Interim Report

For the six months ended
30 June 2013

Bank of Ireland Group

For small steps, for big steps, for life

Interim Report

for the six months ended 30 June 2013

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Forward-Looking Statement

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the Group) plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates, and its future capital requirements. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would', or their negative variations or similar expressions identify forward looking statements. Examples of forward looking statements include among others, statements regarding the Group's near term and longer term future capital requirements and ratios, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's defined benefit pension schemes, estimates of capital expenditures, discussions with Irish, UK, European and other regulators and plans and objectives for future operations.

Such forward looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward looking statements. Such risks and uncertainties include, but are not limited to, the following:

- *concerns on sovereign debt and financial uncertainties in the EU and in member countries and the potential effects of those uncertainties on the Group;*
- *general economic conditions in Ireland, the UK and the other markets in which the Group operates;*
- *the ability of the Group to generate additional capital if required;*
- *changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and UK Government together with any changes arising on foot of the Euro Area Summit Statement on 29 June 2012;*
- *the impact of further downgrades in the Group's and the Irish Government's credit rating;*
- *the impact of any exit arrangements by the State from the EU / IMF programme;*
- *the availability of customer deposits at sustainable pricing levels to fund the Group's loan portfolio and the outcome of the Group's disengagement from the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG scheme);*
- *development and implementation of the Group's strategy, including the implementation of the Group's revised EU Commission restructuring plan and the Group's ability to achieve estimated net interest margin increases and cost reductions;*
- *property market conditions in Ireland and the UK;*
- *the performance and volatility of international capital markets;*
- *the potential exposure of the Group to various types of market risks, such as interest rate risk, foreign exchange rate risk, credit risk and commodity price risk;*
- *the effects of the Irish Government's stockholding in the Group (through the NPRFC) and possible increases in the level of such stockholding;*
- *the outcome of any legal claims brought against the Group by third parties or legal or regulatory proceedings or any Irish banking inquiry more generally that may have implications for the Group;*
- *the potential requirement for further contributions to the Group pension schemes;*
- *potential deterioration in the credit quality of the Group's borrowers and counterparties;*
- *the impact of the implementation of significant regulatory developments such as Basel III, Capital Requirements Directive (CRD) IV and the Recovery and Resolution Directive;*
- *implications of the Personal Insolvency Act 2012 for distressed debt recovery and impairment provisions; and*
- *the Group's ability to address information technology issues.*

Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 48) and also the discussion of risk in the Group's Annual Report and Form 20F for the year ended 31 December 2012.

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward looking statements speak only as at the date they are made. The Group does not undertake to release publicly any revision to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.

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

View this report online

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

www.bankofireland.com

Contents Page

Performance Summary 2
Group Chief Executive's Review 4

Operating & Financial Review *(incorporating Risk Management)* 7

Basis of Presentation 7
EU Restructuring Plan 7
Group Income Statement 8
Group Balance Sheet *(incorporating Liquidity and Funding)* 17
Capital 23
Asset Quality and Impairment 25
Divisional Performance 34
Principal Risks and Uncertainties 48

Responsibility Statement 55

Independent Review Report 56

Consolidated Interim Financial Statements and Notes *(unaudited)* 57

Other Information 113

Supplementary Asset Quality Disclosures 113
Group Exposures to Selected Countries 140
Average Balance Sheet and Interest Rates 150
Rates of Exchange 151
Credit ratings 151

Performance Summary

	6 months ended 30 June 2013 €m	Restated[1] 6 months ended 30 June 2012 €m
Group performance on an underlying[2] basis		
Operating income (net of insurance claims)	1,188	875
Operating expenses	(808)	(838)
Operating profit before impairment charges on financial assets	**380**	**37**
Impairment charges on loans and advances to customers	(780)	(941)
Impairment charges on available for sale (AFS) financial assets	-	(43)
Share of results of associates and joint ventures (after tax)	17	14
Underlying[2] loss before tax	**(383)**	**(933)**
Total non-core items	(121)	(327)
Loss before tax	**(504)**	**(1,260)**
Group performance (underlying[2])		
Net interest margin[3] (annualised)	1.65%	1.20%
Per unit of €0.05 ordinary stock		
Basic loss per share (€ cent)	(1.8)	(4.0)
Underlying[2] loss per share (€ cent)	(1.4)	(3.1)
Divisional performance[4]		
Underlying[2] operating profit before impairment charges on financial assets		
Retail Ireland	159	51
Bank of Ireland Life	40	36
Retail UK	77	2
Corporate and Treasury	305	243
Group Centre (including Eligible Liabilities Guarantee (ELG) fees)	(192)	(290)
Other reconciling items[5]	(9)	(5)
Underlying[2] operating profit before impairment charges on financial assets	**380**	**37**
Impairment charges on loans and advances to customers		
Residential mortgages	251	310
Non-property SME and corporate	208	216
Property and construction	291	387
Consumer	30	28
Impairment charges on loans and advances to customers	**780**	**941**

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the six months ended 30 June 2012 have been restated to reflect this, resulting in a €4 million increase in net interest income, a €10 million decrease in net other income, a €5 million decrease in operating expenses and a €1 million increase in share of results of associates and joint ventures (after tax) (see note 34).*

From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of €5 million for the six months ended 30 June 2012 (see note 34).

In addition a number of reclassifications have been made to the income statement for the six months ended 30 June 2012:
- *the gain on sale of assets to NAMA of €6 million which had previously been reported as a separate line item is now included in other income as it is not material enough to require separate disclosure;*
- *operating expenses have been reduced by €4 million to reflect the reclassification of certain items from other income in order to ensure consistency of presentation of these items with the year ended 31 December 2012; and*
- *the gain on remeasurement of the Contingent Capital Note of €21 million has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.*

[2] *Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss', cost of restructuring programme, gross-up for policyholder tax in the Life business, gain on liability management exercises, loss on disposal / liquidation of business activities, loss on deleveraging of financial assets, investment return on treasury stock held for policyholders and gain on Contingent Capital Note. See page 15 for further information.*

[3] *The net interest margin is stated before ELG fees. The net interest margin for the six months ended 30 June 2012 includes a positive impact of 3 basis points from the gain on remeasurement of the Contingent Capital Note.*

[4] *For more details on the performance of each division see pages 34 to 47.*

[5] *This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.*

Balance sheet and funding metrics	**30 June 2013 €bn**	Restated 31 December 2012 €bn
Stockholders' equity	7.9	8.7[1]
Total assets	134	148[1,2]
Total loans and advances to customers (after impairment provisions)	87	93
Total customer deposits	72	75
Loan to deposit ratio	121%	123%
Wholesale funding	31	39[2]
Drawings from Monetary Authorities	9	15
Wholesale funding > 1 year to maturity	23	27
Wholesale funding < 1 year to maturity	8	12
Capital		
Core tier 1 ratio	14.2%	14.4%[3]
Total capital ratio	15.8%	15.3%
Risk weighted assets (€bn)	51.1	56.5

[1] *IAS 19 Revised: From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011). The comparative figures for 31 December 2012 have been restated to reflect this, as a result of which stockholders' equity at 31 December 2012 has been increased by €66 million and total assets have been reduced by €13 million.*

[2] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the balance sheet lines relating to these entities to interest in associated undertakings. The comparative figures for 31 December 2012 have been restated to reflect this, resulting in a reduction of €169 million in total assets and a reduction of €147 million in wholesale funding (see note 34).*

[3] *With effect from 1 January 2013, the deduction for the Group's participation in its Life and pension business is deducted 50:50 from Core tier 1 and Tier 2 capital in accordance with the Capital Requirements Directive (CRD). This deduction had been taken from Total tier 1 and Tier 2 capital up to and including 31 December 2012. The pro-forma Core tier 1 ratio at 31 December 2012 allowing for the impact of the change in treatment of the deduction in relation to the Group's participation in its Life and pension business is 13.8%.*

Group Chief Executive's Review

In the first half of 2013, while economic conditions remained challenging, we continued to deliver on our strategic objectives. The actions we have been taking and the investments we have been making in our core franchises have continued the momentum to enable us to move closer to profitability.

Richie Boucher

Delivering on strategic objectives

Our strategy remains on course to deliver sustainable value and returns for our stockholders and, in the first half of 2013, we made further progress towards our strategic objectives.

Our deposit volumes were not affected by the expiry of the exceptional Irish Government ELG
The ELG expired at the end of March 2013 after four and a half years. The expiry has had no adverse impact on our deposit volumes or pricing strategies.

We are accessing private wholesale funding
We have demonstrated cost effective and sustainable access to funding markets and, significantly, were able to access unsecured funding from private investors after the end of the Guarantee, successfully issuing €500 million of 3-year unsecured senior debt in May 2013. This issue was two and a half times oversubscribed. Separately we issued a further €500 million of covered bonds secured on Irish mortgages in March 2013 and in January 2013 we supported the sale of the contingent convertible notes (€1 billion) by the Government to international investors at a small premium.

We are repaying ECB funding
During the first half of 2013, we repaid a further €6 billion of ECB funding and of the €9 billion of ECB funding that remains, c.€4 billion relates to the NAMA senior bonds such that our core ECB usage is quickly approaching normalised levels. Since the start of the Troika programme, we have repaid over 70% or €24 billion of the funding provided by the ECB.

We are reimbursing and rewarding the State's investment
Since 2009, the State has invested €4.8 billion in the Group. We are grateful for its support and that of the taxpayers. We continue to focus on rewarding the taxpayers for their support and reimbursing all investments. At this stage, we have returned €3.9 billion in cash to the State, whose investments in the Group now consist of a valuable 15% equity holding and €1.8 billion in Preference Shares which pay a coupon of 10.25% per annum. The Irish State is also an important customer of the Group and we hold significant investments of €5.9 billion[1] in Irish Government bonds.

We continue to proactively review all options in relation to the 2009 Preference Shares
We are continuing to proactively assess and formulate options in relation to the 2009 Preference Shares with our assessment of such options carefully taking into consideration the interests of our various stakeholders.

We are actively working on actions to address the deficit in the Group sponsored defined benefit pension schemes
We continue to work on actions to mitigate the current deficit in the defined benefit pension schemes. We are actively engaging with the relevant staff representative bodies and other stakeholders and the next stage of the process will take place under the auspices of the Labour Relations Commission.

Key figures demonstrate our progress in ensuring that we have a robust sustainable balance sheet
Our loan to deposit ratio is at our targeted level and we have healthy capital ratios. Our Core tier 1 ratio under the Basel II rules is 14.2%, well above the regulatory requirement of 10.5%. Our pro-forma, fully loaded Common equity tier 1 ratio under the Basel III rules including the 2009 Preference Stock is 8.6% up from 8.5% at December 2012. We expect that the Basel III regulatory requirements for Bank of Ireland will be 10% and we are continuing to anticipate a buffer above this level on a transitional basis.

New Ireland Assurance Company plc (NIAC) retained as a key element of our core franchises and the agreed substitution measures are manageable
The European Commission agreed to amend our Restructuring Plan so that we could retain NIAC as its divestment could have negatively impacted on our capital. NIAC makes a consistent and growing contribution to our operating profit. It is the clear number two provider in the Irish life and pensions market and is both very complementary and important to our successful banc-assurance strategy.

We have agreed substitution measures with the Commission, primarily impacting on our Corporate and Business Banking activities in Great Britain and broker introduced mortgage business in Ireland. We feel that these measures can be successfully dealt with whilst preserving the strategic positioning of the Group and with an acceptable capital impact.

[1] *Nominal value of Irish Government bonds held by the Group (excluding Bank of Ireland Life).*

Strong franchise positions

Our success in meeting our strategic objectives means that we are well positioned to avail of business opportunities and we are investing in our strong core franchises.

We have the capital and liquidity available to support and grow our core businesses
We have the capital and the liquidity available to support our growth objectives in Ireland and in our core overseas franchises. We are actively seeking new lending opportunities of the appropriate credit quality and at appropriate levels of return.

We are supporting the recovery of the Irish economy
In Ireland approvals of new and increased credit for SME's were €1.9 billion in the first half of 2013 which was up 14% on 2012 and we are on track for €4 billion in approvals for the year as a whole. We provided c.48% of drawn new and increased SME non-property lending in the most recent period for which comparable information is available.

In July 2013 we launched a further €2 billion mortgage fund for First Time Buyers and Movers in response to existing and anticipated demand. We have already approved c.€1.2 billion in mortgage finance from the October 2012 fund of €2 billion. We are also introducing new products for suitable customers in order to meet certain specific needs of the current Irish market.

We are actively working with our challenged Irish Mortgage and SME customers to provide sustainable restructuring of their loans from Bank of Ireland with good progress having been made in the numbers of customers whom we were able to assist in the first half of 2013.

Our Irish Corporate business continues to gain market share with a number of new relationships established in the six months ended June 2013 and a number of existing relationships further strengthened. Our Corporate business has also provided significant support to Public Private Partnership initiatives in conjunction with the Irish Government.

Our international businesses are making good progress
Our international Leveraged Acquisition Finance business continues to generate healthy returns and a number of new mandates were won and transactions concluded in the first half of the year.

Our restructuring of our Northern Ireland business to bring it to sustainable profitability is progressing in line with expectations. Customer relationships are being well managed during this process.

The relationship with the UK Post Office continues to develop strongly on the back of the main contract's renewal and extension in July 2012. Working in conjunction with our partner, the range of financial services products being offered through the Post Office's extensive network continues to expand, justifying our ongoing investment in this important business.

Close to profitability

Our progress towards profitability is gathering momentum and we achieved a number of significant milestones in the first half of 2013 as we continue to restore our businesses and divisions to sustainable profitability.

Our pre-provision operating profit is building strongly
Underlying operating profit before impairment provisions rose to €380 million in the first half of 2013 – an increase of €343 million on the same period in 2012.

This improvement was broadly based across the Group with all divisions supporting the ongoing progress towards overall profitability.

Our Total income in the first half of 2013 was €1,188 million, an increase of 36% or €313 million over the same period in 2012 due primarily to the increase in our Net Interest Margin and lower ELG fees.

Net Interest Margin is increasing
Having troughed at 1.2% in the first half of 2012, our Net Interest Margin improved to 1.34% in the second half of 2012. Our Net Interest Margin increased by a further 31 basis points to an average of 1.65% in the first half of 2013. This momentum continues with the exit margin at the end of the first half of 2013 being higher than the average for the period.

The ongoing increase in the margin reflects the actions that the Group continues to take to optimise the price of assets and funding, efficiently manage the balance sheet and generate returns on new business above the cost of capital. Notwithstanding the low interest rate environment we believe that our 2% Net Interest Margin target remains an appropriate target.

ELG fees are phasing out quickly
With the systemic ELG scheme having expired at the end of March, the amount we paid in ELG fees reduced from €212 million in the first half of 2012 to €99 million in the first half of 2013 - a fall of 53%. These fees should continue to reduce significantly during the remainder of 2013 with further reductions in 2014 and 2015.

Our staff and other costs are falling
We continue to manage necessary reductions in the number of staff we employ via ongoing restructuring and redundancy programmes. We saw these cost reduction actions coming through in lower staff costs (excl. pension) in the first half of 2013 which were down 10% from the first half of 2012 and 8% from the second half of 2012. Pension costs remained broadly stable under the previous accounting rules but the reported costs rose in 2013 reflecting the size of the deficit and the changed accounting rules (a €20 million impact in the first half of 2013).

Our impairment charges are reducing
The pace of growth in defaulted loans continues to slow and impairment charges fell from €941 million in the first half of 2012 to €780 million in the first half of 2013. The fall would have been greater but for the requirement to record a one-off charge of €100 million to reflect the impact of the recently published Central Bank of Ireland guidelines on the stock of impairment provisions at 30 June 2013. We do not expect that these guidelines will impact on customer behaviour or our collection activities.

Our expectation continues to be that the impairment charges will reduce from the current elevated level, trending over time to a more normalised impairment charge, as the Irish economy recovers.

I am grateful to my colleagues
I am very grateful to my colleagues throughout our Group who, despite the many challenges that we face have remained resilient, committed and focussed as we deliver on our shared objectives for the Group and for the Group's customers.

Outlook

We are delivering on our strategic objectives, remain very focused on strengthening our core franchises and on returning the Group to sustainable profitability.

The economic outlook has improved but it remains challenging and the Group continues to navigate difficult issues.

However with the expiry of ELG; through our increasing ability to manage the volumes and pricing of our loans and funding which is giving strong momentum to our Net Interest Margin and growing our income; our focus on tight management of costs and the ongoing reduction in impairment charges, we believe that we are entering a more positive phase in the Group's progress.

We have the capital and liquidity to invest in our strong core franchises and the clear ambition and ability to support and benefit from Irish economic recovery.

My colleagues and I must, and will, continue to keep this focus as we engage with all of our stakeholders and as we strive to reward our stockholders for their confidence in the Group.

Richie Boucher
Group Chief Executive
1 August 2013

Basis of Presentation

This Operating and Financial Review is presented on an underlying basis. For an explanation of underlying see page 15.

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

The income statements are presented for the six months ended 30 June 2013 compared to the six months ended 30 June 2012. The balance sheets are presented for 30 June 2013 compared to 31 December 2012.

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

EU Restructuring Plan

Amendment to the Group's Revised 2011 EU Restructuring Plan

On 9 July 2013, the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, with substitutions for the measure to divest of NIAC. The NIAC divestment measure will be replaced with substitution measures summarised below:

- The Group will exit from its Great Britain (GB) based business banking and corporate banking activities having gross loan assets of c.€3.9 billion at 30 June 2013 (31 December 2012: c.€4.6 billion). The Group will attempt to accelerate the deleveraging of these businesses by way of sale, but will not have an obligation to sell these businesses at disposal discounts greater than those agreed with the European Commission which discount will have due regard to the protection of the Group's capital and capital ratios. This measure does not impact on the Group's consumer banking businesses in GB including its partnership with the Post Office, or its activities in Northern Ireland or its Leveraged Acquisition Finance business;

- The Group will exit from the origination of new mortgages through its intermediary channel, including the sale (or retirement) of the ICS Building Society's distribution platform together with the sale, if required by the acquirer, of up to €1.0 billion of intermediary originated mortgage assets and matched deposits;

- The Group's market opening measures will be prolonged to 31 December 2016; and

- The Group currently has a restriction on the payment of dividends on its Ordinary Stock until the earlier of 31 December 2015 or the date by which the 2009 Preferences Shares currently held by the State have been reimbursed, i.e. are repaid in full or are no longer owned by the State. This restriction has now been extended to provide that after 1 January 2016 dividends on ordinary stock are linked to reimbursement to the State of the 2009 Preference Shares by providing that dividend payments in each year shall not exceed 50% of the redemption value of the 2009 Preference Shares reimbursed to the State in that year. As before, the dividend restriction no longer applies when the Preference Shares are reimbursed in full to the State, i.e. are redeemed in full or are no longer owned by the State.

Group Income Statement

Summary Consolidated Income Statement on an Underlying[1] Basis

	Table	6 months ended 30 June 2013 €m	Restated[2] 6 months ended 30 June 2012 €m	Change %
Net interest income (before ELG fees)	1	968	840	15%
Eligible Liabilities Guarantee (ELG) fees	2	(99)	(212)	53%
Net other income	3	319	247	29%
Operating income (net of insurance claims)		**1,188**	**875**	**36%**
Operating expenses	4	(808)	(838)	4%
Operating profit before impairment charges on financial assets		**380**	**37**	**n/m**
Impairment charges on loans and advances to customers	5,6	(780)	(941)	17%
Impairment charges on available for sale (AFS) financial assets		-	(43)	n/m
Share of results of associates and joint ventures (after tax)		17	14	21%
Underlying loss before tax		**(383)**	**(933)**	**59%**
Non-core items	7	(121)	(327)	
- Charges arising on the movement in credit spreads[3]		*(88)*	*(125)*	
- Cost of restructuring programme		*(50)*	*(66)*	
- Loss on deleveraging of financial assets		*(4)*	*(206)*	
- Gain on liability management exercises		*4*	*52*	
- Other non-core items		*17*	*18*	
Loss before tax		**(504)**	**(1,260)**	**60%**
Tax credit		49	155	
Loss for the period		**(455)**	**(1,105)**	**59%**
Loss attributable to stockholders		(454)	(1,099)	
Loss attributable to non-controlling interests		(1)	(6)	
Loss for the period		**(455)**	**(1,105)**	**59%**

[1] Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss', cost of restructuring programme, gross-up for policyholder tax in the Life business, gain on liability management exercises, loss on disposal / liquidation of business activities, loss on deleveraging of financial assets, investment return on treasury stock held for policyholders and gain on Contingent Capital Note. See page 15 for further information.

[2] From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the six months ended 30 June 2012 have been restated to reflect this, resulting in a €4 million increase in net interest income, a €10 million decrease in net other income, a €5 million decrease in operating expenses and a €1 million increase in share of results of associates and joint ventures (after tax) (see note 34).

From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of €5 million for the six months ended 30 June 2012 (see note 34).

In addition a number of reclassifications have been made to the income statement for the six months ended 30 June 2012:
- *the gain on sale of assets to NAMA of €6 million is shown in other income where previously it had been shown as a separate line item, as it is not material enough to require separate disclosure;*
- *operating expenses have been reduced by €4 million to reflect the reclassification of certain items from other income in order to ensure consistency of presentation of these items with the year ended 31 December 2012; and*
- *the gain on remeasurement of the Contingent Capital Note of €21 million has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.*

[3] This relates to charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'.

n/m = not measured

Operating income (net of insurance claims)

Net interest income

TABLE: 1

Net interest income / Net interest margin	**6 months ended 30 June 2013 €m**	Restated[1] 6 months ended 30 June 2012 €m	Change %
Net interest income (before ELG fees)	968	840	15%
IFRS income classifications[2]	15	(66)	n/m
Net interest income (before ELG fees) after IFRS income classifications	**983**	**774**	**27%**
Average interest earning assets (€bn)	**119**	**132**	**(10%)**
Net interest margin (annualised)	**1.65%**	**1.20%[3]**	**45bps**

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the six months ended 30 June 2012 have been restated to reflect this, resulting in a €4 million increase in net interest income, a €10 million decrease in net other income, a €5 million decrease in operating expenses and a €1 million increase in share of results of associates and joint ventures (after tax) (see note 34).*

In addition the gain on remeasurement of the Contingent Capital Note of €21 million for the six months ended 30 June 2012 has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.

[2] *The period on period changes in 'net interest income' and 'net other income' are affected by certain IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss' (FVTPL). Where the Group has designated liabilities at 'fair value through profit or loss', the total fair value movements on these liabilities, including interest expense, are reported in 'net other income'. However, the interest income on any assets which are funded by these liabilities is reported in 'net interest income'. In addition, the Group has foreign exchange and interest rate risk which is economically managed using derivative instruments – the interest on which is reported in 'net other income'. To enable a better understanding of underlying business trends, the impact of these IFRS income classifications is shown in the table above.*

[3] *Includes a positive impact of 3 basis points from the gain on remeasurement of the Contingent Capital Note.*

n/m = not measured

Net interest income (before ELG fees) after IFRS income classifications of €983 million for the six months ended 30 June 2013 has increased by €209 million or 27% compared to the same period in 2012.

The increase in net interest income reflects repricing of both assets and liabilities and more efficient balance sheet management, together with lower risk premia in the capital markets, partly offset by a 10% decrease in average interest earning assets in the period.

The Group's focus on rebuilding margin is reflected in an average margin of 1.65% for the six months ended 30 June 2013. This reflects good progress on repricing lending and deposit portfolios and more efficient balance sheet management as well as the benefits of reducing risk premia in the capital markets. We are achieving improved margins on new lending, albeit demand remains low.

The reduction in average interest earning assets is due to a combination of further balance sheet deleveraging including the reduction in excess regulatory liquidity in the Group's UK subsidiary, the impact of the weakening of the sterling exchange rate against the euro and increased impairment provisions.

The annualised net interest margin (after the cost of ELG fees) increased to 1.49% in the six months ended 30 June 2013 compared to 0.88% in the same period of 2012.

Eligible Liabilities Guarantee (ELG) fees

TABLE: 2

ELG	**6 months ended 30 June 2013**	6 months ended 30 June 2012	Change
Covered liabilities (at period end) (€bn)	8	36	(28)
Average fee during period (%)	1.1%	1.1%	-

ELG fees of €99 million for the six months ended 30 June 2013 are €113 million lower compared to fees of €212 million for the same period in 2012. Total liabilities covered by the ELG scheme reduced from €36 billion at 30 June 2012 to €8 billion at 30 June 2013, following the expiry of the scheme on 28 March 2013 for all new liabilities.

The Group has not experienced any adverse impacts on deposit volumes or pricing since its expiry.

The cost of the ELG scheme will continue to reduce in line with the maturity of covered liabilities into the second half of 2013 and in subsequent years.

Net other income

TABLE: 3

Net other income	**6 months ended 30 June 2013 €m**	Restated[1] 6 months ended 30 June 2012 €m	Change €m
Net other income	319	247	72
IFRS income classifications[2]	(15)	66	(81)
Net other income after IFRS income classifications	**304**	**313**	**(9)**

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the six months ended 30 June 2012 have been restated to reflect this, resulting in a €4 million increase in net interest income, a €10 million decrease in net other income, a €5 million decrease in operating expenses and a €1 million increase in share of results of associates and joint ventures (after tax) (see note 34).*

In addition a number of reclassifications have been made to the income statement for the six months ended 30 June 2012:
- *the gain on sale of assets to NAMA of €6 million which had previously been reported as a separate line item is now included in other income as it is not material enough to require separate disclosure; and*
- *operating expenses have been reduced by €4 million to reflect the reclassification of certain items from other income in order to ensure consistency of presentation of these items with the year ended 31 December 2012;.*

[2] *The period on period changes in 'net interest income' and 'net other income' are affected by certain IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss' (FVTPL). Where the Group has designated liabilities at 'fair value through profit or loss', the total fair value movements on these liabilities, including interest expense, are reported in 'net other income'. However, the interest income on any assets which are funded by these liabilities is reported in 'net interest income'. In addition, the Group has foreign exchange and interest rate risk which is economically managed using derivative instruments – the interest on which is reported in 'net other income'. To enable a better understanding of underlying business trends, the impact of these IFRS income classifications is shown in the table above.*

Net other income (continued)

Net other income after IFRS income classifications	6 months ended 30 June 2013 €m	Restated 6 months ended 30 June 2012 €m	Change €m
Retail Ireland	144	141	3
Bank of Ireland Life	64	74	(10)
Retail UK	2	32	(30)
Corporate & Treasury	84	91	(7)
Other	5	-	5
Business Income	**299**	**338**	**(39)**
Other Items	5	(25)	30
Net other income after IFRS income classifications	**304**	**313**	**(9)**
Other Items			
Fair value movements in derivatives economically hedging the Group's Balance Sheet	(3)	(50)	47
Transfer from available for sale reserve on asset disposal	17	35	(18)
Economic Assumptions - Bank of Ireland Life	(9)	(9)	-
Investment Variance - Bank of Ireland Life	7	6	1
Fair value movement on Contingent Capital Note embedded derivative	(7)	(13)	6
Gain on sale of assets to NAMA	-	6	(6)
Total Other Items	**5**	**(25)**	**30**

Net other income, after IFRS income classifications, for the six months ended 30 June 2013 decreased by €9 million compared to the same period in 2012. Business Income of €299 million for the six months ended 30 June 2013 decreased by €39 million compared to the same period in 2012.

- Business Income in Retail Ireland has increased by €3 million due to higher fee income for the six months ended 30 June 2013;
- Other income in Bank of Ireland Life of €64 million decreased by €10 million reflecting a change in the mix of new business sales and an increase in the proportion of income recognised as Net interest income. Total operating income in Bank of Ireland Life has increased by 4% to €88 million in the six months to 30 June 2013 compared to same period in 2012 (see page 38);
- Business Income in Retail UK has decreased by €30 million primarily due to lower fee income partly due to higher commission payments following the extension and strengthening of the financial services relationship with the UK Post Office in the second half of 2012; and
- Business Income in Corporate and Treasury decreased by €7 million to €84 million due to lower activity levels.

Other items within Net other income, after IFRS income classifications, amount to a net gain of €5 million for the six months ended 30 June 2013, compared to a net charge of €25 million for the same period in 2012, reflecting:

- a charge of €3 million due to the accounting impact of fair value movements in derivatives economically hedging the Group's balance sheet compared to a charge of €50 million for the same period in 2012;
- a gain of €17 million relating to transfers from the AFS reserve on asset disposals for the six months ended 30 June 2013 compared to a gain of €35 million in the same period of 2012;
- a charge of €9 million relating to economic assumption changes and interest rate movements in Bank of Ireland Life for the six months ended 30 June 2013, which was in line with the same period in 2012;
- a positive investment variance of €7 million in Bank of Ireland Life in the six months ended 30 June 2013 which was broadly in line with the same period of 2012;
- a charge of €7 million due to the accounting impact of fair value movements on the Contingent Capital Note embedded derivative in the six months ended 30 June 2013 compared to a charge of €13 million in the same period of 2012; and
- a gain of €6 million relating to the sale of assets to NAMA during the six months ended 30 June 2012, which did not re-occur in 2013.

Operating expenses

TABLE: 4 Operating expenses	6 months ended 30 June 2013 €m	Restated[1] 6 months ended 30 June 2012 €m
Staff costs (excluding pension costs)	351	388
Pension costs	79	57
Other costs	378	393
Operating expenses	**808**	**838**
Staff numbers at period end	**11,731**	**13,216**
Average staff numbers	**11,998**	**13,429**

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the six months ended 30 June 2012 have been restated to reflect this, resulting in a €4 million increase in net interest income, a €10 million decrease in net other income, a €5 million decrease in operating expenses and a €1 million increase in share of results of associates and joint ventures (after tax) (see note 34).*

From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of €5 million for the six months ended 30 June 2012 (see note 34).

In addition operating expenses for the six months ended 30 June 2012 have been reduced by €4 million to reflect the reclassification of certain items from other income to ensure consistent presentation with the year ended 31 December 2012.

The comparative pension costs figure for 30 June 2012 has been increased by €1 million to include the cost of Defined Contribution Schemes which was previously included in staff costs.

Operating expenses of €808 million for the six months ended 30 June 2013 are €30 million lower than the same period in 2012.

The Group has continued its focus on reducing operating expenses and delivering efficiencies with savings being achieved in both staff and other costs during the six months ended 30 June 2013. However, these savings have been partly offset by an increase in pension costs due to a higher pension deficit, reductions in discount rates and in part due to changes in the accounting for pensions following the introduction of IAS 19 Revised.

Staff costs (excluding pension costs) of €351 million for the six months ended 30 June 2013 were €37 million lower than the same period in 2012. This is primarily due to the departure of employees under the Group's restructuring programme, the majority of whom left in the final quarter of 2012 and in the six months ended 30 June 2013. This programme continues throughout 2013.

Pension costs of €79 million for the six months ended 30 June 2013 were €22 million higher than the same period in 2012. Of this increase, c.€15 million was due to the greater impact of the adoption of IAS 19 Revised on pension costs for the six months ended 30 June 2013 (increase of c.€20 million) compared to the six months ended 30 June 2012 (increase of €5 million). The larger increase for the six months ended 2013 is driven by the higher pension deficit and lower discount rates.

Other costs of €378 million for the six months ended 30 June 2013 were €15 million lower than the same period in 2012. The decrease reflects strong cost control with an ongoing focus on efficiency improvements in the six months ended 30 June 2013, as the Group continues to consolidate, standardise and simplify its operations. The Group's outsourcing contracts are also delivering benefits. These savings have been partly offset by costs associated with strategic initiatives supporting improved customer experience and the costs associated with regulatory and compliance projects. Other costs for the six months ended 30 June 2012 also included costs relating to the extension and strengthening of the financial services relationship with the UK Post Office, which did not reoccur in the six months ended 30 June 2013.

Impairment charges on loans and advances to customers

TABLE: 5

Impairment charges on loans and advances to customers	**6 months ended 30 June 2013 €m**	6 months ended 30 June 2012 €m	Change %
Residential mortgages	251	310	(19%)
- Retail Ireland	*223*	*291*	(23%)
- Retail UK	*28*	*19*	47%
Non-property SME and corporate	208	216	(4%)
- Republic of Ireland SME	*95*	*123*	(23%)
- UK SME	*54*	*16*	*n/m*
- Corporate	*59*	*77*	*(23%)*
Property and construction	291	387	(25%)
- Investment	*181*	*180*	*1%*
- Land and development	*110*	*207*	*(47%)*
Consumer	30	28	7%
Total impairment charges on loans and advances to customers	**780**	**941**	**(17%)**

n/m = not measured

Impairment charges on loans and advances to customers of €780 million for the six months ended 30 June 2013 were €161 million or 17% lower than the same period in 2012. This included an incremental one-off charge of €100 million to reflect the estimated impact of the Central Bank of Ireland 'Impairment Provisioning and Disclosure Guidelines' (dated 31 May 2013) on the stock of loan impairment provisions as at 30 June 2013.

The impairment charge on **Residential mortgages** of €251 million for the six months ended 30 June 2013 has decreased by €59 million from €310 million in the six months ended 30 June 2012.

The impairment charge on the Retail Ireland mortgage portfolio of €223 million for the six months ended 30 June 2013 has decreased by €68 million from €291 million for the same period in 2012. While the volume of default arrears (based on loan volumes 90 days or more past due) has continued to increase, the pace of default arrears formation has reduced as compared with the six months to 30 June 2012 and has remained consistent with the second half of 2012. In addition to the stabilisation of the pace of formation of arrears, the Group has continued to formally restructure a significant number of customer mortgages on a sustainable basis.

For the year to 30 June 2013, Residential property prices recorded an annual increase of 1.2% according to the Central Statistics Office (CSO) Index. This compares to a decline of 14.4% for the year to 30 June 2012. This is the first annual increase since January 2008. The CSO Index for June 2013 reported that national residential prices were 50% below peak, largely the same as June 2012, with residential prices in Dublin 55% below peak, while properties outside of Dublin were 48% below peak.

Owner occupied default arrears (based on loan volumes 90 days or more past due) were 10.52% as at 30 June 2013 as compared to 9.88% at 31 December 2012 and 9.22% at 30 June 2012. The volume of default arrears in the Owner occupied segment has continued to increase, primarily reflecting the continued impact of the general economic downturn in Ireland and affordability issues including falling disposable incomes and sustained high unemployment levels. However, the pace of Owner occupied default arrears formation (based on loan volumes 90 days or more past due expressed as a percentage of total Owner occupied mortgages) has reduced as compared with the six months to 30 June 2012 and has reduced marginally from the six months to December 2012 reflecting a stabilisation in unemployment levels and the restructure of customer mortgages on a sustainable basis. The level of Owner occupied default arrears for the Group remains materially below the industry average as published on a quarterly basis by the Central Bank of Ireland.

Buy to let default arrears (based on loan volumes 90 days or more past due) were 26.01% as at 30 June 2013 as compared with 23.36% at 31 December 2012 and 20.77% at 30 June 2012. The volume of default arrears in the Buy to let segment has continued to increase primarily reflecting the continued impact on borrowers of rising repayments as interest only periods come to an end and customers move to fully amortising loans.

As part of the Group's Mortgage Arrears Resolution Strategies, the Group continues to work with Buy to let customers, particularly those with interest only periods that are coming to an end, to restructure

Impairment charges on loans and advances to customers (continued)

customer mortgages prior to them moving to fully amortising. The pace of Buy to let arrears formation (based on loan volumes 90 days or more past due expressed as a percentage of total Buy to let mortgages) has reduced as compared with the six months to 30 June 2012 and the level of Buy to let default arrears for the Group remains below the industry average as published on a quarterly basis by the Central Bank of Ireland.

The impairment charge on the Retail UK mortgage portfolio of €28 million for the six months ended 30 June 2013 has increased by €9 million from €19 million in the six months ended 30 June 2012, albeit from a low base.

Default arrears (volume of loans 3+ payments past due) were broadly stable at 2.35% as at 30 June 2013 as compared to 2.34% at 31 December 2012.

The impairment charge on the **Non property SME and corporate** loan portfolio of €208 million for the six months ended 30 June 2013 has decreased by €8 million from €216 million in the six months ended 30 June 2012.

Republic of Ireland SME impairment charges of €95 million for the six months ended 30 June 2013 have decreased by €28 million from €123 million in the six months ended 30 June 2012. The ongoing reduction in Republic of Ireland SME impairment charges reflect some early indicators of improvement in certain elements of the SME sector, however trading conditions remain difficult, particularly in those segments dependent on Consumer spending. As a result, the level of Republic of Ireland SME impairment charges continues to be at an elevated level.

Impairment charges on the UK SME portfolio increased to €54 million for the six months ended 30 June 2013 compared to €16 million in the six months ended 30 June 2012, primarily driven by a small number of large individual cases in the period.

The Group's corporate banking portfolios remain broadly stable, with impairment charges on the Corporate portfolios reduced to €59 million for the six months ended 30 June 2013 compared to €77 million in the six months ended 30 June 2012. The domestic Irish Corporate portfolio continues to be impacted by challenging domestic demand and market conditions. Our international corporate banking portfolios continue to perform satisfactorily reflecting their exposure to global, rather than exclusively Irish economic indicators.

The impairment charge on the **Property and construction** loan portfolio of €291 million for the six months ended 30 June 2013 decreased by €96 million compared to €387 million in the six months ended 30 June 2012.

The impairment charge on the Investment property element of the Property and construction portfolio was €181 million for the six months ended 30 June 2013 compared to €180 million in the six months ended 30 June 2012.

The Irish market has experienced a significant fall in asset values, with Irish commercial property capital values down 67%[1] from peak, reflecting continued low levels of activity and illiquidity in property markets. Activity in the commercial property market in Dublin is increasing, particularly for larger prime assets, however the market outside Dublin remains subdued. In addition, a challenging Retail sector as evidenced by the continuing level of retail tenant defaults and vacancy levels, has contributed to the continued elevated impairment charges on our Investment property portfolio.

UK commercial property values are down 33%[1] from peak. Conditions in the UK market remain challenging and the market continues to be segmented, with properties in central London continuing to deliver strong returns. However, across the rest of the UK, markets have remained weak albeit with signs of improving conditions in key regional centres. The UK retail sector also remains under pressure with tenant failures continuing to impact on impairment levels.

The impairment charge on the Land and Development element of the Property and construction portfolio was €110 million for the six months ended 30 June 2013 compared to €207 million for the six months ended 30 June 2012 reflecting the underlying stabilisation in residential property prices in both the Republic of Ireland. However the market conditions continue to be challenging in this sector with illiquid markets and deteriorating individual borrower circumstances.

The impairment charge of €30 million on **Consumer** loans for the six months ended 30 June 2013 is broadly in line with the impairment charge of €28 million in the six months ended 30 June 2012.

Further analysis and commentary on the changes in the loan portfolios, asset quality and impairment is set out in the Asset Quality and Impairment section on pages 25 to 32 and the Supplementary Asset Quality Disclosures section on page 113.

[1] *Source: Investment Property Databank Ltd.*

Impairment charges on loans and advances to customers (continued)

TABLE: 6

Impairment charge by nature of impairment provision	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m
Specific charge individually assessed	632	760
Specific charge collectively assessed	121	307
Incurred but not reported	27	(126)
Total Impairment charge	**780**	**941**

Impairment charge on available for sale (AFS) financial assets

There was no impairment charge on available for sale (AFS) financial assets for the six months ended 30 June 2013. The charge of €43 million in the same period of 2012 included a charge of €40 million relating to the NAMA subordinated bonds following NAMA's updated outlook for its long term performance.

Non-core items

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

TABLE: 7

Non-core items	6 months ended 30 June 2013 €m	Restated[1] 6 months ended 30 June 2012 €m	Change €m
Charges arising on the movement in the Group's credit spreads[2]	(88)	(125)	37
Cost of restructuring programme	(50)	(66)	16
Loss on deleveraging of financial assets	(4)	(206)	202
Investment return on treasury stock held for policyholders	(1)	-	(1)
Gain on liability management exercises	4	52	(48)
Gross-up for policyholder tax in the Life business	18	11	7
Loss on disposal / liquidation of business activities	-	(14)	14
Gain on Contingent Capital Note	-	21	(21)
Total non-core items	**(121)**	**(327)**	**(206)**

[1] *The gain on remeasurement of the Contingent Capital Note of €21 million has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.*

[2] *This relates to charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'.*

Non-core items (continued)

Charges arising on the movement in the Group's credit spreads
A charge of €88 million was recognised during the six months ended 30 June 2013 compared with a charge of €125 million during the same period of 2012. These charges arise from reductions in credit spreads relating to the Group's own debt and deposits accounted for at 'fair value through profit or loss'. These liabilities consist of certain subordinated debt, certain structured senior debt and tracker deposits. These charges do not impact the Group's regulatory capital.

Cost of restructuring programme
During the six months ended 30 June 2013, the Group continued its restructuring programme which reduced the number of people employed by the Group and rationalised the Group's office space. The Group recognised a charge of €50 million in relation to the restructuring programme during the six months ended 30 June 2013, primarily related to the rationalisation of office space and a reduction of employee numbers. A restructuring charge of €66 million was incurred in the same period of 2012.

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

Gain on liability management exercises
A gain of €4 million on liability management exercises was recognised in the six months ended 30 June 2013 compared with €52 million in the same period of 2012, reflecting the repurchase of certain Group debt securities.

Loss on disposal / liquidation of business activities
The loss on disposal of business activities of €14 million in the six months ended 30 June 2012 reflects the sale of Burdale.

Loss on deleveraging of financial assets
A loss on deleveraging of financial assets of €4 million was recognised in the six months ended 30 June 2013 compared with €206 million in the same period of 2012. The loss in the six months ended 30 June 2012 reflects the impact of divestments completed by the Group in order to meet its target under the 2011 PCAR.

Investment return on treasury stock held for policyholders
Under accounting standards, the Group income statement excludes the impact of the change in value of Bank of Ireland stock held by Bank of Ireland Life for policyholders. There was a €1 million charge in the six months ended 30 June 2013 compared to a €nil charge in the same period of 2012. Units of stock held by Bank of Ireland Life for policyholders at 30 June 2013 were 21 million units (30 June 2012: 24 million units).

Gain on Contingent Capital Note
The Group recognised a gain of €21 million during the six months ended 30 June 2012, reflecting a decrease in the carrying value on the remeasurement of the Contingent Capital Note as a result of a fall in the expected future coupon payments on this instrument. This gain will not recur or reverse as the State sold its entire holding in the instrument to a diverse group of international institutional investors on 9 January 2013, thereby fixing all future cash coupon payments on the notes at 10% per annum.

Taxation

The taxation credit for the Group was €49 million for the six months ended 30 June 2013 compared to a taxation credit of €155 million for the same period in 2012. Excluding the impact of non-core items, the effective tax rate for the six months ended 30 June 2013 is 13% (taxation credit) which is higher than the comparable rate for the same period in 2012 of 11% (taxation credit). The effective tax rate is influenced by changes in the geographic mix of profits and losses.

Group Balance Sheet (incorporating Liquidity and Funding)

The following tables show the composition of the Group's balance sheet including the key sources of the Group's funding and liquidity.

Summary Consolidated Balance Sheet

Summary Consolidated Balance Sheet	Table	30 June 2013 €bn	Restated 31 December 2012 €bn	Change %
Loans and advances to customers (after impairment provisions)		87	93	(6%)
Liquid assets	8	26	33	(21%)
Other assets[1,2]	13	21	22	(5%)
Total assets		**134**	**148**	**(9%)**
Customer deposits	9	72	75	(4%)
Wholesale funding[1]	10	31	39	(21%)
Subordinated liabilities	11	2	2	(2%)
Other liabilities[2]	13	21	23	(7%)
Total liabilities		**126**	**139**	**(9%)**
Stockholders' equity[2]	12	8	9	(6%)
Total liabilities and stockholders' equity		**134**	**148**	**(9%)**
Loan to deposit ratio		**121%**	**123%**	
Core tier 1 ratio		**14.2%**	**14.4%**[3]	

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the balance sheet lines relating to these entities to interest in associated undertakings (included within other assets in the table above). The comparative figures for 31 December 2012 have been restated to reflect this, resulting in a reduction of €165 million in other assets, a reduction of €4 million in liquid assets, a reduction of €147 million in wholesale funding and a reduction of €7 million in other liabilities (see note 34).*

[2] *From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011). The comparative figures for 31 December 2012 have been restated to reflect this, as a result of which other liabilities have been reduced by €79 million, stockholders equity has been increased by €66 million and other assets have been reduced by €13 million.*

[3] *With effect from 1 January 2013, the deduction for the Group's participation in its Life and pension business is deducted 50:50 from Core tier 1 and Tier 2 capital in accordance with the Capital Requirements Directive. This deduction had been taken from Total tier 1 and Tier 2 capital up to and including 31 December 2012. The pro-forma Core tier 1 ratio at 31 December 2012 allowing for the impact of the change in treatment of the deduction in relation to the Group's participation in its Life and pension business is 13.8%.*

Loans and advances to customers

The Group's **loans and advances to customers (after impairment provisions)** of €86.9 billion have decreased by €5.7 billion or 6% since 31 December 2012.

On a constant currency basis, loans and advances to customers have decreased by €3.9 billion or 4% during the six months ended 30 June 2013.

Excluding the impact of foreign exchange, the decrease since December 2012 is primarily driven by loan repayments offsetting new lending, where demand remains weak.

The composition of the Group's loans and advances to customers by portfolio and by division at 30 June 2013 was broadly consistent with 31 December 2012.

The stock of impairment provisions on loans and advances to customers of €8.1 billion has increased by €0.5 billion since 31 December 2012.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the Asset Quality and Impairment section on pages 25 to 32 and the Supplementary Asset Quality Disclosures section on page 113.

Liquid assets

Table: 8

Liquid assets	**30 June 2013 €bn**	31 December 2012 €bn
Cash at other banks	5	9
- Irish Bank Resolution Corporation (IBRC)	*-*	*3*
- Other	*5*	*6*
Cash and balances at Central Banks	5	9
- Bank of England	*5*	*8*
- Other	*-*	*1*
Government bonds	7	6
NAMA senior bonds	4	4
Covered bonds	3	3
Senior bank bonds and other	2	2
Total liquid assets	**26**	**33**

The Group's portfolio of liquid assets of €26.1 billion has decreased by €7.1 billion since 31 December 2012. The reduction is primarily due to the termination of the IBRC repo transaction of €3.1 billion on a no gain / no loss basis, on 13 February 2013 (see note 32), together with a decrease in liquid assets held by Bank of Ireland (UK) plc of €3.2 billion. The reduction in liquid assets held by Bank of Ireland (UK) plc is following the sale of loans to the value of €1.4 billion from other Group entities to Bank of Ireland (UK) plc, together with a reduction in deposit volumes in line with the strategy to reduce the level of deposits to the amount required to reflect the Bank of Ireland (UK) plc balance sheet requirements.

Of the €26 billion of liquid assets held by the Group at 30 June 2013, €5.0 billion relates to Bank of Ireland (UK) plc. At 30 June 2013, Bank of Ireland (UK) plc had a portfolio of liquid assets that was €1.1 billion in excess of regulatory liquidity requirements.

Further analysis of the Group's sovereign and other bonds is set out on pages 140 to 148.

Customer deposits

Table: 9

Customer deposits	30 June 2013 €bn	31 December 2012 €bn
Retail Ireland	35	35
- Deposits	*23*	*24*
- Current account credit balances	*12*	*11*
Retail UK	26	30
Retail UK (Stg£bn equivalent)	22	25
- UK Post Office	*16*	*19*
- Other Retail UK	*6*	*6*
Corporate and Treasury	11	10
Total customer deposits	**72**	**75**
Loan to deposit ratio	**121%**	**123%**
Deposits covered by ELG scheme	*5*	*21*

Group customer deposits of €72.1 billion have decreased by €3.1 billion since 31 December 2012, due to a combination of the impact of the weakening of sterling against euro during the period and a reduction in volumes in Bank of Ireland (UK) plc in line with the strategy to reflect the Bank of Ireland (UK) plc balance sheet requirements. On a constant currency basis, the Group's customer deposits are €1.8 billion lower than 31 December 2012.

A key milestone for the Group during 2013 has been the Irish Government's systemic withdrawal of the ELG scheme at the end of March for all new liabilities. Volumes covered by the ELG scheme will continue to reduce in line with the maturity of the Group's liabilities into the second half of 2013 and in subsequent years.

There has been no adverse impact on deposit volumes or pricing resulting from the withdrawal of the ELG scheme or due to the banking crisis in Cyprus.

During the six months ended 30 June 2013, reducing deposit pricing has continued to be a key strategic focus of the Group. The Group has taken actions in all of its markets to reduce the price paid on deposits, reflecting a gradual easing of market rates. In the UK market the Group reduced the average price paid on UK Post Office deposits by 41 basis points between January and June 2013.

Notwithstanding the expiry of ELG and actions to manage down pay rates and change access features, Irish retail deposits have remained stable with some increase in current account credit balances.

Deposit balances in the Corporate and Treasury division have increased by €0.6 billion to €11.1 billion since 31 December 2012, reflecting progress in attracting larger corporate and multinational deposits. The book comprises a mixture of corporate, State, SME and structured retail customer deposits, which have proven to be a stable source of funding. The £2.3 billion reduction in balances in Retail UK to £22.4 billion at 30 June 2013, primarily driven by reduction in the UK Post Office deposits, is in line with the strategy to reduce the level of deposits to the amount required to reflect the Bank of Ireland (UK) plc balance sheet requirements. Deposits in the Group's other UK businesses continue to remain stable and broadly in line with 31 December 2012.

The loan to deposit ratio improved from 123% at 31 December 2012 to 121% at 30 June 2013.

Customer deposits at 30 June 2013 of €72.1 billion (31 December 2012: €75.2 billion) do not include €2.5 billion (31 December 2012: €2.5 billion) of savings and investment products sold by Bank of Ireland Life. These products have a fixed term (typically of five years) and consequently are an additional stable source of retail funding for the Group.

The Group continues to focus on maintaining a granular deposit book and its top twenty depositors represented 7% of Group customer deposits at 30 June 2013 (31 December 2012: 5%).

Wholesale funding

Table: 10	30 June 2013		31 December 2012	
Wholesale funding sources	**€bn**	**%**	€bn	%
Secured funding	25	79%	31	79%
- Monetary Authority: other	*9*	*30%*	*12*	*31%*
- Monetary Authority: IBRC	*-*	*-*	*3*	*8%*
- Covered bonds	*8*	*24%*	*7*	*18%*
- Securitisations	*3*	*10%*	*4*	*10%*
- Private market repo	*5*	*15%*	*5*	*12%*
Unsecured funding	6	21%	8	21%
- Senior debt	*4*	*13%*	*6*	*16%*
- Bank deposits	*2*	*8%*	*2*	*5%*
Total Wholesale funding	**31**	**100%**	**39**	**100%**
Wholesale funding > 1 year to maturity	23	74%	27	68%
Drawings from Monetary Authorities	9	-	15	-
Wholesale funding covered by ELG scheme	3	-	5	-

Wholesale funding of €31 billion has decreased by €8 billion (net) since 31 December 2012 reflecting the termination on a no gain / no loss basis of the IBRC repo transaction of €3.1 billion on 13 February 2013 (see note 32), the impact of lower net lending, and the sale of assets from other Group entities to Bank of Ireland (UK) plc to the value of €1.4 billion, leading to a reduction in the liquid assets held by Bank of Ireland (UK) plc in excess of regulatory liquidity requirements.

Other funding from Monetary Authorities (gross) of €9.3 billion has decreased by €3.0 billion since 31 December 2012 due to the repayment of amounts borrowed through the ECB's Long Term Refinancing Operations (LTRO). At 30 June 2013, all of the Group's Monetary Authority drawings are under the LTRO and include €4.1 billion of funding related to NAMA senior bonds.

During the six months ended 30 June 2013, the Group has continued to access the longer term debt markets with:

- a €500 million five-year Irish Mortgage Asset Covered Securities transaction in March 2013; and
- a €500 million three-year unguaranteed senior unsecured funding transaction in May 2013, which was the Group's first fully unguaranteed senior unsecured term funding transaction since June 2008.

During the six months ended 30 June 2013, the Group repaid €2.8 billion of senior unsecured debt.

At 30 June 2013, €23 billion or 74% of wholesale funding had a term to maturity of greater than one year (31 December 2012: €27 billion or 68%).

There has been no impact on wholesale funding as a result of the withdrawal of the ELG scheme. At 30 June 2013, €2.6 billion or 86% of wholesale funding covered by the ELG has a maturity date of greater than one year.

Subordinated liabilities

TABLE: 11

Subordinated liabilities	30 June 2013 €m	31 December 2012 €m
Contingent Capital Note	973	986
€250 million 10% Fixed Rate Notes	241	250
Other	458	471
Total	**1,672**	**1,707**

The Group's subordinated liabilities at 30 June 2013 are in line with 31 December 2012. On 9 January 2013, the State sold its entire holding in the Contingent Capital Note at a price of 101% of its par value plus accrued interest to a diverse group of international institutional investors thereby fixing all future cash coupon payments at 10% per annum (see note 32).

Stockholders' equity

Table: 12

Movements in stockholders' equity	6 months ended 30 June 2013 €m	Restated[1] Year ended 31 December 2012 €m
Stockholders' equity at beginning of period	**8,657**	**10,265**
Movements:		
Loss attributable to stockholders	(454)	(1,835)
Dividends on preference stock	(192)	(196)
Foreign exchange movements	(147)	136
Cash flow hedge reserve movement	(115)	148
Available for sale (AFS) reserve movements	166	875
Remeasurement of the net defined benefit pension liability	17	(775)
Purchase of non-controlling interest	-	39
Stockholders' equity at end of period	**7,932**	**8,657**

[1] *From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011). The comparative figures for 31 December 2012 have been restated to reflect this, as a result of which stockholders equity at 31 December 2012 has been increased by €66 million.*

Stockholders' equity decreased from €8,657 million at 31 December 2012 to €7,932 million at 30 June 2013.

The loss attributable to stockholders of €454 million for the six months ended 30 June 2013 compares to €1,835 million for the year ended 31 December 2012.

On 20 February 2013, the Group paid a dividend of €188.3 million on the 2009 Preference Stock held by the National Pension Reserve Fund Commission and dividends of €2.3 million and £1.2 million on its euro and sterling Preference Stock respectively.

The movement in retirement benefit obligations is primarily driven by changes in actuarial assumptions and exchange rate gains. The market value of pension scheme assets increased by c.1.0% (net of the 2013 pension levy charge) during the six months ended 30 June 2013.

The cash flow hedge reserve movement primarily reflects the impact of an increase in interest rates on the mark to market value of cash flow hedge accounted derivatives in the six months ended 30 June 2013, compared to a decrease in the year ended 31 December 2012. Over time, the reserve will flow through the income statement in line with the underlying hedged instruments.

Foreign exchange movements relate primarily to the impact from the translation of the Group's net investments in foreign operations arising primarily from a strengthening of euro against sterling in the six months ended 30 June 2013 and the recycling of foreign exchange reserves of €1 million (31 December 2012: €56 million) on the winding up of a number of wholly owned dormant and non-trading companies, a number of which are foreign operations.

Other assets and other liabilities

Table: 13 Other assets and other liabilities	**30 June 2013 €bn**	Restated 31 December 2012 €bn
Other assets	21.2	22.1
- Bank of Ireland Life assets	*13.4*	*13.2*
- Derivative financial instruments	*4.7*	*5.8*
- Deferred tax asset[1]	*1.7*	*1.6*
- Other assets[2]	*1.4*	*1.5*
Other liabilities	21.7	23.2
- Bank of Ireland Life liabilities	*13.4*	*13.2*
- Derivative financial instruments	*3.8*	*5.3*
- Pension deficit[1]	*1.0*	*1.1*
- Other liabilities	*3.5*	*3.6*

[1] From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011). The comparative figures for 31 December 2012 have been restated to reflect this, as a result of which the pension deficit has been reduced by €79 million, stockholders equity has been increased by €66 million and the deferred tax asset has been reduced by €13 million.

[2] From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the balance sheet lines relating to these entities to interest in associated undertakings (included within other assets in the table above). The comparative figures for 31 December 2012 have been restated to reflect this, resulting in a reduction of €165 million in other assets (see note 34).

At 30 June 2013, Bank of Ireland Life assets and liabilities were €13.4 billion, an increase of €0.2 billion since 31 December 2012, primarily due to positive investment returns on policyholder managed funds in the period.

Other assets at 30 June 2013 include derivative financial instruments with a positive fair value of €4.7 billion compared to a positive fair value of €5.8 billion at 31 December 2012. Other liabilities at 30 June 2013 include derivative financial instruments with a negative fair value of €3.8 billion compared to a negative fair value of €5.3 billion at 31 December 2012. The movement in the fair value of derivative assets and derivative liabilities is due to the impact of the movement in foreign exchange rates (particularly the euro / sterling exchange rate) and interest rates during the six months ended 30 June 2013.

At 30 June 2013, the deferred tax asset was €1.7 billion. The increase in the asset of €0.1 billion in the six months ended 30 June 2013 is primarily due to the tax effect of further losses in both Ireland and the UK. The deferred tax asset of €1.7 billion at 30 June 2013 includes an amount of €1.6 billion (€1.1 billion in Ireland and €0.5 billion in the UK) in respect of operating losses which are available to relieve future profits from tax and €0.1 billion in respect of the deficit in the Group's pension schemes. Under current Irish and UK tax legislation there is no time restriction on the utilisation of trading losses and based on its estimates of future taxable income, the Group has concluded that it is probable that sufficient taxable profits will be generated to recover this deferred tax asset and it has been recognised in full.

At 30 June 2013, the pension deficit of €1.05 billion is broadly in line with 31 December 2012 (€1.07 billion). See note 28 for further information. The Group continues to work on actions to mitigate the current deficit in the defined benefit pension schemes and is actively engaging with the relevant staff representative bodies and other stakeholders. The next stage of the process will take place under the auspices of the Labour Relations Commission.

Capital

Regulatory capital and key capital ratios

	30 June 2013 €m	31 December 2012[1] €m
Capital Base		
Total equity	7,929	8,604
Regulatory adjustments	**(97)**	**(120)**
- Retirement benefit obligations	*1,049*	*1,154*
- Intangible assets	*(364)*	*(362)*
- Available for sale reserve	*(316)*	*(150)*
- Capital contribution on Contingent Capital Note	*(116)*	*(116)*
- Cash flow hedge reserve	*(112)*	*(227)*
- Dividend expected on 2009 Preference Stock	*(68)*	*(162)*
- Pension supplementary contributions	*(77)*	*(54)*
- Own credit spread adjustment (net of tax)	*(35)*	*(112)*
- Other adjustments	*(58)*	*(91)*
Regulatory deductions	(604)	(364)
- Deduction for unconsolidated investments[2]	*(422)*	*(47)*
- Expected loss deduction	*(104)*	*(242)*
- Securitisation deduction	*(78)*	*(75)*
Core tier 1 capital	**7,228**	**8,120**
Tier 1 hybrid debt	92	93
Total tier 1 capital	**7,320**	**8,213**
Tier 2		
Tier 2 dated debt	1,101	1,208
Tier 2 undated debt	92	96
Regulatory deductions	(604)	(364)
- Deduction for unconsolidated investments[2]	*(422)*	*(47)*
- Expected loss deduction	*(104)*	*(242)*
- Securitisation deduction	*(78)*	*(75)*
Standardised IBNR provisions	64	78
Other adjustments	93	114
Total tier 2 capital	**746**	**1,132**
Total tier 1 and tier 2 capital	**8,066**	**9,345**
Regulatory deductions		
- Life and pension business[2]	-	*(694)*
Total Capital	**8,066**	**8,651**

[1] *The 31 December 2012 amounts remain as previously reported for regulatory purposes and have not been restated for the impact of the adoption of new accounting standards in the six months ended 30 June 2013 is set out in note 34. The pro-forma Core tier 1 ratio at 31 December 2012 would remain unchanged at 14.4% if the amounts were restated for the impact of these accounting changes.*

[2] *With effect from 1 January 2013, the deduction for the Group's participation in its Life and pension business is deducted 50:50 from Core tier 1 and Tier 2 capital in accordance with the Capital Requirements Directive. This deduction had been taken from Total tier 1 and Tier 2 capital up to and including 31 December 2012. The pro-forma Core tier 1 ratio at 31 December 2012 allowing for the impact of the change in treatment of the deduction in relation to the Group's participation in its Life and pension business is 13.8%.*

Risk Weighted Assets (RWA) - Basel II	**30 June 2013 €bn**	31 December 2012 €bn
Credit risk	46.5	51.9
Market risk	1.0	1.0
Operational risk	3.6	3.6
Total RWA	**51.1**	**56.5**

Key Capital Ratios	**30 June 2013**		31 December 2012	
	€bn	**% of RWA**	€bn	% of RWA
Core tier 1	7.2	14.2%	8.1	14.4%[1]
Tier 1	7.3	14.3%	8.2	14.5%
Total capital	8.1	15.8%	8.7	15.3%

[1] *With effect from 1 January 2013, the deduction for the Group's participation in its Life and pension business is deducted 50:50 from Core tier 1 and Tier 2 capital in accordance with the Capital Requirements Directive. This deduction had been taken from Total tier 1 and Tier 2 capital up to and including 31 December 2012. The pro-forma Core tier 1 ratio at 31 December 2012 allowing for the impact of the change in treatment of the deduction in relation to the Group's participation in its Life and pension business is 13.8%.*

Risk Weighted Assets (RWA) at 30 June 2013 are €5.4 billion lower than 31 December 2012 primarily due to a reduction in the quantum of loans and advances to customers due to deleveraging, loan repayments in excess of new lending, the impact of a higher level of impaired loans at 30 June 2013 as compared to 31 December 2012 and the impact of foreign exchange movements.

The **Core tier 1 ratio** at 30 June 2013 of 14.2% compares to 14.4% at 31 December 2012. The decrease is primarily driven by a change in the treatment of the Group's investment in its Life and pension business (deducted 50:50 from Core tier 1 and Tier 2 capital with effect from 1 January 2013, previously deducted from Total tier 1 and tier 2 capital) and losses in the six months ended 30 June 2013, partly offset by a lower expected loss deduction and lower RWA.

The **Tier 1 ratio** at 30 June 2013 of 14.3% compares to 14.5% at 31 December 2012 driven by the deduction for the Group's participation in its Life and pension business, as set out above, and losses in the six months ended 30 June 2013 partly offset by a lower RWA and a lower expected loss deduction.

The **Total capital ratio** at 30 June 2013 of 15.8% compares to 15.3% at 31 December 2012 driven by lower RWA and a lower expected loss deduction partly offset by losses in the six months ended 30 June 2013 and the amortisation of dated debt.

In January 2013, the State sold 100% of its €1 billion holding of the Contingent Capital Note originally issued to the State in July 2011 at a price of 101% of its par value plus accrued interest to a diverse group of international institutional investors thereby fixing all future cash coupon payments on the notes at 10% per annum. This Tier 2 classified note would convert into Bank of Ireland ordinary stock on a breach of the Core tier 1 or Common equity tier 1 (CET1) trigger ratio of 8.25% (14.2% actual ratio at 30 June 2013) or on a 'Non-Viability event' as determined by the Central Bank of Ireland.

Basel III

The Capital Requirements Regulation (CRR) was published in the Official Journal of the EU on 27 June 2013 and will apply from 1 January 2014. A number of items are required to be clarified through EBA technical documents.

The Group's current assumption is that the CET 1 regulatory requirement under Basel III will be 10% for Bank of Ireland and the Group continues to anticipate a buffer above this level on a transitional basis.

The Group's pro forma CET1 ratio, including the 2009 Preference Stock (which will continue to be considered as CET1 until 31 December 2017) is estimated at 8.6% as at 30 June 2013 on a fully loaded basis, which has increased from 8.5% as at 31 December 2012.

The Group expects to remain above the Basel Committee indicated minimum level leverage ratio of 3% on a transitional basis and on a fully loaded proforma basis, including the 2009 Preference Stock, the leverage ratio is above 3% at 30 June 2013.

Asset Quality and Impairment

Asset Quality

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 63.

The Group classifies loans and advances to customers as 'neither past due nor impaired', 'past due but not impaired' and 'impaired' in line with the requirements of IFRS 7.

The Group applies internal ratings to loans based on an assessment of the credit quality of the customer, as part of its credit risk management system. A thirteen point credit grade rating scale is used for more complex, individually managed loans, including wholesale, corporate and business lending. A seven point credit grade rating scale is used for standard products (including mortgages, personal and small business loans). Both credit scales have a defined relationship with the Group's Probability of Default (PD) scale.

'Neither past due nor impaired' ratings are summarised as set out below:
Mappings to external rating agencies are indicative only, as additional factors such as collateral will be taken into account by the Group in assigning a credit grade to a counterparty:

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

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

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

'Impaired' loans are defined as follows:

- loans with a specific impairment provision attaching to them together with loans (excluding Residential mortgages) which are greater than 90 days in arrears.

'Defaulted' loans are defined as follows:

- impaired loans together with Residential mortgages which are greater than 90 days in arrears.

Asset Quality - Loans and advances to customers

Loans and advances to customers Book composition (before impairment provisions)	**30 June 2013**		31 December 2012	
	€m	**%**	€m	%
Residential mortgages	52,251	55%	55,028	55%
- Retail Ireland	*27,111*	*29%*	*27,485*	*27%*
- Retail UK	*25,140*	*26%*	*27,543*	*28%*
Non-property SME and corporate	22,458	24%	22,973	23%
- Republic of Ireland SME	*10,866*	*11%*	*10,733*	*11%*
- UK SME	*3,319*	*4%*	*3,524*	*3%*
- Corporate	*8,273*	*9%*	*8,716*	*9%*
Property and construction	17,409	18%	19,162	19%
- Investment	*14,191*	*15%*	*15,561*	*15%*
- Land and development	*3,218*	*3%*	*3,601*	*4%*
Consumer	2,900	3%	3,002	3%
Total loans and advances to customers	**95,018**	**100%**	**100,165**	**100%**

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

The Group's loans and advances to customers before impairment provisions at 30 June 2013 were €95.0 billion compared to €100.2 billion at 31 December 2012.

Residential mortgages accounted for 55% of total loans and advances to customers at 30 June 2013, unchanged from 31 December 2012, although with a slight shift in mix between Irish and UK mortgages. The other loan portfolios accounted for broadly equivalent proportions of the loan book at 30 June 2013 and at 31 December 2012.

Asset Quality - Loans and advances to customers (continued)

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Risk profile of loans and advances to customers

The tables and analysis below summarise the Group's loans and advances to customers over the following categories: 'neither past due nor impaired', 'past due but not impaired' and 'impaired'. Exposures are before provisions for impairment.

30 June 2013 **Risk profile of loans and advances to customers (before impairment provisions)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total loans and advances to customers €m**	**Total loans and advances to customers %**
High quality	44,058	4,522	780	2,001	51,361	54%
Satisfactory quality	568	8,295	3,037	492	12,392	13%
Acceptable quality	937	3,386	2,729	29	7,081	7%
Lower quality but not past due nor impaired	-	1,398	1,397	-	2,795	3%
Neither past due nor impaired	**45,563**	**17,601**	**7,943**	**2,522**	**73,629**	**77%**
Past due but not impaired	3,655	216	514	116	4,501	5%
Impaired	3,033	4,641	8,952	262	16,888	18%
Total	**52,251**	**22,458**	**17,409**	**2,900**	**95,018**	**100%**

31 December 2012 Risk profile of loans and advances to customers (before impairment provisions)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
High quality	46,820	4,332	926	2,076	54,154	54%
Satisfactory quality	445	8,742	3,652	485	13,324	14%
Acceptable quality	1,194	3,929	3,149	27	8,299	8%
Lower quality but not past due nor impaired	-	1,321	2,070	-	3,391	3%
Neither past due nor impaired	48,459	18,324	9,797	2,588	79,168	79%
Past due but not impaired	3,723	291	556	133	4,703	5%
Impaired	2,846	4,358	8,809	281	16,294	16%
Total	55,028	22,973	19,162	3,002	100,165	100%

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Loans and advances to customers classified as 'neither past due nor impaired' amounted to €73.6 billion or 77% of the Group's loan book at 30 June 2013 compared to €79.2 billion or 79% at 31 December 2012. Low demand for credit, repayments and exchange rate movements contributed significantly to the reduction in loans and advances to customers classified as 'neither past due nor impaired'.

The 'past due but not impaired' category amounted to €4.5 billion or 5% of loans and advances to customers at 30 June 2013 compared to €4.7 billion or 5% at 31 December 2012.

'Impaired' loans increased to €16.9 billion or 18% of loans and advances to customers at 30 June 2013 from €16.3 billion or 16% of loans and advances to customers at 31 December 2012. The increase is primarily driven by continued deterioration in the Residential mortgages and Non-property SME and corporate sectors.

Asset Quality - Loans and advances to customers (continued)

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 63.

'Past due and / or impaired'

The tables below provide an aged analysis of loans and advances to customers 'past due and / or impaired' by asset classification. Amounts arising from operational and / or timing issues that are outside the control of customers are generally excluded.

30 June 2013 **Loans and advances to customers - past due and / or impaired**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Past due up to 30 days	774	142	226	60	1,202
Past due 31 - 60 days	1,021	43	55	38	1,157
Past due 61 - 90 days	444	31	233	18	726
	2,239	**216**	**514**	**116**	**3,085**
Past due more than 90 days but not impaired	1,416	-	-	-	1,416
Impaired	3,033	4,641	8,952	262	16,888
Defaulted loans	**4,449**	**4,641**	**8,952**	**262**	**18,304**
Total past due and / or impaired loans	**6,688**	**4,857**	**9,466**	**378**	**21,389**

31 December 2012 Loans and advances to customers - past due and / or impaired	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Past due up to 30 days	810	193	197	71	1,271
Past due 31 - 60 days	1,049	69	230	42	1,390
Past due 61 - 90 days	456	29	129	20	634
	2,315	291	556	133	3,295
Past due more than 90 days but not impaired	1,408	-	-	-	1,408
Impaired	2,846	4,358	8,809	281	16,294
Defaulted loans	4,254	4,358	8,809	281	17,702
Total past due and / or impaired loans	6,569	4,649	9,365	414	20,997

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Loans and advances to customers classified as 'past due and / or impaired' amounted to €21.4 billion or 23% of the Group's loan book at 30 June 2013 compared to €21.0 billion or 21% at 31 December 2012.

Residential mortgages classified as 'past due and / or impaired' increased by €0.1 billion from €6.6 billion at 31 December 2012 to €6.7 billion at 30 June 2013 reflecting the increased volume of Irish residential mortgage defaulted loans classified as 'impaired'. Residential mortgage loans past due but not impaired remained stable at €3.7 billion.

Property and construction loans classified as 'past due and / or impaired' have remained broadly stable at €9.5 billion at 30 June 2013 (€9.4 billion at 31 December 2012).

The volume of Non-property SME and corporate loans that are 'past due and / or impaired' has increased to €4.9 billion at 30 June 2013 (€4.6 billion at 31 December 2012) reflecting the continuing challenging market environment for the domestic sector particularly in those segments dependent on consumer spending.

Consumer loans that are 'past due and / or impaired' are €378 million at 30 June 2013 compared to €414 million at 31 December 2012, reflecting the overall reduction in consumer loans due to accelerated repayments.

Asset Quality - Loans and advances to customers (continued)

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 63.

30 June 2013 **Loans and advances to customers Composition and impairment**	**Advances (pre-impairment) €m**	**Defaulted loans €m**	**Defaulted loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of defaulted loans %**
Residential Mortgages	52,251	4,449	8.5%	1,834	41%
- Retail Ireland	*27,111*	*3,858*	*14.2%*	*1,686*	*44%*
- Retail UK	*25,140*	*591*	*2.4%*	*148*	*25%*
Non-property SME and corporate	22,458	4,641	20.7%	2,059	44%
- Republic of Ireland	*10,866*	*2,880*	*26.5%*	*1,329*	*46%*
- UK SME	*3,319*	*646*	*19.5%*	*281*	*43%*
- Corporate	*8,273*	*1,115*	*13.5%*	*449*	*40%*
Property & construction	17,409	8,952	51.4%	3,963	44%
- Investment property	*14,191*	*5,940*	*41.9%*	*2,075*	*35%*
- Land and development	*3,218*	*3,012*	*93.6%*	*1,888*	*63%*
Consumer	2,900	262	9.0%	230	88%
Total loans and advances to customers	**95,018**	**18,304**	**19.3%**	**8,086**	**44%**

31 December 2012 Loans and advances to customers Composition and impairment	Advances (pre-impairment) €m	Defaulted loans €m	Defaulted loans as % of advances %	Impairment provisions €m	Impairment provisions as % of defaulted loans %
Residential Mortgages	55,028	4,254	7.7%	1,594	37%
- Retail Ireland	*27,485*	*3,610*	*13.1%*	*1,452*	*40%*
- Retail UK	*27,543*	*644*	*2.3%*	*142*	*22%*
Non-property SME and corporate	22,973	4,358	19.0%	1,836	42%
- Republic of Ireland	*10,733*	*2,845*	*26.5%*	*1,213*	*43%*
- UK SME	*3,524*	*632*	*17.9%*	*234*	*37%*
- Corporate	*8,716*	*881*	*10.1%*	*389*	*44%*
Property & construction	19,162	8,809	46.0%	3,876	44%
- Investment property	*15,561*	*5,585*	*35.9%*	*1,931*	*35%*
- Land and development	*3,601*	*3,224*	*89.5%*	*1,945*	*60%*
Consumer	3,002	281	9.4%	238	85%
Total loans and advances to customers	100,165	17,702	17.7%	7,544	43%

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Loans and advances to customers reduced by 5% or €5.2 billion, from €100.2 billion at 31 December 2012 to €95.0 billion at 30 June 2013 due to muted demand for new lending, actions taken by customers to reduce their levels of debt and movements in foreign exchange.

Defaulted loans increased from €17.7 billion or 17.7% of Loans and advances to customers at 31 December 2012 to €18.3 billion or 19.3% at 30 June 2013. The loan book continued to be impacted by macro-economic headwinds, particularly in Ireland, such as elevated levels of unemployment, constrained disposable incomes, a heightened level of business insolvencies and relatively illiquid property markets.

The stock of **impairment provisions** increased from €7.5 billion at 31 December 2012 to €8.1 billion at 30 June 2013, while impairment provisions as a percentage of defaulted loans ('defaulted book cover') also increased from 43% at 31 December 2012 to 44% at 30 June 2013.

Asset Quality - Loans and advances to customers (continued)

Total **Residential mortgages** defaulted loans increased to €4.4 billion or 8.5% of the loan book at 30 June 2013 from €4.3 billion or 7.7% of the loan book at 31 December 2012, reflecting increased default arrears (based on loan volumes 90 days or more past due), in the Irish mortgage book, in both the Owner occupied and Buy to let segments. The increase in default arrears reflects the continued impact of the general economic downturn in Ireland and affordability issues including falling disposable incomes and sustained high unemployment levels. The UK mortgage book is broadly stable, with increase in coverage ratios reflective of decreased UK Residential mortgage defaulted loans in an environment of relatively stable house prices.

Further additional disclosures on Retail Ireland and Retail UK Residential mortgages are set out in the Supplementary Asset Quality Disclosures section on page 113.

Non-property SME and corporate defaulted loans increased to €4.6 billion or 20.7% of the loan book at 30 June 2013 from €4.4 billion or 19.0% of the loan book at 31 December 2012. Despite some early signs of improvement for certain elements of the SME and corporate sector, our Irish customers continue to face difficult trading conditions given challenging economic conditions that are particularly impacting those domestic sectors correlated with consumer spending. Our international corporate banking portfolios continue to perform satisfactorily.

Defaulted loans in the **Property and construction** portfolio increased from €8.8 billion or 46.0% of the portfolio at 31 December 2012 to €9.0 billion or 51.4% of the portfolio at 30 June 2013.

In the Investment property sector, defaulted loans increased from €5.6 billion at 31 December 2012 to €5.9 billion at 30 June 2013 reflecting relatively muted activity and illiquidity in property markets, in both Ireland and the UK. In addition, a challenging retail sector, as evidenced by the continuing high levels of retail tenant defaults, has contributed to elevated, but reducing, impairment on our Investment property portfolio. Land and development defaulted loans reduced by 6.6% to €3.0 billion at 30 June 2013 from €3.2 billion at 31 December 2012, broadly in line with the overall reduction in the book of 10.6%.

Consumer defaulted loans amounted to €262 million or 9.0% of the loan portfolio at 30 June 2013 (31 December 2012 defaulted loans of €281 million or 9.4% of the loan portfolio).

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Impairment Provision by nature of impairment provision	30 June 2013 €m	31 December 2012 €m
Specific provisions individually assessed	6,119	5,658
Specific provisions collectively assessed	1,247	1,183
Incurred but not reported	720	703
Total Impairment provision	**8,086**	**7,544**

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Incurred but not reported (IBNR) impairment provisions increased by €17 million to €720 million in the six months to 30 June 2013. This increase is due to increased IBNR on the Retail Ireland mortgage portfolio partially offset by reductions in other portfolios due to decreases in the volumes of non-defaulted loans in line with the overall contraction in Loans and advances to customers.

The increase in both the individual and collective specific provisions was primarily due to an increase in the volume of loans classified as 'impaired' in the Retail Ireland mortgage, Property and construction and non-Property SME and corporate portfolios.

Asset Quality - Loans and advances to customers (continued)

Geographical and industry analysis of loans and advances to customers

The following table gives the geographical and industry breakdown of total loans (before impairment provisions).

30 June 2013 **Geographical / industry analysis**	**ROI** **€m**	**UK** **€m**	**US** **€m**	**ROW** **€m**	**Total** **€m**
Personal	28,711	26,440	-	-	55,151
- Residential mortgages	*27,111*	*25,140*	-	-	*52,251*
- Other consumer lending	*1,600*	*1,300*	-	-	*2,900*
Property & Construction	9,270	8,135	4	-	17,409
- Investment	*7,415*	*6,772*	*4*	-	*14,191*
- Land and Development	*1,855*	*1,363*	-	-	*3,218*
Business & other services	6,629	3,303	206	50	10,188
Distribution	2,929	191	-	-	3,120
Manufacturing	3,166	526	334	84	4,110
Transport	1,709	63	22	-	1,794
Financial	694	134	-	-	828
Agriculture	1,600	238	-	-	1,838
Energy	546	34	-	-	580
Total	**55,254**	**39,064**	**566**	**134**	**95,018**

31 December 2012 Geographical / industry analysis	ROI €m	UK €m	US €m	ROW €m	Total €m
Personal	29,150	28,880	-	-	58,030
- Residential mortgages	*27,485*	*27,543*	-	-	*55,028*
- Other consumer lending	*1,665*	*1,337*	-	-	*3,002*
Property & Construction	9,877	9,285	-	-	19,162
- Investment	*7,814*	*7,747*	-	-	*15,561*
- Land and Development	*2,063*	*1,538*	-	-	*3,601*
Business & other services	6,771	3,280	173	31	10,255
Distribution	3,289	264	-	-	3,553
Manufacturing	3,094	539	386	86	4,105
Transport	1,532	61	-	-	1,593
Financial	787	161	8	-	956
Agriculture	1,492	246	-	-	1,738
Energy	684	89	-	-	773
Total	56,676	42,805	567	117	100,165

The geographical breakdown is primarily based on the location of the business unit where the asset is booked.

The Group's primary markets are Ireland and the UK and exposures originated and managed in these countries represent a material concentration of credit risk. Similarly, the Group exhibits a material concentration in Residential mortgages and in the Property and construction sector.

The Group's Residential mortgage portfolio is widely diversified by individual borrower and amounted to 55% of total loans at 30 June 2013 (31 December 2012: 55%). 52% of Residential mortgages related to Ireland and 48% related to the UK at 30 June 2013.

The Group has previously announced its withdrawal from the intermediary sourced mortgage market in the UK. At 30 June 2013, the Group's UK Residential mortgage book amounted to £21.6 billion (31 December 2012: £22.5 billion) (before impairment provisions).

The Property and construction sector accounted for 18% or €17.4 billion of total loans at 30 June 2013 (31 December 2012: 19% or €19.2 billion). This book consists primarily of investment loans.

Asset Quality - Other Financial Instruments

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

Other financial instruments are rated using external ratings attributed to external agencies or are assigned an internal rating based on the Group's internal models, or a combination of both. Mappings to external ratings agencies in the table below are therefore indicative only.

Asset quality: Other financial instruments with ratings equivalent to:	30 June 2013		Restated* 31 December 2012	
	€m	%	€m	%
AAA to AA+	5,804	19%	5,560	16%
AA to A-	9,314	30%	11,976	34%
BBB+ to BBB-	15,014	48%	16,819	47%
BB+ to BB-	616	2%	600	2%
B+ to B-	74	-	245	-
Lower than B-	301	1%	309	1%
Total	**31,123**	**100%**	**35,509**	**100%**

* *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The comparative figures for 31 December have been restated to reflect this, resulting in a reduction of €4 million in liquid assets, which is included in the category AA to A- above (see note 34).*

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Divisional Performance

Divisional Performance - on an Underlying Basis

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Divisional performance is presented on an underlying basis, which is the measure of profit or loss used to measure the performance of the divisions and the measure of profit or loss disclosed for each division under IFRS (see note 1).

Income statement - underlying loss before tax	**6 months ended 30 June 2013 €m**	Restated[1] 6 months ended 30 June 2012 €m	Change %
Retail Ireland	(339)	(611)	45%
Bank of Ireland Life	40	36	11%
Retail UK	(112)	(179)	37%
Corporate and Treasury	229	156	47%
Group Centre (including ELG fees)	(192)	(330)	42%
Other reconciling items[2]	(9)	(5)	(80%)
Underlying loss before tax	**(383)**	**(933)**	**59%**
Non-core items	(121)	(327)	63%
Loss before tax	**(504)**	**(1,260)**	**60%**

[1] *From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of €5 million for the six months ended 30 June 2012 (see note 34).*

In addition the gain on remeasurement of the Contingent Capital Note of €21 million for the six months ended 30 June 2012 has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.

[2] *This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.*

Retail Ireland

Retail Ireland: Income statement	6 months ended 30 June 2013 €m	Restated[1] 6 months ended 30 June 2012 €m	Change %
Net interest income	394	330	19%
Net other income	171	147	16%
Operating income	**565**	**477**	**18%**
Operating expenses	(406)	(426)	5%
Operating profit before impairment charges on financial assets	**159**	**51**	**n/m**
Impairment charges on loans and advances to customers	(497)	(660)	25%
Share of results of associates and joint ventures (after tax)	(1)	(2)	50%
Underlying loss before tax	**(339)**	**(611)**	**45%**
	30 June 2013 €m	31 December 2012 €m	
Loans and advances to customers (€bn)	40	41	
Customer deposits (€bn)	35	35	

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the six months ended 30 June 2012 have been restated to reflect this, resulting in a €4 million increase in net interest income, a €10 million decrease in net other income, a €5 million decrease in operating expenses and a €1 million increase in share of results of associates and joint ventures (after tax) (see note 34).*

From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of €2 million for the six months ended 30 June 2012 (see note 34).

In addition a number of reclassifications have been made to the income statement for the six months ended 30 June 2012:
- *the gain on sale of assets to NAMA of €6 million which had previously been reported as a separate line item is now included in other income as it is not material enough to require separate disclosure; and*
- *the gain on remeasurement of the Contingent Capital Note of €9 million has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.*

n/m = not measured

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

As set out in note 35, on 9 July 2013 the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, which permitted the retention of NIAC but required a range of substitution measures. One of these substitution measures is that the Group will exit from the origination of new mortgages through its intermediary channel, including the sale (or retirement) of the ICS Building Society's distribution platform together with the sale, if required by the acquirer, of up to €1.0 billion of intermediary originated mortgage assets and matched deposits.

Retail Ireland reported an **underlying loss before tax** of €339 million for the six months ended 30 June 2013 compared to an underlying loss before tax of €611 million for the same period in 2012.

Loans and advances to customers (after impairment provisions) of €40 billion at 30 June 2013 have decreased by €1 billion since 31 December 2012. This decrease is primarily a result of loan repayments and increased impairment provisions, partly offset by new lending across all sectors.

Customer deposits of €35 billion at 30 June 2013 are in line with 31 December 2012. During the six months ended 30 June 2013, reducing deposit pricing has continued to be a key strategic focus of the Group and it has taken actions in all of its markets to reduce the price paid on deposits, reflecting a gradual easing of market rates. Current account credit balances of €12 billion at 30 June 2013 have increased by €1 billion since 31 December 2012.

Retail Ireland (continued)

The change in 'Net interest income' and 'Net other income' is impacted by IFRS income classifications between the two income categories (see page 9).

Net interest income	6 months ended 30 June 2013 €m	Restated 6 months ended 30 June 2012 €m	Change %
Net interest income	394	330	19%
IFRS income classifications	27	-	n/m
Net interest income (after IFRS income classifications)	**421**	**330**	**28%**

n/m = not measured

Net interest income (after IFRS income classifications) of €421 million for the six months ended 30 June 2013 was €91 million or 28% higher than the same period in 2012. This increase is primarily driven by the lower cost of customer deposits and other funding sources, repricing relevant loan portfolios to incorporate a liquidity charge that references the actual cost of funds along with higher lending margins on new lending, albeit demand for new lending remains weak. These factors have been partly offset by the continued negative impact of historically low official interest rates and lower average loan volumes.

Net other income	6 months ended 30 June 2013 €m	Restated 6 months ended 30 June 2012 €m	Change %
Net other income	171	147	16%
IFRS income classifications	(27)	-	n/m
Net other income (after IFRS income classifications)	**144**	**147**	**(2%)**

n/m = not measured

Net other income (after IFRS income classifications) of €144 million for the six months ended 30 June 2013 was €3 million or 2% lower than the same period in 2012. This is primarily due to the impact of gains on sale of assets to NAMA in the six months ended 30 June 2012 not repeated in 2013 and lower general insurance income. These factors are partly offset by an increase in retail banking fees, the impact of charges on investment properties of €5 million in the six months ended 30 June 2012 not repeated in 2013 and higher Visa debit card income in 2013.

Operating expenses of €406 million for the six months ended 30 June 2013 are €20 million or 5% lower than the same period in 2012. The impact of lower staff numbers and lower infrastructure costs was partly offset by higher pension costs and investment in a programme to provide support for customers in mortgage arrears. The higher pension costs were due to a higher pension deficit, reductions in discount rates and in part due to changes in the accounting for pensions following the introduction of IAS 19 Revised.

The **share of results of associates and joint ventures (after tax)** gave rise to a charge of €1 million for the six months ended 30 June 2013 compared to a charge of €2 million for the same period in 2012.

Retail Ireland (continued)

Impairment charges on loans and advances to customers	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Change %
Residential mortgages	223	291	(23%)
Non-property SME and corporate	95	123	(23%)
Property and construction	158	230	(31%)
Consumer	21	16	31%
Impairment charges on loans and advances to customers	**497**	**660**	**(25%)**

Impairment charges on loans and advances to customers of €497 million for the six months ended 30 June 2013 were €163 million or 25% lower compared to the same period in 2012.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the Asset Quality and Impairment section on pages 25 to 32 and the Supplementary Asset Quality Disclosures section on page 113.

Bank of Ireland Life

Bank of Ireland Life: Income statement (IFRS performance)	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Change %
Net interest income	24	11	n/m
Net other income	64	74	(14%)
Operating income	88	85	4%
Operating expenses	(46)	(46)	-
Operating profit	**42**	**39**	**8%**
Investment variance	7	6	17%
Economic assumption changes	(9)	(9)	-
Underlying profit before tax	**40**	**36**	**11%**

n/m = not measured

Bank of Ireland Life comprises the life assurer, NIAC (which distributes protection, investment and pension products to the Irish market, through independent brokers, its financial advisors (direct sales force)) and the business unit which distributes NIAC's products through the Group's Branch Network.

As set out in note 35, on 9 July 2013 the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, which permitted the retention of NIAC but required a range of substitution measures.

Bank of Ireland Life has performed well in a challenging market during the six months ended 30 June 2013, with sales growing by 5%, broadly in line with the market and resulting in a market share of 24% at 30 June 2013. Sales volumes were up in both pension and single premium life products and total new business margins were higher than the same period in 2012. Experience variances on existing business were positive over the period as actual mortality and morbidity experience compared favourably to that assumed. Persistency experience was broadly in line with that assumed and continues to trend towards long term assumptions.

Operating profit of €42 million for the six months ended 30 June 2013 was €3 million or 8% higher than the same period in 2012 as a result of higher operating income.

Operating income of €88 million for the six months ended 30 June 2013 is €3 million or 4% higher than the same period in 2012 reflecting higher new business margins and improved persistency, mortality and morbidity risk experience.

The impact of customers investing in low risk funds, predominantly invested in deposit based products, has resulted in a higher mix of income being reported in interest income than in the period to 30 June 2012.

Operating expenses of €46 million for the six months ended 30 June 2013 are in line with the six months ended 30 June 2012, but have been impacted by a €2 million increase in pension costs due to a higher pension deficit, reductions in discount rates and in part due to changes in the accounting for pensions following the introduction of IAS19 Revised. Other costs were €2 million lower than the same period last year reflecting the impact of investments in customer service and technology together with lower staff numbers.

The **underlying profit before tax** for the six months ended 30 June 2013 has benefited from a positive investment variance.

During the six months ended 30 June 2013, investment funds outperformed the unit growth assumption to give rise to a positive investment variance of €7 million (30 June 2012: €6 million).

The overall impact of higher interest rates, including the impact on the economic assumptions, gave rise to a net charge of €9 million for the six months ended 30 June 2013 (30 June 2012: €9 million). The discount rate applied to future cash flows was increased to 7.0% at 30 June 2013 (an increase of 0.4% as compared to 31 December 2012) compared to 6.5% at 30 June 2012. The future growth rate on unit linked assets increased to 4.6% at 30 June 2013 (an increase of 0.45% as compared to 31 December 2012 and an increase of 0.35% compared to 30 June 2012).

Bank of Ireland Life (continued)

Embedded Value Performance

Bank of Ireland Life: Income Statement (Embedded Value performance)	**6 months ended 30 June 2013 €m**	6 months ended 30 June 2012 €m	Change %
New business profits	13	13	-
Existing business profits	36	34	6%
Expected return	*33*	*34*	*(3%)*
Experience variance	*3*	*-*	*n/m*
Intercompany payments	(6)	(6)	-
Operating profit	**43**	**41**	**5%**
Investment variance	8	17	(53%)
Economic assumption changes	(2)	(15)	87%
Underlying profit before tax	**49**	**43**	**14%**

n/m = not measured

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

Under this approach, operating profit for the six months ended 30 June 2013 of €43 million was €2 million or 5% higher than the same period in 2012. New business profits of €13 million for the six months ended 30 June 2013 were in line with the same period of 2012. Existing business profits of €36 million were €2 million higher than the six months ended 30 June 2012. Experience variances on existing business were positive over the period as actual mortality and morbidity experience compared favourably to that assumed. Persistency experience improved compared to the previous year and continues to trend towards long term assumptions.

The key assumptions used in the Embedded Value methodology are consistent with those used under the IFRS methodology, being a discount rate of 7% (31 December 2012: 6.6%; 30 June 2012: 6.5%), future growth rate on unit linked assets of 4.6% (31 December 2012: 4.15%; 30 June 2012: 4.25%) and the rate of tax to be levied on shareholders profits of 12.5% (31 December 2012: 12.5%; 30 June 2012: 12.5%).

The **underlying profit before tax**, on an embedded value basis, of €49 million for the six months ended 30 June 2013 compares to €43 million for the same period in 2012.

Retail UK (Sterling)

Retail UK: Income statement	6 months ended 30 June 2013 £m	Restated[1] 6 months ended 30 June 2012 £m	Change %
Net interest income	211	135	56%
Net other income	1	26	(96%)
Operating income	**212**	**161**	**32%**
Operating expenses	(147)	(160)	8%
Operating profit before impairment charges on financial assets	**65**	**1**	**n/m**
Impairment charges on loans and advances to customers	(177)	(161)	(10%)
Impairment charge on available for sale (AFS) financial assets	-	(1)	n/m
Share of results of associates and joint ventures (after tax)	15	13	15%
Underlying loss before tax	**(97)**	**(148)**	**35%**
Underlying loss before tax (€m equivalent)	**(112)**	**(179)**	**37%**

	30 June 2013 €m	31 December 2012 €m
Loans and advances to customers (£bn)	31	32
Customer deposits (£bn)	22	25

[1] *From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of £1 million for the six months ended 30 June 2012 (see note 34).*

In addition a number of reclassifications have been made to the income statement for the six months ended 30 June 2012:
- *the loss on sale of assets to NAMA of £1 million is shown in other income where previously it had been shown as a separate line item; and*
- *the gain on remeasurement of the Contingent Capital Note of £4 million has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.*

n/m = not measured

The Retail UK Division incorporates the financial services relationship and foreign exchange joint venture with the UK Post Office, the UK residential mortgage business, the Group's branch network in Northern Ireland and the Group's business banking business in Great Britain and Northern Ireland. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licensed banking subsidiary.

As set out in note 35, on 9 July 2013, the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, which permitted the retention of NIAC but required a range of substitution measures. One of these substitution measures is that the Group will exit from its existing Great Britain based business banking activities, which form part of the Retail UK division. The Group will attempt to accelerate the deleveraging of this business by way of sale, but will not have an obligation to sell this business at disposal discounts greater than those agreed with the European Commission which discount will have due regard to the protection of the Group's capital and capital ratios. This measure does not impact on the Group's consumer banking businesses in Great Britain including its partnership with the Post Office, or its activities in Northern Ireland.

Retail UK reported an **underlying loss before tax** of £97 million for the six months ended 30 June 2013 compared to an underlying loss before tax of £148 million for the same period in 2012.

Loans and advances to customers (after impairment provisions) of £31 billion have decreased by £1 billion since 31 December 2012. This decrease is the result of loan repayments and increased impairment provisions, partly offset by new lending. New lending in the period primarily comprises UK residential mortgages marketed under both the Post Office and Bank of Ireland brands.

Customer deposits of £22 billion have decreased by £3 billion since 31 December 2012, to reduce the level of deposits to the amount required to reflect the Bank of Ireland (UK) plc balance sheet requirements.

Net interest income of £211 million for the six months ended 30 June 2013 is £76 million or 56% higher than the same period in 2012. The increase is driven by a combination of increased asset pricing and reduced funding costs, partially offset by a 10% decrease in average lending volumes.

Retail UK (Sterling) (continued)

Net other income of £1 million for the six months ended 30 June 2013 is £25 million lower than the same period in 2012. Commissions payable to the UK Post Office were £21 million higher than the previous period primarily reflecting higher volumes and the impact of revised commission arrangements for all products agreed with the UK Post Office in August 2012 as part of the renegotiation and extension of the overall financial services relationship. Income from the sale of structured deposit products, transaction related fees and commissions and foreign exchange income also decreased in the six months ended 30 June 2013 compared to the same period in 2012.

Operating expenses of £147 million for the six months ended 30 June 2013 are £13 million lower than the same period in 2012 reflecting lower staff and infrastructure costs following the implementation of cost reduction programmes in the Northern Ireland business and the Group's business banking business in Great Britain, partially offset by ongoing investment in the relationship with the UK Post Office. Operating expenses in the six months ended 30 June 2012 also included professional fees and other costs related to the renegotiation of the financial services relationship with the UK Post Office, which did not re-occur in the six months ended 30 June 2013.

The **share of results of associates and joint ventures (after tax)** of £15 million, which relates to First Rate Exchange Services Limited (FRES), the foreign exchange joint venture with the UK Post Office, is £2 million higher than the previous year. The Group's share of income from FRES has increased despite a continued decline in the overall UK travel market.

Impairment charges on loans and advances to customers	**6 months ended 30 June 2013 £m**	6 months ended 30 June 2012 £m	Change %
Residential mortgages	24	15	60%
Non-property SME and corporate	46	14	n/m
Property and construction	99	122	(19%)
Consumer	8	10	(20%)
Impairment charges on loans and advances to customers	**177**	**161**	**10%**

n/m = not measured

Impairment charges on loans and advances to customers of £177 million for the six months ended 30 June 2013 were £16 million or 10% higher than the same period in 2012.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment are set out in the Asset Quality and Impairment section on pages 25 to 32 and the Supplementary Asset Quality Disclosures section on page 113.

Corporate and Treasury

Corporate and Treasury: Income statement	6 months ended 30 June 2013 €m	Restated[1] 6 months ended 30 June 2012 €m	Change %
Net interest income	303	315	(4%)
Net other income	89	25	n/m
Operating income	**392**	**340**	**15%**
Operating expenses	(87)	(97)	10%
Operating profit before impairment charges on financial assets	**305**	**243**	**26%**
Impairment charges on loans and advances to customers	(76)	(85)	11%
Impairment charge on available for sale (AFS) financial assets	-	(2)	n/m
Underlying profit before tax	**229**	**156**	**47%**

	30 June 2013 €m	31 December 2012 €m
Loans and advances to customers (€bn)	11	12
Customer deposits (€bn)	11	10

[1] From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of €1 million for the six months ended 30 June 2012 (see note 34).

In addition a number of reclassifications have been made to the income statement for the six months ended 30 June 2012:
- *the gain on sale of assets to NAMA of €1 million is shown in other income where previously it had been shown as a separate line item; and*
- *the gain on remeasurement of the Contingent Capital Note of €7 million has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.*

n/m = not measured

The Corporate and Treasury Division comprises Corporate Banking, Global Markets and IBI Corporate Finance. During the year ended 31 December 2012, the Group divested of certain project finance loan portfolios, the Burdale business and certain other international loans, all of which formed part of the Corporate Banking business.

As set out in note 35, on 9 July 2013, the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, which permitted the retention of NIAC but required a range of substitution measures. One of these substitution measures is that the Group will exit from its Great Britain based Corporate Banking activities, which form part of the Corporate and Treasury division. The Group will attempt to accelerate the deleveraging of this business by way of sale, but will not have an obligation to sell this business at disposal discounts greater than those agreed with the European Commission which discount will have due regard to the protection of the Group's capital and capital ratios. This measure does not impact on the Group's Leveraged Acquisition Finance business.

Corporate and Treasury reported an **underlying profit before tax** of €229 million for the six months ended 30 June 2013 compared to an underlying profit before tax of €156 million for the same period in 2012. The 47% increase is driven by higher income, together with lower operating expenses and lower impairment charges.

Loans and advances to customers (after impairment provisions) of €11 billion at 30 June 2013 were €1 billion lower than at 31 December 2012, primarily as a result of net loan repayments.

Customer deposits at 30 June 2013 of €11 billion were €1 billion higher than at 31 December 2012, reflecting strong progress in attracting larger corporate and multinational deposits. The book comprises a mixture of corporate, State, structured retail customer deposits and SME which have proven to be a stable source of funding.

Corporate and Treasury (continued)

The change in ‘Net interest income’ and ‘Net other income’ is impacted by IFRS income classifications between the two income categories (see page 9).

Net interest income	**6 months ended 30 June 2013 €m**	Restated 6 months ended 30 June 2012 €m	Change %
Net interest income	303	315	(4%)
IFRS income classifications	(12)	(66)	82%
Net interest income (after IFRS income classifications)	**291**	**249**	**17%**

Net interest income (after IFRS classifications) of €291 million for the six months ended 30 June 2013 has increased by €42 million or 17% compared to the same period in 2012. This increase is primarily as a result of reductions in the cost of deposits, improved margins on the corporate loan books as term facilities at historic lower margins are replaced by facilities reflecting current market pricing and a higher yield on the liquid asset portfolio. These factors are partly offset by a reduction in average loan volumes due to deleveraging in 2012 and net loan repayments, together with a reduction in the size of the liquid asset portfolio due to lower requirements to hold liquid assets as the Group increases the term of its wholesale funding profile.

Net Other Income	**6 months ended 30 June 2013 €m**	Restated 6 months ended 30 June 2012 €m	Change %
Net other income	89	25	n/m
IFRS income classifications	12	66	(82%)
Net other income (after IFRS income classifications)	**101**	**91**	**11%**

n/m = not measured

Net other income (after IFRS classifications) of €101 million for the six months ended 30 June 2013 has increased by €10 million or 11% compared to the same period in 2012. This increase is primarily as a result of higher transfers from the available for sale reserve on asset disposals, partly offset by lower upfront fees in Corporate Banking in the six months ended 30 June 2013.

Operating expenses of €87 million for the six months ended 30 June 2013 have decreased by €10 million or 10% compared to the same period in 2012, primarily due to lower staff numbers and continued tight cost management.

Impairment charges on loans and advances to customers	**6 months ended 30 June 2013 €m**	6 months ended 30 June 2012 €m	Change %
Non-property SME and Corporate	59	77	(23%)
Property and construction	17	8	n/m
Total impairment charges on loans and advances to customers	**76**	**85**	**(11%)**

n/m = not measured

The **impairment charges on loans and advances to customers** of €76 million for the six months ended 30 June 2013 has decreased by €9 million or 11% compared to the same period in 2012.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment are set out in the Asset Quality and Impairment section on pages 25 to 32 and the Supplementary Asset Quality Disclosures section on page 113.

Group Centre (including ELG fees)

Group Centre: Income statement	6 months ended 30 June 2013 €m	Restated[1] 6 months ended 30 June 2012 €m	Change %
ELG fees	**(99)**	**(212)**	**53%**
Other income	4	(4)	n/m
Net operating expense	**(95)**	**(216)**	**56%**
Operating expenses	(97)	(74)	(31%)
Impairment charge on available for sale (AFS) financial assets	-	(40)	n/m
Underlying loss before tax	**(192)**	**(330)**	**42%**

[1] From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of €1 million for the six months ended 30 June 2012 (see note 34).

In addition operating expenses for the six months ended 30 June 2012 have been reduced by €4 million to reflect the reclassification of certain items from other income to ensure consistent presentation with the year ended 31 December 2012.

n/m = not measured

Group Centre comprises capital management activities, unallocated Group support costs and the cost associated with schemes such as the ELG scheme, the Deposit Guarantee Scheme (DGS) and the UK Financial Services Compensation Scheme (FSCS).

Group Centre (including ELG fees) reported an **underlying loss before tax** of €192 million for the six months ended 30 June 2013 compared to an underlying loss before tax of €330 million for the same period in 2012.

Net operating expense was a charge of €95 million for the six months ended 30 June 2013 compared to a charge of €216 million for the same period in 2012. The decreased charge of €121 million is driven by:

- lower **ELG fees** of €99 million for the six months ended 30 June 2013 compared to €212 million for the same period in 2012, primarily due to the expiry of the ELG scheme on 28 March 2013 for all new liabilities; and
- favourable trading gains on the exchange of Irish Government bonds in the six months ended 30 June 2012, which did not occur in 2013.

Operating expenses of €97 million for the six months ended 30 June 2013 are €23 million higher than the same period in 2012. The increase is due to investment spend to deliver future efficiencies in the six months ended 30 June 2013, coupled with higher pension costs and higher regulatory and compliance costs. No charge was recognised in respect of the FSCS levy in the six months ended 30 June 2013 as the obligating event does not occur until the year end.

The **impairment charge on available for sale (AFS) financial assets** in the six months ended 30 June 2012 related to the NAMA subordinated bonds following NAMA's updated outlook for its long term performance.

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Income Statement - Operating Segments

6 months ended 30 June 2013	Net interest income €m	Insurance net premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	Operating expenses €m	**Operating profit / (loss) before impairment charges on financial assets €m**	Impairment charge on loans and advances to customers €m	Loss on deleveraging of financial assets €m	Share of results of associates and joint ventures (after tax) €m	**(Loss) / profit before tax €m**
Retail Ireland	394	-	171	**565**	-	**565**	(406)	**159**	(497)	-	(1)	**(339)**
Bank of Ireland Life	24	477	122	**623**	(537)	**86**	(46)	**40**	-	-	-	**40**
Retail UK	247	-	2	**249**	-	**249**	(172)	**77**	(207)	-	18	**(112)**
Corporate and Treasury	303	-	89	**392**	-	**392**	(87)	**305**	(76)	-	-	**229**
Group Centre (including ELG fees)	(100)	3	3	**(94)**	(1)	**(95)**	(97)	**(192)**	-	-	-	**(192)**
Other reconciling items[1]	1	-	(10)	**(9)**	-	**(9)**	-	**(9)**	-	-	-	**(9)**
Group - underlying[2]	**869**	**480**	**377**	**1,726**	**(538)**	**1,188**	**(808)**	**380**	**(780)**	**-**	**17**	**(383)**
- Loss on deleveraging of financial assets	-	-	-	**-**	-	-	-	-	-	(4)	-	**(4)**
- Charges arising on the movement in the Group's credit spreads[3]	-	-	(66)	**(66)**	(22)	**(88)**	-	**(88)**	-	-	-	**(88)**
- Cost of restructuring programme	-	-	-	**-**	-	**-**	(50)	**(50)**	-	-	-	**(50)**
- Gain on liability management exercises	-	-	4	**4**	-	**4**	-	**4**	-	-	-	**4**
- Gross-up for policyholder tax in the Life business	-	-	18	**18**	-	**18**	-	**18**	-	-	-	**18**
- Investment return on treasury stock held for policyholders	-	-	(1)	**(1)**	-	**(1)**	-	**(1)**	-	-	-	**(1)**
Group total	**869**	**480**	**332**	**1,681**	**(560)**	**1,121**	**(858)**	**263**	**(780)**	**(4)**	**17**	**(504)**

[1] This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.
[2] Underlying performance excludes the impact of non-core items (see page 15).
[3] This relates to charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at fair value through profit or loss.

Income Statement - Operating Segments

Restated[1] 6 months ended 30 June 2012	Net interest income €m	Insurance net premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating profit / (loss) before impairment charges on financial assets €m	Impairment charge on loans and advances to customers €m	Impairment charge on available for sale assets €m	Loss on deleveraging of financial assets €m	Share of results of associates and joint ventures (after tax) €m	Loss on disposal of business activities €m	(Loss) / profit before tax €m
Retail Ireland	330	-	147	477	-	477	(426)	51	(660)	-	-	(2)	-	(611)
Bank of Ireland Life	11	508	348	867	(785)[5]	82	(46)	36	-	-	-	-	-	36
Retail UK	165	-	32	197	-	197	(195)	2	(196)	(1)	-	16	-	(179)
Corporate and Treasury	315	-	25	340	-	340	(97)	243	(85)	(2)	-	-	-	156
Group Centre (including ELG fees)	(193)	5	(25)	(213)	(3)	(216)	(74)	(290)	-	(40)	-	-	-	(330)
Other reconciling items[2]	-	-	(5)	(5)	-	(5)	-	(5)	-	-	-	-	-	(5)
Group - underlying[3]	628	513	522	1,663	(788)	875	(838)	37	(941)	(43)	-	14	-	(933)
- Loss on deleveraging of financial assets	-	-	-	-	-	-	-	-	-	-	(206)	-	-	(206)
- Charges arising on the movement in the Group's credit spreads[4]	-	-	(107)	(107)[5]	(18)[5]	(125)	-	(125)	-	-	-	-	-	(125)
- Cost of restructuring programme	-	-	-	-	-	-	(66)	(66)	-	-	-	-	-	(66)
- Gain on liability management exercises	-	-	52	52	-	52	-	52	-	-	-	-	-	52
- Loss on disposal of business activities	-	-	-	-	-	-	-	-	-	-	-	-	(14)	(14)
- Gross-up for policyholder tax in the Life business	-	-	11	11	-	11	-	11	-	-	-	-	-	11
- Gain on Contingent Capital Note	21	-	-	21	-	21	-	21	-	-	-	-	-	21
Group total	**649**	**513**	**478**	**1,640**	**(806)**	**834**	**(904)**	**(70)**	**(941)**	**(43)**	**(206)**	**14**	**(14)**	**(1,260)**

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the six months ended 30 June 2012 have been restated to reflect this, resulting in a €4 million increase in net interest income, a €10 million decrease in net other income, a €5 million decrease in operating expenses and a €1 million increase in share of results of associates and joint ventures (after tax) (see note 34).*

From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase in the pension charge included in operating expenses of €5 million for the six months ended 30 June 2012 (see note 34).

In addition a number of reclassifications have been made to the income statement for the six months ended 30 June 2012:
- *the gain on sale of assets to NAMA of €6 million which had previously been reported as a separate line item is now included in other income as it is not material enough to require separate disclosure;*
- *operating expenses have been reduced by €4 million to reflect the reclassification of certain items from other income in order to ensure consistency of presentation with of these items with the year ended 31 December 2012; and*
- *the gain on remeasurement of the Contingent Capital Note of €21 million has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.*

[2] *This relates to certain inter-segment transactions which are reported as core income in the Corporate and Treasury division but eliminated from the Group's measure of underlying (loss) / profit before tax.*
[3] *Underlying performance excludes the impact of non-core items (see page 15).*
[4] *This relates to charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at fair value through profit and loss.*
[5] *The analysis of the changes arising on the movement in the Group's credit spreads between Other income and Insurance contract liabilities and claims paid has been represented to enhance comparability with the six months ended 30 June 2013, with no change to the total amount.*

Principal Risks and Uncertainties

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

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

Inherent risks arising from macroeconomic conditions in the Group's main markets, namely Ireland and the UK

The Group's businesses are subject to inherent risks arising from general and sector specific economic conditions in countries to which the Group has an exposure, particularly in Ireland and the UK.

Reduced growth prospects of Ireland's trading partners could set back recovery efforts in the Irish economy, possibly leading to a renewed rise in unemployment and exacerbating the downturn in the housing market, which could adversely impact the Group's results, financial condition and prospects.

Downward pressure on firms' profitability and household disposable incomes from unexpected fiscal measures, as well as the high level of private sector debt combined with the resulting deterioration in the business environment could depress demand for financial products and credit facilities and increase the Group's impaired loans and impairment provisions.

Deterioration in the credit quality of the Group's borrowers and counterparties, as well as increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties

Exposures originated and managed in Ireland and the UK represent a substantial majority of the Group's credit risk. The Group has exposures to Residential mortgages, SME and corporate customers in different sectors and investors in commercial property and residential property. Economic conditions may deteriorate further in the Group's main markets, which may lead to, amongst other things, further declines in values of collateral (including residential and commercial property values) and investments, persistently high unemployment levels, weakened consumer and corporate spending, declining corporate profitability, declining equity markets and bond markets and a further increase in corporate insolvencies. This may give rise to further deterioration in the credit quality of Group's borrowers and counterparties and increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties, resulting in further significant increases in the Group's impaired loans and impairment provisions.

Continuing uncertainty in the global and eurozone economies could result in further downgrades and deterioration in the credit quality of the Group's Irish and eurozone sovereign and banking exposures.

Personal Insolvency Act 2012

The Irish Personal Insolvency Act provides for judicial and non-judicial resolution options for consumers deemed under the provisions of the Act to have unsustainable indebtedness levels. Its provisions are expected to commence in the course of 2013. The Act amends existing bankruptcy provisions by reducing the timescale for discharge from bankruptcy from twelve years to a three year period. The Act also introduces several non-judicial resolution options to debt resolution as an alternative to bankruptcy.

There is a risk that following or during the introduction of the regime, unintended behavioural changes of borrowers could arise which could have an adverse impact on the Group's results, financial condition, prospects and reputation.

Further interventions may occur in the event that the regulatory or other State authorities deem these to be necessary. Any such interventions could have an adverse impact on the Group's financial results, conditions or prospects.

Risks associated with the banking system and the regulatory environment in the jurisdictions in which the Group carries out its principal activities, namely Ireland and the UK

Irish and UK Banking System
The exercise of powers under existing legislation, in particular the Credit Institutions (Stabilisation) Act 2010 ('Stabilisation Act') (the effective period of which has been extended to 31 December 2014) and the Central Bank and Credit Institutions (Resolution) Act 2011 ('Resolution Act'), the introduction of new government policies or the amendment of existing policies in Ireland or the UK (including supervision, regulation, capital levels and structure), or the introduction of new regulatory obligations by the Group's regulators, could have an adverse impact on the Group's results, financial condition and prospects.

Basel III / CRD IV
CRD IV implements Basel III rules in the EU. The legislation will be implemented on a phased basis from 1 January 2014, with full implementation by 2019. In line with other financial institutions, the impact on the Group's capital ratios, in the absence of mitigating actions, will be material. CRD IV also introduces new liquidity ratios. Based on current assessment, the Group expects to be in compliance with all ratios within the proposed timelines, although certain ratio methodologies and rules around national discretions have yet to be finalised.

Recovery and Resolution Directive
Regulatory bodies in the UK and Ireland are introducing new measures in respect of loss absorbency and bail-in rules which may result in further significant changes in the regulatory framework for capital and debt instruments of credit institutions. The Recovery and Resolution Directive published by the European Commission remains in draft form but is expected to come into force by 31 December 2013 and to be transposed into national law by 31 December 2014. It envisages certain powers similar to those granted by the Stabilisation Act 2010 and the Resolution Act 2011 and provides for a 'bail-in' option. EU regulatory authorities (including the Central Bank of Ireland) have taken an interim step, pending finalisation of this Directive, and the Group is required to submit a Recovery Plan by 31 December 2013. The impact of the Directive on the Group is as yet unclear pending finalisation of the measures.

Regulatory Obligations
The Group is subject to extensive regulation and oversight. Regulatory obligations have increased and continue to increase and the number of regulatory sanctions and fines are increasing globally. Where breaches occur, a sanction or fine requiring public disclosure may be imposed by a regulator, which could adversely impact market sentiment and consequently adversely impact Group results, financial conditions, prospects and reputation.

The impact of the proposed EU banking union is not yet clear. It is envisaged that the ECB will discharge a direct supervisory role with respect to certain eurozone banks, including the Group, with the right to scrutinise other banks in the eurozone area. Were the ECB to increase the level of regulatory obligations and / or impose more stringent sanctions and fines, this could adversely impact the Group's results, financial conditions and prospects.

UK Reform Measures
Bank of Ireland (UK) plc is the Group's licensed banking subsidiary in the UK. It comprises the financial services relationship with the UK Post Office, its branch business in Northern Ireland, certain assets from its former intermediary sourced mortgage business, and other parts of its UK business banking operations. Bank of Ireland (UK) plc is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority. Bank of Ireland (UK) plc could be subject to future structural and non-structural reforms currently under consideration by the UK government to promote financial stability and competition and to protect UK retail depositors. Further, Bank of Ireland (UK) plc could be subject to special resolution regime powers under the UK Banking Act 2009.

Banking Inquiry
The government has commissioned and received three preliminary reports into the factors which contributed to the Irish banking crisis. The Irish government has also published a bill to provide a statutory framework for inquires by the Oireachtas (Houses of the Oireachtas (Inquiries, Privileges and Procedures) Bill 2013). Under this legislation, the Irish government is expected to hold an inquiry into the banking crisis, the scope of which, its costs and potential implications for the Group are currently unknown.

EU Restructuring Plan
On 20 December 2011 the European Commission approved the revised 2011 EU Restructuring Plan prepared by the Group. On 9 July 2013, the European Commission approved, under the State aid rules, amendments to Bank of Ireland's Revised 2011 EU Restructuring Plan, with substitutions for the measure to divest of NIAC.

The Group could be subject to a variety of risks as a result of implementing this EU Restructuring Plan including the risk that the Group will lose existing customers, deposits and other assets through the sale of businesses and potentially suffer damage to other parts of the Group's business arising from implementing the EU Restructuring Plan regarding the divestment, deleveraging and behavioural commitments. In addition, if the Group fails to comply with commitments contained in the EU Restructuring Plan or if the Group materially deviates from the EU Restructuring Plan or needs additional State aid not foreseen in the Commission's decision approving the EU Restructuring Plan, the Commission may

reopen the State aid control procedure and / or open a new procedure and reassess the aid measures in their entirety, which may result in an adverse outcome for the Group.

Other

The Government, through the NPRFC and through the Relationship Framework could exert a significant level of influence over the Group. The NPRFC could exercise its voting rights in a manner which is not aligned with the interests of the Group or its other stockholders. As previously disclosed, the Group has also given certain undertakings to the Minister for Finance (the Undertakings) in respect of its lending, corporate governance and remuneration. Actions on foot of the NPRFC Investment and the Undertakings could require the Group to implement operational policies that could adversely affect the Group's results, financial condition and prospects.

Under the terms of the 2009 Preference Stock subscribed for by the NPRFC in March 2009 (1.837 billion units of the original 3.5 billion €0.01 units remain outstanding) if the Preference Stock remains outstanding after 31 March 2014 any subsequent redemption will be subject to a redemption price of €1.25 per €0.01 unit compared to €1.00 per €0.01 until that date.

Lack of liquidity to fund the Group's business activities

The Group relies on customer deposits to fund a considerable portion of its loan portfolio. Loss of customer confidence in the Group's business or in banking businesses generally, among other things, could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group's results, financial condition and prospects.

An escalation in concerns regarding the stability of the eurozone could materially adversely impact the Group by increasing its costs of funding, triggering withdrawals of deposits, reducing its access to the wholesale funding markets and / or increasing its usage of funding from Monetary Authorities, which could materially adversely impact the Group's results, financial condition and prospects.

The Group is currently receiving funding from Monetary Authorities and any unexpected change to Monetary Authority frameworks could increase the Group's funding and liquidity risks.

The Central Bank of Ireland prescribes regulatory liquidity ratios for Irish domestic financial institutions. Compliance with these ratios can be adversely impacted by a range of factors, including the term of borrowings, the split between unsecured and secured funding and the mix of liquidity facilities provided by Monetary Authorities. Failure to comply with these ratios could result in regulatory sanctions and adversely impact the Group's reputation and prospects.

Downgrades to the Irish sovereign or the Group's credit ratings or outlook

The Irish sovereign credit ratings and outlook are set out on page 151. Downgrades of the sovereign may hinder normal market funding for the State (including potential delays or difficulties in exiting the Troika Programme) and may impair the Group's access to private sector funding, trigger additional collateral requirements and weaken the financial position of the Group. Downgrades could also adversely impact the funding received from Irish Government bonds used as collateral for the purposes of accessing the liquidity provision operations offered by Monetary Authorities or secured borrowing from wholesale markets and the value of Irish Government bonds held by the Group's life assurance business to meet its liabilities.

The Group's credit ratings and outlook are set out on page 151. Downgrades in the credit ratings of the Group could have a negative impact on the volume and pricing of its private sector funding and its financial position, restrict the Group's access to the capital and funding markets, trigger material collateral requirements or associated obligations in other secured funding arrangements or derivative contracts, make ineligible or lower the liquidity value of pledged securities and weaken the Group's competitive position in certain markets.

The availability of deposits is sometimes dependent on credit ratings and further downgrades for the Group could lead to withdrawals of deposits which could result in deterioration in the Group's funding and liquidity position.

Concerns regarding European sovereign debt

Concerns regarding levels of European sovereign debt continue due to the focus in international debt markets on the level of fiscal deficits, the ongoing requirement for support of the banking system, evolving sovereign debt levels of EU member states, political instability and the potential impact of these on the individual EU member state economies, including speculation about the stability of the eurozone and potential for a country exiting from the system. A material and unexpected escalation of market concern towards Ireland could lead to speculation or further concern about the applicability of policy choices that might be applied to resolve those concerns which could ultimately have an adverse impact on the Group's results, financial condition or prospects.

There is no certainty that the new, tighter budgetary rules to enforce economic discipline and deepen economic integration outlined in the Fiscal Stability Treaty, or any mechanisms available or to be made available within the eurozone, will resolve the current instability in financial markets, the adverse market sentiment, political instability or weak macro-economic conditions.

Capital adequacy and its effective management, which is critical to the Group's ability to operate its businesses and to pursue its strategy

The Group's business and financial condition would be affected if the Group was insufficiently capitalised. This could be caused by a materially worse than expected financial performance (including, for example, reductions in earnings as a result of impairment charges, an unexpected change in interest rates and unexpected increases in risk weighted assets).

The minimum regulatory requirements imposed on the Group, the manner in which the existing regulatory capital is calculated, the instruments that qualify as regulatory capital and the capital tier to which those instruments are allocated, are the subject of extensive analysis and debate in the media and by regulatory authorities and could be subject to change in the future.

A number of regulatory initiatives have recently been proposed or enacted which have the potential to impact the Group's capital requirements. These initiatives include Capital Requirements Directives (CRD II, III and IV), Basel III and Solvency II.

The government preference stock, which currently qualifies as Core tier 1 capital, has a redemption step up premium of 25% that arises if the Group fails to reimburse this instrument before 31 March 2014 and the Group is subject to certain dividend restrictions (as most recently articulated in the Amendments to the Group's Revised 2011 EU Restructuring Plan, as noted on page 7) and other restrictions and obligations which arise while this instrument is held by Ireland. While the Group is pursuing a range of options (certain of which are outside of its control) to address the associated issues, a failure to satisfactorily address them could adversely impact on the Group's financial conditions and prospects.

The Group could be subject to increased capital requirements following the results of asset quality reviews or PCAR or other stress tests overseen by regulatory and / or other authorities.

Failure in the Group's processes, operational systems, technology or infrastructure, or those of third parties

The Group is exposed to Operational Risk as a direct and indirect consequence of its normal business activities; arising in the day-to-day execution of business processes, the functioning of its technologies and in the various activities performed by its employees, contractors and by third party suppliers on its behalf.

Operational risks may materialise as a result of a broad range of factors, including inadequate or failed internal processes (including financial reporting and risk monitoring processes), information technology or equipment failures, the malfunction of external systems and controls (including those of the Group's suppliers or counterparties), or from people-related or external events, such as cyber-crime and fraud or from natural disasters and social or political events.

The Group faces various risks associated with operational disruption, breakdown or constraints in the capacity of third party suppliers that are integral to the provision of its products and services. If one or more of these risks were to materialise, the confidentiality, integrity and availability of the Group's computer systems and networks may be compromised, or otherwise cause interruptions or malfunctions in the Group's, as well as its clients' or third parties', operations.

As part of its day-to-day operations, the Group processes a large volume of transactions, some of which are highly complex, across a diverse range of products and services, in various markets and currencies and subject to several legal and regulatory regimes. The Group faces the risk that due to errors, control failures or criminal acts, the Group's execution and provision of these transactions and services may be negatively impacted.

The Group is required to implement and adhere to a significant body of existing and new regulatory and legal requirements. The implementation of these requirements and the ongoing adherence to their associated obligations, pose various risks, including the potential for non-compliance and direct operational impacts on existing processes and systems and on the continuity of services provided to customers.

The occurrence of one or more of the above, or any weakness in the Group's internal control structures and procedures, could lead to a material adverse impact on the Group's results, financial condition and prospects, as well as reputational damage which could exacerbate such adverse impact, and could give rise to regulatory penalties.

Potential further contributions to the Group's pension schemes if the value of pension fund assets is not sufficient to cover potential obligations

The Group's pension funds are subject to market fluctuations and changes in the value of underlying assets, as well as to interest rate risk, inflation, mortality risk and changes to actuarial assumptions. These fluctuations could impact on the value of the schemes' asset portfolios and result in returns on the pension funds being less than expected and / or result in there being a greater than expected increase in the estimated value of the schemes' liabilities.

Due to adverse market and interest rate conditions impacting the value of liabilities, deficits still exist in all Defined Benefit schemes. As the pension funds continue to be subject to market fluctuations, interest rate and inflation risks, a level of volatility associated with pension funding also remains.

Legislative changes were made to the Irish Pensions Act (1990) in June 2012 introducing a revised statutory funding standard for Republic of Ireland schemes. The introduction of these new requirements could have an adverse impact on the Group's financial condition and prospects due to the introduction of additional Risk Reserve requirements from 1 January 2016.

The impact of material volatility could be exacerbated under the new Basel III / CRD IV capital rules under which defined benefit pension deficits will be a deduction from capital ratios over time.

The Group is continuing to engage with its staff representative bodies and other stakeholders with a view to implementing solutions to deal with the size of the pension deficit. The Group may fail to agree with these stakeholders on the optimal solutions and outcomes or the execution of other potential solutions could adversely impact on the morale of staff or ultimately lead to industrial unrest.

Market risks such as changes in interest rates, interest rate spreads (or bases) and foreign exchange rates

A range of market risks are inherent to the Group’s business including, inter alia, the interest rate risks that rise from the presence of non-interest related assets and liabilities on the balance sheet, the exposure of Group earnings to basis risk and the exposure of the Group’s net worth and its principal capital ratios to exchange rate movements. Whist the Group engages in a range of hedging strategies, the Group remains potentially exposed to adverse movements in interest rates, interest rate bases (the differential between variable interest rates), cross currency basis (primarily the cost of borrowing in euro to fund assets in sterling) and exchange rates.

The persistence of exceptionally low interest rates for an extended period into the future or a material reduction in current interest rates could adversely affect the Group's financial condition and prospects through, among other things, the compression of net interest margin, the low absolute level of yields at which certain liabilities are invested together with the rate at which pension liabilities are discounted.

Fundamental changes are underway in derivatives markets, in particular the mandatory clearing of most forms of interest rate swap and other standardised derivatives. The Group will access clearing through a number of appointed clearing brokers. The move to clearing brings with it concentration risks for many banks, including the Group, arising from the fact that access to clearing through central exchanges will be controlled by a relatively small number of counterparties. This compares with the bilateral OTC markets where no such concentration exists. The deterioration in the credit standing of the Group or credit appetite of one or more clearing brokers could impact on the Group’s ability to execute new, or to clear existing derivatives.

The availability of skilled management and the continued services of key members of its management team, both at its head office and at each of its business units

Failure by the Group to staff its operations appropriately, or the loss of one or more key senior executives and failure to replace them in a satisfactory and timely manner may have a material adverse impact on the Group’s results, financial condition, prospects and reputation. In addition, if the Group fails to attract and appropriately train, motivate and retain highly skilled and qualified people or if it was to be impacted by industrial unrest, its businesses may also be negatively impacted.

The Group is subject to restrictions on remuneration arising from the implementation of Irish legislation, agreements with the Irish Government associated with the recapitalisation of the Group and the EBA remuneration guidelines. Restrictions imposed on remuneration by Government, tax or regulatory authorities or other factors outside the Group’s control in relation to the retention and recruitment of key executives and highly skilled and qualified people may also adversely impact on the Group’s ability to retain such staff.

Adverse changes to tax rates, legislation and practice in the various jurisdictions in which the Group operates

In accordance with applicable accounting rules, the Group has recognised deferred tax assets on losses available to relieve future profits to the extent that it is probable that such losses will be utilised. Failure to demonstrate convincing evidence of the availability of future taxable profits, changes in tax legislation or government policy may reduce the recoverable amount of the deferred tax assets currently recognised in the financial statements, and result in a material adverse impact on the Group's results, financial condition and prospects.

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liabilities arising. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

Other changes in tax rates, legislation and practice could also adversely impact the results, financial condition prospects and reputation of the Group.

Litigation and regulatory proceedings

Disputes, legal proceedings and regulatory investigations in which the Group may be involved are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation.

Adverse judgments in litigation or regulatory proceedings involving the Group or other financial institutions could result in restrictions or limitations to the Group's operations or result in a material adverse impact on the Group's results, financial condition and prospects, together with its reputation.

Reputation risk is inherent in the Group's business

Negative public or industry opinion can result from the actual or perceived manner in which the Group conducts its business, actual or perceived practices and behaviours in the banking industry or from issues arising in the external environment. Such activities could, potentially, include necessary commercial decisions that impact on customers, the availability of credit, the treatment of customers in difficulties, the occurrence of cybercrime, allegations of overcharging and mis-selling or mispricing of financial products, noncompliance with legal or regulatory requirements, inadequate or failed internal processes or systems or issues arising from human error, or remuneration practices. Negative publicity may adversely impact the Group's ability to have a positive relationship with key stakeholders, including regulatory authorities, and / or to keep and attract customers, the loss of which may adversely impact the Group's business, financial condition and prospects.

Responsibility Statement for the six months ended 30 June 2013

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

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

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year (see pages 48 to 54); and
- details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2013 (see note 32 to the financial statements).

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

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Court by

Archie G Kane
Governor

Patrick O'Sullivan
Deputy Governor

Richie Boucher
Group Chief Executive

1 August 2013

Independent Review Report to the Governor and Company of the Bank of Ireland

Introduction

We have been engaged by the Governor and Company of the Bank of Ireland (the Group) to review the condensed set of financial statements (the interim financial statements) in the Interim Report for the six months ended 30 June 2013, which comprise the Consolidated income statement, Consolidated condensed statement of comprehensive income, Consolidated balance sheet, Consolidated condensed statement of changes in equity, Consolidated condensed cash flow statement, Basis of preparation and accounting policies, the notes to the interim consolidated financial statements and information described as being an integral part of the interim financial statements as set out in the interim financial statements paragraph of the Basis of preparation and accounting policies on page 63. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Directors' responsibilities

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

As disclosed on page 63, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The interim financial statements included in this Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and in accordance with International Accounting Standard 34 as issued by the International Accounting Standards Board.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements in the Interim Report for the six months ended 30 June 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, International Accounting Standard 34 as issued by the International Accounting Standards Board, the Transparency (Directive 2004 / 109 / EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

PricewaterhouseCoopers,
Chartered Accountants,
Dublin.

1 August 2013

Consolidated income statement (unaudited) for the six months ended 30 June 2013

	Notes	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Interest income	2	1,858	2,049	4,006
Interest expense	3	(989)	(1,400)	(2,560)
Net interest income		**869**	**649**	**1,446**
Net insurance premium income	4	480	513	1,156
Fee and commission income	5	234	275	515
Fee and commission expense	5	(91)	(99)	(215)
Net trading income / (expense)	6	40	(142)	(275)
Life assurance investment income, gains and losses	7	145	333	678
Other operating income	8	4	111	148
Total operating income		**1,681**	**1,640**	**3,453**
Insurance contract liabilities and claims paid	9	(560)	(806)	(1,725)
Total operating income, net of insurance claims		**1,121**	**834**	**1,728**
Other operating expenses	10	(808)	(838)	(1,638)
Cost of restructuring programme	11	(50)	(66)	(150)
Operating profit / (loss) before impairment charges on financial assets and loss on deleveraging		**263**	**(70)**	**(60)**
Impairment charges on financial assets	12	(780)	(984)	(1,769)
Loss on deleveraging of financial assets	13	(4)	(206)	(326)
Operating loss		**(521)**	**(1,260)**	**(2,155)**
Share of results of associates and jointly controlled entities (after tax)		17	14	46
Loss on disposal / liquidation of business activities	14	-	(14)	(69)
Loss before tax		**(504)**	**(1,260)**	**(2,178)**
Taxation credit	15	49	155	337
Loss for the period		**(455)**	**(1,105)**	**(1,841)**
Attributable to stockholders		(454)	(1,099)	(1,835)
Attributable to non-controlling interests		(1)	(6)	(6)
Loss for the period		**(455)**	**(1,105)**	**(1,841)**
Earnings per unit of €0.05 ordinary stock	16	(1.8c)	(4.0c)	(6.7c)
Diluted earnings per unit of €0.05 ordinary stock	16	(1.8c)	(4.0c)	(6.7c)

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Consolidated condensed statement of comprehensive income (unaudited) for the six months ended 30 June 2013

	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Loss for the period	**(455)**	**(1,105)**	**(1,841)**
Other comprehensive income, net of tax:			
Items that may be reclassified to profit or loss in subsequent periods			
Available for sale financial assets, net of tax	166	278	875
Cashflow hedge reserve, net of tax	(115)	51	148
Foreign exchange reserve	(147)	138	136
Total items that may be reclassified to profit or loss in subsequent periods	**(96)**	**467**	**1,159**
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement of the net defined benefit pension liability, net of tax	17	(537)	(775)
Revaluation of property, net of tax	-	-	(1)
Total items that will not be reclassified to profit or loss in subsequent periods	**17**	**(537)**	**(776)**
Other comprehensive income for the period, net of tax	**(79)**	**(70)**	**383**
Total comprehensive income for the period, net of tax	**(534)**	**(1,175)**	**(1,458)**
Total comprehensive income attributable to equity stockholders	(533)	(1,169)	(1,452)
Total comprehensive income attributable to non-controlling interests	(1)	(6)	(6)
Total comprehensive income for the period, net of tax	**(534)**	**(1,175)**	**(1,458)**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

The effect of tax on these items is shown in note 29.

Consolidated balance sheet (unaudited) as at 30 June 2013

	Notes	As at 30 June 2013 €m	Restated* As at 31 December 2012 €m
Assets			
Cash and balances at central banks		4,720	8,472
Items in the course of collection from other banks		425	448
Trading securities		331	143
Derivative financial instruments		4,677	5,847
Other financial assets at fair value through profit or loss		9,856	9,460
Loans and advances to banks	17	5,658	9,502
Available for sale financial assets	18	11,589	11,093
NAMA senior bonds	19	4,171	4,428
Loans and advances to customers	20	86,932	92,621
Interest in associates	22	93	91
Interest in jointly controlled entities		190	227
Intangible assets		371	371
Investment properties	23	799	848
Property, plant and equipment		323	333
Current tax assets		15	33
Deferred tax assets	29	1,712	1,640
Other assets		2,372	2,405
Retirement benefit asset	28	2	2
Assets classified as held for sale		1	-
Total assets		**134,237**	**147,964**
Equity and liabilities			
Deposits from banks	24	14,614	21,125
Customer accounts	25	72,085	75,170
Items in the course of transmission to other banks		206	268
Derivative financial instruments		3,841	5,274
Debt securities in issue	26	16,299	18,073
Liabilities to customers under investment contracts		5,283	5,256
Insurance contract liabilities		8,102	7,988
Other liabilities		2,888	3,137
Current tax liabilities		50	23
Provisions	27	120	119
Deferred tax liabilities	29	97	92
Retirement benefit obligations	28	1,051	1,077
Subordinated liabilities		1,672	1,707
Total liabilities		**126,308**	**139,309**
Equity			
Capital stock		2,452	2,452
Stock premium account		1,210	1,210
Retained earnings		4,040	4,673
Other reserves		243	336
Own stock held for the benefit of life assurance policyholders		(13)	(14)
Stockholders' equity		**7,932**	**8,657**
Non-controlling interests		(3)	(2)
Total equity		**7,929**	**8,655**
Total equity and liabilities		**134,237**	**147,964**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Consolidated condensed statement of changes in equity (unaudited) for the six months ended 30 June 2013

	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Capital stock	**2,452**	**2,452**	**2,452**
Stock premium account			
Balance at the beginning of the period	1,210	5,127	5,127
Transaction costs	-	-	3
Transferred to retained earnings	-	-	(3,920)
Balance at the end of the period	**1,210**	**5,127**	**1,210**
Retained earnings			
Balance at the beginning of the period (prior to restatement)	4,607	3,507	3,507
Effect of change in accounting policy*	66	63	63
Balance at the beginning of the period (restated)	4,673	3,570	3,570
Loss retained	(653)	(1,317)	(2,078)
- Loss for period attributable to stockholders	*(454)*	*(1,099)*	*(1,835)*
- Dividends on 2009 Preference Stock and other preference equity interests paid in cash	*(192)*	*(192)*	*(196)*
- Transfer to capital reserve	*(7)*	*(26)*	*(47)*
Remeasurement of the net defined benefit pension liability	17	(537)	(775)
Transfer from share based payment reserve	4	-	-
Transfer from stock premium account	-	-	3,920
Purchase of non-controlling interest	-	-	39
Other movements	(1)	(3)	(3)
Balance at the end of the period	**4,040**	**1,713**	**4,673**
Other Reserves:			
Available for sale reserve			
Balance at the beginning of the period	150	(725)	(725)
Net changes in fair value	206	309	1,015
Deferred tax on reserve movements	(23)	(40)	(125)
Transfer to income statement (pre tax)	(17)	9	(15)
Balance at the end of the period	**316**	**(447)**	**150**
Cash flow hedge reserve			
Balance at the beginning of the period	227	79	79
Changes in fair value, net of transfers to income statement	(131)	63	173
Deferred tax on reserve movements	16	(12)	(25)
Balance at the end of the period	**112**	**130**	**227**
Foreign exchange reserve			
Balance at the beginning of the period	(726)	(862)	(862)
Exchange adjustments during the period	(148)	138	80
Transfer to income statement on liquidation of non-trading entities (note 14)	1	-	56
Balance at the end of the period	**(873)**	**(724)**	**(726)**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Consolidated condensed statement of changes in equity (unaudited) for the six months ended 30 June 2013 (continued)

	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Capital contribution	**116**	**116**	**116**
Capital reserve			
Balance at the beginning of the period	557	510	510
Transfer from retained earnings	7	26	47
Balance at the end of the period	**564**	**536**	**557**
Share based payment reserve			
Balance at the beginning of the period	7	7	7
Transfer to retained earnings	(4)	-	-
Balance at the end of the period	**3**	**7**	**7**
Revaluation reserve			
Balance at the beginning of the period	5	6	6
Revaluation of property	-	-	(2)
Deferred tax on revaluation of property	-	-	1
Balance at the end of the period	**5**	**6**	**5**
Total other reserves	**243**	**(376)**	**336**
Own stock held for the benefit of life assurance policyholders			
Balance at the beginning of the period	(14)	(15)	(15)
Changes in value and amount of stock held	1	-	1
Balance at the end of the period	**(13)**	**(15)**	**(14)**
Total stockholders' equity excluding non-controlling interests	**7,932**	**8,901**	**8,657**
Non-controlling interests			
Balance at the beginning of the period (prior to restatement)	13	50	50
Effect of change in accounting policy*	(15)	(14)	(14)
Balance at the beginning of the period (restated)	(2)	36	36
Share of net loss	(1)	(6)	(6)
Capital contribution by non-controlling interest	-	14	14
Purchase of non-controlling interest	-	-	(47)
Other movements	-	-	1
Balance at the end of the period	**(3)**	**44**	**(2)**
Total equity	**7,929**	**8,945**	**8,655**
Total comprehensive income included within the above:			
Total comprehensive income attributable to equity stockholders	(533)	(1,169)	(1,452)
Total comprehensive income attributable to non-controlling interests	(1)	(6)	(6)
Total comprehensive income for the period, net of tax	**(534)**	**(1,175)**	**(1,458)**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Consolidated condensed cash flow statement (unaudited) for the six months ended 30 June 2013

	Notes	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Cash flows from operating activities				
Loss before tax		(504)	(1,260)	(2,178)
Share of results of associates and jointly controlled entities		(17)	(14)	(46)
Loss on disposal / liquidation of business activities	14	-	14	69
Depreciation and amortisation	10	61	69	142
Impairment charges on financial assets	12	780	984	1,769
Loss on deleveraging of financial assets	13	4	206	326
Interest expense on subordinated liabilities and other capital instruments	3	90	80	159
Gain on liability management exercises	8	(4)	(52)	(69)
Charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	6	88	125	297
Charge for retirement benefit obligation	10	79	57	70
Other non cash items		(66)	(118)	96
Cash flows from operating activities before changes in operating assets and liabilities		**511**	**91**	**635**
Net cash flow from operating assets and liabilities		(4,520)	1,479	(4,686)
Net cash flow from operating activities before tax		**(4,009)**	**1,570**	**(4,051)**
Tax refunded / (paid)		1	(7)	(36)
Net cash flow from operating activities		**(4,008)**	**1,563**	**(4,087)**
Investing activities:				
Net proceeds from disposal of loan portfolios		198	1,483	1,981
Net proceeds from disposal of business activities		-	651	655
Net (additions) / disposals of available for sale financial assets		(499)	(556)	443
Purchase of property, plant and equipment, investment property and intangible assets		(60)	(52)	(120)
Disposal of property, plant and equipment, investment property and intangible assets		-	63	136
Dividends received from jointly controlled entities		-	-	60
Net change in interest in associates		(2)	-	(5)
Cash flows from investing activities		**(363)**	**1,589**	**3,150**
Financing activities:				
Proceeds from issue of new subordinated liabilities		-	-	250
Dividend paid on 2009 Preference stock and other preference equity interests		(192)	(192)	(196)
Interest paid on subordinated liabilities		(59)	(27)	(136)
Consideration paid in respect of liability management exercises	6	(224)	(296)	(680)
Capital contribution by non-controlling interest		-	14	14
Consideration paid in respect of purchase of non-controlling interest		-	-	(3)
Cash flows from financing activities		**(475)**	**(501)**	**(751)**
Net change in cash and cash equivalents		**(4,846)**	**2,651**	**(1,688)**
Opening cash and cash equivalents		14,328	15,764	15,764
Effect of exchange translation adjustments		340	308	252
Closing cash and cash equivalents		**9,822**	**18,723**	**14,328**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Basis of preparation and accounting policies

Basis of preparation

The interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and in accordance with International Accounting Standard 34 as issued by the International Accounting Standards Board. These financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2012, which are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2012 applicable to companies reporting under IFRS, with the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with the Asset Covered Securities Acts, 2001 to 2007. The version of IAS 39 adopted by the EU currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments – Recognition and Measurement'. The Group has not availed of this, hence the financial statements for the year ended 31 December 2012 comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

Statutory accounts

These interim financial statements do not comprise statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The statutory accounts for the year ended 31 December 2012 were approved by the Court of Directors on 1 March 2013, contained an unqualified audit report and were filed with the Companies Registration Office on 28 June 2013.

Interim financial statements

The interim financial statements comprise the Consolidated income statement, Consolidated condensed statement of comprehensive income, Consolidated balance sheet, Consolidated condensed statement of changes in equity, Consolidated condensed cash flow statement, Basis of preparation and accounting policies and the notes to the interim consolidated financial statements on pages 70 to 112. The interim financial statements include Other information - Group exposures to selected countries and that information that is described as being an integral part of the interim financial statements contained in the Asset Quality & impairment section of the Operating and Financial Review. The interim financial statements also include the tables and totals in Other Information - Supplementary Asset Quality Disclosures described as being an integral part of the interim financial statements.

Going concern

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

In making this assessment, the Directors considered the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios, together with a range of other factors such as the outlook for the Irish economy, taking due account of the impact of fiscal realignment measures, the impact of the EU / IMF Programme, the availability of collateral to access the Eurosystem, together with the likely evolution and impact of the eurozone sovereign debt crisis. The matters of primary consideration by the Directors are set out below:

Context

The deterioration of the Irish economy throughout 2010, culminating in the Programme for the Recovery of the Banking System announced by the Irish Government on 28 November 2010, and running until November 2013, (the EU / IMF programme), adversely impacted the Group's financial condition and performance and poses ongoing challenges.

Following that deterioration and in common with the Banking Industry globally, the Group has had limited access to market sources of wholesale funding and specifically did not access the unguaranteed unsecured term wholesale funding markets again until May 2013. As a result of these factors, the Group became dependent on secured funding from the European Central Bank (the ECB). Apart from the ECB's Long-Term Refinancing Operation (LTRO), this funding rolls on a short term basis. In addition, the Group accessed exceptional liquidity assistance from the Central Bank of Ireland (the Central Bank) between late 2010 and late 2011. The limited access to available wholesale funding poses a liquidity risk for the Group which the Directors addressed in detail as part of the going concern assessment.

Concerns regarding the European sovereign debt crisis remained heightened during 2012, resulting in continued instability in financial markets, adversely impacting market sentiment and restricting access to wholesale funding markets for certain sovereigns and financial institutions across Europe. These concerns prompted a series of strong policy responses from European governments and institutions including the EU and the ECB, summarised below. However, political and economic risks remain.

Basis of preparation and accounting policies (continued)

On 21 July 2011, a formal statement by the Heads of State or Government of the euro area and EU institutions reaffirmed their commitment to the euro and to do whatever was needed to ensure the financial stability of the euro area as a whole and its Member States. This Statement ultimately led to the decision by the ECB to actively implement its Securities Markets Programme.

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

A package of measures to restore confidence and address the tensions in financial markets was agreed by the European Council and euro area Heads of State or Government on 9 December 2011. These measures included a new fiscal compact and the strengthening of stabilisation tools for the euro area, including a more effective European Financial Stability Facility (EFSF), and the bringing forward of the implementation of the European Stability Mechanism (ESM). Following a referendum on 31 May 2012, Ireland ratified the new fiscal compact.

On 29 June 2012, the euro area Heads of State or Government announced that, following the establishment of a single European banking supervisory mechanism, involving the ECB, banks in the euro area could be recapitalised directly by the European Stability Mechanism (ESM). The announcement also stated that the Eurogroup 'will examine the situation of the Irish financial sector with the view of further improving the sustainability of the well-performing adjustment programme'.

In July 2012, the president of the ECB stated that 'within our mandate, the ECB is ready to do whatever it takes to preserve the Euro'. This was followed in September 2012 by the launch of a bond-buying programme, known as Outright Monetary Transactions (OMT), to lower the borrowing costs of governments at the centre of the crisis. Bond yields subsequently fell for peripheral eurozone countries. Irish sovereign bond yields narrowed significantly during 2012. In July 2012 the NTMA returned to the term funding markets with the sale of €4.2 billion of bonds maturing in 2017 and 2020. In January 2013 the NTMA issued a further €2.5 billion of five-year bonds, followed in March 2013 by the issuance of a €5 billion ten-year benchmark bond. In addition, the NTMA completed eleven auctions each of €500 million short dated treasury bills between July 2012 and July 2013.

In February 2013, the Government announced the restructuring of its obligations in relation to the Anglo Irish Bank promissory note following the liquidation of its successor, the Irish Bank Resolution Corporation (IBRC). This action has enabled the Government to achieve a significant deferral in the repayment obligations associated with the promissory note, improving the State's sovereign debt maturity risk over the coming years.

In July 2013, Ireland successfully concluded the eleventh quarterly review of the EU / IMF programme, with the Troika commenting that 'Ireland's program remains on track and yields on sovereign bonds are well below their levels in recent years', while also noting that discussions focussed on 'remaining challenges, especially the fiscal deficit, unemployment, and banks' nonperforming loans'.

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

As a result of the 2011 PCAR, the Central Bank assessed that the Group needed to generate an additional €4.2 billion (including a prudent regulatory buffer of €0.5 billion) of equity capital. In addition, €1.0 billion of contingent capital was required via the issue of a debt instrument which, under certain stressed circumstances, would convert to equity capital.

The Group successfully generated all of the required equity capital of €4.2 billion by 31 December 2011, and in July 2011 the Group issued a €1 billion debt instrument to the Irish Government which under certain stressed circumstances would convert to equity capital. In January 2013, the Irish Government sold, at a small premium, its entire holding of this instrument to a diverse group of international institutional investors.

The Group separately passed the EBA stress test in July 2011 and the EBA capital exercise (incorporating a capital buffer against sovereign exposures) in December 2011 without any requirement for further additional capital.

In December 2012, the Group issued Lower tier 2 capital of €250 million in the form of subordinated debt to a diverse group of international investors.

Basis of preparation and accounting policies (continued)

On 27 June 2013, the Capital Requirements Regulation (CRR) and Directive (CRD) were published in the Official Journal of the EU and will apply from 1 January 2014. Future external reviews such as the Asset Quality Review and European-wide stress test are currently expected in the fourth quarter of 2013 and the first half of 2014 respectively. The Directors believe that the impact on the Group's capital position from the phased implementation of CRD IV during the period of assessment, and any potential impact of the Asset Quality Review and European-wide stress test, will be managed within the Group's existing capital resources.

The Directors believe this satisfactorily addresses the capital risk.

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

Following the announcement that the Irish banks would generate the 2011 PCAR capital, the ECB confirmed on 31 March 2011 that the Eurosystem would continue to provide liquidity to banks in Ireland and hence the Group.

As a consequence of the 2011 PLAR the Group was required to achieve a target loan to deposit ratio of 122.5% by December 2013. An objective of the Central Bank in the 2011 PLAR was to ensure that the required improvement in banks loan to deposit ratios would be significantly incremented by way of deleveraging i.e. the reduction of loans through the disposal and run-down of non-core portfolios.

In June 2012, the Group announced loan divestments totalling €10.5 billion, which exceeded the required three year (2011 – 2013) target of €10 billion.

The Group's loan-to-deposit ratio at 30 June 2013 was 121%. In November 2012 the Group transitioned to an Advanced Monitoring Framework which tracks the Group's progress towards achieving compliance with the minimum levels for Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) under the Basel III framework.

The Group's drawings from Monetary Authorities reduced by €3 billion during the six months ended 30 June 2013 (excluding €3 billion relating to the IBRC repo transaction, which terminated on a no gain / no loss basis in February 2013), from €12 billion at 31 December 2012 to €9 billion at 30 June 2013. Drawings from Monetary Authorities consisted entirely of secured funding from the ECB with no drawings under the exceptional liquidity facilities of the Central Bank during the period (drawings at 31 December 2012: €nil). The €9 billion of Monetary Authority funding matures in early 2015, in line with the ECB's LTRO.

In March 2013, the Group accessed public term debt markets with a €0.5 billion five-year Irish Asset Covered Security (ACS) transaction. In May 2013 the Group raised €0.5 billion of three-year unguaranteed senior unsecured funding, the Group's first fully unguaranteed senior unsecured issuance since June 2008.

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

The Directors believe that this satisfactorily addresses the liquidity risk.

Conclusion
On the basis of the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

Basis of preparation and accounting policies (continued)

Accounting policies

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out on pages 149 to 171 of the Group's Annual Report for the year ended 31 December 2012 except for the application of the following standards as of 1 January 2013:

Recently adopted accounting pronouncements

During the six months ended 30 June 2013, the Group adopted the following standards and amendments to standards:

- IAS 19 (Revised 2011) Employee Benefits (IAS 19R);
- IFRS 10 Consolidated Financial Statements and IAS 27: Separate Financial Statements;
- IFRS 13 Fair Value Measurement;
- Amendment to IAS 1: Presentation of Financial Statements;
- Amendment to IAS 34: Interim Financial Reporting;
- Amendment to IFRS 7: Offsetting Financial Assets and Financial Liabilities;
- IFRS 11: Joint Arrangements and IAS 28: Investments in Associates and Joint Ventures; and
- Annual Improvements 2009-2011 (Annual Improvements).

As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities will result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the interim consolidated financial statements of the Group.

New accounting pronouncements

The nature and the impact of each new standard / amendment is described below:

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

IAS 19R eliminated the option for deferred recognition of all changes in the present value of the defined benefit obligation and in the fair value of plan assets (including the corridor approach, which was not applied by the Group). On the adoption of the new standard, capitalised future administration expenses relating to deferred and retired members were removed from the measurement of defined benefit plan obligations as such expenses are now recognised as incurred. In addition, the amended standard requires a net interest approach, which replaces the expected return on plan assets, and requires enhanced disclosures for defined benefit plans.

The main impacts for the Group on transition to IAS 19R were:

- Restatement of the Retirement Benefit Obligation at 31 December 2012, as capitalised future administration expenses relating to deferred and retired members are removed from the measurement of defined benefit plan obligations; and
- An increase in the costs of providing defined retirement benefits in the income statement, as the expected return on plan assets is replaced by a net interest charge.

The financial statements for the comparative period have been restated to reflect this change. The effect of the adoption of IAS 19R is explained further in note 34.

IAS 19R also changes the recognition criteria for termination benefits. Certain termination benefits will now be recognised at a later date unless they form part of a restructuring as defined in IAS 37. This had no impact on the Group's financial position or performance as the Group's restructuring programme, which includes termination benefits, meets the definition of a restructuring under IAS 37.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

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

Basis of preparation and accounting policies (continued)

The impact of the new standard has been to deconsolidate certain entities with interests in an international investment property. Under IFRS 10, the Group is not considered to control these entities and the investment has been equity accounted as an investment in associate. The financial statements for the comparative period have been restated to reflect this change. The effect of the adoption of IFRS 10 is explained further in note 34.

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 the interim consolidated financial statement. The Group provides these disclosures in note 33.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendment to IAS 1
This amendment to IAS 1 introduces a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g. net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available for sale financial assets) now have to be presented separately from items that will not be reclassified (e.g. remeasurement of the net defined benefit pension liability and revaluation of property). The amendment had no impact on the Group's financial position or performance but rather has changed the presentation.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment had no impact on the Group's financial position or performance.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendment to IFRS 7
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g. collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. 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.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures
IFRS 11 supersedes IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly-controlled Entities – Nonmonetary Contributions by Venturers'. IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. IFRS 11 requires the use of the equity method of accounting for joint arrangements by eliminating the option to use the proportionate consolidation method, which was not applied by the Group. The application of this new standard had no impact on the financial position of the Group.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The required disclosures will be reflected in the Annual Report for the year ended 31 December 2013. The application of this new standard had no impact on the financial position of the Group.

Basis of preparation and accounting policies (continued)

Annual Improvements 2009-2011 (the Annual Improvements)
The annual improvements process provides a vehicle for making non-urgent but necessary amendments to IFRSs. These amendments have had no impact on the financial position of the Group.

Critical accounting estimates and judgements
The preparation of interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets and liabilities, income and expense. There have been no significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2012, as set out on pages 172 to 174 of the Group's Annual Report for the year ended 31 December 2012.

The Central Bank of Ireland published an update to its 'Impairment Provisioning and Disclosure Guidelines' on 31 May 2013. The Group has estimated the financial impact of these updated guidelines on our cumulative stock of impairment provisions and in accordance with IAS 34, has recognised a charge of €100 million in these condensed interim financial statements.

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

Comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.

The gains on liability management exercises of €52 million for the six months ended 30 June 2012 and €69 million for the year ended 31 December 2012 and the gain on sale of assets to NAMA of €6 million for the six months ended 30 June 2012 and the loss of €1 million for the year ended 31 December 2012 previously shown on the face of the income statement have been reclassified to other operating income.

In addition, for the six months ended 30 June 2012, other fee and commission income has been reduced by €4 million to reflect the reclassification of certain items to operating expenses in order to ensure consistency of presentation of these items with the six months ended 30 June 2013 and the year ended 31 December 2012.

Index to the notes to the consolidated interim financial statements (unaudited)

Note	Title	Page
1	Operating segments	70
2	Interest income	77
3	Interest expense	77
4	Net insurance premium income	77
5	Fee and commission income and expense	78
6	Net trading income / (expense)	78
7	Life assurance investment income, gains and losses	79
8	Other operating income	80
9	Insurance contract liabilities and claims paid	80
10	Other operating expenses	81
11	Cost of restructuring programme	82
12	Impairment charges on financial assets	82
13	Loss on deleveraging of financial assets	83
14	Loss on disposal / liquidation of business activities	84
15	Taxation	84
16	Earnings per share	86
17	Loans and advances to banks	87
18	Available for sale financial assets	87
19	NAMA senior bonds	88
20	Loans and advances to customers	88
21	Impairment provisions	89
22	Interest in associates	90
23	Investment properties	90
24	Deposits from banks	91
25	Customer accounts	91
26	Debt securities in issue	92
27	Provisions	92
28	Retirement benefit obligations	93
29	Deferred tax	94
30	Contingent liabilities and commitments	94
31	Liquidity risk	95
32	Summary of relations with the State	96
33	Fair value of assets and liabilities	98
34	Impact of adopting new accounting standards	109
35	Post balance sheet events	112
36	Approval of Interim Report	112

1 Operating segments

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

Retail Ireland
Retail Ireland distributes a wide range of financial products and services through the Group's branch network in the Republic of Ireland and through its direct channels (mobile, on-line and telephone). The product suite includes deposits, mortgages, consumer and business lending, credit cards, current accounts, money transmission services, commercial finance, asset finance and general insurance. Retail Ireland is managed through a number of business units namely Distribution Channels, Consumer Banking (including Bank of Ireland Mortgage Bank and ICS Building Society), Business Banking and Customer & Wealth Management (including Private Banking).

As set out in note 35, on 9 July 2013, the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, which permitted the retention of New Ireland Assurance Company plc (NIAC) but required a range of substitution measures. One of these substitution measures is that the Group will exit from the origination of new mortgages through its intermediary channel, including the sale (or retirement) of the ICS Building Society's distribution platform together with the sale, if required by the acquirer, of up to €1.0 billion of intermediary originated mortgage assets and matched deposits.

Bank of Ireland Life (BoI Life)
The Group operates in the life and pensions market in Ireland through its wholly owned subsidiary NIAC. The product suite includes life assurance, protection, pensions and investment products which are manufactured by NIAC. Products are sold under the BoI Life brand in the Retail Ireland branch network and direct sales channels and under the NIAC brand in the intermediary market and through a direct sales force.

As set out in note 35, on 9 July 2013, the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, which permitted the retention of NIAC but required a range of substitution measures.

Retail UK
Retail UK comprises business banking in Northern Ireland and Great Britain, consumer banking via the branch network in Northern Ireland, the UK residential mortgage business and the business relationships with the UK Post Office. The Group has previously announced its withdrawal from the intermediary sourced mortgage market in the UK. Business banking comprises loan, current account and deposit facilities to medium and large corporate clients in addition to international banking, working capital financing and asset finance. Offshore deposit taking services are offered in the Isle of Man. A range of retail financial services are provided in the UK via a comprehensive relationship with the UK Post Office which extends to at least 2023. A substantial part of Retail UK's operations are conducted through the Group's wholly owned UK licensed subsidiary, Bank of Ireland (UK) plc.

As set out in note 35, on 9 July 2013, the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, which permitted the retention of NIAC but required a range of substitution measures. One of these substitution measures is that the Group will exit from its Great Britain based business banking activities, which form part of the Retail UK division. The Group will attempt to accelerate the deleveraging of this business by way of sale, but will not have an obligation to sell this business at disposal discounts greater than those agreed with the European Commission which discount will have due regard to the protection of the Group's capital and capital ratios.

This measure does not impact on the Group's consumer banking businesses in Great Britain including its valued partnership with the Post Office, or its activities in Northern Ireland.

Corporate and Treasury
The Corporate and Treasury division comprises Corporate Banking, Global Markets and IBI Corporate Finance.

Corporate Banking provides integrated relationship banking services to a significant number of major Republic of Ireland and Northern Ireland corporations, financial institutions and multinational corporations operating in, or out of, Ireland. The range of lending products provided includes overdraft and short term loan facilities, term loans, property finance, project finance and structured finance. Corporate Banking is also engaged in international lending with offices located in London, Paris, Frankfurt and the US. Its international lending business includes acquisition finance and term lending.

1 Operating segments (continued)

As set out in note 35, on 9 July 2013, the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, which permitted the retention of NIAC but required a range of substitution measures. One of these substitution measures is that the Group will exit from its Great Britain based corporate banking activities, which form part of the Corporate and Treasury division. The Group will attempt to accelerate the deleveraging of this business by way of sale, but will not have an obligation to sell this business at disposal discounts greater than those agreed with the European Commission which discount will have due regard to the protection of the Group's capital and capital ratios. This measure does not impact on the Group's Leveraged Acquisition Finance business.

Global Markets is responsible for managing the Group's interest rate and foreign exchange risks, and is responsible for executing the Group's liquidity and wholesale funding requirements. Global Markets transacts in a range of market instruments on behalf of the Group itself and the Group's customers. The activities include transactions in inter-bank deposits and loans, foreign exchange spot and forward contracts, options, financial futures, bonds, swaps, forward rate agreements and equity tracker products. Global Markets' operations are based in Ireland, the UK and the US.

IBI Corporate Finance provides independent financial advice to public and private companies on takeovers, mergers and acquisitions, disposals and restructurings, in addition to fund raising, public flotations and stock exchange listings.

Group Centre

Group Centre comprises capital management activities, unallocated Group support costs and the cost associated with schemes such as the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG scheme), the Deposit Guarantee Scheme (DGS) and the UK Financial Services Compensation Scheme (FSCS).

Other reconciling items

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

Basis of preparation of segmental information

The analysis of results by operating segment is based on the information used by management to allocate resources and assess performance. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The Group's management reporting and controlling systems use accounting policies that are the same as those referenced in 'Group accounting policies' on pages 149 to 171 of the Group's Annual Report for the year ended 31 December 2012. On an ongoing basis, the Group reviews the methodology for allocating funding and liquidity costs in order to ensure that the allocations continue to reflect each division's current funding requirement. During the six months ended 30 June 2013, the Group amended the allocation of funding and liquidity costs across the divisions which resulted in a decrease in net interest income in the Retail UK division of €22 million and an increase in net interest income in the Retail ROI and Corporate and Treasury divisions of €18 million and €4 million respectively.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Underlying profit' in its internal management reporting systems. Underlying profit or loss excludes:

- charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss';
- the cost of restructuring programme;
- loss on deleveraging of financial assets;
- investment return on treasury stock held for policyholders in the Life business;
- gross-up for policyholder tax in the Life business;
- gain on liability management exercises;
- gain on Contingent Capital Note; and
- loss on disposal / liquidation of business activities.

Gross external revenue comprises interest income, net insurance premium income, fee and commission income, net trading income / (expense), life assurance investment income gains and losses, other operating income and share of results of associates and jointly controlled entities.

1 Operating segments (continued)

6 months ended 30 June 2013	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Net interest income	**394**	**24**	**247**	**303**	**(100)**	**1**	**869**
Other income, net of insurance claims	171	62	2	89	5	(10)	319
Total operating income, net of insurance claims	**565**	**86**	**249**	**392**	**(95)**	**(9)**	**1,188**
Other operating expenses	(388)	(44)	(157)	(84)	(74)	-	(747)
Depreciation and amortisation	(18)	(2)	(15)	(3)	(23)	-	(61)
Total operating expenses	**(406)**	**(46)**	**(172)**	**(87)**	**(97)**	**-**	**(808)**
Underlying operating profit / (loss) before impairment charges on financial assets	**159**	**40**	**77**	**305**	**(192)**	**(9)**	**380**
Impairment charges on financial assets	(497)	-	(207)	(76)	-	-	(780)
Share of results of associates and jointly controlled entities	(1)	-	18	-	-	-	17
Underlying (loss) / profit before tax	**(339)**	**40**	**(112)**	**229**	**(192)**	**(9)[1]**	**(383)**

Reconciliation of underlying loss before tax to loss before tax	Group €m
Underlying loss before tax	(383)
Charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	(88)
Cost of restructuring programme	(50)
Loss on deleveraging of financial assets	(4)
Investment return on treasury stock held for policyholders in the Life business	(1)
Gain on liability management exercises	4
Gross-up for policyholder tax in the Life business	18
Loss before tax	**(504)**

[1] *This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.*

1 Operating segments (continued)

Restated[1] 6 months ended 30 June 2012	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Net interest income	330	11	165	315	(193)	-	628
Other income, net of insurance claims	147	71	32	25	(23)	(5)	247
Total operating income, net of insurance claims	477	82	197	340	(216)	(5)	875
Other operating expenses	(405)	(43)	(177)	(93)	(51)	-	(769)
Depreciation and amortisation	(21)	(3)	(18)	(4)	(23)	-	(69)
Total operating expenses	(426)	(46)	(195)	(97)	(74)	-	(838)
Underlying operating profit / (loss) before impairment charges on financial assets	51	36	2	243	(290)	(5)	37
Impairment charges on financial assets	(660)	-	(197)	(87)	(40)	-	(984)
Share of results of associates and joint ventures	(2)	-	16	-	-	-	14
Underlying (loss) / profit before tax	(611)	36	(179)	156	(330)	(5)[2]	(933)

Reconciliation of underlying loss before tax to loss before tax	Group €m
Underlying loss before tax	(933)
Loss on deleveraging of financial assets	(206)
Charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	(125)
Cost of restructuring programme	(66)
Loss on disposal / liquidation of business activities	(14)
Gain on liability management exercises	52
Gain on Contingent Capital Note	21
Gross-up for policyholder tax in the Life business	11
Loss before tax	(1,260)

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the six months ended 30 June 2012 for Retail Ireland have been restated to reflect this, resulting in a €4 million increase in Net interest income, a €10 million decrease in Other income, net of insurance claims, a €5 million decrease in Other operating expense and a €1 million increase in share of results of associates and joint ventures (after tax) (see note 34).*

From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase totalling €5 million across the segments in the pension charge included within Other operating expenses for the six months ended 30 June 2012 (note 34).

In addition a number of reclassifications have been made to the income statement for the six months ended 30 June 2012:
- *the total gain on sale of assets to NAMA of €6 million for the six months ended 30 June 2012 which had previously been reported across the segments as a separate line item, is now included in Other income, net of insurance claims under each impacted division;*
- *Other operating expenses in Group Centre have been reduced by €4 million to reflect the reclassification of certain items from Other income, net of insurance claims in order to ensure consistency of presentation of these items with the year ended 31 December 2012; and*
- *the gain on remeasurement of the Contingent Capital Note of €21 million has been reclassified from net interest income to non-core items to ensure consistent presentation with the year ended 31 December 2012.*

[2] *This relates to certain inter-segment transactions which are reported as core income in the Corporate and Treasury division but eliminated from the Group's measure of underlying (loss) / profit.*

1 Operating segments (continued)

Restated[1] Year ended 31 December 2012	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Net interest income	674	38	368	633	(347)	1	1,367
Other income, net of insurance claims	309	151	31	58	(35)	(19)	495
Total operating income, net of insurance claims	983	189	399	691	(382)	(18)	1,862
Other operating expenses	(786)	(87)	(349)	(177)	(97)	-	(1,496)
Depreciation and amortisation	(43)	(6)	(35)	(7)	(51)	-	(142)
Total operating expenses	(829)	(93)	(384)	(184)	(148)	-	(1,638)
Underlying operating profit / (loss) before impairment charges on financial assets	154	96	15	507	(530)	(18)	224
Impairment charges on financial assets	(1,149)	-	(423)	(157)	(40)	-	(1,769)
Share of results of associates and jointly controlled entities	6	-	40	-	-	-	46
Underlying (loss) / profit before tax	(989)	96	(368)	350	(570)	(18)[2]	(1,499)

Reconciliation of underlying loss before tax to loss before tax	Group €m
Underlying loss before tax	(1,499)
Loss on deleveraging of financial assets	(326)
Charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	(297)
Cost of restructuring programme	(150)
Loss on disposal / liquidation of business activities	(69)
Investment return on treasury stock held for policyholders in the Life business	(1)
Gain on Contingent Capital Note	79
Gain on liability management exercises	69
Gross-up for policyholder tax in the Life business	16
Loss before tax	(2,178)

[1] *From 1 January 2013, the Group adopted IFRS 10, which resulted in the deconsolidation of certain entities with interests in an international investment property within Retail Ireland. The impact of this has been to reclassify the income statement lines relating to these entities to share of results of associates and joint ventures (after tax), but with no impact on underlying loss before tax. The comparative figures for the year ended 31 December 2012 for Retail Ireland have been restated to reflect this, resulting in a €9 million increase in Net interest income, a €26 million decrease in Other income, net of insurance claims, an €11 million decrease in Other operating expenses and a €5 million increase in share of results of associates and joint ventures (after tax) (see note 34).*

From 1 January 2013, the Group adopted IAS 19 Employee Benefits (Revised 2011) which resulted in an increase totalling €11 million across the segments in the pension charge included within Other operating expenses for the year ended 31 December 2012 (see note 34).

The total loss on sale of assets to NAMA of €1 million for the year ended 31 December 2012 which had previously been reported across the segments as a separate line item is now included in Other income, net of insurance claims under each impacted division.

[2] *This relates to segmental income on certain inter-segment transactions, which is eliminated at a Group level.*

1 Operating segments (continued)

6 months ended 30 June 2013 Analysis by operating segment	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Capital expenditure	**10**	**-**	**10**	**1**	**40**	**-**	**61**
Investment in associates and jointly controlled entities	**203**	**38**	**42**	**-**	**-**	**-**	**283**
External assets	41,999	12,520	43,840	31,053	4,825	-	134,237
Inter segment assets	50,261	2,541	39,392	118,262	37,138	(247,594)	-
Total assets	**92,260**	**15,061**	**83,232**	**149,315**	**41,963**	**(247,594)**	**134,237**
External liabilities	47,067	13,789	30,034	33,139	2,263	16	126,308
Inter segment liabilities	44,765	421	50,892	115,635	35,881	(247,594)	-
Total liabilities	**91,832**	**14,210**	**80,926**	**148,774**	**38,144**	**(247,578)**	**126,308**

Restated* Year ended 31 December 2012 Analysis by operating segment	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Capital expenditure	28	3	12	2	87	-	132
Investment in associates and jointly controlled entities	210	42	66	-	-	-	318
External assets	43,292	12,288	51,193	37,264	3,927	-	147,964
Inter segment assets	51,267	2,558	43,589	129,317	40,830	(267,561)	-
Total assets	94,559	14,846	94,782	166,581	44,757	(267,561)	147,964
External liabilities	47,059	13,644	34,213	42,031	2,349	13	139,309
Inter segment liabilities	47,608	389	58,387	123,888	37,289	(267,561)	-
Total liabilities	94,667	14,033	92,600	165,919	39,638	(267,548)	139,309

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

1 Operating segments (continued)

Gross external revenue by operating segment

6 months ended 30 June 2013 **Gross revenue by operating segments**	**Retail Ireland €m**	**Bank of Ireland Life €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Group Centre €m**	**Other reconciling items €m**	**Group €m**
Gross external revenue	905	613	693	550	27	(10)	2,778
Inter segment revenues	382	83	624	788	145	(2,022)	-
Gross revenue before claims paid	**1,287**	**696**	**1,317**	**1,338**	**172**	**(2,032)**	**2,778**
Insurance contract liabilities and claims paid	-	(559)	-	-	(1)	-	(560)
Gross revenue after claims paid	**1,287**	**137**	**1,317**	**1,338**	**171**	**(2,032)**	**2,218**

Restated* 6 months ended 30 June 2012 Gross revenue by operating segments	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Gross external revenue	867	872	870	585	(41)	-	3,153
Inter segment revenues	726	64	638	1,236	21	(2,685)	-
Gross revenue before claims paid	1,593	936	1,508	1,821	(20)	(2,685)	3,153
Insurance contract liabilities and claims paid	-	(803)	-	-	(3)	-	(806)
Gross revenue after claims paid	1,593	133	1,508	1,821	(23)	(2,685)	2,347

Restated* Year ended 31 December 2012 Gross revenue by operating segments	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Gross external revenue	1,726	1,861	1,750	1,073	(122)	(14)	6,274
Inter segment revenues	1,168	148	1,244	2,262	339	(5,161)	-
Gross revenue before claims paid	2,894	2,009	2,994	3,335	217	(5,175)	6,274
Insurance contract liabilities and claims paid	-	(1,720)	-	-	(5)	-	(1,725)
Gross revenue after claims paid	2,894	289	2,994	3,335	212	(5,175)	4,549

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

2 Interest income

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Loans and advances to customers	1,579	1,706	3,332
Available for sale financial assets	198	253	466
Finance leases and hire purchases receivables	49	52	104
Loans and advances to banks	32	38	104
Interest income	**1,858**	**2,049**	**4,006**

3 Interest expense

	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Customer accounts	636	860	1,659
Debt securities in issue	182	255	450
Deposits from banks	81	226	371
Subordinated liabilities	90	59	80
- Gross interest expense on subordinated liabilities	*90*	*80*	*159*
- Gain on Contingent Capital Note	-	*(21)*	*(79)*
Interest expense	**989**	**1,400**	**2,560**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Included within interest expense for the six months ended 30 June 2013 is an amount of €99 million (six months ended 30 June 2012: €212 million, year ended 31 December 2012: €388 million) relating to the cost of the ELG scheme. On 26 February 2013, the Minister for Finance announced that the ELG scheme would be withdrawn from midnight 28 March 2013 for all participating banks. After this date no new liabilities are guaranteed under the scheme (see note 32).

4 Net insurance premium income

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Gross premiums written	654	562	1,241
Ceded reinsurance premiums	(171)	(50)	(89)
Net premiums written	483	512	1,152
Change in provision for unearned premiums	(3)	1	4
Net insurance premium income	**480**	**513**	**1,156**

5 Fee and commission income and expense

Income	**6 months ended 30 June 2013 €m**	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Retail banking customer fees	192	190	384
Insurance commissions	10	36	61
Credit related fees	13	20	44
Brokerage fees	1	6	3
Asset management fees	2	3	5
Other	16	20[1]	18
Fee and commission income	**234**	**275**	**515**

[1] *Other fee and commission income has been reduced by €4 million to reflect the reclassification of certain items to operating expenses in order to ensure consistency of presentation of these items with the six months ended 30 June 2013 and the year ended 31 December 2012.*

Fee and commission expense of €91 million (six months ended 30 June 2012: €99 million, year ended 31 December 2012: €215 million) primarily comprises brokerage fees, sales commissions and other fees to third parties.

6 Net trading income / (expense)

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Financial assets designated at fair value	9	1	4
Financial liabilities designated at fair value			
- (Charges) / gains arising on the movement in credit spreads on the Group's own debt and deposits (see analysis below)	(60)	(106)	(245)
- Other	(53)	(19)	(116)
Related derivatives held for trading	10	(3)	38
	(94)	**(127)**	**(319)**
Other financial instruments held for trading	127	(20)	33
Net fair value hedge ineffectiveness	3	4	11
Cash flow hedge ineffectiveness	4	1	-
Net trading income / (expense)	**40**	**(142)**	**(275)**

Net trading income / (expense) includes the gains and losses on financial instruments held for trading, those designated at fair value through profit or loss (other than unit linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €26 million (six months ended 30 June 2012: €12 million, year ended 31 December 2012: €32 million) in relation to net gains arising from foreign exchange.

6 Net trading income / (expense) (continued)

Net trading income / (expense) includes the total fair value movement (including interest receivable and payable) on liabilities that have been designated at fair value through profit or loss. The interest receivable on amortised cost assets, which are funded by those liabilities, is reported in net interest income. Net trading income / (expense) also includes the total fair value movements on derivatives that are economic hedges of assets and liabilities which are measured at amortised cost, the net interest receivable or payable on which is also reported within net interest income. The net amount reported within net interest income relating to these amortised cost instruments was €15 million (six months ended 30 June 2012: €66 million, year ended 31 December 2012: €87 million).

The table below sets out the impact on the Group's income statement of the charges arising on the movement in credit spreads on the Group's own debt and deposits:

Charges arising on the movement in credit spreads on the Group's own debt and deposits	**6 months ended 30 June 2013 €m**	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Recognised in			
- Net trading income / (expense)	(60)	(106)	(245)
- Insurance contract liabilities and claims paid	(22)	(18)	(47)
- Other operating income	(6)	(1)	(5)
	(88)	**(125)**	**(297)**
Cumulative gains arising on the movement in credit spreads on the Group's own debt and deposits	40	300	128

Net fair value hedge ineffectiveness comprises a net gain from hedging instruments of €16 million (six months ended 30 June 2012: net charge of €14 million, year ended 31 December 2012: net charge of €65 million) and a net charge from hedged items of €13 million (six months ended 30 June 2012: net gain of €18 million, year ended 31 December 2012: net gain of €76 million).

During the six months ended 30 June 2013, the Group repurchased debt securities for cash generating gains before tax of €4 million (six months ended 30 June 2012: €52 million, year ended 31 December 2012: €69 million) being the difference between the consideration paid of €224 million (six months ended 30 June 2012: €296 million, year ended 31 December 2012: €680 million) and the carrying value of the securities repurchased of €228 million (six months ended 30 June 2012: €348 million, year ended 31 December 2012: €749 million).

7 Life assurance investment income, gains and losses

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Gross life assurance investment income, gains and losses	146	333	679
Elimination of investment return on treasury stock held for the benefit of policyholders in the Life businesses	(1)	-	(1)
Life assurance investment income, gains and losses	**145**	**333**	**678**

8 Other operating income

	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Transfer from available for sale reserve on asset disposal	17	35	60
Other insurance income	13	21	27
Movement in value of in force asset	(26)	5	(1)
Dividend income	2	1	2
Gain on liability management exercises[1]	4	52	69
Other income	(6)	(3)[2]	(9)[2]
Other operating income	**4**	**111**	**148**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

[1] *Included within other operating income is a gain on liability management exercises of €4 million (six months ended 30 June 2012: €52 million, year ended 31 December 2012: €69 million). These gains were previously shown on a separate line item on the face of the income statement.*

[2] *Included in other income is a gain of €6 million for the six months ended 30 June 2012 and a loss of €1 million for the year ended 31 December 2012 in relation to adjustments to the consideration in respect of assets previously transferred to NAMA. These gains / (losses) were previously shown on a separate line item. No assets were transferred to NAMA during the six months ended 30 June 2013.*

9 Insurance contract liabilities and claims paid

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Claims paid			
Policy surrenders	(396)	(408)	(856)
Death and critical illness claims	(66)	(67)	(145)
Annuity payments	(27)	(23)	(48)
Policy maturities	(1)	(1)	(1)
Other claims	(6)	(7)	(25)
Gross claims paid	**(496)**	**(506)**	**(1,075)**
Recovered from reinsurers	36	31	69
Net claims paid	**(460)**	**(475)**	**(1,006)**
Change in insurance contract liabilities			
Gross liabilities	(114)	(465)	(951)
Reinsured liabilities	14	134	232
Net change in insurance contract liabilities	**(100)**	**(331)**	**(719)**
Insurance contract liabilities and claims paid	**(560)**	**(806)**	**(1,725)**

10 Other operating expenses

Administrative expenses	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Staff costs excluding cost of restructuring programme	430	445	841
Amortisation of intangible assets	40	50	101
Depreciation of property, plant and equipment	21	19	41
Financial Services Compensation Scheme (FSCS)	-	-	30
Revaluation of property	-	-	11
Other administrative expenses excluding cost of restructuring programme	317	324[1]	614
Total	**808**	**838**	**1,638**
Total staff costs are analysed as follows:			
Total staff costs excluding restructuring	430	445	841
- Wages and salaries	*310*	*350*	*686*
- Social security costs	*34*	*36*	*73*
- Retirement benefit costs (defined benefit plans) (note 28)	*78*	*56*	*69*
- Retirement benefit costs (defined contribution plans)	*1*	*1*	*1*
- Other staff costs	*7*	*2*[1]	*12*
Staff costs included in cost of restructuring programme (note 11)	16	60	134
Total staff costs	**446**	**505**	**975**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

[1] *Other administrative expenses has been reduced by €1 million and other staff costs has been reduced by €3 million to reflect the reclassification of certain items from fee and commission income in order to ensure consistency of presentation of these items with the six months ended 30 June 2013 and the year ended 31 December 2012.*

Retirement benefit costs of €78 million for the six months ended 30 June 2013 (six months ended 30 June 2012: €56 million, year ended 31 December 2012: €69 million) includes a recovery of €4 million by the trustees in respect of the 2011 and 2012 pension levies (six months ended 30 June 2012: €nil, year ended 31 December 2012: €43 million). Following the adoption by the Group of IAS 19 revised, the charge in respect of the 2012 and 2013 pension levies have been recognised through other comprehensive income, as the concept of an expected return on assets is removed under the revised standard.

Staff numbers

At 30 June 2013, the actual number of staff (full time equivalents) was 11,731 (30 June 2012: 13,216; 31 December 2012: 12,016).

In the six months ended 30 June 2013, the average number of staff (full time equivalents) was 11,998 (six months ended 30 June 2012: 13,429; year ended 31 December 2012: 13,091).

11 Cost of restructuring programme

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Staff costs (note 10)	16	60	134
Property and other	34	6	16
Cost of restructuring programme	**50**	**66**	**150**

During the year ended 31 December 2012, the Group recognised a charge of €150 million in respect of its ongoing restructuring programme which included €134 million in relation to staff exits and €16 million related to office rationalisation. During the six months ended 30 June 2013, the Group recognised a further charge of €50 million in respect of this restructuring which includes a charge of €34 million in relation to office rationalisation and €16 million for staff exits.

12 Impairment charges on financial assets

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Loans and advances to customers (note 21)	780	941	1,724
Available for sale financial assets (AFS)	-	43	45
Impairment charges on financial assets	**780**	**984**	**1,769**

13 Loss on deleveraging of financial assets

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Corporate and Treasury	2	95	203
Retail UK	2	111	123
Loss on deleveraging of financial assets	**4**	**206**	**326**

Six months ended 30 June 2013

Corporate and Treasury
During the six months ended 30 June 2013, the Group continued to avail of opportunities to deleverage loans in non-core portfolios on a loan by loan basis. Loans with a carrying value of €87 million were derecognised through individual sales and managed refinancing decisions. The Group received consideration (net of costs) of €85 million for these loans, giving rise to a loss on deleveraging of €2 million.

Retail UK
During the six months ended 30 June 2013, UK Intermediary Mortgages were deleveraged through incentivised redemptions by customers, rather than book sales, resulting in a loss of €2 million.

Six months ended 30 June 2012

Corporate and Treasury
Corporate and Treasury loans with a carrying value of €970 million were derecognised during the six months ended 30 June 2012. The Group received consideration (net of costs) of €875 million for these loans, through sales and managed refinancing, giving rise to a loss on deleveraging after transaction costs of €95 million.

Retail UK
Retail UK loans with a carrying value of €719 million were derecognised during the six months ended 30 June 2012. The Group received consideration (net of costs) of €608 million, through sales and managed refinancing, giving rise to a loss on deleveraging after transaction costs of €111 million.

Year ended 31 December 2012

Corporate and Treasury
Corporate and Treasury loans and associated derivatives with a carrying value of €1,588 million were derecognised during the year ended 31 December 2012. The Group received consideration (net of costs) of €1,385 million, through sales and managed refinancing, giving rise to a loss on deleveraging after transaction costs of €203 million.

Retail UK
Retail UK loans with a carrying value of €719 million were derecognised during the year ended 31 December 2012. The Group received €596 million, through sales and managed refinancing, giving rise to a loss on deleveraging after transaction costs of €123 million.

14 Loss on disposal / liquidation of business activities

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Corporate and Treasury Division			
Burdale	-	(14)	(14)
Bank of Ireland Asset Management (BIAM)	1	-	(1)
Bank of Ireland Securities Services (BOISS)	-	-	2
Transfer of foreign exchange reserve to income statement on liquidation of non-trading entities	**(1)**	**-**	**(56)**
Loss on disposal / liquidation of business activities	**-**	**(14)**	**(69)**

Transfer of foreign exchange reserve to income statement on liquidation of non-trading entities
As part of the Group's focus on simplifying its corporate structure, the Group has an ongoing programme of winding up a number of wholly owned, dormant and non-trading companies, a number of which are foreign operations. During this process, the Group voluntarily appointed a liquidator to manage the winding up. Upon appointment of the liquidator, the Group is considered to have lost control of the companies and has accounted for this loss of control as a disposal. In accordance with IAS 21 'The effects of changes in Foreign Exchange rates', the Group must reclassify net cumulative foreign exchange losses of €1 million relating to these companies from the foreign exchange reserve to the income statement during the six months ended 30 June 2013 (six months ended 30 June 2012: €nil; year ended 31 December 2012: €56 million) (see page 60).

15 Taxation

	6 months ended 30 June 2013 €m	6 months ended 30 June 2012 €m	Year ended 31 December 2012 €m
Current tax			
Irish Corporation Tax			
- Current year	(13)	(18)	(20)
- Adjustments in respect of prior year	1	9	24
- Transfer from deferred tax	2	-	11
Double taxation relief	1	-	2
Foreign tax			
- Current year	(15)	8	(9)
- Adjustments in respect of prior year	(28)	11	6
- Transfer from deferred tax	-	-	34
	(52)	**10**	**48**
Deferred tax			
Current year losses	108	182	363
Impact of Corporation Tax rate change	-	(17)	(33)
Origination and reversal of temporary differences	(12)	(3)	(14)
Transfer to current tax	(2)	-	(45)
Adjustments in respect of prior year	7	(17)	18
	101	**145**	**289**
Taxation credit	**49**	**155**	**337**

15 Taxation (continued)

The taxation credit for the Group was €49 million for the six months ended 30 June 2013 (six months ended 30 June 2012: €155 million, year ended 31 December 2012: €337 million). The main factor contributing to the tax credit is the loss incurred in the period.

The effective tax rate for the six months ended 30 June 2013 is 10% (tax credit) (six months ended 30 June 2012: 12% (tax credit), year ended 31 December 2012: 16% (tax credit)).

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

	6 months ended 30 June 2013			Restated* 6 months ended 30 June 2012			Restated* Year ended 31 December 2012		
	Pre tax €m	**Tax €m**	**Net of tax €m**	Pre tax €m	Tax €m	Net of tax €m	Pre tax €m	Tax €m	Net of tax €m
Available for sale reserve									
Changes in fair value	206	(25)	181	309	(39)	270	1,015	(126)	889
Transfer to income statement	(17)	2	(15)	9	(1)	8	(15)	1	(14)
Net change in available for sale reserve	**189**	**(23)**	**166**	**318**	**(40)**	**278**	**1,000**	**(125)**	**875**
Remeasurement of the net defined benefit pension liability	**20**	**(3)**	**17**	**(618)**	**81**	**(537)**	**(892)**	**117**	**(775)**
Cash flow hedge reserve									
Changes in fair value	508	(62)	446	(403)	60	(343)	590	(44)	546
Transfer to income statement	(639)	78	(561)	466	(72)	394	(417)	19	(398)
Net change in cash flow hedge reserve	**(131)**	**16**	**(115)**	**63**	**(12)**	**51**	**173**	**(25)**	**148**
Net change in foreign exchange reserve	**(147)**	**-**	**(147)**	**138**	**-**	**138**	**136**	**-**	**136**
Net change in revaluation reserve	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**1**	**(1)**
Other comprehensive income for the period	**(69)**	**(10)**	**(79)**	**(99)**	**29**	**(70)**	**415**	**(32)**	**383**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)'. See note 34 for additional information.*

16 Earnings per share

The calculation of basic earnings per unit of €0.05 ordinary stock is based on the loss attributable to ordinary stockholders divided by the weighted average number of units of ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders.

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

For the six months ended 30 June 2013, the six months ended 30 June 2012 and the year ended 31 December 2012 there was no difference in the earnings or the weighted average number of units of stock used for basic and diluted earnings per share as the effect of all potentially dilutive ordinary units of stock outstanding was anti-dilutive.

	6 months ended 30 June 2013 €m	Restated* 6 months ended 30 June 2012 €m	Restated* Year ended 31 December 2012 €m
Basic and diluted earnings per share			
Loss attributable to stockholders	(454)	(1,099)	(1,835)
Dividend on 2009 Preference Stock[1]	(94)	(94)	(188)
Dividend on other preference equity interests	(3)	(3)	(7)
Loss attributable to ordinary stockholders	**(551)**	**(1,196)**	**(2,030)**
	Units (millions)	Units (millions)	Units (millions)
Weighted average number of units of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders[2]	30,111	30,109	30,109
Basic and diluted earnings per share (cent)	**(1.8c)**	**(4.0c)**	**(6.7c)**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. The restatement has had no impact on the basic or diluted earnings per share in the current or prior period. See note 34 for additional information.*

1 *Where a dividend on the 2009 Preference Stock is not paid in either cash or units of ordinary stock, that dividend must subsequently be paid in the form of units of ordinary stock before a subsequent dividend on the 2009 Preference Stock or dividend on ordinary stock can be paid. The dividend allocated for the six months to 30 June 2013 has been deducted in the calculation of basic earnings per share. On 20 February 2013, the Group paid a cash dividend of €188.3 million on the 2009 Preference Stock to the NPRFC.*

2 *The weighted average number of units of treasury stock and own stock held for the benefit of life assurance policyholders amounted to 43.7 million units (six months ended 30 June 2012: 45.1 million, year ended 31 December 2012: 45.3 million).*

At 30 June 2013, there were stock options over 1.4 million units of potential ordinary stock (30 June 2012: 3.0 million units, 31 December 2012: 2.7 million units) which could potentially have a dilutive impact in the future, but which were anti-dilutive in the six months ended 30 June 2013, the six months ended 30 June 2012 and the year ended 31 December 2012.

17 Loans and advances to banks

	30 June 2013 €m	Restated* 31 December 2012 €m
Placements with other banks	3,338	4,436
Securities purchased with agreement to resell		
- IBRC repo transaction (note 32)	-	3,060
- Other	129	332
Mandatory deposits with central banks	2,112	1,293
Funds placed with central banks	79	381
Loans and advances to banks	**5,658**	**9,502**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Placements with other banks includes cash collateral of €1.2 billion (31 December 2012: €1.7 billion) placed with derivative counterparties in relation to net derivative liability positions.

The Group has entered into transactions to purchase securities with agreement to resell and has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of this collateral at 30 June 2013 was €126 million (31 December 2012: €3,863 million).

Mandatory deposits with central banks includes €940 million relating to collateral in respect of the Group's issued notes in circulation in Northern Ireland (31 December 2012: €1,051 million).

Loans and advances to banks of €5,658 million (31 December 2012: €9,502 million) includes €202 million (31 December 2012: €350 million) of assets held on behalf of Bank of Ireland Life policyholders.

18 Available for sale financial assets

	30 June 2013 €m	31 December 2012 €m
Government bonds	6,523	5,642
Other debt securities		
- listed	4,796	5,120
- unlisted	201	277
Equity securities		
- listed	1	1
- unlisted	68	53
Available for sale financial assets	**11,589**	**11,093**

At 30 June 2013, available for sale financial assets with a fair value of €5.4 billion (31 December 2012: €6.7 billion) had been pledged to third parties in sale and repurchase agreements.

Included within unlisted debt securities are subordinated bonds issued by NAMA with a fair value of €124 million (31 December 2012: €117 million).

Further details on the Group's available for sale financial assets is set out on page 145.

19 NAMA senior bonds

	30 June 2013 €m	31 December 2012 €m
NAMA senior bonds	**4,171**	**4,428**

The interest rate on the NAMA senior bonds is six month Euribor, set semi-annually on 1 March and 1 September. The contractual maturity of these bonds is 1 March 2014. NAMA may, with the consent of the Group, settle the bonds by issuing new bonds with the same terms and conditions and a maturity date of up to 364 days.

At 30 June 2013 and 31 December 2012, all NAMA senior bonds had been pledged to Monetary Authorities in sale and repurchase agreements.

During the six months ended 30 June 2013, NAMA redeemed senior bonds with a nominal value of €264 million (year ended 31 December 2012: €615 million).

20 Loans and advances to customers

	30 June 2013 €m	31 December 2012 €m
Loans and advances to customers	93,446	98,658
Finance leases and hire purchase receivables	1,572	1,507
	95,018	100,165
Provision for impairment charges on loans and advances to customers (note 21)	(8,086)	(7,544)
Loans and advances to customers	**86,932**	**92,621**

Further details on the Group's asset quality of loans and advances to customers are set out on pages 25 to 32 and page 113.

21 Impairment provisions

The following tables show the movement in the impairment provisions on total loans and advances to customers during the six months ended 30 June 2013 and the year ended 31 December 2012.

30 June 2013	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Provision at 1 January 2013	1,594	1,836	3,876	238	7,544
Exchange adjustments	(6)	(18)	(60)	(2)	(86)
Charge against income statement	251	208	291	30	780
Recoveries	(1)	1	-	6	6
Amounts written off	(20)	(114)	(51)	(45)	(230)
Other movements	16	146	(93)	3	72
Provision at 30 June 2013	**1,834**	**2,059**	**3,963**	**230**	**8,086**

31 December 2012	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Provision at 1 January 2012	1,159	1,723	3,205	278	6,365
Exchange adjustments	3	8	23	1	35
Charge against income statement	462	413	797	52	1,724
Recoveries	(3)	1	-	13	11
Amounts written off	(51)	(376)	(164)	(115)	(706)
Release of provision on loan book disposals	-	-	(18)	-	(18)
Other movements	24	67	33	9	133
Provision at 31 December 2012	1,594	1,836	3,876	238	7,544

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

22 Interest in associates

	30 June 2013 €m	Restated* 31 December 2012 €m
At beginning of period	91	78
Share of results of associates	1	7
Increase in investments	3	11
Fair value and other movements	(2)	(4)
Decrease in investments	-	(1)
At end of period	**93**	**91**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

23 Investment properties

	30 June 2013 €m	Restated* 31 December 2012 €m
At beginning of period	848	995
Exchange adjustment	-	(1)
Revaluation	(49)	(25)
Disposals	-	(121)
At end of period	**799**	**848**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

24 Deposits from banks

	30 June 2013 €m	Restated* 31 December 2012 €m
Securities sold under agreement to repurchase	12,715	19,307
- Monetary Authorities		
- IBRC repo transaction (note 32)	-	*3,060*
- Other	8,040	*11,040*
- Private market repos	4,675	*5,207*
Deposits from banks	1,730	1,602
Other bank borrowings	169	216
Deposits from banks	**14,614**	**21,125**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

At 30 June 2013, drawings from Monetary Authorities were €9 billion (31 December 2012: €15 billion (net)) of which €1 billion (31 December 2012: €1 billion) is included in debt securities in issue. Drawings from Monetary Authorities are on a term funding basis, utilising the ECB's three year LTRO. The LTRO matures in two tranches in January and February 2015. As of February 2013, the Group has an option to repay these facilities at an earlier date.

Deposits from banks include cash collateral of €0.9 billion (31 December 2012: €1.1 billion) received from derivative counterparties in relation to net derivative asset positions.

25 Customer accounts

	30 June 2013 €m	31 December 2012 €m
Term deposits and other products	38,319	42,318
Demand deposits	17,286	17,647
Current accounts	16,480	15,205
Customer accounts	**72,085**	**75,170**

Included within Term deposits and other products is €0.7 billion (31 December 2012: €1 billion) relating to sale and repurchase agreements with financial institutions other than banks.

At 30 June 2013, the Group's largest 20 customer deposits amounted to 7% (31 December 2012: 5%) of customer accounts.

26 Debt securities in issue

	30 June 2013 €m	31 December 2012 €m
Bonds and medium term notes	12,692	14,687
Other debt securities in issue	3,607	3,386
Debt securities in issue	**16,299**	**18,073**

During the six months ended 30 June 2013, the Group issued €1,710 million (year ended 31 December 2012: €2,317 million) of new debt, repurchases amounted to €228 million (year ended 31 December 2012: €749 million) and redemptions amounted to €3,034 million (year ended 31 December 2012: €2,988 million).

27 Provisions

	30 June 2013 €m	31 December 2012 €m
As at beginning of period	119	38
Exchange adjustments	(1)	-
Reclassifications	-	4
Charge to income statement		
- Restructuring programme	51	150
- Other	10	39
Utilised during the period	(51)	(107)
Unused amounts reversed during the period	(8)	(5)
As at end of period	**120**	**119**

The Group has recognised provisions in relation to restructuring costs, onerous contracts, legal and other.

During the six months ended 30 June 2013, the Group recognised provisions of €47 million (31 December 2012: €150 million) relating to its ongoing restructuring programme. The Group has recognised a charge of €50 million (year ended 31 December 2012: €150 million) in relation to this restructuring programme (see note 11).

28 Retirement benefit obligations

The net pension deficit at 30 June 2013 was €1,049 million (31 December 2012: €1,075 million). This is shown on the balance sheet as a retirement benefit asset of €2 million (31 December 2012: €2 million) and retirement benefit obligations of €1,051 million (31 December 2012: €1,077 million).

The principal changes in the assumptions used to calculate the value of pension obligations at 30 June 2013 as compared to 31 December 2012 are set out in the table below.

	30 June 2013 % p.a.	31 December 2012 % p.a.
RoI Schemes		
Inflation Rate	2.00	2.00
Discount Rate	4.00	3.90
UK Schemes		
Consumer Price Inflation	2.40	2.40
Retail Price Inflation	3.30	2.90
Discount Rate	4.70	4.60

Impact of IAS 19 revised (IAS 19R)

IAS 19R, which the Group has adopted from 1 January 2013, replaces the concept of expected return on scheme assets with interest income based on the prevailing discount rates. On the adoption of the new standard, capitalised future administration expenses relating to deferred and retired members were removed from the measurement of defined benefit plan obligations as such expenses are now recognised as incurred. The impact of adopting IAS 19R is set out in note 34 on page 109.

Pension levy

The Irish Finance (No. 2) Act 2011 introduced a stamp duty levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014. The levy is based on scheme assets as at 30 June in each year, or as at the end of the preceding scheme financial year. The Group has recognised a charge of €24 million through other comprehensive income for the six months ended 30 June 2013, in respect of the entire estimated 2013 pension levy, as the liability is calculated based on asset values from no later than 30 June 2013.

2013 Pensions review

The Group continues to work on actions to mitigate the current deficit in the defined benefit pension schemes and is actively engaging with the relevant staff representative bodies and other stakeholders. The next stage of the process will take place under the auspices of the Labour Relations Commission. However as this process is ongoing there is no impact from the Group's 2013 pensions review on the financial statements at 30 June 2013.

29 Deferred tax

The deferred tax assets of €1,712 million (31 December 2012: €1,640 million) are shown on the Consolidated balance sheet after netting at legal entity level (€1,777 million before netting by legal entity, 31 December 2012: €1,704 million). At 30 June 2013, deferred tax assets include an amount of €1,589 million (31 December 2012: €1,500 million) in respect of operating losses which are available to relieve future profits from tax.

Under Irish and UK tax legislation there is no time restriction on the utilisation of operating losses. There is, however, a restriction on the utilisation of Irish tax losses carried forward by a financial institution participating in NAMA. This significantly lengthens the period over which the deferred tax asset will reverse by restricting the carried forward trading losses which can be utilised in any year to 50% of the profits in that year. The restricted losses continue to be available for indefinite carry forward and there is no time limit on the utilisation of those losses. A significant portion of the Group's deferred tax balance is projected to be recovered in a period greater than ten years from the balance sheet date. The deferred tax assets have been recognised on the basis that it is probable they will be recovered as the Directors are satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred tax assets can be utilised to the extent they have not already reversed.

Under accounting standards these assets are measured on an undiscounted basis.

The UK Government announced that the main rate of corporation tax would reduce to 21% from 1 April 2014 and to 20% from 1 April 2015. These reductions were substantively enacted through the UK Finance Act 2013 in July 2013 and have not been reflected in the interim financial statements. The overall effect of the future reductions from 23% to 20% would be to reduce the deferred tax asset at 30 June 2013 by €69 million.

The deferred tax liabilities at 30 June 2013 are €97 million (31 December 2012: €92 million).

30 Contingent liabilities and commitments

The table below gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

	30 June 2013 Contract amount €m	31 December 2012 Contract amount €m
Contingent liabilities		
Acceptances and endorsements	9	9
Guarantees and irrevocable letters of credit	722	742
Other contingent liabilities	328	349
	1,059	**1,100**
Commitments		
Documentary credits and short term trade related transactions	73	93
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- revocable or irrevocable with original maturity of 1 year or less	12,708	13,284
- irrevocable with original maturity of over 1 year	2,891	3,202
	15,672	**16,579**

The Group is party to legal, regulatory and other actions arising out of its normal business operations. In this context, the Group has received correspondence from certain parties considering taking legal action against the Group with respect to their participation in Tier 1 and Tier 2 security exchanges in June 2011. The Group considers that it has a robust defence to any such claims and will defend them vigorously, should they arise.

31 Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in Bank of Ireland Life and those arising on derivative financial instruments) at 30 June 2013 and 31 December 2012 based on contractual undiscounted repayment obligations.

The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The balances will not agree directly to the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,283 million and €8,102 million respectively (31 December 2012: €5,256 million and €7,988 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

As at 30 June 2013 **Contractual maturity**	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Deposits from banks	434	3,168	1,065	2,006	-	6,673
Drawings from Monetary Authorities (gross)	-	-	-	9,484	-	9,484
Customer accounts	43,318	20,475	5,715	2,880	127	72,515
Debt securities in issue	-	2,697	761	8,969	3,886	16,313
Subordinated liabilities	-	101	58	1,602	805	2,566
Contingent liabilities	1,059	-	-	-	-	1,059
Commitments	12,781	-	-	2,891	-	15,672
Total	**57,592**	**26,441**	**7,599**	**27,832**	**4,818**	**124,282**

Restated* As at 31 December 2012 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	468	3,517	507	2,690	-	7,182
Drawings from Monetary Authorities (gross)	-	3,080[1]	62	12,411	-	15,553
Customer accounts	46,979	20,512	5,329	2,658	134	75,612
Debt securities in issue	-	656	4,872	8,430	4,248	18,206
Subordinated liabilities	-	22	138	1,598	780	2,538
Contingent liabilities	1,100	-	-	-	-	1,100
Commitments	13,377	-	-	3,202	-	16,579
Total	61,924	27,787	10,908	30,989	5,162	136,770

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

[1] *Includes €3,060 million related to the IBRC repo transaction which was terminated in February 2013. See note 32.*

32 Summary of relations with the State

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

Further details of the Group's relations with the State are set out in note 55 of the Group's Annual Report for the year ended 31 December 2012.

(a) Ordinary stock
At 30 June 2013, the State held 15.13% of the ordinary stock of the Bank. There has been no change to the State's holding of the ordinary stock of the Bank in the six months to 30 June 2013.

(b) 2009 Preference Stock: Dividend
At 30 June 2013 and at 31 December 2012, there were 1,837,041,304 number of units of 2009 Preference Stock in issue, all of which were held by the NPRFC.

On 20 February 2013, the Group paid its annual cash dividend of €188.3 million on the 2009 Preference Stock to the NPRFC.

(c) Contingent Capital Note
In July 2011, the Group issued a Contingent Capital Note to the State, satisfying the requirement under the 2011 PCAR to issue €1 billion of contingent capital. The nominal value of this note is €1 billion and cash proceeds of €985 million were received (net of a fee paid to the State of €15 million). The note has a term of five years and a coupon of 10%. On 9 January 2013, the State sold its entire holding in the Convertible Contingent Capital Note 2016 at a small premium to a diverse group of international institutional investors.

(d) Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG scheme)
On 26 February 2013, the Minister for Finance announced that the ELG scheme would be withdrawn from midnight 28 March 2013 for all participating banks. After that date no new liabilities are guaranteed under the scheme but existing term deposits and other eligible liabilities continue to be covered until the date of their maturity.

A fee is payable in respect of each liability guaranteed under the ELG scheme. This fee amounted to €99 million for the six months ended 30 June 2013 (six months ended 30 June 2012: €212 million, year ended 31 December 2012: €388 million) (note 3).

At 30 June 2013, €8 billion of eligible liabilities continue to be covered under the ELG scheme (31 December 2012: €26 billion).

(e) Bonds issued by the State
At 30 June 2013, the Group held sovereign bonds issued by the State with a carrying value of €6,723 million (31 December 2012: €5,751 million) of which €6,311 million (31 December 2012: €5,420 million) are classified as available for sale financial assets and €412 million (31 December 2012: €331 million) are classified as other financial assets at fair value through profit or loss.

32 Summary of relations with the State (continued)

(f) National Asset Management Agency (NAMA)

At 30 June 2013, the Group held bonds issued by NAMA with a carrying value of €4,295 million (31 December 2012: €4,545 million)

	30 June 2013 €m	31 December 2012 €m
NAMA senior bonds (guaranteed by the State)	4,171	4,428
NAMA subordinated bonds	124	117
Total	**4,295**	**4,545**

(g) National Asset Management Agency Investment Limited (NAMAIL)

On 30 March 2010, the Group, through its wholly-owned subsidiary NIAC, acquired 17 million B shares in NAMAIL, corresponding to one-third of the 51 million B shares issued by NAMAIL. Further details are set out in note 55 of the Group's Annual Report for the year ended 31 December 2012.

A discretionary non-cumulative dividend on the capital invested may be paid on an annual basis and this is limited to the yield on ten year State bonds. A dividend of €0.7 million was received by the Group on 31 March 2013 (2 April 2012: €1.15 million).

(h) Securities repurchase transaction with Irish Bank Resolution Corporation (IBRC)

Following the announcement by the Irish Government in early February 2013 that it would liquidate the Irish Bank Resolution Corporation (IBRC), the Group's IBRC repo transaction was terminated on a no gain / no loss basis effective on 13 February 2013. The Group's wholesale funding was reduced on 13 February 2013 to reflect the cancellation of the funding required for the IBRC transaction resulting in no net impact on the Group's liquidity position. Further details are set out in note 55 of the Group's Annual Report for the year ended 31 December 2012.

(i) Other transactions with the State and entities under its control or joint control

In addition to the matters set out above, the Group enters into other transactions in the normal course of business with the State, its agencies and entities under its control or joint control. These transactions include the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks. Other than as set out below, there has been no significant change in individually or collectively significant transactions with the State since 31 December 2012.

At 30 June 2013, the Group held deposits from the National Treasury Management Agency (NTMA) of €1.8 billion (31 December 2012: €1.3 billion).

In addition, at 30 June 2013, the Group held deposits from IBRC (in Special Liquidation) and its subsidiary undertakings of €559 million (31 December 2012: €13 million) which were included in Customer accounts at 30 June 2013.

33 Fair values of assets and liabilities

Fair value of financial assets and financial liabilities

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, in an arm's length transaction between knowledgeable willing parties.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or at recent arm's length market transactions. These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Transfers between different levels are assessed at the end of all reporting periods.

(a) Financial assets and financial liabilities recognised and subsequently measured at fair value

All financial instruments are initially recognised at fair value. The Group subsequently measures trading securities, other financial assets and financial liabilities designated at fair value through profit or loss, derivatives and available for sale financial assets at fair value in the balance sheet. These instruments are shown as either at fair value through profit or loss (FVTPL) or at fair value through the condensed statement of comprehensive income.

A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below. For fair value measurements categorised within level 3 of the fair value hierarchy, the valuation policies and procedures are developed by the management of the relevant business unit. The valuation process is documented before being reviewed and approved by senior management to ensure that the valuation method is consistent with market practice, that the output is reasonable and that the methodology is consistent both across the Group and compared to prior reporting periods.

Financial assets held for trading

These instruments are valued using observable market prices (level 1 inputs), directly from a recognised pricing source or an independent broker or investment bank.

Other financial assets at fair value through profit or loss

These consist of assets designated at fair value through profit or loss, which are predominantly held for the benefit of unit linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have readily available prices. Substantially all of these assets are valued using valuation techniques which use observable market data i.e. level 1 or level 2 inputs.

Derivative financial instruments

The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit (level 2 inputs).

Certain derivatives are valued using unobservable inputs relating to counterparty credit which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives would be to increase their fair value by up to €17 million or decrease their fair value by up to €17 million, with a corresponding impact on the income statement. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

33 Fair values of assets and liabilities (continued)

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

The equity conversion feature of the Contingent Capital Note issued is considered to be an embedded derivative requiring separation, with changes in its fair value recognised in profit or loss. The derivative is valued using a discounted cash flow model in which the principal input is the yield differential, or spread, between the Contingent Capital Note and the yield on similar notes without the conversion feature. This spread is not considered to be observable, therefore the valuation is derived from level 3 inputs. A 0.50% increase / (decrease) in this spread at 30 June 2013 would result in an increase of €13 million / (decrease of €13 million) in the fair value of the derivative, with a corresponding impact on the income statement. The host instrument is measured at amortised cost.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Interest in associates

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

Available for sale financial assets

For available for sale financial assets for which an active market exists, fair value has been determined directly from observable market prices (level 1 inputs) or yields through a recognised pricing source or an independent broker, price-provider or investment bank (level 2 inputs).

A small number of assets have been valued using vendor prices, which are not considered to represent observable market data (level 3 inputs). The effect of using reasonably possible alternative assumptions would be to decrease their fair value by up to €7 million or to increase their fair value by up to €24 million, with a corresponding impact on the statement of comprehensive income.

NAMA subordinated debt does not trade in an active market for which observable market data is available. Its fair value has been estimated using a discounted cash flow valuation technique i.e. level 3 inputs. A 0.5% increase / (decrease) in the discount rate used to value the debt would result in a decrease of €4 million / (increase of €4 million) in its fair value, with a corresponding impact on other comprehensive income.

Debt securities in issue and subordinated liabilities

These instruments comprise debt securities in issue and subordinated liabilities with a fair value of €593 million (31 December 2012: €585 million) which are measured at fair value through profit or loss, the fair value of which is based on valuation techniques incorporating significant unobservable market data (level 3 inputs). The significant unobservable input is the Group's credit spread, the estimation of which is judgemental in current market circumstances. The Group estimates this spread by reference to recent transactions in the same instrument or in similar instruments issued by the Group. In addition the Group considers the credit spread applicable to Irish Government bonds. A 1% increase / (decrease) in the estimated credit spread at 30 June 2013 would result in a decrease of €24 million / (increase of €24 million) in the fair value of the liabilities, with a corresponding impact on the income statement.

Customer accounts and deposits by banks

Customer accounts and deposits by banks designated at fair value through profit or loss consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The Group incorporates the effect of changes in its own credit spread when valuing these instruments. The Group estimates this spread by reference to recent transactions in the same instrument or in similar instruments issued by the Group (level 2 inputs).

33 Fair values of assets and liabilities (continued)

A small number of customer accounts are valued using additional non-observable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to those non-observable inputs.

Liabilities to customers under insurance and investment contracts

In line with the accounting policy set out on page 167 of the Group's Annual Report for the year ended 31 December 2012, the fair value of liabilities to customers under both insurance and investment unit linked contracts is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the balance sheet date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

(b) Financial assets and liabilities not subsequently measured at fair value

For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers

Loans and advances are carried net of provisions for impairment. The fair value of both fixed and variable rate loans and advances to customers is estimated using valuation techniques which include:

- the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans (level 3 inputs); and
- recent arm's length transactions in similar assets (level 2 inputs).

NAMA senior bonds

NAMA senior bonds are classified as loans and receivables and are carried net of provisions for impairment. As with all financial assets, NAMA senior bonds are measured at fair value at initial recognition. The bonds do not trade in an active market. Their fair value has been estimated by using a valuation technique which takes into consideration the contractual maturity date of the bonds, the Government guarantee, collateral and other support, valuations in the repo market and the yield on Irish Government bonds of similar maturity (level 2 inputs). The bonds are subsequently measured at amortised cost.

Deposits from banks and customer accounts

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using interest rates for new deposits with similar remaining maturity (level 2 inputs).

Debt securities in issue and subordinated liabilities

The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 3 inputs).

33 Fair values of assets and liabilities (continued)

(c) Fair value hierarchy

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

30 June 2013	Quoted prices in active market Level 1 €m	Valuation techniques observable inputs Level 2 €m	Valuation techniques unobservable inputs Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	331	-	-	331
Derivative financial instruments	-	4,216	461	4,677
Other financial assets at FVTPL	9,150	690	16	9,856
AFS financial assets	11,074	343	172	11,589
Interest in associates	-	-	40	40
	20,555	**5,249**	**689**	**26,493**
As a % of assets at fair value	**78%**	**20%**	**2%**	**100%**
Financial liabilities held at fair value				
Deposits from banks	-	169	-	169
Customer accounts	-	1,870	24	1,894
Derivative financial instruments	-	3,724	117	3,841
Liabilities to customers under investment contracts	-	5,283	-	5,283
Insurance contract liabilities	-	8,102	-	8,102
Debt securities in issue	-	-	528	528
Subordinated liabilities	-	-	65	65
Other short positions	58	-	-	58
	58	**19,148**	**734**	**19,940**
As a % of fair value liabilities	**-**	**96%**	**4%**	**100%**

The movement in level 3 assets between 31 December 2012 and 30 June 2013 is primarily attributable to fair value movements in derivative financial instruments and AFS financial assets.

The movement in level 3 liabilities between 31 December 2012 and 30 June 2013 is primarily attributable to fair value movements in derivative financial instruments and customers accounts.

33 Fair values of assets and liabilities (continued)

31 December 2012	Quoted prices in active market Level 1 €m	Valuation techniques observable inputs Level 2 €m	Valuation techniques unobservable inputs Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	143	-	-	143
Derivative financial instruments	1	5,338	508	5,847
Other financial assets at FVTPL	8,753	691	16	9,460
AFS financial assets	10,430	441	222	11,093
Interest in associates	-	-	39	39
	19,327	6,470	785	26,582
As a % of assets at fair value	73%	24%	3%	100%
Financial liabilities held at fair value				
Deposits from banks	-	216	-	216
Customer accounts	-	1,898	12	1,910
Derivative financial instruments	-	5,227	47	5,274
Liabilities to customers under investment contracts	-	5,256	-	5,256
Insurance contract liabilities	-	7,988	-	7,988
Debt securities in issue	-	-	521	521
Subordinated liabilities	-	-	64	64
Other short positions	76	-	-	76
	76	20,585	644	21,305
As a % of fair value liabilities	1%	96%	3%	100%

The movement in level 3 assets between 31 December 2011 and 31 December 2012 is primarily attributable to fair value movements in derivative financial instruments and AFS financial assets.

The movement in level 3 liabilities between 31 December 2011 and 31 December 2012 is primarily attributable to fair value movements in customer accounts and subordinated liabilities.

33 Fair values of assets and liabilities (continued)

Movements in level 3 assets

30 June 2013	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Available for sale financial assets €m**	**Interest in associates €m**	**Total €m**
Opening Balance	16	509	221	39	785
Exchange Adjustment	-	(15)	-	-	(15)
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	-	26	-	-	26
- Other income	-	-	8	-	8
- Share of results of associates	-	-	-	(3)	(3)
Other comprehensive income - AFS reserve	-	-	(6)	-	(6)
Additions	-	28	3	4	35
Disposals	-	-	(14)	-	(14)
Redemptions	-	(34)	-	-	(34)
Reclassifications	-	-	(40)[1]	-	(40)
Transfers out of level 3					
- from level 3 to level 2	-	(83)	-	-	(83)
Transfers into level 3					
- from level 2 to level 3	-	30	-	-	30
Closing balance	**16**	**461**	**172**	**40**	**689**
Total gains for the period included in profit or loss					
for assets held in level 3 at the end of the reporting period					
- Net trading income / (expense)	-	15	-	-	15

[1] *In accordance with IAS 39, the Group reclassified available for sale financial assets with a carrying amount and fair value of €40 million to loans and advances to customers, with effect from 30 June 2013. At the date of this reclassification, the Group had the intention and ability to hold these assets for the foreseeable future or until maturity.*

At the date of reclassification, the effective interest rate on the reclassified asset was 5.17% with expected recoverable cash flows of €52 million. In the six months to 30 June 2013, a fair value loss of €12 million (year ended 31 December 2012: loss of €nil) has been recognised in the available for sale reserve within shareholders' equity in relation to these reclassified assets.

The transfer from level 3 to level 2 arose as a result of the availability of observable market prices at 30 June 2013 which were unavailable at 31 December 2012 or as a result of unobservable inputs becoming less significant to the fair value measurement of these assets.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to the fair value measurement of these assets.

There were no transfers between levels 1 and 2.

33 Fair values of assets and liabilities (continued)

Movements in level 3 assets

31 December 2012	Other financial assets at FVTPL €m	Derivative financial instruments €m	Available for sale financial assets €m	Interest in associates €m	Total €m
Opening Balance	17	531	174	31	753
Exchange Adjustment	-	7	--	-	7
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	-	(6)	-	-	(6)
- Other income	-	-	16	-	16
- Impairment charges	(1)	-	-	-	(1)
- Share of results of associates	-	-	-	(2)	(2)
Other comprehensive income - AFS reserve	-	-	(12)	-	(12)
Additions	-	34	49	11	94
Disposals	-	-	(6)	(1)	(7)
Redemptions	-	(37)	-	-	(37)
Transfers out of level 3					
- from level 3 to level 2	-	(78)	-	-	(78)
Transfers into level 3					
- from level 2 to level 3	-	58	-	-	58
Closing balance	16	509	221	39	785
Total gains for the year included in profit or loss for assets held in level 3 at the end of the reporting year					
- Net trading income / (expense)	-	168	-	-	168

The transfer from level 3 to level 2 arose as a result of the availability of observable market prices at 31 December 2012 which were unavailable at 31 December 2011 or as a result of unobservable inputs becoming less significant to the fair value measurement of these assets.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to the fair value measurement of these assets.

There were no transfers between levels 1 and 2.

33 Fair values of assets and liabilities (continued)

Movements in level 3 liabilities 30 June 2013	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Subordinated liabilities €m	Total €m
Opening Balance	12	47	521	64	644
Exchange adjustments	-	-	-	-	-
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	-	75	38	5	118
- Revaluation	-	-	-	(4)	(4)
Additions	-	19	-	-	19
Disposals	-	-	-	-	-
Redemptions and maturities	-	(14)	(31)	-	(45)
Transfers out of level 3					
- from level 3 to level 2	(12)	(14)	-	-	(26)
Transfers into level 3					
- from level 2 to level 3	24	4	-	-	28
Closing balance	**24**	**117**	**528**	**65**	**734**
Total gains / (losses) for the period included in profit or loss for liabilities held at the end of the reporting period					
- Net trading income / (expense)	2	47	(46)	-	3

The transfer from level 3 to level 2 arose as a result of an ability to obtain observable market prices at 30 June 2013 which were unavailable at 31 December 2012.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to their fair value measurement.

There were no transfers between levels 1 and 2.

33 Fair values of assets and liabilities (continued)

Movements in level 3 liabilities

31 December 2012	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Subordinated liabilities €m	Total €m
Opening Balance	11	50	457	27	545
Exchange adjustments	-	-	-	1	1
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	1	-	90	36	127
Additions	-	7	-	-	7
Redemptions and maturities	-	(12)	(26)	-	(38)
Transfers out of level 3					
- from level 3 to level 2	-	(2)	-	-	(2)
Transfers into level 3					
- from level 2 to level 3	-	4	-	-	4
Closing balance	12	47	521	64	644
Total gains / (losses) for the year included in profit or loss for liabilities held at the end of the reporting year					
- Net trading income / (expense)	(1)	5	(105)	-	(101)

The transfer from level 3 to level 2 arose as a result of an ability to obtain observable market prices at 31 December 2012 which were unavailable at 31 December 2011.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to their fair value measurement.

There were no transfers between levels 1 and 2.

33 Fair values of assets and liabilities (continued)

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

Level 3 assets	Fair value €m	Valuation technique	Unobservable input	Range %
Derivative financial assets	461	Discounted cash flow	Credit spread[1]	0% - 11%
		Option pricing model	Credit spread[1]	0% - 11%
Other financial assets at fair value through profit or loss	16	Discounted cash flow	Discount rate[2]	2% - 3%
AFS financial assets	172	Discounted cash flow	Discount rate[2]	10% - 13%
		Market comparable companies	EBITDA multiple[3]	Third party pricing
			Liquidity factor	Third party pricing
Interest in associates	40	Market comparable companies	Price of recent investment	Third party pricing
			Earnings multiple[3]	Third party pricing
			Revenue multiple[3]	Third party pricing

Level 3 liabilities	Fair value €m	Valuation technique	Unobservable input	Range %
Customer accounts	24	Discounted cash flow	Credit spread[1]	1% - 4%
Derivative financial liabilities	117	Discounted cash flow	Credit spread[1]	1% - 4%
		Option pricing model	Credit spread[1]	1% - 4%
Debt securities in issue	528	Discounted cash flow	Credit spread[1]	2% - 4%
Subordinated liabilities	65	Market comparable companies	Credit spread[1]	5.5% - 6.5%

[1] Represents the range of credit spreads that market participants would use in valuing these contracts.
[2] Represents a range of discount rates that market participants would use in valuing these investments.
[3] Represents multiples that market participants would use in valuing these investments.

Note: 100 basis points = 1%

33 Fair values of assets and liabilities (continued)

The carrying amount and the fair value of the Group's financial assets and financial liabilities as at 30 June 2013 and 31 December 2012 are set out in the table below.

	30 June 2013		Restated* 31 December 2012	
	Carrying amount €m	**Fair values €m**	Carrying amount €m	Fair values €m
Financial instruments held for trading				
Debt securities[1]	331	331	143	143
Derivative financial instruments - trading				
Foreign exchange contracts[1]	18	18	32	32
Interest rate contracts[1]	(18)	(18)	144	144
Equity and commodity contracts[1]	211	211	188	188
Non-trading financial instruments				
Assets				
Cash and balances at central banks[1]	4,720	4,720	8,472	8,472
Items in course of collection from other banks[1]	425	425	448	448
Loans and advances to banks[1]	5,658	5,658	9,502	9,502
Loans and advances to customers	86,932	75,653	92,621	80,440
Available for sale financial assets[1]	11,589	11,589	11,093	11,093
NAMA senior bonds	4,171	4,193	4,428	4,467
Other financial assets at fair value through profit or loss[1]	9,856	9,856	9,460	9,460
Liabilities				
Deposits from banks	14,614	14,629	21,125	21,152
Customer accounts	72,085	72,230	75,170	75,425
Items in the course of transmission to other banks[1]	206	206	268	268
Debt securities in issue	16,299	15,934	18,073	17,513
Liabilities to customers under investment contracts[1]	5,283	5,283	5,256	5,256
Insurance contract liabilities[1]	8,102	8,102	7,988	7,988
Subordinated liabilities	1,672	1,717	1,707	1,677
Derivative financial instruments - hedging				
Interest rate contracts and foreign exchange contracts[1]	624	624	207	207

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

[1] *The fair value of these financial instruments is equal to the carrying value. These instruments are either carried at market value or have minimal credit losses and are either short term in nature or repriced frequently.*

34 Impact of adopting new accounting standards

As outlined in the Basis of preparation on page 66, from 1 January 2013, the Group adopted 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. Each standard is required to be applied retrospectively and accordingly the Group has restated the comparative periods.

The following tables reflect the impact on the Group's financial statements at 30 June 2013 of the adoption of these standards at 1 January 2013.

Income statement – 6 months ended 30 June 2013	**IAS 19R Gain / (loss) €m**	**IFRS 10 Gain / (loss) €m**	**Total Gain / (loss) €m**
Interest expense	-	4	4
Other operating income	-	(13)	(13)
Share of results of associates and jointly controlled entities (after tax)	-	2	2
Other operating expenses	(20)	6	(14)
Loss before tax	**(20)**	**(1)**	**(21)**
Taxation credit	3	-	3
Loss for the period	**(17)**	**(1)**	**(18)**
Remeasurement of the net defined benefit pension liability, net of tax	16	-	16
Total comprehensive income for the period, net of tax	**(1)**	**(1)**	**(2)**
Attributable to stockholders	(1)	-	(1)
Attributable to non-controlling interests	-	(1)	(1)
Total comprehensive income for the period, net of tax	**(1)**	**(1)**	**(2)**

Balance sheet – 30 June 2013	**IAS 19R €m**	**IFRS 10 €m**	**Total €m**
Loans and advances to banks	-	(3)	(3)
Loans and advances to customers	-	4	4
Interest in associates	-	54	54
Investment properties	-	(223)	(223)
Deferred tax assets	(12)	-	(12)
Other assets	-	(2)	(2)
Total assets	**(12)**	**(170)**	**(182)**
Deposits from banks	-	(147)	(147)
Retirement benefit obligations	(77)	-	(77)
Other liabilities	-	(6)	(6)
Total liabilities	**(77)**	**(153)**	**(230)**
Non-controlling interests	-	(16)	(16)
Retained earnings – current period	(1)	(1)	(2)
Retained earnings – prior years	66	-	66
Total equity	**65**	**(17)**	**48**

The following tables set out the impact of the adoption of these standards on the Group's financial statements for the year ended 31 December 2012 and the six months ended 30 June 2012. In addition, and as set out in the Basis of preparation on page 68, the Group has reclassified gains on liability management exercises and gains / losses on sale of assets to NAMA from the face of the income statement to other lines within the income statement. For the six months ended 30 June 2012, other fee and commission income has been reduced by €4 million to reflect the reclassification of certain items to operating expenses in order to ensure consistency of presentation of these items with the six months ended 30 June 2013 and the year ended 31 December 2012. These items are included under the heading 'Reclassifications' in the following tables.

34 Impact of adopting new accounting standards (continued)

The tables below outline the impact of the restatement on the relevant financial statement line items for each comparative period:

	31 December 2012					30 June 2012				
	Published €m	IAS19R €m	IFRS10 €m	Reclassifications €m	Restated €m	Published €m	IAS19R €m	IFRS10 €m	Reclassifications €m	Restated €m
CONSOLIDATED INCOME STATEMENT (selected lines)										
Interest expense	(2,569)	-	9	-	(2,560)	(1,404)	-	4	-	(1,400)
Fee and commission income	515	-	-	-	515	279	-	-	(4)	275
Gain on liability management exercises	69	-	-	(69)	-	52	-	-	(52)	-
Other operating income	106	-	(26)	68	148	63	-	(10)	58	111
Other operating expenses	(1,638)	(11)	11	-	(1,638)	(842)	(5)	5	4	(838)
(Loss) / gain on sale of assets to NAMA including associated costs	(1)	-	-	1	-	6	-	-	(6)	-
Share of results of associates and jointly controlled entities (after tax)	41	-	5	-	46	13	-	1	-	14
Loss before tax	(2,166)	(11)	(1)	-	(2,178)	(1,255)	(5)	-	-	(1,260)
Loss after tax	(1,829)	(11)	(1)	-	(1,841)	(1,100)	(5)	-	-	(1,105)

	Published €m	IAS19R €m	IFRS10 €m	Reclassifications €m	Restated €m
CONSOLIDATED BALANCE SHEET (selected lines)					
Assets					
Loans and advances to banks	9,506	-	(4)	-	9,502
Interest in associates	39	-	52	-	91
Investment properties	1,066	-	(218)	-	848
Other assets	2,404	-	1	-	2,405
Deferred tax assets	1,653	(13)	-	-	1,640
Total assets	148,146	(13)	(169)	-	147,964
Liabilities					
Deposits from banks	21,272	-	(147)	-	21,125
Other liabilities	3,144	-	(7)	-	3,137
Retirement benefit obligations	1,156	(79)	-	-	1,077
Total liabilities	139,542	(79)	(154)	-	139,309
Equity					
Retained earnings	4,607	66	-	-	4,673
Non-controlling interests	13	-	(15)	-	(2)
Total equity	8,604	66	(15)	-	8,655

34 Impact of adopting new accounting standards (continued)

	31 December 2012					30 June 2012				
	Published €m	IAS19R €m	IFRS10 €m	Reclassifications €m	Restated €m	Published €m	IAS19R €m	IFRS10 €m	Reclassifications €m	Restated €m
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (selected lines)										
Loss for the period	(1,829)	(11)	(1)	-	(1,841)	(1,100)	(5)	-	-	(1,105)
Remeasurement of net defined benefit pension liability, net of tax	(789)	14	-	-	(775)	(547)	10	-	-	(537)
Other comprehensive income for the period, net of tax	369	14	-	-	383	(80)	10	-	-	(70)
Total comprehensive income for the period, net of tax	(1,460)	3	(1)	-	(1,458)	(1,180)	5	-	-	(1,175)
Total comprehensive income attributable to equity stockholders	(1,455)	3	-	-	(1,452)	(1,174)	5	-	-	(1,169)
Total comprehensive income attributable to non-controlling interests	(5)	-	(1)	-	(6)	(6)	-	-	-	(6)
Total comprehensive income for the period, net of tax	(1,460)	3	(1)	-	(1,458)	(1,180)	5	-	-	(1,175)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (selected lines)										
Retained earnings										
Balance at the beginning of the period	3,507	63	-	-	3,570	3,507	63	-	-	3,570
Loss for the period attributable to stockholders	(1,824)	(11)	-	-	(1,835)	(1,094)	(5)	-	-	(1,099)
Remeasurement of net defined benefit pension liability	(789)	14	-	-	(775)	(547)	10	-	-	(537)
Balance at the end of the period	4,607	66	-	-	4,673	1,645	68	-	-	1,713
Non-controlling interests										
Balance at the beginning of the period	50	-	(14)	-	36	50	-	(14)	-	36
Share of net loss	(5)	-	(1)	-	(6)	(6)	-	-	-	(6)
Balance at the end of the period	13	-	(15)	-	(2)	58	-	(14)	-	44
CONSOLIDATED CASH FLOW STATEMENT (selected lines)										
Cash flows from operating activities before changes in operating assets and liabilities	628	-	7	-	635	92	-	(1)	-	91
Net cash flow from operating assets and liabilities	(4,682)	-	(4)	-	(4,686)	1,479	-	-	-	1,479
Cash flows from investing activities	3,149	-	1	-	3,150	1,587	-	2	-	1,589
Net change in cash and cash equivalents	(1,692)	-	4	-	(1,688)	2,650	-	1	-	2,651
Closing cash and cash equivalents	14,332	-	(4)	-	14,328	18,730	-	(7)	-	18,723

35 Post balance sheet events

Amendment to the Group's Revised 2011 EU Restructuring Plan

On 9 July 2013, the European Commission gave approval under the State aid rules to amend the Group's Revised 2011 EU Restructuring Plan, with substitutions for the measure to divest of NIAC. The NIAC divestment measure will be replaced with substitution measures summarised below:

- The Group will exit from its Great Britain (GB) based business banking and corporate banking activities having gross loan assets of c.€3.9 billion at 30 June 2013 (31 December 2012: c.€4.6 billion). The Group will attempt to accelerate the deleveraging of these businesses by way of sale, but will not have an obligation to sell these businesses at disposal discounts greater than those agreed with the European Commission which discount will have due regard to the protection of the Group's capital and capital ratios. This measure does not impact on the Group's consumer banking businesses in GB including its partnership with the Post Office, or its activities in Northern Ireland or its Leveraged Acquisition Finance business;
- The Group will exit from the origination of new mortgages through its intermediary channel, including the sale (or retirement) of the ICS Building Society's distribution platform together with the sale, if required by the acquirer, of up to €1.0 billion of intermediary originated mortgage assets and matched deposits;
- The Group's market opening measures will be prolonged to 31 December 2016; and
- The Group currently has a restriction on the payment of dividends on its Ordinary Stock until the earlier of 31 December 2015 or the date by which the 2009 Preferences Shares currently held by Ireland have been reimbursed, i.e. are repaid in full or are no longer owned by the State. This restriction has now been extended to provide that after 1 January 2016 dividends on ordinary stock are linked to reimbursement to the State of the 2009 Preference Shares by providing that dividend payments in each year shall not exceed 50% of the redemption value of the 2009 Preference Shares reimbursed to the State in that year. As before, the dividend restriction no longer applies when the Preference Shares are reimbursed in full to the State, i.e. are redeemed in full or are no longer owned by the State.

36 Approval of Interim Report

The Interim Report was approved by the Court of Directors on 1 August 2013.

Other Information

1 Supplementary Asset Quality Disclosures 114

Retail Ireland mortgages

Book Composition

Loan volumes	114
Origination profile	115
Risk profile	117
Arrears profile	118
Loan to value profiles	
- Loan to value ratio – Total book	118
- Loan to value ratio – > 90 days past due and / or impaired	120
Asset quality	
Composition and impairment	121
Forbearance treatments	121
Repossessions	
Repossessions	125
Disposals of repossessed properties	125

Retail UK mortgages

Book Composition

Loan volumes	126
Origination profile	127
Risk profile	128
Arrears profile	129
Loan to value profiles	
- Loan to value ratio – Total book	130
- Loan to value ratio – > 90 days past due and / or impaired	131
Asset quality	
Composition and impairment	132
Forbearance treatments	133
Repossessions	
Repossessions	136
Disposals of repossessed properties	136

Forbearance arrangements – loans and advances (excluding Residential mortgages) 137

2 Group exposures to selected countries 140

3 Average balance sheet and interest rates 150

4 Rates of exchange 151

5 Credit ratings 151

1 Supplementary Asset Quality Disclosures

The information in tables 1, 2, 3a, 3c, 3d, 4, 6, 7 and the total in table 5 (denoted as reviewed) below forms an integral part of the interim financial statements as described in the Basis of preparation on page 63.

All other information below (including all other numbers in table 5) is additional disclosure and does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Retail Ireland mortgages

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

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

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

At 30 June 2013, lending criteria for the Retail Ireland mortgage portfolio include:
- repayment capacity of the borrower;
- loan to value (LTV) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

TABLE 1

Retail Ireland mortgages - Volumes (before impairment provisions)	**30 June 2013 €m**	31 December 2012 €m
Owner occupied mortgages	20,583	20,815
Buy to let mortgages	6,528	6,670
Total Retail Ireland mortgages	**27,111**	**27,485**

Retail Ireland mortgages were €27.1 billion at 30 June 2013 compared to €27.5 billion at 31 December 2012. The decrease of €374 million or 1.4% reflects the excess of repayments over new lending as demand for new mortgage lending remains muted in the Irish market.

The proportion of the Retail Ireland mortgage portfolio on a 'principal and interest'[1] repayment basis has increased in the six months ended 30 June 2013 to 84% (31 December 2012: 82%) with the balance of 16% on an 'interest only'[2] repayment basis (31 December 2012: 18%). Of the Owner occupied mortgages of €20.6 billion, 93% are on a 'principal and interest' repayment basis (31 December 2012: 91%). Of the Buy to let mortgages of €6.5 billion, 57% are on a 'principal and interest' repayment basis (31 December 2012: 52%).

[1] *'Principal and interest' repayment basis mortgages consist of mortgages that are contracted to be repaid over the agreed term on an amortising basis. The typical term at origination for these mortgages was 20 to 30 years.*
[2] *'Interest only' mortgages consist of mortgages where the repayment consists of the full interest element (or greater) for an agreed period at the end of which the mortgage repayment basis becomes 'principal and interest' contracted to be repaid over the agreed term. 'Interest only' periods at origination on Retail Ireland mortgages were originally contracted in a range between 3 and 5 years.*

Book composition (continued)

Total loans that are 'greater than 90 days past due and / or impaired' were €3.9 billion (December 2012: €3.6 billion) or 14% of the Retail Ireland mortgage loan book at 30 June 2013, of which €2.4 billion originated between 2006 and 2008. While there has been an increase (in value) in loans 'greater than 90 days past due and / or impaired' since 31 December 2012, the overall pace of increase (in value) was lower than the second half of 2012, particularly in the Owner occupied book which reflects stabilisation in employment levels and incomes and the restructuring of customer mortgages on a sustainable basis.

At 30 June 2013, impairment provisions on Retail Ireland mortgages were €1.7 billion equating to 44% of the 'greater than 90 days past due and / or impaired' balance on the Retail Ireland mortgage book.

Table 2:	**Total Retail Ireland mortgage loan book**		**Loans > 90 days past due and / or impaired**	
30 June 2013 Origination of Retail Ireland mortgage loan book (before impairment provisions)	**Balance €m**	**Number of accounts[1]**	**Balance €m**	**Number of accounts[1]**
1996 and before	**80**	5,287	**9**	345
1997	**48**	2,029	**5**	141
1998	**85**	2,926	**9**	214
1999	**158**	4,401	**18**	307
2000	**293**	6,020	**32**	430
2001	**427**	6,866	**41**	520
2002	**790**	9,887	**96**	852
2003	**1,348**	13,839	**193**	1,368
2004	**2,252**	18,479	**330**	1,906
2005	**3,551**	23,778	**556**	2,723
2006	**5,255**	28,930	**1,051**	4,262
2007	**4,546**	23,521	**926**	3,454
2008	**3,119**	17,190	**467**	1,857
2009	**1,696**	11,383	**101**	562
2010	**1,208**	7,696	**19**	107
2011	**1,054**	6,810	**5**	32
2012	**927**	6,081	**-**	3
Six months ended 30 June 2013	**274**	1,910	**-**	-
Total	**27,111**	**197,033**	**3,858**	**19,083**

[1] *The number of accounts does not equate to either the number of customers or the number of properties.*

Book composition (continued)

31 December 2012 Origination of Retail Ireland mortgage loan book (before impairment provisions)	Total Retail Ireland mortgage loan book		Loans > 90 days past due and / or impaired	
	Balance €m	Number of accounts[1]	Balance €m	Number of accounts[1]
1996 and before	94	5,792	9	365
1997	53	2,113	5	150
1998	94	3,196	9	207
1999	171	4,525	18	301
2000	312	6,195	32	428
2001	448	7,054	40	503
2002	825	10,108	90	802
2003	1,397	14,212	181	1,266
2004	2,317	18,733	314	1,794
2005	3,638	24,018	524	2,581
2006	5,361	29,135	999	3,996
2007	4,631	23,658	861	3,240
2008	3,185	17,333	427	1,705
2009	1,739	11,491	85	474
2010	1,235	7,781	13	86
2011	1,004	6,852	3	24
2012	981	6,115	-	-
Total	27,485	198,311	3,610	17,922

[1] *The number of accounts does not equate to either the number of customers or the number of properties.*

Book composition (continued)

TABLE 3a

30 June 2013 **Risk profile of Retail Ireland mortgage loan book** **(before impairment provisions)**	**Owner occupied**		**Buy to let**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**
Neither past due nor impaired	17,716	86%	4,519	69%	22,235	82%
1-90 days past due but not impaired	716	3%	302	5%	1,018	4%
> 90 days past due and / or impaired	2,151	11%	1,707	26%	3,858	14%
Total	**20,583**	**100%**	**6,528**	**100%**	**27,111**	**100%**

31 December 2012 Risk profile of Retail Ireland mortgage loan book (before impairment provisions)	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Neither past due nor impaired	18,068	87%	4,812	72%	22,880	83%
1-90 days past due but not impaired	704	3%	291	4%	995	4%
> 90 days past due and / or impaired	2,043	10%	1,567	24%	3,610	13%
Total	20,815	100%	6,670	100%	27,485	100%

The table above illustrates that €22.2 billion or 82% of the total Retail Ireland mortgage loan book at 30 June 2013 was classified as 'neither past due nor impaired' compared to €22.9 billion or 83% at 31 December 2012.

The '1 - 90 days past due but not impaired' category amounted to €1.0 billion or 4% of the total Retail Ireland mortgage loan book at 30 June 2013 (31 December 2012: €1.0 billion or 4%).

The 'greater than 90 days past due and / or impaired' category amounted to €3.9 billion or 14% of the total Retail Ireland mortgage loan book at 30 June 2013 compared to €3.6 billion or 13% at 31 December 2012.

While Owner occupied mortgages 'greater than 90 days past due and / or impaired' have increased from €2.0 billion at 31 December 2012 to €2.2 billion at 30 June 2013, the growth (in value) in 'greater than 90 days past due and / or impaired' balances in the first half of 2013 was lower than the second half of 2012 and was significantly lower than the first half of 2012. This slowdown in the pace of arrears formation reflects a combination of factors including stabilisation of employment levels and incomes and the restructuring of mortgages on a sustainable basis.

Buy to let mortgages 'greater than 90 days past due and / or impaired' have increased from €1.6 billion at 31 December 2012 to €1.7 billion at 30 June 2013. The growth (in value) in 'greater than 90 days past due and / or impaired' during the first half of 2013 was broadly consistent with the second half of 2012 and was significantly reduced from the first half of 2012. Increased repayments as 'interest only' periods come to an end and customers move to fully amortising loans continue to impact on Buy to let borrowers.

The Retail Ireland Buy to let mortgage loan portfolio reduced by €142 million or 2.1% in the first six months of 2013 and the percentage of the Buy to let portfolio on a 'principal and interest' repayment basis increased from 52% at December 2012 to 57% at 30 June 2013.

Book composition (continued)

TABLE 3b Mortgage Arrears > 90 days past due and / or impaired (number of accounts)	30 June 2013 %	31 December 2012 %	30 June 2012 %
Retail Ireland Owner occupied mortgages	7.9%	7.5%	7.0%
Industry Owner occupied (Number of accounts)[1]	Not available	13.1%[2]	11.6%[2]
Retail Ireland Buy to let mortgages	17.6%	15.8%	14.0%
Industry Buy to let (Number of accounts)[1]	Not available	20.5%[2]	17.9%[2]

Mortgage Arrears > 90 days past due and / or impaired (value)	30 June 2013 %	31 December 2012 %	30 June 2012 %
Retail Ireland Owner occupied mortgages	10.5%	9.9%	9.2%
Industry Owner occupied (value)[1]	Not available	17.2%[2]	15.3%[2]
Retail Ireland Buy to let mortgages	26.0%	23.4%	20.8%
Industry Buy to let (value)[1]	Not available	28.7%[2]	25.4%[2]

The latest information published by the Central Bank of Ireland in June 2013 relates to the quarter ended 31 March 2013. This information indicates that the proportion of the Retail Ireland mortgage book in arrears continues to remain significantly below the industry average for both Owner occupied mortgages and Buy to let mortgages. At 31 March 2013 the default rate of arrears (90 days or more past due) for the industry[1] was 13.67%[2] for Owner occupied mortgages and 21.26%[2] for Buy to let mortgages (based on the number of accounts) and for Bank of Ireland Owner occupied mortgages was 7.72% and 16.66% for Buy to let mortgages ('greater than 90 days past due and / or impaired').

[1] *Industry statistics do not include impaired loans < 90 days past due.*
[2] *Source: CBI Mortgage Arrears Statistics Report March 2013 - above is adjusted to exclude Bank of Ireland.*

TABLE 3c 30 June 2013 Loan to value (LTV) ratio of total Retail Ireland mortgage loan book	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Less than 50%	2,605	13%	405	6%	3,010	11%
51% to 70%	2,482	12%	449	7%	2,931	11%
71% to 80%	1,528	7%	291	5%	1,819	6%
81% to 90%	1,850	9%	516	8%	2,366	9%
91% to 100%	1,715	8%	397	6%	2,112	8%
Subtotal	**10,180**	**49%**	**2,058**	**32%**	**12,238**	**45%**
101% to 120%	3,440	17%	989	15%	4,429	16%
121% to 150%	3,815	19%	1,751	27%	5,566	21%
151% to 180%	2,248	11%	1,135	17%	3,383	12%
Greater than 181%	900	4%	595	9%	1,495	6%
Subtotal	**10,403**	**51%**	**4,470**	**68%**	**14,873**	**55%**
Total	**20,583**	**100%**	**6,528**	**100%**	**27,111**	**100%**
Weighted average LTV[1]:						
Stock of Residential mortgages at period end		102%		124%		107%
New Residential mortgages during the period		71%		54%		70%

[1] *Weighted Average LTVs are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

Book composition (continued)

31 December 2012 Loan to value (LTV) ratio of total Retail Ireland mortgage loan book	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Less than 50%	2,663	13%	409	6%	3,072	11%
51% to 70%	2,461	12%	478	7%	2,939	11%
71% to 80%	1,497	7%	293	5%	1,790	7%
81% to 90%	1,746	8%	493	7%	2,239	8%
91% to 100%	1,796	9%	417	6%	2,213	8%
Subtotal	10,163	49%	2,090	31%	12,253	45%
101% to 120%	3,484	17%	1,056	16%	4,540	16%
121% to 150%	3,901	19%	1,763	26%	5,664	21%
151% to 180%	2,223	10%	1,109	17%	3,332	12%
Greater than 181%	1,044	5%	652	10%	1,696	6%
Subtotal	10,652	51%	4,580	69%	15,232	55%
Total	20,815	100%	6,670	100%	27,485	100%
Weighted average LTV[1]:						
Stock of Residential mortgages at year end		102%		124%		108%
New Residential mortgages during the year		74%		57%		73%

[1] *Weighted Average LTVs are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

Table 3c sets out the weighted average indexed LTV for the total Retail Ireland mortgage loan book which was 107% at 30 June 2013, 102% for Owner occupied and 124% for Buy to let mortgages. The weighted average indexed LTV for new residential mortgages written in the first six months of 2013 was 70%, 71% for Owner occupied and 54% for Buy to let mortgages.

Point in time property values are determined by reference to the original or latest property valuations held, indexed to the Residential Property Price Index published by the Central Statistics Office (CSO). The indexed LTV profile of the Retail Ireland mortgage loan book contained in Table 3c is based on the June 2013 CSO Residential Property Price Index.

The June 2013 Index reported that average national residential property prices were 49.7% below peak (December 2012: 49.6% below peak). At June 2013 the annual rate of increase in residential property prices was 1.2% (compared to an annual rate of decline of 4.5% at December 2012). This is the first annual increase since January 2008. An increase in the Residential Property Price Index month on month has been observed for each month since April 2013.

At 30 June 2013 €12.2 billion or 45% of Retail Ireland mortgages are in positive equity, 49% for Owner occupied and 32% for Buy to let mortgages.

At 30 June 2013 the total calculated negative equity in the Retail Ireland mortgage loan book was €3.9 billion (31 December 2012: €4.0 billion). At 30 June 2013, €2.7 billion negative equity related to 'neither past due nor impaired'. Of the remaining €1.2 billion of calculated negative equity, €0.2 billion related to '1 – 90 days past due but not impaired' and €1.0 billion related to loans that were 'greater than 90 days past due and / or impaired'.

Book composition (continued)

TABLE 3d

30 June 2013 **Loan to value (LTV) ratio of Retail Ireland mortgages > 90 days past due and / or impaired**	**Owner occupied**		**Buy to let**		**Total Residential mortgage portfolio**	
	€m	**%**	**€m**	**%**	**€m**	**%**
Less than 50%	111	5%	37	2%	148	4%
51% to 70%	140	7%	45	3%	185	5%
71% to 80%	94	4%	36	2%	130	3%
81% to 90%	111	5%	83	5%	194	5%
91% to 100%	137	7%	67	4%	204	5%
Subtotal	**593**	**28%**	**268**	**16%**	**861**	**22%**
101% to 120%	299	14%	204	12%	503	13%
121% to 150%	536	25%	501	29%	1,037	27%
151% to 180%	438	20%	430	25%	868	23%
Greater than 181%	285	13%	304	18%	589	15%
Subtotal	**1,558**	**72%**	**1,439**	**84%**	**2,997**	**78%**
Total	**2,151**	**100%**	**1,707**	**100%**	**3,858**	**100%**

31 December 2012 Loan to value (LTV) ratio of Retail Ireland mortgages > 90 days past due and / or impaired	Owner occupied		Buy to let		Total Residential mortgage portfolio	
	€m	%	€m	%	€m	%
Less than 50%	112	5%	37	2%	149	4%
51% to 70%	133	7%	42	3%	175	5%
71% to 80%	93	5%	33	2%	126	4%
81% to 90%	108	5%	79	5%	187	5%
91% to 100%	130	6%	62	4%	192	5%
Subtotal	576	28%	253	16%	829	23%
101% to 120%	293	15%	209	14%	502	14%
121% to 150%	515	25%	456	29%	971	27%
151% to 180%	412	20%	363	23%	775	21%
Greater than 181%	247	12%	286	18%	533	15%
Subtotal	1,467	72%	1,314	84%	2,781	77%
Total	2,043	100%	1,567	100%	3,610	100%

The table above illustrates the indexed loan to value ratios for Retail Ireland mortgages ‘greater than 90 days past due and / or impaired’. The ratios reflect the application of the CSO index (June 2013) to the portfolio, capital reductions and out of course customer payments.

Of the Retail Ireland mortgages that were ‘greater than 90 days past due and / or impaired’, €0.9 billion (22%) are in positive equity (31 December 2012: €0.8 billion (23%)) while €3.0 billion (78%) are in negative equity at 30 June 2013 (31 December 2012: €2.8 billion (77%)).

For the ‘greater than 90 days past due and / or impaired’ category, 28% of the Owner occupied Retail Ireland mortgages (31 December 2012: 28%) and 16% of the Buy to Let Retail Ireland mortgages (31 December 2012: 16%) are in positive equity at 30 June 2013.

Asset quality

TABLE 4

30 June 2013 Retail Ireland mortgages Composition and impairment	**Retail Ireland mortgages €m**	**Loans > 90 days past due and / or impaired loans €m**	**Loans > 90 days past due and / or impaired loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of loans > 90 days past due and / or impaired loans %**
Owner occupied mortgages	20,583	2,151	10.5%	824	38%
Buy to let mortgages	6,528	1,707	26.1%	862	50%
Total Retail Ireland mortgages	**27,111**	**3,858**	**14.2%**	**1,686**	**44%**

31 December 2012 Retail Ireland mortgages Composition and impairment	Retail Ireland mortgages €m	Loans > 90 days past due and / or impaired loans €m	Loans > 90 days past due and / or impaired loans as % of advances %	Impairment provisions €m	Impairment provisions as % of loans > 90 days past due and / or impaired loans %
Owner occupied mortgages	20,815	2,043	9.8%	711	35%
Buy to let mortgages	6,670	1,567	23.5%	741	47%
Total Retail Ireland mortgages	27,485	3,610	13.1%	1,452	40%

Retail Ireland mortgages that were ‘greater than 90 days past due and / or impaired’ at 30 June 2013 were €3.9 billion (14.2%) as compared to €3.6 billion (13.1%) at 31 December 2012. During the first half of 2013, the growth (in value) in ‘greater than 90 days past due and / or impaired’ balances was lower than the second half of 2012 and was significantly lower than the first half of 2012. A slowdown in the pace of arrears formation on a value basis was experienced in the Owner occupied portfolio, reflecting the Group’s ongoing strategy to assist customers in financial difficulty, together with stabilising yet challenging economic conditions. In addition, the pace of arrears formation on a value basis in the Buy to let portfolio stabilised, with the rate of increase in the first half of 2013 broadly in line with the second half of 2012.

Mortgage forbearance

The Group continues to offer a range of forbearance strategies for customers in arrears or facing potential arrears on contracted mortgage repayments, in order to arrange, where viable, sustainable short term or longer term repayment solutions as appropriate.

Forbearance occurs when a borrower is granted a temporary or permanent agreed change to the original contractual terms of a mortgage loan (‘forbearance treatment’), for reasons relating to the actual or apparent financial stress or distress of that borrower. If the agreed change to a mortgage loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower, forbearance has not occurred. A mortgage loan which has an active ‘forbearance treatment’ is a ‘forborne’ mortgage.

The Group has a well-established operating infrastructure in place to assess and, where appropriate, implement sustainable forbearance treatments for customers. Forbearance requests are assessed on a case-by-case basis, taking due consideration of the individual circumstances and risk profile of the borrower to ensure, where possible, the most suitable and sustainable repayment arrangement is put in place.
The forbearance strategies adopted by the Group seek to maximise recoveries and minimise losses arising from non-repayment of debt, while providing suitable and sustainable restructure options that are supportive of customers in challenged financial circumstances.

Asset quality (continued)

A forbearance request alone, by the borrower, is not necessarily an indicator of impairment but will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances and ability to repay. This assessment will determine the most appropriate course of action ensuring, where possible, the most suitable and sustainable repayment arrangement is put in place. Probability of Default factors are empirically calculated which, for loans which are not subject to specific provisioning, results in an increased level of IBNR provision.

The table below sets out Retail Ireland mortgages forborne loan stock[1] that have active forbearance treatments in place at 30 June 2013.

The main types of formal forbearance treatments for Retail Ireland mortgages (before impairment provisions) are analysed below:

TABLE 5	**Current and / or loans not in default**		**Loans > 90 days past due arrears and / or impaired**		**All loans**	
30 June 2013 Formal forbearance treatments - Retail Ireland mortgages (before impairment provisions)	**Balance €m**	**Number of accounts[2]**	**Balance €m**	**Number of accounts[2]**	**Balance €m**	**Number of accounts[2]**
Owner occupied						
Full interest	**312**	2,171	**214**	1,406	**526**	3,577
Reduced payment (greater than full interest)	**286**	1,653	**210**	1,180	**496**	2,833
Term extension (including interest servicing)	**308**	3,366	**68**	659	**376**	4,025
Capitalisation of arrears	**125**	915	**21**	94	**146**	1,009
Other	**139**	1,002	**40**	264	**179**	1,266
Total	**1,170**	**9,107**	**553**	**3,603**	**1,723**	**12,710**
Buy to let						
Full interest	**133**	627	**70**	326	**203**	953
Reduced payment (greater than full interest)	**130**	536	**45**	209	**175**	745
Term extension (including interest servicing)	**107**	787	**27**	139	**134**	926
Capitalisation of arrears	**20**	108	**16**	50	**36**	158
Other	**45**	196	**11**	52	**56**	248
Total	**435**	**2,254**	**169**	**776**	**604**	**3,030**
Total						
Full interest	**445**	2,798	**284**	1,732	**729**	4,530
Reduced payment (greater than full interest)	**416**	2,189	**255**	1,389	**671**	3,578
Term extension (including interest servicing)	**415**	4,153	**95**	798	**510**	4,951
Capitalisation of arrears	**145**	1,023	**37**	144	**182**	1,167
Other	**184**	1,198	**51**	316	**235**	1,514
Total (reviewed)	**1,605**	**11,361**	**722**	**4,379**	**2,327**	**15,740**

[1] *Comprises the current stock position of forbearance treatments (agreed since November 2008), for example, where a mortgage loan is granted a full interest forbearance treatment for a defined period of time, and this treatment has expired prior to 30 June 2013, this mortgage loan is not included in the stock of current active forbearance treatments.*
[2] *The number of accounts does not equate to either the number of customers or the number of properties.*

Asset quality (continued)

31 December 2012 Formal forbearance treatments - Retail Ireland mortgages (before impairment provisions)	Current and / or loans not in default		Loans > 90 days past due arrears and / or impaired		All loans	
	Balance €m	Number of accounts[1]	Balance €m	Number of accounts[1]	Balance €m	Number of accounts[1]
Owner occupied						
Full interest	450	3,062	392	2,628	842	5,690
Reduced payment (greater than full interest)	307	1,589	94	402	401	1,991
Term extension (including interest servicing)	233	2,657	26	276	259	2,933
Capitalisation of arrears	76	592	6	21	82	613
Other	95	674	28	194	123	868
Total	1,161	8,574	546	3,521	1,707	12,095
Buy to let						
Full interest	182	914	110	584	292	1,498
Reduced payment (greater than full interest)	215	860	56	187	271	1,047
Term extension (including interest servicing)	81	609	16	73	97	682
Capitalisation of arrears	13	72	10	29	23	101
Other	40	172	8	37	48	209
Total	531	2,627	200	910	731	3,537
Total						
Full interest	632	3,976	502	3,212	1,134	7,188
Reduced payment (greater than full interest)	522	2,449	150	589	672	3,038
Term extension (including interest servicing)	314	3,266	42	349	356	3,615
Capitalisation of arrears	89	664	16	50	105	714
Other	135	846	36	231	171	1,077
Total (reviewed)	1,692	11,201	746	4,431	2,438	15,632

[1] *The number of accounts does not equate to either the number of customers or the number of properties.*

Total forbearance treatments have increased from 15,632 accounts at 31 December 2012 to 15,740 accounts at 30 June 2013. The balances on accounts in formal forbearance treatments have decreased from €2.4 billion at 31 December 2012 to €2.3 billion at 30 June 2013. For Owner occupied mortgages, 12,710 accounts or €1.7 billion are in formal forbearance treatments at 30 June 2013 (December 2012: 12,095 accounts or €1.7 billion). For Buy to let mortgages, 3,030 accounts or €0.6 billion are in formal forbearance treatments at 30 June 2013 (December 2012: 3,537 accounts or €0.7 billion).

Of the total formal forbearance treatments, 4,885 forbearance treatments were put in place during the six months to 30 June 2013 with a further 4,777 exiting forbearance treatments across either the ‘performing’ or ‘past due and / or impaired’ categories. For Owner occupied mortgages, 4,154 forbearance treatments were put in place with a further 3,539 exiting forbearance treatments across either the ‘performing’ or ‘past due and / or impaired’ categories. For Buy to let mortgages, 731 forbearance treatments were put in place with a further 1,238 exiting forbearance treatment across either the ‘performing’ or ‘past due and / or impaired’ categories.

In addition to the forbearance pertaining to the Buy to let mortgages, as at 30 June 2013, there were 1,235 properties where a Fixed Charge Receiver has been appointed or approved, compared to 1,105 properties at 31 December 2012. Furthermore, in the month of June 2013, there were a further 1,784 existing arrears accounts whereby the borrower is currently meeting their contractual payment and also making an additional payment towards their arrears balance.

At 30 June 2013, 4,530 accounts or €0.7 billion were subject to full interest forbearance treatments compared to 7,188 accounts or €1.1 billion at 31 December 2012, as the Group continues to make significant progress in returning interest only mortgage borrowers to an annuity repayment basis. 1,704 of these accounts were forbearance treatments put in place during the period. In addition, 3,341 accounts exited forbearance moving to either performing or ‘past due and / or impaired’ during the period with 1,021 accounts changing to another forbearance treatment type.

Asset quality (continued)

Reduced payment (greater than full interest) increased to 3,578 accounts or €671 million at 30 June 2013, from 3,038 accounts or €672 million at 31 December 2012.

During the six months ended 30 June 2013, term extensions increased to 4,951 accounts or €510 million, from 3,615 accounts or €356 million at 31 December 2012 and 'other' forbearance treatments increased to 1,514 accounts or €235 million at 30 June 2013 from 1,077 accounts or €171 million. These primarily comprise a combination of forbearance treatments. Account balances in relation to residential mortgages on which arrears have been capitalised (excluding those included in 'other') increased to 1,167 accounts or €182 million at 30 June 2013 from 714 accounts or €105 million at 31 December 2012.

Of the €2.3 billion of Retail Ireland mortgages subject to forbearance at 30 June 2013 (December 2012 €2.4 billion), 99% of these are for repayments of full interest or greater on their balances (December 2012: 99%).

The nature and type of forbearance treatments include:

- **full Interest:** the borrower pays the interest on the principal balance, on a temporary or longer term basis, with the principal balance unchanged;
- **reduced payment (greater than full interest):** a temporary or medium term arrangement where the borrower pays the full interest due plus an element of principal on the basis that principal payments will increase in the future;
- **term extension (including servicing interest):** the original term of the mortgage is extended and all the interest is fully serviced;
- **capitalisation of arrears:** the arrears are added to the principal outstanding on the mortgage and the instalment is recalculated to clear the outstanding mortgage debt over the remaining term; and
- **other:** comprising primarily combination forbearance treatments, short term / temporary payment suspensions, and payment restructures.

Mortgage Arrears

The Group has operationalised its Mortgage Arrears Resolution Programme (MARP) infrastructure and continues to implement restructuring and resolution options for our customers. The high volume of activity in forbearance treatments reflects the ongoing effectiveness of the Group's MARP strategy in dealing with customers encountering mortgage difficulties.

The Group has adopted the requirements of the Code of Conduct on Mortgage Arrears (CCMA) which was issued by the Central Bank of Ireland in December 2010.

A revised Code of Conduct on Mortgage Arrears was published by the Central Bank of Ireland on 27 June 2013 and is effective from 1 July 2013, with a six month implementation deadline.

In addition to the MARP established by the Group, a clearly defined Mortgage Arrears Resolution Strategy incorporating both Owner occupied and Buy to let mortgages is in place, which seeks to maximise recoveries arising from non-repayment of customer mortgages while ensuring that customers are treated with respect through the arrears management and resolution process.

Personal Insolvency Act 2012

The Personal Insolvency Act 2012, enacted in December 2012, provides for three debt resolution options for consumers deemed to have unsustainable indebtedness levels. The Group is fully prepared for the implications of the new regime and is well advanced in anticipation of receipt of the first Personal Insolvency proposals expected in the second half of 2013.

Repossessions

At 30 June 2013, the Group had possession of properties held as security as follows:

TABLE 6

Repossessions Retail Ireland mortgages	**30 June 2013** Number of repossessions at balance sheet date	**30 June 2013** Balance outstanding before impairment provisions €m	31 December 2012 Number of repossessions at balance sheet date	31 December 2012 Balance outstanding before impairment provisions €m
Owner occupied	98	28	96	25
Buy to let	76	23	84	30
Total residential repossessions	**174**	**51**	**180**	**55**

TABLE 7

30 June 2013 Disposals of repossessions Retail Ireland mortgages	**Number of disposals during the period[1]**	**Balance outstanding after provisions €m**
Owner occupied	45	4
Buy to let	31	6
Total residential repossessions	**76**	**10**

31 December 2012 Disposals of repossessions Retail Ireland mortgages	Number of disposals during the period	Balance outstanding after provisions €m
Owner occupied	88	10
Buy to let	53	4
Total residential repossessions	141	14

During the six months ended 30 June 2013 the Group disposed of 76 repossessed properties[1] (for the year ended 31 December 2012: 141).

In addition to the above, for the six months ended 30 June 2013 a further 26 properties were disposed of through Fixed Charge Receivers appointed by the Group (for the year ended 31 December 2012: 7).

The total contracted disposal proceeds were adequate to cover the balance outstanding after provisions.

[1] *The number of properties disposed of includes those which were subject to an unconditional contract for sale at the reporting date.*

The information on tables 1, 2, 3a, 3c, 3d, 4, 6, 7 and the total in table 5 (denoted as reviewed) below forms an integral part of the interim financial statements as described in the Basis of preparation on page 63.

All other information below (including all other numbers in table 5) is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Supplementary section - Retail UK mortgages

The following disclosures refer to the Retail UK mortgage loan book. These provide additional detail and breakdowns on the composition and quality of this loan book.

The Group has a long established infrastructure for the origination, underwriting and management of its mortgage portfolio. The processes of underwriting through to account management are centralised and no delegated discretions are in operation outside the centralised unit based in Bristol. The mortgage process is a fully documented process with documentary evidence of key borrower information including an independent valuation of the security property.

Retail UK mortgage origination lending policy and guidelines are subject to regular review. Each applicant is primarily assessed based on their ability and capacity to repay the loan. In addition to the above, the creditworthiness of the borrower, value of the property and the individual circumstances of the applicant are key factors in the underwriting decision.

At 30 June 2013, lending criteria for the Retail UK mortgage portfolio include:

- repayment capacity of the borrower;
- loan to value (LTV) limits;
- mortgage term duration;
- repayment types (amortising repayment or interest only); and
- loan specific terms and conditions.

Book composition

TABLE 1

Retail UK mortgages - Volumes (before impairment provisions)	**30 June 2013 £m**	31 December 2012 £m
Standard mortgages	9,526	10,026
Buy to let mortgages	8,551	8,812
Self certified mortgages	3,474	3,640
Total Retail UK mortgages	**21,551**	**22,478**

Retail UK mortgages were £21.6 billion at 30 June 2013 compared to £22.5 billion at 31 December 2012. The decrease of £927 million or 4.1% reflects lower demand for new mortgages and a deleveraging programme for existing customers. The Group's withdrawal from the intermediary sourced mortgage market in January 2009 remains in place which continues to impact on new business volumes.

New mortgage business continues to be sourced through the Group's relationship with the UK Post Office and through the branch network in Northern Ireland.

Of the £9.5 billion standard mortgages, 55% are on a 'principal and interest'[1] repayment basis (31 December 2012: 54%). Of the self certified mortgages of £3.5 billion, 22% are on a 'principal and interest' repayment basis (31 December 2012: 23%). Of the Buy to let mortgages of £8.6 billion, 10% are on a 'principal and interest' repayment basis (31 December 2012: 10%). Overall 68% of the UK Retail mortgage portfolio at 30 June 2013 are on an 'interest only'[2] repayment basis.

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

[2] 'Interest only' mortgages consist of mortgages where the repayment consists of the full interest element (or greater) for an agreed period at the end of which the mortgage repayment becomes 'principal and interest' contracted to be repaid over the agreed term. 'Interest only' on mortgage products offered in the UK may extend for the full period of the mortgage.

Book composition (continued)

The Tables below illustrate that at 30 June 2013, £4.6 billion (21%) of the Retail UK mortgage loan book originated before 2006, £13.2 billion (61%) between 2006 and 2008 and £3.8 billion (18%) in the years since.

The fall off in originations since 2008 is primarily due to the Group's withdrawal from the intermediary sourced mortgage market in the UK.

Retail UK mortgages 'greater than 90 days past due and / or impaired' were £0.5 billion (December 2012: £0.5 billion) or 2% of the Retail UK mortgage loan book at 30 June 2013, of which £0.4 billion or 1.8% were originated between 2006 and 2008.

TABLE 2 30 June 2013 Origination profile of Retail UK mortgage loan book (before impairment provisions)	Total Residential mortgages loan book		Loans > 90 days past due and / or impaired	
	Balance £m	Number of accounts[1]	Balance £m	Number of accounts[1]
1996 and before	261	7,707	8	181
1997	51	1,240	1	15
1998	82	1,884	2	26
1999	95	2,211	1	22
2000	118	2,421	1	25
2001	246	3,632	3	31
2002	314	4,238	6	55
2003	711	8,065	17	139
2004	777	8,432	22	170
2005	1,892	17,155	51	363
2006	2,773	24,248	78	519
2007	4,630	37,925	125	804
2008	5,756	46,375	181	1,147
2009	1,068	8,422	8	70
2010	945	6,559	2	18
2011	716	4,800	1	9
2012	820	4,746	-	4
Six months ended 30 June 2013	296	1,734	-	-
Total	**21,551**	**191,794**	**507**	**3,598**

[1] *The number of accounts does not equate to either the number of customers or the number of properties.*

Book composition (continued)

31 December 2012 Origination profile of Retail UK mortgage loan book (before impairment provisions)	Total Residential mortgages loan book		Loans > 90 days past due and / or impaired	
	Balance £m	Number of accounts[1]	Balance £m	Number of accounts[1]
1996 and before	306	8,759	8	175
1997	58	1,383	1	15
1998	96	2,137	1	17
1999	106	2,408	1	19
2000	133	2,642	2	22
2001	271	3,926	4	31
2002	341	4,563	7	67
2003	775	8,816	20	151
2004	831	8,892	23	177
2005	1,976	17,806	55	386
2006	2,904	25,254	69	472
2007	4,842	39,368	128	851
2008	6,055	48,586	194	1,229
2009	1,126	8,727	10	85
2010	1,031	6,979	2	14
2011	791	5,149	1	6
2012	836	4,772	-	1
Total	22,478	200,167	526	3,718

[1] *The number of accounts does not equate to either the number of customers or the number of properties.*

TABLE 3a

30 June 2013 Risk profile of Retail UK mortgage loan book (before impairment provisions)	**Standard**		**Buy to let**		**Self certified**		**Total**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Neither past due nor impaired	9,019	94%	8,081	95%	2,898	84%	19,998	93%
1-90 days past due but not impaired	361	4%	292	3%	393	11%	1,046	5%
> 90 days past due and / or impaired	146	2%	178	2%	183	5%	507	2%
Total Retail UK mortgages	**9,526**	**100%**	**8,551**	**100%**	**3,474**	**100%**	**21,551**	**100%**

31 December 2012 Risk profile of Retail UK mortgage loan book (before impairment provisions)	Standard		Buy to let		Self certified		Total	
	£m	%	£m	%	£m	%	£m	%
Neither past due nor impaired	9,503	95%	8,315	95%	3,057	84%	20,875	93%
1-90 days past due but not impaired	383	4%	287	3%	407	11%	1,077	5%
> 90 days past due and / or impaired	140	1%	210	2%	176	5%	526	2%
Total Retail UK mortgages	10,026	100%	8,812	100%	3,640	100%	22,478	100%

Book composition (continued)

TABLE 3b **Mortgage Arrears > 90 days past due and / or impaired (value)**	**30 June 2013 %**	31 December 2012 %	30 June 2012 %
Standard mortgages	1.5%	1.4%	1.0%
Buy to let mortgages	2.1%	2.4%	2.4%
Self certified mortgages	5.3%	4.8%	3.7%

The above tables illustrate that £20.0 billion or 93% of the total Retail UK mortgage loan book at 30 June 2013 was classified as 'neither past due nor impaired' compared to £20.9 billion or 93% at 31 December 2012.

The '1 – 90 days past due but not impaired' category amounted to £1.0 billion or 5% of the total Retail UK mortgage loan book at 30 June 2013 compared to £1.1 billion or 5% at 31 December 2012.

The 'greater than 90 days past due and / or impaired' category amounted to £0.5 billion or 2% of the total Retail UK mortgage loan book at 30 June 2013 compared to £0.5 billion or 2% at 31 December 2012.

Book composition (continued)

TABLE 3c

30 June 2013 Loan to value (LTV) ratio of Retail UK mortgages	Standard		Buy to let		Self certified		Total residential mortgage portfolio	
	£m	%	£m	%	£m	%	£m	%
Less than 50%	1,748	18%	855	10%	321	9%	2,924	13%
51% to 70%	1,653	17%	2,497	29%	748	22%	4,898	23%
71% to 80%	1,754	18%	2,117	25%	764	22%	4,635	22%
81% to 90%	1,959	21%	1,613	19%	865	25%	4,437	21%
91% to 100%	1,296	14%	1,026	12%	577	17%	2,899	13%
Subtotal	**8,410**	**88%**	**8,108**	**95%**	**3,275**	**95%**	**19,793**	**92%**
101% to 120%	964	10%	382	4%	179	5%	1,525	7%
121% to 150%	99	1%	56	1%	14	-	169	1%
Greater than 150%	53	1%	5	-	6	-	64	-
Subtotal	**1,116**	**12%**	**443**	**5%**	**199**	**5%**	**1,758**	**8%**
Total	**9,526**	**100%**	**8,551**	**100%**	**3,474**	**100%**	**21,551**	**100%**
Weighted average LTV:								
Stock of Retail UK mortgages at period end[1]		74%		74%		76%		74%
New Retail UK mortgages during the period[1]		72%		68%		N/A		72%

31 December 2012 Loan to value (LTV) ratio of Retail UK mortgages	Standard		Buy to let		Self certified		Total residential mortgage portfolio	
	£m	%	£m	%	£m	%	£m	%
Less than 50%	1,849	18%	776	9%	314	9%	2,939	13%
51% to 70%	1,498	15%	2,183	24%	678	19%	4,359	19%
71% to 80%	1,557	16%	1,986	23%	746	20%	4,289	19%
81% to 90%	2,033	20%	1,918	22%	902	24%	4,853	22%
91% to 100%	1,571	16%	1,248	14%	724	20%	3,543	16%
Subtotal	8,508	85%	8,111	92%	3,364	92%	19,983	89%
101% to 120%	1,340	13%	628	7%	258	7%	2,226	10%
121% to 150%	126	1%	54	1%	13	1%	193	1%
Greater than 150%	52	1%	19	-	5	-	76	-
Subtotal	1,518	15%	701	8%	276	8%	2,495	11%
Total	10,026	100%	8,812	100%	3,640	100%	22,478	100%
Weighted average LTV:								
Stock of Retail UK mortgages at year end[1]		76%		76%		78%		76%
New Retail UK mortgages during the year[1]		77%		71%		N/A		76%

[1] *Weighted Average LTVs are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

Property values are determined by reference to the original or latest property valuations held, indexed to the 'Nationwide UK House Price Index' published by the UK's Nationwide Building Society. In tables 3c and 3d the June 2013 or December 2012 'Nationwide UK House Price Index' as appropriate, is the index applied to the relevant valuations.

The table above illustrates that at 30 June 2013 the weighted average indexed LTV of the total book was 74% marginally down from December 2012, with new business written during the 6 months ended 30 June 2013 having a weighted average indexed LTV of 72%.

At 30 June 2013, £19.8 billion (92%) of the Retail UK mortgage book was not in negative equity, comprising £8.4 billion (88%) of Standard mortgages, £8.1 billion (95%) of Buy to let mortgages and £3.3 billion (94%) of Self Certified mortgages. This continues to reflect the marginal nature of house price movements in the half year with house prices increasing by 4% on average across the UK.

Book composition (continued)

At 30 June 2013, the total calculated negative equity in the Retail UK mortgage book was £155 million, which comprised £133 million (85%) related to mortgages classified as 'neither past due nor impaired', £9 million (6%) related to mortgages classified as '1-90 days past due but not impaired' and £13 million (9%) related to mortgages that were 'greater than 90 days past due and / or impaired'.

TABLE 3d

30 June 2013 **Loan to value ratio of Retail UK mortgages > 90 days past due and / or impaired**	**Standard**		**Buy to let**		**Self certified**		**Total Residential mortgage portfolio**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Less than 50%	20	14%	5	3%	5	3%	30	5%
51% to 70%	24	16%	21	12%	20	11%	65	13%
71% to 80%	17	11%	34	19%	30	16%	81	16%
81% to 90%	20	14%	42	24%	47	26%	109	22%
91% to 100%	26	18%	36	20%	48	26%	110	22%
Subtotal	**107**	**73%**	**138**	**78%**	**150**	**82%**	**395**	**78%**
101% to 120%	31	21%	30	16%	26	15%	87	17%
121% to 150%	6	4%	7	4%	3	1%	16	3%
Greater than 150%	2	2%	3	2%	4	2%	9	2%
Subtotal	**39**	**27%**	**40**	**22%**	**33**	**18%**	**112**	**22%**
Total	**146**	**100%**	**178**	**100%**	**183**	**100%**	**507**	**100%**

31 December 2012 Loan to value ratio of Retail UK mortgages > 90 days past due and / or impaired	Standard		Buy to let		Self certified		Total Residential mortgage portfolio	
	£m	%	£m	%	£m	%	£m	%
Less than 50%	16	11%	5	2%	4	2%	25	5%
51% to 70%	20	14%	21	10%	16	9%	57	11%
71% to 80%	19	14%	30	14%	27	15%	76	14%
81% to 90%	21	15%	46	22%	42	24%	109	21%
91% to 100%	21	15%	46	22%	50	28%	117	22%
Subtotal	97	69%	148	70%	139	78%	384	73%
101% to 120%	34	25%	47	23%	31	19%	112	21%
121% to 150%	7	5%	11	5%	2	1%	20	4%
Greater than 150%	2	1%	4	2%	4	2%	10	2%
Subtotal	43	31%	62	30%	37	22%	142	27%
Total	140	100%	210	100%	176	100%	526	100%

Asset quality

TABLE 4

30 June 2013 Retail UK mortgages Composition and impairment	**Retail UK mortgages £m**	**Loans > 90 days past due and / or impaired loans £m**	**Loans > 90 days past due and / or impaired loans as % of advances %**	**Impairment provisions £m**	**Impairment provisions as % of loans > 90 days past due and / or impaired loans %**
Standard mortgages	9,526	146	1.5%	44	30%
Buy to let mortgages	8,551	178	2.1%	55	31%
Self certified mortgages	3,474	183	5.3%	28	15%
Total Retail UK mortgages	**21,551**	**507**	**2.4%**	**127**	**25%**

31 December 2012 Retail UK mortgages Composition and impairment	Retail UK mortgages £m	Loans > 90 days past due and / or impaired loans £m	Loans > 90 days past due and / or impaired loans as % of advances %	Impairment provisions £m	Impairment provisions as % of loans > 90 days past due and / or impaired loans %
Standard mortgages	10,026	140	1.4%	34	24%
Buy to let mortgages	8,812	210	2.4%	55	26%
Self certified mortgages	3,640	176	4.8%	27	15%
Total Retail UK mortgages	22,478	526	2.3%	116	22%

At 30 June 2013 total Retail UK mortgages had decreased by £0.9 billion or 4.1% to £21.6 billion (31 December 2012: £22.5 billion). This decrease is attributable to natural redemption rates and a deleveraging programme.

Retail UK mortgages ‘greater than 90 days past due and / or impaired’ were £507 million at 30 June 2013 compared to £526 million at 31 December 2012 attributable to an increase in Standard mortgages of £6 million and self certified mortgages of £7 million with a decrease in Buy to let mortgages of £32 million.

The overall impairment provision coverage ratio on the Retail UK mortgages book ‘greater than 90 days past due and / or impaired’ has increased marginally to 25%.

Asset quality (continued)

Mortgage forbearance

Forbearance occurs when a borrower is granted a temporary or permanent agreed change to the original contractual terms of a mortgage loan ('forbearance measure'), for reasons relating to the actual or apparent financial stress or distress of that borrower. If the agreed change to a mortgage loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower, forbearance has not occurred. A mortgage loan which has an active 'forbearance measure' is a 'forborne mortgage'.

The Group has a well-established operating infrastructure in place to assess and, where appropriate, implement sustainable forbearance treatments for customers. Forbearance requests are assessed on a case-by-case basis, taking due consideration of the individual circumstances and risk profile of the borrower to ensure, where possible, the most suitable and sustainable repayment arrangement is put in place.

A range of forbearance strategies are used by the Group for customers in arrears or facing potential arrears on contracted mortgage payments, in order to arrange, where viable, sustainable short term or longer term repayment solutions as appropriate. The forbearance strategies adopted by the Group seek to maximise recoveries, and minimise losses arising from non-repayment of debt, while providing suitable and sustainable restructure options that are supportive of customers in challenged circumstances.

A forbearance request alone, by the borrower, is not necessarily an indicator of impairment but will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances and ability to repay. This assessment will determine the most appropriate course of action ensure, where possible, the most suitable and sustainable repayment arrangement is put in place. Probability of Default factors are empirically calculated which, for loans which are not subject to specific provisioning, results in an increased level of IBNR provision. A mortgage loan which is subject to forbearance is reported as forborne. If a specific provision is required the mortgage loan is reported as both forborne and impaired.

The nature and type of forbearance treatments include:

- **full interest:** the borrower pays the interest on the principal balance, on a temporary or longer term basis, with the principal balance unchanged;
- **term extension (including servicing interest):** the original term of the mortgage is extended and all the interest is fully serviced;
- **capitalisation of arrears:** the arrears are added to the principal outstanding on the mortgage and the instalment is recalculated to clear the outstanding mortgage debt over the remaining term; and
- **other:** comprising primarily a combination of forbearance treatments, short term / temporary payment suspensions and payment restructures.

Asset quality (continued)

The table below sets out the Retail UK mortgages (before impairment provisions) that have current active formal forbearance treatments that were put in place since 2010 and remain in place at 30 June 2013:

TABLE 5 30 June 2013 Forbearance treatments - Retail UK mortgages (before impairment provisions)	Current and / or loans not in default		Loans > 90 days past due arrears and / or impaired		All loans	
	Balance £m	Number of accounts[1]	Balance £m	Number of accounts[1]	Balance £m	Number of accounts[1]
Standard mortgages						
Full interest	**80**	710	**10**	89	**90**	799
Term extension	**18**	281	**-**	8	**18**	289
Capitalisation of arrears	**6**	33	**-**	2	**6**	35
Other	**1**	15	**1**	7	**2**	22
Total	**105**	**1,039**	**11**	**106**	**116**	**1,145**
Buy to let						
Full interest	**24**	240	**2**	19	**26**	259
Term extension	**6**	56	**-**	3	**6**	59
Capitalisation of arrears	**15**	105	**1**	6	**16**	111
Other	**-**	6	**-**	1	**-**	7
Total	**45**	**407**	**3**	**29**	**48**	**436**
Self certified						
Full interest	**49**	358	**9**	56	**58**	414
Term extension	**3**	26	**-**	-	**3**	26
Capitalisation of arrears	**15**	63	**2**	12	**17**	75
Other	**1**	9	**1**	5	**2**	14
Total	**68**	**456**	**12**	**73**	**80**	**529**
All						
Full interest	**153**	1,308	**21**	164	**174**	1,472
Term extension	**27**	363	**-**	11	**27**	374
Capitalisation of arrears	**36**	201	**3**	20	**39**	221
Other	**2**	30	**2**	13	**4**	43
Total (reviewed)	**218**	**1,902**	**26**	**208**	**244**	**2,110**

[1] *The number of accounts does not equate to either the number of customers or the number of properties.*

Overall the number and balances of accounts in forbearance have decreased. In addition the number of accounts in default has also reduced from £30 million of balances in December 2012 to £26 million in June 2013. This is a reflection of the current low interest rate environment and an active review and customer contact programme. It also reflects that, while a majority of cases remain on a sustainable basis, a number of cases where forbearance has been exercised continue to deteriorate and flow through into possession and sale.

Asset quality (continued)

31 December 2012 Forbearance treatments - Retail UK mortgages (before impairment provisions)	Current and / or loans not in default		Loans > 90 days past due arrears and / or impaired		All loans	
	Balance £m	Number of accounts[1]	Balance £m	Number of accounts[1]	Balance £m	Number of accounts[1]
Standard mortgages						
Full interest	88	785	12	111	100	896
Term extension	20	288	-	8	20	296
Capitalisation of arrears	6	34	-	1	6	35
Other	2	16	1	6	3	22
Total	116	1,123	13	126	129	1,249
Buy to let						
Full interest	24	256	4	27	28	283
Term extension	7	56	-	3	7	59
Capitalisation of arrears	14	104	1	9	15	113
Other	1	8	-	-	1	8
Total	46	424	5	39	51	463
Self certified						
Full interest	51	381	10	61	61	442
Term extension	3	24	-	-	3	24
Capitalisation of arrears	15	63	2	10	17	73
Other	2	11	-	4	2	15
Total	71	479	12	75	83	554
All						
Full interest	163	1,422	26	199	189	1,621
Term extension	30	368	-	11	30	379
Capitalisation of arrears	35	201	3	20	38	221
Other	5	35	1	10	6	45
Total (reviewed)	233	2,026	30	240	263	2,266

[1] *The number of accounts does not equate to either the number of customers or the number of properties.*

Repossessions

At 30 June 2013, the Group had possession of collateral held as security as follows:

TABLE 6

Repossessions Retail UK mortgages	**30 June 2013** Number of repossessions at balance sheet date	**30 June 2013** Balance outstanding before impairment provisions £m	31 December 2012 Number of repossessions as at balance sheet date	31 December 2012 Balance outstanding before impairment provisions £m
Standard mortgages	73	10	70	10
Buy to let mortgages	109	14	139	19
Self certified mortgages	59	12	45	9
Total residential repossessions	**241**	**36**	**254**	**38**

TABLE 7

30 June 2013 Disposal of repossessions Retail UK mortgages	**Number of disposals[1] during the period**	**Balance outstanding after impairment provisions £m**
Standard mortgages	95	9
Buy to let mortgages	173	13
Self certified mortgages	63	9
Total residential repossessions	**331**	**31**

31 December 2012 Disposal of repossessions Retail UK mortgages	Number of disposals[1] during the year	Balance outstanding after impairment provisions £m
Standard mortgages	194	18
Buy to let mortgages	358	30
Self certified mortgages	141	20
Total residential repossessions	693	68

During the period ending 30 June 2013 the Group disposed of 331 repossessed properties[1] (for the year ending 31 December 2012: 693 repossessed properties disposed of). The total contracted disposal proceeds were adequate to cover the balance outstanding after provisions.

For the period ending 30 June 2013, the proceeds from disposals of Standard mortgages was £10 million (year ended 31 December 2012: £21million).

For the period ending 30 June 2013, the proceeds from disposals of Buy to let mortgages was £14 million (year ended 31 December 2012: £31million).

For the period ending 30 June 2013, the proceeds from disposals of Self certified mortgages was £10 million (year ended 31 December 2012: £23 million).

[1] *The number of properties disposed of includes those which were subject to an unconditional contract for sale at the reporting date.*

Forbearance arrangements - loans and advances to customers (excluding Residential mortgages)

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

The Group continues to extend significant support to customers who are experiencing current difficulties in meeting their debt servicing commitments by restructuring loans on a sustainable basis using a range of short term and longer term forbearance solutions. Forbearance strategies are deployed as appropriate and are subject to individual case assessment.

The range of forbearance strategies employed by the Group vary depending on the individual circumstances of the customer, and may result in an amendment to the timing of the contractual cash flows and / or an amendment to other terms of the loan.

Typically, a breach or expected breach of loan covenant(s) is the first early indication of a borrower's actual or potential difficulty with servicing debt commitments. Therefore adjustment or non-enforcement of covenant(s) is frequently an important constituent part of a resolution strategy agreed with a customer, particularly in loan portfolios where covenants are a standard feature of facility agreements. These 'covenant forbearance' arrangements (for example, a waiver of a loan-to-value covenant breach) are unlikely of themselves to result in an impact to the timing of contractual cash flows. Other forbearance arrangements are more likely to have a direct impact on the timing of cash flows.

Forbearance alone is not necessarily an indicator of impairment but will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances and ability to repay. This assessment to determine if impairment has occurred and if a specific provision is required will always take place prior to any decision to grant a concession to the customer. Where a loan is subject to forbearance and no specific provision is required, the loan is reported as forborne. However, where a specific provision is required the loan is reported as impaired.

At 30 June 2013, the stock of forborne loans and advances to customers[1] (excluding Residential mortgages), analysed by forbearance type is as follows:

	Property & Construction			Non-property SME and corporate				Consumer	Total forborne loans and advances customers
30 June 2013 Formal forbearance arrangements	**Land & Development €m**	**Investment €m**	**Total €m**	**ROI SME €m**	**UK SME €m**	**Corporate €m**	**Total €m**	**Total €m**	**€m**
Term extension	176	2,444	2,620	673	89	570	1,332	188	4,140
Adjustment or non-enforcement of covenants	6	731	737	45	89	608	742	-	1,479
Facilities in breach of terms placed on demand	43	859	902	44	25	-	69	-	971
Reduced payment (full interest)	22	212	234	328	42	8	378	-	612
Reduced payment (greater than full interest)	12	297	309	241	38	25	304	1	614
Capitalisation of arrears	8	98	106	13	-	16	29	-	135
Other	13	53	66	91	40	63	194	-	260
Total forborne loans & advances to customers	**280**	**4,694**	**4,974**	**1,435**	**323**	**1,290**	**3,048**	**189**	**8,211**

A description of the type and nature of forbearance measures are outlined on page 139.

[1] *Comprises the current stock position of forbearance arrangements since January 2010.*

Forbearance arrangements - loans and advances to customers (excluding Residential mortgages) (continued)

At 31 December 2012, the stock of forborne loans and advances to customers[1] (excluding Residential mortgages), analysed by forbearance type is as follows:

31 December 2012 Formal forbearance arrangements	Property & Construction Land & Development €m	Investment €m	Total €m	Non-property SME and corporate ROI SME €m	UK SME €m	Corporate €m	Total €m	Consumer Total €m	Total forborne loans and advances customers €m
Term extension	172	2,053	2,225	594	182	538	1,314	212	3,751
Adjustment or non-enforcement of covenants	13	1,198	1,211	64	52	704	820	-	2,031
Facilities in breach of terms placed on demand	53	909	962	22	49	-	71	-	1,033
Reduced payment (full interest)	39	216	255	331	54	9	394	-	649
Reduced payment (greater than full interest)	14	268	282	242	64	1	307	1	590
Capitalisation of arrears	1	78	79	9	2	17	28	-	107
Other	19	79	98	140	46	79	265	-	363
Total forborne loans & advances to customers	311	4,801	5,112	1,402	449	1,348	3,199	213	8,524

A description of the type and nature of forbearance measures are outlined on page 139.

[1] *Comprises the current stock position of forbearance arrangements since January 2010.*

The Group's loans and advances to customers (excluding Residential mortgages) at 30 June 2013 were €42.8 billion before impairment provisions, of which €8.2 billion or 19% was classified and reported as forborne. Property and construction exposures represent 61% of all forborne loans (excluding Residential mortgages) at 30 June 2013, 37% relate to non-property SME and Corporate lending, with Consumer lending being the lowest at only 2%. The percentage of loans classified and reported as forborne and the percentage split of such loans by portfolio have remained broadly consistent with the position at 31 December 2012.

Total loans and advances to customers in the **non-property SME and corporate** portfolio at 30 June 2013 were €22.5 billion before impairment provisions, of which €3.0 billion or 14% was classified and reported as forborne (31 December 2012: €3.2 billion or 14%). Customers in the non-property SME and corporate sector have a number of options typically available to deal with adverse trading conditions, particularly in times of depressed economic conditions in their primary markets, such as reducing operating overheads, sourcing new markets, asset sales and renegotiating terms with suppliers, before their ability to continue to meet their debt servicing commitments is at risk.

Within the non-property SME and corporate portfolio, the total **Republic of Ireland SME** loans and advances to customers before impairment provisions at 30 June 2013 were €10.9 billion, of which €1.4 billion or 13% was classified and reported as forborne (31 December 2012: €1.4 billion or 13%). Within the Irish SME portfolio, term extensions account for 47% of forborne loans at 30 June 2013, reduced payments (full interest) 23% and reduced payments (greater than full interest) 17%. Forbearance resolution strategies for the Group's Irish SME lending are assessed on a case-by-case basis taking account of the individual customer's circumstances and risk profile. Short term resolution arrangements are typically implemented in cases where a customer's cash flow difficulties are considered to be only short term in nature and are expected to improve in the near term due to a change in the customer's operating circumstances. Where cash flow difficulties are considered more long term, and where all other available options of dealing with adverse trading conditions have been considered, longer term forbearance solutions, such as term extensions, are implemented. The longer term strategies look to potential cash flows over a longer time horizon and as economic conditions are expected to normalise.

Forbearance arrangements - loans and advances to customers (excluding Residential mortgages) (continued)

The total **UK SME** loans and advances to customers before impairment provisions at 30 June 2013 were €3.3 billion, of which €0.3 billion or 10% was classified and reported as forborne (31 December 2012: €0.4 billion or 13%). Within the UK SME portfolio, term extension and loan covenant amendments / waivers are the two primary forbearance measures, each accounting for 28% of forborne loans at 30 June 2013.

The total **Corporate** loans and advances to customers before impairment provisions at 30 June 2013 were €8.3 billion, of which €1.3 billion or 16% was classified and reported as forborne (31 December 2012: €1.3 billion or 15%). Within the corporate portfolio, loan covenant amendments / waivers account for 47% of forborne loans with term extensions representing a further 44%.

Covenants are a standard feature of most facilities originated within the corporate lending portfolio given the larger, structured nature of the facilities. Typically, breach of covenants is the first early indication of actual or potential financial difficulties of a borrower and, as such, a waiver or resetting of covenant levels is frequently an important element of any resolution strategy agreed with a borrower to address its new operating circumstances. Where a waiver or resetting of covenants of itself is not sufficient to address a borrower's financial difficulties, and given the relatively shorter term maturity profile of the portfolio, extension of the loan term represents the main alternative solution to assist customers that are experiencing financial difficulties.

Total loans and advances to customers in the **Property and construction** portfolio at 30 June 2013 were €17.4 billion before impairment provisions, of which €5.0 billion or 29% was classified and reported as forborne (31 December 2012: €5.1 billion or 27%).

In the **Investment property** portfolio, total loans and advances to customers at 30 June 2013 were €14.2 billion before impairment provisions, of which €4.7 billion or 33% was classified and reported as forborne (31 December 2012: €4.8 billion or 31%). The level of forbearance in this portfolio is reflective of the challenging conditions of the commercial property market, both in RoI and UK, which has seen significant falls in asset values, increased incidence of tenant default, particularly in the Retail sector and continued illiquidity in the market, all of which has impacted underlying loan book and borrower performance. Term extension is the primary forbearance measure within both the RoI and UK Investment property portfolios, accounting for 52% of total forborne loans at 30 June 2013 with facilities placed on a demand basis accounting for 18% and a further 16% accounted for by covenant amendments / waivers. Given the maturity profile and structuring of the facilities in this portfolio, extending the term of a facility, placing the facility on a demand basis and / or adjusting covenants are the most common longer term arrangements utilised, and in particular, in times of reduced market liquidity where refinancing options are limited and short term forced collateral sales unattractive.

The level of the Group's **Land and development** portfolio classified and reported as forborne, €0.3 billion or 9% at 30 June 2013 (31 December 2012: €0.3 billion or 9%), is reflective of the challenged nature of this sector which has seen significant declines in land values resulting in the majority of the portfolio being already specifically provisioned.

Total loans and advances to customers in the Consumer portfolio at 30 June 2013 were €2.9 billion before impairment provisions, of which €0.2 billion or 7% was classified and reported as forborne (31 December 2012: €0.2 billion or 7%). The €0.2 billion of forborne balances at 30 June 2013 relate to personal loans that have had their term extended as part of a consolidated debt restructure.

The nature and type of forbearance measures include:

- **adjustment or non-enforcement of covenants:** an arrangement whereby the Group agrees to either waive an actual or expected covenant breach for an agreed period, or adjusts the covenant(s) to reflect the changed circumstances of the borrower;
- **facilities in breach of terms placed on demand:** an arrangement whereby the Group places a facility in breach of its contractual terms on a demand basis as permitted under the facility agreement rather than enforcing, and pending a more long term resolution;
- **reduced payments (full interest):** an arrangement where the borrower pays the full interest on the principal balance, on a temporary or longer term basis, with the principal balance unchanged, rather than repaying some of the principal as required under the original facility agreement;
- **reduced payment (greater than full interest):** a temporary or medium term arrangement where the borrower pays the full interest due plus an element of principal due on the basis that principal payments will increase in the future;
- **capitalisation of arrears:** an arrangement whereby arrears are added to the principal balance, effectively clearing the arrears, with either the repayments or the original term of the loan adjusted accordingly to accommodate the increased principal balance;
- **term extension:** an arrangement where the original term of the loan is extended; and
- **other:** additional, less frequently applied, forbearance arrangements include short term / temporary payment suspensions.

2 Group exposures to selected countries

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on page 63.

Set out in the tables below is a summary of the Group's exposure to sovereign debt and other country exposures for selected balance sheet line items in the six months ended 30 June 2013. For these line items, further information on the Group's exposures to eurozone countries that have a Standard & Poor's credit rating of AA or below where the Group has an exposure (excluding loans and advances to customers) of over €250 million (being Ireland and Spain), is set out on pages 146 to 148.

30 June 2013 **Assets**	**Ireland €m**	**United Kingdom €m**	**United States €m**	**Spain €m**	**Italy €m**	**Other[4] €m**	**Total €m**
Cash and balances at central banks	-	4,425	122	-	-	173	4,720
Trading securities	-	16	202	-	6	107	331
Derivative financial instruments (net)[1]	143	481	24	17	-	153	818
Other financial assets at fair value through profit or loss[2]	467	34	13	10	45	603	1,172
Loans and advances to banks[2]	1,293[3]	2,640	21	2	-	1,500	5,456
Available for sale financial assets	7,268	1,093	351	1,011	101	1,765	11,589
NAMA senior bonds	4,171	-	-	-	-	-	4,171
Total	**13,342**	**8,689**	**733**	**1,040**	**152**	**4,301**	**28,257**

Restated* 31 December 2012 Assets	Ireland €m	United Kingdom €m	United States €m	Spain €m	Italy €m	Other[5] €m	Total €m
Cash and balances at central banks	-	8,040	128	-	-	304	8,472
Trading securities	-	45	-	-	-	98	143
Derivative financial instruments (net)[1]	204	622	34	18	-	145	1,023
Other financial assets at fair value through profit or loss[2]	372	67	8	8	38	666	1,159
Loans and advances to banks[2]	3,702	3,469	189	3	-	1,789	9,152
Available for sale financial assets	6,409	1,248	382	1,117	231	1,706	11,093
NAMA senior bonds	4,428	-	-	-	-	-	4,428
Total	15,115	13,491	741	1,146	269	4,708	35,470

[1] Net Derivative exposure is calculated after the application of master netting arrangements and associated cash collateral received.
[2] This excludes those assets held by the Group's life assurance business which are linked to policyholder liabilities. See page 143 for details.
[3] The decrease in Loans and advances to banks from 31 December 2012 primarily reflects the termination of the IBRC repo transaction in February 2013 of €3.1 billion. See note 32 for details.
[4] At 30 June 2013, other is primarily made up of exposures to the following countries: France: €1.7 billion, Netherlands: €0.4 billion, Austria: €0.2 billion, Germany: €0.2 billion, Norway: €0.2 billion, Switzerland: €0.2 billion and other Supranational bonds: €0.6 billion.
[5] At 31 December 2012, other is primarily made up of exposures to the following countries: France: €2.0 billion, Netherlands: €0.4 billion, Switzerland: €0.4 billion, Austria: €0.2 billion, Canada: €0.2 billion, Finland: €0.2 billion, Luxembourg: €0.2 billion.

** As set out in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Group exposures to selected countries (continued)

Set out in the following tables is more detailed analysis of the Group's exposures at 30 June 2013 by asset class:

Cash and balances at central banks

Cash and balances at central banks	6 months ended 30 June 2013 €m	Year ended 31 December 2012 €m
United Kingdom (Bank of England)	4,405	8,002
United States (Federal Reserve)	122	128
Other	193	342
Total	**4,720**	**8,472**

Cash and balances at central banks are accounted for at amortised cost.

Trading securities

30 June 2013 Trading securities	United Kingdom €m	United States €m	Italy €m	Other[1] €m	Total €m
Government bonds	4	202	-	52	258
Corporate and other bonds	12	-	6	55	73
Total	**16**	**202**	**6**	**107**	**331**

31 December 2012 Trading securities	United Kingdom €m	United States €m	Italy €m	Other[2] €m	Total €m
Government bonds	45	-	-	24	69
Corporate and other bonds	-	-	-	74	74
Total	45	-	-	98	143

[1] *At 30 June 2013, other is made up of exposures to the following countries: France: €53 million, Austria: €27 million and Sweden: €27 million.*
[2] *At 31 December 2012, other is primarily made up of exposures to the following countries: Finland: €36 million, France: €35 million, Canada: €11 million and Denmark: €10 million.*

Trading securities are carried in the balance sheet at their fair value. Any changes in the fair value of these assets are treated as gains or charges in the Group's income statement.

Group exposures to selected countries (continued)

Derivative financial instruments

30 June 2013	**Ireland €m**	**United Kingdom €m**	**United States €m**	**Spain €m**	**Other[2] €m**	**Total €m**
Gross Derivative Assets						
Sovereign	10	-	-	-	-	10
Financial institutions	65	1,777	626	4	1,512	3,984
Corporate	125	473	14	13	58	683
Total	**200**	**2,250**	**640**	**17**	**1,570**	**4,677**
Net Derivative Assets[1]						
Sovereign	1	-	-	-	-	1
Financial institutions	26	8	10	4	103	151
Corporate	116	473	14	13	50	666
Total	**143**	**481**	**24**	**17**	**153**	**818**

31 December 2012	Ireland €m	United Kingdom €m	United States €m	Spain €m	Other[3] €m	Total €m
Gross Derivative Assets						
Sovereign	62	-	-	-	-	62
Financial institutions	88	2,224	896	3	1,655	4,866
Corporate	174	615	24	16	90	919
Total	324	2,839	920	19	1,745	5,847
Net Derivative Assets[1]						
Sovereign	1	-	-	-	-	1
Financial institutions	39	8	10	2	55	114
Corporate	164	614	24	16	90	908
Total	204	622	34	18	145	1,023

[1] *Net Derivative Assets exposure is calculated after the application of master netting arrangements and associated cash collateral received.*
[2] *At 30 June 2013, other Net Derivative Assets exposure is primarily made up of exposures to the following countries: Germany: €49 million, Canada: €32 million, Denmark: €40 million, France: €11 million, Austria: €9 million and Australia: €8 million.*
[3] *At 31 December 2012, other Net Derivative Assets exposure is primarily made up of exposures to the following countries: Canada: €50 million, Germany: €39 million, Denmark: €12 million, France: €12 million, Australia: €11 million, Austria: €11 million and Netherlands: €5 million.*

Group exposures to selected countries (continued)

Other financial assets at fair value through profit or loss

30 June 2013	Ireland €m	United Kingdom €m	United States €m	Spain €m	Italy €m	Other[1] €m	Total €m
Government bonds	317	-	-	-	30	428	775
Other	150	34	13	10	15	175	397
Total	**467**	**34**	**13**	**10**	**45**	**603**	**1,172**

31 December 2012	Ireland €m	United Kingdom €m	United States €m	Spain €m	Italy €m	Other[2] €m	Total €m
Government bonds	229	-	-	-	30	551	810
Other	143	67	8	8	8	115	349
Total	372	67	8	8	38	666	1,159

[1] *At 30 June 2013, other is primarily made up of exposures to the following countries: France: €0.3 billion and Austria: €0.2 billion.*
[2] *At 31 December 2012, other is primarily made up of exposures to the following countries: France: €0.4 billion and Austria: €0.2 billion.*

The Group's holdings of 'Other financial assets at fair value through profit or loss' primarily relate to the Group's life assurance business.

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the policyholders. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal change in the value of the amounts due to policyholders. At 30 June 2013, such assets which were included in Other financial assets at fair value through profit or loss amounted to €8,684 million (31 December 2012: €8,301 million). At 30 June 2013, Loans and advances to banks also included an amount of €202 million (31 December 2012: €350 million) relating to such assets. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet. These assets have been excluded from the analysis of the Groups exposure in the tables above.

Group exposures to selected countries (continued)

Loans and advances to banks

30 June 2013	**Ireland €m**	**United Kingdom €m**	**United States €m**	**Spain €m**	**Other[3] €m**	**Total €m**
Loans and advances to banks[1]	**1,293[2]**	**2,640**	**21**	**2**	**1,500**	**5,456**

Restated* 31 December 2012	Ireland €m	United Kingdom €m	United States €m	Spain €m	Other[4] €m	Total €m
Loans and advances to banks[1]	3,702	3,469	189	3	1,789	9,152

[1] *Loans and advances to banks of €202 million (31 December 2012: €350 million) is held on behalf of Bank of Ireland Life policyholders and has been excluded from the analysis above (see page 143).*
[2] *The decrease in Loans and advances to banks from 31 December 2012 primarily reflects the termination of the IBRC repo transaction in February 2013 of €3.1 billion. See note 32 for details.*
[3] *At 30 June 2013, other is primarily made up of exposures to the following countries: France: €0.9 billion, Germany: €0.2 billion and Switzerland: €0.2 billion.*
[4] *At 31 December 2012, other is primarily made up of exposures to the following countries: France: €1.0 billion and Switzerland: €0.3 billion.*

* *As set out in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*

Loans and advances to banks include loans to and placements with credit institutions and certain placements with central banks which are accounted for at amortised cost. No provisions are held against these balances. The Group exposures disclosed above are prepared on the basis of exposure to the country of operations of the counterparty.

Group exposures to selected countries (continued)

Available for sale financial assets

30 June 2013 Available for sale financial assets	**Ireland €m**	**United Kingdom €m**	**United States €m**	**Spain €m**	**Italy €m**	**Other[2] €m**	**Total €m**
Government bonds	6,311	116	2	-	32	62	6,523
Senior bank debt and other senior debt	768	75	39	-	60	851	1,793
Covered bonds	52	679	255	956	-	794	2,736
Subordinated debt[1]	124	-	-	-	-	-	124
Asset backed securities	13	223	55	55	9	58	413
Total	**7,268**	**1,093**	**351**	**1,011**	**101**	**1,765**	**11,589**

31 December 2012 Available for sale financial assets	Ireland €m	United Kingdom €m	United States €m	Spain €m	Italy €m	Other[3] €m	Total €m
Government bonds	5,420	123	1	-	32	66	5,642
Senior bank debt and other senior debt	755	157	58	-	190	484	1,644
Covered bonds	51	691	258	1,060	-	1,103	3,163
Subordinated debt[1]	117	-	-	-	-	-	117
Asset backed securities	66	277	65	57	9	53	527
Total	6,409	1,248	382	1,117	231	1,706	11,093

[1] *NAMA subordinated debt of €124 million (31 December 2012: €117 million) is classified as an available for sale debt instrument. The Group incurred an impairment charge of €40 million on the NAMA subordinated bonds during the year ended 31 December 2012.*
[2] *At 30 June 2013, other is primarily made up of exposures to the following countries: France: €0.4 billion, Netherlands: €0.3 billion, Norway: €0.2 billion and other Supranational bonds: €0.6 billion.*
[3] *At 31 December 2012, other is primarily made up of exposures to the following countries: France: €0.7 billion, Netherlands: €0.3 billion and Luxembourg: €0.2 billion.*

Available for sale financial assets are carried in the balance sheet at their fair value. Other than in respect of impairment, any change in fair value is treated as a movement in the AFS reserve in Stockholder's equity.

NAMA senior bonds

At 30 June 2013, the Group had holdings of NAMA senior bonds which are guaranteed by the Irish Government with a nominal value of €4,211 million (31 December 2012: €4,475 million) and a fair value at that date of €4,193 million (31 December 2012: €4,467 million). The contractual maturity date of the NAMA senior bonds is 1 March 2014. NAMA may, only with the consent of the Group, settle the bonds by issuing new bonds with the same terms and conditions and a maturity date of up to 364 days.

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

Group exposures to selected countries (continued)

Additional information on selected European countries

The tables below show the Group's exposures to eurozone countries that have a Standard & Poor's credit rating of AA or below where the Group has an exposure (excluding loans and advances to customers) of over €250 million (being Ireland and Spain). The maturity analysis in the tables below is based on the residual contractual maturity of the exposures (except where otherwise indicated).

Ireland

As at 30 June 2013, Ireland's credit rating from Standard & Poor's was BBB+ (31 December 2012: BBB+). The table below shows the Group's exposure to Ireland by selected balance sheet line items:

	Carrying Value							**Nominal value**
As at 30 June 2013	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**	**Total €m**
Other financial assets at fair value through profit or loss[1]	91	21	10	81	119	145	467	439
- Government bonds	*-*	*-*	*-*	*81*	*95*	*141*	*317*	*301*
- Other	*91*	*21*	*10*	*-*	*24*	*4*	*150*	*138*
Loans and advances to banks[1]	1,157	90	-	46	-	-	1,293[2]	1,293
Available for sale financial assets	6	-	2,058	2,700	2,504	-	7,268	6,973
- Government bonds	*-*	*-*	*1,283*	*2,648*	*2,380*	*-*	*6,311*	*5,881*
- Senior bank debt and other[3]	*6*	*-*	*775*	*52*	*124*	*-*	*957*	*1,092*
NAMA senior bonds[4]	-	410	396	1,484	1,881	-	4,171	4,211
Total[5]	**1,254**	**521**	**2,464**	**4,311**	**4,504**	**145**	**13,199**	**12,916**

	Carrying Value							Nominal value
As at 31 December 2012	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m	Total €m
Other financial assets at fair value through profit or loss[1]	51	47	25	77	119	53	372	347
- Government bonds	*-*	*-*	*-*	*77*	*99*	*53*	*229*	*211*
- Other	*51*	*47*	*25*	*-*	*20*	*-*	*143*	*136*
Loans and advances to banks[1]	526	3,176	-	-	-	-	3,702	3,702
Available for sale financial assets	6	51	334	4,833	1,133	52	6,409	6,245
- Government bonds	*-*	*51*	*327*	*4,027*	*1,015*	*-*	*5,420*	*5,099*
- Senior bank debt and other[3]	*6*	*-*	*7*	*806*	*118*	*52*	*989*	*1,146*
NAMA senior bonds[4]	-	667	396	1,484	1,881	-	4,428	4,475
Total[5]	583	3,941	755	6,394	3,133	105	14,911	14,769

[1] This excludes those assets held by the Group's life assurance business which are linked to policyholder liabilities.
[2] The decrease in Loans and advances to banks from 31 December 2012 primarily reflects the termination of the IBRC repo transaction in February 2013 of €3.1 billion. See note 32 for details.
[3] Senior bank debt and other primarily relates to the Group's holdings of Irish Government senior bank debt issued by Irish financial institutions.
[4] The maturity date of the NAMA senior bonds is based on their ultimate expected maturity.
[5] The Group also has a net derivative asset exposure to Ireland at 30 June 2013 of €143 million (31 December 2012: €204 million).

Group exposures to selected countries (continued)

Ireland (continued)

Available for sale financial assets As at 30 June 2013 Maturity profile	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**
Nominal value	6	-	1,973	2,480	2,514	-	6,973
Fair value	6	-	2,058	2,700	2,504	-	7,268
AFS reserve (before tax)	-	-	126	225	171	-	522

Available for sale financial assets As at 31 December 2012 Maturity profile	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	7	50	328	4,571	1,237	52	6,245
Fair value	6	51	334	4,833	1,133	52	6,409
AFS reserve (before tax)	-	1	6	362	55	-	424

Group exposures to selected countries (continued)

Spain

As at 30 June 2013, Spain's credit rating from Standard & Poor's was BBB- (31 December 2012: BBB-). The table below shows the Group's exposure to Spain by selected balance sheet line items:

	Carrying Value							Nominal Value
As at 30 June 2013	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**	**Total €m**
Other financial assets at fair value through profit or loss	-	-	-	-	10	-	10	10
Loans and advance to banks	2	-	-	-	-	-	2	2
Available for sale financial assets - Covered bonds and other	50	43	63	703	142	10	1,011	1,021
Total[1]	**52**	**43**	**63**	**703**	**152**	**10**	**1,023**	**1,033**

	Carrying Value							Nominal Value
As at 31 December 2012	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m	Total €m
Other financial assets at fair value through profit or loss	-	-	-	-	8	-	8	7
Loans and advance to banks	3	-	-	-	-	-	3	3
Available for sale financial assets - Covered bonds and other	100	132	-	698	177	10	1,117	1,166
Total[1]	103	132	-	698	185	10	1,128	1,176

[1] *The Group also has a net derivative asset exposure to Spain at 30 June 2013 of €17 million (31 December 2012: €18 million).*

Available for sale financial assets As at 30 June 2013 Maturity profile	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**
Nominal value	50	44	62	696	157	12	1,021
Fair value	50	43	63	703	142	10	1,011
AFS reserve (before tax)	-	(2)	(2)	(52)	(38)	(2)	(96)

Available for sale financial assets As at 31 December 2012 Maturity profile	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	100	134	-	713	207	12	1,166
Fair value	100	132	-	698	177	10	1,117
AFS reserve (before tax)	-	(5)	-	(85)	(67)	(2)	(159)

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3 Average balance sheet and interest rates

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on page 63.

The following table shows the average balances and interest rates of interest earning assets and interest bearing liabilities for the six months ended 30 June 2013 and the year ended 31 December 2012. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on a net product margin basis, with funding and interest exposure managed centrally. The explanation of the underlying business trends in the Group's net interest margin, after adjusting for the impact of IFRS income classifications, is outlined on page 9. Rates for the six months ended 30 June 2013 are annualised.

Average Balance Sheet

	6 months ended 30 June 2013			Restated* Year ended 31 December 2012		
	Average Balance €m	**Interest[1] €m**	**Rate %**	Average Balance €m	Interest[1] €m	Rate %
Assets						
Loans and advances to banks	13,630	32	0.47	17,510	104	0.59
Loans and advances to customers	89,183	1,628	3.65	98,629	3,436	3.48
Available for sale financial assets and NAMA senior bonds	15,924	198	2.49	16,123	466	2.89
Other financial assets at fair value through profit or loss	24	-	-	29	-	-
Total interest earning assets	**118,761**	**1,858**	**3.13**	**132,291**	**4,006**	**3.03**
Non interest earning assets	22,299	-	-	20,285	-	-
Total Assets	**141,060**	**1,858**	**2.63**	**152,576**	**4,006**	**2.63**
Liabilities and stockholders' equity						
Deposits from banks	16,481	80[1]	0.98	29,458	365[1]	1.24
Customer accounts	58,708	561[1]	1.91	59,121	1,381[1]	2.34
Debt securities in issue	16,269	159[1]	1.95	17,134	346[1]	2.02
Subordinated liabilities	1,631	90	11.04	1,388	159[2]	11.46
Total interest bearing liabilities	**93,089**	**890**	**1.91**	**107,101**	**2,251**	**2.10**
Current accounts	14,582	-	-	13,585	-	-
Non interest bearing liabilities	25,188	-	-	22,727	-	-
Stockholders' Equity	8,201	-	-	9,163	-	-
Total liabilities and Stockholders' Equity	**141,060**	**890**	**1.26**	**152,576**	**2,251**	**1.48**

* *As outlined in the Basis of preparation on page 68, comparative periods have been restated to reflect the impact of the adoption of 'IAS 19 Employee Benefits (Revised 2011) (IAS 19R)' and 'IFRS 10 Consolidated Financial Statements'. See note 34 for additional information.*
[1] *Excludes the cost of the ELG scheme of €99 million (31 December 2012: €388 million) which is included within interest expense.*
[2] *Excludes the gain on remeasurement of the Contingent Capital Note of €79 million.*

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

The yield on average interest bearing liabilities (including current accounts) for the six months ended 30 June 2013 was 1.65% (year ended 31 December 2012: 1.87%).

4 Rates of exchange

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

	30 June 2013		30 June 2012		31 December 2012	
	Closing	**Average**	Closing	Average	Closing	Average
€ / US$	1.3080	1.3134	1.2590	1.2965	1.3194	1.2848
€ / Stg£	0.8572	0.8508	0.8068	0.8225	0.8161	0.8109

5 Credit ratings

Ireland - Senior debt	**30 June 2013**	31 December 2012
Standard & Poor's	BBB+ (Stable)	BBB+ (Negative)
Moody’s	Ba1 (Negative)	Ba1 (Negative)
Fitch	BBB+ (Stable)	BBB+ (Stable)
DBRS	A (Low) (Negative trend)	A (Low) (Negative trend)

BOI - Senior debt	**30 June 2013**	31 December 2012
Standard & Poor's	BB+ (Negative)	BB+ (Negative)
Moody’s	Ba2 (Negative)	Ba2 (Negative)
Fitch	BBB (Stable)	BBB (Stable)
DBRS	BBB (High) (Negative trend)	BBB (High) (Negative trend)

On 12 July 2013, Standard and Poor’s upgraded the Irish Sovereign Outlook from Stable to Positive. In addition, on 16 July 2013, Standard and Poor’s upgraded the BOI Outlook from Negative to Stable.

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