. The Restructuring Plan was submitted in 2012 and an update to same was submitted in August 2013 to the relevant authorities. As required under state aid rules this plan has been submitted to the European Commission for approval. Whilst the Directors believe that approval of the plan will be received in due course, at this point such approval remains outstanding.

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

Economic 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. At a macroeconomic level, property prices and unemployment growth have shown signs of stabilisation in the first six months of 2013. Capital markets have shown signs of stabilisation in that Irish sovereign bond yields have narrowed significantly since 2012 and the National Treasury Management Agency ("NTMA") returned to both the short and long term funding markets. Despite these early signs of improvement, the Group has continued to incur losses, albeit at a lower level compared to prior periods, mainly due to loan impairment provisions.

Capital Adequacy

The PCAR assessment carried out by the Central Bank of Ireland in March 2011 identified a €4bn capital requirement for the Group. With the State invested capital, the sale of the Irish Life Group and a liability management exercise in 2011, the Group completed its recapitalisation of €4bn in 2012. Together, these capital raising measures brought the Group's total capital ratio and its Core Tier 1 capital ratio at 30 June 2013 in excess of the minimum 10.5% required by the Central Bank of Ireland. In addition, the Directors have also considered the sufficiency of this capital base to withstand additional stress scenarios.

The Directors believe that this level of excess regulatory capital should allow for potential impairment losses on the Group's mortgage portfolio in the event of the economic environment in Ireland worsening further, hence addressing the capital risk.

Notes to the Condensed Consolidated Financial Statements

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

2012 Strategic Planning Review
In the Memorandum of Understanding update of March 2012, issued under the EU/IMF/EC Programme of Financial Support for Ireland, the Minister for Finance confirmed that by the end of April 2012 a decision on the proposed way ahead for the Group would be made and following this by the end of June 2012, a Restructuring Plan that will detail the actions needed to ensure the bank's long-term viability would be prepared.

On 29 June 2012, the Group submitted a Restructuring Plan to the Directorate General for Competition of the European Commission. The broad theme of this plan was that ptsb would reorganise itself into a number of different business units and on an integrated basis it would meet all material capital targets with the medium term intention to separate out the non-core assets so that a viable entity can be returned to the private sector. The Group completed this internal reorganisation during 2013, including the development of a significantly improved loan collections capability. In August 2013 the Group, at the request of the European Commission, also provided an update to the original Plan submitted in 2012. While the Directors believe that approval of the plan will be received in due course, at this point such approval remains outstanding.

Liquidity
During the first six months in 2013 there has been a €2.6bn increase in Customer Deposits, mainly due to new business particularly from corporate customers. Although the access to the wholesale funding market remains limited, the Group has successfully rolled over £2.2bn (€2.6bn) of secured funding utilising its UK buy-to-let mortgage portfolio as collateral over a longer term and increased its deposits from third party banks by €1.0bn. These factors have resulted in borrowings from the ECB reducing from €10.7bn at 31 December 2012 to €7.8bn at 30 June 2013.

Notwithstanding the above, the Group continues to be dependent on the ECB for liquidity and funding during the period of assessment and the Directors are aware that the Group's ability to continue to access liquidity and funding from the ECB or Central Bank of Ireland, will be dependent on the Group having sufficient eligible collateral.

However, the Directors are satisfied, based on the on-going communications with the Central Bank of Ireland in all reasonable circumstances, the required liquidity and funding from the ECB and the Central Bank of Ireland will be available to the Group during the period of assessment, hence addressing the liquidity risk.

Commercial Risks
The potential impact of the significant economic, political and market risks and uncertainties are inherent in the Group's businesses and continue to impact the Group. These include further house price falls and continued high level 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. The Directors 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.

Regulatory Risk
In December 2012, European finance ministers reached an agreement that will create a single European system of bank supervision, with the ECB in charge of directly overseeing some of Europe's largest banks. Once this agreement comes into effect, the regulatory environment of the Group may be significantly altered. In addition, the Central Bank of Ireland may increase the minimum regulatory capital requirements or may alter the implementation of existing regulatory requirements. Given current conditions, if the Group is required to further increase its capital position, there is a risk that it may be unable to raise additional capital from the financial markets or from internal resources.

PLAR and Deleveraging
The financial impact of delivering the PLAR deleveraging plans is difficult to predict given macroeconomic conditions at both national and international level, the nature of the assets included in the plan and the potential markets for those assets. At this point, with the agreement of the Central Bank of Ireland, the Group has deferred any further deleveraging. Should this be required to be brought forward once more, this could have a significant impact on the financial performance and capital of the Group. As currently structured, the Group has an on-going requirement to continue to access system funding which adversely impacts on liquidity metrics such as the Loan to Deposit Ratio and the Net Stable Funding Ratio.

Conclusion
In addition to the above factors, during the preparation of its 2013 interim report in August, in the specific context of its assessment of going concern, the Group discussed its plans with the Central Bank of Ireland and Department of Finance. The Directors are satisfied on the basis of these discussions that it would be appropriate to consider that the necessary liquidity would be available in all reasonable circumstances to support the going concern assumption. These discussions also included consideration of the Group's restructuring plan, the approval of which remains outstanding.

As required by IAS 1 "Presentation of Financial Statements", the Directors have considered the two material uncertainties facing the Group namely the need for approval of the Restructuring Plan and continued access to System funding, which may cast significant doubt on the entity's ability to continue as a going concern. The Directors have considered these uncertainties, the latest and projected financial performance and position and the options available to the Group, and consider it appropriate to prepare the financial statements on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

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

1.3 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 on pages 70 to 83 of the 2012 Annual Report, except for the adoption of any new standards and interpretation effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

The Group did not previously include an accounting policy with regard to pension settlements. In the current period, as noted in note 20 such a settlement has occurred. In accordance with IAS 19R a settlement occurs when the Company enters a transaction which eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan. The gain/loss on settlement is the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement and the plan assets at the same date.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

This amendment requires entities to group together items in other comprehensive income based on whether they can be reclassified to the income statement. The amendment also preserves the existing requirement for profit and loss and other comprehensive income to be presented together rather than a single continuous statement as was proposed in the exposure draft. This amendment affected presentation of the other comprehensive income and had no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

The amendment to IAS 19 removes the option to defer the recognition of actuarial gains and losses, i.e. the corridor approach. All remeasurements of defined benefit plans will be recognised in the income statement or other comprehensive income. The adoption of these amendments requires the Group to recognise:

1) A service cost and a net interest income or expense in the income statement. The net interest amount will include an implied interest on plan assets. The implied interest on plan assets was previously estimated based on the composition of the plan assets. The revised standard now requires that the expected rate of return matches the discount rate used to estimate the changes in the retirement benefit obligation. The expected rate of return used in June 2012 was 5% compared to a discount rate of 4%. The impact for the Group was €0.23m in the income statement for the period to 30 June 2012 and €0.15m for the year ended 31 December 2012.

2) The full amount of the retirement benefit obligation is recognised on the statement of financial position. This increased the liability recognised by the Group by €102m at 01 January 2012 and by €82m at 31 December 2012.

3) Administration expenses relating to the pension scheme are charged to the income statement in the year they are incurred.

4) Enhanced disclosures, including more information about the characteristics of defined benefit plans and related risks.

IAS 19R has been applied retrospectively in accordance with its transitional provisions. Consequently, the Group has restated its reported income statement, the other comprehensive income and the statement of financial position throughout the comparative period and previously reported the cumulative effect as at 01 January 2012 as an adjustment to opening equity. The effect of adoption of IAS 19R is explained below.

The effect of the revised IAS 19R on the statement of financial position is:

	Retirement benefit obligation	Deferred tax assets*	Shareholders' Equity
	€m	€m	€m
Balance reported as at 01 January 2012	(120)	15	3,517
Effect of IAS 19R	(102)	-	(102)
Restated balance as at 1 January 2012	(222)	15	3,415
Balance as reported as at 31 December 2012	(127)	16	2,834
Effect of IAS 19R			
- brought forward	(102)	-	(102)
- total comprehensive income for the year	(82)	-	(82)
Total effect of IAS 19R recognised in 2012	(184)	-	(184)
Restated balance as at 31 December 2012	(311)	16	2,650

*Due to the fact that there were unrecognised deferred tax assets at 01 January 2012 no further deferred tax asset was recognised on the retirement benefit liability following IAS 19R. Refer to note 15 for further information.

The effect of the revised IAS 19R on the statement of comprehensive income for the following reporting periods:

	Year ended 31 December 2012	Half year ended 30 June 2012
Income statement	€m	€m
Decrease in pension costs included in administration expenses	3	1
Increase/(decrease) in tax expense	-	-
Decrease in loss for the year	3	1
Other comprehensive income:		
Increase in loss on remeasurement of net defined benefit liability	(85)	(181)
Increase in deferred tax asset	-	-
Decrease in other comprehensive income	(85)	(181)
Decrease in total comprehensive income	(82)	(180)

The revised IAS 19R did not have a material impact on the statement of cash flows or on the loss per share for the half year ended 30 June 2012.

Notes to the Condensed Consolidated Financial Statements

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

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

This amendment to IFRS 7 requires more disclosures focused on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting, irrespective of whether they are offset or not. The required disclosures will be reflected in the Annual Report for the year ended 31 December 2013. The application of this amendment had no impact on the financial position of the Group at 30 June 2013.

IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting these condensed financial statements. The Group provides these disclosures in note 26.

Adoption of new accounting standards

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities have not been adopted in these financial statements as the EU mandatory requirement for application of these standards is 01 January 2014. The Group does not expect these amendments will have a material impact on the Group's consolidated financial statements.

Several other new amendments apply for the first time in 2013. However, they do not impact the Group consolidated financial statements or these condensed financial statements of the Group.

1.4 Comparative information

The comparative information for 2012 has been adjusted where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period. The following items were restated in the 2013 Half Year Report:

Retirement benefit obligations

During 2013, the Group adopted IAS19R which resulted in the restatement of prior year disclosures, for further details refer to the tables provided on the previous page.

Core and Non-Core definition

Also, during the first half of 2013, following the reorganisation of the Group into three Strategic Business Units, the definition for Core and Non-core loans and receivables to customers was updated. This resulted in some ROI residential mortgages, which are connected to commercial mortgages and ROI residential mortgages originated through subsidiaries being moved from Core to Non-core. The Core loans and receivables now relates to loans and receivables to customers in respect of ROI residential mortgages and consumer finance (excluding film finance) originated by ptsb. While the Non-core loans and receivables to customers relate to commercial mortgages (including €576m of residential mortgages as at 30 June 2013, which are connected to these commercial mortgages), UK residential mortgages, film finance and other ROI residential mortgages originated through subsidiaries. The prior period amounts, which were restated for this change, are shown in note 12, note 13 and note 27.

1.5 Estimates and judgements

The preparation of the 2013 Half Year Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expense. Actual results may differ from these estimates.

In preparing the 2013 Half Year 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 to the 2012 Annual Report, as set out on pages 84-85.

There have been no significant changes to the Group's approach to and methods of making critical accounting estimates and judgements to those applied at 31 December 2012.

Where relevant, estimates and assumptions have been updated to reflect current economic circumstances. The Group updated its impairment provisioning methodology and parameters during the period. The Group also revised its impairment provisioning methodology to align with the latest Central Bank of Ireland guidelines, which were issued in May 2013.

Notes to the Condensed Consolidated Financial Statements

2. Operating segments

During the first half of 2013, the Group completed a reorganisation of its operating structure. The reorganised segments now consist of three SBUs which comprise of the following elements:

ptsb The ptsb SBU is the core commercial part of the Group. ptsb SBU 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 (personal loans, credit cards and overdrafts) through multiple channels (national branch network, telephone, online, mobile).

AMU The AMU SBU manages the non-performing home loan, buy-to-let and unsecured loan portfolios in the Republic of Ireland.

Non-Core Assets The Non-Core SBU comprises of CHL (a UK residential mortgages business), a smaller deposit business in IOM operated through the Group's subsidiary, Permanent Bank International Limited (PBIL) and a few smaller loan portfolios, all closed for new business (except PBIL). PBIL is currently included in the non-core segment as it currently funds the UK mortgage business. However, the Group views PBIL as potentially core in the future, as it could be utilised as a funding platform for ptsb and the AMU when non-core operations are deleveraged.

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 measures utilised by the ExCo for the reportable segments are net interest income, impairments and profit before tax.

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

Prior to the reorganisation, the Group was organised into three reportable segments as described below:

Banking Ireland This segment included the Group's retail banking services via branch, telephone and online operations in the Republic of Ireland. Banking Ireland offered a wide range of financial products and services such as deposit accounts, mortgage lending and current accounts and included corporate and head office costs of the Group.

Banking UK This segment comprised of retail banking services principally residential mortgages and lending services to the UK market.

Life Group (discontinued) The Life Group, included life assurance, fund management, general insurance and brokerage, third party and other businesses prior to being sold.

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 periods including interim periods shall be restated.

Management carried out an assessment to determine whether the corresponding information for the comparative period is available and concluded that as the reorganisation only completed in the first six months of 2013 and the Group was not managed in the new structure throughout the period, the required management information is not available for the comparative periods and also the cost to develop such information would be excessive.

Therefore, the Group has applied IFRS8.30 which requires the entity to disclose in the period in which the change occurs being 30 June 2013, the segment information for the current period on both the old basis and the new basis of segmentation where the comparative information is not restated.

Financial performance of the segments for the period ended 30 June 2013 based on the new structure of the segments following reorganisation are presented below.

Half year ended 30 June 2013

	ptsb	AMU	Non-Core Assets	Unallocated adjustments*	Group
	€m	€m	€m	€m	€m
Net interest income					
From external customers	67	90	107	(171)	93
From internal customers	-	(88)	(92)	180	-
Total net interest income	67	2	15	9	93
Other banking income	17	-	-	-	17
Other operating income / (expense)	9	-	-	-	9
Total operating income	93	2	15	9	119
Total operating expenses	(105)	(24)	(9)	-	(138)
Operating (loss) / profit before provisions for impairments and exceptional items	(12)	(22)	6	9	(19)
Impairments of loans and receivables and repossessed assets	(27)	(307)	(96)	-	(430)
Operating (loss) / profit before exceptional items	(39)	(329)	(90)	9	(449)
Exceptional items (net)					318
Operating loss before taxation					(131)
Taxation					(10)
Loss after taxation for the period					(141)

*The unallocated adjustments relates to intragroup fund transfer pricing recharges to the AMU and the Non-Core segments.

2. Operating segments (continued)

Financial performance of the segments for the period ended 30 June 2013 and 30 June 2012 based on the old structure of the segments prior to the reorganistion are presented below.

Half year ended 30 June 2013	**Banking Ireland**	**Banking UK**	**Unallocated adjustments**	**Total**
	€m	**€m**	**€m**	**€m**
Net interest income				
From external customers	**29**	**64**	**-**	**93**
From internal customers	**109**	**(109)**	**-**	**-**
Total net interest income	**138**	**(45)**	**-**	**93**
Other banking income	**17**	**-**	**-**	**17**
Other operating income / (expense)	**9**	**-**	**-**	**9**
Total operating income / (expenses)	**164**	**(45)**	**-**	**119**
Total operating (expenses) / income	**(134)**	**(4)**	**-**	**(138)**
Operating profit / (loss) before exceptional items and provisions for impairments	**30**	**(49)**	**-**	**(19)**
Exceptional items (net)	**318**	**-**	**-**	**318**
Operating profit / (loss) before provisions for impairments	**348**	**(49)**	**-**	**299**
Impairments of loans and receivables and repossessed assets	**(419)**	**(11)**	**-**	**(430)**
Operating loss before taxation	**(71)**	**(60)**	**-**	**(131)**
Taxation	**(10)**	**-**	**-**	**(10)**
Loss after taxation for the period	**(81)**	**(60)**	**-**	**(141)**

Half year ended 30 June 2012	Banking Ireland	Banking UK	Life Group (discontinued)	Consolidation adjustments	Total	Analysed as to: Continuing Operations	Discontinued Operations
	€m	€m	€m	€m	€m	€m	€m
Net interest income							
From external customers	14	67	(7)	-	74	85	(16)
From internal customers	87	(83)	(9)	5	-		
Total net interest income	101	(16)	(16)	5	74	85	(16)
Other banking income	17	-	(30)	-	(13)	17	(30)
Premiums on insurance contracts, net of reinsurance	-	-	257	-	257	-	257
Other operating income / (expense)	13	-	-	-	13	13	-
Investment return							
- external	-	-	1,231	-	1,231	-	1,236
- inter-segment	-	-	(17)	17	-		
Fees from investment contracts and fund management	-	-	95	-	95	-	95
Change in shareholder value of in-force business	-	-	3	-	3	-	3
Total operating income / (expenses)	131	(16)	1,523	22	1,660	115	1,545
Total operating expenses	(131)	(4)	(1,456)	-	(1,591)	(135)	(1,456)
Operating (loss) / profit before exceptional items, provisions for impairments and settlement gain on retirement benefit obligation	-	(20)	67	22	69	(20)	89
Exceptional items	(130)	-	-	-	(130)	(130)	-
Operating (loss) / profit before provisions for impairment and settlement gain on retirement benefit obligation	(130)	(20)	67	22	(61)	(150)	89
Impairments of loans and receivables and repossessed assets	(425)	(12)	-	-	(437)	(437)	-
Settlement gain on retirement benefit obligation	-	-	46	-	46	-	46
Operating (loss) / profit before taxation	(555)	(32)	113	22	(452)	(587)	135
Share of profits of associated undertaking	-	-	12	-	12	-	12
Taxation	22	-	(12)	-	10	22	(12)
(Loss) / profit after taxation	(533)	(32)	113	22	(430)	(565)	135
Loss from disposal of discontinued operations after taxation	-	-	-	(135)	(135)	-	(135)
(Loss) / profit for the period	(533)	(32)	113	(113)	(565)	(565)	-

2. Operating segments (continued)

Segment assets and liabilities of the Group's operating segments as at 30 June 2013 and capital expenditure for the half year ended 30 June 2013 based on the new structure of the segments following reorganisation are presented below.

30 June 2013

	ptsb	AMU	Non-Core Assets	Unallocated adjustments	Total
	€m	€m	€m	€m	€m
Assets					
Held for sale	-	-	175	-	175
Other assets	21,959	6,782	9,100	131	37,972
Total segment assets	**21,959**	**6,782**	**9,275**	**131**	**38,147**
Total segment liabilities	**20,942**	**5,951**	**8,665**	**122**	**35,680**
Capital expenditure	**6**	**-**	**-**	**-**	**6**

*The unallocated adjustments relate to balances associated with the intragroup funds transfer pricing recharges to the AMU and the Non-Core segments

Segment assets and liabilities and capital expenditure of the Group's operating segments as at 30 June 2013 and 31 December 2012 based on the old structure of the segments prior to the reorganistion are presented below.

30 June 2013	Banking Ireland	Banking UK	Consolidation adjustments	Total
	€m	€m	€m	€m
Assets				
Held for sale	-	175	-	175
Other assets	37,523	7,024	(6,575)	37,972
Total segment assets	**37,523**	**7,199**	**(6,575)**	**38,147**
Total segment liabilities	**34,837**	**7,418**	**(6,575)**	**35,680**
Capital expenditure	**6**	**-**	**-**	**6**

31 December 2012	Banking Ireland	Banking UK	Life Group (Discontinued)	Consolidation adjustments	Total
	€m	€m	€m	€m	€m
Total segment assets	40,174	7,691	-	(6,954)	40,911
Total segment liabilities	37,357	7,858	-	(6,954)	38,261
Capital expenditure	21	-	9	-	30

Consolidation adjustments made on the statement of financial position relates to the following items:

	30 June 2013	31 December 2012
	€bn	€bn
The elimination of floating-rate notes issued by special purpose vehicles between Banking Ireland and Banking UK segments but held within the Group	**(5)**	(5)
The elimination of inter-group balances between the Banking Ireland and Banking UK segments	**(2)**	(2)
Total as per statement of financial position	**(7)**	(7)

Discontinued operations (comparatives only)	Half year ended 30 June 2012
	€m
Consolidation of the movement in the value of properties financed by non-recourse inter-group loans	25
Differing accounting treatment for assets and liabilities by the Banking Ireland and Life Group segments[1]	(3)
Loss on disposal of the Life Group	(135)
Total as per income statement	(113)

The opening unrealised gains / (losses) on consolidation along with any movement in these adjustments were recycled through retained earnings as part of the sale of the Life Group.

[1]The Banking Ireland Segment carried its intercompany liabilities at amortised cost while the corresponding intercompany assets in the Life Group were held at fair value.

3. Discontinued operations

The Central Bank of Ireland completed its PCAR and PLAR assessment review of the Group in March 2011. This review determined a gross additional capital requirement of €4bn for the Group. To assist in meeting this additional capital requirement and pursuant to the Transfer Order (under the Credit Institutions (Stabilisation) Act 2010) issued by the High Court on 28 March 2012 and the Share Purchase Agreement signed on 29 June 2012, the Group sold the Life Group to the Minister for Finance for a consideration of €1.3bn. The results of the Life Group outlined below reflect the profit and cash flows to the date of disposal.

(a) Results from discontinued operations

	To date of disposal 29 June 2012 €m
Net interest income	(16)
Net fee and commission income	(30)
Premiums on insurance contracts	334
Reinsurers' share of premium on insurance contracts	(77)
Investment return	1,236
Fees from investment contracts and fund management	95
Change in shareholder value of in-force business	3
Total income	1,545
Claims on insurance contracts	(247)
Reinsurers' share of claims on insurance contracts	102
Change in insurance contract liabilities	(208)
Change in reinsurers' share of insurance contract liabilities	82
Change in investment contract liabilities	(1,055)
Administrative expenses	(108)
Depreciation and amortisation to date of reclassification	-
Investment expenses	(14)
Impairment of property and equipment from date of reclassification	(8)
Total expenses	(1,456)
Operating profit before settlement gain on retirement benefit obligation	89
Settlement gain on retirement benefit obligation (note 20)	46
Operating profit after settlement gain on retirement benefit obligation	135
Share of profits of associated undertaking	12
Profit on disposal of subsidiary undertaking	-
Profit before taxation	147
Attributable income tax expense	(12)
Loss on remeasurement to fair value less costs to sell	-
Profit from discontinued operations after taxation	135
Loss on disposal of discontinued operations	(135)
Attributable income tax expense on loss on disposal of discontinued operations	-
Results from discontinued operations	-

	€ Cents
Basic and diluted earnings per share	-

(b) Cash flows from discontinued operations

	To date of disposal 29 June 2012 €m
Net cash inflows from operating activities	95
Net cash inflows from investing activities	6
Net cash outflows from financing activities	(2)
Net cash inflows	99

4. Net interest income

	Half year ended 30 June 2013 €m	Half year ended 30 June 2012 €m
Interest receivable		
Loans and receivables to customers	**409**	476
Loans and receivables to banks	**4**	3
Debt securities and other fixed-income securities		
- Held to maturity	**39**	40
- Available for sale ("AFS")	**46**	60
- Loans and receivables	**22**	44
- Amortisation of AFS securities reclassified to loans and receivables (note 9)	**(7)**	(2)
Lease and instalment finance	**1**	19
Losses on interest rate hedges on assets	**(1)**	(2)
	513	638
Interest payable		
Deposits from banks (including central banks)	**(70)**	(119)
Deposits from customers	**(206)**	(231)
Interest on debt securities in issue	**(36)**	(80)
Interest on subordinated liabilities	**(30)**	(29)
Fees payable on ELG Scheme (note 29)	**(63)**	(81)
Gains on interest rate hedges on liabilities	**1**	3
Amortisation of core deposit intangibles (note 14)	**(16)**	(16)
	(420)	(553)
Net interest income	**93**	85

Interest recognised on impaired loans was €36m (30 June 2012: €29m) and the unwind of the discount amounted to €23m (30 June 2012: €18m).

Included in net interest income are net gains / (net losses) on interest rate fair value hedges which include gains on hedging instruments of €19m (30 June 2012: €26m) and (losses) on hedged items attributable to hedged risk (€19m) (30 June 2012: (€25m)).

Net interest income includes a charge in respect of deferred acquisition costs on loans and receivables to customers of €11m (30 June 2012: €11m).

Interest payable includes €16m (30 June 2012: €16m) in relation to the amortisation of the core deposit intangibles.

5. Restructuring costs

	Half year ended 30 June 2013 €m	Half year ended 30 June 2012 €m
Staff redundancy costs	**3**	-
Costs associated with professional and contractor projects in relation to restructuring of the Group	**7**	40
Onerous leases	**(1)**	-
Costs associated with proposed asset disposal initiatives, separation of Life Group and the final phase of the 2011 transformation project	**-**	12
	9	52

Refer to note 19 for further details.

Notes to the Condensed Consolidated Financial Statements

6. Taxation

(A) Analysis of taxation charge/(credit) in income statement

	Half year ended 30 June 2013	Half year ended 30 June 2012
	€m	€m
Current taxation		
Charge for current period	**-**	-
Adjustments for prior periods	**(5)**	(4)
	(5)	(4)
Deferred taxation		
Origination and reversal of temporary differences	**15**	(6)
Adjustment for prior periods	**-**	(12)
Taxation charged/(credited) to income statement	**10**	(22)
Effective tax rate	**8%**	4%

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 charge for the half year ended 30 June 2013 was €10m (30 June 2012: €22m tax credit). This is mainly due to the deferred tax charge (€15m) on the effect of the wind up of the pension schemes and the surrender of losses to former Group companies in 2012 (credit of €5m).

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

Half year ended 30 June 2013	**Gross**	**Tax**	**Net**
	€m	**€m**	**€m**
Remeasurement of retirement benefit liability	**(35)**	**-**	**(35)**
Currency translation adjustment reserve	**1**	**-**	**1**
AFS reserve:			
- Change in fair value of AFS financial assets	**56**	**(7)**	**49**
- Transfer to income statement on asset disposals	**(5)**	**1**	**(4)**
- Amortisation of AFS financial assets reclassified to loans and receivables	**7**	**(1)**	**6**
Cash flow hedge reserve:			
- Change in fair value recognised in equity	**(59)**	**-**	**(59)**
Balance as at 30 June 2013	**(35)**	**(7)**	**(42)**

Half year ended 30 June 2012 (Restated*)	Gross	Tax	Net
	€m	€m	€m
Remeasurement of retirement benefit liability (note 1)	(181)	-	(181)
Revaluation of property	(1)	-	(1)
Currency translation adjustment reserve	1	-	1
AFS reserve:			
- Change in fair value of AFS financial assets	106	(13)	93
- Transfer to income statement on asset disposals	41	(5)	36
- Amortisation of AFS financial assets reclassified to loans and receivables	2	-	2
Cash flow hedge reserve:			
- Change in fair value recognised in equity	(2)	-	(2)
Balance as at 30 June 2012	(34)	(18)	(52)

*Refer note 1 for further details.

7. Loss per share

Basic and diluted loss per share

	Half year ended 30 June 2013	Restated* Half year ended 30 June 2012
Weighted average number of ordinary shares in issue and ranking for dividend excluding own shares held for the benefit of life assurance policyholders and treasury shares[1]	**36,525,339,409**	36,519,960,582
Loss for the period attributable to equity holders	**(€141m)**	(€565m)
Loss per share (€ cent) from continuing operations	**(0.4)**	(1.5)
Loss per share (€ cent) from discontinuing operations	**-**	-

* Refer to note 1 for further details.

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 2013 and 30 June 2012 as the share option exercise prices were all higher than the average share price for the period and the convertible contingent 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

	2013	2012
Number of shares in issue at 1 January (note 24)	**36,525,797,323**	36,525,797,323
Own shares held for the benefit of life assurance policyholders	**-**	(5,378,827)
Treasury shares held (note 24)	**(457,914)**	(457,914)
Weighted average number of shares as at 30 June	**36,525,339,409**	36,519,960,582

8. Cash and cash equivalents

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

	30 June 2013	30 June 2012	31 December 2012
	€m	€m	€m
Cash and balances with central banks	**53**	59	71
Items in the course of collection	**86**	98	76
Loans and receivables to banks repayable on demand	**1,263**	2,660	1,367
	1,402	2,817	1,514
Loans and receivables to banks included in assets classified as held for sale	**-**	104	-
	1,402	2,921	1,514
Restricted cash included in Loans and receivables to banks repayable on demand	**(673)**	(802)	(668)
Cash and cash equivalents per statement of cash flows	**729**	2,119	846

As at 30 June 2013, restricted cash of €673m (30 June 2012: €802m) relates to cash held by the Group's securitisation entities.

As at 30 June 2012, €104m of restricted cash related to ptsb Finance which was included in assets classified as held for sale.

9. Debt securities

	30 June 2013	31 December 2012
	€m	€m
HTM securities	723	876
AFS securities	2,528	2,923
Loans and receivables	2,548	3,029
Gross debt securities	5,799	6,828
Less: Provisions for impairment (note 13(b))	(1)	(1)
Net debt securities	5,798	6,827

Debt securities, representing a mix of Government gilts and corporate bonds, with a carrying value of €2.6bn (31 December 2012: €0.5bn) have been pledged to third parties in sale and repurchase agreements.

Debt securities of €2.2bn (31 December 2012: €3.7bn) have been pledged against deposits made by the ECB (note 16), which includes €2.1bn of NAMA bonds.

As at 30 June 2013, the amount of debt securities remaining available to be used and eligible (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements as collateral had a carrying value of €0.9bn (31 December 2012: €2.2bn).

HTM securities of €0.7bn are a mix of gilts and corporate bonds. 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 include €2.2bn of bonds issued by NAMA. As market prices are not readily available for these bonds, they have been classified within the loans and receivables. Loans and receivables also include €0.3bn of AFS securities reclassified to loans and receivables, details of which are provided below.

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

	30 June 2013	31 December 2012
	€m	€m
Government bonds	2,926	3,131
NAMA bonds	2,235	2,367
Bonds issued by credit institutions	415	1,071
Other bonds	222	258
Total debt securities	5,798	6,827
Listed	3,563	4,460
Unlisted	2,235	2,367
Total debt securities	5,798	6,827

The Group has carried out an impairment assessment on its debt securities held and the impairment provision is analysed in note 13.

AFS securities 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. Movements in the period relate to the maturity of certain loans and receivables.

	Carrying value		Fair value	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	€m	€m	€m	€m
AFS debt securities reclassified to loans and receivables	313	662	262	598

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 2013	Half year ended 30 June 2012	Half year ended 30 June 2013	Half year ended 30 June 2012
	€m	€m	€m	€m
Interest income	10	14	-	-
Amortisation	(7)	(2)	7	2
Total	3	12	7	2

9. Debt securities (continued)

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 2013	Half year ended 30 June 2012	**Half year ended 30 June 2013**	Half year ended 30 June 2012
	€m	€m	**€m**	€m
Interest income	**10**	14	**-**	-
Fair value movement	**-**	-	**13**	(9)
Cumulative impact	**168**	165	**(51)**	(164)

At the date of reclassification, 31 December 2008, the effective interest rates on reclassified AFS investment securities ranged from 1.5% to 5% with expected recoverable cash flows of €2,098m. The expected remaining cash flows from these securities amounted to €379m as at 30 June 2013.

The Group has not reclassified any debt securities from AFS to loans and receivables during the current and prior periods.

10. Derivative assets / liabilities

The Group's risk management policies remain unchanged from the polices which were set out in note 39 of the 2012 Annual Report. Further details on the derivatives used by the Group are explained in note 16 of the 2012 Annual Report.

The following table presents the contract/notional amount and fair values of the fair value and cash flow hedges held by the Group as follows:

	30 June 2013			31 December 2012		
	Contract/ notional amount	**Fair value asset**	**Fair value liability**	Contract / notional amount	Fair value asset	Fair value liability
	€m	**€m**	**€m**	€m	€m	€m
Fair value hedges						
Currency swaps	**-**	**-**	**-**	1,348	1	12
Interest rate swaps	**5,590**	**118**	**161**	8,046	158	202
	5,590	**118**	**161**	9,394	159	214
Cash flow hedges						
Cross-currency interest rate swaps	**2,916**	**-**	**51**	-	-	-
	2,916	**-**	**51**	-	-	-
Derivatives used by the Group						
Embedded derivatives		**-**	**102**		-	120
Held for trading		**22**	**15**		53	27
		22	**117**		53	147
Derivative as per the statement of financial position		**140**	**329**		212	361

11. Loans and receivables to banks

	30 June 2013	31 December 2012
	€m	€m
Held at amortised cost		
Placed with central banks	**238**	232
Placed with other banks	**1,054**	1,164
Loans and receivables to banks	**1,292**	1,396

Placements with other banks includes cash collateral of €260m (31 December 2012: €202m) placed with counterparties to cover net derivative positions and €673m (31 December 2012: €668m) of cash held by the Group's securitisation entities.

Loans and receivables to banks amounting to €1,263m as at 30 June 2013 (31 December 2012: €1,367m) have been treated as cash and cash equivalents for the purpose of the condensed consolidated cash flow statement.

12. Loans and receivables to customers

Loans and receivables by category are set out below:

	30 June 2013	31 December 2012
	€m	€m
ROI residential mortgages		
Held through special purpose vehicles	13,500	13,798
Held directly	10,920	11,020
UK residential mortgages		
Held through special purpose vehicles	6,046	6,477
Held directly	876	919
	31,342	32,214
Commercial mortgage loans	2,219	2,248
Consumer finance		
Film finance	40	68
Term loans / other	370	378
Gross loans and receivables to customers	33,971	34,908
Less: provision for impairment (note 13)	(3,598)	(3,150)
Reclassification to assets classified as held for sale (note 30)	(175)	-
Net loans and receivables to customers	30,198	31,758

Net loans and receivables to customers is analysed as follows:

	30 June 2013	Restated* 31 December 2012
	€m	€m
Core	21,294	22,058
Non-core	8,904	9,700
	30,198	31,758

* Refer to note 1 for further details.

Net loans and receivables can be analysed into the following:

	30 June 2013	31 December 2012
	€m	€m
ROI		
Tracker	14,292	14,713
Variable	8,584	8,737
Fixed	645	986
	23,521	24,436
UK		
Tracker	6,521	7,131
Variable	156	158
Fixed	-	33
	6,677	7,322
	30,198	31,758

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.

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 2013	31 December 2012
	€bn	€bn
Residential mortgages held through special purpose entities	19.5	20.3
Notes issued by special purpose vehicles		
- rated	14.6	15.3
- unrated	4.3	4.3

12. Loans and receivables to customers (continued)

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

	30 June 2013	31 December 2012
	€bn	€bn
- Sold to third parties and included within debt securities in issue (non-recourse) on the statement of financial position (note 18)	**1.1**	1.4
- Held by the ECB as collateral in respect of funds raised under the euro system funding programme (note 16)	**5.3**	8.1
- Held by other banks and institutions as part of collateralised lending or sale and repurchase agreements (note 16)	**5.2**	4.9
- Other		
Available collateral[1]	**3.0**	0.9
Unrated notes	**4.3**	4.3
	18.9	19.6

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

As at 30 June 2013, the Group had €1.7bn (31 December 2012: €465m) drawn down under the SMBPN programme with the ECB. This was secured by way of a floating charge over €4.8bn of ROI residential mortgages. Refer to note 16.

13. Provisions for impairment

(a) Loans and receivables to customers

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

A loan is considered impaired where there is objective evidence where the loan is greater than 90 days in arrears and/or the present value of future cash flows is less than the carrying value of the loan (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 2013 were €6,782m (31 December 2012: €6,206m). As at 30 June 2013, there were a further €750m (31 December 2012: €821m) of loans which are greater than 90 days in arrears that are considered past due but not impaired. Refer to note 27 for further details.

30 June 2013				**Impairment Provisions**				
	Loans and receivables to customers	**Impaired loans**	**Impaired % of total loans**	**Specific**	**Collective & IBNR**	**Total**	**Total provisions as % of impaired loans**	**Total provisions as % of total loans**
Residential:	**€m**	**€m**	**%**	**€m**	**€m**	**€m**	**%**	**%**
ROI:								
- Owner occupier	**17,692**	**3,333**	**19%**	**1,211**	**188**	**1,399**	**42%**	**8%**
- Buy-to-let	**6,528**	**1,930**	**30%**	**1,008**	**141**	**1,149**	**60%**	**18%**
UK:								
- Owner occupier	**390**	**16**	**4%**	**2**	**1**	**3**	**19%**	**1%**
- Buy-to-let	**6,532**	**80**	**1%**	**58**	**10**	**68**	**85%**	**1%**
Commercial	**2,219**	**1,271**	**57%**	**724**	**93**	**817**	**64%**	**37%**
Consumer finance:								
- Film finance	**40**	-	-	-	-	-	-	-
- Term loans / other	**370**	**152**	**41%**	**-**	**162**	**162**	**107%**	**44%**
Total gross lending	**33,771**	**6,782**	**20%**	**3,003**	**595**	**3,598**	**53%**	**11%**
Impairment provision	**(3,598)**							
Reclassification to assets held for sale (note 30)	**(175)**							
Deferred fees, discounts and fair value adjustments	**200**							
Balance as at 30 June	**30,198**	**6,782**		**3,003**	**595**	**3,598**		

31 December 2012				Impairment Provisions				
	Loans and receivables to customers	Impaired loans	Impaired % of total loans	Specific	Collective & IBNR	Total	Total provisions as % of impaired loans	Total provisions as % of total loans
Residential:	€m	€m	%	€m	€m	€m	%	%
ROI:								
- Owner occupier	17,995	2,908	16%	1,018	180	1,198	41%	7%
- Buy-to-let	6,593	1,909	29%	907	86	993	52%	15%
UK:								
- Owner occupier	433	22	5%	2	3	5	23%	1%
- Buy-to-let	6,966	107	2%	55	14	69	64%	1%
Commercial	2,248	1,117	50%	609	126	735	66%	33%
Consumer finance:								
- Finance leases	68	-	-	-	-	-	-	-
- Term loans / other	378	143	38%	-	150	150	105%	40%
Total gross lending	34,681	6,206	18%	2,591	559	3,150	51%	9%
Impairment provision	(3,150)							
Deferred fees, discounts and fair value adjustments	227							
Balance as at 31 December	31,758	6,206		2,591	559	3,150		

The total provision as a percentage of total impaired loans has increased from 51% as at 31 December 2012 to 53% as at 30 June 2013 due to increased levels of impairment provisions.

Impairment charge on loans and receivables to customers by geographical location	**Half year ended 30 June 2013**	Half year ended 30 June 2012
	€m	€m
Republic of Ireland ("ROI")		
Owner occupier	**236**	130
Buy-to-let	**102**	124
Commercial	**72**	138
Consumer finance	**8**	30
	418	422
United Kingdom ("UK")		
Owner occupier	**1**	1
Buy-to-let	**10**	11
	11	12
Total impairment charge	**429**	434

13. Provisions for impairment (continued)

Impairment charge by nature of impairment provision

	Half year ended 30 June 2013 €m	Half year ended 30 June 2012 €m
Specific	**394**	501
Collective & IBNR	**35**	(67)
Total impairment charge	**429**	434

Impairment charge on loans and receivables to customers for the period

	Half year ended 30 June 2013 €m	Restated* Half year ended 30 June 2012 €m
Core	**331**	256
Non-core	**98**	178
Total impairment charged to the income statement	**429**	434

* Refer to note 1 for further details.

30 June 2013	**Residential mortgages**			**Consumer**	
	ROI	**UK**	**Commercial**	**finance**	**Total**
Total	**€m**	**€m**	**€m**	**€m**	**€m**
As at 1 January	**2,191**	**74**	**735**	**150**	**3,150**
Charge for the year (as per Income Statement)	**338**	**11**	**72**	**8**	**429**
Increase due to interest booked but not recognised	**41**	**-**	**15**	**4**	**60**
Unwinding of discount	**(17)**	**-**	**(6)**	**-**	**(23)**
Provision utilised	**(5)**	**(10)**	**1**	**-**	**(14)**
Exchange movements	**-**	**(4)**	**-**	**-**	**(4)**
As at 30 June	**2,548**	**71**	**817**	**162**	**3,598**

30 June 2013	**Residential mortgages**			**Consumer**	
	ROI	**UK**	**Commercial**	**finance**	**Total**
Core	**€m**	**€m**	**€m**	**€m**	**€m**
As at 1 January	**1,928**	**-**	**-**	**150**	**2,078**
Charge for the year (as per Income Statement)	**323**	**-**	**-**	**8**	**331**
Increase due to interest booked but not recognised	**39**	**-**	**-**	**4**	**43**
Unwinding of discount	**(16)**	**-**	**-**	**-**	**(16)**
Provision utilised	**(5)**	**-**	**-**	**-**	**(5)**
As at 30 June	**2,269**	**-**	**-**	**162**	**2,431**

30 June 2013	**Residential mortgages**			**Consumer**	
	ROI	**UK**	**Commercial**	**finance**	**Total**
Non-core	**€m**	**€m**	**€m**	**€m**	**€m**
As at 1 January	**263**	**74**	**735**	**-**	**1,072**
Charge for the year (as per Income Statement)	**15**	**11**	**72**	**-**	**98**
Increase due to interest booked but not recognised	**2**	**-**	**15**	**-**	**17**
Unwinding of discount	**(1)**	**-**	**(6)**	**-**	**(7)**
Provision utilised	**-**	**(10)**	**1**	**-**	**(9)**
Exchange movements	**-**	**(4)**	**-**	**-**	**(4)**
As at 30 June	**279**	**71**	**817**	**-**	**1,167**

31 December 2012	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Total	€m	€m	€m	€m	€m
As at 1 January	1,629	78	406	185	2,298
Charge for the year (as per Income Statement)	508	25	320	30	883
Increase due to interest booked but not recognised	84	1	25	14	124
Unwinding of discount	(23)	-	(14)	-	(37)
Provision utilised	(7)	(32)	(2)	(4)	(45)
Write off due to disposals	-	-	-	(75)	(75)
Exchange movements	-	2	-	-	2
As at 31 December	2,191	74	735	150	3,150

13. Provisions for impairment (continued)

31 December 2012 (Restated*)	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Core	€m	€m	€m	€m	€m
As at 1 January	1,408	-	-	123	1,531
Charge for the year (as per Income Statement)	469	-	-	17	486
Increase due to interest booked but not recognised	78	-	-	14	92
Unwinding of discount	(21)	-	-	-	(21)
Provision utilised	(6)	-	-	(4)	(10)
At 31 December	1,928	-	-	150	2,078

31 December 2012 (Restated*)	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Non-core	€m	€m	€m	€m	€m
As at 1 January	221	78	406	62	767
Charge for the year (as per Income Statement)	39	25	320	13	397
Increase due to interest booked but not recognised	6	1	25	-	32
Unwinding of discount	(2)	-	(14)	-	(16)
Provision utilised	(1)	(32)	(2)	-	(35)
Write off due to disposals	-	-	-	(75)	(75)
Exchange movements	-	2	-	-	2
At 31 December	263	74	735	-	1,072

* Refer to note 1 for further details.

(b) Debt securities

Impairment provision balance on debt securities at 31 December 2012 and 30 June 2013 amounted to €1m. There were no further provisions made in the half year ended 30 June 2013.

(c) Repossessed Assets

In the half year ended 30 June 2013, the Group impaired its repossessed assets by €1m (30 June 2012: €3m). Repossessed assets are included in other assets (refer to note 27 for further analysis).

14. Intangible assets

Intangible assets as at 30 June 2013 amounted to €103m (31 December 2012: €120m) which consist of core deposit intangibles of €88m (31 December 2012: €104m) and software of €15m (31 December 2012: €16m). There were no significant additions or disposal of intangible assets in the half year ended 30 June 2013. The core deposit intangibles are amortised over five years and the amortisation is reflected in net interest income which amounted to €16m (30 June 2012: €16m). Management undertake an impairment review annually to confirm whether the five year amortisation period is appropriate. Such a review was conducted at 31 December 2012 which confirmed that there were no indications of impairment and the amortisation period was appropriate. During the period no event or triggers became apparent to cause management to revisit the impairment assessment carried out at 31 December 2012.

15. Deferred taxation

	2013	2012
	€m	€m
Analysis of movements in deferred tax		
At 1 January	**50**	184
Recognised through the income statement (note 6)	**(15)**	(84)
Recognised through other comprehensive income (note 6)	**(7)**	(46)
Asset acquisition	**-**	(4)
At 30 June/31 December	**28**	50

Deferred tax assets relating to trading losses are recognised only to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. This necessitates consideration of both the future legal entity and trading structure of the Group, which ultimately will be influenced by the Group's strategy, and also the profile of future trading profits. Such outcomes will be influenced by both the economic environment as well as pending approvals by the relevant authorities. On this basis and having considered the requirements of IAS 12, the Directors deemed it appropriate, at this point, to limit the recognition of deferred tax assets relating to cumulative trading losses.

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 in a future period. Also, the Directors are satisfied that future taxable 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 2013 amounted to €423m (31 December 2012: €367m).

16. Deposits by banks (including central banks)

	30 June 2013	31 December 2012
	€m	€m
Placed by the ECB	**7,806**	10,715
Placed by other banks and institutions on repurchase agreements	**3,994**	3,009
Other	**98**	103
Net deposits by banks	**11,898**	13,827
Balances placed by the ECB		
Maximum	**11,900**	12,500
Average	**9,302**	11,186

The deposits made by the ECB are secured on €5.3bn (31 December 2012: €8.1bn) of notes issued by special purpose entities controlled by the Group and €2.2bn (31 December 2012: €3.7bn) of debt security assets together with €1.3bn of bonds issued and bought by the Group itself (31 December 2012: €3.1bn).

€5bn (31 December 2012: €5bn) of the deposits placed by the ECB are due to mature in greater than 1 year. The remaining €2.8bn is due to mature in the current year (31 December 2012: €5.7bn).

Included in deposits made by the ECB is €5bn (31 December 2012: €5bn) of deposits made under the ECB's three year Long Term Refinancing Operation (LTRO) maturing in 2015. In addition, they also include €1.7bn (31 December 2012: €0.5bn) of deposits made under the SMBPN programme which are secured by way of a floating charge over €4.8bn of ROI residential mortgages included in note 12.

Of the deposits placed by other banks and institutions on repurchase agreements, €3.4bn (31 December 2012: €2.5bn) are collateralised on €5.2bn (31 December 2012: €4.9bn) 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 2013	31 December 2012
	€m	€m
Term deposits	13,190	10,674
Demand deposits	2,056	1,981
Current accounts	2,106	2,053
Other products*	1,833	1,931
	19,185	16,639

*Other products mainly consists of notice accounts.

€2.4bn of term deposits are placed by a Government institution (31 December 2012: €601m), of which €1.9bn forms part of a repurchase agreement.

An analysis of the contractual maturity profile of customer accounts is set out in the liquidity risk section of note 27.

18. Debt securities in issue

	30 June 2013	31 December 2012
	€m	€m
At amortised cost:		
Bonds and medium-term notes	2,525	5,274
Non-recourse funding	1,153	1,231
	3,678	6,505

Non-recourse funding
As at 30 June 2013, the Group had advances secured on residential property of €1,153m (31 December 2012: €1,231m) subject to non-recourse funding. These loans, which have not been derecognised, are shown within loans and receivables to customers while the non-recourse funding is shown as a separate liability. The residential property securitisations involve the selling of pools of mortgages to special purpose entities which issue mortgage-backed floating notes ("notes") to fund the purchase of these mortgage pools. The non-recourse funding is collateralised on €1.1bn (31 December 2012: €1.4bn) of the notes in issue by the special purpose entities, as disclosed in note 12.

19. Provisions

	2013			2012		
	Restructuring costs	Other	Total	Restructuring costs	Other	Total
	€m	€m	€m	€m	€m	€m
As at 1 January	30	15	45	14	-	14
Provisions made during the period	9	4	13	89	15	104
Provisions used during the period	(22)	-	(22)	(73)	-	(73)
As at 30 June/31 December	17	19	36	30	15	45

Restructuring costs
Provision for restructuring costs include fees payable to contractors in relation to various initiatives to restructure the Group of €8m (31 December 2012: €17m) and staff redundancy costs of €3m (31 December 2012: €6m) incurred under a voluntary severance scheme. These provisions are expected to be utilised in the second half of 2013.

Also included in the provision for restructuring costs is an onerous leases provision of €6m (31 December 2012: €7m) on branches closed in 2012. The provision has been reduced as a result of agreements reached with two landlords and the unwind of the discount rate. The Group remains a lessee in the remaining non-cancellable leases over properties that it no longer occupies. The leases on the properties range between four and twenty years. It is expected that €0.4m of this provision will be utilised in the second half of 2013.

Details of amounts charged to the income statement are outlined in note 5.

Other
As at 30 June 2013, included in other provisions is €15m for remediation costs in relation to an industry wide initiative on the review of selling of Payment Protection Insurance ("PPI") policies by the Group between 2007 to 2012 which is estimated based on the probability of redress. The remainder of the other provisions relates to an indemnity provided by the Group on the sale of loan and receivables of permanent tsb Finance.

20. Retirement benefit obligations

Defined benefit schemes

The Group operates three Irish defined benefit schemes and a smaller UK defined benefit scheme for employees. All of the defined benefit schemes are funded by the payment of contributions into separately administered trust funds. The benefits paid from the defined benefit schemes are based on percentages of the employees' final pensionable pay for each year of credited service.

The Group's retirement benefit obligation at 31 December 2012 was €311m following restatement due to the application of IAS 19R the effect of which is disclosed in note 1.

One of the critical items that the Group has had to deal with during first half of 2013 was the impending material reduction in capital arising from pension scheme deficits. These pension schemes have significant on-going costs and substantial risk of this deficit level growing further.

In the six month period to 30 June 2013, the Group concluded that it would not be possible to continue to contribute to the defined benefit pension schemes and that future pension benefits would be accrued to staff through a defined contribution scheme at a lower level of employer contribution. This approach would provide greater certainty of scheme costs while also avoiding the risks associated with defined benefit schemes, including the impending adverse impact on the Group’s regulatory capital position.

This decision has inevitably led to the wind up of the three Irish schemes and necessitates that the previously recognised liability for these schemes is reversed. According to IAS 19R this reversal is shown as an income statement item. This item in the Income Statement is a non-cash item and reflects a reversal of a liability provision which is no longer required.

As required under IAS 19, all three Irish schemes were valued by the actuaries at the wind up date. One scheme was wound up on 04 March 2013, while two schemes were wound up on 31 May 2013. Based on the assumptions, as outlined below, this resulted in an increase of €39m and brought the retirement benefit liability to €350m. This liability was then reversed through the income statement resulting in an exceptional non-cash settlement gain of €350m for the period ended 30 June 2013. This is offset by a €23m provision for wind up related expenses.

The UK scheme was valued at 30 June 2013 using the financial assumptions as outlined below resulting in a net retirement liability of €1m.

The key financial assumptions used are:

	UK scheme 30 June 2013	Irish schemes Settlement date	31 December 2012
	%	%	%
Actuarial assumptions			
Discount rate	**4.50**	**3.75**	4.00
Salary increases	**3.50**	**0.00**[1]	0.00[1]
Pension increases	**2.80**	**2.00**	2.00
Rate of price inflation	**2.50**	**2.00**	2.00

[1] Salary increase assumption is 0% for the next 18 months and 3% thereafter. In addition to the salary and inflation assumption above, an assumed salary scale is also allowed for.

The main post retirement mortality assumptions used at 31 May 2013 are the same as at 31 December 2012 which are set out in the 2012 Annual Report.

Amounts recognised in the income statement in respect of these defined benefit schemes are:

Continuing operations	Half year ended 30 June 2013	Restated* Half year ended 30 June 2012
	€m	€m
Current service cost	**7**	8
Past service cost	**-**	(1)
Net interest cost	**5**	6
Amount recognised in the administration expenses	**12**	13
Impact of the wind up of the defined benefit pension schemes	**350**	-
Provision for wind up related expenses	**(23)**	-
Amount recognised in exceptional items	**327**	-
Amounts recognised in the OCI	**(35)**	(181)

The retirement benefit assets and liabilities recognised on the statement of financial position are as follows:

	30 June 2013	Restated* 31 December 2012
	€m	€m
Benefit obligation	**(2)**	(851)
Fair value of plan assets	**1**	540
Net obligation	**(1)**	(311)
Unrecognised actuarial losses	**-**	-
Net recognised retirement benefit obligation	**(1)**	(311)

*Refer to note 1 for further details.

20. Retirement benefit obligations (continued)

	30 June 2013	Restated* 31 December 2012
	€m	€m
Net post retirement benefit assets	-	-
Net post retirement benefit liabilities	(1)	(311)
Net post retirement benefit obligation	(1)	(311)

The movements in the present value of defined benefit obligations in the year are:

	2013	Restated* 2012
	€m	€m
Benefit obligation at 1 January	(851)	(693)
Current service cost	(7)	(17)
Interest cost	(13)	(34)
Past service cost	-	-
Actuarial gain / (loss) - experience adjustments	3	7
- assumption changes	(52)	(126)
Settlements	350	3
Contributions by plan participants	(1)	(3)
Benefits paid	8	12
De-recognition of scheme liabilities	561	-
Benefit obligation at 30 June/31 December	(2)	(851)

The movement in the fair value of defined benefit assets in the year are:

	2013	Restated* 2012
	€m	€m
Fair value of plan assets at 1 January	540	471
Interest income	8	24
Employer contribution	7	19
Contributions by plan participants	1	3
Actuarial gain / (loss)	14	35
Benefits paid	(8)	(12)
De-recognition of scheme assets	(561)	-
Fair value of plan assets at 30 June/31 December	1	540

*Refer to note 1 for further details.

Amount recognised in the income statement for discontinued operations (2012 comparatives only)
The Life Group which was sold to the Minister for Finance on 29 June 2012, operated two Irish defined benefit pension schemes for its employees. €8m was recognised as the normal pension charge in the results from discontinued operations in respect of these schemes for the half year ended 29 June 2012 under profit from the Life Group as disclosed in note 3. Furthermore, a settlement gain of €46m was also recognised in the income statement forming part of the results of the discontinued operations. This settlement gain comprised a remeasurement of the defined benefit obligation under the current assumptions reflecting no future salary and pension increases giving rise to a gain of €304m together with the recognition of all previously unrecognised actuarial losses of €258m.

21. Subordinated liabilities

	2013	2012
	€m	€m
As at 1 January	337	317
Amortisation	30	20
As at 30 June/31 December	367	337

Of the above total, €209m (31 December 2012: €234m) is classified as Tier 2 capital.

Full details of the Group's subordinated liabilities can be found in the 2012 Annual Report.

22. Shareholders' equity

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

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.

Other reserves

- Capital contribution reserve
This reserve comprises of the capital contribution component and fair value adjustment of the mandatory conversion feature of contingent capital notes issued by ptsb. The conversion feature requires the 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. It also includes a residual amount of €1m (31 December 2012: €7m) relating to AFS securities reclassified to loans and receivables.

- 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. Shares held under the employee benefit trust are still held by the Group.

- Other capital reserves
Other capital reserves included €7m capital redemption reserve arising from the repurchase and cancellation of shares. It also included 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 parent 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 parent Company and subsidiaries after consolidation adjustments.

23. 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 2013	**Available for sale reserve**	**Cash flow hedge reserve**	**Currency translation adjustment reserve**	**Retained earnings**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
Other comprehensive income (net of tax)					
Remeasurement of net defined benefit liability	**-**	**-**	**-**	**(35)**	**(35)**
Currency translation adjustment	**-**	**-**	**1**	**-**	**1**
AFS reserve:					
Change in fair value of AFS financial assets	**49**	**-**	**-**	**-**	**49**
Transfer to income statement on asset disposals	**(4)**	**-**	**-**	**-**	**(4)**
Amortisation of AFS financial assets reclassified to loans and receivables	**6**	**-**	**-**	**-**	**6**
Cash flow hedge reserve:					
Change in fair value recognised in equity	**-**	**(59)**	**-**	**-**	**(59)**
Total other comprehensive income	**51**	**(59)**	**1**	**(35)**	**(42)**

30 June 2012 (Restated*)	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m
Other comprehensive income (net of tax)						
Remeasurement of net defined benefit liability	-	-	-	-	(181)	(181)
Revaluation losses	(1)	-	-	-	-	(1)
Currency translation adjustment	-	-	-	1	-	1
AFS reserve:						
Change in fair value of AFS financial assets	-	93	-	-	-	93
Transfer to income statement on asset disposals	-	36	-	-	-	36
Amortisation of AFS financial assets reclassified to loans and receivables	-	2	-	-	-	2
Cash flow hedge reserve:						
Change in fair value recognised in equity	-	-	(2)	-	-	(2)
Total other comprehensive income	(1)	131	(2)	1	(181)	(52)

31 December 2012 (Restated*)	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m
Other comprehensive income (net of tax)						
Remeasurement of net defined benefit liability	-	-	-	-	(85)	(85)
Revaluation losses	(2)	-	-	-		(2)
Currency translation adjustment	-	-	-	1	-	1
AFS reserve:						
Change in fair value of AFS financial assets	-	257	-	-	-	257
Transfer to income statement on asset disposals	-	58	-	-	-	58
Amortisation of AFS financial assets reclassified to loans and receivables	-	3	-	-	-	3
Cash flow hedge reserve:						
Change in fair value recognised in equity	-	-	2	-	-	2
Total other comprehensive income	(2)	318	2	1	(85)	234

* Refer to note 1 for further details.

24. Authorised and issued share capital

Authorised share capital

	Number of shares		30 June 2013		31 December 2012
			m		m
Ordinary shares of €0.031 each	70,400,000,000	€	**2,182**	€	2,182
Deferred shares of €0.289 each	70,400,000,000	€	**20,346**	€	20,346
Preference Shares of €1 each	300,000,000	€	**300**	€	300
Preference Shares of US$1 each	200,000,000	$	**200**	$	200
Preference Shares of Stg£1 each	100,000,000	£	**100**	£	100

Deferred shares carry no voting or dividend rights and, on a return of capital on a winding up of the Group, will have the right to receive the amount paid up thereon only after all ordinary and preference shareholders have received, in aggregate, any amounts paid up thereon plus €10 million per ordinary share. The purpose of this is to ensure that the deferred shares have no economic value.

Issued share capital

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

Balances as at 30 June 2013 and 31 December 2012	**0.289 cent Deferred shares**	**0.031 cent Ordinary shares**
Issued share capital	**276,782,351**	**36,525,797,323**
Shares held under employee benefit trust	**457,914**	**457,914**

Following the issuance of additional ordinary shares in 2011, the Minister for Finance owns in excess 99.2% of the share capital of the Group.

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.

25. Analysis of equity and capital (not subject to review or audit by the independent auditor)

The capital management policies and processes adopted by the Group, which remain unchanged, are disclosed on page 137 of the 2012 Annual Report.

The following table summarises the composition of regulatory capital and the ratios of ptsb, the primary regulated entity of the Group, as at 30 June 2013 and 31 December 2012 which are calculated in accordance with Basel II regulatory capital requirements.

	30 June 2013	31 December 2012
	€m	€m
Tier 1 capital		
Share capital and share premium	2,922	2,922
Reserves	(457)	(90)
Prudential filters	(132)	(101)
Total qualifying Tier 1 capital	2,333	2,731
Tier 2 capital		
Subordinated liabilities	209	234
Revaluation reserve	5	5
Other	65	72
Total qualifying Tier 2 capital	279	311
Total qualifying Tier 1 and Tier 2 capital	2,612	3,042
Required capital as per European Capital Requirement Directive	1,171	1,189
Excess of total own funds over total required capital	1,441	1,853

	30 June 2013	31 December 2012
	€m	€m
Risk weighted assets		
Total risk-weighted assets	14,641	14,859
Capital Ratios		
Core Tier 1 capital ratio	15.7%	18.0%
Total capital ratio	17.8%	20.5%

The total capital ratio is calculated and reported to the Central Bank of Ireland on a monthly basis.
The percentage of Core Tier 1 capital is in excess of the Central Bank of Ireland regulatory minimum of 10.5% effective as at 30 June 2013.

The movement in the bank's regulatory capital is summarised below:

	2013	2012
	€m	€m
Balance as at 1 January	3,042	2,756
Operating losses after tax and corporate costs	(141)	(999)
Prior year adjustment on pension liabilities (note 1)	(184)	-
Remeasurement of net defined benefit liability recognised in other comprehensive income	(35)	-
Core deposit intangible deduction	23	(7)
Sale of subsidiary undertaking - Irish Life Group	-	1,300
Liquidation of subsidiary	-	7
Other movements*	(93)	(15)
Balance as at 30 June/31 December	2,612	3,042

*Other movements are explained as follows:

	30 June 2013	31 December 2012
	€m	€m
Reductions in Tier 2 subordinated debt	(25)	(42)
IRB provisions excess	(8)	(31)
Reduction in other own funds	(60)	(15)
Elimination of the deduction for securitised exposures	-	73
Other movements	(93)	(15)

26. Financial instruments

The Group's accounting policy on valuation of financial instruments is described in note 1 of the 2012 Annual Report. The table below sets out an overview of financial instruments held by the Group and their fair values as required by IAS 34.

30 June 2013	**Loans and Receivables / amortised cost**	**AFS / fair value through equity**	**Fair value through profit or loss**	**Fair value adjustments on hedged assets and liabilities**	**Total carrying value**	**Fair value**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**
Financial assets:						
Cash and balances with central banks (note 8)	**53**	**-**	**-**	**-**	**53**	**53**
Items in course of collection (note 8)	**86**	**-**	**-**	**-**	**86**	**86**
Debt securities (note 9)	**3,270**	**2,528**	**-**	**-**	**5,798**	**5,875**
Derivative assets (note 10)	**-**	**-**	**140**	**-**	**140**	**140**
Loans and receivables to banks (note 11)	**1,292**	**-**	**-**	**-**	**1,292**	**1,292**
Loans and receivables to customers (note 12)*	**30,334**	**-**	**-**	**39**	**30,373**	**23,143**
Financial liabilities:						
Deposits by banks (including central banks) (note 16)	**11,898**	**-**	**-**	**-**	**11,898**	**11,881**
Customer accounts (note 17)	**19,185**	**-**	**-**	**-**	**19,185**	**19,300**
Debt securities in issue (note 18)	**3,596**	**-**	**-**	**82**	**3,678**	**3,432**
Derivative liabilities (note 10)	**-**	**-**	**329**	**-**	**329**	**329**
Subordinated liabilities (note 21)	**365**	**-**	**-**	**2**	**367**	**438**

* Included in loans and receivables to customers are €175m of loans and receivables which have been classified as held for sale.

31 December 2012	Loans and Receivables / amortised cost	AFS / fair value through equity	Fair value through profit or loss	Fair value adjustments on hedged assets and liabilities	Total carrying value	Fair value
	€m	€m	€m	€m	€m	€m
Financial assets:						
Cash and balances with central banks (note 8)	71	-	-	-	71	71
Items in course of collection (note 8)	76	-	-	-	76	76
Debt securities (note 9)	3,905	2,923	-	-	6,828	6,970
Derivative assets (note 10)	-	-	212	-	212	212
Loans and receivables to banks (note 11)	1,396	-	-	-	1,396	1,396
Loans and receivables to customers (note 12)	31,702	-	-	56	31,758	24,290
Financial liabilities:						
Deposits by banks (including central banks) (note 16)	13,827	-	-	-	13,827	13,881
Customer accounts (note 17)	16,639	-	-	-	16,639	16,699
Debt securities in issue (note 18)	6,374	-	-	131	6,505	6,058
Derivative liabilities (note 10)	-	-	361	-	361	361
Subordinated liabilities (note 21)	334	-	-	3	337	434

The volatility in financial markets and illiquidity of particular assets create a difficulty in determining the fair value of certain assets and liabilities.

Fair Value Hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy as described by IFRS 13, based on the lowest level input that is significant to the fair value measurement as a whole as follows:

Level 1: fair value measurements derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair value measurements derived from valuation techniques that include inputs for the asset and liability that are based on unobservable market data.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

26. Financial instruments (continued)

Fair value measurements recognised in the statement of financial position
This fair value hierarchy has been applied to all of the financial instruments that are measured at fair value in the statement of financial position. Categorisation of these financial instruments according to the fair value hierarchy is included below as at period end.

	30 June 2013	Level 1	Level 2	Level 3
	€m	€m	€m	€m
Financial assets measured at fair value				
AFS Debt securities (note 9)	**2,528**	**2,528**	**-**	**-**
Derivative assets (note 10)	**140**	**-**	**140**	**-**
Financial liabilities measured at fair value				
Derivative liabilities (note 10)	**329**	**-**	**329**	**-**

31 December 2012

	31 December 2012	Level 1	Level 2	Level 3
	€m	€m	€m	€m
Financial assets measured at fair value				
AFS Debt securities (note 9)	2,923	2,923	-	-
Derivative assets (note 10)	212	-	212	-
Financial liabilities measured at fair value				
Derivative liabilities (note 10)	361	-	361	-

During the half year ended 30 June 2013, there were no transfers into or out of level 1, level 2 or level 3 fair value measurements.

Derivative assets and liabilities
Derivative assets of €140m (31 December 2012: €212m) and derivative liabilities of €329m (31 December 2012: €361m) have been classified as level 2 in the fair value hierarchy above. Valuation techniques used for instruments categorised in level 2 are described on page 143 of the 2012 Annual Report.

Reconciliation of level 3 fair value measurements of financial assets

	2013	2012
	€m	€m
As at 1 January	**-**	10
Disposals	**-**	(10)
As at 30 June/31 December	**-**	-

27. Financial risk management

The Group's risk management framework, risk identification and assessment process are disclosed in detail on page 147 to 173 of the 2012 Annual Report.

Credit risk

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Group or its failure to perform as agreed.

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. The various limit structures, which are in place to manage credit default risk, concentration risk, settlement risk and counterparty risk, create a credit risk ceiling.

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 Probability of Default ("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 gradings 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 impaired and unimpaired greater than 90 days past due.

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 2013	31 December 2012
Assets		**€m**	€m
Cash and balances with central banks	8	**53**	71
Items in course of collection	8	**86**	76
Debt securities (i)	9	**5,798**	6,827
Derivative assets (ii)	10	**140**	212
Loans and receivables to banks (iii)	11	**1,292**	1,396
Loans and receivables to customers (iv)*	12	**30,373**	31,758
		37,742	40,340
Contingent liabilities and commitments	28	**432**	407
		38,174	40,747

*Loans and receivables to customers as at 30 June 2013 includes €175m of loans which are classified as held for sale. Refer to note 30 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, 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.

Debt securities neither past due nor impaired

	30 June 2013		31 December 2012
	€m	**% Change**	€m
Rating			
Aaa	**43**	**-43%**	75
Aa	**28**	**180%**	10
A	**121**	**-66%**	357
Baa	**5,478**	**-14%**	6,367
At or below Ba	**128**	**611%**	18
Total	**5,798**		6,827

27. Financial risk management (continued)

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

	30 June 2013 Sovereign debt	30 June 2013 Other debt	31 December 2012 Sovereign debt	31 December 2012 Other debt
	€m	€m	€m	€m
Country				
Australia	-	2	-	3
France	18	-	-	-
Germany	-	-	-	30
Ireland	5,060	419	5,413	761
Italy	-	51	-	65
Netherlands	-	24	-	25
Poland	83	-	85	-
Portugal	-	64	-	66
Spain	-	17	-	16
United Kingdom	-	48	-	118
United States	-	13	-	246
	5,161	638	5,498	1,330
Provision		(1)		(1)
Total		5,798		6,827

Included in the debt securities portfolio are holdings of external residential mortgage backed securities ("RMBS") with a carrying value of €223m as at 30 June 2013 (31 December 2012: €258m). The Group has recourse indirectly, as bondholders, to the cash flows from those third party mortgages securitised into the various special purpose vehicles set up by the issuing institutions. The RMBS pools had an average loan-to-value ("LTV") of 72% (31 December 2012: 77%) and reserve funds set aside of approximately 5% (31 December 2012: 5%) of the outstanding issued loan notes. All of the Group's bonds are considered senior in their relevant funding structure of the RMBS vehicle.

The Group also holds €5m as at 30 June 2013 (31 December 2012: €5m) of mortgage covered securities. These securities were issued by institutions in accordance with various Asset Covered Securities Acts, a legislation which provides protection to the bondholders in preference to other creditors of those issuing institutions.

In addition, the Group holds debt securities of €3.1bn as at 30 June 2013 (31 December 2012: €3.0bn) which carry a guarantee from the Irish Government either directly or under the ELG scheme.

(ii) Derivative assets

	30 June 2013 €m	30 June 2013 % Change	31 December 2012 €m
Rating			
Aa	-	-100%	6
A	70	-28%	97
Baa	-	-100%	1
Covered by netting agreements	70	-35%	108
Total	140		212

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 €107m as at 30 June 2013 (31 December 2012: €207m) amounted to €95m as at 30 June 2013 (31 December 2012: €201m).

(iii) Loans and receivables to banks

97% of the loans and receivables to banks are with investment grade counterparties. The following table gives an indication of the level of creditworthiness of the Group's loans and receivables to banks and is based on the internally set rating that is equivalent to rating prescribed by Moody's Investor Services Limited.

	30 June 2013 €m	30 June 2013 % Change	31 December 2012 €m
Rating			
Aaa	82	-65%	232
Aa	27	-79%	128
A	802	-21%	1,021
Baa	346	100%	-
At or below Ba	35	133%	15
Total	1,292		1,396

27. Financial risk management (continued)

(iv) Loans and receivables to customers

Loans and receivables are summarised as follows:

	30 June 2013 €m	30 June 2013 %	31 December 2012 €m	31 December 2012 %
ROI residential mortgages	**24,220**	**72%**	24,588	71%
UK residential mortgages	**6,922**	**20%**	7,399	21%
Commercial	**2,219**	**7%**	2,248	7%
Consumer finance				
Film finance	**40**	**-**	68	-
Term loans / other	**370**	**1%**	378	1%
	33,771	**100%**	34,681	100%
Provision for loan impairment (note 13)	**(3,598)**		(3,150)	
Deferred fees, discounts and fair value adjustments	**200**		227	
	30,373		31,758	

As at 30 June 2013, loans and receivables to customers includes €175m of loans which are classified as held for sale. Refer to note 30 for further details. ROI residential mortgages accounted for 72% at 30 June 2013 broadly unchanged compared to 71% at 31 December 2012.

Loans and receivables by asset quality:
Loans and receivables after impairments in respect of ROI residential mortgages and consumer finance (excluding film finance) are classified as core. Loans and receivables after impairments in respect of UK residential mortgages, commercial mortgages (including €576m of residential mortgages as at 30 June 2013, which are attached to these commercial mortgages), film finance (included under consumer finance) and other ROI residential mortgages originated through subsidiaries are classified as non-core loans.

Neither past due nor impaired loans are analysed as excellent, satisfactory and 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 where there is objective evidence where the loan is greater than 90 days in arrears and/or the present value of future cash flows is less than the carrying value of the loan (typically where the indexed LTV is >80%) requiring a specific provision to be recognised in the income statement.

30 June 2013

	Residential mortgages			**Consumer**			**Analysed to:**	
	ROI	**UK**	**Commercial**	**finance**	**Total**		**Core**	**Non-core**
	€m	**€m**	**€m**	**€m**	**€m**	**%**	**€m**	**€m**
Excellent	**11,674**	**4,021**	**96**	**107**	**15,898**	**47%**	**11,649**	**4,249**
Satisfactory	**3,648**	**2,330**	**552**	**90**	**6,620**	**20%**	**3,501**	**3,119**
Fair risk	**1,769**	**189**	**208**	**36**	**2,202**	**6%**	**1,749**	**453**
Neither past due nor impaired	**17,091**	**6,540**	**856**	**233**	**24,720**	**73%**	**16,899**	**7,821**
Past due but not impaired	**1,866**	**286**	**92**	**25**	**2,269**	**7%**	**1,779**	**490**
Impaired – provisions held	**5,263**	**96**	**1,271**	**152**	**6,782**	**20%**	**4,848**	**1,934**
	24,220	**6,922**	**2,219**	**410**	**33,771**	**100%**	**23,526**	**10,245**
Provision for impairment losses	**(2,548)**	**(71)**	**(817)**	**(162)**	**(3,598)**		**(2,432)**	**(1,166)**
	21,672	**6,851**	**1,402**	**248**	**30,173**		**21,094**	**9,079**
Deferred fees, discounts and fair value adjustment	**200**	**-**	**-**	**-**	**200**		**200**	**-**
	21,872	**6,851**	**1,402**	**248**	**30,373**		**21,294**	**9,079**
Impaired loans as a % of gross loans and receivables	**22%**	**1%**	**57%**	**37%**	**20%**		**21%**	**19%**
Impairment provision as a % of impaired loans	**48%**	**74%**	**64%**	**107%**	**53%**		**50%**	**60%**

31 December 2012 (Restated*)

	Residential mortgages			Consumer			Analysed to:	
	ROI	UK	Commercial	finance	Total		Core	Non-core
	€m	€m	€m	€m	€m	%	€m	€m
Excellent	13,292	4,304	132	134	17,862	51%	13,261	4,601
Satisfactory	2,672	2,443	676	105	5,896	17%	2,519	3,377
Fair risk	1,606	215	212	40	2,073	6%	1,594	479
Neither past due nor impaired	17,570	6,962	1,020	279	25,831	74%	17,374	8,457
Past due but not impaired	2,201	308	111	24	2,644	8%	2,081	563
Impaired – provisions held	4,817	129	1,117	143	6,206	18%	4,451	1,755
	24,588	7,399	2,248	446	34,681	100%	23,906	10,775
Provision for impairment losses	(2,191)	(74)	(735)	(150)	(3,150)		(2,078)	(1,072)
	22,397	7,325	1,513	296	31,531		21,828	9,703
Deferred fees, discounts and fair value adjustment	230	(3)	-	-	227		230	(3)
	22,627	7,322	1,513	296	31,758		22,058	9,700
Impaired loans as a % of gross loans and receivables	20%	2%	50%	32%	18%		19%	16%
Impairment provision as a % of impaired loans	45%	57%	66%	105%	51%		47%	61%

* Refer to note 1 for further details.

27. Financial risk management (continued)

The Group's total core loans amounted to €21.3bn or 70% of total loans and receivables as at 30 June 2013 (31 December 2012: €22.1bn or 69%). The Group's total non-core loans amounted to €9.1bn or 30% of total loans and receivables as at 30 June 2013 (31 December 2012: €9.7bn or 31%).

Loans and receivables to customers which are neither past due nor impaired amounted to €24.7bn or 73% of the loan book (before provision for impairment losses) as at 30 June 2013 compared to €25.8bn or 74% of the loan book (before provision for impairment losses) as at 31 December 2012.

As at 30 June 2013, 7% (€2.3bn) of the loan portfolios are within past due but not impaired category compared to 8% (€2.6bn) as at 31 December 2012.

The impaired loan balances as at 30 June 2013 were €6,782m (31 December 2012: €6,206m). As at 30 June 2013, there were a further €750m (31 December 2012: €821m) of loans which are greater than 90 days in arrears that are considered past due but not impaired. The impaired loans have increased by €576m with €446m of this increase relating to the ROI residential mortgage portfolio. Total interest income as at 30 June 2013 on impaired loans in the income statement amounted to €36m (30 June 2012: €29m).

Impairment provisions as a percentage of gross loans and receivables to customers are 11% (31 December 2012: 9%). Impairment provisions amounted to €3.6bn, an increase of 14% compared to 2012. This is mainly due to continuing weak economic conditions and updates made to the Group's impairment provisioning methodology and parameters. The Group also revised its impairment provisioning methodology to align with the latest Central Bank of Ireland guidelines, which were issued in May 2013.

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

30 June 2013	**ROI residential mortgages**		**UK residential mortgages**		
	Owner occupier	**Buy-to-let**	**Owner occupier**	**Buy-to-let**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
Excellent	**9,546**	**2,128**	**83**	**3,938**	**15,695**
Satisfactory	**2,132**	**1,516**	**233**	**2,097**	**5,978**
Fair risk	**1,145**	**624**	**13**	**176**	**1,958**
Neither past due nor impaired	**12,823**	**4,268**	**329**	**6,211**	**23,631**
Past due but not impaired	**1,536**	**330**	**45**	**241**	**2,152**
Impaired – provisions held	**3,333**	**1,930**	**16**	**80**	**5,359**
	17,692	**6,528**	**390**	**6,532**	**31,142**
Provision for impairment losses	**(1,399)**	**(1,149)**	**(3)**	**(68)**	**(2,619)**
	16,293	**5,379**	**387**	**6,464**	**28,523**
Deferred fees, discounts and fair value adjustment	**200**	**-**	**-**	**-**	**200**
	16,493	**5,379**	**387**	**6,464**	**28,723**
Impaired loans as a % of gross loans and receivables	**19%**	**30%**	**4%**	**1%**	**17%**
Impairment provision as a % of impaired loans	**42%**	**60%**	**19%**	**85%**	**49%**

31 December 2012	ROI residential mortgages		UK residential mortgages		
	Owner occupier	Buy-to-let	Owner occupier	Buy-to-let	Total
	€m	€m	€m	€m	€m
Excellent	11,090	2,202	108	4,196	17,596
Satisfactory	1,079	1,593	244	2,199	5,115
Fair risk	1,168	438	13	202	1,821
Neither past due nor impaired	13,337	4,233	365	6,597	24,532
Past due but not impaired	1,750	451	46	262	2,509
Impaired – provisions held	2,908	1,909	22	107	4,946
	17,995	6,593	433	6,966	31,987
Provision for impairment losses	(1,198)	(993)	(5)	(69)	(2,265)
	16,797	5,600	428	6,897	29,722
Deferred fees, discounts and fair value adjustment	230	-	(3)	-	227
	17,027	5,600	425	6,897	29,949
Impaired loans as a % of gross loans and receivables	16%	29%	5%	2%	15%
Impairment provision as a % of impaired loans	41%	52%	23%	64%	46%

Non-performing loans:
Non-performing loans are defined as impaired loans together with loans which are greater than 90 days in arrears.

30 June 2013	**ROI residential mortgages**		**UK residential mortgages**				
	Owner occupier	**Buy-to-let**	**Owner occupier**	**Buy-to-let**	**Commercial**	**Consumer finance**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
> 90 days in arrears but not impaired	**567**	**41**	**25**	**112**	**-**	**5**	**750**
Impaired loans	**3,333**	**1,930**	**16**	**80**	**1,271**	**152**	**6,782**
Non-performing loans	**3,900**	**1,971**	**41**	**192**	**1,271**	**157**	**7,532**

31 December 2012	ROI residential mortgages		UK residential mortgages				
	Owner occupier	Buy-to-let	Owner occupier	Buy-to-let	Commercial	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
> 90 days in arrears but not impaired	594	90	23	108	-	6	821
Impaired loans	2,908	1,909	22	107	1,117	143	6,206
Non-performing loans	3,502	1,999	45	215	1,117	149	7,027

Notes to the Condensed Consolidated Financial Statements

27. Financial risk management (continued)

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

30 June 2013	**ROI Residential mortgages €m**	**UK Residential mortgages €m**	**Commercial €m**	**Consumer finance €m**	**Total €m**
0-30 days	**575**	**124**	**30**	**12**	**741**
31-60 days	**388**	**-**	**24**	**6**	**418**
61-90 days	**295**	**25**	**38**	**2**	**360**
91-180 days	**136**	**137**	**-**	**4**	**277**
181-360 days	**151**	**-**	**-**	**-**	**151**
> 360 days	**321**	**-**	**-**	**1**	**322**
Total past due not impaired	**1,866**	**286**	**92**	**25**	**2,269**
Fair value of collateral held[1]	**1,609**	**273**	**77**	**-**	**1,959**

[1] Fair value of collateral held is capped at the lower of the outstanding loan balance or the valuation of the collateral.

[1]Fair value of collateral held	**ROI Residential mortgages €m**	**UK Residential mortgages €m**	**Commercial €m**	**Consumer finance €m**	**Total €m**
0-30 days	**460**	**121**	**26**	**-**	**607**
31-60 days	**307**	**-**	**20**	**-**	**327**
61-90 days	**234**	**24**	**31**	**-**	**289**
91-180 days	**136**	**128**	**-**	**-**	**264**
181-360 days	**151**	**-**	**-**	**-**	**151**
> 360 days	**321**	**-**	**-**	**-**	**321**
Total past due not impaired	**1,609**	**273**	**77**	**-**	**1,959**

31 December 2012	ROI Residential mortgages €m	UK Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
0-30 days	710	20	55	12	797
31-60 days	446	124	32	3	605
61-90 days	361	33	24	3	421
91-180 days	166	131	-	5	302
181-360 days	168	-	-	-	168
> 360 days	350	-	-	1	351
Total past due not impaired	2,201	308	111	24	2,644
Fair value of collateral held[1]	1,892	293	63	-	2,248

[1]Fair value of collateral held	ROI Residential mortgages €m	UK Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
0-30 days	572	20	28	-	620
31-60 days	357	120	21	-	498
61-90 days	290	31	14	-	335
91-180 days	165	122	-	-	287
181-360 days	165	-	-	-	165
> 360 days	343	-	-	-	343
Total past due not impaired	1,892	293	63	-	2,248

The table below outlines the arrears profile for ROI and UK residential mortgages which are past due but not impaired analysed by owner occupier and buy-to-let:

30 June 2013	**ROI residential mortgages**		**UK residential mortgages**		
	Owner occupier €m	**Buy-to-let €m**	**Owner occupier €m**	**Buy-to-let €m**	**Total**
0-30 days	**423**	**152**	**16**	**108**	**699**
31-60 days	**307**	**81**	**-**	**-**	**388**
61-90 days	**239**	**56**	**4**	**21**	**320**
91-180 days	**130**	**6**	**25**	**112**	**273**
181-360 days	**141**	**10**	**-**	**-**	**151**
> 360 days	**296**	**25**	**-**	**-**	**321**
Total	**1,536**	**330**	**45**	**241**	**2,152**

27. Financial risk management (continued)

31 December 2012	ROI residential mortgages		UK residential mortgages		
	Owner occupier	Buy-to-let	Owner occupier	Buy-to-let	Total
	€m	€m	€m	€m	€m
0-30 days	540	170	2	18	730
31-60 days	340	106	17	107	570
61-90 days	276	85	4	29	394
91-180 days	148	18	23	108	297
181-360 days	150	18	-	-	168
> 360 days	296	54	-	-	350
Total	1,750	451	46	262	2,509

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 accordance with existing Code of Conduct on Mortgage Arrears. These are set out in the table below.

The PD's associated with non defaulted accounts which have been granted forbearance is 12.50% (11.07% for home loans and 17.27% for BTLs). The PD's for non defaulted accounts excluding cases in forbearance is 2.90% (2.81% for home loans 3.00% for BTLs). The PD's for defaulted accounts is 100% irrespective of the account status (forbearance or non forbearance).

Residential mortgages

The tables below set out the volume of loans for which the Group has entered formal forbearance arrangements with customers as at 30 June 2013 and 31 December 2012. Interest only arrangements, reduced payment, both less than interest only and greater than interest only and payment moratorium are considered as temporary forbearance arrangements, while arrears capitalisations and term extensions are considered as permanent forbearance arrangements. Both temporary and permanent forbearance arrangements, detailed below are based on information captured after 1 January 2009.

The impaired balance noted represents the loan balances to which impairment charges have been raised due to either being 90 days or more in arrears, or showing evidence of impairment prior to reaching arrears of 90 days.

(a) ROI residential owner occupier mortgages:

The incidence of the main type of forbearance arrangements for owner occupied residential mortgages only is analysed below:

30 June 2013	**All Loans**		**Loans > 90 days in arrears and / or impaired**	
	Number	**Balances**	**Number**	**Balances**
		€m		**€m**
Interest only	**2,577**	**344**	**291**	**50**
Reduced payment (less than interest only)	**2,089**	**333**	**1,649**	**268**
Reduced payment (greater than interest only)	**5,161**	**855**	**1,957**	**333**
Payment moratorium	**684**	**94**	**114**	**18**
Arrears capitalisation	**1,431**	**227**	**712**	**121**
Term extension	**1,448**	**118**	**245**	**22**
Other*	**2,042**	**286**	**1,197**	**174**
Total	**15,432**	**2,257**	**6,165**	**986**

31 December 2012	All Loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances	Number	Balances
		€m		€m
Interest only	2,643	363	190	40
Reduced payment (less than interest only)	2,876	499	1,924	337
Reduced payment (greater than interest only)	4,968	792	1,620	274
Payment moratorium	721	94	99	12
Arrears capitalisation	1,289	203	603	103
Term extension	1,279	109	211	19
Other*	532	76	220	35
Total	14,308	2,136	4,867	820

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

The tables above reflect an increase of 8% as at 30 June 2013 for the Group in the number of ROI residential owner occupier loans in forbearance arrangements, an increase of €121m. The average value of forborne loans has increased to €0.174m as at 30 June 2013 from €0.149m as at 31 December 2012. As at 30 June 2013, 40% of the number of loans in forbearance are >90 days in arrears and/or impaired compared to 34% as at 31 December 2012.

27. 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 2013	**All Loans**		**Loans > 90 days in arrears and / or impaired**	
	Number	**Balances €m**	**Number**	**Balances €m**
Interest only	**159**	**34**	**22**	**5**
Reduced payment (less than interest only)	**88**	**17**	**73**	**15**
Reduced payment (greater than interest only)	**383**	**96**	**175**	**43**
Payment moratorium	**12**	**2**	**5**	**1**
Arrears capitalisation	**271**	**125**	**172**	**83**
Term extension	**131**	**22**	**16**	**3**
Other*	**1,182**	**493**	**376**	**170**
Total	**2,226**	**789**	**839**	**320**

31 December 2012	All Loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances €m	Number	Balances €m
Interest only	247	62	29	10
Reduced payment (less than interest only)	144	33	121	28
Reduced payment (greater than interest only)	281	79	107	30
Payment moratorium	6	1	3	1
Arrears capitalisation	348	157	196	88
Term extension	133	20	18	3
Other*	195	118	49	24
Total	1,354	470	523	184

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

Impairment provision on loans and receivables to customers by product line
The balances in the preceding tables denoted impaired loan balances which are in forbearance arrangements. The table below lists the impairment provisions held in respect of these balances, by lending type.

Forborne loans	**30 June 2013**			31 December 2012		
	Performing €m	**Non-performing €m**	**Total €m**	Performing €m	Non-performing €m	Total €m
Residential						
- Owner occupier	**113**	**255**	**368**	74	211	285
- Buy-to-let	**66**	**142**	**208**	30	75	105
Total impairment provision	**179**	**397**	**576**	104	286	390

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 2013**		31 December 2012	
	Number	**Balance outstanding €m**	Number	Balance outstanding €m
Residential repossessions				
ROI:				
Owner occupier	**257**	**66**	255	68
Buy-to-let	**151**	**38**	138	33
Commercial	**35**	**20**	31	17
UK:				
Owner occupier	**4**	**1**	5	1
Buy-to-let	**59**	**9**	94	16
Total	**506**	**134**	523	135

Repossessed assets are sold as soon as practicable, with proceeds offset against any outstanding indebtedness. These assets which total €43m as at 30 June 2013 (31 December 2012: €51m) are included within other assets in the statement of financial position. During the period 239 residential properties were repossessed, comprising of 77 owner occupier, 155 buy-to-let and 7 commercial.

The details of the Group disposals in the period are provided in the following tables.

27. Financial risk management (continued)

Half year 30 June 2013	Number of disposals	Balance outstanding at repossession	Gross sales proceeds	Costs to sell	Pre provisioning loss on sale*
Residential repossessions		€m	€m	€m	€m
ROI:					
Owner occupier	**70**	**19**	**7**	**-**	**12**
Buy-to-let	**21**	**6**	**2**	**-**	**4**
Commercial	**3**	**1**	**-**	**-**	**1**
UK:					
Owner occupier	**6**	**1**	**1**	**-**	**-**
Buy-to-let	**156**	**22**	**15**	**1**	**8**
Half year ended 30 June 2013	**256**	**49**	**25**	**1**	**25**

Year ended 31 December 2012	Number of disposals	Balance outstanding at repossession	Gross sales proceeds	Costs to sell	Pre provisioning loss on sale*
Residential repossessions		€m	€m	€m	€m
ROI:					
Owner occupier	102	28	12	1	17
Buy-to-let	25	4	2	-	2
Commercial	1	1	-	-	1
UK:					
Owner occupier	30	7	5	-	2
Buy-to-let	368	55	40	4	19
Year ended 31 December 2012	526	95	59	5	41

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

LTV of mortgage lending (index linked)

The LTV ratio is calculated at a property level and is the average of indexed property values in proportion to the outstanding loan balance. LTV is a key input to the impairment provisioning process. The following table will outline the composition of this ratio for the residential loan portfolio.

Valuation Methodologies

The valuation methodologies for the Bank's key portfolios of collateral held are as follows:

- ROI residential property valuations are based on the CSO residential property price index or based on recent valuations where property is repossessed;

- Commercial property valuations are based on opinions from professional valuers, the Investment Property Database Index, local knowledge of the properties, benchmarking similar properties and other industry-wide available information, including estimated yields and estimated discount rates. The fair value of collateral on the commercial portfolio is estimated to be €1,151m as at 30 June 2013 (31 December 2012: €1,268m); and

- In the UK property values are determined using expert judgement valuations from a recognised provider.

The valuation methodologies outlined above are determined as close to the reporting date as is feasible and are therefore considered by the Directors to reflect their best estimate of current values of collateral held.

Actual and average LTVs across principal mortgage portfolios:

The tables below outline the weighted average LTVs for the total ROI and UK residential mortgage portfolios analysed across owner occupier and buy-to-let facilities by value. The weighted average LTV on the ROI and UK residential mortgage portfolios is 114% as at 30 June 2013 compared to 112% as at 31 December 2012.

The portfolios LTVs as at 30 June 2013 have remained in line with the LTVs as at 31 December 2012 reflecting signs of stabilisation of house prices. For ROI, ptsb use the CSO house price index, which has risen by 1.2% in the half year ended 30 June 2013.

30 June 2013	ROI residential mortgages		UK residential mortgages		
	Owner occupier	Buy-to-let	Owner occupier	Buy-to-let	Total
	%	%	%	%	%
Less than 50%	**12%**	**3%**	**11%**	**4%**	**9%**
50% to 70%	**10%**	**5%**	**10%**	**12%**	**9%**
71% to 90%	**12%**	**7%**	**31%**	**38%**	**16%**
91% to 100%	**7%**	**5%**	**16%**	**23%**	**9%**
Subtotal	**41%**	**20%**	**68%**	**77%**	**43%**
101% to 110%	**7%**	**6%**	**16%**	**16%**	**8%**
111% to 120%	**7%**	**7%**	**11%**	**6%**	**7%**
121% to 130%	**7%**	**8%**	**4%**	**1%**	**6%**
131% to 140%	**6%**	**9%**	**-**	**-**	**6%**
141% to 150%	**6%**	**10%**	**-**	**-**	**6%**
151% to 160%	**6%**	**9%**	**-**	**-**	**6%**
161% to 170%	**5%**	**8%**	**-**	**-**	**5%**
171% to 180%	**5%**	**6%**	**-**	**-**	**4%**
Greater than 180%	**10%**	**17%**	**1%**	**-**	**9%**
Subtotal	**59%**	**80%**	**32%**	**23%**	**57%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**
Weighted average LTV:					
Stock of residential mortgages	**115%**	**140%**	**86%**	**86%**	**114%**
New residential mortgages	**69%**	**54%**	**-**	**66%**	**69%**
Impaired mortgages	**154%**	**162%**	**98%**	**108%**	**156%**

27. Financial risk management (continued)

31 December 2012	ROI residential mortgages		UK residential mortgages		
	Owner occupier	Buy-to-let	Owner occupier	Buy-to-let	Total
	%	%	%	%	%
Less than 50%	12%	3%	13%	4%	9%
50% to 70%	10%	5%	11%	11%	9%
71% to 90%	12%	7%	29%	36%	16%
91% to 100%	7%	5%	16%	24%	10%
Subtotal	41%	20%	69%	75%	44%
101% to 110%	7%	6%	15%	17%	10%
111% to 120%	7%	8%	12%	7%	7%
121% to 130%	7%	9%	3%	1%	6%
131% to 140%	7%	9%	1%	-	6%
141% to 150%	6%	10%	-	-	6%
151% to 160%	6%	8%	-	-	5%
161% to 170%	6%	8%	-	-	5%
171% to 180%	4%	5%	-	-	3%
Greater than 180%	9%	17%	-	-	8%
Subtotal	59%	80%	31%	25%	56%
Total	100%	100%	100%	100%	100%
Weighted average LTV:					
Stock of residential mortgages	112%	138%	85%	87%	112%
New residential mortgages	62%	45%	46%	54%	61%
Impaired mortgages	146%	156%	98%	106%	150%

Analysis by LTV of the Group's residential mortgage lending which is neither past due nor impaired:

Residential mortgages (ROI and UK)	**30 June 2013**		31 December 2012	
	€m	**%**	€m	%
Less than 50%	**2,356**	**10%**	2,474	10%
50% to 70%	**2,513**	**11%**	2,525	10%
71% to 90%	**4,503**	**19%**	4,709	19%
91% to 100%	**2,615**	**11%**	2,836	12%
101% to 110%	**2,208**	**9%**	2,419	10%
111% to 120%	**1,595**	**7%**	1,737	7%
121% to 130%	**1,264**	**5%**	1,297	5%
131% to 140%	**1,236**	**5%**	1,237	5%
141% to 150%	**1,214**	**5%**	1,200	5%
151% to 160%	**1,126**	**5%**	1,113	5%
161% to 170%	**950**	**4%**	942	4%
171% to 180%	**594**	**3%**	524	2%
Greater than 180%	**1,457**	**6%**	1,519	6%
Total	**23,631**	**100%**	24,532	100%

Analysis by LTV of the Group's residential mortgage lending which are 90 days past due:

30 June 2013	**ROI residential mortgages**		**UK residential mortgages**		
	Owner occupier	**Buy-to-let**	**Owner occupier**	**Buy-to-let**	**Total**
	%	%	%	%	%
Less than 50%	**6%**	**1%**	**3%**	**-**	**4%**
50% to 70%	**6%**	**2%**	**5%**	**2%**	**5%**
71% to 90%	**9%**	**4%**	**31%**	**15%**	**7%**
91% to 100%	**5%**	**3%**	**23%**	**17%**	**5%**
Subtotal	**26%**	**10%**	**62%**	**34%**	**21%**
101% to 110%	**6%**	**4%**	**14%**	**23%**	**6%**
111% to 120%	**7%**	**5%**	**11%**	**25%**	**7%**
121% to 130%	**6%**	**7%**	**9%**	**14%**	**7%**
131% to 140%	**7%**	**9%**	**2%**	**2%**	**7%**
141% to 150%	**7%**	**11%**	**1%**	**1%**	**8%**
151% to 160%	**7%**	**11%**	**-**	**1%**	**8%**
161% to 170%	**7%**	**10%**	**-**	**-**	**8%**
171% to 180%	**7%**	**7%**	**1%**	**-**	**7%**
Greater than 180%	**20%**	**26%**	**-**	**-**	**21%**
Subtotal	**74%**	**90%**	**38%**	**66%**	**79%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**
	€m	**€m**	**€m**	**€m**	**€m**
Non-performing loans	**3,900**	**1,971**	**41**	**192**	**6,104**

27. Financial risk management (continued)

31 December 2012	ROI residential mortgages Owner occupier	ROI residential mortgages Buy-to-let	UK residential mortgages Owner occupier	UK residential mortgages Buy-to-let	Total
	%	%	%	%	%
Less than 50%	6%	1%	4%	-	4%
50% to 70%	7%	2%	7%	2%	5%
71% to 90%	8%	4%	24%	12%	8%
91% to 100%	5%	3%	23%	18%	5%
Subtotal	26%	10%	58%	32%	22%
101% to 110%	6%	4%	14%	22%	6%
111% to 120%	7%	6%	13%	29%	8%
121% to 130%	7%	8%	9%	13%	8%
131% to 140%	7%	11%	4%	3%	8%
141% to 150%	7%	12%	2%	1%	8%
151% to 160%	8%	10%	-	-	8%
161% to 170%	8%	9%	-	-	8%
171% to 180%	7%	7%	-	-	7%
Greater than 180%	17%	23%	-	-	17%
Subtotal	74%	90%	42%	68%	78%
Total	100%	100%	100%	100%	100%
	€m	€m	€m	€m	€m
Non-performing loans	3,502	1,999	45	215	5,761

Loan origination profile of the residential mortgage loan portfolio before provision for impairment:

The table below illustrates that €8bn or 32% of the ROI residential mortgage portfolio and €2bn or 29% of the UK residential mortgage portfolio originated before 2006. Between 2006 and 2008 origination was €16bn or 64% of the ROI residential mortgages portfolio and €5bn or 70% of the UK residential mortgages portfolio. The residual of 4% of the ROI residential mortgages portfolio and 1% of the UK residential mortgages portfolio were originated between 2009 and 2013.

30 June 2013	**ROI residential mortgages portfolio**		**Impaired ROI residential mortgages portfolio**		**UK residential mortgages portfolio**		**Impaired UK residential mortgages portfolio**	
	Number	**Balance**	**Number**	**Balance**	**Number**	**Balance**	**Number**	**Balance**
		€m		**€m**		**€m**		**€m**
1996 and before	**5,934**	**85**	**88**	**3**	**200**	**7**	**2**	**-**
1997	**2,156**	**50**	**33**	**1**	**89**	**4**	**1**	**-**
1998	**3,020**	**87**	**77**	**5**	**282**	**23**	**2**	**-**
1999	**4,707**	**169**	**124**	**11**	**604**	**61**	**5**	**-**
2000	**5,597**	**258**	**218**	**21**	**547**	**50**	**4**	**-**
2001	**5,803**	**331**	**291**	**32**	**736**	**74**	**6**	**-**
2002	**7,613**	**574**	**438**	**55**	**894**	**92**	**7**	**1**
2003	**11,139**	**1,002**	**847**	**122**	**1,940**	**277**	**11**	**2**
2004	**15,605**	**1,821**	**1,473**	**256**	**3,852**	**555**	**41**	**9**
2005	**21,633**	**3,286**	**2,739**	**614**	**5,953**	**887**	**55**	**14**
2006	**30,250**	**6,051**	**5,021**	**1,386**	**8,933**	**1,373**	**61**	**5**
2007	**26,546**	**5,986**	**5,201**	**1,629**	**12,211**	**2,213**	**224**	**53**
2008	**17,778**	**3,555**	**3,490**	**1,008**	**6,581**	**1,276**	**59**	**12**
2009	**4,626**	**575**	**523**	**110**	**124**	**18**	**2**	**-**
2010	**1,691**	**168**	**56**	**8**	**42**	**8**	**-**	**-**
2011	**1,145**	**128**	**8**	**2**	**6**	**1**	**1**	**-**
2012	**607**	**61**	**4**	**-**	**9**	**1**	**3**	**-**
2013	**278**	**33**	**-**	**-**	**15**	**2**	**1**	**-**
Total	**166,128**	**24,220**	**20,631**	**5,263**	**43,018**	**6,922**	**485**	**96**

31 December 2012	ROI residential mortgages portfolio		Impaired ROI residential mortgages portfolio		UK residential mortgages portfolio		Impaired UK residential mortgages portfolio	
	Number	Balance	Number	Balance	Number	Balance	Number	Balance
		€m		€m		€m		€m
1996 and before	6,499	96	36	2	209	9	6	-
1997	2,257	55	17	1	95	5	2	-
1998	3,239	94	36	4	314	26	1	-
1999	4,867	181	82	8	633	67	4	-
2000	5,752	274	139	15	563	55	4	-
2001	5,939	346	207	26	759	81	6	-
2002	7,746	596	314	43	907	100	9	1
2003	11,455	1,033	668	100	1,993	299	13	3
2004	15,770	1,866	1,232	219	3,914	594	45	11
2005	21,809	3,346	2,310	549	6,037	948	85	19
2006	30,387	6,120	4,429	1,284	9,055	1,464	88	19
2007	26,660	6,040	4,663	1,515	12,377	2,358	258	63
2008	17,895	3,593	3,137	949	6,685	1,363	59	13
2009	4,661	585	438	97	129	20	-	-
2010	1,711	172	38	5	42	8	-	-
2011	1,148	130	3	-	5	1	1	-
2012	611	61	1	-	9	1	-	-
Total	168,406	24,588	17,750	4,817	43,726	7,399	581	129

27. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet payment of obligations in a timely manner, at a reasonable cost or the risk of unexpected increases in the cost of funding the portfolio at appropriate maturities or rates.

The Group's liquidity risk framework are set out on pages 164-166 of the 2012 Annual Report. There have been no changes to the framework during the half year ended 30 June 2013.

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 was:

	30 June 2013	31 December 2012
	%	%
Customer accounts	**55**	45
Long-term debt	**30**	33
Short-term debt	**15**	22
	100	100

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 and as such will not agree directly with the balances on the condensed consolidated statement of financial position due to the inclusion of future interest payments. In this table, derivative liabilities represent the carrying value of derivative instruments that are held as hedging instruments in respect of financial liabilities.

30 June 2013	**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	**2,475**	**1,379**	**-**	**-**	**5,100**	**3,217**	**12,171**
Customer accounts	**7,875**	**5,004**	**1,418**	**2,597**	**1,267**	**1,216**	**19,377**
Debt securities in issue	**7**	**18**	**29**	**184**	**2,169**	**1,652**	**4,059**
Subordinated liabilities	**40**	**-**	**-**	**-**	**40**	**504**	**584**
Derivative liabilities	**5**	**11**	**16**	**(48)**	**(28)**	**13**	**(31)**
Total liabilities	**10,402**	**6,412**	**1,463**	**2,733**	**8,548**	**6,602**	**36,160**

31 December 2012	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	5,619	3,179	-	-	-	5,122	13,920
Customer accounts	7,928	2,379	1,768	2,940	990	852	16,857
Debt securities in issue	1,375	109	1,312	55	275	3,831	6,957
Subordinated liabilities	-	-	-	40	40	504	584
Derivative liabilities	(3)	(67)	(27)	21	(36)	(75)	(187)
Total liabilities	14,919	5,600	3,053	3,056	1,269	10,234	38,131

The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on forecast expected cash flows.

28. Commitments and contingencies

The table below gives the contractual amounts of commitments and contingent liabilities. The maximum exposure to credit loss under commitments and contingent liabilities 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.

Capital commitments	30 June 2013 €m	31 December 2012 €m
Guarantees and irrevocable letters of credit	**11**	5
Commitments to extend credit		
- less than 1 year	**334**	336
- 1 year and over	**87**	66
Total commitments to extend credit	**421**	402
Total capital commitments	**432**	407

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 2013 €m	31 December 2012 €m
Less than 1 year	**8**	8
Greater than 1 year and less than 5 years	**30**	32
Greater than 5 years	**40**	44
Total operating lease commitments	**78**	84

Other contingencies
The Group, like other banks, is subject to litigation in the normal course of its business. Based on legal advice, 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 of Ireland (Supervision Division) into deposits placed by Irish Life Assurance plc on 31 March 2008, 26 September 2008, 29 September 2008 and 30 September 2008, with Irish Bank Resolution Corporation (in Special Liquidation) , formerly Anglo Irish Bank. At 30 June 2013, these investigations were still on-going.

29. Related parties

The Group has a related party relationship with its Directors and Senior Management, its former associate and the 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 also 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 ExCo. The Executive Director and members of the ExCo are listed on page 178 of the 2012 Annual Report and remain broadly similar at 30 June 2013 except for the following changes to the Executive and Non Executive directors. Glen Lucken, the Group Chief Financial Officer, became a member of the Board of Directors of the Group on 2 January 2013. Margaret Hayes and Ray McSharry retired at the AGM on 22 May 2013 and Piotr Skoczylas retired as a director by rotation under the provisions set out in the Company's Articles of Association and, having offered himself for re-appointment, was not so re-appointed by shareholders at the AGM.

Number of key management personnel

	30 June 2013	31 December 2012
Non-Executive Directors	**5**	8
Executive Directors and Senior Management	**13**	13
	18	21

In the normal course of its business, the Group had loan balances and transactions with key management personnel and 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 are secured and all interest and principal due at the statement of financial position date on loans 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 2013	31 December 2012
	€'000	€'000
Outstanding balances		
Loans	**2,990**	2,571
Unsecured credit card balances and overdrafts	**14**	10
Deposits	**929**	1,063

(B) Irish Government and Government related entities

Following the Group's share issuance to the Minister for Finance and the Minister becoming a 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, commercial paper and dated subordinated debt.

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

- ptsb and its subsidiary Permanent Bank International Ltd are participating covered institutions under the Government's ELG Scheme of up to five years in maturity. The Minister for Finance withdrew this scheme from 29 March 2013 for new liabilities.
- In March 2010 the Group issued a 5 year €2bn bond which is guaranteed by the ELG Scheme. In January 2011, the Group also issued a €3.4bn bond under the ELG Scheme which was bought by the Group itself. This bond has been rolled over throughout the period and as at 30 June 2013 the amount in issue was €3.1bn. The charge to the income statement in respect of the ELG Scheme to 30 June 2013 is €63m (30 June 2012: €81m). The liabilities covered by the scheme for the same period amounted to €8.6bn (31 December 2012: €14.5bn).
- The Group holds securities issued by the Government and Government related entities of €5.1bn (31 December 2012: €5.4bn).
- Customer accounts include deposits of €2.4bn (31 December 2012: €601m) placed by a Government institution of which €1.9bn has been placed under a repurchase agreement.
- As at 30 June 2013, the Group held €1.7bn of deposits placed by the Central Bank of Ireland under the SMBPN programme (31 December 2012: €0.5bn). The deposits are secured by way of fixed floating charge over €4.8bn 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.
- The previously held investment property portfolio of the Group, held directly through the Life Group, included properties for which the Office of Public Works ("OPW"), on behalf of Government departments, is a tenant. These property investments were held in unit-linked funds. The total unit-linked rental income earned from these leases amounted to €6m out of a total rental income of €68m to the date of disposal of the Life Group, in the prior year. Some other investment properties might have included tenants who are agencies financed by the Government.
- On 29 March 2010, the Group through its former subsidiary Irish Life Assurance plc, acquired 17 million B shares in National Asset Management Agency Investment Limited ("NAMAIL"), corresponding to one-third of the 51 million B shares issued by NAMAIL. NAMAIL also issued 49 million A shares to National Asset Management Agency ("NAMA"). As a result, the Group held 17% of the total ordinary share capital of NAMAIL which cost the Group €17m in acquiring these B shares. These shares have been disposed of as part of the sale of the Life Group, in the prior year.

29. Related parties (continued)

The Government also has a 100% shareholding in Irish Bank Resolution Corporation Limited (in special liquidation) and a controlling interest in Allied Irish Bank plc including EBS Limited and also has 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:

		Debt securities held	Derivative assets	Derivative liabilities
		€m	€m	€m
Irish Bank Resolution Corporation (in special liquidation)				
	30 June 2013	**-**	**-**	**-**
	31 December 2012	149	-	-
EBS Limited				
	30 June 2013	**95**	**-**	**-**
	31 December 2012	95	-	-
Allied Irish Banks p.l.c				
	30 June 2013	**67**	**2**	**8**
	31 December 2012	175	7	13
Bank of Ireland				
	30 June 2013	**159**	**-**	**-**
	31 December 2012	244	1	-

(C) The Life Group
The Life Group, a former wholly owned subsidiary of the Group, was sold to the Minister for Finance on 29 June 2012.

As explained in (B) above, the Irish Government is recognised as a related party as it is deemed to have control over the Group as defined by IAS 24 Related Party Disclosures. Therefore, the Life Group is also recognised as a related party to the Group from 30 June 2012 due to the common control under the ownership of the Irish Government. Outstanding balances between the Group and Life Group at 30 June 2013 are as follows:

	30 June 2013
	€m
Deposits included in customer accounts	**(698)**
Loans included in loans and receivables to customers	**400**
Net amounts due to the Life Group	**(298)**

A Separation Management Agreement was signed between ptsbgh and the Life Group on 29 June 2012 which deals with post separation support between the parties.

A Transitional Services Agreement was signed which is valid for 15 months from 29 June 2012. Under this Agreement the Life Group will provide support post sale for the key services of IT, HR and Payroll.

Irish Life bancassurance business continues to be sold through ptsb branches and the Group has a commission agreement with Irish Life Assurance ("ILA") for this business. Upon satisfying conditions, the Group is paid commission for bancassurance business written with ILA through ptsb. The targets were not reached in 2013 and as a result no commission was paid by ILA (2012: €nil).

The Minister for Finance sold the Government's holding in the Irish Life Group to a third party subsequent to 30 June 2013. Therefore, the Irish Life Group will no longer be recognised as a related party in future periods.

(D) Former associate undertaking
Following the sale of the Life Group, Allianz – Irish Life Holdings plc (“Allianz”), a former associated company of the Group, which is held directly by the Life Group, is still recognised as a related party to the Group, as both the Group and the Life Group are under the common control of the Irish Government.

The Group has a commission agreement with Allianz and under this agreement, the Group is paid commission for general insurance business written with Allianz through ptsb. As at 30 June 2013, the net balance due to Allianz was €0.8m (31 December 2012: €0.9m). All transactions with Allianz are priced on an arms-length basis.

The Minister for Finance sold the Government's holding in the Irish Life Group to a third party subsequent to 30 June 2013. Therefore, Allianz will no longer be recognised as a related party in future periods.

30. Assets classified as held for sale

As at 30 June 2013, the Group had commenced plans to sell €175m of loans and receivables to customers originated from the Group's UK residential mortgages subsidiary Capital Home Loans ("CHL"). These loans and receviables were reclassified as held for sale in the statement of financial position and continue to be measured using IAS 39: Financial Instruments, as required by IFRS 5: Non-Current Assets Held For Sale. CHL is a wholly owned subsidiary of the Group and forms part of the Non-Core Assets segment. Management is committed to completing the sale within the next 12 months.

31. 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 2013	31 December 2012	30 June 2012
€ / Stg £ exchange rate			
Closing	**0.8572**	0.8161	0.8068
Average	**0.8533**	0.8118	0.8220
€ / US$ exchange rate			
Closing	**1.3080**	1.3194	1.2590
Average	**1.3107**	1.2929	1.3027

32. Events after the reporting period

No events occurred between the reporting date 30 June 2013 and the date the financial statements were approved for issue by the Board of Directors being 28 August 2013 that may require adjustment to or disclosures in these financial statements.