permanent tsb
GROUP HOLDINGS P.L.C.

(formerly Irish Life & Permanent Group Holdings plc)

2012 Half Year Report

Six months ended 30 June 2012

Forward Looking Statements

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

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

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

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	Six months ended 30 June	
	2012	2011
	€m	€m
Continuing operations:		
Operating loss before gain on subordinated liability management exercise, provisions for impairment and exceptional items	**(21)**	(26)
Exceptional items	**(130)**	(34)
Operating loss before gain on subordinated liability management exercise and provisions for impairment	**(151)**	(60)
Gain on subordinated liability management exercise	**-**	763
Provisions for impairment - loans and receivables	**(434)**	(333)
Provisions for impairment - repossessed assets	**(3)**	-
(Loss) / profit before taxation	**(588)**	370
Taxation	**22**	43
(Loss) / profit after taxation from continuing operations	**(566)**	413
Discontinued operations:		
Results from discontinued operations for the period	**-**	47
(Loss) / profit for the period	**(566)**	460

Statement of Financial Position and Funding Metrics

	30 June	31 December
	2012	2011
	€m	€m
Total equity	**3,077**	3,517
Total assets		
Continuing Operations	**43,826**	43,196
Discontinued Operations	**-**	28,841
Loans and receivables to customers	**32,878**	33,677
Provisions for impairment	**(2,737)**	(2,298)
Provisions for impairment %	**7.7%**	6.4%
Customer accounts	**17,267**	14,373
Loan-to-deposit ratio	**190%**	227%
Net Stable Funding Ratio	**66%**	59%
Capital Ratios		
Continuing Operations		
Available capital	**3,454**	2,756
Risk weighted assets	**16,087**	15,408
Core tier 1 ratio	**18.1%**	14.1%
Total capital ratio	**21.5%**	17.9%

Chairman's statement

Overview

2012 represents a year of fundamental change and restructuring of permanent tsb Group Holdings plc (the "Group") designed to ensure that permanent tsb can be restored to viability and that it can play a key role in the financial services industry in Ireland.

Much has changed already. Most recently we have completed the sale of the Group's life and pensions business (Irish Life Limited together with its subsidiaries and associated Companies, "the Life Group") for €1.3 billion which completed the €4 billion capital raising exercise begun in March 2011. This has also had a fundamental impact on the structure of the Group which is now a smaller operation than it was previously and is firmly focused on retail banking.

The Group has also been engaged in intensive discussions with the Department of Finance and other external interested parties on restructuring permanent tsb plc ("Bank" or "PTSB") (formerly Irish Life & Permanent plc). Following this, a detailed plan was submitted by the Department of Finance to the European Commission at the end of June. The Group has already begun the implementation of this plan which will eventually include the establishment of three key strategic business units including a smaller permanent tsb bank, an Asset Management Unit and the UK mortgage loan business of Capital Home Loans Limited ("CHL").

And, importantly, the Group recruited a new CEO for the Bank, Mr Jeremy Masding, and he, in turn, is now recruiting a new management team to oversee the restructuring programme.

These are the first steps in what will undoubtedly be a long and challenging journey for the Group. After a very difficult four years, I am confident that we are now at the start of a new era for the Group and that they have set us on the path to recovery.

Restructuring Plan

On 26 April 2012, the Minister for Finance announced in his statement following the successful completion of the Quarter 1 review of the EU / IMF Programme that:

"Agreement has been reached, in line with the programme commitments, on the strategic direction for permanent tsb, with a formal restructuring plan to be submitted to the European Commission by the end of June. The objective of this plan is to create a viable retail bank focused on lending into the Irish economy. This will be achieved by carving out a viable bank from the current permanent tsb business."

As mentioned previously, a detailed Restructuring Plan has been submitted to the European Commission for their approval under State Aid rules. This plan sets out the detailed steps that are required to create a viable, customer focused and competitive retail bank capable of resuming normal lending into the Irish market. At the same time a separate Asset Management Unit ("AMU") will be created to manage those businesses and assets which are considered to be non-core. A wide range of assets and loans will be included in the AMU, allowing them to be managed in a coordinated and professional manner.

The plan also envisages that the Group's UK mortgage business, CHL, will continue as a stand alone business unit within the Group.

Recapitalisation

The Group completed the sale of the Life Group to the Minister for Finance on 29 June 2012 for a cash consideration of €1.3 billion. This completed the required €4.0 billion recapitalisation of the Bank, as determined by the Central Bank of Ireland ("Central Bank") as part of the PCAR / PLAR review carried out in 2011. The results of the Life Group for the period ended 29 June 2012 are reported as discontinued operations.

Changes at Management and Board

Mr Jeremy Masding was appointed Chief Executive of permanent tsb plc on 20 February 2012, and joined the Board of permanent tsb Group Holdings plc on 28 February 2012.

Mr Piotr Skoczylas was appointed to the Board of permanent tsb Group Holdings plc on 4 April 2012. Mr Bernard Collins retired from the Board of permanent tsb Group Holdings plc following the Annual General Meeting held on 22 May 2012.

Mr Kevin Murphy and Mr David McCarthy resigned from the Board of permanent tsb Group Holdings plc on 29 June 2012, immediately following the signing of the Share Purchase Agreement to effect the sale of the Life Group. Mr Jeremy Masding was appointed Chief Executive of the Group on 29 June 2012.

Chairman's statement

Outlook

There is a compelling case that a viable bank can be created from the current permanent tsb by separating out certain elements into distinct business units.

Therefore, it is our intention to create a best-in-class retail bank which is competitive, customer focused and profitable with a systemic importance in the Irish market which can serve its customers, its shareholders and the wider community and which can begin to repay Irish taxpayers for the support that they have given the institution in recent years.

Alan Cook

Chairman

28 August 2012

Group Chief Executive's Review

In the Chairman's Statement, 2012 was described as a year of fundamental change and restructuring. That has certainly been the case so far and inevitably much more change is on the way.

I joined the Group in February of this year, charged with the responsibility to map out the options for the Bank going forward and, ultimately, overseeing its restructuring.

It has been a very intense and busy few months. We have, however, made significant progress in putting in place the foundations for the creation of a viable, competitive and customer focused bank which will be smaller than the current permanent tsb, but will be more than capable of playing a real and significant role in the financial services industry in Ireland.

We have made significant progress in the first six months in securing agreement from the authorities both in Ireland and from the EU, IMF and ECB on the systemic importance of the Bank to the Irish financial landscape.

With the full support of the Government and the EU, the Group undertook an intensive and detailed strategic review of the options available. We are confident that this review has delivered a financially robust and fact based business plan.

A formal restructuring plan was submitted by the Department of Finance to the European Commission for their approval under State Aid rules on 29 June 2012. This plan set out the detailed steps required to create a viable, customer focused and competitive retail bank capable of resuming normal lending into the Irish market.

The restructuring plan involves the carving out of a viable bank from the current permanent tsb business, while at the same time creating a separate Asset Management Unit ("AMU") to manage the assets that require enhanced credit and collections management due to their arrears profile, collateral characteristics and underlying profitability.

A wide range of assets and loans will be included in the AMU, allowing them to be managed in a coordinated and professional manner. A range of criteria was used to determine the most appropriate split of assets. If approved, the separation is not expected to take place until the second half of 2013, at the earliest, by which time internal management reporting processes will have been realigned to the new structure.

In an effort to realign the Group's cost base, the restructuring plan includes a reorganisation of the Group's distribution network, including the closure of 16 and the downsizing of a further 2 of its current 92 branches in the second half of 2012. A further streamlining and strengthening of the Group's central functions, including financial control, reporting and risk management will be supported by a voluntary redundancy scheme. This scheme will seek a reduction of approximately 250 people.

The plan also envisages that the Group's UK mortgage business, CHL, will continue as a stand alone business unit within the Group.

In summary, by mid 2013, the Group will be run through three discrete business units:

- permanent tsb – a new Irish bank of systemic importance
- Asset Management Unit – the specialist non-core Irish businesses and assets
- CHL – the UK mortgage loan business

Financial performance

The Group's continuing operations, which consists of the Irish retail banking business and the UK mortgage business, reported a loss for the period ended 30 June 2012 of €566 million (30 June 2011: €413 million profit).

The operating loss (before impairments and exceptional items and in 2011 before the gain from the liability management exercise) was €21 million (30 June 2011: €26 million).

Net interest income for the period, before the cost of the Eligible Liabilities Guarantee ("ELG") scheme, was €166 million (30 June 2011: €205 million), reflecting a decrease in the reported net interest margin ("NIM")[1] to 0.76% (30 June 2011: 0.97%).

The margin was negatively impacted by a decrease in the standard variable mortgage ("SVR") rate, the continued high cost of deposit funding and a reduction in the average level of European Central Bank ("ECB") borrowings, which carry a lower funding cost, to €11.8 billion (30 June 2011: €13.1 billion).

Operating expenses, excluding exceptional items were €136 million for the six months ended 30 June 2012 which is in line with June 2011 (30 June 2011: €135 million).

The Group incurred exceptional costs of €130 million (30 June 2011: €34 million), including a €72 million charge (30 June 2011: €nil) to write down the carrying value of assets held for sale to their

[1] Net interest margin is the ratio of net interest income and the average interest earning assets for the period.

expected realisable value and €52 million of costs associated with the restructuring of the Group.

Impairment provisions on loans and receivables were €434 million (30 June 2011: €333 million), with the increase primarily due to a €92 million increase in provisions on commercial mortgages arising from the worsening economic conditions in Ireland, the negative impact on property values and significantly reduced rent rolls in the commercial portfolio.

Capital

The Group finalised the €4.0 billion recapitalisation of PTSB following the completion of the sale of the Life Group to the Minister for Finance on 29 June 2012. The €4.0 billion capital requirement was determined by the Central Bank as part of the PCAR / PLAR review carried out by the Central Bank in early 2011.

Regulatory capital has increased to €3.5 billion as at 30 June 2012 (31 December 2011: €2.8 billion), giving it a total capital ratio of 21.5% (31 December 2011: 17.9%), well above the Capital Requirement Directive ("CRD") requirements of 8% and the Central Bank's minimum target of 10.5%.

The excess capital leaves the Bank well capitalised to absorb losses arising from loan impairments anticipated under the 2011 PCAR stress scenario and the disposal of non-core assets.

Funding

Funding continues to be a significant challenge for the banking system in Ireland. In common with other Irish banks, and as a consequence of the Irish banks' and the Irish State's credit rating downgrades, wholesale debt markets effectively remain closed to the Group for unsecured and unguaranteed issuances.

The Group participates in the ELG Scheme. The cost of the ELG scheme was €81 million for the six months ended 30 June 2012 (30 June 2011: €94 million), a decrease of €13 million. This is due to a reduction in the level of balances covered under the scheme along with a lower overall average level of fees.

The average level of liabilities covered under the ELG scheme during the six months ended 30 June 2012 was €15.4 billion (30 June 2011: €16.7 billion), while the average fees charged in the six months ended 30 June 2012 was 1.06% (30 June 2011: 1.12%).

At 30 June 2012, the Net Stable Funding Ratio as defined by the Basel Committee on Banking Supervision was 66% compared with 59% as at 31 December 2011.

In January 2012, in line with its strategy of growing its stable deposit base, the Group successfully acquired Northern Rock's €0.5 billion Irish retail deposit portfolio. This acquisition contributed to the increase in the Group's Republic of Ireland ("ROI") retail deposit book to €13.6 billion as at 30 June 2012 (31 December 2011: €12.7 billion). Corporate deposits also increased to €3.6 billion (31 December 2011: €2.3 billion) due to competitive pricing and the satisfactory conclusion of discussions with external parties.

The loan-to-deposit ratio reduced to 190% (31 December 2011: 227%) due to a combination of lower outstanding loan balances, scheduled repayments and redemptions which were in excess of new lending volumes along with the higher levels of deposits as set out above.

Asset Quality

New lending activity in the Bank was €0.1 billion (30 June 2011: €0.2 billion) while redemptions and repayments were €0.5 billion (30 June 2011: €1.0 billion), resulting in a decrease in outstanding loan balances before impairment provisions to €35.6 billion (31 December 2011: €36.0 billion).

The housing market in Ireland remains extremely weak. This, together with the uncertainties caused by high unemployment and the continued negative impact of existing austerity measures on disposable incomes, has led to further increases in arrears throughout the period. The rate of increase, however, has slowed in the last few months following the strengthening of the Group's collections capabilities. The number of accounts greater than 90 days in arrears increased by 15.5% to 24,053 cases as at 30 June 2012 (31 December 2011: 20,854 cases), representing 14.1% (31 December 2011: 12.0%) of the portfolio. The number of owner occupier mortgages included in these numbers was 19,489 (31 December 2011: 16,947) representing 13.2% (31 December 2011: 11.3%) of the total outstanding owner occupier cases.

The total impairment provisions balance increased to €2.7 billion (31 December 2011: €2.3 billion) with the result that the Group's overall provision coverage increased to 7.7% of the gross loans and receivables balances (31 December 2011: 6.4%).

Group Chief Executive's Review

The Group continues to invest resources to manage the significant number of mortgages in arrears and will soon complete the recruitment of additional employees in a new collections unit. The underlying IT system will also be upgraded to facilitate the collections and arrears management processes.

Discontinued Operations

Discontinued operations include the results of the Life Group for the period ended 29 June 2012, the date on which the Group completed the sale of the Life Group to the Minister for Finance for a cash consideration of €1.3 billion.

The Life Group reported an operating profit for the period ended 29 June 2012 of €89 million (30 June 2011: €44 million) before €46 million of consolidation adjustments resulting from the disposal of the business.

The net assets, excluding intercompany balances, of the Life Group disposed as at 29 June 2012 were €1,024 million.

A Separation Management Agreement and a Transitional Services Agreement were signed between the Group and Irish Life Limited on 29 June 2012. This deals with post separation support between the parties, particularly in relation to key services such as IT, HR and Payroll until they are fully separated.

Outlook

It is clear that within the current business there is the potential to develop a customer focused, profitable and competitive bank of systemic importance that will ultimately deliver market returns. This also offers the best route for the taxpayer to recover some of the substantial investment made.

We have taken significant actions to develop the platform on which to deliver our strategy, including strengthening the executive management team and implementation of Mortgage Assistance Relief Services ("MARS") strategy supported by an expansion of the collections and arrears management departments. We have also placed an increased emphasis on risk and compliance and a reorganisation of the internal financial management, control and reporting processes. While these initiatives have begun to deliver the expected benefits, further market correction will be required so that margins can be returned to more sustainable levels in the medium to long term.

Subject to approval from key stakeholders, it is our intention to create a best-in-class retail bank which can serve its customers, its shareholders and the wider community and which can begin to repay Irish taxpayers for the support that they have given the institution in recent years.

Jeremy Masding

Group Chief Executive

28 August 2012

Operating and Financial Review

Group Income Statement

Continuing Operations

Continuing operations primarily represents the Group's Irish retail banking ("Banking Ireland") and UK mortgage businesses ("Banking UK").

The Group's Irish banking division, operating under the permanent tsb brand, provides a range of retail banking products and services through its extensive network of branches as well as through intermediaries and directly over the phone and internet. It provides residential mortgages in addition to current account and retail deposit facilities. Going forward, the strategic focus of the banking business will be to service the residential owner occupier mortgage and consumer finance credit markets and to offer a wide range of current account, deposit products and other services into its retail customer base.

The business in the UK consists of a closed mortgage book to the professional landlord sector operating through the Group's subsidiary company, CHL.

The Group reported a loss after taxation from continuing operations for the six months ended 30 June 2012 of €566 million (2011: profit €413 million).

Discontinued Operations

Discontinued operations include the results of the Life Group, which was disposed of on 29 June 2012.

Summary Consolidated Income Statement	**Six months ended 30 June 2012 €m**	Six months ended 30 June 2011 €m
Continuing operations:		
Net interest income	**85**	111
Net other income	**30**	(2)
Operating income	**115**	109
Operating expenses	**(136)**	(135)
Exceptional items	**(130)**	(34)
Operating loss before gain on subordinated liability management exercise and provisions for impairment	**(151)**	(60)
Gain on subordinated liability management exercise	**-**	763
Provisions for impairment – loans and receivables	**(434)**	(333)
Provisions for impairment – repossessed assets	**(3)**	-
(Loss) / profit before taxation	**(588)**	370
Taxation	**22**	43
(Loss) / profit after taxation from continuing operations	**(566)**	413
Discontinued operations:		
Results from discontinued operations for the period	**-**	47
(Loss) / profit for the period	**(566)**	460

Net interest income

Net interest income ("NII") for the six months ended 30 June 2012 was €85 million (30 June 2011: €111 million) which is broken down by division, both before and after ELG scheme costs, as follows:

	Six months ended 30 June	
	2012	2011
Net interest income	**€m**	€m
Banking Ireland	**182**	216
Banking UK	**(16)**	(11)
	166	205
ELG Scheme	**(81)**	(94)
Net interest income	**85**	111

Banking Ireland's NII decreased by €34 million to €182 million (30 June 2011: €216 million) mainly due to the decrease in the SVR, the continued high cost of deposit funding and a reduction in the average level of ECB borrowings.

As a result of the reduced NII before ELG costs, the overall NIM decreased to 76bps (31 December 2011: 92bps). The key drivers of the reduction in NIM are as follows:

	bps
NIM year ended 31 December 2011	92
Asset re-pricing	(3)
Retail deposit funding	(9)
Other	(4)
NIM six months ended 30 June 2012	**76**

The Group decreased its SVR by 25bps in December 2011 and by a further 50bps in May 2012. This contributed to a 3bps reduction in NIM.

Higher costs of deposits due to the competitive demand in the market place reduced NIM by 9 bps, while a combination of other factors contributed a further 4bps reduction.

Banking UK reported a NII loss of €16 million (30 June 2011: €11 million loss), with the increased loss reflecting the higher average funding costs against the relatively fixed income nature of its loan book, which is predominantly interest only tracker mortgages.

The cost of the ELG scheme decreased by €13 million to €81 million (30 June 2011: €94 million), due to a reduction in the average balances covered under ELG from €16.7 billion in the six months ended 30 June 2011 to €15.4 billion in six months ended 30 June 2012.

The average fee for the period was also lower at 1.06% for the six months ended 30 June 2012 (30 June 2011: 1.12%).

Net other income

Net other income, which comprises mainly current account fees, general insurance, foreign exchange commissions and trading profits or losses was €30 million for the six months ended 30 June 2012 (30 June 2011: €2 million loss). This is summarised as follows:

	Six months ended 30 June	
	2012	2011
Net other income	**€m**	€m
Fees and commission income	**28**	29
Fees and commission expenses	**(6)**	(7)
	22	22
Gain on debt cancellation	**9**	19
Loss on debt buy backs	**-**	(41)
Other	**(1)**	(2)
Net other income	**30**	(2)

The Group realised a gain of €9 million on the repurchase and cancellation of €24 million of its issued bonds and related swaps (30 June 2011: A gain of €19 million was realised on the cancellation of €74 million of Group bonds acquired as part of the acquisition of the INBS deposits).

In 2011, the Group incurred a loss of €41 million as a result of participation in a debt buy back programme.

Operating expenses

Operating expenses, excluding exceptional items, were €136 million (30 June 2011: €135 million), which is consistent with the prior period. Operating expenses can be broken down as set out below:

	Six months ended 30 June	
	2012	2011
	€m	€m
Payroll	**58**	62
Pension	**14**	12
Legal and professional fees	**12**	8
Depreciation	**8**	9
Other	**44**	44
Operating expenses before exceptional items	**136**	135

The €4 million reduction in payroll costs related to savings from the 2011 voluntary severance scheme ("VSS"). This was offset by a €4 million increase in legal and professional fees which was largely due to timing.

Banking UK accounted for €4 million (30 June 2011: €5 million) of operating expenses in the period.

Exceptional items

Exceptional items of €130 million (30 June 2011: €34 million) can be broken down as follows;

	Six months ended 30 June	
	2012	2011
Exceptional costs	**€m**	€m
Restructuring costs	**52**	-
Provision for impairment on assets held for sale	**72**	-
Loss on disposal of loans and receivables held for sale	**6**	-
VSS scheme (net of curtailment gain recognised)	**-**	34
Exceptional costs	**130**	34

Restructuring costs of €52 million consists of professional fees incurred in connection with the restructuring of the Group, €27 million of which was incurred as at 30 June 2012 with the remaining €25 million having been committed but not yet incurred.

A charge of €72 million was booked to write down the carrying value of assets held for sale to their estimated realisable value.

In the six months ended 30 June 2011 the Group incurred exceptional costs of €43 million associated with a voluntary severance restructuring programme undertaken in PTSB in 2011 which resulted in a reduction of 350 employees and increased use of automation. This was offset by a one-off pension curtailment gain of €9 million.

Gain on liability management exercise

In the year ended 31 December 2011, the Group completed a liability management exercise, whereby the Bank bought back €1.2 billion of its subordinated debt for €0.2 billion, generating a profit of €1.0 billion. As at 30 June 2011 the first phase of the buy back had been completed on which a gain of €0.8 billion was realised.

Provisions for impairments

Loans and Receivables

The provisions for impairment charges on loans and receivables to customers were €434 million for the six months ended 30 June 2012 (30 June 2011: €333 million).

The charge can be broken down across the loan portfolios as follows:

	Six months ended 30 June	
	2012	2011
	€m	€m
Core		
- Owner occupier	**130**	163
- Buy-to-let	**124**	87
ROI residential mortgages	**254**	250
Consumer finance – term / other	**17**	15
	271	265
Non-core		
UK residential mortgages	**12**	12
Commercial	**138**	46
Consumer finance – finance leases	**13**	10
	163	68
Total	**434**	333

The overall impairment charge for ROI residential mortgages for the six months ended 30 June 2012 was in line with the prior year charge. There was an increase however in the charge required for buy-to-let mortgages which was offset by a corresponding reduction on owner occupier mortgages. This was due to a decline in rate of new defaults in owner occupier mortgages and an increase in defaults experienced in the buy-to-let portfolio, period on period.

The increased charge on commercial mortgages accounts for €92 million of the €101 million increase in impairment charges and arose from the worsening economic conditions in Ireland, the negative impact on property values and significantly reduced rent rolls in the commercial mortgage portfolio.

Repossessed Assets

An impairment provision of €3 million (30 June 2011: €nil) was incurred in connection with the write down of the carrying value of repossessed properties to fair value as at 30 June 2012.

Discontinued operations

Discontinued operations include the results of the Life Group for the period ended 29 June 2012, the date on which the Group completed the sale of the Life Group to the Minister for Finance for a cash consideration of €1.3 billion.

The Life Group reported an operating profit for the period ended 29 June 2012 of €89 million (30 June 2011: €44 million) before a settlement gain on disposal of the Life Group pension scheme of €46 million.

The net assets, excluding intercompany balances, of the Life Group disposed of as at 29 June 2012 was €1,024 million. Full details are disclosed in, Note 3, Discontinued operations and Note 4, Assets and liabilities classified as held for sale, to the Half Year Report.

Summary Consolidated Statement of Financial Position	30 June 2012 Continuing Operations €m	31 December 2011 Continuing Operations €m	Discontinued Operations €m	Total €m
Assets				
Loans and receivables to customers	**32,878**	33,677	-	33,677
Loans and receivables to banks	**2,691**	1,623	-	1,623
Debt securities	**6,779**	6,657	-	6,657
Other assets	**1,057**	1,180	-	1,180
Assets held for sale – Life Group*	**-**	-	28,841	28,841
Assets held for sale – Bank**	**421**	59	-	59
Total assets	**43,826**	43,196	28,841	72,037
Liabilities and equity				
Customer accounts	**17,267**	14,373	-	14,373
Deposits by banks	**14,332**	16,966	-	16,966
Debt Securities in issue	**7,907**	8,356	-	8,356
Subordinated liabilities	**346**	317	-	317
Other liabilities	**652**	680	-	680
Liabilities held for sale – Life Group*	**-**	-	27,828	27,828
Liabilities held for sale – Bank**	**245**	-	-	-
Total liabilities	**40,749**	40,692	27,828	68,520
Total equity	**3,077**			3,517
Total liabilities and equity	**43,826**			72,037

*The assets and liabilities of the Life Group were treated as held for sale in the 2011 Consolidated Statement of Financial Position.

**Certain financial assets and liabilities of the Group's consumer finance loan book and bank branches for sale are treated as held for sale in the Consolidated Statement of Financial Position as at 30 June 2012 and as at 31 December 2011.

Operating and Financial Review

Loans and receivables to customers

The following table provides a summary of the loans and receivables balances and the related provision balance by portfolio, split between core and non-core.

Loans and Receivables to Customers	30 June 2012			31 December 2011		
	Loans and Receivables Balance	**Impairment Provision**	**Net balance**	Loans and Receivables Balance	Impairment Provision	Net Balance
	€m	**€m**	**€m**	€m	€m	€m
Core						
- Owner occupier	**18,385**	**(993)**	**17,392**	18,740	(855)	17,885
- Buy-to-let	**6,626**	**(917)**	**5,709**	6,679	(774)	5,905
ROI residential mortgages	**25,011**	**(1,910)**	**23,101**	25,419	(1,629)	23,790
Consumer finance – term / other	**388**	**(137)**	**251**	412	(123)	289
	25,399	**(2,047)**	**23,352**	25,831	(1,752)	24,079
Non-core						
UK residential mortgages	**7,629**	**(71)**	**7,558**	7,493	(78)	7,415
Commercial	**2,282**	**(554)**	**1,728**	1,863	(406)	1,457
Consumer finance – finance leases	**436**	**(65)**	**371**	585	(62)	523
	10,347	**(690)**	**9,657**	9,941	(546)	9,395
	35,746	**(2,737)**	**33,009**	35,772	(2,298)	33,474
Classified as held for sale*			**(372)**			(56)
Deferred fees, discounts and fair value adjustments			**241**			259
Loans and receivables to customers			**32,878**			33,677

* Certain financial assets of the Group's consumer finance loan book are treated as held for sale in the Consolidated Statement of Financial Position.

The Group's loans and receivables to customers decreased by €0.8 billion to €32.9 billion (31 December 2011: €33.7 billion). This decrease is explained as follows:

- €0.4 billion is due to an increase in loan impairment provisions,

- €0.4 billion is due to capital repayments and redemptions exceeding interest charged, the low level of new business arising during the period offset by exchange difference arising from translation of sterling balances to euro,

- €0.4 billion increase arising on the reclassification of commercial loans to third party loans following the sale of the Life Group on 29 June 2012. This also explains the increase in the level of commercial loans and receivables to €2.3 billion (31 December 2011: €1.9 billion), as this category has been closed to new business since 2008,

- €0.4 billion decrease arising from the reclassification of PTSB Finance balances as assets held for sale.

In the six months ended 30 June 2012 the Group completed the sale of €53 million of assets associated with certain loans within the consumer finance loan book, that were classified as held for sale as at 31 December 2011.

The total impairment provision balance increased by €0.4 billion to €2.7 billion which brings the provision balance to 7.7% of the gross loans and receivables balances as at 30 June 2012 (31 December 2011: 6.4%).

ROI Residential Mortgages

ROI residential mortgages account for 70% of the gross loans and receivables balances, with the split between owner occupier and buy-to-let representing 74% and 26% respectively. The net balance on ROI residential mortgages decreased by €0.7 billion, due to impairment charges of €0.3 billion, with the remaining €0.4 billion due to capital repayments and redemptions exceeding interest charged and the low level of new business arising during the period.

The arrears profile for ROI residential mortgages is set out below:

ROI Residential Mortgages	30 June 2012			31 December 2011		
	Owner Occupier	**Buy-to-let**	**Total**	Owner Occupier	Buy-to-let	Total
	€m	**€m**	**€m**	€m	€m	€m
Neither past due nor impaired	**13,883**	**4,299**	**18,182**	14,546	4,417	18,963
Past due but not impaired**	**2,135**	**631**	**2,766**	2,466	881	3,347
Impaired	**2,367**	**1,696**	**4,063**	1,728	1,381	3,109
ROI residential mortgages	**18,385**	**6,626**	**25,011**	18,740	6,679	25,419
Impaired*	**2,367**	**1,696**	**4,063**	1,728	1,381	3,109
Past due but not impaired** greater than 90 days	**817**	**184**	**1,001**	982	287	1,269
Non performing loans (“NPL”)	**3,184**	**1,880**	**5,064**	2,710	1,668	4,378
NPL as % of total	**17.3%**	**28.4%**	**20.2%**	14.5%	25.0%	17.2%
Impairment provisions balance	**993**	**917**	**1,910**	855	774	1,629
Provisions as % of NPL	**31.2%**	**48.8%**	**37.7%**	31.5%	46.4%	37.2%
Total cases	**147,425**	**23,612**	**171,037**	150,094	23,759	173,853
Arrears cases – number	**19,489**	**4,564**	**24,053**	16,947	3,907	20,854
Arrears cases - %	**13.2%**	**19.3%**	**14.1%**	11.3%	16.4%	12.0%
Weighted Average LTV	**115%**	**137%**		110%	134%	

* Impaired loans are defined as loans with a specific impairment provision attaching to them.

** A financial asset is “past due but not impaired” where repayment of interest and / or principal is overdue at least one day and the loan is not specifically provided for. For further analysis see Note 20, Financial risk management.

ROI Residential Mortgages (continued)

The ROI Residential loan book continues to be negatively impacted by the sustained adverse macro economic environment in Ireland. The weighted average LTV on the owner occupier portfolio has increased to 115% (31 December 2011: 110%).

The deteriorating profile of the buy-to-let book can be explained by adverse macro economic factors, significantly reduced rental levels from their peak together with higher interest rates and the increased burden of higher capital repayments as interest only periods come to an end. The impact of the continued fall in house prices has been particularly severe on these loans reflected in a weighted average LTV of 137% (31 December 2011: 134%).

The total level of arrears has increased from 12.0% as at 31 December 2011 to 14.1% at 30 June 2012 and now represent 24,053 cases. The number of owner occupier mortgages in arrears included in the above numbers is 19,489 (31 December 2011: 16,947) representing 13.2% at 30 June 2012 (31 December 2011: 11.3%) of the total outstanding owner occupier cases.

Management continue to invest resources to manage the significant number of mortgages in arrears and will soon complete the recruitment of additional employees in a new collections unit. The underlying IT system will also be upgraded to facilitate the collections and arrears management processes. This, combined with the implementation of MARS strategy, is expected to strengthen the Group's arrears and collections management.

Consumer finance – Term loans / other

The Irish consumer finance portfolio, which includes credit card and unsecured personal loans, decreased slightly to €388 million (31 December 2011: €412 million) due to reduced demand in the period. The level of impairment provisions increased to €137 million (31 December 2011: €123 million) to provide for losses on unsecured loans.

UK Residential Mortgages

The UK residential mortgages are substantially interest only tracker mortgages to the professional landlord investment property sector in the UK. This division has been closed to new business since 2008 and continues to shrink slowly reflecting ongoing debt repayments. The net balances at 30 June 2012 were €7.6 billion (31 December 2011: €7.5 billion). This difference of €0.1 billion relate to repayments of €0.1 billion during the period were offset by an increase arising from the translation of sterling balances to euro of €0.2 billion.

94% of the book is buy-to-let and the level of impaired loans was €0.2 billion, or 2% of the total book at 30 June 2012. The total level of non-performing loans remained constant and the impairment provisions provided coverage of 26% of non-performing loans. The weighted average LTV of the portfolio was 87% as at 30 June 2012 (31 December 2011: 88%).

The total number of cases in arrears was slightly down at 1,330 as at 30 June 2012 (31 December 2011: 1,396), representing 3.1% (31 December 2011: 3.2%) of the total portfolio.

Commercial

Following the sale of the Life Group on 29 June 2012, €0.4 billion of commercial loans to the Life Group are now treated as third party loans, whereas in the year ended 31 December 2011 these loans would have been deemed to be inter group loans and would have been eliminated on consolidation. As a result the Irish commercial mortgage portfolio, which was closed to new business in 2008 is now reported as €2.3 billion (31 December 2011: €1.9 billion).

The commercial sector continues to be adversely impacted by the worsening economic conditions in Ireland, the negative impact on property values and significantly reduced rent rolls in the commercial portfolio. The negative impact of the above factors is reflected in an increase in the level of impaired loans from €0.6 billion as at 31 December 2011 to €0.9 billion as at 30 June 2012, representing 41% (31 December 2011: 34%) of the total portfolio.

The level of loans greater than 90 days past due but not impaired fell during the year but the total level of non-performing loans was €0.9 billion at 30 June 2012 (31 December 2011: €0.7 billion), against which there are impairment provisions of €0.6 billion (31 December 2011: €0.4 billion) giving a coverage of 59% (31 December 2011: 56%).

The number of cases in arrears increased to 1,176 as at 30 June 2012 (31 December 2011: 1,021) and now represent 32.7% of the portfolio as at 30 June 2012 (31 December 2011: 27.5%).

Consumer finance – Finance leases

The consumer finance business principally represents the Group's Irish car finance business, which was identified as non-core as part of the PLAR process and which is classified as held for sale.

The impairment provisions increased to €65 million as at 30 June 2012 (31 December 2011: €62 million).

Loans and receivables to banks

The movement in loans and receivables to banks during the six months ended 30 June 2012 is summarised as follows:

Loans and receivables to banks	**30 June 2012 €m**	31 December 2011 €m
Opening balance	**1,623**	971
Net deposits	**1,172**	652
Asset held for sale	**(104)**	-
Closing balance	**2,691**	1,623

The increase in the balance is due to the placing on deposit of the €1.3 billion received on the sale of the Life Group.

Debt securities

The movement in debt securities during the six months ended 30 June 2012 is summarised as follows:

Movement in debt securities	**30 June 2012 €m**	31 December 2011 €m
Opening balance	**6,657**	4,673
Maturities / disposals	**(1,025)**	(2,194)
Additions	**968**	4,093
Other movements	**179**	85
Total movement	**122**	1,984
Closing balance	**6,779**	6,657

Group's treasury asset portfolio include debt securities of €6.8 billion (31 December 2011: €6.7 billion), of which the amounts held in sovereign bonds, amount to €2.7 billion (31 December 2011: €2.4 billion).

Also included in the debt securities are €2.5 billion (31 December 2011: €2.7 billion) of NAMA bonds acquired as part of the acquisition of €3.6 billion of INBS deposits in February 2011.

Customer accounts

Customer accounts, which comprise demand, notice and term deposits as well as credit balances on current accounts increased to €17.3 billion at 30 June 2012 (31 December 2011: €14.4 billion (excludes intercompany)) are summarised as follows:

Customer Accounts	**30 June 2012 €m**	31 December 2011 €m
- Retail current accounts	**2,141**	2,115
- Retail other accounts	**11,496**	10,631
- Corporate accounts	**3,630**	2,310
Customer accounts and deposits	**17,267**	15,056
Inter group balances	**-**	(683)
Total customer accounts	**17,267**	14,373

The net increase in retail other accounts (demand, notice and term accounts) by €0.9 billion to €11.5 billion (31 December 2011: €10.6 billion) is largely due to the acquisition of Northern Rock Irish deposit book €0.5 billion, together with competitive pricing.

Corporate accounts were €3.6 billion as at 30 June 2012 (31 December 2011: €2.3 billion), a net increase of €1.3 billion in the year mainly due to competitive pricing and positive outcome of discussions with external parties.

Customer accounts (continued)

The loan-to-deposit ratio[2] improved to 190% (31 December 2011: 227%), primarily reflecting the decrease in the loans and receivables to customers balance and the positive impact from the increase in retail and corporate deposits, including the benefit from the acquisition of €0.5 billion of retail deposits from Northern Rock in January 2012.

Wholesale funding

The Group's wholesale funding is summarised in the following table:

Wholesale funding sources – continuing sources	**30 June 2012 €m**	31 December 2011 €m
Debt securities in issue		
- Bonds and medium term notes	**5,338**	5,531
- Other debt securities	**535**	615
- Non-recourse funding	**2,179**	2,210
- Held for sale	**(145)**	-
	7,907	8,356
Deposits by banks		
- European Central Bank ("ECB")	**11,152**	11,658
- Central Bank of Ireland ("ELA")	**-**	2,302
- Other banks and institutions	**2,668**	2,670
- Repos	**408**	310
- Other	**104**	26
	14,332	16,966
Wholesale funding:		
> 1 year to maturity	**5,155**	8,256
< 1 year to maturity	**2,752**	100
Drawings from Monetary Authorities (net)	**€**	€
Maximum (billion)	**14.0**	19.5
Average (billion)	**12.5**	14.8

Debt securities in issue

There were no new debt issuances during the period as wholesale debt markets remain closed to the Group. As a result, the balance on debt securities in issue decreased by €0.5 billion to €7.9 billion as at 30 June 2012 (31 December 2011: €8.4 billion) due to scheduled repayments during the period.

[2] Loan-to-deposit ratio is the ratio of loans and receivables to customers balance (including intra-group loans) and customer accounts (including deposits from non-banking operations).

Deposits by banks

Total deposits from banks were €14.3 billion as at 30 June 2012 (31 December 2011: €17.0 billion).

The Group has a pool of collateralised assets that can be used as security with a range of counterparties including the ECB and the Central Bank (the "Monetary Authorities"). During 2011, a portion of these assets were used as security for ECB drawings with an average level of drawings for the six months ended 30 June 2012 of €11.8 billion (31 December 2011: €12.1 billion).

Deposits by other banks and institutions of €2.7 billion (31 December 2011: €2.7 billion) are collateralised on €5.1 billion (31 December 2011: €5.0 billion) mortgage loan notes.

Regulatory capital position

The Bank's regulatory capital position can be summarised as follows:

Regulatory Capital	**30 June 2012 €m**	31 December 2011 €m
Total available capital	**3,454**	2,756
Total required capital	**1,287**	1,233
(Calculated at 8%)		
Excess own funds	**2,167**	1,523
Risk-weighted assets	**16,087**	15,408
Total capital ratio	**21.5%**	17.9%

The total available capital increased to €3.5 billion as at 30 June 2012 (31 December 2011: €2.8 billion) reflecting the release of €1.3 billion of additional regulatory capital following the sale of the Life Group to the Minister for Finance, offset by losses realised in the period.

The total required capital as at 30 June 2012 using the minimum 8% (31 December 2011: 8%) capital requirement has remained relatively constant at €1.3 billion as at 30 June 2012 (31 December 2011: €1.2 billion).

The increase in the Bank's total capital ratio to 21.5% (31 December 2011: 17.9%) is primarily the result of the additional €1.3 billion of regulatory capital released following the sale of the Life Group to the Minister for Finance.

Risk Management

The Group operates a proactive Enterprise Risk Management ("ERM") approach in the identification, assessment and management of risk. The Group ERM is designed to ensure that all material risks are identified and managed and that business strategy across the Group is implemented in full recognition of these risks. This Group risk framework underpins profitable and prudent risk taking throughout the Group, details of which are outlined on pages 24 to 35 of the 2011 Annual Report.

There have been no significant changes to the Risk Management Framework since 31 December 2011. A detailed analysis of credit and liquidity risk is provided in Note 20, Financial risk management.

Condensed Consolidated Financial Statements (Unaudited)

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2012

	Notes	Unaudited 30 June 2012	Audited 31 December 2011
		€m	€m
Assets			
Cash and balances with central banks		**59**	88
Items in course of collection		**98**	109
Assets classified as held for sale	4	**421**	28,900
Debt securities	6	**6,779**	6,657
Derivative assets		**230**	247
Loans and receivables to banks	9	**2,691**	1,623
Loans and receivables to customers	7,8	**32,878**	33,677
Prepayments and accrued income		**99**	190
Property and equipment		**95**	95
Intangible assets	10	**134**	116
Current taxation		**3**	-
Deferred taxation		**174**	184
Other assets		**156**	141
Retirement benefit assets	11	**9**	10
Total assets		**43,826**	72,037
Liabilities			
Deposits by banks (including central banks)*	12	**14,332**	16,966
Customer accounts	13	**17,267**	14,373
Liabilities classified as held for sale	4	**245**	27,828
Debt securities in issue	14	**7,907**	8,356
Derivative liabilities		**341**	300
Accruals		**109**	99
Other liabilities		**44**	137
Provisions	15	**27**	14
Retirement benefit liabilities	11	**131**	130
Subordinated liabilities	16	**346**	317
Total liabilities		**40,749**	68,520
Equity			
Share capital	17, 18	**1,212**	1,212
Share premium	17	**1,492**	1,495
Other reserves	17	**(885)**	(991)
Retained earnings	17	**1,258**	1,801
Total equity		**3,077**	3,517
Total liabilities and equity		**43,826**	72,037

*Deposits by banks (including central banks) include both €11.1bln (31 December 2011: €11.7bln) and €nil (31 December 2011: €2.3bln) of ECB and Irish Central Bank funding respectively.

On behalf of the Board:

Alan Cook
Chairman

Jeremy Masding
Group Chief Executive

Condensed Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2012

	Notes	**Unaudited six months ended 30 June 2012 €m**	Unaudited six months ended 30 June 2011* €m
Continuing operations			
Interest receivable	23	**638**	641
Interest payable	23	**(553)**	(530)
Net interest income		**85**	111
Fees and commission income		**28**	29
Fees and commission expense		**(6)**	(7)
Net trading expense		**(5)**	(1)
Other operating income / (expense)		**13**	(23)
Gain on subordinated liability management exercise		**-**	763
Total operating income		**115**	872
Administrative expenses		**(128)**	(126)
Depreciation and amortisation			
Property and equipment		**(6)**	(7)
Intangible assets		**(2)**	(2)
Exceptional items			
Impairment of assets and liabilities classified as held for sale	4(b)	**(72)**	-
Loss on disposal of held for sale loans and receivables	4(c)	**(6)**	-
Restructuring costs	15	**(52)**	(34)
Total operating expenses		**(266)**	(169)
Operating (loss) / profit before provisions for impairment		**(151)**	703
Provisions for impairment			
Loans and receivables to customers	8(a)	**(434)**	(333)
Repossessed assets	8(c)	**(3)**	-
Total provisions for impairment		**(437)**	(333)
(Loss) / profit before taxation		**(588)**	370
Taxation	24	**22**	43
(Loss) / profit for the period from continuing operations		**(566)**	413
Discontinued operations			
Results for the period from discontinued operations	3(a)	**-**	47
(Loss) / profit for the period		**(566)**	460
Attributable to:			
Owners of the parent			
Continuing operations		**(566)**	413
Discontinued operations		**-**	47
(Loss) / profit for the period		**(566)**	460

* Comparatives were reclassified to be consistent with the current year income statement. Refer to Note 29, Reclassifications for details.

On behalf of the Board:

Alan Cook
Chairman

Jeremy Masding
Group Chief Executive

Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the six months ended 30 June 2012

	Notes	Unaudited six months ended 30 June 2012 €m	Unaudited six months ended 30 June 2011 €m
(Loss) / profit for the period		**(566)**	460
Other comprehensive income			
Continuing operations			
Revaluation of owner occupied property	24	**-**	(7)
Currency translation adjustment reserve			
Gains / (losses) on hedged investments in foreign operations		**1**	(6)
(Losses) / gains on hedging of investments in foreign operations		**(1)**	6
		-	-
Change in value of available-for-sale ("AFS") financial assets			
Change in fair value of AFS financial assets	24	**106**	(163)
Transfer to income statement on asset disposals	24	**41**	29
		147	(134)
Amortisation of AFS financial assets reclassified to loans and receivables	6, 24	**2**	4
		149	(130)
Cash flow hedge reserve			
Change in fair value	24	**(2)**	-
Other comprehensive income from continuing operations		**147**	(137)
Tax on other comprehensive income from continuing operations	24	**(18)**	17
Other comprehensive income, net of tax, from continuing operations		**129**	(120)
Discontinued operations			
Revaluation of owner occupied property		**(1)**	(3)
Currency translation adjustment reserve		**1**	-
Other comprehensive income from discontinued operations		**-**	(3)
Tax on other comprehensive income from discontinued operations		**-**	-
Other comprehensive income, net of tax, from discontinued operations		**-**	(3)
Total comprehensive income for the period		**(437)**	337
Attributable to:			
Owners of the parent			
Continuing operations		**(437)**	293
Discontinued operations		**-**	44
Total comprehensive income for the period		**(437)**	337
Earnings / (loss) per share		**€ Cent**	€ Cent
Basic, from continuing operations	25	**(1.5)**	152.1
Diluted, from continuing operations	25	**(1.5)**	152.1

On behalf of the Board:

Alan Cook
Chairman

Jeremy Masding
Group Chief Executive

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2012

	Attributable to owners of the parent											
	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Share based payments reserve	Other capital reserve	Own share reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January 2012	**1,212**	**1,495**	**118**	**26**	**(281)**	**(2)**	**(2)**	**6**	**(856)**	**(36)**	**1,837**	**3,517**
Loss for the period	-	-	-	-	-	-	-	-	-	-	(566)	(566)
Other comprehensive income (net of tax)												
Revaluation losses (net of tax)	-	-	-	(1)	-	-	-	-	-	-	-	(1)
Change in currency translation adjustment reserve (net of tax)	-	-	-	-	-	-	1	-	-	-	-	1
Available for sale reserve ("AFS"):												
Change in value of AFS financial assets (net of tax)	-	-	-	-	93	-	-	-	-	-	-	93
AFS reserve transferred to income statement on disposals (net of tax)	-	-	-	-	36	-	-	-	-	-	-	36
Amortisation of AFS financial assets reclassified to loans and receivables (net of tax)	-	-	-	-	2	-	-	-	-	-	-	2
Cash flow hedge reserve:												
Change in fair value (net of tax)	-	-	-	-	-	(2)	-	-	-	-	-	(2)
Total other comprehensive income	-	-	-	(1)	131	(2)	1	-	-	-	-	129
Total comprehensive income for six months ended 30 June 2012	-	-	-	(1)	131	(2)	1	-	-	-	(566)	(437)
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Sale of discontinued operations (note 17)	-	-	-	(19)	-	-	-	-	-	36	(17)	-
Issue costs associated with share issuance to the Minister for Finance	-	(3)	-	-	-	-	-	-	-	-	-	(3)
Reversal of share based payment expense on forfeits/lapse options	-	-	-	-	-	-	-	(4)	-	-	4	-
Total transactions with owners, recorded directly in equity	-	(3)	-	(19)	-	-	-	(4)	-	36	(13)	(3)
Balance as at 30 June 2012	**1,212**	**1,492**	**118**	**6**	**(150)**	**(4)**	**(1)**	**2**	**(856)**	**-**	**1,258**	**3,077**

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the twelve months ended 31 December 2011

	Attributable to owners of the parent											
	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Share based payments reserve	Other capital reserve	Own share reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January 2011	89	364	-	56	(253)	-	(2)	7	(856)	(51)	2,262	1,616
Loss for the year	-	-	-	-	-	-	-	-	-	-	(428)	(428)
Other comprehensive income (net of tax)												
Revaluation losses (net of tax)	-	-	-	(14)	-	-	-	-	-	-	-	(14)
Available for sale reserve ("AFS"):												
Change in value of AFS financial assets (net of tax)	-	-	-	-	(66)	-	-	-	-	-	-	(66)
AFS reserve transferred to income statement on disposals (net of tax)	-	-	-	-	32	-	-	-	-	-	-	32
Amortisation of AFS financial assets reclassified to loans and receivables (net of tax)	-	-	-	-	6	-	-	-	-	-	-	6
Cash flow hedge reserve												
Change in fair value (net of tax)	-	-	-	-	-	(2)	-	-	-	-	-	(2)
Total other comprehensive income	-	-	-	(14)	(28)	(2)	-	-	-	-	-	(44)
Total comprehensive income for the year ended 31 December 2011	-	-	-	(14)	(28)	(2)	-	-	-	-	(428)	(472)
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Issue of share capital	1,123	1,131	-	-	-	-	-	-	-	-	-	2,254
Capital contribution component of contingent capital notes	-	-	132	-	-	-	-	-	-	-	-	132
Fair value adjustment of the mandatory conversion feature of contingent capital notes	-	-	(14)	-	-	-	-	-	-	-	-	(14)
Reversal of share based payment expense on forfeits/lapse options	-	-	-	-	-	-	-	(1)	-	-	1	-
Change in own shares at cost	-	-	-	-	-	-	-	-	-	1	-	1
Transfer between reserves	-	-	-	(16)	-	-	-	-	-	-	16	-
Realised loss on own shares	-	-	-	-	-	-	-	-	-	14	(14)	-
Total transactions with owners, recorded directly in equity	1,123	1,131	118	(16)	-	-	-	(1)	-	15	3	2,373
Balance at 31 December 2011	1,212	1,495	118	26	(281)	(2)	(2)	6	(856)	(36)	1,837	3,517
Of which discontinued operations	-	-	-	20	-	-	-	-	-	(36)	1,316	1,300

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2012

	Notes	Unaudited six months ended 30 June 2012 €m	Unaudited six months ended 30 June 2011 €m
Cash flows from operating activities			
(Loss) / profit before taxation for the period, including discontinued operations		**(441)**	414
Adjustments for non-cash movements in net loss for the period		**(303)**	416
Net change in operating assets and liabilities		**66**	(3,493)
Net cash flows from operating activities before taxation		**(678)**	(2,663)
Tax paid		**(1)**	(4)
Net cash flows from operating activities		**(679)**	(2,667)
Cash flows from investing activities			
Purchase of property and equipment		**(14)**	(9)
Proceeds from disposal of consumer finance portfolio		**42**	-
Proceeds from sale of property and equipment		**3**	1
Purchase of intangible assets		**(8)**	(3)
Proceeds from sale of intangible assets		**2**	-
Investment in restricted cash		**(122)**	(322)
Net consideration received / (paid) on acquisition of deposit book of business / subsidiary	26	**446**	(29)
Loans and receivables to banks acquired as part of acquisition of subsidiary		**-**	135
Dividends received from associated undertaking		**3**	2
Net proceeds from sale of Irish Life Group	4(a)	**1,269**	-
Net cash flows from investing activities		**1,621**	(225)
Cash flows from financing activities			
Deposit by state institution		**-**	3,035
Interest paid on deposit by state institution		**-**	(9)
Redemption of subordinated liabilities		**-**	(274)
Interest paid on subordinated liabilities		**(2)**	(37)
Repayment of VIF loan		**-**	(100)
Payment of interest and penalties on VIF loan		**-**	(9)
Net cash flows from financing activities		**(2)**	2,606
Increase / (decrease) in cash and cash equivalents		**940**	(286)
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents as at 1 January		**1,180**	1,384
Increase / (decrease) in cash and cash equivalents		**940**	(286)
Effect of exchange translation adjustments		**(1)**	(2)
Cash and cash equivalents as at period end*^	5	**2,119**	1,096

*The cash and cash equivalents excludes restricted cash as per Note 5, Cash and cash equivalents.

^As at 30 June 2011 cash and cash equivalents included a bank overdraft of €11m classified within other liabilities. The bank overdraft relates to the Life Group which was sold on 29 June 2012. Therefore, no bank overdraft is included within cash and cash equivalents as at 30 June 2012.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation, significant accounting policies and estimates and judgements

Introduction

Irish Life & Permanent Group Holdings plc was renamed as permanent tsb Group Holdings plc on 30 May 2012. permanent tsb Group Holdings plc is a parent company domiciled in Ireland. The condensed consolidated interim financial statements consolidate the individual financial statements of the company and its subsidiaries (herein after referred to as the "Group" or "PTSBGH") and show the Group's interest in associates, if any, using the equity method of accounting. The condensed consolidated financial statements for the six months ended 30 June 2012 ("2012 Half Year Report") are unaudited but have been reviewed by the independent auditor whose report is set out on page 95.

Irish Life & Permanent plc was renamed as permanent tsb plc (herein after referred to as "PTSB" or "Bank") on 29 June 2012. permanent tsb plc is a 100% owned subsidiary of permanent tsb Group Holdings plc.

The International Financial Reporting Standard ("IFRS") financial statements for the financial year ended 31 December 2011 were annexed to the annual return and filed with the Registrar of Companies. The audit report on those IFRS financial statements was not qualified. However, the audit report contained an emphasis of matter regarding going concern. The financial information in the Half Year Report, presented herein, is not required by Regulation 7(3) of the European Communities (Credit Institutions: Accounts) Regulations 1992 to be annexed to the annual return of the company.

The 2012 Half Year Report was approved by the Board of Directors on 28 August 2012.

Basis of preparation

The 2012 Half Year Report has been prepared in accordance with IAS 34, 'Interim Financial Reporting' as published by the International Accounting Standards Board and adopted by the EU. The 2012 Half Year Report should be read in conjunction with the Annual Report and Financial Statements of Irish Life & Permanent Group Holdings plc for the year ended 31 December 2011 ("2011 Annual Report"), which was prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU.

Going concern

The time period that the Board of Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the six months ended 30 June 2012 is a period of twelve months from the date of approval of these financial statements ("the period of assessment").

Given the current economic environment in Ireland, the Group is increasingly exposed to potential changes in Government policy in relation to the economy and the financial sector. Property prices remain weak and unemployment levels remain high which has impacted the Group's impairment provisions and profitability. Based on financial projections prepared by management which, following the sale of Irish Life Limited and its subsidiaries (together the "Life Group"), the Group meets the capital requirement identified from the March 2011 Prudential Capital Assessment Review ("PCAR") review and, together with continued access to Monetary Authorities liquidity support schemes, the Board of Directors are satisfied that the Group has adequate resources, both capital and funding, to meet its immediate and estimated funding requirements for the period of assessment.

In July 2011, the Minister for Finance, following a High Court order made under the Credit Institutions (Stabilisation) Act 2010, invested €2.7bln of capital into the Group, becoming a 99.2% shareholder of the Group. In August 2011, the Bank completed a liability management programme which raised €1bln of Tier 1 capital. Finally, in June 2012 the Group completed the sale of its 100% interest in the Life Group to the Irish Government. Together these capital raising measures brought the Bank's total capital ratio as at 30 June 2012 to 21.5%, exceeding the minimum 10.5% required by the Central Bank of Ireland. This level of excess regulatory capital should allow for potential impairment losses on the Group's mortgage portfolio in the event of the economic environment in Ireland worsening further.

In the Memorandum of Understanding update of 6 March 2012, issued under the EU/IMF/EC Programme of Financial Support for Ireland, the Minister for Finance confirmed that by the end of April 2012 a decision on the proposed future for the Group would be made and by the end of June 2012 a restructuring plan, that provides details of the actions needed to ensure the Bank's long-term viability, would be prepared. On 29 June 2012 the restructuring plan was submitted to the Directorate General for Competition of the European Commission. The broad theme of this plan was that PTSB would reorganise itself into a number of different business units. On an integrated basis PTSB will meet all material capital and liquidity targets, however, the medium term intention would be to separate out the higher risk assets so that the viable entity can be returned to the private sector.

1. Basis of preparation, significant accounting policies and estimates and judgements (continued)

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

• the Irish Government concluded its acquisition of the shares in Irish Life Limited and its subsidiaries on 29 June 2012;

• the financial impact of delivering the 2011 PLAR deleveraging plans is difficult to predict given the status of the economic cycle in which the wider European Union currently operates;

• the Group's ability to continue to access liquidity and funding, in particular the European Central Bank and the Central Bank of Ireland (the "Monetary Authorities") liquidity facilities. An inability to access these facilities would pose a significant funding risk to the Group. Despite the Group's low credit ratings it has successfully rolled over £2.15bln (€2.66bln) of secured funding raised on its UK buy-to-let portfolio. Additionally, customer deposits in the six month period ended 30 June 2012 grew by €2bln, partly driven by the completion of the acquisition of the Irish deposit business of Northern Rock, but predominantly due to new business particularly from corporate customers. These factors along with the Group's continued efforts to maximise ECB eligible collateral have resulted in borrowings under Central Bank special liquidity facilities reducing from €2.3bln to €nil during the period and ECB borrowings reducing from €11.7bln to €11.1bln;

• the potential impact of the significant economic, political and market risks and uncertainties, that are inherent in the Group's businesses and that continue to impact the Group, including further house price falls, continued high level of unemployment together with lower income levels. The risks have a direct impact on the Group's loan arrears levels, impairment provisions and as a consequence profitability and regulatory capital levels; and

• the risk that minimum regulatory capital requirements may increase in the future and that the Central Bank of Ireland may change the manner in which it applies existing regulatory requirements. If the Group is required to increase its capital position there is a risk that it may be unable to raise additional capital from the financial markets or from internal resources.

The risks and uncertainties set out above and the options available to the Group for the period of assessment have been considered by the Board. The Board are satisfied that it is appropriate to prepare the financial statements on a going concern basis in light of the completed sale of the Life Group and its positive impact on capital and internal funding sources, the expected continued availability of Monetary Authorities funding, the excess regulatory capital at the end of the period, and the review that is being undertaken by the Group to determine the action plans to ensure the Bank's long term viability, which will be agreed with the relevant stakeholders.

Significant accounting policies

The accounting policies applied by the Group in the 2012 Half Year Report are consistent with those set out on pages 82 to 94 of the 2011 Annual Report.

Taxes on income for the half year reporting period are accrued using the tax rate that would be applicable for the expected total annual profit or loss for 2012.

Since 31 December 2011, the following accounting policies have been adopted:

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

As at 30 June 2012, management has identified the following as exceptional items; Impairment of assets and liabilities classified as held for sale, loss on disposal of held for sale loans and receivables and restructuring costs.

Restructuring provisions

A provision for restructuring is recognised when there is an approved detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

1. Basis of preparation, significant accounting policies and estimates and judgements (continued)

Adoption of new accounting standards

Standards and interpretations were effective for annual periods beginning on or after 1 January 2011 which have been adopted in the current reporting period are detailed below:

Title	Impact on condensed consolidated financial statements
IAS 24: Related Party Disclosures	The definition of related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for the Government and Government-related entities. For these entities the general disclosures requirements of IAS 24 will not apply. Instead, alternative disclosures will be included. As the Group chose to partially early adopt this standard at 31 December 2010, this amendment will not have a material impact on the condensed consolidated financial statements of the Group.
IFRS 1: First time adoption of International Financial Reporting Standards	IFRS 1 has been amended to allow first time adopters to utilise the transition provisions in IFRS 7. Normally first time adopters are not permitted to use transition provisions. The provisions give relief from providing comparative information in the disclosures required by the amendment to IFRS 7 in the first year of application. This amendment did not have a material impact on the condensed consolidated financial statements for the Group.
IFRS 1: First time adoption of International Financial Reporting Standards (Amendment)	This amendment clarifies that if a first time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS. This amendment did not have a material impact on the condensed consolidated financial statements of the Group.
IFRS 1: First time adoption of International Financial Reporting Standards (Amendment)	This amendment allows first time adopters to use an event driven fair value as deemed cost, even if the event occurs after the date of transition but before the first IFRS financial statements are issued. This amendment did not have a material impact on the condensed consolidated financial statements of the Group.
IFRS 1: First time adoption of International Financial Reporting Standards (Amendment)	This amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. This amendment did not have a material impact on the condensed consolidated financial statements of the Group.
IFRS 7: Financial Instruments: Disclosures (Amendment)	This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. This amendment did not have a material impact on the condensed consolidated financial statements of the Group.
IAS 1: Presentation of Financial Instruments (Amendment)	This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment did not have a material impact on the condensed consolidated financial statements of the Group.
IAS 34: Interim Financial Reporting (Amendment)	This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: 1) the circumstances likely to affect fair values of financial instruments and their classification; 2) transfers of financial instruments between different levels of the fair value hierarchy; 3) changes in classification of financial assets; and 4) changes in contingent liabilities and assets. This amendment did not have a material impact on the condensed consolidated financial statements of the Group.
IFRIC 13: Customer Loyalty Programmes (Amendment)	The amendment clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes. This amendment did not have a material impact on the condensed consolidated financial statements of the Group.
IFRIC 14: Prepayments of a Minimum Funding Requirement (Amendment)	IFRIC 14 provides guidance on assessing the recoverable amount of a net pension asset. This amendment did not have a material impact on the condensed consolidated financial statements of the Group.

1. Basis of preparation, significant accounting policies and estimates and judgements (continued)

The following new standards, amendments to standards and interpretations may be applicable to the Group and will be adopted in the consolidated financial statements according to the effective dates below:

IFRS/IAS	Amendment	Effective
IAS 12 Income Taxes (amendment) (not yet endorsed by the EU)	This amendment introduces an exemption to the existing principle for the measurement of deferred tax assets or liabilities arising on investment properties measured at fair value. It provides a presumption that investment property measured at fair value is recoverable through sale. This amendment will not result in a material impact on the consolidated financial statements of the Group.	01-Jan-12
IAS 1 Presentation of Financial Statements (amendment) (endorsed by the EU)	This amendment requires entities to group together items in other comprehensive income based on whether they can be reclassified to the income statement. The amendment also preserves the existing requirement for profit and loss and other comprehensive income to be presented together rather than a single continuous statement as was proposed in the exposure draft. This amendment will not result in a material impact on the consolidated financial statements of the Group.	01-Jul-12
IFRS 7 Financial instruments - Disclosures (endorsed by the EU) and IAS 32 Financial instruments - Presentation (amendment) (not yet endorsed by the EU)	This amendment to IFRS 7 requires more disclosures focused on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting, irrespective of whether they are offset or not. This amendment will not result in a material impact on the consolidated financial statements of the Group. The amendment to IAS 32 is that the right to offset must not be contingent on a future event and must also be legally enforceable in the event of a default, insolvency or bankruptcy. The Group is currently assessing the impact of IAS 32 on the consolidated financial statements of the Group.	01-Jan-13 (IFRS 7) 01-Jan-14 (IAS 32)
IFRS 7 Financial instruments - Disclosures (amendment) (not yet endorsed by the EU)	IFRS 7 requires additional disclosures on the risk exposures relating to transfers of financial assets and the effect they may have on the entity. This amendment will not result in a material impact on the consolidated financial statements of the Group.	01-Jul-11
IAS 27 Separate Financial Statements (revised)* (not yet endorsed by the EU)	IAS 27 has been revised and now only deals with the provisions on separate financial statements. This revision will not result in a material impact on the consolidated financial statements of the Group.	01-Jan-13
IAS 28 Investments in Associates and Joint ventures (revised)* (not yet endorsed by the EU)	IAS 28 is revised to set out the requirement for the equity method when accounting for investments in associates and joint ventures. The standard defines significant influence, provides guidance on how the equity method of accounting is to be applied and how investments in associates and joint ventures should be tested for impairment. This revision will not result in a material impact on the consolidated financial statements of the Group.	01-Jan-13
IAS 19 Employee Benefits (revised) (endorsed by the EU)	IAS 19 applies significant changes to the recognition and measurement of defined benefit pension expense and termination benefits. Additional disclosures are required for the characteristics of defined benefit plans, the amounts recognised in the financial statements and the risks arising from the defined benefit plan. The Group is currently assessing the impact of IAS 19.	01-Jan-13
IFRS 9 Financial Instruments (amendment) (not yet endorsed by the EU)	IFRS 9 will replace IAS 39 Financial instrument; Classification and Measurement and consists of; *Financial Assets;* The multiple classification model for financial assets from IAS 39 is replaced with only two classification categories; amortised cost and fair value. IFRS 9 introduces a two step classification approach which involves the entity considering its business model and the contractual cash flow characteristics of the financial assets. The requirement to separate embedded derivatives from financial asset hosts and cost exemption for unquoted entities no longer applies. *Financial Liabilities*; IFRS 9 does not change the accounting for financial liabilities from IAS 39. The requirement to separate embedded derivatives from financial liabilities hosts remain. If an entity chooses to measure a liability at fair value through profit or loss, the portion of the change in fair value related to changes in the entity's own credit risk is presented in the statement of other comprehensive income rather than within profit or loss. The Group is currently assessing the impact of IFRS 9.	01-Jan-15
IFRS 10 Consolidated Financial Statements (not yet endorsed by the EU)*	Replaces IAS 27 and SIC 12. IFRS 10 replaces the definition of control under which an entity uses to determine whether to consolidate an investee. The definition is revised to include the need for the investor to have both power and variable returns from the investee. IFRS 10 will not result in a material impact on the consolidated financial statements of the Group.	01-Jan-13
IFRS 11 Joint arrangements (not yet endorsed by the EU)*	Replaces IAS 39 and SIC 13. The standard classifies joint arrangements as either joint operations or joint ventures. IFRS 11 focuses on the rights and obligations of the arrangement, rather than the legal form. Proportionate consolidation has been removed and the equity method is mandatory. IFRS 11 will not result in a material impact on the consolidated financial statements of the Group.	01-Jan-13

1. Basis of preparation, significant accounting policies and estimates and judgements (continued)

IFRS/IAS	Amendment	Effective
IFRS 12 Disclosures of interests in other entities (not yet endorsed by the EU)*	IFRS 12 sets out the disclosures required from entities reporting under IFRS 10 and IFRS 11. The disclosures should provide information on the nature of and risks associated with, an entity's interests in other entities and the effect they have on their financial position, financial performance and cash flows. IFRS 12 will not result in a material impact on the consolidated financial statements of the Group.	01-Jan-13
IFRS 13 Fair value measurement (not yet endorsed by the EU)	IFRS 13 defines fair value and explains how to measure fair value under a three level hierarchy, based on type of inputs to the valuation techniques used. The guidance also requires additional disclosures in relation to all assets and liabilities measured at fair value. The Group is currently assessing the impact of IFRS 13 on the consolidated financial statements of the Group.	01-Jan-13

* The suite of five standards must be adopted at the same date. The EU may adopt these standards with a delayed mandatory effective date of 1 January 2014.

The Group has assessed the impact of any new standards or amendments to standards which have an effective date that falls within the six months ended 30 June 2012 and concluded that the applicable amendments did not have any impact on the 2012 Half Year Report.

Estimates and judgements

The preparation of the 2012 Half Year Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expense. Actual results may differ from these estimates.

In preparing the 2012 Half Year Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the 2011 Annual Report

Estimates and assumptions in relation to retirement obligations (Note 11, Retirement benefit obligations) have been updated to reflect current economic circumstances.

In relation to the deferred tax assets arising from tax losses, in the 2011 Annual Report the Directors considered the assumptions underpinning viability contained in the restructuring plan submitted to the Central Bank of Ireland and the Department of Finance in January 2012 and assessed and concluded that future taxable profits will be available to recover these deferred tax assets. Furthermore, an updated Restructuring Plan was submitted to the Department of Finance and other external parties in June 2012, in which management have taken a conservative approach and have decided not to recognise any further deferred tax assets on tax losses and to carry the deferred tax asset arising on losses at the same level as at 31 December 2011. Further details are available in Note 31, Deferred taxation of the 2011 Annual Report.

Comparative information

The 2011 comparative information incorporates reclassifications made to the financial statements and notes to the accounts to result in better presentation following a review of the 2011 Annual Report. The changes in presentation are disclosed in Note 29, Reclassifications.

2. Segmental information

Segmental information is presented in respect of the Group's business segments.

The segmental information is determined based on internal reporting provided to the Strategy Group, the Chief Operating Decision Maker ("CODM") of the Group. All the members of the Strategy Group are key management personnel as described in Note 28, Related parties. For the period ended 30 June 2012, the members included the Group Chief Executive, Group Finance Director, Chief Executive of permanent tsb, Chief Executive of Irish Life Investment Managers, Chief Executive of Irish Life Retail, Chief Executive of Irish Life Corporate Business, Chief Risk Officer, Group Head of Human Resources and Organisation Development, the Group Chief Information Officer, Group Treasurer, Group Strategy Planning Director and Managing Director of Capital Home Loans Limited.

Following the sale of Irish Life Limited and its subsidiaries (together referred to as the "Life Group") on 29 June 2012, the Chief Executive of Irish Life Retail, Chief Executive of Irish Life Corporate Business, Chief Executive of Irish Life Investment Managers and the Group Chief Information Officer are no longer designated as key management personnel.

The Strategy Group is responsible for implementing the strategic management of the Group as guided by the Board. The Strategy Group reviews key performance indicators and internal management reports on a monthly and quarterly basis.

The accounting policies of the segments are the same for the Group as a whole. Transactions between the reportable segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each reportable segment. Revenue from external parties is measured in a manner consistent with that in the income statement. The primary performance measure utilised by the Strategy Group for Banking Ireland and UK reportable segments is net interest income.

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

Management identifies its reportable operating segments by service line consistent with the reports used by the Strategy Group. The reporting segments represent the revenues generated from the Group's products and services. The Group's products and services have been aligned with the relevant reporting segments.

The Group was organised into three reportable segments for the period up to 30 June 2012; Banking Ireland, Banking UK and Life Group. On 29 June 2012, the Group sold the Life Group to the Minister for Finance. As a result of the sale, the Group will continue to report on the remaining two key segments namely Banking Ireland and Banking UK to the CODM. For prior period and year end the Life Group was organised into four reportable segments as outlined in the discontinued operations section below.

The segments and their respective operations are as follows:

Continuing operations
The Group's continuing operations comprise retail banking operations in the Republic of Ireland and in the UK which are not classified as held for sale.

Banking Ireland	Banking Ireland segment includes the Group's retail banking services via branch operations in the Republic of Ireland. The branches offer a wide range of financial products and services such as deposit accounts, mortgage lending and current accounts and includes corporate and head office costs of the Group.
Banking UK	Banking UK segment is comprised of retail banking services principally residential mortgages and lending services to the UK market.

Discontinued operations
The Central Bank of Ireland's Prudential Capital Assessment Review ("PCAR") and Prudential Liquidity Assessment Review ("PLAR") assessments of the Group in March 2011 determined a gross additional capital requirement of €4bln for the Group. In July 2011, by direction of a court order, the Group received €2.3bln of equity capital and €0.4bln in contingent capital from the Irish Government. To meet the additional capital requirement and pursuant to the Transfer Order (under the Credit Institutions (Stabilisation) Act 2010) issued by the High Court on 28 March 2012 and the Share Repurchase Agreement signed on 29 June 2012, the Life Group was sold to the Minister for Finance for a consideration of €1.3bln on 29 June 2012.

For the prior period and year end the Life Group was organised into four reportable segments. Pursuant to the sale of the Life Group these four reportable segments are now being reported as one segment i.e. the Life Group. The change to the reporting segment presentation did not result in a material change within the comparatives. The Life Group's previously reported segments are as follows:

Life Group: The Life Group included; life assurance, fund management, general insurance and brokerage, third party and other. The operations of each were:

- Life assurance	Included individual and Group life assurance and investment contracts, pensions and annuity business written in Irish Life Assurance plc.
- Fund management	Investment management services business provided to corporate, pension and charity clients and internally to Irish Life Assurance plc written in Irish Life Investment Managers Limited.
- General insurance	Property and casualty insurance carried out through the Life Group's associate company Allianz-Irish Life Holdings plc.
- Brokerage, third party administration and other	This includes a number of small business units including third party life assurance administration, insurance brokerage and other Life Group entities.

2. Segmental information (continued)

The segmental results which relate to the Group activities are as follows:

Six months ended 30 June 2012	Banking Ireland	Banking UK	Life Group (Discontinued)	Reconciliations / eliminations / consolidation adjustments[1]	Total	Analysed as to: Continuing Operations	Discontinued Operations
	€m	€m	€m	€m	€m	€m	€m
Net interest income							
- external	14	67	(7)	-	74	85	(16)
- inter-segment	87	(83)	(9)	5	-		
Other non-interest income / (expenses)	17	-	(30)	-	(13)	17	(30)
Premiums on insurance contracts, net of reinsurance	-	-	257	-	257	-	257
Other operating income / (expenses)	13	-	-	-	13	13	-
Investment return							
- external	-	-	1,231	-	1,231	-	1,236
- inter-segment	-	-	(17)	17	-		
Fees from investment contracts and fund management	-	-	95	-	95	-	95
Change in shareholder value of in-force business	-	-	3	-	3	-	3
Total operating income / (expenses)	131	(16)	1,523	22	1,660	115	1,545
Claims on insurance contracts, net of reinsurance	-	-	(145)	-	(145)	-	(145)
Change in insurance / investment contract liabilities	-	-	(1,181)	-	(1,181)	-	(1,181)
Investment expenses	-	-	(14)	-	(14)	-	(14)
Administrative expenses	(124)	(4)	(108)	-	(236)	(128)	(108)
Depreciation and amortisation	(8)	-	-	-	(8)	(8)	-
Impairments	-	-	(8)	-	(8)	-	(8)
Exceptional items	(130)	-	-	-	(130)	(130)	-
Total operating (expenses) / income	(262)	(4)	(1,456)	-	(1,722)	(266)	(1,456)
Operating (loss) / profit before provisions and settlement gain on retirement benefit obligation	(131)	(20)	67	22	(62)	(151)	89
Impairments of loans and receivables and repossessed assets	(425)	(12)	-	-	(437)	(437)	-
Settlement gain on retirement benefit obligation	-	-	46	-	46	-	46
Operating (loss) / profit after provisions and settlement gain on retirement benefit obligation	(556)	(32)	113	22	(453)	(588)	135
Share of profits of associated undertaking	-	-	12	-	12	-	12
Taxation	22	-	(12)	-	10	22	(12)
(Loss) / profit after taxation	(534)	(32)	113	22	(431)	(566)	135
Loss from disposal of discontinued operations after taxation	-	-	-	(135)	(135)	-	(135)
(Loss) / profit for the period	(534)	(32)	113	(113)	(566)	(566)	-

2. Segmental information (continued)

Six months ended 30 June 2011	Banking Ireland	Banking UK	Life Group (Discontinued)	Reconciliations / eliminations / consolidation adjustments[1]	Total	Analysed as to: Continuing Operations	Discontinued Operations
	€m	€m	€m	€m	€m	€m	€m
Net interest income							
- external*	53	69	(22)	-	100	111	(30)
- inter-segment	69	(80)	(8)	19	-		
Other non-interest income / (expenses)							
- external	20	-	(38)	-	(18)	21	(39)
- inter-segment	1	-	(1)	-	-		
Premiums on insurance contracts, net of reinsurance	-	-	317	-	317	-	317
Other operating income / (expenses)	(23)	-	-	-	(23)	(23)	-
Investment return							
- external	-	-	(213)	-	(213)	-	(201)
- inter-segment	-	-	(31)	24	(7)		
Fees from investment contracts and fund management	-	-	117	-	117	-	117
Change in shareholder value of in-force business	-	-	(34)	-	(34)	-	(34)
Gain on subordinated liability management	763	-	-	-	763	763	-
Total operating income / (expenses)	883	(11)	87	43	1,002	872	130
Claims on insurance contracts, net of reinsurance	-	-	(153)	-	(153)	-	(153)
Change in insurance / investment contract liabilities	-	-	207	-	207	-	207
Investment expenses	-	-	(19)	-	(19)	-	(19)
Administrative expenses*	(115)	(5)	(107)	(9)	(236)	(126)	(110)
Depreciation and amortisation	(9)	-	(10)	-	(19)	(9)	(10)
Impairment	-	-	(1)	-	(1)	-	(1)
Exceptional items*	(34)	-	-	-	(34)	(34)	-
Total operating (expenses) / income	(158)	(5)	(83)	(9)	(255)	(169)	(86)
Operating profit / (loss) before provisions	725	(16)	4	34	747	703	44
Impairments of loans and receivables	(321)	(12)	-	-	(333)	(333)	-
Profit / (loss) before taxation	404	(28)	4	34	414	370	44
Taxation	43	(1)	3	1	46	43	3
(Loss) / profit for the period	447	(29)	7	35	460	413	47

* Comparatives were reclassified to be consistent with the current year income statement. Refer to Note 29, Reclassifications for details.

2. Segmental information (continued)

Segment assets and liabilities as per the statement of financial position which relate to the Group activities are as follows:

30 June 2012	**Banking Ireland**	**Banking UK***	**Life Group (Discontinued)**	**Reconciliations / eliminations / consolidation adjustments[1]**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
Assets					
Held for sale	**421**	**-**	**-**	**-**	**421**
Other assets	**42,569**	**7,936**	**-**	**(7,100)**	**43,405**
Total assets	**42,990**	**7,936**	**-**	**(7,100)**	**43,826**
Liabilities					
Held for sale	**245**	**-**	**-**	**-**	**245**
Other liabilities	**39,569**	**8,035**	**-**	**(7,100)**	**40,504**
Total liabilities	**39,814**	**8,035**	**-**	**(7,100)**	**40,749**
Equity attributable to owners	**3,176**	**(99)**	**-**	**-**	**3,077**
Capital expenditure	**13**	**-**	**9**	**-**	**22**

* Pursuant to a deed dated March 2012 signed between PTSB and its subsidiary, Capital Home Loans Limited (CHL), it was agreed that PTSB's obligation to pay interest and principal on the CHL deposits be set off against CHL's obligation to pay interest and principal on the credit facility provided by PTSB. Consequently, these balances have been netted off in Banking Ireland and Banking UK segments. Prior to the signing of this deed, the balances, which would have been eliminated in the consolidation, were grossed up and presented in the segmental information note.

31 December 2011	Banking Ireland	Banking UK	Life Group (Discontinued)	Reconciliations / eliminations / consolidation adjustments[1]	Total
	€m	€m	€m	€m	€m
Assets					
Interest in associate	-	-	129	(129)	-
Held for sale	59	-	-	28,841	28,900
Other assets	42,777	12,700	29,498	(41,838)	43,137
Total assets	42,836	12,700	29,627	(13,126)	72,037
Liabilities					
Held for sale	-	-	-	27,828	27,828
Other liabilities	40,568	12,757	28,250	(40,883)	40,692
Total liabilities	40,568	12,757	28,250	(13,055)	68,520
Equity attributable to owners	2,268	(57)	1,377	(71)	3,517
Capital expenditure	16	-	14	-	30

2. Segmental information (continued)

[1] Reconciliations / eliminations / consolidation adjustments

The (negative) / positive return adjustments included on the income statement comprise the following adjustments arising on:

	Six months ended 30 June 2012	**Analysed as to: Continuing Operations**	**Discontinued Operations**
	€m	**€m**	**€m**
Consolidation of the movement in the value of properties financed by non-recourse inter-group loans	**25**	**-**	**25**
Differing accounting treatment for assets and liabilities by the Bank and life company*	**(3)**	**-**	**(3)**
Loss on disposal of the Life Group	**(135)**	**-**	**(135)**
Total as per income statement	**(113)**	**-**	**(113)**

The opening unrealised gains / (losses) on consolidation along with any movement during the period in these adjustments were recycled through retained earnings as part of the sale of the Life Group on the 29 June 2012. The allocation of corporate costs were no longer applicable as the Group functions were absorbed into Banking Ireland segment throughout the six month period.

	Six months ended 30 June 2011	Analysed as to: Continuing Operations	Discontinued Operations
	€m	€m	€m
Consolidation of the movement in the value of properties financed by non-recourse inter-group loans	(7)	-	(7)
Differing accounting treatment for assets and liabilities by the Bank and life company*	52	-	52
The allocation of corporate costs, net of tax**	(10)	(7)	(3)
Total as per income statement	35	(7)	42

* The Bank carries its liabilities at amortised cost while the corresponding assets in the life company are held at fair value.

** These costs relate to Group functions and are included here as they are not allocated for the purpose of segmental reporting by the CODM.

The equity effect of these adjustments on the statement of financial position is detailed below:

	30 June 2012	31 December 2011
	€m	€m
Consolidation of the movement in the value of properties financed by non-recourse inter-group loans	-	(17)
Differing accounting treatment for assets and liabilities by the Bank and life company	-	31
Net loss on remeasurement to fair value less costs to sell of discontinued operations	-	(85)
Total as per statement of financial position	-	(71)

Further eliminations are made on the statement of financial position in respect of the following items:

	30 June 2012	31 December 2011
	€bln	€bln
The elimination of floating-rate notes issued by special purpose vehicles between banking Ireland and banking UK reporting segments but held within the Group	**(5)**	(5)
The elimination of inter-group balances between the Banking Ireland and Banking UK reporting segments	**(2)**	(7)
The elimination of inter-group balances between the Bank and other Group entities	**-**	(1)
Total as per statement of financial position	**(7)**	(13)

Reconciliations / eliminations / consolidation adjustments include inter-segmental interest receivable and payable on deposits and loans together with inter-segmental commission payments and receipts.

3. Discontinued operations

The Central Bank of Ireland completed its Prudential Capital Assessment Review ("PCAR") and Prudential Liquidity Assessment Review ("PLAR") of the Group in March 2011. This review determined a gross additional capital requirement of €4bln for the Group. To assist in meeting this additional capital requirement the Group progressed several initiatives including the sale of the Life Group which conducted its business through the Life Group's life assurance, fund management, general insurance and brokerage and third party administration segments. At 30 June 2011, the Life Group was classified as a discontinued operation and disposal group held for sale as in accordance with IFRS 5 up to the date of disposal on 29 June 2012.

Pursuant to the Transfer Order (under the Credit Institutions (Stabilisation) Act 2010) issued by the High Court on 28 March 2012 and the Share Purchase Agreement signed on 29 June 2012, the Life Group was sold to the Minister for Finance for a consideration of €1.3bln on 29 June 2012. The results of the Life Group below reflect the profit and cash flows for the period up to the date of sale including the loss on disposal.

(a) Results from discontinued operations

	To date of disposal 29 June 2012 €m	Six months ended 30 June 2011 €m
Net interest income	**(16)**	(30)
Net fee and commission income	**(30)**	(39)
Premiums on insurance contracts	**334**	386
Reinsurers' share of premium on insurance contracts	**(77)**	(69)
Investment return	**1,236**	(201)
Fees from investment contracts and fund management	**95**	117
Change in shareholder value of in-force business	**3**	(34)
Total income	**1,545**	130
Claims on insurance contracts	**(247)**	(247)
Reinsurers' share of claims on insurance contracts	**102**	94
Change in insurance contract liabilities	**(208)**	45
Change in reinsurers' share of insurance contract liabilities	**82**	(57)
Change in investment contract liabilities	**(1,055)**	219
Administrative expenses	**(108)**	(110)
Depreciation and amortisation	**-**	(10)
Investment expenses	**(14)**	(19)
Impairment from date of reclassification		
- property and equipment	**(8)**	(1)
Total expenses	**(1,456)**	(86)
Operating profit before settlement gain on retirement benefit obligation	**89**	44
Settlement gain on retirement benefit obligation (note 4(a)(ix))	**46**	-
Operating profit after settlement gain on retirement benefit obligation	**135**	44
Share of profits of associated undertaking	**12**	-
Profit before taxation	**147**	44
Attributable income tax expense	**(12)**	3
Profit from discontinued operations after taxation	**135**	47
Loss on disposal of discontinued operations (note 4)	**(135)**	-
Attributable income tax expense on loss on disposal of discontinued operations	**-**	-
Results from discontinued operations for the period	**-**	47

	€ Cents	€ Cents
Basic and diluted earnings per share	**0.0**	17.3

(b) Cash flows from discontinued operations

	To date of disposal 29 June 2012 €m	Six months ended 30 June 2011 €m
Net cash inflows from operating activities	**95**	230
Net cash inflows / (outflows) from investing activities	**6**	(4)
Net cash outflows from financing activities	**(2)**	(256)
Net cash inflows / (outflows)	**99**	(30)

4. Assets and liabilities classified as held for sale

Assets and liabilities classified as held for sale comprises discontinued operations, non-current assets and non-current liabilities held for sale. As at 31 December 2011, the assets and liabilities of the Life Group were classified as a disposal group held for sale. Additionally, certain bank financial assets and certain bank branches were also classified as held for sale. During 2012, the sale of the Life Group and the bank financial assets was completed. As at 30 June 2012, the assets and liabilities of permanent tsb Finance, a subsidiary of the Group, has been classified as held for sale.

The assets and liabilities classified as held for sale as at 30 June 2012 are set out below:

	30 June 2012	31 December 2011
	€m	€m
Assets classified as held for sale		
(a) Assets of the Life Group	**-**	28,841
(b) Assets of permanent tsb Finance Limited and Bluecube Limited	**418**	-
(c) Bank financial assets	**-**	56
(d) Bank branches	**3**	3
Total assets classified as held for sale	**421**	28,900
Liabilities classified as held for sale		
(a) Liabilities of the Life Group	**-**	27,828
(b) Liabilities of permanent tsb Finance Limited and Bluecube Limited	**245**	-
Total liabilities classified as held for sale	**245**	27,828

4. Assets and liabilities classified as held for sale (continued)

(a) Assets and liabilities of the Life Group

Following the results of the PCAR / PLAR assessments in March 2011 and in order to meet the additional capital requirement identified the Group committed to sell the Life Group's assets and liabilities. The Life Group segment consisted of life assurance, fund management, general management and brokerage, third party administration and other reporting segments. These assets and liabilities were presented as a disposal group held for sale in accordance with IFRS 5, Non Current Assets Held for Sale and Discontinued Operations. Pursuant to the Transfer Order (under the Credit Institutions (Stabilisation) Act 2010) issued by the High Court on 28 March 2012 and the Share Purchase Agreement signed on 29 June 2012, the Life Group was sold to the Minister for Finance on 29 June 2012 and the loss on disposal is disclosed in Note 3, Discontinued operations and below.

Analysis of assets and liabilities of the Life Group over which control was lost

	Note 4 reference	**29 June 2012**	31 December 2011
Assets		**€m**	€m
Cash and balances with central banks	(i)	**69**	94
Debt securities	(ii)	**7,959**	7,510
Equity shares and units in unit trusts	(iii)	**12,230**	11,792
Derivative assets	(iv)	**702**	791
Loans and receivables to banks	(v)	**3,486**	3,446
Investment properties	(vi)	**1,588**	1,650
Reinsurance assets	(vii)	**2,206**	2,118
Prepayments and accrued income		**187**	185
Interest in associated undertakings		**138**	129
Property and equipment		**71**	75
Shareholder value of in-force business	(viii)	**625**	621
Intangible assets		**19**	19
Other assets		**290**	133
Deferred acquisition costs		**171**	177
Retirement benefit assets	(ix)	**128**	101
Assets classified as held for sale*		**29,869**	28,841
Liabilities			
Deposits by banks	(x)	**211**	212
Derivative liabilities	(iv)	**94**	109
Investment contract liabilities	(xi)	**22,856**	22,153
Insurance contract liabilities	(xii)	**4,692**	4,484
Outstanding insurance and investment claims		**125**	115
Accruals		**33**	35
Other liabilities		**397**	268
Provisions		**3**	4
Current tax liabilities		**16**	8
Deferred front end fees		**35**	42
Deferred tax liabilities		**170**	168
Retirement benefit liabilities	(ix)	**-**	17
Subordinated liabilities	(xiii)	**213**	213
Liabilities classified as held for sale*		**28,845**	27,828

Net assets disposed of	**1,024**
Consideration received	**1,300**
Net assets at the date of disposal	**(1,024)**
Net intercompany liabilities assumed on disposal	**(411)**
Loss on disposal	**(135)**
Profit from discontinued operations, after tax, recognised in Note 3, Discontinued operations	**135**
Results from discontinued operations for the period^	**-**

^Loss on disposal of €135m is offset against the profit after tax recorded by the Life Group for the six month period to 30 June 2012 as disclosed in note 3. As a consequence, the results from discontinued operations for the period amounted to €nil which is consolidated into the Group's income statement.

*The Life Group assets and liabilities are shown net of intercompany balances. The net intercompany balances between the Life Group and Group at the period ended 30 June 2012 amounted to €411m (31 December 2011: €287m). Further analysis is provided in the following pages.

Net cash inflows on disposal of subsidiary undertaking

Total consideration received	**1,300**
Cash and cash equivalents disposed of (excluding restricted cash)**	**(31)**
Net cash inflow	**1,269**

** Cash and cash equivalents exclude restricted cash balance of €26m held in an escrow and also a €12m overdraft balance included in other liabilities.

4. Assets and liabilities classified as held for sale (continued)

Details on the assets and liabilities of the Life Group:

(i) Cash and balances with central banks
Cash and balances with central banks include loans and receivables measured at amortised cost of €69m (31 December 2011: €94m).

(ii) Debt securities
Debt securities were measured at fair value through profit or loss. Debt securities included €7,842m (31 December 2011: €7,429m) of listed and €117m (31 December 2011: €81m) of unlisted securities. Debt securities include Government Bonds of €7,340m (31 December 2011: €7,060m), Bonds issued by public boards €66m (31 December 2011: €60m), Bonds issued by credit institutions €550m (31 December 2011: €387m) and Other bonds €3m (31 December 2011: €3m).

Under a stock lending agreement the Life Group transferred €274m (31 December 2011: €551m) of debt securities to third parties, but has retained substantially all the risks and rewards associated with the transferred assets. Therefore the Life Group continues to recognise these assets within debt securities. In return the Life Group accepted financial assets as collateral which consists of AAA-rated OECD sovereign debt securities. The fair value of the collateral that the Life Group holds externally with an agent amounted to €324m (31 December 2011: €576m). In addition, the external agent has provided an indemnity (at a charge) to make good any losses in excess of the collateral should a counterparty default.

(iii) Equity shares and units in unit trusts
Equity shares and units in unit trusts were measured at fair value through profit or loss. Equity shares and units in unit trusts included €12,168m (31 December 2011: €11,711m) of listed and €62m (31 December 2011: €81m) of unlisted securities.

Under a stock lending agreement the Life Group transferred €638m (31 December 2011: €468m) of equity shares to third parties, but has retained substantially all the risks and rewards associated with the transferred assets. Therefore the Life Group continues to recognise these assets within equity shares. In return the Life Group accepted financial assets as collateral which consist of AAA-rated OECD sovereign debt securities. The fair value of the segregated collateral that the Life Group holds externally with an agent amounted to €672m (31 December 2011: €502m). In addition, the external agent has provided an indemnity (at a charge) to make good any losses in excess of the segregated collateral should a counterparty default.

(iv) Derivative instruments
All derivative assets and liabilities were held for trading purposes. Derivative assets of €702m (31 December 2011: €791m) and derivative liabilities of €94m (31 December 2011: €109m) were measured at fair value through profit or loss.

The fair value of derivative assets and liabilities held in unitised / closed funds for the benefit of unit-linked policyholders can be analysed as follows: CPPI: assets €611m (31 December 2011: €688m) liabilities €75m (31 December 2011: €71m), Interest rate swaps: assets €27m (31 December 2011: €25m) liabilities €4m (31 December 2011: €4m), currency swaps assets: €19m (31 December 2011: €30m) liabilities €12m (31 December 2011: €29m), equity futures assets: €9m (31 December 2011: €10m) liabilities €3m (31 December 2011: €5m).
Over-the-counter options held to match fixed-rate and tracker bond liabilities within life insurance operations can be analysed as follows: assets €36m (31 December 2011: €38m) liabilities €nil (31 December 2011: €nil).

(v) Loans and receivables to banks
Life operations deposits with other banks are included in loans and receivables to banks and amounted to €3,486m (31 December 2011: €3,446m) and are measured at fair value through profit or loss.

(vi) Investment properties
Investment properties amounted to €1,588m (31 December 2011: €1,650m) including €1,447m (31 December 2011: €1,511m) of investment properties held by unit-linked funds. Investment properties can be analysed as situated in the UK of €482m (31 December 2011: €502m) Republic of Ireland of €840m (31 December 2011: €883m) and other locations of €266m (31 December 2011: €265m).

Investment property is carried at fair value as determined by an independent valuer who has appropriate recognised professional qualifications. The valuer applies the Royal Institution of Chartered Surveyors ("RICS") guidance in determining the fair value of properties. The guidance set down by the RICS standards is consistent with fair value as defined within the accounting standards.
The Investment Property Databank ("IPD") provides a benchmark for the institutional commercial property investment market. The total IPD return for the Irish market for the first six months of 2012 was positive 1.2% (Year ended 31 December 2011: negative 2.4%). The capital growth in the UK property market dipped into negative territory. The London market is proving resilient however other locations throughout the country are experiencing little investment demand and falling values. Income return levels in the order of 3.3% are generating positive total returns, albeit marginal. The UK IPD total return for the first six months of 2012 was positive 1.2% (Year ended 31 December 2011: positive 8.1%).

(vii) Reinsurance assets
Reinsurance assets include those for which collateral is held in a charged account of €1,480m (31 December 2011: €1,417m), assets where credit risk is borne by the policyholder of €37m (31 December 2011: €39m) and other assets where credit risk is borne by the shareholder of €689m (31 December 2011: €662m).

(viii) Shareholders value of in-force business
Shareholders value of in-force business assets amounted to €625m (31 December 2011: €621m). Shareholders value of in-force business was impaired by €26m at 31 December 2011 to reflect the Life Group's fair value less costs to sell in accordance with IFRS 5.

The shareholder value of in-force business for insurance contracts is computed using EEV principles issued in May 2004 by the European Chief Financial Officers' forum. Shareholder value of in-force business represents the present value of future shareholder cash flows less a deduction for the cost of required capital and before allowing for tax and includes a deduction for the time value of financial options and guarantees. For further details on the shareholder value in force please, refer to the 2011 Annual Report .

4. Assets and liabilities classified as held for sale (continued)

(ix) Retirement benefit assets / liabilities
The defined benefit pension included net assets of €128m (31 December 2011: €101m) and net liabilities of €nil (31 December 2011:€17m). The sale of the Life Group resulted in the recognition of a settlement gain of €46m in the discontinued operations income statement of the Life Group as disclosed in Note 3, Discontinued operations.This settlement gain comprised a remeasurement of the defined benefit obligation under the current assumptions reflecting no future salary increases and pension increases giving rise to a gain of €304m together with the recognition of all previously unrecognised actuarial losses of €258m. There are no further residual liabilities residing with the Group in relation to the Life Group pensions schemes post sale of the Life Group on 29 June 2012.

(x) Deposits by banks
Deposits by banks are borrowings of the Life Group from third party banks. Deposit by banks of €211m (31 December 2011: €212m) were measured at amortised cost.

(xi) Investment contract liabilities
Investment contract liabilities of €22,856m (31 December 2011: €22,153m) included unit-linked liabilities of €22,340m (31 December 2011: €21,848m), non-linked and guaranteed tracker liabilities of €207m (31 December 2011: €253m), investment financial options and guarantees (FOGs) of €48m (31 December 2011: €52m) and non-controlling share of unit trusts €261m (31 December 2011: €nil). The investment contract liabilities were backed by assets attributable to the Life Group operations including assets which are carried at FVTPL.

The Deloitte's TSM Streamline model is used to derive the cost of FOGs. The model is calibrated to the European swap curve plus a fixed margin of 1.3%, which is consistent with the calibration at 31 December 2011. The use of these yield curves to discount the negative cash flows in the FOG models is consistent with the yield curve used to discount the positive cash flows in the PVIF, as outlined above. The equity volatility rate used in the model is calibrated to the market implied equity volatility rate at 30 June 2012. Ten years of historical weekly data are used to derive the correlation between the returns on different asset classes. The model uses the difference between two inverse Gaussian distributions to model the returns on each asset class. This allows the model to produce fat-tailed distributions, and provides a good fit to historical asset return distributions.

(xii) Insurance contract liabilities
Insurance contract liabilities of €4,692m (31 December 2011: €4,484m) included unit-linked liabilities of €482m (31 December 2011: €491m), non linked liabilities without discretionary participation features of €4,185m (31 December 2011: €3,966m) and non linked liabilities with discretionary participation features of €25m (31 December 2011: €27m).

Liabilities are calculated using either the net or the gross premium method. In calculating the appropriate liability for non-linked insurance liabilities, including the closed book of business with discretionary participation features, it is necessary to make assumptions on a range of items. The assumptions which have the most significant impact on the measurement of liabilities are: interest rates, mortality and morbidity and expenses.

(xiii) Subordinated liabilities
Subordinated liabilities of €213m (31 December 2011: €213m) were measured at amortised cost.

Assets held in unit-linked funds
Total assets that were held in unit-linked funds were €23,078m (31 December 2011: €22,533m). The balances are the total assets held in unit-linked policyholder funds and include tracker products and funds managed by external fund managers. The balances are gross of consolidation adjustments which eliminate inter-group balances and holdings of the Group's shares.

Solvency Cover
At 29 June 2012, the solvency cover for Irish Life Assurance plc, before accounting for any available dividends, was 1.8 times (31 December 2011: 1.9 times) the minimum requirement which was €404m (31 December 2011: €402m).

Associate undertaking
Prior to the sale of the Life Group, the Group held an interest in an associate undertaking Allianz-Irish Life Holdings plc, an unlisted general insurance company operating in Ireland. This investment was held through the Life Group and amounted to 30.43% (31 December 2011: 30.43%) of the associate's share capital. The Group's share of net assets was €138m (31 December 2011: €129m). As a result of the sale the Group lost control of its interest in Allianz-Irish Life Holdings plc.

Intercompany assets and liabilities
Following the sale of the Life Group on 29 June 2012, the assets and liabilities over which the Group lost control include €411m of inter-company balances. These assets and liabilities will continue to be held by the Group on an arms length basis in the normal course of business.

The net liabilities which the Group assumed on the disposal of the Life Group consists of:

	Notes	30 June 2012 €m
Deposits included in customer accounts	13	**(804)**
Loans included in loans and receivables to customers	7	**428**
Debt securities included in debt securities in issue	14	**(35)**
Net liabilities assumed on disposal		**(411)**

4. Assets and liabilities classified as held for sale (continued)

(b) Assets and liabilities of permanent tsb Finance Limited and Bluecube Limited

Additionally, arising from the PCAR / PLAR assessment the Group is required to dispose of its non-core financial assets. As a result, the assets and liabilities of the Group's non-core consumer finance loans portfolio; permanent tsb Finance Limited and Bluecube Limited ("PTSBF"), which form part of the banking Ireland reporting segment, have been presented as held for sale. PTSBF is a wholly owned subsidiary of the Group. In accordance with IFRS 5 this will not be deemed a discontinued operation as it is not considered a major line of business or geographical area. Negotiations with potential buyers are ongoing as at the 30 June 2012.

The assets and liabilities of PTSBF are set out below:

	Notes	30 June 2012
		€m
Assets		
Loans and receivables to customers[2]	7	**300**
Loans and receivables to banks[4]	9	**104**
Prepayments and accrued income		**8**
Deferred tax assets		**6**
Assets classified as held for sale[1]		**418**
Liabilities		
Debt securities in issue[3]	14	**145**
Derivative liabilities		**4**
Other liabilities[5]		**96**
Liabilities classified as held for sale[1]		**245**

1. The PTSBF assets and liabilities above exclude net €262m inter-company liabilities, which are eliminated in the consolidated financial statements. These balances will crystallise as part of the sale.
2. Loans and receivables to customers consist of finance leases. Following the classification of PTSBF as held for sale, an impairment loss of €72m on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognised in loans and receivables to customers and recorded in the income statement in accordance with IFRS 5. The fair value was determined based on an indicative bid by the preferred bidder.
3. Debt securities in issue consists of consumer finance loans securitisations debt of €145m.
4. These loans and receivables to banks comprise restricted cash held by the PTSBF securitisation vehicle and therefore has been excluded from cash and cash equivalents for the purpose of the cash flow statement.
5. Other liabilities consists of €90m of film finance liabilities and miscellaneous accruals of €6m.

The Group has established a securitisation through PTSBF to sell a pool of finance leases to a special purpose vehicle which issued floating rate notes of €211m to fund the purchase of these assets. The notes are secured by a first fixed charge over the assets in the pool. €66m of these notes are held by the Group which are eliminated on consolidation.

(c) Bank financial assets

On 31 December 2011, €56m of consumer finance loans, which formed part of PTSBF, were reclassified to assets classified as held for sale. Due to changes in the portfolio, €53m of these loans were subsequently sold in March 2012 for a consideration of €47m (€5m of this was deferred consideration). The loss on the sale was €6m and is included in the income statement.

(d) Bank branches held for sale

Certain bank branches were closed as part of a restructuring programme carried out by the Group in 2010. These branches are presented as held for sale within the banking Ireland segment.

Six branches remain unsold at 30 June 2012 due to the challenging property market. However, management remains committed to the disposal of the remaining branches therefore, these branches continue to be classified as held for sale at a fair value of €2.9m (31 December 2011: €2.9m).

5. Cash and cash equivalents

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

	30 June 2012	30 June 2011
	€m	€m
Cash and balances with central banks	**59**	631
Items in the course of collection	**98**	102
Loans and receivables to banks repayable on demand (note 9)	**2,660**	640
	2,817	1,373
Loans and receivables to banks included in assets classified as held for sale (note 4(b))*	**104**	39
Cash and bank balances included in the disposal of Irish Life International Limited**	**-**	18
	2,921	1,430
Restricted cash included in loans and receivables to banks repayable on demand	**(802)**	(334)
Cash and cash equivalents on the statement of cash flows	**2,119**	1,096

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

As at 30 June 2011, restricted cash of €334m included €321m relating to cash held by the Group's securitisation entities. The remaining €13m was in relation to the Life Group which was sold on 29 June 2012. The €13m consisted of €2m relating to client monies held by a Life Group brokerage subsidiary and €11m relating to a Life Group bank overdraft which was reclassified to liabilities classified as held for sale.

*As at 30 June 2012 cash and cash equivalents balance of €104m related to PTSBF which is included in assets classified as held for sale and also recognised in restricted cash held by Group securitisation entities. Refer to Note 4(b) Assets and liabilities classified as held for sale. As at 30 June 2011 cash and cash equivalents balance of €39m related to the Life Group which was included in assets classified as held for sale.

**The cash and bank balances of €18m as at 30 June 2011 related to Irish Life International Limited ("ILI"). ILI was sold in August 2011.

6. Debt securities

	30 June 2012 €m	31 December 2011 €m
Held to maturity ("HTM")	**850**	845
Available for sale ("AFS")	**2,546**	2,213
Loans and receivables	**3,384**	3,600
Designated at FVTPL	**-**	7,510
Reclassification to assets classified as held for sale (note 4(a))	**-**	(7,510)
Gross debt securities	**6,780**	6,658
Less: Provisions (note 8(b))	**(1)**	(1)
Net debt securities	**6,779**	6,657

At 31 December 2011 debt securities amounting to €7.5bln in respect of the Life Group were reclassified from the 'Designated at FVTPL' category to assets held for sale as disclosed in Note 4(a), Assets and liabilities classified as held for sale. The Life Group was subsequently sold on 29 June 2012.

Debt securities, representing a mix of government gilts and corporate bonds, with a carrying value of €0.5bln (31 December 2011: €0.3bln) have been pledged to third parties in sale and repurchase agreements.

Debt securities of €4.8bln (31 December 2011: €6.1bln) have been pledged against deposits made by the ECB (Note 12, Deposits by banks (including central banks)), which includes €2.5bln of NAMA bonds.

As at 30 June 2012, the amount of debt securities remaining available to be used and eligible (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements as collateral had a carrying value of €1.5bln (31 December 2011: €0.3bln).

HTM debt securities of €850m are a mix of gilts and corporate bonds. They represent securities with fixed maturities and fixed and determinable cash flows, which the Group has the ability and intention to hold until maturity.

Loans and receivables debt securities includes €2.5bln of bonds issued by NAMA. Since market prices are not readily available for these securities, they have been classified within the loans and receivables debt securities.

During the year ended 31 December 2008, the Group availed of the amendment to IAS 39 and IFRS 7 issued in October 2008, effective 1 July 2008, which permitted financial assets classified as AFS that would have met the definition of loans and receivables, had they not been designated as AFS, to be reclassified out of the AFS category to the loans and receivables category as the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity. No items were reclassified during the period.

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

	Carrying value		**Fair value**	
	30 June 2012 €m	31 December 2011 €m	**30 June 2012 €m**	31 December 2011 €m
AFS debt securities reclassified to loans and receivables	**838**	853	**674**	698

The movement in the carrying value of debt securities classified as loans and receivables is included in subsequent tables within this note for both the current and prior reporting periods.

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

	Income statement		**Other comprehensive income**	
	Six months ended 30 June 2012 €m	Six months ended 30 June 2011 €m	**Six months ended 30 June 2012 €m**	Six months ended 30 June 2011 €m
Period before reclassification				
Interest income	**-**	-	**-**	-
Net change in fair value	**-**	-	**-**	-
Period after reclassification				
Interest income	**14**	14	-	-
Amortisation	**(2)**	(4)	**2**	4
Total for period after reclassification	**12**	10	**2**	4

6. Debt securities (continued)

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

	Income statement		Other comprehensive income	
	Six months ended 30 June 2012	Six months ended 30 June 2011	**Six months ended 30 June 2012**	Six months ended 30 June 2011
	€m	€m	**€m**	€m
Interest income	**14**	14	**-**	-
Fair value movement	**-**	-	**(9)**	34
Cumulative impact	**165**	137	**(164)**	(122)

At the date of reclassification, 31 December 2008, the effective interest rates on reclassified AFS investment securities ranged from 1.5% to 5% with expected recoverable cash flows of €2,098m.

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

The Group has carried out an impairment assessment on its debt securities held and the impairment provision is analysed in Note 8, Provision for impairment. A transfer of €nil (30 June 2011: €5m) from the collective provision to the specific provision has been effected in relation to securities which have been specifically identified as impaired. Subsequently €nil (30 June 2011: €5m) was utilised in respect of impaired debt securities classified as loans and receivables.

The carrying value of debt securities for continuing operations is analysed as follows:

	30 June 2012	31 December 2011
	€m	€m
Government bonds	**2,694**	2,402
NAMA bonds	**2,504**	2,680
Bonds issued by credit institutions	**1,108**	1,085
Other bonds	**473**	490
Total debt securities as at	**6,779**	6,657
Listed	**4,264**	3,967
Unlisted	**2,515**	2,690
Total debt securities as at	**6,779**	6,657

7. Loans and receivables to customers

Loans and receivables by category are set out below:

	30 June 2012 €m	31 December 2011 €m
Residential mortgage loans		
-Held through special purpose vehicles	**25,319**	25,698
-Held directly	**7,562**	7,473
	32,881	33,171
Commercial mortgage loans*	**2,282**	1,863
Consumer finance		
-Finance leases	**436**	585
-Term loans / other	**388**	412
Gross loans and receivables to customers	**35,987**	36,031
Less: provision for impairment (note 8)	**(2,737)**	(2,298)
Reclassification to assets classified as held for sale (note 4(b))	**(372)**	-
Reclassification to assets classified as held for sale (note 4(c))	**-**	(56)
Net loans and receivables to customers	**32,878**	33,677

As at 30 June 2012, net loans and receivables to customers amounting to €372m (31 December 2011: €nil) in respect of PTSBF have been reclassified to assets classified as held for sale as disclosed in Note 4(b), Assets and liabilities classified as held for sale.
At 31 December 2011 net consumer finance loans of €56m, which formed part of PTSBF, had been reclassified to assets classified as held for sale as disclosed in Note 4(c), Assets and liabilities classified as held for sale. This sale was subsequently completed in March 2012.

*Commercial mortgage loans include loans of €428m (31 December 2011: €427m) to the Life Group, which was sold on 29 June 2012. At 31 December 2011, these loans were eliminated on consolidation.

Net loans and receivables to customers is analysed as follows:

	30 June 2012 €m	31 December 2011 €m
Core	**23,599**	24,340
Non-core	**9,279**	9,337
Total loans and receivables to customers	**32,878**	33,677

Core loans and receivables relate to loans and receivables in respect of Residential ROI mortgages and consumer finance (excluding finance leases), while non-core loans and receivables relate to loans and receivables in respect of commercial mortgages, finance leases, UK residential mortgages held by subsidiaries and commercial mortgage loans to the Life Group. Core and non-core loans and receivables are defined in the 2011 Financial Measures Programme (FMP) by the Central Bank of Ireland.

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

	30 June 2012 €m	31 December 2011 €m
Tracker	**22,515**	22,780
Variable rate	**9,071**	8,957
Fixed rate	**1,292**	1,940
Total loans and receivables to customers	**32,878**	33,677

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

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

		30 June 2012 €bln	31 December 2011 €bln
Residential mortgages held through special purpose vehicles		**25.3**	25.7
Notes issued by special purpose vehicles	- rated	**20.2**	20.6
	- unrated	**4.5**	4.5

7. Loans and receivables to customers (continued)

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

	30 June 2012	31 December 2011
	€bln	€bln
- Sold to third parties and included within debt securities in issue (non-recourse funding and Other debt securities in issue) (note 14)	2.6	2.7
- Held by the European Central Bank ("ECB") as collateral in respect of funds raised under the Euro system funding programme (note 12)[1]	6.4	6.6
- Held by other banks and institutions as part of collateralised lending or sale and repurchase agreements (note 12)[3]	5.1	5.0
- Held by the Irish Central Bank as collateral in respect of funds raised under Emergency Liquidity Assistance[2]	-	6.3
- Other		
Available collateral*	6.1	-
Unrated notes	4.5	4.5
Total notes issued by these special purpose vehicles	**24.7**	25.1

[1] See Note 12, Deposits by banks (including central banks) for amounts placed by the ECB with PTSB.

* The eligibility of available collateral will depend on the criteria of the counterparty.

Details of provisions for loan impairments are set out in Note 8, Provision for impairment.

8. Provision for impairment

(A) Loans and receivables to customers

Impairment losses on loans and receivables to customers

	Six months ended 30 June 2012 €m	Six months ended 30 June 2011 €m
Core	**271**	265
Non-core	**163**	68
Total Impairment losses	**434**	333

Impairment losses by nature of impairment provision

	Six months ended 30 June 2012 €m	Six months ended 30 June 2011 €m
Specific	**501**	290
Collective	**(67)**	43
Total Impairment losses	**434**	333

Impairment losses on loans and receivables to customers by geographical location

	Six months ended 30 June 2012 €m	Six months ended 30 June 2011 €m
Republic of Ireland ("ROI")		
Owner occupier	**130**	163
Buy-to-let	**124**	87
Commercial	**138**	46
Consumer finance	**30**	25
	422	321
United Kingdom ("UK")		
Owner occupier	**1**	1
Buy-to-let	**11**	11
	12	12
Total impairment losses	**434**	333

The movement in impairment charge of €333m as at 30 June 2011 to €434m as at 30 June 2012 mainly relates to higher provisions on the Bank's non-core commercial portfolio given continuing challenging economic conditions.

In line with the increase in impaired loans, the specific provision charge has increased by 73% compared to June 2011 and there has been a release of collective provision charge of €67m to the income statement in the six months ended to June 2012, primarily due to loans which were previously considered for collective assessment now being considered for specific assessment.

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

30 June 2012	**ROI Residential mortgages**	**UK Residential mortgages**	**ROI Commercial**	**Consumer finance**	**Total**
Total	**€m**	**€m**	**€m**	**€m**	**€m**
Balance as at 1 January 2012	**1,629**	**78**	**406**	**185**	**2,298**
Charge for the year (as per Income Statement)	**254**	**12**	**138**	**30**	**434**
Increase due to interest booked but not recognised	**48**	**-**	**13**	**-**	**61**
Unwinding of discount	**(15)**	**-**	**(3)**	**-**	**(18)**
Write down of provision used	**(6)**	**(22)**	**-**	**(13)**	**(41)**
Exchange movements	**-**	**3**	**-**	**-**	**3**
Balance as at 30 June 2012	**1,910**	**71**	**554**	**202**	**2,737**

8. Provision for impairment (continued)

30 June 2012	**ROI Residential mortgages**	**UK Residential mortgages**	**ROI Commercial**	**Consumer finance**	**Total**
Core	**€m**	**€m**	**€m**	**€m**	**€m**
Balance as at 1 January 2012	**1,629**	**-**	**-**	**123**	**1,752**
Charge for the year (as per Income Statement)	**254**	**-**	**-**	**17**	**271**
Increase due to interest booked but not recognised	**48**	**-**	**-**	**-**	**48**
Unwinding of discount	**(15)**	**-**	**-**	**-**	**(15)**
Write down of provision used	**(6)**	**-**	**-**	**(3)**	**(9)**
Balance as at 30 June 2012	**1,910**	**-**	**-**	**137**	**2,047**

30 June 2012	**ROI Residential mortgages**	**UK Residential mortgages**	**ROI Commercial**	**Consumer finance**	**Total**
Non-core	**€m**	**€m**	**€m**	**€m**	**€m**
Balance as at 1 January 2012	**-**	**78**	**406**	**62**	**546**
Charge for the year (as per Income Statement)	**-**	**12**	**138**	**13**	**163**
Increase due to interest booked but not recognised	**-**	**-**	**13**	**-**	**13**
Unwinding of discount	**-**	**-**	**(3)**	**-**	**(3)**
Write down of provision used	**-**	**(22)**	**-**	**(10)**	**(32)**
Exchange movements	**-**	**3**	**-**	**-**	**3**
Balance as at 30 June 2012	**-**	**71**	**554**	**65**	**690**

31 December 2011	ROI Residential mortgages	UK Residential mortgages	ROI Commercial	Consumer finance	Total
Total	€m	€m	€m	€m	€m
Balance as at 1 January 2011	446	63	223	151	883
Charge for the year (as per Income Statement)	1,171	26	179	58	1,434
Increase due to interest booked but not recognised	53	-	15	-	68
Unwinding of discount	(38)	-	(11)	-	(49)
Write down of provision used	(3)	(13)	-	(24)	(40)
Exchange movements	-	2	-	-	2
Balance as at 31 December 2011	1,629	78	406	185	2,298

31 December 2011	ROI Residential mortgages	UK Residential mortgages	ROI Commercial	Consumer finance	Total
Core	€m	€m	€m	€m	€m
Balance as at 1 January 2011	446	-	-	93	539
Charge for the year (as per Income Statement)	1,171	-	-	35	1,206
Increase due to interest booked but not recognised	53	-	-	-	53
Unwinding of discount	(38)	-	-	-	(38)
Write down of provision used	(3)	-	-	(5)	(8)
Balance as at 31 December 2011	1,629	-	-	123	1,752

31 December 2011	ROI Residential mortgages	UK Residential mortgages	ROI Commercial	Consumer finance	Total
Non-core	€m	€m	€m	€m	€m
Balance as at 1 January 2011	-	63	223	58	344
Charge for the year (as per Income Statement)	-	26	179	23	228
Increase due to interest booked but not recognised	-	-	15	-	15
Unwinding of discount	-	-	(11)	-	(11)
Write down of provision used	-	(13)	-	(19)	(32)
Exchange movements	-	2	-	-	2
Balance as at 31 December 2011	-	78	406	62	546

8. Provision for impairment (continued)

Impaired loans for which provisions are held

The table below reflects impaired loans for which provisions are held and an analysis of individually and collectively assessed provision balances across the loans and receivables portfolio.

30 June 2012	**Loans and receivables**	**Impaired loans**	**Impaired loans as % of loans and receivables**	**Provision individually assessed**	**Provision collectively assessed**	**Total impairment provision**	**Provision as % of impaired loans**
Residential:	**€m**	**€m**	**%**	**€m**	**€m**	**€m**	**%**
ROI:							
- Owner occupier	**18,385**	**2,367**	**13%**	**850**	**143**	**993**	**42%**
- Buy-to-let	**6,626**	**1,696**	**26%**	**837**	**80**	**917**	**54%**
UK:							
- Owner occupier	**451**	**24**	**5%**	**3**	**1**	**4**	**17%**
- Buy-to-let	**7,178**	**178**	**2%**	**52**	**15**	**67**	**38%**
Commercial	**2,282**	**928**	**41%**	**476**	**78**	**554**	**60%**
Consumer finance:							
- Finance leases	**436**	**62**	**14%**	**24**	**41**	**65**	**105%**
- Term loans / other	**388**	**132**	**34%**	**2**	**135**	**137**	**104%**
Total gross lending	**35,746**	**5,387**	**15%**	**2,244**	**493**	**2,737**	**51%**
Impairment provision	**(2,737)**						
Reclassification to assets classified as held for sale (note 4(b))	**(372)**						
Deferred fees, discounts & fair value adjustments	**241**						
Balance as at 30 June 2012	**32,878**	**5,387**		**2,244**	**493**	**2,737**	

31 December 2011	Loans and receivables	Impaired loans	Impaired loans as % of loans and receivables	Provision individually assessed	Provision collectively assessed	Total impairment provision	Provision as % of impaired loans
Residential:	€m	€m	%	€m	€m	€m	%
ROI:							
- Owner occupier	18,740	1,728	9%	656	199	855	49%
- Buy-to-let	6,679	1,381	21%	623	151	774	56%
UK:							
- Owner occupier	445	7	2%	2	1	3	43%
- Buy-to-let	7,048	92	1%	59	16	75	82%
Commercial	1,863	637	34%	366	40	406	64%
Consumer finance:							
- Finance leases	585	67	11%	20	42	62	93%
- Term loans / other	412	118	29%	-	123	123	104%
Total gross lending	35,772	4,030	11%	1,726	572	2,298	57%
Impairment provision	(2,298)						
Reclassification to assets classified as held for sale (note 4(c))	(56)						
Deferred fees, discounts & fair value adjustments	259						
Balance as at 31 December 2011	33,677	4,030		1,726	572	2,298	

The provision as a percentage of impaired loans has reduced from 57% at 31 December 2011 to 51% as at 30 June 2012. The decrease was mainly due to customers previously in the 'past due but not impaired' category moving to the 'impaired' category of loans and receivables to customers, as can be seen in the disclosures of Note 20, Financial risk management.

(B) Debt securities

30 June 2012	**Specific**	**Collective**	**Total**
	€m	**€m**	**€m**
Balance as at 1 January 2012	**-**	**1**	**1**
Balance as at 30 June 2012	**-**	**1**	**1**

31 December 2011	Specific	Collective	Total
	€m	€m	€m
Balance as at 1 January 2011	-	6	6
Transfer from collective to specific provisions	5	(5)	-
Amounts written off during the year - Loans and receivables	(5)	-	(5)
Balance as at 31 December 2011	-	1	1

(C) Repossessed Assets

In the six months ended 30 June 2012, the Group impaired its repossessed assets by€3.2m (30 June 2011: €nil). Repossessed assets are included in other assets. For further details refer to Note 20, Financial risk management.

9. Loans and receivables to banks

	30 June 2012 €m	31 December 2011 €m
Held at amortised cost		
Repayable on demand	**2,764**	1,592
Other loans and receivables to banks	**31**	31
	2,795	1,623
Designated as FVTPL		
Life operations deposits with banks	**-**	3,446
Reclassification to assets classified as held for sale (note 4(a))	**-**	(3,446)
Reclassification to assets classified as held for sale (note 4(b))	**(104)**	-
Net loans and receivables to banks	**2,691**	1,623

As at 30 June 2012, loans and receivables to banks amounting to €104m (31 December 2011: €nil) in respect of PTSBF have been reclassified to assets classified as held for sale as disclosed in Note 4(b), Assets and liabilities classified as held for sale.

At 31 December 2011, loans and receivables to banks amounting to €3,446m in respect of Life Group were reclassified from the 'Designated at FVTPL' category to assets held for sale as disclosed in Note 4(a), Assets and liabilities classified as held for sale. The Life Group was subsequently sold on 29 June 2012.

Loans and receivables to banks amounting to €2,660m as at 30 June 2012 have been treated as cash and cash equivalents for the purpose of the condensed consolidated cash flow statement.

10. Intangible assets

	30 June 2012	31 December 2011
	€m	€m
Cost		
Balance as at 1 January	**201**	173
Acquisitions	**32**	132
Additions	**4**	4
Disposals	**(1)**	-
Reclassification to assets classified as held for sale (note 4(a))	**-**	(108)
As at period end	**236**	201
Amortisation		
As at 1 January	**85**	143
Amortisation for the period		
- Continuing operations	**18**	25
- Discontinued operations to date of reclassification	**-**	3
Impairment - Discontinued operations	**-**	3
Reclassification to assets classified as held for sale (note 4(a))	**-**	(89)
Disposals	**(1)**	-
As at period end	**102**	85
Net book value as at period end	**134**	116

At 31 December 2011, intangible assets with a net book value amounting to €19m in respect of the Life Group were reclassified to assets held for sale as disclosed in Note 4(a), Assets and liabilities classified as held for sale. The Life Group was subsequently sold on 29 June 2012.

Included in the net book value as at the period end are core deposit intangibles arising from the acquisition of Irish Nationwide Building Society in 2011 of €91m (31 December 2011: €103m) and Northern Rock of €29m, acquired in January 2012 as disclosed in Note 26, Business combinations. The core deposit intangibles are amortised over five years from the date of recognition. Included in amortisation in the period to June 2012 is €16m (31 December 2011: €21m) related to the core deposit intangibles, which is reflected in net interest income. Management undertake, at least annually, an impairment review of the core deposit intangible assets to confirm that the five year amortisation period is appropriate.

11. Retirement benefit obligations

Defined benefit schemes

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

The pension costs and provisions are assessed in accordance with the advice of independent qualified actuaries. Valuations are carried out every three years by independent actuarial consultants. The actuarial reports are available for inspection by members of the scheme and are not available for public inspection. All of the Group's defined benefit pension schemes have been revalued within the timeframe set out by regulatory guidelines with valuation dates ranging between 01 January 2009 to 05 April 2010. Actuarial gains and losses are accounted for under the corridor approach as set out in Note 1, Basis of preparation and significant accounting policies of the 2011 Annual Report. Critical accounting judgements and estimates relating to retirement benefit obligations are as set out in Note 2, Critical accounting judgements and estimates of the 2011 Annual Report.

Each of the Group's defined benefit pension schemes are administered and accounted for separately. The discontinued operations (below) refers to the two schemes for which the Life Group is the principal employer, and the Life Group was disposed of on 29 June 2012.

An annual stamp duty levy of 0.6% (the "Pension Levy") of the market value of assets under management in Irish pension funds was put in place by the Irish Finance (No. 2) Act 2011. The levy will apply in each of the calendar years 2011 to 2014 inclusive, based on the value of the assets on 30 of June each year. The levy payment for 2012 amounting to €7.2m (Continuing operations: €2.8m, discontinued operations: €4.4m), (2011: €6.9m, continuing operations: €2.6m, discontinued operations: €4.3m), has been reflected as a reduction in the value of scheme assets and the levy has been incorporated into the expected return on scheme assets at 30 June 2012. No agreement has yet been reached as to who will ultimately bear the cost of this levy and the accounting will be updated to reflect the final decision once it is taken.

The key financial assumptions used are:

	30 June 2012	31 December 2011
	%	%
Actuarial assumptions at the statement of financial position date		
Discount rate	**4.00**	4.90
Expected rate of return on plan assets	**4.30**	5.00
Salary increases [1,2]	**3.25**	3.25
Pension increases [2]	**2.00**	2.00
Rate of price inflation	**2.00**	2.00

[1] In addition to the salary inflation assumption above an assumed salary scale is also allowed for.

[2] For the purpose of calculating the settlement gain on these pension schemes in the Life Group, these assumptions were revised to zero salary increases and zero pension in payment increases to reflect the fact that the employees in these schemes were leaving the Group.

For schemes of the continuing operations, the basis by which actuarial assumptions have been determined is unchanged from the basis disclosed in the 2011 Annual Report.

The post retirement mortality assumptions used at 31 December 2011 are still applicable as at 30 June 2012. Details of mortality assumptions are set out on page 135 of the 2011 Annual Report.

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
	€m	€m
Current service cost	**17**	17
Past service cost	**-**	-
Interest cost	**35**	34
Expected return on scheme assets	**(31)**	(35)
Amortisation of corridor excess	**2**	1
Changes due to curtailments / settlements	**(1)**	(12)
Net settlement gain recognised in the income statement of the Life Group (note 3)	**(46)**	-
Amount recognised in the income statement	**(24)**	5

This charge has been included in administrative expenses of which €14m related to continuing operations and €8m to discontinued operations. Further, there was also a €46m gain in relation to the discontinued operations, which relates to the settlement gain arising from the sale of the Life Group to the Minister for Finance on 29 June 2012.

11. Retirement benefit obligations (continued)

Continuing operations

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

	30 June 2012 €m	31 December 2011 €m
Benefit obligation	**(885)**	(693)
Fair value of plan assets	**481**	471
Net obligation	**(404)**	(222)
Unrecognised actuarial losses	**282**	102
Net recognised retirement benefit obligation	**(122)**	(120)

	30 June 2012 €m	31 December 2011 €m
Net post retirement benefit assets	**9**	10
Net post retirement benefit liabilities	**(131)**	(130)
Net post retirement benefit obligation	**(122)**	(120)

Discontinued operations

The Life Group which was sold to the Minister for Finance on 29 June 2012, operated two Irish defined benefit pension schemes for its employees. €8m was recognised as the normal pension charge in the results from discontinued operations in respect of these schemes for the six months ended on 29 June 2012 (30 June 2011: €1m) under profit from the Life Group as disclosed in Note 3, Discontinued operations. Furthermore, a settlement gain of €46m was also recognised in the income statement of the Life Group. This settlement gain comprised a remeasurement of the defined benefit obligation under the current assumptions reflecting no future salary increases and pension increases giving rise to a gain of €304m together with the recognition of all previously unrecognised actuarial losses of €258m.

The retirement benefit asset of €128m was included in the assets and liabilities over which control has been lost as outlined in Note 4, Assets and liabilities classified as held for sale.

After the sale of the Life Group no residual liabilities related to the two Life Group defined benefit schemes reside with the Group.

12. Deposits by banks (including central banks)

	30 June 2012	31 December 2011
	€m	€m
Deposits by banks (including central banks)	**14,332**	17,178
Reclassification to liabilities classified as held for sale (note 4(a))	**-**	(212)
Net deposits by banks	**14,332**	16,966

Deposits by banks include the following:

	30 June 2012	31 December 2011
	€bln	€bln
Placed by the European Central Bank ("ECB")[1]	**11.1**	11.7
Placed by the Irish Central Bank[2]	**-**	2.3
Placed by other banks and institutions[3]	**2.7**	2.7
Held as a result of repurchase agreements	**0.4**	0.3
Other	**0.1**	-
Net deposits by banks	**14.3**	17.0

Balances placed by the European Central Bank ("ECB")

Maximum	**12.5**	15.1
Average	**11.8**	12.1

[1] The deposits made by the ECB are secured on €6.4bln (31 December 2011: €6.6bln) notes issued by special purpose vehicles controlled by the Group and €4.8bln (31 December 2011: €6.1bln) of debt security assets together with €3.3bln of bonds issued and bought by the Group itself (31 December 2011: €3.3bln). These notes are secured by a first fixed charge over residential mortgages held by the special purpose vehicles which are included in Note 7, Loans and receivables to customers.

€5bln (31 December 2011: €3bln) of the deposits placed by the ECB are due to mature in greater than 2 years. The remaining €6.1bln is due to mature in the current year (31 December 2011: €8.7bln).

[2] Included in the deposits made by the Irish Central Bank is €nil worth of exceptional liquidity assistance (31 December 2011: €2.3bln). At 31 December 2011 these deposits were secured on €6.3bln notes issued by the special purpose vehicles controlled by the Group and further €230m under a Ministerial Guarantee.

[3] These deposits are collateralised on €5.1bln (31 December 2011: €5bln) of notes issued by special purpose vehicles controlled by the Group. The notes are secured by a first fixed charge over residential mortgages held by the special purpose vehicles, which form part of the Group's consolidated financial statements which are included in Note 7, Loans and receivables to customers.

13. Customer accounts

	30 June 2012 €m	31 December 2011 €m
Repayable on demand	**4,570**	3,593
Other	**12,697**	10,780
Net customer accounts	**17,267**	14,373

Included in customer accounts are deposits of €804m (31 December 2011: €683m) from the Life Group which was sold on 29 June 2012. Refer to Note 4, Assets and liabilities classified as held for sale. At 31 December 2011, these deposits were eliminated on consolidation.

During the six months ended 30 June 2012, the Group acquired €474m of customer accounts from Northern Rock Ireland. Further details are outlined in Note 26, Business combinations.

14. Debt securities in issue

	30 June 2012	31 December 2011
	€m	€m
At amortised cost:		
Bonds and medium-term notes	**5,338**	5,531
Other debt securities in issue	**535**	615
Non-recourse funding	**2,179**	2,210
Reclassification to assets classified as held for sale (note 4(b))	**(145)**	-
Net debt securities in issue	**7,907**	8,356

As at 30 June 2012 non-recourse funding amounting to €145m (31 December 2011: €nil) in respect of PTSBF has been reclassified to assets classified as held for sale as disclosed in Note 4(b), Assets and liabilities classified as held for sale.

Bonds and medium-term notes

Bonds and medium-term notes include €35m of debt securities issued by the Group which are held by the Life Group, as outlined in Note 4(a), Assets and liabilities classified as held for sale. The Life Group was sold on 29 June 2012. At 31 December 2011, they amounted to €37m and were eliminated on consolidation.

During June 2012, PTSB repurchased certain of its medium term notes with an aggregate nominal value of €24m for a cash consideration of €17m (71 per cent of the nominal value). The resulting gain of €7m, along with a gain of €2m on associated hedging swaps was recognised in other operating income in the income statement.

Other debt securities in issue

Other debt securities in issue as at 30 June 2012 included €535m (31 December 2011: €615m) advances secured on notes issued by special purpose vehicles which are secured on residential property loans. These loans which have not been derecognised are shown within loans and receivables to customers. The funding is shown as a separate liability.

Non-recourse funding

As at 30 June 2012 (excluding amounts reclassified as held for sale), the Group had advances secured on residential property loans of €2,034m (31 December 2011: €2,065m, consumer finance loans €145m) subject to non-recourse funding. These loans, which have not been derecognised, are shown within loans and receivables to customers and the non-recourse funding is shown as a separate liability.

15. Provisions

30 June 2012	**Restructuring costs[1]**	**Other**	**Total**
	€m	**€m**	**€m**
As at 1 January	**14**	**-**	**14**
Provisions made during the period[1]	**52**	**-**	**52**
Provisions used during the period	**(39)**	**-**	**(39)**
As at period end	**27**	**-**	**27**

31 December 2011	Restructuring costs	Other	Total
	€m	€m	€m
As at 1 January	2	15	17
Provisions made during the year			
- Continuing operations	44	-	44
- Discontinued operations	10	-	10
Provisions used during the year			
- Continuing operations	(30)	(10)	(40)
- Discontinued operations	(10)	(3)	(13)
Reclassification to liabilities classified as held for sale (note 4(a))	(2)	(2)	(4)
As at period end	14	-	14

Restructuring costs

Provision for restructuring costs include fees payable to contractors in relation to various initiatives to restructure the Group €25m (31 December 2011: €nil) and staff redundancy costs €2m (31 December 2011: €14m) incurred under voluntary severance scheme operated in 2011. These provisions are expected to be utilised by the first half of 2013.

[1] Breakdown of restructuring costs charged to the income statement:

	Six months ended 30 June 2012	Six months ended 30 June 2011
	€m	€m
Staff redundancy costs net of curtailment gain recognised	**-**	34
Costs associated with proposed asset disposal initiatives, separation of Life Group and the last phase of the 2011 transformation project	**12**	-
Costs associated with professional and contractor projects in relation to restructuring of the Group	**40**	-
Costs charged to the income statement	**52**	34

16. Subordinated liabilities

	30 June 2012	31 December 2011
	€m	€m
Balance as at 1 January	**317**	1,470
Issuances during the period	**-**	276
Buyback during the period		
Dated securities	**-**	(845)
Undated securities	**-**	(345)
Maturities	**-**	(259)
Effective interest rate	**29**	20
Balance as at period end	**346**	317

(i) Of the above total, €256m (31 December 2011: €276m) is classified as Tier 2 capital as outlined in Note 19, Analysis of equity and capital.
(ii) Included in the closing balance is €329m of convertible contingent capital notes issued to the Minister for Finance in 2011.
(iii) There were no new subordinated liabilities issued, exchanged or repurchased during the six months ended 30 June 2012.

Full details of the Group's subordinated liabilities including the terms and conditions of the convertible contingent capital notes can be found on pages 151 to 154 of the 2011 Annual Report.

17. Shareholders' equity

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

Share premium
The share premium reserve represents the excess of amounts received for share issues less associated issue costs over the par value of those shares for the company.

Capital contribution reserve
This reserve comprises of the capital contribution component and fair value adjustment of the mandatory conversion feature of contingent capital notes issued by permanent tsb plc. The conversion feature allows the holder to convert into shares of the Group on the occurrence of a conversion event.

Revaluation reserve
The revaluation reserve comprises the unrealised gain or loss, net of tax on the revaluation of owner occupied properties. This is a non-distributable reserve. At 29 June 2012, €19m of the revaluation reserve relating to the Life Group was eliminated as part of the disposal.

Available-for-sale ("AFS") reserve
The AFS reserve comprises unrealised gains or losses, net of tax on AFS financial assets which have been recognised at fair value on the statement of financial position. It also includes a residual amount of €8m (31 December 2011: €10m) relating to AFS securities reclassified to loans and receivables.

Cash flow hedge reserves
The cash flow hedge reserve comprises the net gains or losses, net of tax, on effective cash flow hedging instruments that will be reclassified to the income statement when the hedged transaction affects profit or loss.

Currency translation adjustment reserve
The currency translation adjustment reserve represents the cumulative gains and losses, net of hedging on the retranslation of the Group's net investment in foreign operations, at the rate of exchange at the reporting date. At 29 June 2012, €1m of the revaluation reserve relating to the Life Group was eliminated as part of the disposal.

Share-based payments reserve
This reserve comprises the cost of share options and the long-term incentive plan, which have been charged to the income statement over the vesting period of the options. The long-term incentive plan lapsed during 2011. However, shares held under the employee benefit trust are still held by the Group as disclosed in Note 18, Authorised and issued share capital.

Other capital reserves
Other capital reserves included €7m capital redemption reserve arising from the repurchase and cancellation of shares. It also included the cancellation of the share capital and share premium of permanent tsb plc on the incorporation of permanent tsb Group Holdings plc of €224m and issue of share capital in permanent tsb Group Holdings plc of (€1,087m).

Under the scheme of arrangement to incorporate permanent tsb Group Holdings plc and present it as the ultimate parent company of the Group, the share capital and share premium in permanent tsb plc of €2,922m (including the €2,698m already presented in capital reserves) was cancelled and share capital and share premium was issued in the Group at fair value of €1,087m. These changes in share capital are reflected in the other capital reserve.

Own share reserve
Own shares held (excluding shares held for the long-term incentive plan) were held within the Life Group's operations for the benefit of life assurance policyholders. In accordance with IFRS the cost of these shares, €nil (31 December 2011: €36m), was deducted from distributable reserves. The liability to policyholders was based on the fair value of the shares and the change in liability due to the marked-to-market movement on the shares was transferred from retained earnings to non-distributable reserves. Following the disposal of the Life Group, this reserve has been effectively transferred to retained earnings along with the other net assets of the Life Group.

Retained earnings
The retained earnings include distributable and non-distributable earnings. These reserves represent the retained earnings of the company and subsidiaries after consolidation adjustments. At 29 June 2012, €17m of the revaluation reserve relating to the Life Group was eliminated as part of the disposal.

18. Authorised and issued share capital

Authorised share capital

	Number of shares	30 June 2012 €m	31 December 2011 €m
Ordinary shares of €0.031 each	**70,400,000,000**	**2,182**	2,182
Deferred shares of €0.289 each	**70,400,000,000**	**20,346**	20,346
Preference Shares of €1 each	**300,000,000**	**300**	300
Preference Shares of US$1 each	**200,000,000**	**159**	155
Preference Shares of Stg£1 each	**100,000,000**	**124**	120

On the 27 July 2011, the Group increased the number of authorised €0.32 ordinary shares from 400,000,000 to 70,400,000,000 by the creation of 70,000,000,000 additional authorised shares. On this same date, each €0.32 ordinary share (both issued and un-issued) was subsequently sub-divided into 320 ordinary shares of €0.001 each. Following this sub-division, 289 ordinary shares out of every 320 ordinary shares was consolidated and re-designated into one deferred share of €0.289 and the remaining 31 ordinary shares were consolidated into one ordinary share of €0.031 (the €0.031 ordinary share carrying the same rights and obligations as the former €0.32 ordinary share). Deferred shares carry no voting or dividend rights and, on a return of capital on a winding up of the Group, will have the right to receive the amount paid up thereon only after all ordinary and preference shareholders have received, in aggregate, any amounts paid up thereon plus €10 million per ordinary share. The purpose of this is to ensure that the deferred shares have no economic value.

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

30 June 2012	**0.289 cent Deferred shares**	**0.031 cent Ordinary shares**
Balance as at 1 January and 30 June 2012	**276,782,351**	**36,525,797,323**
Own shares held for the benefit of life assurance policyholders	**-**	**-**
Shares held under employee benefit trust	**457,914**	**457,914**

31 December 2011	0.32 cent Ordinary shares	0.001 cent Ordinary shares	0.289 cent Deferred shares	0.031 cent Ordinary shares
As at 1 January	276,782,351	-	-	-
Subdivision	(276,782,351)	88,570,352,320	-	-
Consolidation	-	(88,570,352,320)	276,782,351	276,782,351
Issued to Minister for Finance	-	-	-	36,249,014,972
At 31 December	-	-	276,782,351	36,525,797,323
Own shares held for the benefit of life assurance policyholders	-	-	4,397,762	4,245,716
Shares held under employee benefit trust	-	-	457,914	457,914

On the 26 July 2011, the Group was directed by the Irish High Court (under a Direction Order made on the application of the Minister for Finance under the Credit Institutions (Stabilisation) Act 2010) to issue €2.3bln of new equity capital to the Minister for Finance. On the 27 July 2011, the Group issued 36,249,014,972 ordinary €0.031 shares (at a subscription price of €0.06345 per share) to the Minister for Finance. Total gross proceeds from the issue before costs of €46m amounted to €2.3bln, with €1,123m recorded in share capital and €1,131m recorded in share premium after costs. Following this issuance, the Minister for Finance now owns in excess 99.2% of the share capital of the Group.

No shares were issued as a result of the exercise of options under the Group's share option schemes during the period (31 December 2011: nil).

There were no shares issued to the Group profit sharing scheme in the current period (31 December 2011: nil).

At 31 December 2011, own shares held for the benefit of life assurance policyholders were held by Irish Life Assurance plc and represented 0.01% of the issued share capital of PTSB. The Life Group was disposed of on 29 June 2012 and therefore the Group no longer holds own shares for the benefit of life assurance policyholders as at period ended 30 June 2012. Shares held under the employee benefit trust are still held by the Group, details of which are disclosed in the table above.

19. Analysis of equity and capital

The Prudential Capital Assessment Review ("PCAR") and Prudential Liquidity Assessment Review ("PLAR") carried out by the Central Bank of Ireland ("Central Bank") in 2011 on the Group reported an additional capital requirement of €4bln for the Group. To meet this additional capital requirement, the Group has been progressing several initiatives including the sale of Irish Life Limited and its subsidiaries (together the "Life Group").

Pursuant to the Transfer Order (under the Credit Institutions (Stabilisation) Act 2010) issued by the High Court on 28 March 2012 and the Share Repurchase Agreement signed on 29 June 2012, the Life Group was sold to the Minister for Finance for a consideration of €1.3bln on 29 June 2012. Therefore, Life Group's net assets are excluded from Group shareholders' equity.

(A) Shareholders' equity

The Group's equity is analysed as follows:

	30 June 2012	31 December 2011
	€m	€m
Net assets - Banking Ireland	**3,176**	2,268
Net assets - Banking UK	**(99)**	(57)
Net assets - Life Group (discontinued)	**-**	1,377
Consolidation adjustments (Note 2, Segmental information)	**-**	(71)
Total equity	**3,077**	3,517

(B) Capital management

PTSB carries out the banking business activities of the Group. PTSB is regulated by the Central Bank which is responsible for central banking and financial regulation in Ireland. While there are a number of regulated entities within the Group which have individual regulatory capital requirements, two of the principal regulated entities were PTSB, which is the Group's banking operation and Irish Life Assurance plc ("ILA"), the Group's principal life assurance operation. ILA which is a subsidiary of the Life Group was sold on the 29 June 2012 to the Minister for Finance to enable the Group to meet the additional capital requirement identified by the PCAR / PLAR assessment for the banking operation.

The Group is required by the Central Bank to maintain adequate capital and is subject to the risk of having insufficient capital resources to meet minimum regulatory capital requirements.

On 31 March 2011, the Central Bank published the results of the Prudential Capital Assessment Review (PCAR 2011) and the Prudential Liquidity Assessment Review (PLAR 2011) as part of the Financial Measures Programme (FMP). The FMP was one of the conditions of the EU / IMF / EC Programme of Support. The aim of the FMP was to place the Irish banking system in a position where it could fund itself and generate capital without undue further reliance on Irish or European public sources.

The FMP identified a total gross capital requirement of €4bln for the Group's banking business in order to: (i) achieve a core tier 1 capital ratio of 6 per cent plus an additional buffer in a stressed scenario by 31 December 2013; and (ii) cover losses associated with the requirement to deleverage the Bank's statement of financial position in order to achieve a loans-to-deposit ratio of circa 122.5% by 31 December 2013. The loans-to-deposit ratio was 190% at 30 June 2012 (31 December 2011: 227%).

On 27 July 2011, the Group received €2.3bln in share capital and €0.4bln in contingent capital from the Irish Government. The remaining capital requirement is funded through the disposal of the Life Group which was sold to the Government for €1.3bln on the 29 June 2012.

The capital management policies and processes adopted by the Group are disclosed in 2011 Annual Report, Note 35, Analysis of equity and capital and remain unchanged.

The Group's minimum capital requirement is calculated in accordance with the provisions of Basel II as implemented under the European Capital Adequacy Directive and monitored by the Central Bank.

The following table summarises the composition of regulatory capital and the ratios of the Bank for the periods ended 30 June 2012 and 31 December 2011. They are calculated in accordance with Basel II regulatory capital requirements.

19. Analysis of equity and capital (continued)

	30 June 2012 €m	31 December 2011 €m
Tier 1 capital		
Share capital and share premium	**2,922**	2,922
Reserves	**154**	596
Prudential filters	**77**	223
Total qualifying Tier 1 capital	**3,153**	3,741
Tier 2 capital		
Subordinated liabilities	**256**	276
Other	**118**	119
Total qualifying Tier 2 capital	**374**	395
Total qualifying Tier 1 and Tier 2 capital	**3,527**	4,136
Deductions		
Investment in life operations	**-**	(1,307)
Other	**(73)**	(73)
Total deductions	**(73)**	(1,380)
Total own funds	**3,454**	2,756
Required capital*	**1,287**	1,233

*As per European Capital Requirement Directive

Excess of total own funds over total required capital	**2,167**	1,523

The following information has not been subject to review or audit by the independent auditor:

	30 June 2012	31 December 2011
Risk weighted assets	**€m**	€m
Total risk-weighted assets	**16,087**	15,408
Capital Ratios		
Core tier 1	**18.1%**	14.1%
Total	**21.5%**	17.9%

The above ratio is calculated and reported to the Central Bank on a quarterly basis.

The percentage of capital is in excess of the Central Bank regulatory minimum of 10.5% effective as at 30 June 2012.

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

	30 June 2012 €m	31 December 2011 €m
Opening balance	**2,756**	1,681
Bank operating losses after tax and corporate costs	**(566)**	(1,429)
Dividends received	**-**	165
Capital injection / convertible bonds	**(16)**	2,634
Sale of subsidiary undertaking - Irish Life Group	**1,300**	-
Liability management programme	**-**	(123)
Core deposit intangible deduction	**(16)**	(103)
Other*	**(4)**	(69)
Closing balance	**3,454**	2,756

The liability management programme ("LME") generated an increase in Tier 1 reserves of €1,000m but this was offset by a reduction in Tier 2 capital of €1,123m during the prior year.

Resulting from the Northern Rock and INBS deposit acquisitions in January 2012 and February 2011 respectively, core deposit intangibles were created. The initial fair value and subsequent amortisation of these core deposit intangibles are disallowable when calculating the regulatory capital.

*Other movement of (€4m) in own funds in the six months ended 30 June 2012 includes the movement in other intangible assets. Other movement of (€69m) for the year ended 31 December 2011 includes a deduction for securitisation exposures not included in risk-weighted assets of (€73m), the movement in the IRB provision excess of €39m and a (€35m) reduction in other additional own funds.

20. Financial risk management

The Group's risk management framework, risk identification and assessment process are disclosed in detail on pages 163 to 167 of the 2011 Annual Report. There have been no significant changes to the Risk Management Framework of the banking operation since 31 December 2011.

The risks outlined and discussed in this note are predominantly related to the banking operation as the Life Group was sold on 29 June 2012 as disclosed in Note 4, Assets and liabilities classified as held for sale. In certain sections of this note the risks related to the Life Group are disclosed for comparatives purposes only.

Credit risk

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

The Group maintains detailed credit policies for each business unit which outlines relevant conditions under which a loan can be made. Credit policies establish coherent limit systems for credit risk. The various limit structures in place create a credit risk 'ceiling'. Limit structures are in place to manage the credit risk which can be sub categorised as outlined below:

Credit default risk
Concentration risk
Securitisation risk
Settlement risk

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

The internal gradings below incorporate the IRB rating.

- Investment grade (IRB ratings 1 to 7) – includes loans and receivables to banks.

- Excellent risk profile (IRB ratings 8 to 16) – includes exposures whose general profiles are considered to be of a very low risk nature.

- Satisfactory risk profile (IRB ratings 17 to 21) – includes exposures whose general profiles are considered to be of a low to moderate risk nature.

- Fair risk profile (IRB ratings 22 to 24) – includes exposures whose general profiles are considered to require some additional monitoring.

- Defaulted (IRB rating 25) – includes exposures that are impaired and unimpaired greater than 90 days past due.

20. Financial risk management (continued)

Credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements:

The following table outlines the maximum exposure to credit risk before collateral held or other credit enhancements in respect of the assets of the Group at the statement of financial position date for the continuing operations unless otherwise specifically stated as discontinued operations. Discontinued operations consisted of the Life Group which was sold on 29 June 2012.

Continuing operations

	Notes	**30 June 2012**	31 December 2011
Assets		**€m**	€m
Cash and balances with central banks	5	**59**	88
Items in course of collection	5	**98**	109
Debt securities (i)	6	**6,779**	6,657
Derivative assets (ii)		**230**	247
Loans and receivables to customers (v)	7	**32,878**	33,677
Loans and receivables to banks (iii)	9	**2,691**	1,623
Assets and liabilities held for sale (iv)	4	**404**	56
		43,139	42,457
Contingent liabilities and commitments	27	**433**	451
		43,572	42,908

Discontinued operations	Notes	**30 June 2012 Total**	**Unit-linked funds***	**Group exposure**	31 December 2011 Total	Unit-linked funds*	Group exposure
Assets		**€m**	**€m**	**€m**	€m	€m	€m
Cash and balances with central banks	5	-	-	-	94	(35)	59
Debt securities	6	-	-	-	7,510	(5,517)	1,993
Derivative assets		-	-	-	791	(766)	25
Loans and receivables to customers	7	-	-	-	-	-	-
Loans and receivables to banks	9	-	-	-	3,446	(2,313)	1,133
Reinsurance assets		-	-	-	2,118	(39)	2,079
		-	-	-	13,959	(8,670)	5,289
Contingent liabilities and commitments	27	-	-	-	-	-	-
		-	-	-	13,959	(8,670)	5,289

*Excludes unit-linked tracker funds where an investment guarantee is given by the shareholder, which are shown as Group exposure in the tables above.

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

(i) Debt securities

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

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on the ratings prescribed by the rating agency Moody's Investor Services Limited.

	30 June 2012	31 December 2011 Continuing operations	31 December 2011 Discontinued operations
	€m	**€m**	€m
Neither past due nor impaired	**6,772**	6,650	1,993
Impaired	**7**	7	-
Total	**6,779**	6,657	1,993

Debt securities neither past due nor impaired

	30 June 2012		31 December 2011 Continuing operations	31 December 2011 Discontinued operations
Rating	**€m**	**% Change**	€m	€m
Aaa	**87**	**-13%**	100	1,554
Aa	**15**	**-88%**	125	-
A	**285**	**-36%**	445	104
Baa	**414**	**1%**	411	-
Below Ba *	**5,971**	**7%**	5,569	335
Total	**6,772**		6,650	1,993

*The increase in exposure to Below Ba is due to increased exposure to Irish Government Debt and improvement in market values of these securities.

20. Financial risk management (continued)

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

	30 June 2012		31 December 2011			
			Continuing operations		Discontinued operations	
	Sovereign debt	**Corporate debt**	Sovereign debt	Corporate debt	Sovereign debt	Corporate debt
	€m	**€m**	€m	€m	€m	€m
Country						
Australia	**-**	**4**	-	5	-	-
Austria	**-**	**-**	-	-	54	-
Finland	**-**	**-**	-	-	18	-
France	**-**	**-**	-	-	845	-
Germany	**-**	**30**	-	40	535	-
Ireland	**5,106**	**1,018**	4,999	988	311	23
Italy	**-**	**107**	-	106	55	-
Jersey	**-**	**2**	-	2	-	-
Netherlands	**-**	**32**	-	34	85	-
Poland	**88**	**-**	82	-	-	-
Spain	**-**	**16**	-	16	49	-
United Kingdom	**-**	**129**	-	140	18	-
United States	**4**	**244**	4	242	-	-
	5,198	**1,582**	5,085	1,573	1,970	23
Provision	**-**	**(1)**	-	(1)	-	-
Total		**6,779**		6,657		1,993

Included in the debt securities portfolio are holdings of external residential mortgage backed securities ("RMBS") with a carrying value of €467m at 30 June 2012 (31 December 2011: €484m). The Group has recourse indirectly, as bondholders, to the cash flows from those third party mortgages securitised into the various special purpose vehicles set up by the issuing institutions. The RMBS pools had an average loan-to-value of 77.6% and reserve funds set aside of approximately 3.9% of the outstanding issued loan notes. All of the Group's bonds are considered senior in their relevant funding structure of the RMBS vehicle.

The Group also holds €55m at 30 June 2012 (31 December 2011: €50m) of mortgage covered securities. These securities were issued by institutions in accordance with various Asset Covered Securities Acts, legislation which provides protection to the bondholders in preference to other creditors of those issuing institutions.

In addition the Group holds debt securities of €3.1bln at 30 June 2012 (31 December 2011: €3.2bln) which carry a guarantee from the Irish Government either directly or under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the "ELG scheme") and debt securities of €34m at 30 June 2012 (31 December 2011: €31m) which carry a parent entity guarantee.

(ii) Derivative assets

	30 June 2012		31 December 2011	
			Continuing operations	Discontinued operations
Rating	**€m**	**% Change**	€m	€m
Aa	**-**	**-100%**	114	25
A	**135**	**1127%**	11	-
Baa	**9**	**-65%**	26	-
Covered by netting agreements	**86**	**-10%**	96	-
Total	**230**		247	25

The Group has executed Collateral Support Agreements ("CSA") with its counterparties in respect of the majority of derivative instruments to mitigate its credit risk. As part of these agreements the Group exchanges collateral in line with movements in the market values of derivative positions daily. The fair value of collateral that the Group held against derivative positions with a cumulative positive market value of €165m at 30 June 2012 (31 December 2011: €223m) amounted to €155m at 30 June 2012 (31 December 2011: €195m).

(iii) Loans and receivables to banks

Loans and receivables to banks are with investment grade counterparties. The following table gives an indication of the level of creditworthiness of the Group's loans and receivables to banks and is based on the ratings prescribed by the rating agency Moody's Investor Services Limited.

	30 June 2012		31 December 2011	
			Continuing operations	Discontinued operations
	€m	**% Change**	€m	€m
Rating				
Aaa *	**1,576**	**436%**	294	111
Aa	**41**	**-95%**	832	775
A	**966**	**107%**	466	247
Baa and below	**108**	**248%**	31	-
Total	**2,691**		1,623	1,133

*The increase in exposure to Aaa is due to money received from the sale of the Life Group which is held with the Central bank.

20. Financial risk management (continued)

(iv) Assets and liabilities held for sale

As at 30 June 2012 assets held for sale included the assets of PTSBF. The assets comprise of loans and advances to customers net of provisions of €300m and loans and receivables to banks of €104m as disclosed in Note 4(b), Assets and liabilities classified as held for sale. At 31 December 2011 assets held for sale are bank financial assets of €56m relating to loans and receivables held by PTSBF, subsequently €53m of these loans were sold in March 2012, as disclosed in Note 4(c), Assets and liabilities classified as held for sale. The loans and advances to customers and loans and receivables to banks have been analysed within the respective sections of this note.

(v) Loans and receivables to customers

Loans and receivables are summarised as follows:

	30 June 2012		31 December 2011
	€m	% Change	€m
ROI residential mortgages	**25,011**	**-2%**	25,419
UK residential mortgages	**7,629**	**2%**	7,493
Commercial	**2,282**	**23%**	1,863
Consumer finance			
Finance leases	**436**	**-25%**	585
Term loans / other	**388**	**-6%**	412
	35,746		35,772
Provision for loan impairment (Note 8)	**(2,737)**		(2,298)
Deferred fees, discounts and fair value adjustments	**241**		259
Reclassification to assets classified as held for sale (note 4(b) and 4(c))	**(372)**		(56)
	32,878		33,677

Loans and receivables by asset quality:

Loans and receivables after impairments in respect of ROI residential mortgages and consumer finance (excluding finance leases) are classified as 'core' and amount to €23bln or 71% of total loans and receivables at 30 June 2012 (€24bln or 72% of total loans and receivables at 31 December 2011). Loans and receivables after impairments in respect of UK residential mortgages, commercial mortgages and finance leases (included under consumer finance) are classified as non-core loans and amount to €10bln or 29% of total loans and receivables at 30 June 2012 (€9bln or 28% of total loans and receivables at 31 December 2011).

30 June 2012	**ROI Residential mortgages**	**UK Residential mortgages**	**Commercial***	**Consumer finance****	**Total**	**% of total loans pre impairment**	**Core**	**Analysed to: Non-core**
	€m	**€m**	**€m**	**€m**	**€m**	**%**	**€m**	**€m**
Neither past due nor impaired	**18,182**	**7,281**	**1,244**	**578**	**27,285**	**76%**	**18,411**	**8,874**
Past due but not impaired	**2,766**	**146**	**110**	**52**	**3,074**	**9%**	**2,792**	**282**
Impaired – provisions held	**4,063**	**202**	**928**	**194**	**5,387**	**15%**	**4,196**	**1,191**
	25,011	**7,629**	**2,282**	**824**	**35,746**	**100%**	**25,399**	**10,347**
Provision for impairment losses	**(1,910)**	**(71)**	**(554)**	**(202)**	**(2,737)**		**(2,047)**	**(690)**
	23,101	**7,558**	**1,728**	**622**	**33,009**		**23,352**	**9,657**
Deferred fees, discounts and fair value adjustment	**244**	**(3)**	**-**	**-**	**241**		**244**	**(3)**
	23,345	**7,555**	**1,728**	**622**	**33,250**		**23,596**	**9,654**
Impaired loans as a % of total loans and receivables	**11%**	**1%**	**3%**	**0%**	**15%**		**12%**	**3%**
Impairment provision as a % of impaired loans	**47%**	**35%**	**60%**	**104%**	**51%**		**49%**	**58%**

*Commercial mortgage loans include loans of €428m (31 December 2011: €427m) to the Life Group which was sold on 29 June 2012. At 31 December 2011 these loans were eliminated on consolidation.

** Included in consumer finance loans are loans classified as held for sale of €372m (31 December 2011: €56m).

31 December 2011	ROI Residential mortgages	UK Residential mortgages	Commercial	Consumer finance**	Total	% of total loans pre impairment	Core	Analysed to: Non-core
	€m	€m	€m	€m	€m	%	€m	€m
Neither past due nor impaired	18,963	7,150	980	736	27,829	78%	19,223	8,606
Past due but not impaired	3,347	244	246	76	3,913	11%	3,380	533
Impaired – provisions held	3,109	99	637	185	4,030	11%	3,228	802
	25,419	7,493	1,863	997	35,772	100%	25,831	9,941
Provision for impairment losses	(1,629)	(78)	(406)	(185)	(2,298)		(1,752)	(546)
	23,790	7,415	1,457	812	33,474		24,079	9,395
Deferred fees, discounts and fair value adjustment	262	(3)	-	-	259		262	(3)
	24,052	7,412	1,457	812	33,733		24,341	9,392
Impaired loans as a % of total loans and receivables	9%	0%	2%	0%	11%		9%	2%
Impairment provision as a % of impaired loans	52%	79%	64%	100%	57%		54%	68%

Total interest income at 30 June 2012 on impaired loans in the income statement amounted to €90m (30 June 2011: €67m). The fair value of collateral held for ROI and UK residential mortgages is outlined in the loan-to-value tables on the following pages. The fair value of collateral on the commercial portfolio is estimated to be €1,544m at 30 June 2012 (31 December 2011: €1,351m) and for consumer finance it is estimated to be €231m at 30 June 2012 (31 December 2011: €366m).

The tables above reflect a significant increase in the past due but not impaired and impaired categories at 30 June 2012. As at 30 June 2012 24% (€8.4bln) of the loan portfolios are in these categories compared to 22% (€7.9bln) at 31 December 2011. A total of €0.4bln of this increase relates to the ROI residential mortgage portfolio. The increase is attributable to a combination of a general economic downturn leading to reductions in disposable income and increasing unemployment together with very low levels of new lending.

20. Financial risk management (continued)

Loans and receivables which are neither past due nor impaired:

Loans and receivables to customers which are neither past due nor impaired amounted to €27.3bln or 76% of the loan book (before provision for impairment losses) at 30 June 2012 compared to €27.8bln or 78% of the loan book (before provision for impairment losses) at 31 December 2011. A total of €18.4bln of the €27.3bln are classified as 'core' at 30 June 2012. A description of the gradings outlined in the table below is provided earlier in this note.

30 June 2012	**ROI Residential mortgages**	**UK Residential mortgages**	**Commercial**	**Consumer finance**	**Total**	**% of total loans pre impairments**	**Analysed to: Core**	**Non-core**
	€m	**€m**	**€m**	**€m**	**€m**	**%**	**€m**	**€m**
Excellent	**13,504**	**4,589**	**145**	**274**	**18,512**	**52%**	**13,621**	**4,891**
Satisfactory	**2,975**	**2,301**	**779**	**213**	**6,268**	**17%**	**3,045**	**3,223**
Fair risk	**1,703**	**391**	**320**	**91**	**2,505**	**7%**	**1,745**	**760**
Total	**18,182**	**7,281**	**1,244**	**578**	**27,285**	**76%**	**18,411**	**8,874**

31 December 2011	ROI Residential mortgages	UK Residential mortgages	Commercial	Consumer finance	Total	% of total loans pre impairments	Analysed to: Core	Non-core
	€m	€m	€m	€m	€m	%	€m	€m
Excellent	14,641	4,393	180	313	19,527	55%	14,780	4,747
Satisfactory	2,822	2,343	514	299	5,978	17%	2,895	3,083
Fair risk	1,500	414	286	124	2,324	6%	1,548	776
Total	18,963	7,150	980	736	27,829	78%	19,223	8,606

Loans and receivables which are past due but not impaired:

A financial asset is 'past due but not impaired' where repayment of interest and / or principal is overdue at least one day and the loan is not specifically provided for. The table below provides an aged analysis of loans and receivables which are past due but not impaired. ROI residential mortgages which are past due but not impaired decreased by €0.6bln to €2.8bln at 30 June 2012.

30 June 2012	**ROI Residential mortgages**	**UK Residential mortgages**	**Commercial**	**Consumer finance**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
0-30 days	**845**	**35**	**43**	**21**	**944**
31-60 days	**535**	**1**	**24**	**10**	**570**
61-90 days	**385**	**35**	**27**	**7**	**454**
91-180 days	**238**	**50**	**8**	**14**	**310**
181-360 days	**290**	**11**	**2**	**-**	**303**
> 360 days	**473**	**14**	**6**	**-**	**493**
Total past due not impaired	**2,766**	**146**	**110**	**52**	**3,074**
Fair value of collateral held	**2,391**	**144**	**83**	**17**	**2,635**

31 December 2011	ROI Residential mortgages	UK Residential mortgages	Commercial	Consumer finance	Total
	€m	€m	€m	€m	€m
0-30 days	1,008	21	82	37	1,148
31-60 days	577	20	45	14	656
61-90 days	493	38	34	8	573
91-180 days	296	107	11	17	431
181-360 days	473	27	38	-	538
> 360 days	500	31	36	-	567
Total past due not impaired	3,347	244	246	76	3,913
Fair value of collateral held	2,839	233	176	19	3,267

Collateral held against retail mortgage lending is principally comprised of residential properties; their fair value has been estimated based upon the last actual valuation, adjusted to take into account subsequent movement in house prices as reported in the CSO house price index. The resulting valuation has been limited to the principal amount of the outstanding advance in order to provide a clearer representation of the Group's credit exposure.

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

30 June 2012	**ROI residential mortgages**		**UK residential mortgages**		
	Owner occupier	**Buy-to-let**	**Owner occupier**	**Buy-to-let**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
0-30 days	**617**	**228**	**4**	**30**	**879**
31-60 days	**414**	**121**	**-**	**1**	**536**
61-90 days	**287**	**98**	**3**	**32**	**420**
91-180 days	**201**	**36**	**22**	**29**	**288**
181-360 days	**227**	**64**	**3**	**8**	**302**
> 360 days	**389**	**84**	**4**	**10**	**487**
Total	**2,135**	**631**	**36**	**110**	**2,912**

20. Financial risk management (continued)

31 December 2011	ROI residential mortgages		UK residential mortgages		
	Owner occupier	Buy-to-let	Owner occupier	Buy-to-let	Total
	€m	€m	€m	€m	€m
0-30 days	750	258	2	19	1,029
31-60 days	412	165	2	18	597
61-90 days	322	171	5	33	531
91-180 days	218	78	26	81	403
181-360 days	348	125	8	19	500
> 360 days	416	84	6	25	531
Total	2,466	881	49	195	3,591

The following information has not been subject to review or audit by the independent auditor:

Restructuring arrangements - ROI residential mortgages

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in accordance with existing codes of practice. These are set out in the table below.

The PD's associated with non defaulted accounts which have been granted a restructure is 12.5% (11.3% for home loans and 18.1% for BTLs) as at 30 June 2012 and 11.4% (10.1% for home loans and 23.2% for BTLs) at 31 December 2011. The PD's for non defaulted accounts excluding cases in restructuring is 3.4% (3% for Home loans and 4.5% for BTLs) as at 30 June 2012 and 3.42% (2.84% for Home loans and 5.14% for BTLs) at 31 December 2011.
The PD's for defaulted accounts is 100% irrespective of the account status (restructured or non restructured).

Residential mortgages

In accordance with the 2010 Code of Conduct of Mortgage Arrears ("CCMA"), the Group has defined a Mortgage Arrears Resolution Process ("MARP") for mortgages which are secured on the primary residence of borrowers (owner occupier mortgages). MARP also applies to investment properties where it is the borrower's only property in the State. This process is applied to the Group's assessment of both borrowers in arrears and borrowers who, though not in arrears, have informed the Group about impending credit difficulties and potential future arrears ('pre-arrears borrowers').

The table below sets out the volume of loans for which the Group has entered formal restructuring arrangements with customers as at the reporting date. The impaired balance noted represents the loan balances to which impairment charges have been raised due to either being 90 days or more in arrears, or showing evidence of impairment prior to reaching arrears of 90 days.

(a) ROI residential owner occupier mortgages:

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

30 June 2012	**All Loans**		**Loans > 90 days in arrears and / or impaired**	
	Number	**Balances**	**Number**	**Balances**
		€m		**€m**
Interest only	**3,111**	**481**	**725**	**151**
Reduced payment (less than interest only)	**3,816**	**742**	**967**	**198**
Reduced payment (greater than interest only)	**5,430**	**753**	**2,222**	**351**
Payment moratorium	**531**	**88**	**63**	**10**
Arrears capitalisation	**1,083**	**166**	**481**	**81**
Term extension	**1,141**	**98**	**148**	**14**
Other*	**641**	**97**	**264**	**40**
Total	**15,753**	**2,425**	**4,870**	**845**

31 December 2011	All Loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances	Number	Balances
		€m		€m
Interest only	2,033	326	374	66
Reduced payment (less than interest only)	2,543	486	548	110
Reduced payment (greater than interest only)	5,740	871	1,267	217
Payment moratorium	528	87	65	9
Arrears capitalisation	999	148	447	76
Term extension	1,022	98	144	16
Other*	558	82	205	30
Total	13,423	2,098	3,050	524

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

The tables above reflects an increase in 2012 of 2,330 in the number of ROI residential owner occupier loans in restructuring arrangements, an increase of €327m. The average value of restructured loans is relatively unchanged year on year (2012: €0.154m versus 2011: €0.156m). As at 30 June 2012, 31% of the number of loans in restructuring are >90 days and / or impaired compared to 23% at 31 December 2011.

20. Financial risk management (continued)

The following information has not been subject to review or audit by the independent auditor:

(b) ROI residential buy-to-let mortgages

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

30 June 2012	**All Loans**		**Loans > 90 days in arrears and / or impaired**	
	Number	**Balances**	**Number**	**Balances**
		€m		**€m**
Interest only	**396**	**124**	**82**	**32**
Reduced payment (less than interest only)	**50**	**12**	**33**	**8**
Reduced payment (greater than interest only)	**198**	**42**	**68**	**16**
Payment moratorium	**10**	**2**	**2**	**-**
Arrears capitalisation	**279**	**113**	**117**	**46**
Term extension	**127**	**20**	**19**	**3**
Other*	**242**	**144**	**30**	**18**
Total	**1,302**	**457**	**351**	**123**

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

31 December 2011	All Loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances	Number	Balances
		€m		€m
Interest only	28	6	6	2
Reduced payment (less than interest only)	10	2	3	-
Reduced payment (greater than interest only)	170	59	35	14
Payment moratorium	13	3	2	-
Arrears capitalisation	139	50	86	36
Term extension	115	21	17	3
Other*	178	92	28	11
Total	653	233	177	66

Impairment charge on loans and receivables to customers by product line

The balances in the preceding tables denoted impaired loan balances which are in restructuring arrangements. The table below lists the impairment charges in respect of these balances, by lending type.

30 June 2012	**Total**	**Restructured loans performing**	**Restructured loans non-performing**
	€m	**€m**	**€m**
Residential			
- Owner occupier	**266**	**58**	**208**
- Buy-to-let	**69**	**17**	**52**
Six months ended 30 June 2012	**335**	**75**	**260**

31 December 2011	Total	Restructured loans performing	Restructured loans non-performing
	€m	€m	€m
Residential			
- Owner occupier	154	36	118
- Buy-to-let	37	11	26
Year ended 31 December 2011	191	47	144

20. Financial risk management (continued)

Repossessed collateral

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

Stock of repossessions	**30 June 2012**		31 December 2011	
	Repossessions number	**Balance outstanding**	Repossessions number	Balance outstanding
		€ m		€ m
Residential repossessions				
ROI:				
Owner occupier	**233**	**57**	191	50
Buy-to-let	**81**	**21**	83	21
Commercial	**20**	**15**	19	15
UK:				
Owner occupier	**15**	**3**	7	1
Buy-to-let	**92**	**16**	141	24
Total at period ending	**441**	**112**	441	111

Repossessed assets are sold as soon as practicable, with proceeds offset against any outstanding indebtedness. These assets which total €48m as at 30 June 2012 (31 December 2011: €52m) are included within other assets in the statement of financial position.

64% of properties previously repossessed for residential mortgages and 5% for commercial mortgages were disposed of in the six months ended 30 June 2012. The table below sets out details of the disposal of repossessed properties.

	Number of disposals	**Balance outstanding at repossession**	**Gross sales proceeds**	**Costs to sell**	**Pre provisioning loss on sale***
		€m	**€m**	**€m**	**€m**
Residential repossessions					
ROI:					
Owner occupier	**44**	**14**	**5**	**-**	**9**
Buy-to-let	**16**	**5**	**1**	**-**	**4**
Commercial	**1**	**2**	**-**	**-**	**2**
UK:					
Owner occupier	**8**	**2**	**1**	**-**	**1**
Buy-to-let	**200**	**32**	**22**	**2**	**12**
Six months ended 30 June 2012	**269**	**55**	**29**	**2**	**28**

	Number of disposals	Balance outstanding at repossession	Gross sales proceeds	Costs to sell	Pre provisioning loss on sale*
		€m	€m	€m	€m
Residential repossessions					
ROI:					
Owner occupier	39	11	5	-	6
Buy-to-let	3	2	-	-	2
Commercial	1	1	-	-	1
UK:					
Owner occupier	19	4	3	-	1
Buy-to-let	244	36	23	1	14
Year ended 31 December 2011	306	54	31	1	24

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

20. Financial risk management (continued)

Loan-to-value ratio ("LTV") of mortgage lending (index linked)

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

Valuation Methodologies

The valuation methodologies for the Bank's key portfolios of collateral held are as follows:
- permanent tsb residential property valuations are based on the CSO residential property price index or based on recent valuations where property is repossessed;
- Commercial property valuations are based on opinions from professional valuers, the Investment Property Database Index, local knowledge of the properties, benchmarking similar properties and other industry-wide available information, including estimated yields and estimated discount rates; and
- In the UK property values are determined using drive by valuations, local knowledge of the properties and valuations using a recognised desktop provider.

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

Actual and average LTVs across principal mortgage portfolios:

The tables below outline the weighted average LTVs for the total ROI and UK residential mortgage portfolios analysed across owner occupier and buy-to-let facilities by value. The weighted average LTV on the ROI and UK residential mortgage portfolios is 113% at 30 June 2012 compared to 110% at 31 December 2011.

In the ROI residential mortgage portfolio there are increases in the LTVs above 100% year on year. Owner occupier has increased from 56% at 31 December 2011 to 60% at 30 June 2012, while in the buy-to-let portfolio the increase is from 78% at 31 December 2011 to 81% at the 30 June 2012. The increases reflect the further decline in house prices during 2012, permanent tsb use the CSO index which has fallen by 3.1% in the six months to the 30 June 2012. The UK portfolios also reflect an increase in the categories of LTV above 100% but the increase is less pronounced reflecting a stabilisation of house prices in the UK market.

30 June 2012	**ROI residential mortgages**		**UK residential mortgages**		
	Owner occupier	**Buy-to-let**	**Owner occupier**	**Buy-to-let**	**Total**
	%	**%**	**%**	**%**	**%**
Less than 50%	**12%**	**3%**	**12%**	**5%**	**9%**
50%-70%	**10%**	**4%**	**10%**	**10%**	**9%**
71% to 90%	**12%**	**7%**	**30%**	**35%**	**16%**
91% to 100%	**6%**	**5%**	**15%**	**24%**	**10%**
Subtotal	**40%**	**19%**	**67%**	**74%**	**44%**
101% to 110%	**6%**	**5%**	**17%**	**19%**	**8%**
111% to 120%	**8%**	**8%**	**11%**	**6%**	**7%**
121% to 130%	**7%**	**9%**	**4%**	**1%**	**6%**
131% to 140%	**6%**	**10%**	**1%**	**-**	**6%**
141% to 150%	**7%**	**11%**	**-**	**-**	**6%**
151% to 160%	**6%**	**9%**	**-**	**-**	**6%**
161% to 170%	**6%**	**9%**	**-**	**-**	**5%**
171% to 180%	**5%**	**6%**	**-**	**-**	**4%**
Greater than 180%	**9%**	**14%**	**-**	**-**	**8%**
Subtotal	**60%**	**81%**	**33%**	**26%**	**56%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**
Weighted average LTV:					
Stock of residential mortgages at year end	**115%**	**137%**	**86%**	**87%**	**113%**

31 December 2011	ROI residential mortgages		UK residential mortgages		
	Owner occupier	Buy-to-let	Owner occupier	Buy-to-let	Total
	%	%	%	%	%
Less than 50%	13%	4%	12%	4%	9%
50%-70%	11%	5%	10%	10%	9%
71% to 90%	13%	8%	32%	35%	18%
91% to 100%	7%	5%	15%	25%	11%
Subtotal	44%	22%	69%	74%	47%
101% to 110%	7%	7%	17%	20%	10%
111% to 120%	7%	9%	12%	5%	7%
121% to 130%	7%	10%	2%	1%	6%
131% to 140%	7%	11%	-	-	6%
141% to 150%	7%	8%	-	-	6%
151% to 160%	6%	8%	-	-	5%
161% to 170%	5%	7%	-	-	4%
171% to 180%	2%	5%	-	-	2%
Greater than 180%	8%	13%	-	-	7%
Subtotal	56%	78%	31%	26%	53%
Total	100%	100%	100%	100%	100%
Weighted average LTV:					
Stock of residential mortgages at year end	110%	134%	86%	88%	110%

20. Financial risk management (continued)

Analysis by loan-to-value ratio of the Group's residential mortgage lending which is neither past due nor impaired:

The table below illustrates that 49% of residential mortgages that are neither past due nor impaired are in positive equity as at 30 June 2012, a decrease from 51% at 31 December 2011. The decline in residential mortgages with positive equity is principally due to the 3.1% fall in house prices (CSO index) in 2012.

	30 June 2012		31 December 2011	
	ROI residential loan book		ROI residential loan book	
	€m	**%**	€m	%
Less than 50%	**2,477**	**10%**	2,721	10%
50%-70%	**2,432**	**10%**	2,628	10%
71% to 90%	**4,701**	**18%**	4,975	19%
91% to 100%	**2,911**	**11%**	3,050	12%
101% to 110%	**2,445**	**10%**	2,769	12%
111% to 120%	**1,856**	**7%**	1,746	7%
121% to 130%	**1,397**	**6%**	1,430	5%
131% to 140%	**1,309**	**5%**	1,430	5%
141% to 150%	**1,327**	**5%**	1,274	5%
151% to 160%	**1,206**	**5%**	1,062	4%
161% to 170%	**1,035**	**4%**	912	3%
171% to 180%	**833**	**3%**	482	2%
Greater than 180%	**1,533**	**6%**	1,634	6%
Total	**25,462**	**100%**	26,113	100%

Analysis by loan-to-value ratio of the Group's residential mortgage lending which are 90 days past due:

In total 22% of the ROI and UK residential mortgage portfolios which are 90 days past due have an LTV of up to 100% and 40% of loans have an LTV exceeding 150%.

30 June 2012	**ROI residential mortgages**		**UK residential mortgages**		**Total**
	Owner occupier	**Buy-to-let**	**Owner occupier**	**Buy-to-let**	**Residential mortgage portfolio**
	%	**%**	**%**	**%**	**%**
Less than 50%	**6%**	**1%**	**4%**	**-**	**4%**
50%-70%	**6%**	**2%**	**5%**	**2%**	**5%**
71% to 90%	**9%**	**4%**	**26%**	**12%**	**8%**
91% to 100%	**5%**	**3%**	**23%**	**18%**	**5%**
Subtotal	**26%**	**10%**	**58%**	**32%**	**22%**
101% to 110%	**5%**	**3%**	**14%**	**27%**	**6%**
111% to 120%	**7%**	**8%**	**13%**	**27%**	**8%**
121% to 130%	**7%**	**8%**	**10%**	**11%**	**7%**
131% to 140%	**7%**	**10%**	**3%**	**2%**	**8%**
141% to 150%	**7%**	**13%**	**1%**	**1%**	**9%**
151% to 160%	**8%**	**11%**	**-**	**-**	**8%**
161% to 170%	**8%**	**11%**	**1%**	**-**	**8%**
171% to 180%	**7%**	**8%**	**-**	**-**	**7%**
Greater than 180%	**18%**	**18%**	**-**	**-**	**17%**
Subtotal	**74%**	**90%**	**42%**	**68%**	**78%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**
	€m	**€m**	**€m**	**€m**	**€m**
Residential mortgages greater than 90 days in arrears	**3,217**	**1,880**	**52**	**225**	**5,374**

20. Financial risk management (continued)

31 December 2011	ROI residential mortgages		UK residential mortgages		Total
	Owner occupier	Buy-to-let	Owner occupier	Buy-to-let	Residential mortgage portfolio
	%	%	%	%	%
Less than 50%	8%	2%	2%	-	5%
50%-70%	7%	2%	5%	2%	5%
71% to 90%	11%	5%	26%	13%	9%
91% to 100%	6%	4%	21%	18%	6%
Subtotal	32%	13%	54%	33%	25%
101% to 110%	7%	6%	16%	31%	8%
111% to 120%	7%	8%	14%	24%	8%
121% to 130%	8%	9%	10%	8%	8%
131% to 140%	8%	13%	3%	3%	10%
141% to 150%	8%	10%	1%	1%	8%
151% to 160%	8%	11%	1%	-	9%
161% to 170%	7%	9%	-	-	7%
171% to 180%	5%	5%	-	-	5%
Greater than 180%	10%	16%	1%	-	12%
Subtotal	68%	87%	46%	67%	75%
Total	100%	100%	100%	100%	100%
	€m	€m	€m	€m	€m
Residential mortgages greater than 90 days in arrears	2,710	1,668	47	217	4,642

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

The table below illustrates that €8.1bln or 32% of the ROI residential mortgage portfolio and €2.3bln or 29% of the UK residential mortgage portfolio originated before 2006. Between 2006 and 2008 origination was €15.9bln or 64% of the ROI residential mortgage portfolio and €5.3bln or 70% of the UK residential mortgage portfolio. The residual of 4% of the ROI residential mortgage portfolio and 1% of the UK residential mortgage portfolio were originated between 2009 and 2012.

30 June 2012	**ROI residential mortgages portfolio**		**Impaired ROI residential mortgages portfolio**		**UK residential mortgages portfolio**		**Impaired UK residential mortgages portfolio**	
	Number	**Balance**	**Number**	**Balance**	**Number**	**Balance**	**Number**	**Balance**
		€m		**€m**		**€m**		**€m**
1996 and before	**7,112**	**110**	**24**	**2**	**223**	**9**	**-**	**-**
1997	**2,519**	**59**	**9**	**-**	**102**	**5**	**-**	**-**
1998	**3,354**	**102**	**15**	**2**	**332**	**29**	**-**	**-**
1999	**5,023**	**194**	**49**	**4**	**643**	**70**	**-**	**-**
2000	**5,925**	**290**	**62**	**7**	**581**	**57**	**1**	**-**
2001	**6,064**	**360**	**80**	**11**	**784**	**85**	**1**	**1**
2002	**8,006**	**622**	**140**	**22**	**951**	**107**	**-**	**-**
2003	**11,674**	**1,070**	**364**	**62**	**2,027**	**308**	**13**	**3**
2004	**16,013**	**1,921**	**849**	**158**	**3,958**	**611**	**44**	**9**
2005	**22,004**	**3,413**	**1,817**	**456**	**6,124**	**975**	**96**	**20**
2006	**30,572**	**6,205**	**3,641**	**1,099**	**9,171**	**1,506**	**148**	**29**
2007	**26,795**	**6,096**	**3,967**	**1,341**	**12,575**	**2,438**	**557**	**116**
2008	**18,009**	**3,633**	**2,621**	**817**	**6,766**	**1,399**	**127**	**24**
2009	**4,721**	**600**	**333**	**78**	**134**	**21**	**-**	**-**
2010	**1,733**	**176**	**25**	**4**	**42**	**8**	**-**	**-**
2011	**1,155**	**132**	**2**	**-**	**5**	**1**	**1**	**-**
2012	**312**	**28**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**170,991**	**25,011**	**13,998**	**4,063**	**44,418**	**7,629**	**988**	**202**

31 December 2011	ROI residential mortgages portfolio		Impaired ROI residential mortgages portfolio		UK residential mortgages portfolio		Impaired UK residential mortgages portfolio	
	Number	Balance	Number	Balance	Number	Balance	Number	Balance
		€m		€m		€m		€m
1996 and before	7,857	130	19	1	194	8	1	-
1997	2,766	66	6	-	89	4	-	-
1998	3,482	110	10	1	350	30	-	-
1999	5,198	206	31	3	671	72	-	-
2000	6,101	306	42	5	600	58	-	-
2001	6,199	375	55	9	811	85	-	-
2002	8,319	648	90	15	997	108	-	-
2003	11,917	1,107	229	41	2,066	305	9	2
2004	16,238	1,971	555	109	4,018	602	34	7
2005	22,243	3,476	1,235	327	6,221	959	72	15
2006	30,775	6,319	2,669	889	9,265	1,480	72	16
2007	26,923	6,118	2,956	1,005	12,753	2,384	319	45
2008	18,103	3,667	2,017	651	6,834	1,367	79	14
2009	4,765	608	213	51	139	22	-	-
2010	1,758	180	9	2	42	8	-	-
2011	1,162	132	1	-	5	1	-	-
Total	173,806	25,419	10,137	3,109	45,055	7,493	586	99

(vi) Reinsurance assets

The Group's life operations cede insurance and investment risk to a number of reinsurance companies. The Life Group which forms the discontinued operations of the Group was disposed of on 29 June 2012. For details of the reinsurance assets please refer to page 178 of the 2011 Annual Report.

20. Financial risk management (continued)

Liquidity risk

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

The Group's liquidity risk framework is disclosed in the 2011 Annual Report. There have been no changes to the framework during the six months ended 30 June 2012.

The Banking Assets and Liabilities Committee monitors sources of funding and reviews short-term and long-term borrowings and their respective maturity profiles.

The banking operations funding profile was:

	30 June 2012	31 December 2011
	%	%
Customer accounts	**43%**	37%
Long-term debt	**21%**	21%
Short-term debt	**36%**	42%
As at period end	**100%**	100%

In accordance with IFRS 7, Financial Instruments: Disclosures, the following tables present the maturity analysis of financial liabilities on an undiscounted basis, by remaining contractual maturity at the statement of financial position date. In this table derivative liabilities represent the carrying value of derivative instruments that are held as hedging instruments in respect of financial liabilities.

30 June 2012	**Group banking operations**						
	Up to 1 month	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**Over 2 years**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Liabilities							
Deposits by banks (including central banks)	**6,032**	**3,188**	**-**	**-**	**-**	**5,280**	**14,500**
Customer accounts	**8,621**	**2,249**	**1,791**	**2,732**	**1,190**	**928**	**17,511**
Debt securities in issue	**34**	**4**	**17**	**3,208**	**252**	**5,720**	**9,235**
Subordinated liabilities	**41**	**-**	**-**	**-**	**40**	**545**	**626**
Derivative liabilities	**(16)**	**18**	**27**	**(141)**	**(27)**	**(27)**	**(166)**
Total liabilities	**14,712**	**5,459**	**1,835**	**5,799**	**1,455**	**12,446**	**41,706**

31 December 2011	Group banking operations						
	Up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	Over 2 years	Total
	€m	€m	€m	€m	€m	€m	€m
Liabilities							
Deposits by banks (including central banks)	6,423	7,536	-	-	-	3,125	17,084
Customer accounts	7,959	2,288	1,383	2,129	1,044	882	15,685
Debt securities in issue	14	111	123	69	2,888	6,970	10,175
Subordinated liabilities	-	-	-	41	40	545	626
Derivative liabilities	(17)	(56)	(6)	43	(103)	(16)	(155)
Total liabilities	14,379	9,879	1,500	2,282	3,869	11,506	43,415

The table below presents the forecast cash flows used by management in managing liquidity risk. These cash flows payable and receivable by the Group are set out by remaining contractual maturities at the statement of financial position date for assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Debt securities and loans and receivables in the tables below are based on contractual maturity except where they are pledged as collateral for ECB and other repurchase funding agreements, in which case they are included based on the maturity of the agreement. Therefore the tables included a haircut on assets pledged as collateral, the return of which is not reflected in the table resulting in the disclosed gap. In addition customer accounts reflect certain management assumptions, within regulatory guidelines, as to the stability of various non Government deposits.

The Group manages the inherent liquidity risk based on expected cash inflows and cash outflows. This maturity mismatch approach takes into account the inherent stability of particular funding sources. The focus on an ongoing basis is to ensure that the Bank can meet all its obligations as they fall due while continuing to provide for all other funding requirements of the Bank. Regulatory limits based on this approach are imposed.

The Bank's forward looking approach to liquidity management also incorporates running stressed scenarios for the purposes of contingency funding. The inclusion of information on financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

20. Financial risk management (continued)

30 June 2012	**Group banking operations**						
	Up to 1 month	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**Over 2 years**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Assets							
Debt securities	**4,328**	**1,624**	**5**	**2**	**3**	**3,043**	**9,005**
Loans and receivables to banks	**1,658**	**-**	**-**	**-**	**-**	**-**	**1,658**
Loans and receivables to customers	**1,222**	**1,868**	**423**	**860**	**866**	**26,346**	**31,585**
Derivative assets	**28**	**(13)**	**(23)**	**145**	**33**	**80**	**250**
Total assets	**7,236**	**3,479**	**405**	**1,007**	**902**	**29,469**	**42,498**
Liabilities							
Deposits by banks (including central banks)	**4,222**	**5,861**	**-**	**-**	**-**	**5,155**	**15,238**
Customer accounts	**1,996**	**828**	**381**	**501**	**307**	**14,288**	**18,301**
Debt securities in issue	**25**	**15**	**3,096**	**2,952**	**212**	**2,368**	**8,668**
Subordinated liabilities	**41**	**-**	**-**	**-**	**40**	**545**	**626**
Derivative liabilities	**16**	**6**	**7**	**53**	**49**	**196**	**327**
Total liabilities	**6,300**	**6,710**	**3,484**	**3,506**	**608**	**22,552**	**43,160**
Gap as at 30 June 2012	**936**	**(3,231)**	**(3,079)**	**(2,499)**	**294**	**6,917**	**(662)**

31 December 2011	Group banking operations						
	Up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	Over 2 years	Total
	€m	€m	€m	€m	€m	€m	€m
Assets							
Debt securities	3,841	3,881	3	12	27	1,304	9,068
Loans and receivables to banks	829	-	-	-	-	-	829
Loans and receivables to customers	688	1,342	478	838	947	28,422	32,715
Derivative assets	22	59	10	(42)	108	37	194
Total assets	5,380	5,282	491	808	1,082	29,763	42,806
Liabilities							
Deposits by banks (including central banks)	7,411	7,544	-	-	-	3,095	18,050
Customer accounts	1,886	769	337	468	192	12,571	16,223
Debt securities in issue	37	3,556	130	70	2,856	2,615	9,264
Subordinated liabilities	-	-	-	41	41	545	627
Derivative liabilities	37	40	25	26	48	146	322
Total liabilities	9,371	11,909	492	605	3,137	18,972	44,486
Gap as at 31 December 2011	(3,991)	(6,627)	(1)	203	(2,055)	10,791	(1,680)

The following table details the Group's liquidity analysis for derivative instruments that are not used as hedging instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates by the yield curves at the end of the reporting period.

30 June 2012	**Group banking operations**						
	Up to 1 month	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**Over 2 years**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Net settled:							
Interest rate swaps	**(2)**	**(1)**	**1**	**(2)**	**(1)**	**4**	**(1)**
Gross settled:							
FX forwards							
- inflow	**1,704**	**1,959**	**-**	**-**	**-**	**-**	**3,663**
- outflow	**(1,697)**	**(1,961)**	**-**	**-**	**-**	**-**	**(3,658)**
Balance as at 30 June 2012	**5**	**(3)**	**1**	**(2)**	**(1)**	**4**	**4**

31 December 2011	Group banking operations						
	Up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	Over 2 years	Total
	€m	€m	€m	€m	€m	€m	€m
Net settled:							
Interest rate swaps	(1)	(1)	-	(3)	(2)	2	(5)
Gross settled:							
FX forwards							
- inflow	1,309	1,601	5	-	-	-	2,915
- outflow	(1,335)	(1,629)	(5)	-	-	-	(2,969)
Balance as at 31 December 2011	(27)	(29)	-	(3)	(2)	2	(59)

Liquidity risk Life Operations

Liquidity risk for the Life Group's unit-linked funds was managed by Irish Life Investment Managers, by means of asset selection process. The Life Group which forms the discontinued operations of the Group was disposed of on 29 June 2012. For details of the Liquidity risk of the Life Group please refer to page 185 to 187 of the 2011 Annual Report.

21. Fair value of financial instruments

In accordance with IFRS 7, Financial Instruments: Disclosures, the Group has adopted the fair value hierarchy classification of financial instruments. This requires the Group to classify its financial instruments held at fair value according to a hierarchy based on the significance of the inputs used to arrive at the overall fair value of these instruments. The three levels of the fair value hierarchy as defined by the accounting standard are outlined below:

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

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

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

Valuation methodologies for calculating the fair value of financial instruments are detailed on page 195 to 200 of the 2011 Annual Report.

Fair value measurements recognised in the statement of financial position

This fair value hierarchy has been applied to all of the financial instruments that are measured at fair value in the statement of financial position. Categorisation of these financial instruments according to the fair value hierarchy in respect of the Group's continuing operations and discontinued operations is included below as at period end.

Continuing operations

30 June 2012	**Quoted market prices Level 1**	**Valuation techniques using observable market data Level 2**	**Valuation techniques using unobservable market data Level 3**	**Total**
Financial instruments measured at fair value	**€m**	**€m**	**€m**	**€m**
Financial assets				
Debt securities				
- Available for sale (note 6)	**2,535**	**5**	**6**	**2,546**
- Derivative assets	**-**	**230**	**-**	**230**
Financial liabilities				
Derivative liabilities	**-**	**341**	**-**	**341**

31 December 2011	Quoted market prices Level 1	Valuation techniques using observable market data Level 2	Valuation techniques using unobservable market data Level 3	Total
Financial instruments measured at fair value	€m	€m	€m	€m
Financial assets				
Debt securities				
- Available for sale (note 6)	2,203	-	10	2,213
- Derivative assets	-	247	-	247
Financial liabilities				
Derivative liabilities	-	300	-	300

Reconciliation of level 3 fair value measurements of financial assets

	30 June 2012 Debt securities AFS	31 December 2011 Debt securities AFS
	€m	€m
Opening balance	**10**	22
Total gains or losses - in profit or loss		
- Other comprehensive income	**1**	-
Transfers into / out of level 3*	**(5)**	-
Sales	**-**	(12)
As at period end	**6**	10

*Transfers from Level 3 to Level 2 occurred due to the greater availability of quoted market prices for securities which had not been available previously.

21. Fair value of financial instruments (continued)

Discontinued operations

Discontinued operations refers to the Life Group which was sold on 29 June 2012. As at 30 June 2012 no balances remain. Comparatives are provided for year ended 31 December 2011. Further details are included in Note 4, Assets and liabilities classified as held for sale.

31 December 2011	Quoted market prices Level 1	Valuation techniques using observable market data Level 2	Valuation techniques using unobservable market data Level 3	Total
Financial instruments measured at fair value	€m	€m	€m	€m
Financial assets				
Debt securities				
At fair value through profit and loss (FVTPL)	6,258	799	453	7,510
Equity shares and units in unit trusts	11,431	340	21	11,792
Derivative assets	35	718	38	791
Financial liabilities				
Derivative liabilities	5	104	-	109
Investment contract liabilities *	-	22,153	-	22,153

* Investment contract liabilities are backed by assets attributable to the Life Group including assets which are carried at FVTPL which are measured at quoted market prices and valuation techniques using observable market data.

Reconciliation of level 3 fair value measurements of financial assets

31 December 2011	Debt securities at FVTPL	Equity shares and units in unit trusts	Assets held for sale Equity shares and units in unit trusts	Derivative assets	Total
	€m	€m	€m	€m	€m
Balance at 1 January 2011	452	36	64	56	608
Total gains or losses - in profit or loss					
- Investment return	88	(11)	-	(32)	45
Sales	(87)	(5)	-	(2)	(94)
Purchases	-	1	-	16	17
Disposals	-	-	(64)	-	(64)
Balance at 31 December 2011	453	21	-	38	512
Total gains or losses for the year included in					
- Investment return	71	(11)	-	(22)	38

22. Measurement basis of financial assets and liabilities

The tables below analyse the carrying amounts of the financial assets and liabilities in respect of the Group by accounting treatment and by statement of financial position classification for the continuing operations and discontinued operations.

Continuing operations

30 June 2012	At fair value through profit or loss		At fair value through equity						
	Derivatives designated as fair value hedges	Held for trading	Available for sale	Derivatives designated as cash flow hedges	Held to Maturity	Embedded derivatives	Loans and receivables and liabilities /amortised cost	Fair value adjustment on hedged assets and liabilities**	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Financial assets:									
Cash and balances with central banks (note 5)	-	-	-	-	-	-	59	-	59
Items in course of collection (note 5)	-	-	-	-	-	-	98	-	98
Debt securities (note 6)	-	-	2,545	-	850	-	3,384	-	6,779
Derivative assets	207	23	-	-	-	-	-	-	230
Loans and receivables to customers (note 7)	-	-	-	-	-	-	32,814	64	32,878
Loans and receivables to banks (note 9)	-	-	-	-	-	-	2,691	-	2,691
Assets classified as held for sale (note 4(b))	-	-	-	-	-	-	404	-	404
Total financial assets as at 30 June 2012	207	23	2,545	-	850	-	39,450	64	43,139
Financial liabilities:									
Deposits by banks (including central banks) (note 12)	-	-	-	-	-	-	14,332	-	14,332
Customer accounts (note 13)	-	-	-	-	-	-	17,267	-	17,267
Debt securities in issue (note 14)	-	-	-	-	-	-	7,765	142	7,907
Derivative liabilities	187	21	-	-	-	133	-	-	341
Subordinated liabilities (note 16)	-	-	-	-	-	-	344	2	346
Liabilities classified as held for sale (note 4(b))	-	-	-	4	-	-	235	-	239
Total financial liabilities as at 30 June 2012	187	21	-	4	-	133	39,943	144	40,432

22. Measurement basis of financial assets and liabilities (continued)

31 December 2011	At fair value through profit or loss		At fair value through equity						
	Derivatives designated as fair value hedges	Held for trading	Available for sale	Derivatives designated as cash flow hedges	Held to Maturity	Embedded derivatives	Loans and receivables and liabilities /amortised cost	Fair value adjustment on hedged assets and liabilities**	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Financial assets:									
Cash and balances with central banks	-	-	-	-	-	-	88	-	88
Items in course of collection	-	-	-	-	-	-	109	-	109
Debt securities (note 6)	-	-	2,212	-	845	-	3,600	-	6,657
Derivative assets	214	24	-	-	-	9	-	-	247
Loans and receivables to customers (note 7)	-	-	-	-	-	-	33,605	72	33,677
Loans and receivables to banks (note 9)	-	-	-	-	-	-	1,623	-	1,623
Assets classified as held for sale (note 4(c))	-	-	-	-	-	-	56	-	56
Total financial assets at 31 December 2011	214	24	2,212	-	845	9	39,081	72	42,457
Financial liabilities:									
Deposits by banks (including central banks) (note 12)	-	-	-	-	-	-	16,966	-	16,966
Customer accounts (note 13)	-	-	-	-	-	-	14,373	-	14,373
Debt securities in issue (note 14)	-	-	-	-	-	-	8,198	158	8,356
Derivative liabilities	159	75	-	2	-	64	-	-	300
Subordinated liabilities (note 16)	-	-	-	-	-	-	315	2	317
Total financial liabilities at 31 December 2011	159	75	-	2	-	64	39,852	160	40,312

22. Measurement basis of financial assets and liabilities (continued)

Discontinued operations

Discontinued operations consisted of the Life Group which was sold on 29 June 2012. As at 30 June 2012 no balances remain. Comparatives are provided for year ended 31 December 2011. Further details are included in Note 4, Assets and liabilities classified as held for sale.

31 December 2011	At fair value through profit or loss		At fair value through equity						
	Derivatives designated as fair value hedges	Held for trading*	Available for sale	Held to Maturity	Embedded derivatives	Loans and receivables and liabilities /amortised cost	Fair value adjustment on hedged assets and liabilities**	Investment contract liabilities ***	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Financial assets:									
Cash and balances with central banks	-	-	-	-	-	94	-	-	94
Debt securities	-	-	7,510	-	-	-	-	-	7,510
Equity shares and units in unit trusts	-	-	11,792	-	-	-	-	-	11,792
Derivative assets	-	791	-	-	-	-	-	-	791
Loans and receivables to banks	-	-	3,446	-	-	-	-	-	3,446
Total financial assets at 31 December 2011	-	791	22,748	-	-	94	-	-	23,633
Financial liabilities:									
Deposits by banks (including central banks)	-	-	-	-	-	212	-	-	212
Derivative liabilities	-	109	-	-	-	-	-	-	109
Investment contract liabilities	-	-	-	-	-	-	-	22,153	22,153
Subordinated liabilities	-	-	-	-	-	213	-	-	213
Total financial liabilities at 31 December 2011	-	109	-	-	-	425	-	22,153	22,687

*Included in held-for-trading assets category at 31 December 2011 of €791m was €766m held for the benefit of policyholders and to match tracker bond liabilities.

**Financial assets and liabilities that are part of a hedging relationship are carried at amortised cost adjusted for changes in the fair value of the hedged risk.

***Investment contract liabilities are backed by assets attributable to the Life Group including assets which are carried at FVTPL.

23. Net interest income

	Six months ended 30 June 2012	Six months ended 30 June 2011*
	€m	€m
Interest receivable		
Loans and receivables to customers	**476**	509
Loans and receivables to banks	**3**	7
Debt securities and other fixed-income securities		
- Held to maturity	**40**	13
- Available for sale ("AFS")	**60**	47
- Loans and receivables	**44**	41
- Amortisation of AFS securities reclassified to loans and receivables (Note 6, Debt securities)	**(2)**	(4)
Lease and instalment finance	**19**	29
Losses on interest rate hedges on assets	**(2)**	(1)
	638	641
Interest payable		
Deposits from banks (including central banks)	**(119)**	(132)
Due to customers	**(231)**	(197)
Interest on debt securities in issue	**(80)**	(88)
Interest on subordinated liabilities	**(29)**	(15)
Fees payable on ELG Scheme	**(81)**	(94)
Gains on interest rate hedges on liabilities	**3**	3
Amortisation of core deposit intangibles	**(16)**	(7)
	(553)	(530)
Net interest income	**85**	111

* Comparatives were reclassified to be consistent with the current year income statement. Refer to Note 29, Reclassifications for details.

Interest income accrued on non-performing loans was €90m (30 June 2011: €67m).

Included in net interest income are net gains / (net losses) on interest rate fair value hedges which include gains / (losses) on hedging instruments of €26m (30 June 2011: (€382m)) and (losses) / gains on hedged items attributable to hedged risk (€25m) (30 June 2011: €384m).

Net interest income includes a charge in respect of deferred acquisition costs of €11m (30 June 2011: €13m).

Interest payable includes a charge of €nil (30 June 2011: €2m) in relation to the effect of an interest rate step up arising as a result of callable securitised bond notes and subordinated liabilities not being called.

Interest payable includes €16m (30 June 2011: €7m) in relation to the amortisation of the core deposit intangible arising from the acquisition of certain assets and liabilities of Irish Nationwide Building Society and Northern Rock Ireland deposit book of business. Refer to Note 26, Business combinations for further details.

Notes to the Condensed Consolidated Financial Statements

24. Taxation

(A) Analysis of taxation (credit) / charge

Taxation (credited) / charged to income statement

	Six months ended 30 June 2012	Six months ended 30 June 2011
	€m	€m
Current taxation		
Charge for current period	**-**	(2)
Adjustments for prior periods	**(4)**	-
	(4)	(2)
Deferred taxation		
Origination and reversal of differences	**(6)**	(41)
Adjustment for prior periods	**(12)**	-
Taxation credited to income statement	**(22)**	(43)

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

The Group taxation credit for the six months ended 30 June 2012 was €22m (30 June 2011: €43m), mainly due to the surrender of losses to Group companies and tax arising on consolidation adjustments.

The effective tax rate for the six months ended 30 June 2012 was 4% (30 June 2011: 11%).

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

Six months ended 30 June 2012	**Gross**	**Tax**	**Net**
	€m	**€m**	**€m**
Available for sale reserve:			
- Change in AFS securities	**106**	**(13)**	**93**
- Transfer to income statement on asset disposal	**41**	**(5)**	**36**
- Amortisation of AFS securities reclassified to loans and receivables	**2**	**-**	**2**
Cash flow hedge reserve:			
- Change in fair value	**(2)**	**-**	**(2)**
Balance as at 30 June 2012	**147**	**(18)**	**129**

Six months ended 30 June 2011	Gross	Tax	Net
	€m	€m	€m
Revaluation of property	(7)	1	(6)
Available for sale reserve:			
- Change in AFS securities	(163)	20	(143)
- Transfer to income statement on asset disposal	29	(4)	25
- Amortisation of AFS securities reclassified to loans and receivables	4	-	4
Balance as at 30 June 2011	(137)	17	(120)

25. Earnings per share

(A) Basic earnings per share ("EPS")

	Six months ended 30 June 2012	Six months ended 30 June 2011
Weighted average number of ordinary shares in issue and ranking for dividend excluding own shares held for the benefit of life assurance policyholders and treasury shares[1]	**36,525,339,409**	271,532,262
(Loss) / profit for the period attributable to equity holders from:		
- Continuing operations	**(€566m)**	€413m
- Discontinued operations	**-**	€47m
EPS (€ cent) from continuing operations	**(1.5)**	152.1
EPS (€ cent) from discontinued operations	**-**	17.3

(B) Fully diluted EPS

	Six months ended 30 June 2012	Six months ended 30 June 2011
Weighted average number of potential dilutive ordinary shares arising from the Group's share option schemes	-	-
Weighted average number of ordinary shares excluding own shares and treasury shares held for the benefit of policyholders used in the calculation of fully diluted EPS	**36,525,339,409**	271,532,262
Fully diluted EPS (€ cent) from continuing operations	**(1.5)**	152.1
Fully diluted EPS (€ cent) from discontinued operations	**-**	17.3

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's share options are the only category of dilutive potential ordinary shares.

The adjustment calculation to the weighted average number of ordinary shares for the effects of dilutive potential ordinary shares was nil (30 June 2011: nil) as the share option exercise prices were all higher than the average share price for the year and the convertible contingent notes issued in 2011 were assessed and deemed to have an anti-dilutive effect.

[1]Weighted average number of shares

	Six months ended 30 June 2012	Six months ended 30 June 2011
At 1 January		
Number of shares in issue (note 18)	**36,525,797,323**	276,782,351
Own shares held for the benefit of life assurance policyholders (note 18)	**-**	(5,378,827)
Treasury shares held (note 18)	**(457,914)**	(457,914)
	(457,914)	(5,836,741)
Net movement during the period		
Weighted average shares sold	**-**	586,652
Weighted average number of shares	**36,525,339,409**	271,532,262

26. Business combinations

Northern Rock Ireland

The Group acquired on 3 January 2012, pursuant to the Transfer Agreement dated 29 August 2011 signed between Northern Rock plc and PTSB, €474m of Northern Rock Ireland's deposit book of business for a cash consideration of €28m. This acquisition has supported the Group in broadening its customer base and providing liquidity to the Group.

The consideration was calculated as:

- two per cent of the Signing Date Deposit Amount meaning the total nominal Amount of all Deposits denominated in Euro (including accrued Interest gross of Deposit Interest Retention tax (to the extent applicable)) as at the Date of the Agreement; and,

- three per cent of the Transfer Time Deposit Amount meaning the total nominal amount of all Deposits denominated in Euro (including accrued interest gross of Deposit Interest Retention Tax (to the extent applicable)) as at the Calculation Time being the transfer date.

Acquisition related costs amounting to €0.3m have been excluded from the consideration transferred and have been recognised as an expense in the current year, within administrative expenses in the income statement.

Identifiable assets acquired and liabilities assumed at the date of acquisition

	€m
Assets	
Intangible assets	32
Liabilities	
Deposits (customer accounts)	(474)
Deferred tax liability	(4)
Fair value of total identifiable net liabilities	**(446)**
Consideration paid as part of acquisition	(28)
Cash received as part of acquisition	474
Net consideration received on acquisition of deposit book of business / subsidiary	**446**

Impact of the acquisitions on the results of the Group

The assets and liabilities acquired have been fully integrated into the funding model of the Group's business since the acquisition date and therefore it is impractical to separately assess the impact of the Northern Rock Ireland acquisition on the results of the Group.

Irish Nationwide Building Society

On 24 February 2011 the Group acquired certain assets and liabilities from Irish Nationwide Building Society ("INBS"). For further details refer to Note 53 , Business combination of the 2011 Annual Report.

27. Commitments and contingencies

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

Capital commitments	**30 June 2012**	31 December 2011
	€m	€m
Guarantees and irrevocable letters of credit	**6**	7
Commitments to extend credit		
- less than 1 year	**354**	361
- greater than 1 year	**73**	83
Total commitments to extend credit	**427**	444
Total capital commitments	**433**	451

Operating lease commitments	**30 June 2012**	31 December 2011
	€m	€m
Less than 1 year	**8**	8
Greater than 1 year and less than 5 years	**32**	30
Greater than 5 years	**48**	53
Total operating lease commitments	**88**	91

Other contingencies

An industry wide initiative is underway and the Group is in the process of reviewing its position with regard to past Payment Protection Insurance ("PPI") sales. Investigations are at an early stage and the directors are therefore unable to determine the likelihood or quantum of any contingent liability that may exist at the reporting date.

28. Related parties

The Group has a related party relationship with its Directors and Senior Management, its associate and the Group's pension schemes. Also, as a result of the Group's participation in Government Guarantee Schemes as described below and the issuance of the Group ordinary shares to the Minister for Finance as disclosed in Note 18, Authorised and issued share capital, the Group also has a related party relationship with the Irish Government and Government related entities.

(A) Transactions with key management personnel

Key management personnel include Non-Executive Directors, Executive Directors and Group Senior Management. The Group Senior Management and Executive Directors during the period ended 30 June 2012 includes:

Kevin Murphy	Group Chief Executive (resigned 29 June 2012)
Jeremy Masding	Chief Executive – permanent tsb (appointed 20 February 2012) Group Chief Executive (appointed 29 June 2012)
David McCarthy	Group Finance Director (resigned 29 June 2012)
David Guinane	Chief Executive – permanent tsb (resigned 14 February 2012)
Bill Hannan	Chief Risk Officer
David Harney	Chief Executive – Irish Life Corporate Business
Gerry Hassett	Chief Executive – Irish Life Retail
Tony Hession	Group Head of Human Resources and Organisational Development
Gerry Keenan	Chief Executive – Irish Life Investment Managers
Brendan Healy	Group Chief Information Officer
Emil Ivanov	Group Strategy and Planning Director
Kieran Bristow	Group Treasurer
Robert Young	Managing Director of Capital Home Loans Limited

Following the sale of the Irish Life Limited and its subsidiaries on 29 June 2012, the Chief Executive of Irish Life Retail, Chief Executive of Irish Life Corporate Business, Chief Executive of Irish Life Investment Managers and the Group Chief Information Officer are no longer designated as key management personnel.

From 27 April 2012 the Strategy and Planning Director, the Group Treasurer and the Managing Director of Capital Home Loans Limited have been designated as key management personnel.

Kevin Murphy and David McCarthy resigned from the Board and as Group Chief Executive Officer and Group Finance Director on 29 June 2012.

Non-Executive Directors are compensated by way of fees only. The compensation of Executive Directors and other Group Senior Management comprises salary and other benefits together with pension benefits. In addition, they also participate in the Group's profit sharing, share option schemes and long-term incentive plans. No awards have been issued under these schemes and plans since 2008.

Total compensation to key management personnel is as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011
	€'000	€'000
Fees	**312**	350
Salary and other benefits	**2,300**	2,111
Pension benefits - defined benefit	**86**	(100)
- defined contribution	**65**	14
Equity-settled benefits	**-**	26
	2,763	2,401

For key management who are members of a defined benefit scheme, the pension benefit included above is the increase / (decrease) in transfer value during the period. For defined contribution schemes it is the contributions made by the Group to the scheme.

Number of key management personnel as at period end is as follows:

	30 June 2012	31 December 2011
Non-Executive Directors	**7**	7
Executive Directors and Senior Management	**6**	9
	13	16

28. Related parties (continued)

In the normal course of its business the Group had loan balances and transactions with key management personnel and connected persons as follows:

	30 June 2012	31 December 2011
	€'000	€'000
Loans	**1,315**	256

	Six months ended 30 June 2012	Six months ended 30 June 2011
	€'000	€'000
Transactions during the period		
Loan advances	**38**	-
Loan repayments	**8**	198
Interest on loans	**13**	6

The loans are granted on normal commercial terms and conditions with the exception of certain house loans where Executive Directors and Senior Management may avail of subsidised loans on the same terms as other eligible management of the Group. All of the loans are secured. All interest and principal due at the statement of financial position date on loans has been repaid on schedule and no provision for loan impairment is required.

Loans to Directors

30 June 2012	**Balance 1 Jan**	**Advances during period**	**Principal repaid**	**Balance 30 Jun**	**Interest paid**	**Maximum balance**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Jeremy Masding	**-**	**38**	**2**	**36**	**(1)**	**38**
	-	**38**	**2**	**36**	**(1)**	**38**

The loan to Jeremy Masding is secured on a motor vehicle.

31 December 2011	Balance 1 Jan	Advances during period	Principal repaid	Balance 31 Dec	Interest paid	Maximum balance
	€'000	€'000	€'000	€'000	€'000	€'000
David McCarthy	136	-	136	-	(1)	136
	136	-	136	-	(1)	136

The loan to David McCarthy was secured on a residential investment property and was fully repaid at 31 December 2011.

As at 30 June 2012, the total interest outstanding and the total provisions on loans by the Directors / former Directors was €nil (31 December 2011: €nil).

(B) Irish Life Limited and its Subsidiaries (Life Group)

The Life Group, a wholly owned subsidiary of the Group, as explained in Note 4, Asset and liabilities classified as held for sale, was sold to the Minister for Finance on 29 June 2012. Following the sale the Executive Chairman of the Group, Alan Cook, continues to serves as Executive Chairman of both permanent tsb Group Holdings plc and the Irish Life Group.

As explained in (E) below, the Irish Government is recognised as a related party as it is deemed to have significant influence over the Group as defined by IAS 24 Related Party Disclosures. Therefore, the Life Group is also recognised as a related party to the Group from 30 June 2012.

Following the sale of the Life Group on 29 June 2012, the assets and liabilities over which the Group lost control include €411m of inter-company balances. These will continue to be held by the Group on an arms length basis in the normal course of business.

Outstanding balances between the Group and Life Group at 30 June 2012 are as follows:

	Notes	**30 June 2012**
		€m
Deposits included in customer accounts	13	**(804)**
Loans included in loans and receivables to customers	7	**428**
Debt securities included in debt securities in issue	14	**(35)**
Net amounts due to the Life Group		**(411)**

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

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

28. Related parties (continued)

(C) Associate

The Group has a commission agreement with its former associated company, Allianz – Irish Life Holdings plc (“Allianz”), held directly by the Life Group. Under this agreement, the Group is paid commission for general insurance business written with Allianz through PTSB. Commission earned was €3m (30 June 2011: €4m). In addition, a former subsidiary of the Group, Irish Life Investment Managers Limited had an investment agreement with Allianz. Fees earned under this agreement were €0.2m (30 June 2011: €0.2m). Included within the Group accounts is a net balance due to Allianz of €0.8m (31 December 2011: €1.2m). All transactions with Allianz are priced on an arms-length basis.

(D) Other

In the normal course of business the Group's former subsidiary, Irish Life Investment Managers Limited provided investment management to the Group’s pension schemes. Fees earned under these agreements during the period were €0.65m (30 June 2011: €1.7m).

(E) Irish Government and Government related entities

Pursuant to the Transfer Order (under the Credit Institutions (Stabilisation) Act 2010) issued by the High Court on 28 March 2012 and the Share Repurchase Agreement signed on 29 June 2012, the Life Group was sold to the Minister for Finance on 29 June 2012. Further details are disclosed in Note 3, Discontinued operations. Arising from the sale of the Life Group, the Group is deemed to have a related party relationship with the Life Group due to the common control under the ownership of the Irish Government.

PTSB and its subsidiaries Irish Permanent (IOM) Ltd and Irish Nationwide (IOM) Ltd are participating covered institutions under the Government's Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the "ELG Scheme") which guarantees certain eligible liabilities (including deposits) of up to five years in maturity. On 16 November 2011, the European Commission approved an extension of the ELG Scheme for a further issuance period of twelve months to 31 December 2012.

The Group issued a 3 year US$1.75bln bond in January 2010, a 5 year €2bln bond in March 2010 and a 3 year €1.25bln bond in April 2010, all of which are guaranteed by the ELG Scheme. In January 2011, the Group issued a €3.4bln bond under the ELG Scheme which was bought by the Group itself. This bond has been rolled over throughout the year and at 30 June 2012 the amount in issue was €3.3bln.

The charge to the income statement in respect of the ELG Scheme for the period ended 30 June 2012 was €81m (30 June 2011: €94m). The liabilities covered, by the scheme at 30 June 2012 amounted to €15,820m (31 December 2011: €14,165m).

The Credit Institutions (Stabilisation) Act 2010 was passed in to Irish law on 21 December 2010. The Act provides the legislative basis for the reorganisation and restructuring of the Irish banking system agreed in the joint EU / IMF programme for Ireland. The Act applies to covered institutions who have received financial support from the State. The Act also provides broad powers to the Minister for Finance (in consultation with the Governor of the Central Bank of Ireland) to act on financial stability grounds to effect the restructuring action and recapitalisation measures envisaged in the programme. This allows the Minister to take the actions required to bringing about a domestic retail banking system that is proportionate to and focused on the Irish economy.

As a result of the issuance of the Group ordinary shares to the Minister for Finance, the Government is recognised as a related party as the Government is deemed to have control over the Group as defined by IAS 24 Related Party Disclosures. The Group has applied the amended IAS 24 Related Party Disclosures, that exempts an entity from the related party disclosure requirements in respect of the Government and Government related entities unless transactions are individually significant or collectively significant. In the normal course of business the Group has entered into transactions with the Government and Government related entities involving deposits, senior debt, commercial paper and dated subordinated debt. The following are transactions between the Group and the Government and Government related entities that are collectively significant.

(i) The Group holds securities issued by the Government and Government related entities of €5,106m (31 December 2011: €5,909m).

(ii) As reported in Note 12, Deposits by banks (including central banks), as at 30 June 2012 the Group held €nil of deposits placed by the Irish Central Bank under the Central Bank's exceptional liquidity facility (31 December 2011: €2.3bln). These deposits are secured on €nil (31 December 2011: €6.3bln) of Irish retail mortgages.

(iii) The Group's investment property portfolio, held through the Life Group, included properties for which the Office of Public Works ("OPW"), on behalf of Government departments, is a tenant. These property investments were held in unit-linked funds. The total annual unit-linked rental income earned from these leases was €6m (30 June 2011: €6m) out of a total annual rental income of €68m (30 June 2011: €74.1m). Some other investment properties might have included tenants who are agencies financed by the Government.

(iv) On 29 March 2010, the Group through its former subsidiary Irish Life Assurance plc, acquired 17 million B shares in National Asset Management Agency Investment Limited ("NAMAIL"), corresponding to one-third of the 51 million B shares issued by NAMAIL. NAMAIL also issued 49 million A shares to National Asset Management Agency ("NAMA"). As a result, the Group held 17% of the total ordinary share capital of NAMAIL which cost the Group €17m in acquiring these B shares. These B shares were included within equity shares per Note 8, Equity shares and units in unit trusts of the 2011 Annual Report. These shares have been disposed of as part of the sale of the Life Group.

Government has a 100% shareholding in Irish Bank Resolution Corporation Limited and a controlling interest in Allied Irish Bank plc including EBS Limited (formerly Educational Building Society) and also has a significant influence over Bank of Ireland. Due to the Group's participation in the Government's ELG Scheme outlined above and the issuance of Group shares to the Minister for Finance, balances between these financial institutions and the Group are considered related party transactions in accordance with the accounting standards.

28. Related parties (continued)

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

		Debt securities held	Derivative assets	Loans and receivables to banks	Deposits by banks (including central banks)	Derivative liabilities
		€m	€m	€m	€m	€m
Irish Bank Resolution Corporation						
	30 June 2012	**130**	**-**	**-**	**-**	**-**
	31 December 2011	131	-	-	-	-
EBS Limited						
(formerly Educational Building Society)	**30 June 2012**	**138**	**-**	**-**	**-**	**-**
	31 December 2011	146	-	174	-	-
Allied Irish Bank plc						
	30 June 2012	**167**	**3**	**-**	**-**	**15**
	31 December 2011	239	1	29	-	17
Bank of Ireland						
	30 June 2012	**220**	**-**	**-**	**-**	**-**
	31 December 2011	255	-	103	78	-

29. Reclassifications

Reclassifications for the Group in respect of the 2011 comparatives on the condensed consolidated income statement are as follows:

Six months ended 30 June 2011		As previously reported	Adjustment	Restated
		€m	€m	€m
a)	Interest payable	(570)	(7)	(577)
	Depreciation and amortisation			
	Intangible assets	(9)	7	(2)
b)	Administrative expenses	(160)	34	(126)
	Restructuring costs	-	(34)	(34)
c)	Interest receivable			
	Loans and receivables to customers	556	(47)	509
	Interest payable			
	Due to customers	(244)	47	(197)

a) The €7m restated from depreciation and amortisation to interest payable relates to the amortisation of the core deposit intangible, as disclosed in Note 10, Intangible assets. This is now presented as interest payable as the core deposit intangible arose from the acquisition of the deposit book of business of Irish Nationwide Building Society which are interest bearing liabilities, and more appropriately reflects the cost of the funding of these liabilities.

b) The €34m restated from administrative expenses to restructuring costs relates to cost associated with the voluntary severance scheme operated by the Group in 2011 of €43m and a one-off pension curtailment gain of €9m. These costs were restated to enhance comparability to the users of the 2012 Half Year Report.

c) The €47m restatement to interest receivable and interest payable is due to the more appropriate realignment of the interest income and interest expenses in the comparative period. This reclassification was required to enhance comparability to the users of the 2012 Half Year Report.

There is no impact on the opening statement of financial position as a result of any of the above changes and, as a result, a restated statement of financial position was not required.

30. Reporting currency and exchange rates

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

The following tables shows, for the periods and dates indicated, the average and closing rates used by the Group:

	30 June 2012	30 June 2011	31 December 2011
€ / £ exchange rate			
Closing	**0.8068**	0.9026	0.8353
Average	**0.8220**	0.8775	0.8713
€ / US$ exchange rate			
Closing	**1.2590**	1.4453	1.2939
Average	**1.3027**	1.4241	1.4001

31. Events after the reporting period

The following non-adjusting event occurred between the reporting date 30 June 2012 and the date when the financial statements were approved for issue by the Board of Directors being the 28 August 2012.

Voluntary Severance Programme and Branch closures

On 24 July 2012, permanent tsb Group Holdings plc announced details of a new Voluntary Severance Scheme ("VSS"). The objective of the VSS is to reduce the staff cost base with a reduction in staff numbers. The VSS will open on 31 August 2012 and it is expected that the reduction will be achieved in 2012.

On the same date the Group announced details of a branch reorganisation, which will include the closure and amalgamation of some branches while others will become self service locations. This reorganisation will be completed by December 2012.

Responsibility Statement
For the six months ended 30 June 2012

We, being the Board of Directors and persons responsible within permanent tsb Group Holdings plc, confirm that to the best of our knowledge:

(a) the Half Year Report comprising the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes to the condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

(b) the Half Year Management Report includes a fair review of the information required by:

i. *Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

ii. *Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being related party transactions that have taken place in the first six months of the current financial year and that have materiality affected the financial position or performance of the entity during the period; and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board:

Alan Cook **Chairman**	**Jeremy Masding*** **Group Chief Executive**

*On 20 February 2012, Jeremy Masding succeeded David Guinane as Chief Executive of the Group's banking subsidiary, permanent tsb plc. He subsequently joined the Boards of permanent tsb plc and permanent tsb Group Holdings plc on the 28 February 2012. Following the sale of the Irish Life Group on 29 June 2012, Jeremy Masding succeeded Kevin Murphy as Chief Executive of permanent tsb Group Holdings plc.

Independent Review Report to permanent tsb Group Holdings plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed consolidated Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 ("the TD Regulations") and the Transparency Rules of the Central Bank of Ireland. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the TD Regulations and the Transparency Rules of the Central Bank of Ireland.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations and the Transparency Rules of the Central Bank of Ireland.

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates a number of material economic, political and market risks and uncertainties that impact the Group and the Irish banking system. These include approval of a restructuring plan for the Group by its key stakeholders, together with the Group's continuing ability to access funding from the Eurosystem and the Irish Central Bank to meet its liquidity requirements. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern. The condensed financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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29 August 2012